Case Number: 2016-0152-F

FOIA MARKER

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Folder Title:
Chron File - July 1994 #1 [2]
Staff Office-Individual:
Defense Policy-Bell, Robert
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265

Row:	Section:	Shelf:	Position:	Stack:
31	3	4	3	V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re: Part I Significant Military Exercise Brief. [Infinite Moonlight 94-1] (2 pages)	06/17/1994	P1/b(1)
002. memo	For Lynn Davis, Walter Slocombe, Charles Curtis et al from Robert Bell. Subject: Reciprocal Data Exchange. (1 page)	07/08/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 265

FOLDER TITLE:

Chron File - July 1994 #1 [2]

2016-0152-F
vz4594

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]

5440

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

INFORMATION

MEMORANDUM FOR ANTHONY LAKE

FROM: ROBERT BELL RGB

SUBJECT: Administration Policy on Gays in the Military

The attached status report on Administration policy concerning gays in the military, prepared by OSD/GC, is provided for back-up to the President's visit to Ramstein AFB on Monday. I previously provided the trip delegation with material on the Martin case, which is scheduled to go to trial at Ramstein on Monday.

Attachment
Tab I Status Report

HOMOSEXUAL CONDUCT IN THE ARMED FORCES: STATUS REPORT

Background

- Effective February 28, 1994, separation cases for homosexual conduct are being processed under the new statute and regulations. Under the new policy, all discharges are based on conduct and not sexual orientation.

- Homosexual discharges have been declining over the last few years: FY91: 949; FY92: 708; FY93: 682; FY94 through April (7 mos.): 279 (projects to 478). Those discharges constitute less than two-tenths of one percent of all military discharges each year. It is too early to determine the impact of the new policy on future totals.

New Policy Outline

- **Accessions:** No applicant may be asked about his or her sexual orientation as part of the accession process.

- **Separations:** The three bases for separation are homosexual acts, same sex marriages or attempted marriages, and statements by an individual that he or she is a homosexual or bisexual (or words to that effect). In the latter case, the individual will not be discharged if he or she can rebut the presumption, raised by the statement, that he or she engages in homosexual acts or has an intention or propensity to engage in such acts.

- **Investigations:** Investigations must be conducted in an evenhanded manner, without regard to whether alleged sexual misconduct involves homosexual or heterosexual conduct. No investigation may be conducted solely to determine a servicemember's sexual orientation. Absent aggravating circumstances, allegations of sexual misconduct must be referred to the servicemember's commander. Only if the commander determines that there is credible information of sexual misconduct by a particular servicemember may he or she request or direct an investigation of that misconduct.

- **Personnel Security:** No investigation or inquiry will be conducted solely to determine a subject's sexual orientation, and questions pertaining to an individual's sexual orientation will not be asked on personnel security questionnaires. Sexual orientation *per se* is not a basis for denying a security clearance. Information about sexual orientation learned during a security clearance investigation will not be used for purposes of administrative separation.

- **Military Training:** As part of training that will occur upon entry and periodically thereafter, servicemembers will be informed of the DoD policy on sexual conduct, including homosexual conduct.

Pending Litigation Concerning the Former Policy

- The Department has defended decisions taken under the former policy, because that was the DoD policy observed and enforced prior to February 28, 1994, and it is believed to be constitutional. It is also necessary to defend the former policy to the extent that opponents may try to cite adverse judicial decisions as precedent in new policy cases.

- In Cammermeyer, a federal district judge in Seattle held that the former policy is unconstitutional and ordered the Army to reinstate Col. Cammermeyer, a decorated Army nurse, to her former position in the Washington State National Guard. The judge held that the policy is based solely on the prejudice of heterosexual servicemembers and, as such, violates the equal protection component of the Due Process Clause. He expressly declined to interfere with enforcement of the new policy for any actions Col. Cammermeyer may take after her reinstatement.

    - The Department has appealed this ruling and has sought a stay from the Court of Appeals. A decision on the stay application is expected by July 7.

    - Contrary to the judge's opinion, the military's principal concern is not "prejudice" but unit cohesion and readiness. The goal of the policy is to eliminate conduct that interferes with those objectives.

- In Steffan, a panel of the D.C. Circuit held that the former policy was unconstitutional in the case of a midshipman at the U.S. Naval Academy. The panel directed the Department to graduate and commission him.

    - The full court of appeals in D.C. granted rehearing *en banc* and heard arguments in May. The full court has not yet ruled.

- In Meinhold, a Ninth Circuit panel heard argument in December 1993 on the constitutionality of the former policy as applied to a Navy seaman. It has not yet ruled.

- In addition to the most recent rulings of the courts in

Cammermeyer, Steffan, and Meinhold, other district courts have held the former policy unconstitutional in recent months. Many federal courts, including courts of appeals, have also upheld the former policy.

Pending Litigation Concerning the New Policy

- In Able v. Perry, a federal district judge in Brooklyn has issued a preliminary injunction prohibiting enforcement of the new policy against six plaintiffs (4 reserve, 1 Coast Guard and 1 Navy), relying principally on First Amendment grounds. The injunction affects only the six plaintiffs, and does not otherwise interfere with enforcement of the new policy.

  - The policy should not be deemed in violation of the First Amendment because it is conduct-based. Statements serve as a basis for discharge only when they indicate that a person has engaged in acts or is likely to engage in acts. The policy permits servicemembers to demonstrate that notwithstanding their statements, the have not and will not engage in prohibited acts.

- We are only in the early stages of resolving the constitutionality of the new policy in the courts. This process will take time and may ultimately require a decision by the Supreme Court.

Steps Implementing the New Policy on Investigations

- Each Service has issued training materials relating to the new policy, including the new restrictions on investigations of sexual conduct.

- The Deputy Secretary of Defense has met with the senior civilian and military leadership of the Services to reinforce the Department's commitment to ensuring that implementation of the policy is proper and appropriately monitored. Those efforts are ongoing.

- The Navy has been asked to investigate the one specific instance of non-compliance called to the attention of the Department -- at a Marine Base (Camp Hansen) on Okinawa. If that investigation were to substantiate the allegations, proper corrective measures would be taken.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT G. BELL RGB

FROM: STEVEN R. JONES

SUBJECT: Senator Feinstein Letter RE: B-2 Production in California

Senator Feinstein has written Mack McLarty regarding the B-2 stealth bomber, asking for Administration support for the $150 million added by the Senate to preserve an option for one year to sustain B-2 production beyond 20 aircraft. On July 1, the Senate voted 55-45 to reject a Levin-Leahy Amendment that would have struck the $150 million from the bill. Since the House did not approve any additional B-2 funding, this issue will have to be resolved in House-Senate authorization conference.

The proposed reply to Senator Feinstein at Tab A is consistent with recent Perry and Deutch letters (Tabs B and C).

As this $150 million B-2 funding issue heads for the House-Senate authorization conference, you, Mack and others need to discuss and confirm the Administration's position with Secretary Perry and Deputy Secretary Deutch. The proposed response to Senator Feinstein at Tab A reiterates the previous DoD positions. We should realize, though, that since the $150 million will now be a conference issue the Administration will need to decide whether to continue to oppose the funding outright or negotiate at some point with Senator Nunn on some form of compromise.

Concurrences by: Bill Danvers, Gordon Adams (OMB) In Draft In Draft

RECOMMENDATION

That you and Susan Brophy forward the memorandum at Tab I to Mack McLarty which includes a letter to Senator Feinstein for his signature.

Attachments
Tab I Memorandum for Mack McLarty
    Tab A Response to Senator Feinstein
    Tab B Secretary Perry February 23 B-2 Letter
    Tab C Defense Secretary Deutch June 22 B-2 Letter
Tab II Incoming Correspondence

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR MACK McLARTY

FROM: ANTHONY LAKE
SUSAN BROPHY

SUBJECT: Senator Feinstein Letter RE: B-2 Production in California

Purpose

To respond to Senator Feinstein's June 20 letter regarding the B-2 stealth bomber, asking for Administration support for the $150 million added by the Senate to preserve an option for one year to sustain B-2 production beyond 20 aircraft.

Background

The Administration requested $891.2 million for the B-2 program this year in support of the $44.4 billion B-2 program agreed upon in 1992 by the Congress and President Bush, and endorsed by President Clinton. Our FY 94 and FY 95 budget requests did not provide for more than 20 aircraft, nor did they preserve the industrial base required to maintain an option for more than 20.

The House members (especially Dellums-Kasich) are adamant that the 20 aircraft agreement be maintained. However, the California delegation, Northrop and some parts of the Air Force have been campaigning for more than 20. Their argument is that tens of thousands of jobs are at risk (many in California), the B-2 is our only remaining bomber production line, that each B-2 beyond 20 could be bought for "only" $595 million (vice $828 million for each of the first 20), and that we don't have enough bombers to make the BUR whole.

As a result, the SASC included $150 million to preserve as an option for one year to sustain B-2 production beyond 20 (the last bomber is now slated to come off the line in 1998), but did not authorize production of the 21st B-2. On July 1 Senator Levin offered an amendment to remove this $150 million and transfer it to base closures. In a 55-45 role call vote, the Senate rejected the Levin amendment and maintained the $150 million B-2 add-on. This issue will now go to conference.

Perry and Deutch letters this year to Feinstein and Levin in February and June (Tabs B and C) stated the Administration's position that we support neither further purchases of B-2 aircraft beyond the 20 authorized, nor added funding for the bomber industrial base to support additional B-2 production beyond the 20. Our concern remains that additional funding and production of the B-2, while highly desirable, would most likely have to come at the expense of military readiness.

The proposed reply to Senator Feinstein at Tab A is consistent with the Perry and Deutch letters.

RECOMMENDATION

That you send the letter at Tab A to Senator Feinstein.

Attachments

Tab A	Response to Senator Feinstein
Tab B	Secretary Perry February 23 B-2 Letter
Tab C	Defense Secretary Deutch June 22 B-2 Letter

THE WHITE HOUSE

WASHINGTON

Dear Dianne:

Thank you for your letter of June 20th regarding the B-2 bomber program and the bomber industrial base.

In his February 23 letter to you, Secretary Perry emphasized that given his deep personal convictions about the military importance of stealth for nearly two decades, he was determined that the Administration make the right decision concerning our stealth bomber production capacity. I share his view that we have indeed gotten this one right.

