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THE PRESIDENT HAS SEEN. *dy*

THE WHITE HOUSE INFORMATION  
WASHINGTON

October 5, 1974

*RRM*

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: STATUS OF CARGO PREFERENCE LEGISLATION

The following is our understanding of the informal agreements reached by the Conferees. The Conference Committee is scheduled to reconvene Monday and final decisions are likely to be made at that time.

Waiver

The compromise language we worked out with Paul Hall's lawyer (Tab A), will be adopted. The catch here is that the Conference Report must establish that this is intended to be a broad waiver and not limited to national security emergencies. We have no information on the language being considered for the report.

Fee Rebates

They will reject our request to eliminate the oil import fee rebate provision.

Mondale Amendment

The Secretary of Commerce will be given discretionary power to target funds expended under the bill equitably among different geographic areas. This is an acceptable compromise.

Three-year Wait Period

The Conferees will reject our request to allow foreign ships to register U.S. flag after a three-year wait period.

Double-bottoms

Double-bottoms will only be required for ships using West Coast and Alaska ports. This is confusing and does not appear to be a very satisfactory compromise.

If the bill comes out as the above would indicate, it will still have adverse foreign policy and inflationary impacts. Even if the Conferees adopt our position on all the above provisions, these basic objections are not overcome.

The only way you can avoid the adverse impact of the bill is to exercise the waiver almost immediately after enactment. If this becomes law, substantial private investments in shipyards, ships, etc., will make it nearly impossible to exercise the waiver in the future because of the economic disruption which would result in the U.S. maritime industry.