

THE WHITE HOUSE
WASHINGTON

198751
FI010-02

February 14, 1991

Bill

Dear Senator Roth:

Thank you for your letter to the President conveying your concerns about the possibility of a surtax to cover the costs borne by the United States in Operation Desert Shield/Desert Storm. The President has stated that he does not believe that a surtax is necessary.

I fully agree that with the United States shouldering the heaviest burden in the allied effort to liberate Kuwait, we must secure the financial and logistical support of our coalition partners. I can assure you that they recognize that the world has much to gain from a satisfactory outcome to this endeavor and are making substantial contributions to help defray our expenses. In brief,

- Twenty-eight other countries have their own military forces in the Persian Gulf, Saudi Arabia and the Gulf states.
- Our allies have provided both cash and in-kind assistance to help us meet our needs and cover our expenses. Their support is covering close to 90 percent of our 1990 costs. Total commitments by our allies exceed \$51 billion for 1990-91, with major contributions from Saudi Arabia, Kuwait, Japan, and Germany.
- In addition, many other countries have taken the responsibility for assisting those nations which have suffered the most from the international sanctions against Iraq. The Gulf Crisis Financial Coordination Group established by President Bush has committed \$14.3 billion for exceptional economic assistance for these states.

We appreciate your support for our efforts to secure equitable burden-sharing of the costs associated with Desert Shield and Desert Storm.

Sincerely,

Brent

Brent Scowcroft

The Honorable William V. Roth, Jr.
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

February 14, 1991

C. Bush
Dear Senator Grassley:

Thank you for your letter to the President conveying your concerns about the possibility of a surtax to cover the costs borne by the United States in Operation Desert Shield/Desert Storm. The President has stated that he does not believe that a surtax is necessary.

I fully agree that with the United States shouldering the heaviest burden in the allied effort to liberate Kuwait, we must secure the financial and logistical support of our coalition partners. I can assure you that they recognize that the world has much to gain from a satisfactory outcome to this endeavor and are making substantial contributions to help defray our expenses. In brief,

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Sincerely,

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Brent Scowcroft

The Honorable Charles E. Grassley
United States Senate
Washington, D.C. 20510

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 11, 1991

Natl Sec Advisor
has seen

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: TIMOTHY E. DEAL *td*

FROM: MEG LUNDSAGER *ml*

SUBJECT: Congressional Letter on Financing Desert Shield

SIGNED

Purpose

To reply on behalf of President Bush to a letter from Senators Roth and Grassley.

Background

Senators Roth and Grassley sent the President a letter on December 13 (Tab B) opposing a surtax to pay for Operation Desert Shield. We originally staffed the letter to Treasury, but when they indicated they would have an acting assistant secretary respond, we decided to draft a reply for your signature.

In the draft reply, you refer to the President's statement that he does not believe a tax increase is necessary and provide an update on the recent pledges received from our allies.

Concurrence by: Richard Haass, Virginia Lampley

RECOMMENDATION

That you sign the letters to Senators Roth and Grassley

Attachments

- Tab A Draft Replies
- Tab B Incoming Correspondence

December 18, 1990

Dear Chuck:

Thank you for your recent letter to the President, cosigned by Senator Roth, regarding the current situation in the Persian Gulf.

We appreciate being apprised of your opposition to the implementation of a surtax to pay for Operation Desert Shield and your thoughts on the need for our allies to shoulder more of the financial burden. Your concerns have been noted, and I have taken the liberty of sharing your comments with the President's national security advisors so that they, too, are aware of your views in this regard.

Thank you again for your interest in writing.

With best regards,

Sincerely,

Frederick D. McClure
Assistant to the President
for Legislative Affairs

The Honorable Charles E. Grassley
United States Senate
Washington, D.C. 20510

FDM:SLM:

bcc: w/ copy of inc to NSC - for direct response
bcc: w/ copy of inc to Dept. of State - FYI

December 18, 1990

Dear Bill:

Thank you for your recent letter to the President, cosigned by Senator Grassley, regarding the current situation in the Persian Gulf.