In a June 22 letter to Senator Levin, Deputy Secretary Deutch outlined the Administration's rationale for not supporting further purchases of B-2 aircraft beyond the 20 authorized or actions that would contribute to that end. Although the Senate voted to authorize funding for the bomber industrial base for FY 1995, the President's principal concern remains that we simply cannot afford additional B-2 aircraft in the following years.

Again, thank you for your letter. I want to assure you that this Administration is committed to ensuring that the B-2 program and other equally critical elements of our overall defense program are properly balanced to meet the formidable challenges confronting our national security.

Sincerely,

Thomas F. McLarty
Chief of Staff to the President

The Honorable Dianne Feinstein
United States Senate
Washington, D.C. 20510

B-2

THE SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1000

February 21, 1994

Honorable Dianne Feinstein
United States Senate
Washington, D.C. 20510

Dear Dianne,

Thank you for your recent letter about protecting our defense industrial base and our bomber production base. As you know, I very much share your conviction that we must preserve our ability to develop and build what we militarily need as we contract our forces.

To do this right will be as hard as it is important. Since we won't have enough money to protect all our traditional industrial base, we could jeopardize our most critical assets unless we invest strategically. This means we must carefully and freshly define the most essential and fragile segments of our defense industries and then find the resolve to discipline our defense budgets accordingly.

Last year we took a major step towards an investment strategy when we defined our post-Cold War military requirements in the Bottom-Up Review. This effort produced a solid basis for the investment choices we are proposing to protect our industrial base over the next five years and especially in the FY 1995 budget.

This year we are taking the next step. In January, I initiated a systematic inventory of our entire defense industrial base, segment by segment, to deepen our understanding of which elements would be most difficult to replace. We are identifying the industrial capabilities which are unique to defense and thereby not easily recoverable from civilian industry if we fail to protect them with defense dollars. We also expect to identify defense industrial capacities which are virtually not recoverable at all, even at great expense over time. For example, it would be almost impossible to replace resilience, and recertify the industrial assets we now use to produce nuclear reactors for our submarines.

The combination of the these two efforts should help us refine our investment strategy, so we can continue to protect the most critical parts of our general defense industrial base in later budgets.

One of the most difficult questions we have thus far faced in our strategic planning about our defense industrial base is the one you raised about our stealth bomber production capacity. Given my deep personal convictions about the military importance of stealth for nearly two decades, you can well imagine why I have wanted to make sure we get this one right. And I believe we have.

First, we have fully budgeted the funds necessary to complete the $44.4 billion B-2 program agreed upon in 1992 by the Congress and President Bush and endorsed by President Clinton. This year alone we requested [illegible] for the B-2 program, one of the largest requests in DOD's FY 1995 budget, even though the competition for funds is extraordinarily fierce. The program we are fully funding will not only produce the superior military capabilities of 20 operational B-2 bombers, but it will also provide us with a wealth of manufacturing technology and experience that our defense industry will draw on in our development and procurement of other systems, even after the B-2 line closes down.

Second, we have been making every effort to stabilize the program in practical ways within the funding the Congress has provided. Last year, with your help, we worked with the conferees on the FY 1994 Defense Authorization bill, so that they accepted our certification of the sound management of the program. They therefore released the funds from previous years which were so critical to the financial stability of the program. We also deferred the movement of some B-2 logistical support from Palmdale and Pico Rivera.

I have carefully considered your suggestion that we should have also added money to support the B-2 production line beyond what would be needed to complete the 20 authorized planes. For several reasons I still believe our decision not to do so is still the right one.

We should recognize now that any additional money added next year to sustain the B-2 line would be only the tip of a budget wedge. The large amounts required either to buy more B-2's or to sustain the B-2 production line without producing more planes would have to be taken from more pressing military priorities. Our investment strategy over the next few years quite deliberately protects military readiness by limiting weapon modernization, and [redacted]

We should also beware of the possible consequences of reopening the debate on the B-2. One of the most devilish threats to any weapons program is instability — financial and political. For years, the B-2 program was plagued by not knowing how many planes we were going to build or how much money would be available. Whatever one's personal views on the substance of the 1992 B-2 agreement, it has given the program an essential stability so that we are now able to get the job done.

In sum, our FY 1995 B-2 request is a necessary part of an overall investment strategy. It fully supports our most essential priorities for the B-2 — to complete the 20 authorized aircraft, to ensure they can perform their military missions, and to manage the program well so that we can live within the fiscal constraints of the DOD budget and the 1994 cost cap.

I look forward to continuing to work with you, and I always appreciate your support.

Sincerely,

Bill Perry

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-1000
22 June 1994

Honorable Carl Levin
United States Senate
Washington, D.C. 20510

Dear Senator Levin:

This is in response to your recent inquiry about the Department's possible interest in additional B-2 aircraft beyond the 20 currently authorized. Based on a careful analysis of the industrial base, warfighting, and budgetary implications of an enlarged B-2 fleet the Department cannot support further purchases of B-2 aircraft or actions that would contribute to that end.

The Department has taken the necessary steps to deal with B-2 industrial base and programmatic issues. As you know, the [redacted]n. Even in these difficult budgetary times we have included [redacted]t to produce an aircraft with superior military capabilities, as well as to provide us with a wealth of manufacturing technology and experience that our defense industry will draw on in our development and procurement of other systems, even after the B-2 line closes down.

Working with the Congress the Department has been making every effort to stabilize the program from both a management and financial perspective. The Department's certification of the sound management of the program -- as required by the National Defense Authorization Act for Fiscal Year 1994 -- was a major step in settling outstanding issues in this regard. Therefore, the introduction of additional funding uncertainty in the future of the B-2 program would be an unfortunate return to a period that we have put behind us.

The Department has continuously examined the role of the B-2 from a warfighting perspective within the context of our ongoing analysis of the bomber force. No requirement has emerged from this analysis to change the recommendation in the Bottom Up Review for 20 B-2 aircraft.

Finally, absent an unlikely budget windfall for Defense or a radical shift in our budget priorities, we simply can't afford additional B-2 aircraft. The billions of dollars that would be needed to sustain such an effort are not affordable. Funds for additional aircraft would have to be taken from higher priority Defense needs that support the readiness and modernization of our forces and a viable support infrastructure.

When fielded, the authorized force of 20 B-2s will make a substantial contribution to our nation's defense. The Department's careful stewardship of this program -- working in harmony with the Congress -- ensures that essential industrial base tasks will be completed.

I trust this letter responds to your questions and stand ready to provide further details if needed.

John M. Deutch

5302

From the Office of the Chief of Staff

LYNDA RATHBONE

~~Bill Burton, Policy Director~~

Phone: 202/456-6798 Fax: 202/456-~~2271~~ 2464

Date: 6/28 Response needed by: ASAP

	Action	FYI		Action	FYI
Joan Baggett			DeeDee Myers		
Lee Brown			Bernie Nussbaum		
Rahm Emanuel			Leon Panetta		
Mark Gearan			John Podesta		
David Gergen			Jack Quinn		
Jack Gibbons			Carol Rasco		
Pat Griffin			Bob Rubin		
Marcia Hale			Ricki Seidman		
Alexis Herman			George Stephanopoulos		
Nancy Hernreich			Laura D'Andrea Tyson		
Harold Ickes			Christine Varney		
Mickey Kantor			David Watkins		
Phil Lader			Maggie Williams		
Tony Lake			NSC	X	
Bruce Lindsey					
Ira Magaziner					
Katie McGinty					

Remarks: PLS. SEE ATTACHED LETTER. MACK HAS ASKED FOR DRAFT LANGUAGE IN RESP. TO SEN. FEINSTEIN. MY # IS x61972.

THANK YOU.

Response: (WE HAVE ALSO SENT THIS TO OMB FOR COMM

DIANNE FEINSTEIN
CALIFORNIA

COMMITTEE ON APPROPRIATIONS
COMMITTEE ON THE JUDICIARY
COMMITTEE ON RULES AND ADMINISTRATION

United States Senate

WASHINGTON, DC 20510-0504

JUN 27 1994

June 20, 1994

Mr. Thomas F. McLarty, 3rd
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mack:

I am writing to request White House support for the B-2 "stealth" bomber program, which is particularly important to the State of California.

I have personally visited the B-2 production facility in Palmdale, California, received a comprehensive briefing on the program, and spoken to Air Force test pilots. I strongly believe that the B-2 is an important program to U.S. national security and will help keep America strong well into the next century. The B-2 is capable of penetrating deep into enemy territory, unescorted and undetected, and dropping precision guided conventional "smart" bombs right on target. The B-2 is also the only bomber that can take off from a base in the United States, strike anywhere in the world with only one mid-air refueling, and return safely home. Because fewer unescorted B-2 aircraft due the job of scores of other bombers, fighters and tankers, I am convinced that the stealth technology of the B-2 puts fewer lives at risk and is, in the long-run, cost-effective.

As you may know, the Senate Armed Services Committee recently provided $150 million in FY95 to preserve the bomber industrial base for one year. However, there will most likely be an attempt on the Senate floor to eliminate this provision from the Defense Authorization Act. I believe that support from the Administration is key to maintaining these needed funds.

The dissolution of the only bomber production facility in the United States is of great concern to me. The first operational B-2 bomber was delivered to the Air Force on December 17, 1993. By the end of this year, five B-2 aircraft will be operational and the last B-2 will be well into final fabrication at the assembly facility in Palmdale.

The Bottom-Up Review (BUR) endorsed a force of up to 184 long-range bombers, with 100 bombers needed for a single major regional conflict. However, due to a lack of assets, the Air Force cannot meet this stated military requirement today, nor will they be able to in the future under current plans. As a follow-up to the BUR, the Pentagon is conducting a "roles and missions" study of its fighting forces, including long-range bombers. This study will not be complete until next year, and may very well recommend that the U.S. needs additional long-range bombers.

Unless action is taken in FY95 to preserve the B-2 industrial base, the only bomber production facility in the nation will virtually evaporate within a few years. Once the B-2 industrial base disappears -- including all the facilities, skilled workforce, key suppliers and management capability -- it is unlikely that the budget resources will be available in the future to recreate the more than $20 billion already invested in the program.

Additionally, the BUR endorsed the concept of sustained production of submarines, tanks and aircraft carriers to ensure the industrial capability to meet future inventory requirements. The same logic would seem to apply to long-range bomber production capability. A modest investment in FY95 -- not requiring a commitment to new aircraft -- would hold the B-2 industrial team together until further consideration can be given to the future of the B-2 force.

The defense industrial base, particularly the bomber industrial base, is a vital national security asset that must be preserved. This is especially true in California, where nearly 15,000 high-quality, high-skilled jobs directly depend on the B-2 program.

I urge the White House to support the Senate Armed Services Committee's recommendation to provide $150 million in FY95 to preserve the bomber industrial base. I believe your support is needed on this important issue. With the Defense Authorization Act on the Senate floor as early as this week, I look forward to your favorable response as soon as possible.

Sincerely,

Dianne Feinstein

DF:ram

20818

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

MEMORANDUM FOR NANCY SODERBERG

THROUGH: ROBERT G. BELL RGB

FROM: STEVEN P. ANDREASEN SPA

SUBJECT: Request for Annual Leave

I wish to travel to Lincoln, Nebraska on the morning of Friday, July 8, returning Sunday night, July 10.

While in Lincoln, I can be reached at: 402-488-5111

I intend to take annual leave on July 8.

Approve________ Disapprove________

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9420818
RECEIVED: 07 JUL 94 16

TO: SODERBERG

FROM: ANDREASEN

DOC DATE: 07 JUL 94
SOURCE REF:

KEYWORDS:

PERSONS:

SUBJECT: NSC STAFF REQUEST FOR LEAVE

ACTION: SODERBERG APPROVED RECOM   DUE DATE: 11 JUL 94   STATUS: C

STAFF OFFICER: ANDREASEN   LOGREF:

FILES: ADMIN   NSCP: CODES:

DOCUMENT DISTRIBUTION

FOR ACTION	FOR CONCURRENCE	FOR INFO
		ANDREASEN
		BELL
		NSC CHRON

COMMENTS:

DISPATCHED BY ____________ DATE ________ BY HAND W/ATTCH

OPENED BY: NSJEB   CLOSED BY: NSASK   DOC 1 OF 1

UNCLASSIFIED

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	SODERBERG	Z	94070807	FOR DECISION
001		X	94070807	SODERBERG APPROVED RECOM

National Security Council
The White House

PROOFED BY: BB

LOG # 20818

URGENT NOT PROOFED: ________

SYSTEM PRS NSC INT

BYPASSED WW DESK: ________

DOCLOG BB A/O ________

	SEQUENCE TO	HAS SEEN	DISPOSITION
Reed	1	JWR	
Kenney			
Itoh			
Soderberg	2	4	
Berger			
Lake			
Situation Room			
West Wing Desk	3		N
NSC Secretariat			

A = Action I = Information D = Dispatch R = Retain N = No Further Action

cc: VP McLarty Other ________

Should be seen by: ________
(Date/Time)

COMMENTS:

Request for leave
Jul 8-10

DISPATCH INSTRUCTIONS:

20818

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

MEMORANDUM FOR NANCY SODERBERG

THROUGH: ROBERT G. BELL RGB

FROM: STEVEN P. ANDREASEN SPA

SUBJECT: Request for Annual Leave

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While in Lincoln, I can be reached at: 402-488-5111

I intend to take annual leave on July 8.

Approve W Disapprove ________

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

FROM: ROBERT BELL RGB

SUBJECT: New York Times Article on Military Readiness

Per Nancy's and Tara's request, I have prepared the attached memo to the President critiquing the July 5 New York Times article on military readiness and making recommendations for our overall handling of this issue in conjunction with the impending release of the "Meyer Report" on readiness.

Concurrence by: Tara Sonenshine TS

RECOMMENDATION

That you forward the memorandum at Tab I to the President.

Attachments
Tab I Memo to the President
Tab A New York Times Article
Tab B Excerpt from Admiral Mauz's Speech

THE WHITE HOUSE

WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: New York Times Article on Military Readiness

Purpose

To provide you with a critique of a recent New York Times article on military readiness.

Background

On July 5, the New York Times' front page featured an article by Eric Schmitt on military readiness (Tab A). The article was fairly balanced, noting that there is an on-going debate as to whether recent budget cuts have compromised readiness. On the positive side, the article quoted Senator McCain as saying: "Readiness and capability are good right now, but the cracks are beginning to show." It also quoted Admiral Owens' defense of our readiness status: "We are not on the razor's edge of readiness. It is our highest priority to never undercut our readiness." On the other hand, the article included quotes from three senior military commanders (General Sullivan, General Carns and Admiral Mauz) ascribing a high degree of risk to our current readiness posture. The author himself conceded the picture was "complicated" and noted that while U.S. armed forces "are clearly being asked to do more with less" and there are "real" warning signs, "much of what is being cut is fat, and some commanders are finding cost-cutting innovations that do not harm readiness."

Given the balanced nature of this article, I do not believe we need to respond to it with a counterpoint op-ed. However, I do believe we need to work very closely with Secretary Perry to prepare for the impending release of the "Meyer Report" on readiness.

You will recall that last year then-Secretary Aspin established a blue ribbon panel of former military officers led by former Army Chief of Staff Edward "Shy" Meyer to advise him on readiness. This panel, known officially as the Defense Science Board Task Force on Readiness, issued an interim report in February. The interim report concluded that although there are "some downward indicators," the general readiness posture of our military is at present "acceptable." The report emphasized that many of the downward indicators stem from the turbulence associated with the continuing downsizing of the defense establishment and will

cc: Vice President
Chief of Staff

subside as we adjust to the new defense environment. The report also noted the aggressive program Defense has undertaken to counter any drift toward a "hollow force," including the fact that your FY 1995 defense budget request features a 5.6% increase in O&M funding even though the force structure will decline next year by 7%.

The final report of the Meyer panel, which is currently being reviewed by Defense and is tentatively scheduled to be released in mid-July, will be widely regarded as an important reality check on the state of our readiness. The good news is that it reaffirms the basic conclusions of the interim report in February and assesses current readiness levels as adequate. We should, therefore, use the occasion of the release of this report to make our case that we are in fact protecting readiness and giving it the top priority it warrants. I will coordinate with Bill on a game plan for this event.

One final note: Admiral Mauz, Commander of the Atlantic Fleet, is quoted in the article as saying: "I don't think the President understands the implications of this budget, and just how risky it is." We looked into this and found out that the reporter was not present at the speech. I have attached at Tab B the transcript of what the Admiral actually said. The transcript makes it clear that he was not being critical of you but rather was making the more general point that given the uncertainties of the post-Cold War security environment, none of us probably knows for sure what the level of risk is in our budgets. We have suggested to the Admiral that he write a letter of clarification to the paper.

Attachments
Tab A New York Times Article
Tab B Excerpt from Admiral Mauz's Speech

Military Making Less Into More, But Some Say Readiness Suffers

By ERIC SCHMITT
Special to The New York Times

CAMP PENDLETON, Calif. — At this sprawling Marine Corps base, which would send thousands of marines to the Korean peninsula if war erupted there, Col. Jeff Scheferman is busy training troops on a no-frills budget.

Marines practice shooting at homemade papier-mâché dummies instead of costly cardboard targets. Officers run command-post drills outside their office windows and pretend to be in the field to avoid using expensive batteries. Marines trek 17 miles to their training ranges to conserve truck fuel, tires and maintenance.

"The trade-off is that they spend one day hiking up and one day hiking back when they could be doing something else, but we're trying to get a bigger bang for our dollar," said Colonel Scheferman, the regimental commander the 3,000-member Fifth Marines.

As the Pentagon budget dwindles, a debate is raging over whether the cuts are compromising military readiness. Some lawmakers and many commanders say the Clinton Administration is cutting too far, too fast, and spending much of what is left on weapons like the $2.4 billion Seawolf submarine instead of on training and pay raises for troops.

"Readiness and capability are good right now, but the cracks are beginning to show," said Senator John McCain, an Arizona Republican on the Armed Services Committee who was a career Navy officer.

Military surveys show that fewer young men and women want to join the armed forces, but the trend is more pronounced among men. The United States' shrinking ranks are serving in more peacekeeping and humanitarian missions, from Iraq to Haiti, and divorce rates are rising in some units whose troops are away from home two-thirds of the year or more. To pay for training, many commanders are deferring maintenance on equipment like trucks helicopters and even warships.

Administration officials, not wanting to appear soft on national defense but needing Pentagon savings to help pay for domestic programs, say their budget pays for smaller forces that are still well-trained and well-equipped. Pentagon officials say they are closely watching potential trouble spots and suggest that some commanders are crying wolf to stave off more cuts.

Even the Joint Chiefs of Staff are divided on the issue. Gen. Gordon R. Sullivan, the Army Chief of Staff, says the Army is on "the razor's edge of readiness." But Adm. William A. Owens, the vice chairman of the Joint Chiefs, disagrees, saying tersely: "We are not on the razor's edge of readiness. It is our highest priority to never undercut our readiness."

The potential political fallout for the White House is enormous. No Administration dares to be blamed for causing a return to the "hollow forces" of the late 1970's, when Army units were severely undermanned, drug use soared and morale plummeted.

Warning Signs Are Real

Visits to a half dozen bases nationwide, as well as interviews with military and civilian Pentagon officials in Washington, suggest a complicated answer. The armed forces are clearly being asked to do with The warning signs of potential problems are real. But much of what is being cut is fat, and some commanders finding cost-cutting innovations that do not harm readiness.

At Eglin Air Force Base in Florida, commanders say they have saved more than $1 million in the past largely by repairing parts rather than buying new ones. For exa , it costs $315 to fix an oil-pressure gauge that costs $2,296 new. The Mechanized Infantry Division at Fort Stewart, Ga., is saving thousands of dollars a year by using fewer portable toilets on field exercises substituting video-conferences for travel.

"When the budgets come it makes us more inventive," said Rear Adm. Dennis C. Blair, commander of the battle group with the aircraft carrier Kitty Hawk. "The trouble is that, with a few exceptions, we don't reward efficiency and innovation. We haven't institutionalized it."