We appreciate being apprised of your opposition to the implementation of a surtax to pay for Operation Desert Shield and your thoughts on the need for our allies to shoulder more of the financial burden. Your concerns have been noted, and I have taken the liberty of sharing your comments with the President's national security advisors so that they, too, are aware of your views in this regard.

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With best regards,

Sincerely,

Frederick D. McClure
Assistant to the President
for Legislative Affairs

The Honorable William V. Roth, Jr.
United States Senate
Washington, D.C. 20510

FDM:SLM:

bcc: w/ copy of inc to NSC - for direct response
bcc: w/ copy of inc to Dept. of State - FYI

je

194751
10044

United States Senate

WASHINGTON, D.C. 20510

The Oval

December 13, 1990

The President
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Mr. President:

We are greatly concerned about recent news reports that quote several leaders of Congress advocating a surtax to pay for Operation Desert Shield. We believe it is imperative that our allies who are benefiting directly should pay the monetary burden for Operation Desert Shield.

America's contribution of human and military resources is more than ample. For our Persian Gulf allies, the benefits are direct, substantial and quantifiable. While we have made the overwhelming commitment of people and resources to stabilize the Persian Gulf and defend the oil and territorial interests of our allies, they are receiving an overwhelming share of the windfall benefits.

The cost of Desert Shield is now reported to be approaching \$3 billion per month and could exceed \$35 billion by the end of September 1991. If war breaks out, that figure would escalate sharply. But, such dollar measures fail to include the true burden on the American people -- over 500,000 of America's best and brightest young people whose lives are at risk as long as they are stationed in the Persian Gulf region. In addition, the dollar figures fail to include the billions of dollars of equipment being used to defend the Persian Gulf allies.

While Desert Shield costs \$3 billion per month, recent estimates state that our Persian Gulf allies are receiving \$5 billion per month in windfall oil profits plus the security of well-defended borders. As of November 30, according to the Department of Defense, the contributions actually received from our allies total \$4 billion in cash and \$380 million in in-kind assistance.

We encourage the administration to continue its efforts to ensure that our allies shoulder their share of the burden for Desert Shield and to pursue a vigorous program of soliciting pledges and collecting contributions from our allies. We hope that when you speak of the allies paying their "fair share" that you take into account the American commitment of extremely valuable human and military resources. Accordingly, we respectfully request that you inform us on a periodic basis of the results of the administration's efforts to obtain contributions.

Finally, we urge that you announce as soon as possible your intention to oppose strongly the use of a surtax because of its potential negative impact on the U.S. economy and because of the inherent unfairness in the proposition that American workers would pay the bulk of the cost while others reap the bulk of the benefits. Such an increased tax burden would potentially prolong and deepen the current economic slowdown. It makes no sense to tax ourselves into a deeper recession in order to prevent a recession caused by a disruption in the supply of oil.

We look forward to your response, and to your assurances that the administration is accomplishing a fair and equitable program to pay for Operation Desert Shield.

Sincerely,



William V. Roth, Jr.
United States Senator



Charles E. Grassley
United States Senator

Cong ltr on financing Desert Shield

National Security Council
The White House

PROOFED BY: LMS LOG # 10044
URGENT NOT PROOFED: _____ SYSTEM PRS NSC INT
BYPASSED WW DESK: _____ DOCLOG 24 A/O _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	<u>1</u>	<u>K</u>	<u>A</u>
Bill Sittmann	<u>2</u>	<u>W</u>	_____
Bob Gates	<u>3</u>	<u>J</u>	_____
Brent Scowcroft	<u>4</u>	<u>✓</u>	_____
Bill Sittmann	_____	_____	_____
Situation Room	_____	_____	_____
West Wing Desk	<u>5</u>	<u>APNSA Has Seen</u>	<u>D</u>
NSC Secretariat	<u>6</u>	<u>MCT 2/14</u>	<u>D</u>
_____	_____	_____	_____
_____	_____	_____	_____

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

cc: VP Sununu Other _____

Should be seen by: _____
(Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS: _____