Indeed, the armed forces still struggling to adjust to the end of the cold war budgets after years of largesse in the Reagan Administration. President Clinton has pledged to military spending by more than $ billion by 1997, and to reduce the military to 1.45 million troops by from 1.3 million in 1992.

LESS...Pg. 18

LESS...from Pg. 1

Facing Greater Risk

But with American ships steaming off Haiti and the former Yugoslavia, warplanes patrolling no-flight zones in northern and southern Iraq, and Army forces in Macedonia and Saudi Arabia, commanders say they are being asked to do more with less. This higher operating tempo has strained equipment and troops and will lead to serious problems if unchecked, commanders say. "Over the long run, the military will have to accept more risk," said Gen. Michael P. C. Carns, who was the Air Force's vice chief of staff until recently.

More broadly, some senior officers express unusually blunt criticism that the Administration's budget cannot pay for the forces needed to carry out the military's stated goal of being able to fight and win two regional wars nearly simultaneously.

"I don't think the President understands the implications of this budget, and just how risky it is," Adm. Henry H. Mauz Jr., commander of the Navy's Atlantic Fleet, said in late May at a symposium in Fort Worth.

The White House and Pentagon insist that maintaining combat readiness is a top priority. The Pentagon has formed a council, headed by Deputy Defense Secretary John M. Deutch to oversee readiness. Defense Secretary William J. Perry has proposed increasing the Pentagon's operations and maintenance budget to $93 billion in 1995 from $88 billion this year. But only about 20 percent of that $5 billion difference would go toward activities directly related to combat preparation, with the rest going toward purposes like civilian Pentagon employee pay raises.

Readiness Tough to Measure

But measuring and maintaining readiness is still an elusive issue. "We t precisely [redacted] to budget for readiness," said Edwin Dorn, Unde: ___ary of Defense for Personnel and Readiness. "We do know the relationship between a dollar input into maintenance or operations, and output in terms of one of these readiness measurements."

When commanders talk about the essential components of readiness, they cite three areas: personnel and quality of life issues, modernization of equipment and training. The armed services have detailed measurements of current readiness, but are virtually blind when looking ahead several years.

The most immediate concerns center on personnel. Although 1993 was the Pentagon's third-best year for recruiting quality — behind 1991 and 1992 — surveys show that fewer young men want to enlist. The military is now actually paying people to leave, so this may not pose a serious problem until the armed forces increase their recruiting goals toward the end of the decade.

Keeping the military's best people in uniform is a more pressing problem. The overall gap between civilian and military wages is 12 percent and growing.

The Administration proposed a pay freeze on military salaries last year and only a 1.6 percent increase this year, which is below the rate of inflation.

"A 1.6 percent pay raise is an insult, especially with the longer working hours and less time at home," said Master Chief Petty Officer Mike Cronin, the senior enlisted sailor on the carrier Kitty Hawk.

Military personnel live rent-free in military housing or receive allowances to live off base, but commanders have been forced to defer renovations or new construction to pay for training, maintenance and other bills.

Specialized units are spending more time overseas and on exercises. Some Patriot anti-missile crews are on their fifth six-month overseas tour since the Persian Gulf war. Many marine battalions are gone 60 percent of the

Divorces t common in the Air Force's F-4G t attack plane squadron, where the same small group of pilots are rotated through assignments in northern and southern Iraq every few months. "I don't have much a family left," said Maj. Gary Gray, an F-4G pilot who is separated from his wife of 16 years.

Grumbling over pay, housing and deployment rates, many troops are looking toward the exit. "I'd been considering the Navy for a career, but not now," said Petty Officer 3d Class Matt Gielow, a 26-year-old seaman on the destroyer Curtis Wilbur.

For the next few years, Secretary Perry is delaying modernization of most weapons and equipment, counting on savings from base closings and streamlined acquisition practices to allow replacement of equipment by the end of the decade.

Combat troops credited their lopsided victory over Iraq largely to rigorous training. So the military has shielded training from deep par- ticularly for troops who would be the first sent to fight.

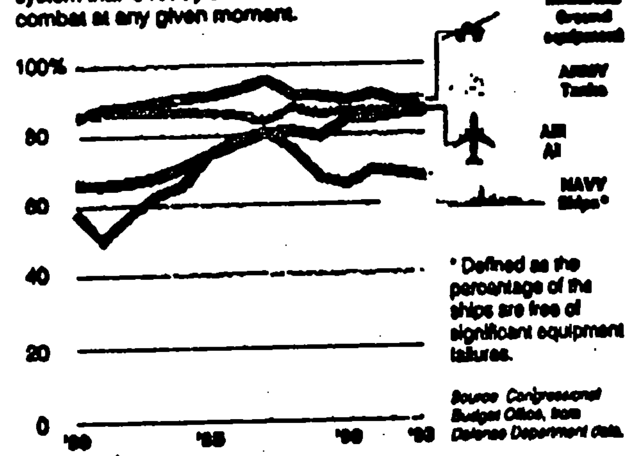
But commanders are juggling tough choices between paying training and for morale-boosting items, like child-care centers. Gen. David Maddox, the top Army commander in Europe, reduced crews to 600 training miles a year from 800 miles in 1993 to ___ money into base housing.

In another cost-saving step, troops increasingly rely on sophisticated computerized simulators to practice dog fights and tank battles.

INVENTORY

How Prepared?

The percentage of each kind of weapon system that is ready and available for combat at any given moment.



* Defined as the percentage of the ships are free of significant equipment failures.

Source: Congressional Budget Office, from Defense Department data.

The New York Times

EXCERPT OF REMARKS BY ADMIRAL H. H. MAUZ JR.
NORTH TEXAS COMMISSION SENIOR LEADERSHIP FORUM
FT. WORTH, TEXAS -- MAY 24, 1994

"...Maintaining even the Bottom Up Review force level will not be easy. The budgetary pressures on future Defense budgets will likely increase.

When I talk with sailors aboard their ships, no one disputes that the country has other problems that need attention. Sailors share the same concerns that other Americans have about crime, health care, drug abuse and public education. But they also see the size of the Navy declining fast, while requirements on the Navy seem to be increasing.

The Navy budget -- and the DOD budget as a whole -- has been down every year since 1985. The Navy has lost 40% of its budget in real terms. There is a point below which we must not go. And that time is upon us. The President made this point in his State of the Union address, saying strongly that there must be no further cuts to the defense budget.

Our forces are ready today -- never more highly trained and motivated. However, there is concern that there may not be enough resources in future defense budgets to support even the smaller force level called for in the Bottom Up review. At the same time our force structure is declining rapidly, and there are uncertainties and risks in a turbulent world that no one can be sure of. I don't think the President or anyone else can fully know the implications of this budget, and how much risk there is. We make certain assumptions, but no one knows exactly what threats there will be to our vital interests overseas in the years ahead.

In order to get the most from our shrinking budget, there must be greater emphasis on quality and efficiency in everything we do. At the same time, there must be further reductions in an infrastructure originally designed to support a much bigger Navy..." (returning to cleared text, page 6).

NATIONAL SECURITY COUNCIL

07-Jul-1994 19:11 EDT

MEMORANDUM FOR:
HAHN (HAHN@A1@OEOB)

FROM: herringd
(herringd@NSCSTF@OEOB@MSGATE@VAXB)

SUBJECT: Major Seaton

Message Creation Date was at 7-JUL-1994 18:56:00

Keith,

I just talked to Major Seaton. He has not met with anyone in Admin. He does not have an SCI clearance. And as far as we know his assignment here has not been approved.

The latter is the most important. The rest we can work. Do you have some documentation that shows that Nancy has approved his assignment? If not, I will need to discuss it with her before we continue.

I'll talk to you about it tomorrow.

-david

BOB

Do you have any such documentation?

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: ROBERT BELL RB

FROM: PETER FEAVER PF

SUBJECT: Letter to President from Representative McHale, Response to Brennan Letter in Defense News

At Tab I Representative McHale has sent the President a copy of a letter he has written to the editor of Defense News concerning the role of the Marine Corps and the Marines' armored capability. McHale's letter is in response to another letter, written by John Brennan and published in the June 27-July 3 edition of Defense News.

The exchange of letters was occasioned by the interservice dispute over whether to transfer Army M1A1 tanks to the Marine Corps. Brennan argues that the Marines should be kept light while Representative McHale argues that the armored capability of the Marines is essential and should be enhanced.

The decision to transfer the tanks to the Marine Corps was covered in General Powell's 1992 roles and missions report. The overall question of the role of the Marines as a light infantry force is among the issues to be covered by the new Roles and Missions Commission.

Representative McHale does not request any action of the President. Moreover, this is not even a formal letter to the President but rather simply a "cc." of a letter to the editor. Therefore, there is no need for a presidential response.

Concurrence by: Bill Danvers

RECOMMENDATION

That no further action be taken.

Attachments
Tab I Incoming Correspondence

5365

PAUL McHALE
15TH DISTRICT, PENNSYLVANIA

511 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3815
(202) 225-6411

COMMITTEES:
ARMED SERVICES

SCIENCE, SPACE, AND TECHNOLOGY

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June 28, 1994

Editorial Headquarters
Defense News
6883 Commercial Drive
Springfield, VA 22159-0500

To the Editor:

I am writing in response to John Brennan's recent correspondence, "Keep Marines Light". Unfortunately, Mr. Brennan has a limited and often inaccurate understanding of traditional Marine Corps roles, missions, and armor capabilities. In his letter, he states:

> Providing additional tanks to an essentially infantry Marine force does not develop an effective combined arms armored force, but only provides more firepower to support infantry forces....Effective armored forces require much greater logistics support....The two operations require vastly different combined arms training. It is unrealistic to expect units to train well in both.

Apparently, Mr. Brennan is unfamiliar with Marine Corps peacetime training and recent combat history. During Operation Desert Storm, two entire Marine divisions, composed of task organized armor and mechanized forces, attacked aggressively into the flank of Iraqi units dug in along the Kuwait border. Utilizing combined arms and integrated air power, Marine regimental task forces overwhelmed the opposing Iraqi tank units, by applying, on an armored battlefield, cutting edge concepts of maneuver warfare.

Throughout decades of intense training in the desert at Twentynine Palms, California, the largest base in the Marine Corps, the Marines have pioneered the world's most advanced concepts of mechanized and armored combat. By contrast, Mr. Brennan's misleading impression of the Marines as purely straight leg infantry, in fact, became an anachronism in the 1930's. The modern battlefield requires a more mobile and powerful force.

The current debate before Congress has nothing to do with "keeping the Marines light". The expeditionary missions historically assigned to the Marines mandate that the Corps be able to deploy rapidly. For this reason, prepositioned Marine armor forces were the first to arrive in the Gulf during the early days of Desert Shield. They were the first mechanized and armored units to be declared combat ready. They were the first to incorporate both active and reserve armored elements into forward deployed battalion task forces. In short, Mr. Brennan's critique of the Marine Corps' combined arms capability as "unrealistic" and "second best" is a revision of history, sharply at odds with their battlefield success during Desert Storm.

No one is seeking to expand the Marine Corps' traditional roles and missions. The transfer of 132 M1A1 tanks from the Army to the Marine Corps, once accomplished, would leave the Marines with 315 fewer tanks and one less armored battalion than they possessed at the beginning of Desert Shield. Stated simply, Mr. Brennan and his allies want to crush the Marine Corps' existing armored, mechanized, and combined arms capability. They have attempted to do so by setting up the straw man of an alleged Marine Corps expansion.

While the U.S. Army wisely transitions to the M1A2 tank, a piece of armor equipment possessing 18% greater combat power than its predecessor the M1A1, how can any serious defense analyst argue that our national security is best served by transferring all 1500 of the Army's used M1A1's to the National Guard and none to the Marines?

The Army has long since adopted the principle that units should be equipped in the order in which they are expected to be echeloned onto the battlefield. In my view, this same principle should be honored across service boundaries by transferring 132 M1A1 tanks to the Marines, leaving a balance of approximately 1350 M1A1's for service in the National Guard. Frankly, it's common sense.

Finally, in order to recognize, respect, and preserve the extraordinary heavy land battle capability of the U.S. Army, Mr. Brennan and others should realize that it is not necessary to deny or denigrate the exceptional combined arms competence of the U.S. Marine Corps. Such misguided parochialism harms both services.

Sincerely,

Paul McHale
Member Of Congress

cc: The Honorable William J. Clinton, President
The Honorable William Perry, Secretary of Defense
The Honorable Togo West, Secretary of the Army
The Honorable John Dalton, Secretary of the Navy
General John M. Shalikashvili, Chairman, Joint Chiefs of Staff
General C. E. Mundy, Jr., Commandant, U.S. Marine Corps
General Gordon Sullivan, Chief of Staff, U.S. Army
Admiral Jeremy Michael Boorda, Chief of Naval Operations
The Honorable John P. Murtha, Chairman, Subcommittee on Defense, House Committee on Appropriations
The Honorable Ronald V. Dellums, Chairman, House Committee on Armed Services
The Honorable Floyd Spence, Ranking Member, House Committee on Armed Services
Members, House Committee on Armed Services

The Worldwide Weekly
DEFENSE NEWS
VOL.9 NO.25 JUNE 27-JULY 3, 1994 $3.00 USA. $5.00 Non-USA

LETTER

Keep Marines Light

For at least 50 years, the U.S. Army and Marine Corps have been struggling over their relative roles and missions. Reductions in the defense budget have intensified this struggle as the two bureaucracies strive to protect their rice bowls.

A current example involves proposals to direct the Army to give between 80 and 220 M1A1 tanks to the Marine Corps. (In addition to the 50 given last year.) This originated with the 1992 Mobility Requirements Study (MRS), which resulted in a task to the Army to preposition equipment and supplies for a heavy armored brigade on ships. The Army is loading and deploying this brigade set now.

The Marines countered with a proposal to meet this task by adding more tanks to each of their three prepositioned brigade sets. They argued that this would be significantly cheaper than the Army armored brigade. They also proposed that the Army give them the additional 84 required tanks, thus further reducing costs to the Marines.

After this was turned down by the Office of the Secretary of Defense and the Joint Chiefs of Staff, the Marines outlined another proposal to add the tanks to their brigades in addition to (rather than in lieu of) the Army armored brigade. A supporter in Congress proposed an amendment directing the Army to transfer more than 130 M1A1 tanks to the Marines. This appears to be temporarily shelved after discussion with the Joint Chiefs of Staff chairman.

While the Marine Corps proposals appear to serve their interests, they do not serve the interests of the United States, and actually may not serve Marine interests.

The MRS recommended a prepositioned heavy armored brigade set in addition to the three prepositioned Marine brigade sets, for a total of four sets. The Marine proposal will provide three sets with extra tanks.

The MRS recommended a heavy armored brigade set. The Marine Corps does not have heavy armored brigades. It has footmobile infantry regiments that can be supported by tank, amphibious as lt vehicle, towed artillery, helicopter and light armored vehicle units.

The Army has heavy armored brigades. It has already disbanded more than the equivalent of four armored division equivalents, a force larger than the entire Marine Corps, and still has seven armored division equivalents in the active force structure.

These provide the armored brigade to meet the MRS task, and all are fully integrated and equipped armored forces.

Marine units are organized, equipped and trained for amphibious operations. They do this better than anyone else. Armored maneuver operations require different organization, equipment and training.

Army armored units have these, and consequently do armored operations well. Providing additional tanks to an essentially infantry Marine force does not develop an effective combined arms armored force, but only provides more firepower to support infantry forces.

Marine infantry in armored assault vehicles are much more vulnerable than if they were equipped with infantry fighting vehicles. Towed artillery is much more vulnerable to counterbattery fire than self-propelled, armored artillery. Tanks without adequate infantry or artillery support are very vulnerable to an effective enemy combined arms force.

Effective armored forces require much greater logistics support to capitalize on their firepower and mobility potential. The two operations require vastly different combined arms training. It is unrealistic to expect units to train well in both.

The great difference between these operations may be why the British insisted that their armored division be moved from U.S. Marine control to U.S. Army control before Desert Storm.

If cost is the only factor in this issue, current capabilities would be greatly improved by replacing the Marine brigade set in the Indian Ocean with an Army armored brigade set, using the ships currently carrying the Marine equipment. Air support could be from either the Marines or Air Force.

The current Marine clamor for this additional role negatively affects Marine amphibious capabilities and will not provide the force capability called for in the Mobility Requirements Study.

Hopefully, Marine supporters will recognize these negative impacts and take steps to reorient the Marine Corps to Marine roles and missions.

The U.S. Marines are the best amphibious assault force in the world. They shouldn't compromise this standard trying to become the second best armored force.

JOHN BRENNAN
Fort Washington, Md.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL RGB

FROM: KEITH HAHN KH

SUBJECT: Proposed Report RE: HR 4003,Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

Tab II provides Secretary of Transportation Pena's proposed response to amendments made by the House Merchant Marine and Fisheries Committee to the Maritime Administration and Promotional Reform Act of 1994. Secretary Pena argues that the Administration's bill contains the correct amount of funds to meet maritime industry goals and that additional money provided by Congress is not needed. In addition, he argues that additional subsidy payments to U.S. shipyards for the series construction of commercial vessels will undermine our position OECD negotiations where we are seeking to do away with national subsidies of the shipbuilding industry.

Concurrences by: Helen Walsh and Bill Danvers WCD HW

RECOMMENDATION

That you sign the memorandum at Tab I concurring in the proposed report.

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: Proposed Report RE: HR 4003, Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

The National Security Council staff concurs in the proposed Transportation report.

5402
8 pp

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

July 5, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-3165

TO: Legislative Liaison Officer -

DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
LABOR - Robert A. Shapiro - (202)219-8201 - 330
STATE - Julia C. Norton - (202)647-4463 - 225
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
TREASURY - Richard S. Carro - (202)622-1146 - 228
COMMERCE - Michael A. Levitt - (202)482-3151 - 324
NSC - William H. Itoh - (202)395-3723 - 249
NEC - Sonyia Matthews - (202)456-6722 - 429
USTR - Fred Montgomery - (202)395-3475 - 223

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

OMB CONTACT: James A. BROWN (395-3473)
Secretary's line (for simple responses): 395-3454
Chris BERTRAM (395-5704)

SUBJECT: Proposed Report RE: HR 4003, Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

DEADLINE: 4:00 P.M. THURSDAY July 7, 1994

COMMENTS: Included are two (2) letters addressing different issues raised by H.R. 4003 AND a proposed STATEMENT OF ADMINISTRATION POLICY on H.R. 4003.

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:
Chris Bertram
John McClelland
Wayne Wittig
Meg DiBari
Roger Adkins
Ken Schwartz
Michael Deich
John Goodman
Michael Schmidt
Lisa Witt
Bernie Ascher
Margaret Shaw
Chris Edley
Jennifer Palmieri

LRM #I-3165

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: James A. 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: Proposed Report RE: HR 4003, Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

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

DOT DRAFT

Honorable Sam M. Gibbons
Acting Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515-6348

Dear Congressman Gibbons:

On May 26, 1994, the House Merchant Marine and Fisheries Committee amended H.R. 4003, replacing the Administration's proposed "Maritime Administration and Promotional Reform Act of 1994" with substitute language. The Committee on Ways and Means has been granted sequential referral of the bill.

To meet pay-as-you-go requirements for its 10-year Maritime Security Program, the Administration had proposed increasing the vessel tonnage duty from 9 cents per net registered ton (NRT) to 24 cents for the first five entries a vessel makes into the United States from foreign ports in the Western Hemisphere. Similarly, the tonnage duty on the first five entries a ship makes into the United States from other foreign areas would increase from 27 cents to 71 cents per NRT. This supplemental increase would raise approximately $100 million per year.

Under the substitute bill, the tonnage duty would increase to 53 cents per NRT and the geographical differential would be eliminated. Approximately $140 million per year in additional vessel tonnage duties would be collected.

The additional funds would be used as the pay-go for the cost of H.R. 2151, the Maritime Security and Competitiveness Act of 1993, which overwhelmingly passed the House of Representatives on November 4, 1993. By extending the current tonnage duty beyond 1998, another $300 million would be added to the program.