RECEIVED
31 FEB 13 AM 11:53

31 FEB 13 11:00

UNCLASSIFIED
ACTION DATA SUMMARY REPORT

RECORD ID: 9010044

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 HAASS	Z	90122711	PREPARE MEMO FOR SCOWCROFT
001 TREASURY	Z	90123112	FOR RECOMS/DRAFT REPLY
001	Z	91021311	ACTION TRANSFERRED
001 LUNDSAGER	Z	91021311	PREPARE MEMO FOR SCOWCROFT
002 SCOWCROFT	Z	91021311	FOR SIGNATURE
003	X	91021418	SCOWCROFT SGD LTRS

UNCLASSIFIED

98-94836

File with 198757

DRAFT

FI 010-02

The Honorable Charles E. Grassley
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

Secretary Brady has received a copy of your December letter, cosigned with Senator Roth, advising President Bush of your desire to see a fair sharing of the costs of Operation Desert Shield and expressing opposition to use of a U.S. surtax to finance these costs.

From the outset, as a leader in fostering unity of the world community against Iraq's forcible seizure of its sovereign neighbor, Kuwait, the Administration has recognized the potential for the United States to bear an unfair proportion of financial costs associated with the Crisis. Secretary Brady and other Administration officials are actively engaged in continuing efforts to forestall such an outcome and to secure equitable responsibility sharing among our coalition partners.

Considerable success has been achieved thus far, although more remains to be done. Many nations, both industrialized and poor, have committed human, military, and financial resources to this worthy effort. Other than the United States, there are 28 countries that have stationed 245,000 troops in the Gulf States to oppose Iraq.

In addition, our allies have given money and other assistance to the United States to cover our military expenses. In 1990, this support is estimated to have covered 80% of our incremental expenses and \$13.5 billion in economic assistance has been contributed so far for 1990-91 by 22 countries to those nations most severely affected by the international economic sanctions against Iraq. Efforts to secure commitments for additional support, particularly as regards 1991, are in progress. For example, you will have seen announcements by Saudi Arabia, Kuwait, Japan and Germany of their intentions to contribute collectively more than \$40 billion in financing of allied military operations in the Gulf in the first quarter of this year.

We are hopeful that adequate further recognition of responsibility will be forthcoming from coalition partners as the situation develops. If needed, the Administration anticipates submitting a supplemental appropriations request for incremental

Desert Storm costs not covered by contributions from other countries. There is no need at this time to address the issue of a surtax or other taxes to help fund Operations Desert Shield and Desert Storm. However, as you are no doubt aware, the President in general does not favor higher tax rates as a solution to budget problems.

Sincerely,

~~Mary C. Sophos~~
~~Acting Assistant Secretary~~
~~(Legislative Affairs)~~

EXECUTIVE SECRETARIAT CORRESPONDENCE PROFILE

PROFILE #: 90-94836

CREATE DATE: 01/02/91

ADDRESSEE: Brady, Nicholas F.
Secretary

AUTHOR: Kelley, Sally
White House

SUBJECT: RE: The Honorable William Roth

ABSTRACT: Ltr to President opposing the use of a surtax to pay for
operation Desert Shield.

***** TASK ASSIGNMENT MEMORANDUM *****

ASSIGNED TO: KENNETH W. GIDEON
TAX POLICY

DUE DATE: 01/16/91

ACTION REQUIRED: Direct Reply

WH ID #: 9010044

TASK: Please prepare a response for the signature of the Assistant
Secretary, Legislative Affairs, and send two comeback copies to
Exec Sec, noting WHID # and ES Control # on each for transmittal
to the White House.

DISTRIBUTION: OASIA
GENERAL COUNSEL
EXEC SEC

LEGISLATIVE AFFAIRS
POLICY MANAGEMENT

Drath letter sent

90-94836

NATIONAL SECURITY COUNCIL

ID 9010044

REFERRAL

DATE: 31 DEC 90

MEMORANDUM FOR: DOWNING, B

TREASURY

DOCUMENT DESCRIPTION: TO: PRESIDENT

SOURCE: ROTH, WILLIAM V

DATE: 13 DEC 90

SUBJ: LTR TO PRES OPPOSING USE OF A SURTAX TO PAY FOR OPERATION DESERT

SHELD

REQUIRED ACTION: FOR RECOMS/DRAFT REPLY

DUE DATE: 04 JAN 90

COMMENT:



FOR

GEORGE VAN ERON

DIRECTOR NSC SECRETARIAT