As reported by the Committee on Merchant Marine and Fisheries, H.R. 4003 would establish a program of subsidy payments to U.S. shipyards for the series construction of commercial vessels. Such a program would be inconsistent both with the Administration's efforts to negotiate an end to similar shipyard subsidies by foreign nations, and with its program to assist the U.S. shipbuilding industry to become self-sufficient and cost competitive in the world market.

The Administration sent its separate shipbuilding initiative to Congress on October 1, 1993. The five-part Administration plan includes:

1) Ensuring fair international competition through negotiations at the Organization for Economic and

Cooperative Development (OECD) to end foreign shipbuilding subsidies;

2) Improving competitiveness by providing government funding of $220 million toward industry - initiated research and development projects to accelerate technology transfer;

3) Eliminating unnecessary government regulation;

4) Extending the existing Title XI federal ship financing loan guarantee program to cover ships built for export as well as for U.S. owners, with $150 million in funding to support about $1.5 billion in loan activity; and

5) Assisting in international marketing.

The Administration's shipbuilding initiatives are comprehensive, and they are consistent with efforts to end foreign shipbuilding subsidies.

In consideration of budget constraints and to minimize the potential impact of increased tonnage fees on trade, the Administration carefully chose the $100 million per year funding level for the 10-year Maritime Security Program. We continue to believe that is the appropriate spending level.

The Administration therefore urges approval of the funding level and mechanism it originally proposed. If you or your staff have any questions, please contact me or Steven Palmer, Assistant Secretary for Governmental Affairs, at (202) 366-4573.

Sincerely,

Federico Peña

cc: MAR-100 110 115 400 411 240, S-10

DoT DRAFT

DRAFT July 5, 1994 10:00 am

~~[illegible]~~

IN SUPPORT OF ADMINISTRATION PROPOSAL

Honorable Sam M. Gibbons
Acting Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515-6348

Dear Congressman Gibbons:

I am writing to urge your support of bipartisan efforts to ensure America's future as a maritime nation.

Unless action is taken now to revitalize our maritime industry, the United States could become wholly dependent on other countries for the waterborne transportation of U.S. imports and exports. Preservation of the U.S.-flag merchant fleet will ensure American presence in world shipping, maintain private sector jobs, and encourage the continued technological leadership of our American carriers.

Since the beginning of his term in office, President Clinton has consistently recognized the importance of a strong U.S. merchant marine. To maintain a modern U.S. merchant fleet, provide sealift capacity for national emergencies, and strengthen U.S. presence in international trade, the Administration developed a 10-year Maritime Security Program (MSP), introduced in Congress as H.R. 4003 and S. 1945.

The MSP would support up to 52 U.S.-flag ships operating in foreign trade. The vessels would be required to remain in active commercial service under the American flag, and to be made available to the Secretary of Defense in times of emergency. By crafting a new program that makes regulatory reforms, fleet modernization and reduced operating costs, the Administration was able to propose a program that will cost $100 million per year. It replaces the current program which cost an average of nearly $250 million per year over the past 10 years.

The Committee on Ways and Means was granted sequential referral of H.R. 4003, "the Maritime Administration and Promotional Reform Act of 1994," after the bill was reported by the Committee on Merchant Marine and Fisheries on June 13, 1994. To meet the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990, the bill would increase existing vessel tonnage duties.

Each year, the U.S. Coast Guard provides services to U.S. and foreign flag vessels, costing American taxpayers approximately $800 million. These include search and rescue operations, aids to

07-05-94 10:42AM P002 #16

DRAFT July 5, 1994 10:00 am

navigation, marine safety and marine environmental protection programs. Only a fraction of this cost is covered by tonnage duties.

Ninety-six percent of America's international waterborne commerce is carried by foreign-flag ships. The proposed modest increase in existing tonnage fees would have the effect of shifting costs of U.S. Coast Guard activities from the American taxpayer to those who benefit directly from those services. Revenues generated by the proposed increase would be deposited into the general fund of the Treasury ascribed as an offset for costs of Coast Guard services provided to the maritime industry and as a pay-go for the Maritime Security Program.

The supplemental increase would raise approximately $100 million per year. The Administration believes it would have minimal impact on competitiveness and trade; the total yearly value of U.S. oceanborne foreign trade is $500 billion.

Some maritime interests have expressed concern that the proposed increase in tonnage duties might lead to diversion of cargo and/or cruise passengers to neighboring foreign ports. The Administration does not believe there would be cargo diversion as a consequence of the tonnage fee increase. Cargo routing decisions are chiefly determined on cost and service factors, but carriers and shippers also consider factors such as channel depth, labor productivity, railroad connections, total transit time, local market size, and the global shipping and trade environment. In the case of the cruise ship industry, an increase of 38 cents per passenger is not excessive. In addition, it would be difficult and costly to replicate elsewhere the extensive port and transportation infrastructure and supplier services now available in the United States.

I look forward to your support, and the support of other members of the Committee on Ways and Means, to achieve the revitalization of the U.S.-flag maritime industry.

As President Clinton has said, "A modern merchant United States flag fleet, with skilled U.S. mariners, will provide not only jobs and economic benefits, but also an important sealift capability in times of national emergency."

If you or your staff have any questions, please contact me or Steven Palmer, Assistant Secretary for Governmental Affairs, at (202) 366-4573.

Sincerely,

Federico Peña

DRAFT
July 1, 1994
(House Rules)

H.R. 4003 - Maritime Administration Authorization Act
(Studds (D) Massachusetts and 4 Others)

The Administration would have no objection to House passage H.R. 4003 if it were amended to address three serious concerns.

First, H.R. 4003 requires the Secretary of Transportation to enter into agreements under H.R. 2151, the Maritime Security and Competitiveness Act of 1993, that passed the House on November 4, 1993. H.R. 2151 includes a provision that would establish a program of subsidy payments to shipyards located in the United States for the series construction of commercial vessels. Such a program would be inconsistent both with the Administration's efforts to negotiate an end to similar shipyard subsidies by foreign nations, and with its program to assist the U.S. shipbuilding industry to become self-sufficient and cost competitive in the world market. The Administration is working with the shipbuilding industry to achieve cost competitiveness.

Second, the Administration has proposed a $1 billion, ten-year program of comprehensive assistance to the U.S. maritime industry. H.R. 4003 would exceed the President's requested funding level by $700 million. The Administration strongly believes that $1 billion is sufficient to promote the development of a self-sustaining American flag fleet. The amounts appropriated in this bill are considered to be mandatory spending.

Finally, H.R. 4003 would reduce funding for the Ready Reserve Force (RRF) by redirecting unobligated funds appropriated for the procurement of ships for the RRF. The currently planned improvements to the RRF are an integral part of the Administration's total program to assure that adequate sealift capacity is available to meet national defense needs.

Pay-As-You-Go Scoring

H.R. 4003 would affect receipts and outlays; therefore, it is subject to the pay-as-you-go (PAYGO) requirements of the Omnibus Budget Reconciliation Act (OBRA) of 1990.

OMB's preliminary PAYGO scoring estimates of this bill are presented in the table below. Final scoring of this legislation may deviate from this estimate.

PAY-AS-YOU-GO ESTIMATES
(dollars in millions)

	1995	1996	1997	1998	1999	1995-1999
Receipts	+145	+145	+145	+145	+194	+774
Outlays	-145	-145	-145	-145	-194	-774
Total	0	0	0	0	0	0

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	HAHN	Z	94070608	PREPARE MEMO ITOH TO JUKES
002	ITOH	Z	94071107	FOR SIGNATURE
003		X	94071107	REED SGD MEMO

DISPATCH DATA SUMMARY REPORT

DOC	DATE	DISPATCH FOR ACTION	DISPATCH FOR INFO
003	940708	JUKES, J	

National Security Council
The White House

PROOFED BY:		*LOG #*	5402
URGENT NOT PROOFED:		*SYSTEM*	PRS NSC INT
BYPASSED WW DESK:		*DOCLOG*	*A/O*

	SEQUENCE TO	HAS SEEN	DISPOSITION
Cerv Reed	1	JWR	
Kenney			
Itoh			
Soderberg			
Berger			
Lake			
Situation Room			
West Wing Desk	2		
NSC Secretariat	3		D

A = Action I = Information D = Dispatch R = Retain N = No Further Action

cc: VP McLarty Other

Should be seen by: ______
(Date/Time)

COMMENTS:

DISPATCH INSTRUCTIONS:

NATIONAL SECURITY COUNCIL
WASHINGTON D C 20506

July 8, 1994

MEMORANDUM FOR JAMES J. JUKES

FROM: for WILLIAM H. ITOH JWR

SUBJECT: Proposed Report RE: HR 4003, Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

The National Security Council staff concurs in the proposed Transportation report.

5402
8 pgs

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

July 5, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-3165

TO: Legislative Liaison Officer -

DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
LABOR - Robert A. Shapiro - (202)219-8201 - 330
STATE - Julia C. Norton - (202)647-4463 - 225
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
TREASURY - Richard S. Carro - (202)622-1146 - 228
COMMERCE - Michael A. Levitt - (202)482-3151 - 324
NSC - William H. Itoh - (202)395-3723 - 249
NEC - Sonyia Matthews - (202)456-6722 - 429
USTR - Fred Montgomery - (202)395-3475 - 223

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

OMB CONTACT: James A. BROWN (395-3473)
Secretary's line (for simple responses): 395-3454
Chris BERTRAM (395-5704)

SUBJECT: Proposed Report RE: HR 4003, Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

DEADLINE: 4:00 P.M. THURSDAY July 7, 1994

COMMENTS: Included are two (2) letters addressing different issues raised by H.R. 4003 AND a proposed STATEMENT OF ADMINISTRATION POLICY on H.R. 4003.

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:
Chris Bertram
John McClelland
Wayne Wittig
Meg DiBari
Roger Adkins
Ken Schwartz
Michael Deich
John Goodman
Michael Schmidt
Lisa Witt
Bernie Ascher
Margaret Shaw
Chris Edley
Jennifer Palmieri

LRM #I-3165

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: James A. 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: Proposed Report RE: HR 4003, Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

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

DOT DRAFT

Honorable Sam M. Gibbons
Acting Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515-6348

Dear Congressman Gibbons:

On May 26, 1994, the House Merchant Marine and Fisheries Committee amended H.R. 4003, replacing the Administration's proposed "Maritime Administration and Promotional Reform Act of 1994" with substitute language. The Committee on Ways and Means has been granted sequential referral of the bill.

To meet pay-as-you-go requirements for its 10-year Maritime Security Program, the Administration had proposed increasing the vessel tonnage duty from 9 cents per net registered ton (NRT) to 24 cents for the first five entries a vessel makes into the United States from foreign ports in the Western Hemisphere. Similarly, the tonnage duty on the first five entries a ship makes into the United States from other foreign areas would increase from 27 cents to 71 cents per NRT. This supplemental increase would raise approximately $100 million per year.

Under the substitute bill, the tonnage duty would increase to 53 cents per NRT and the geographical differential would be eliminated. Approximately $140 million per year in additional vessel tonnage duties would be collected.

The additional funds would be used as the pay-go for the cost of H.R. 2151, the Maritime Security and Competitiveness Act of 1993, which overwhelmingly passed the House of Representatives on November 4, 1993. By extending the current tonnage duty beyond 1998, another $300 million would be added to the program.

As reported by the Committee on Merchant Marine and Fisheries, H.R. 4003 would establish a program of subsidy payments to U.S. shipyards for the series construction of commercial vessels. Such a program would be inconsistent both with the Administration's efforts to negotiate an end to similar shipyard subsidies by foreign nations, and with its program to assist the U.S. shipbuilding industry to become self-sufficient and cost competitive in the world market.

The Administration sent its separate shipbuilding initiative to Congress on October 1, 1993. The five-part Administration plan includes:

1) Ensuring fair international competition through negotiations at the Organization for Economic and

Cooperative Development (OECD) to end foreign shipbuilding subsidies;

2) Improving competitiveness by providing government funding of $220 million toward industry - initiated research and development projects to accelerate technology transfer;

3) Eliminating unnecessary government regulation;

4) Extending the existing Title XI federal ship financing loan guarantee program to cover ships built for export as well as for U.S. owners, with $150 million in funding to support about $1.5 billion in loan activity; and

5) Assisting in international marketing.

The Administration's shipbuilding initiatives are comprehensive, and they are consistent with efforts to end foreign shipbuilding subsidies.

In consideration of budget constraints and to minimize the potential impact of increased tonnage fees on trade, the Administration carefully chose the $100 million per year funding level for the 10-year Maritime Security Program. We continue to believe that is the appropriate spending level.

The Administration therefore urges approval of the funding level and mechanism it originally proposed. If you or your staff have any questions, please contact me or Steven Palmer, Assistant Secretary for Governmental Affairs, at (202) 366-4573.

Sincerely,

Federico Peña

cc: MAR-100 110 115 400 411 240, S-10

DoT DRAFT

DRAFT July 5, 1994-10:00 am

IN SUPPORT OF ADMINISTRATION PROPOSAL

Honorable Sam M. Gibbons
Acting Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515-6348

Dear Congressman Gibbons:

I am writing to urge your support of bipartisan efforts to ensure America's future as a maritime nation.

Unless action is taken now to revitalize our maritime industry, the United States could become wholly dependent on other countries for the waterborne transportation of U.S. imports and exports. Preservation of the U.S.-flag merchant fleet will ensure American presence in world shipping, maintain private sector jobs, and encourage the continued technological leadership of our American carriers.

Since the beginning of his term in office, President Clinton has consistently recognized the importance of a strong U.S. merchant marine. To maintain a modern U.S. merchant fleet, provide sealift capacity for national emergencies, and strengthen U.S. presence in international trade, the Administration developed a 10-year Maritime Security Program (MSP), introduced in Congress as H.R. 4003 and S. 1945.

The MSP would support up to 52 U.S.-flag ships operating in foreign trade. The vessels would be required to remain in active commercial service under the American flag, and to be made available to the Secretary of Defense in times of emergency. By crafting a new program that makes regulatory reforms, fleet modernization and reduced operating costs, the Administration was able to propose a program that will cost $100 million per year. It replaces the current program which cost an average of nearly $250 million per year over the past 10 years.

The Committee on Ways and Means was granted sequential referral of H.R. 4003, "the Maritime Administration and Promotional Reform Act of 1994," after the bill was reported by the Committee on Merchant Marine and Fisheries on June 13, 1994. To meet the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990, the bill would increase existing vessel tonnage duties.

Each year, the U.S. Coast Guard provides services to U.S. and foreign flag vessels, costing American taxpayers approximately $800 million. These include search and rescue operations, aids to

DRAFT July 5, 1994-10:00 am

navigation, marine safety and marine environmental production programs. Only a fraction of this cost is covered by tonnage duties.

Ninety-six percent of America's international waterborne commerce is carried by foreign-flag ships. The proposed modest increase in existing tonnage fees would have the effect of shifting costs of U.S. Coast Guard activities from the American taxpayer to those who benefit directly from those services. Revenues generated by the proposed increase would be deposited into the general fund of the Treasury ascribed as an offset for costs of Coast Guard services provided to the maritime industry and as a pay-go for the Maritime Security Program.

The supplemental increase would raise approximately $100 million per year. The Administration believes it would have minimal impact on competitiveness and trade; the total yearly value of U.S. oceanborne foreign trade is $500 billion.

Some maritime interests have expressed concern that the proposed increase in tonnage duties might lead to diversion of cargo and/or cruise passengers to neighboring foreign ports. The Administration does not believe there would be cargo diversion as a consequence of the tonnage fee increase. Cargo routing decisions are chiefly determined on cost and service factors, but carriers and shippers also consider factors such as channel depth, labor productivity, railroad connections, total transit time, local market size, and the global shipping and trade environment. In the case of the cruise ship industry, an increase of 35 cents per passenger is not excessive. In addition, it would be difficult and costly to replicate elsewhere the extensive port and transportation infrastructure and supplier services now available in the United States.

I look forward to your support, and the support of other members of the Committee on Ways and Means, to achieve the revitalization of the U.S.-flag maritime industry.

As President Clinton has said, "A modern merchant United States flag fleet, with skilled U.S. mariners, will provide not only jobs and economic benefits, but also an important sealift capability in times of national emergency."

If you or your staff have any questions, please contact me or Steven Palmer, Assistant Secretary for Governmental Affairs, at (202) 366-4573.

Sincerely,

Federico Peña

DRAFT
July 1, 1994
(House Rules)

H.R. 4003 - Maritime Administration Authorization Act
(Studds (D) Massachusetts and 4 Others)

The Administration would have no objection to House passage H.R. 4003 if it were amended to address three serious concerns.

First, H.R. 4003 requires the Secretary of Transportation to enter into agreements under H.R. 2151, the Maritime Security and Competitiveness Act of 1993, that passed the House on November 4, 1993. H.R. 2151 includes a provision that would establish a program of subsidy payments to shipyards located in the United States for the series construction of commercial vessels. Such a program would be inconsistent both with the Administration's efforts to negotiate an end to similar shipyard subsidies by foreign nations, and with its program to assist the U.S. shipbuilding industry to become self-sufficient and cost competitive in the world market. The Administration is working with the shipbuilding industry to achieve cost competitiveness.

Second, the Administration has proposed a $1 billion, ten-year program of comprehensive assistance to the U.S. maritime industry. H.R. 4003 would exceed the President's requested funding level by $700 million. The Administration strongly believes that $1 billion is sufficient to promote the development of a self-sustaining American flag fleet. The amounts appropriated in this bill are considered to be mandatory spending.

Finally, H.R. 4003 would reduce funding for the Ready Reserve Force (RRF) by redirecting unobligated funds appropriated for the procurement of ships for the RRF. The currently planned improvements to the RRF are an integral part of the Administration's total program to assure that adequate sealift capacity is available to meet national defense needs.

Pay-As-You-Go Scoring

H.R. 4003 would affect receipts and outlays; therefore, it is subject to the pay-as-you-go (PAYGO) requirements of the Omnibus Budget Reconciliation Act (OBRA) of 1990.

OMB's preliminary PAYGO scoring estimates of this bill are presented in the table below. Final scoring of this legislation may deviate from this estimate.

PAY-AS-YOU-GO ESTIMATES
(dollars in millions)

	1995	1996	1997	1998	1999	1995-1999
Receipts	+145	+145	+145	+145	+194	+774
Outlays	-145	-145	-145	-145	-194	-774
Total	0	0	0	0	0	0

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 7, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL

FROM: KEITH HAHN

SUBJECT: Proposed Report RE: HR 4003,Maritime Administration Authorization Act for Fiscal Years 1995 and 1996

Tab II provides Secretary of Transportation Pena's proposed response to amendments made by the House Merchant Marine and Fisheries Committee to the Maritime Administration and Promotional Reform Act of 1994. Secretary Pena argues that the Administration's bill contains the correct amount of funds to meet maritime industry goals and that additional money provided by Congress is not needed. In addition, he argues that additional subsidy payments to U.S. shipyards for the series construction of commercial vessels will undermine our position OECD negotiations where we are seeking to do away with national subsidies of the shipbuilding industry.

Concurrences by: Helen Walsh and Bill Danvers

RECOMMENDATION

That you sign the memorandum at Tab I concurring in the proposed report.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 8, 1994

ACTION

MEMORANDUM FOR WILLIAM H. ITOH

THROUGH: ROBERT BELL RGB

FROM: KEITH HAHN KH

SUBJECT: Significant Military Exercise INFINITE MOONLIGHT 94-1

Attached at Tab I is a proposed memorandum to the Executive Secretary, Department of Defense, concurring in military exercise INFINITE MOONLIGHT 94-1. At Tab II Defense recommends approval and State concurs.

INFINITE MOONLIGHT 94-1 is a combined exercise between U.S. amphibious forces and the Jordanian armed forces. It is the first such exercise to take place since the commencement of shoreside inspection of commercial shipping in Aqaba, Jordan in accordance with U.N. resolutions, and thus focuses attention on the Port of Aqaba, where U.S. military equipment will be off-loaded/embarked. It is scheduled to take place August 4-11.

The critical cancellation date is July 28, 1994.

Concurrences by: David Satterfield and Morton Halperin

RECOMMENDATION

That you sign the memorandum at Tab I concurring in the exercise.

Attachments
Tab I Memorandum for Signature
Tab II Incoming Correspondence

DECLASSIFIED
E.O. 13526
White House Guidelines, September 11, 2006
By Y NARA, Date 10/3/2016
2016-0152-F

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR COL. ROBERT P. MCALEER
Executive Secretary
Department of Defense

SUBJECT: Significant Military Exercise INFINITE MOONLIGHT 94-1

The National Security Council staff concurs in military exercise INFINITE MOONLIGHT 94-1.

William H. Itoh
Executive Secretary

~~CONFIDENTIAL~~

5505

OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

-7 JUL 1994

MEMORANDUM FOR EXECUTIVE SECRETARY, NATIONAL SECURITY COUNCIL

SUBJECT: Significant Military Exercise - INFINITE MOONLIGHT 94-1

The Department of Defense recommends NSC approval of the attached Significant Military Exercise Brief, Exercise INFINITE MOONLIGHT 94-1. The Department of State concurs with this recommendation.

Please note the critical cancellation date is 28 July 1994. Should you have any questions or comments my action officers for significant military exercises are Lt Col Stan Hoppe, (703)614-2616, or COL Clif Ripperger, (703)697-5454.

R.P. McAleer
Robert P. McAleer
Executive Secretary

Attachment:
As stated

Sec Def Cont Nr. X71432

This memo is UNCLASSIFIED when removed from its attachment.

~~CONFIDENTIAL~~

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re: Part I Significant Military Exercise Brief. [Infinite Moonlight 94-1] (2 pages)	06/17/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 265

FOLDER TITLE:

Chron File - July 1994 #1 [2]

2016-0152-F
vz4594

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]

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. memo	For Lynn Davis, Walter Slocombe, Charles Curtis et al from Robert Bell. Subject: Reciprocal Data Exchange. (1 page)	07/08/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Defense Policy and Arms Control (Robert Bell)
OA/Box Number: 265

FOLDER TITLE:

Chron File - July 1994 #1 [2]

2016-0152-F
vz4594

RESTRICTION CODES

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

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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 8, 1994

ACTION

MEMORANDUM FOR ANTHONY LAKE

FROM: ROBERT BELL RGB

SUBJECT: Campaign "Flags"

In a June 20 Memo (Tab II), Mack McLarty requested that you make a recommendation to the President with regard to an appropriate forum for the President to meet with the 25 retired admirals and generals ("flags") who endorsed him during the campaign.

As you know, you have had serious reservations over the past year concerning such a meeting, reflecting your concern that a meeting might be perceived either as too political or as a "second guessing" of the President's confidence in the military advice he receives from the Joint Chiefs. The controversy that accompanied then-Secretary Aspin's establishment of a panel of retired generals (the Meyer Panel) to advise him on readiness underscored the vulnerability of such actions to misperception. For this reason, you twice disapproved Schedule Proposals submitted by this office for POTUS meetings with the 25 "flags" in conjunction with separate briefings we had proposed to arrange for the group on the FY 1994 defense budget request and the Bottom Up Review.

In lieu of a group event, you asked me to look for individual targets of opportunity to maintain communication with the "flags" and take advantage of the contribution they could make to the Administration. In addition to periodic phone conversations with various members of the group, I have concentrated on placing individuals from the list on appropriate boards and commissions. As the list at Tab A indicates, we have been successful in this regard in a number of instances. Two of the "flags" (RAdm Dorman and, of course, Adm Crowe) have been appointed to senior government positions. In addition, Alexis Herman intends to start targeting individual "flags" for invitations to social events.

I understand from Nancy that you now believe it would be appropriate to bring the group to town for an event, to include a meeting with the President. I would recommend that we organize a one-day program here that would include, inter alia, the following activities:

-- Briefing by NSC on President's new peacekeeping policy (PDD-25);

-- Briefing by NSC and OMB on President's FY 1995 defense budget and FYDP;

-- Lunch at White House with President;

-- Briefing by Shy Meyer on his panel's readiness report;

-- Briefing by John White on the work program of his Roles and Missions Commission.

If you and the President agree, I will submit this plan as a Scheduling Proposal.

The proposed memo at Tab I brings the President up to date on these activities and recommends to him the one-day event described above.

RECOMMENDATION

That you forward the memorandum at Tab I to the President.

Attachments
Tab I Memorandum to the President
Tab A Appointment of "Flag" to Boards, Commission and USG Positions
Tab II Incoming Correspondence

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
ALEXIS HERMAN

SUBJECT: Campaign "Flags"

Purpose

To bring you up-to-date on previous interaction with the group of 25 retired admirals and generals (the "flags") who endorsed you during the campaign and recommend a one-day event with them here in Washington.

Background

In a June 20 memo (Tab II), Mack McLarty reiterated your desire to meet with your various acquaintances and friends in the military and requested that I (Tony) make a recommendation to you with regard to an appropriate forum for you to meet with them.

As you know, I have had serious reservations over the past year with regard to possible misperceptions of your meeting here at the White House with this group. My concern had been that some might regard such a meeting as a politicization of the military, whereas others might mistakenly read into it a "second guessing" on your part with regard to your confidence in the military advice you receive from the Joint Chiefs. The controversy that accompanied then-Secretary Aspin's establishment of a panel of retired generals (the Meyer Panel) to advise him on readiness underscored the vulnerability of such actions to misperception. For this reason, I counseled against suggestions last year that you meet with the "flags" in conjunction with separate briefings that might have been arranged for them on the FY 1994 defense budget request and the Bottom Up Review.

In lieu of a group event, I directed my staff to look for individual targets of opportunity to maintain communication with the "flags" and take advantage of the contribution they could make to the Administration. In addition to periodic phone conversations with various members of the group, my staff and I have concentrated on placing individuals from the group on appropriate boards and commissions. As the list at Tab A indicates, we have been successful in this regard in a number of instances. Two from the group (RAdm Dorman and, of course, Adm Crowe) have been appointed to senior government positions. In addition, Alexis intends to start targeting individual "flags" for invitations to social events.

As we approach the mid-point of your first term, I believe we have established a relationship with General Shali and the Joint Chiefs that is so solid that we no longer need to delay your meeting with the "flags." I think that it would now be appropriate to bring the group to town for an organized activity, to include a meeting with you. Specifically, I would recommend that we organize a one-day program here that would include, inter alia, the following activities:

-- Briefing by NSC on our new peacekeeping policy (PDD-25);

-- Briefing by NSC and OMB on our FY 1995 defense budget and FYDP;

-- Lunch at White House hosted by you;

-- Briefing by "Shy" Meyer on his panel's readiness report;

-- Briefing by John White on the work program of his Roles and Missions Commission.

<u>RECOMMENDATION</u>

That you approve the above event in principle. If you approve, I will submit a Scheduling Proposal based on this plan.

_____ Approve _____ Disapprove

Attachment
Tab A Appointment of "Flag" to Boards, Commission and USG Positions

APPOINTMENT OF "FLAGS" TO BOARDS, COMMISSIONS AND USG POSITIONS

<u>American Battle Monuments Commission</u>

Gen Fred F. Woerner, Jr.	(Chairman)
BGen Evelyn "Pat" Foote	(Member)
BGen Douglas Kinnard	(Member)
BGen Gail Reals	(Member)

<u>Defense Policy Board</u>

Gen John A. Wickham, Jr.	(Member)
VAdm Richard Truly	(Member)
RAdm Thomas Brooks	(Member)
BGen William Seawell	(Member)

<u>DoD Roles and Missions Commission</u>

LtGen Bernard "Mick" Trainor	(Member)

<u>U.S. Ambassador to the Court of St. James</u>

Adm William Crowe	(Now serving)

<u>Base Realignment and Closure Commission - 1995</u>

BGen Evelyn "Pat" Foote	(NSC recommendation - pending)
BGen Gail Reals	(NSC recommendation - pending)

<u>Director, Selective Service System</u>

BGen Evelyn "Pat" Foote	(NSC recommendation - not accepted)

<u>Assistant Secretary of Defense/SOLIC</u>

RAdm Cathal L. Flynn	(Was a finalist for position, but not selected)

<u>Deputy Director for Research and Engineering/DoD</u>

RAdm Craig Dorman	(Now serving)

THE WHITE HOUSE

WASHINGTON

June 20, 1994

MEMORANDUM FOR TONY LAKE
ALEXIS HERMAN

FROM: MACK McLARTY

SUBJECT: PRESIDENT CLINTON MEETING WITH MILITARY FRIENDS AND ACQUAINTANCES

The President has been very adamant about his desire to meet with his various acquaintances and friends in the military. He has expressed disappointment and frustration to me on several occasions that this has not already been done. As you will note from my question to him on the attached, I am not sure exactly what forum would be appropriate.

Tony, I would appreciate your getting a specific instruction from the President and following up with him on this matter. Please keep me apprised.

Mac

Attachment

5/25 To: Tony Lake
From: Mack McLarty

TO: Hon. Mac McLarty
Chief of Staff
The White House

5/26 → Mack - what is the context?
TL

FROM: Brooke S. Jaffe bsj
Office of Admiral Crowe
TEL: 202/775-3170

DATE: 23 May 1994

Dear Mr. McLarty:

for?

Before he left for London, Admiral Crowe asked that I fax you the attached list. As you will remember, the President asked for the Admiral's recommendations, which he has marked with a star on the attached list.

If I may be of any further assistance, please do not hesitate to call.

Cover sheet + 3 pages.

POTUS — FYI — Pl. let me know what you would like in the way of follow-up.
June 9/94

Mcf

cc: Tony Lake

Tony
Sandy -

Let's ask the President about next week in one of our NSC Briefings.

Mack

DATE: 23 NOV 92

FLAG CARE AND FEEDING

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RAdm Thomas A. Brooks USA (Ret.) AT&T, Suite 203 1919 S. Eads St. Arlington, VA 22202	(703) 271-7600-W (703) 455-9504-H	*
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RAdm Craig Dorman USN (Ret.) PO Box 164 Woods Hole, MA 02543	(508) 457-9481-H (508) 457-2000-W x2500 x2505	
Gen Mike Dugan USAF (Ret.) 733 3rd Ave. New York, NY. 10017-3204	(212)986-3240-W Fax: -7981 703) 684-8330-H	*
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