

**3/25/80 [2]**

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**WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)**

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|------------------|--|---------|-------------|
| draft            | <p><del>President Carter to Susan Clough.</del><br/> <del>Re: Foreign Affairs speech. (53 pp.)</del></p> <p><i>opened per RAC NLC-126-21-6-1-1      12/17/13</i></p> | 3/20/80 | A           |

**FILE LOCATION**

Carter Presidential Papers- Staff Offices, Office of Staff Sec.-  
 Pres. Handwriting File, "3/25/80 [2]." Box 177

**RESTRICTION CODES**

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11:30

THE WHITE HOUSE

WASHINGTON

March 25, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

STU EIZENSTAT  
LYNN DAFT

*Stu*

SUBJECT:

Materials for March 25, 1980 Meeting with  
the Agricultural Editors

The attached materials are for your March 25, 1980 meeting with the agricultural editors. The meeting will be held at 11:30 a.m. in Room 450 OEOB. It will be attended by writers and editors representing a broad cross-section of agricultural journalism. I suggest you open the meeting with brief remarks and devote the remainder of the time to answering questions.

1726

BRIEFING NOTES FOR THE PRESIDENT'S MEETING  
WITH FARM MAGAZINE EDITORS

The following topics are likely candidates for farm editor questions:

Soviet Grain Suspension

Several actions have been taken since the January 4 announcement to offset adverse price effects.

- o On February 15, 1980, the Commodity Credit Corporation signed agreements with 12 grain exporters to acquire contractual obligations for 16.1 metric tons of unshipped corn, wheat, and soybeans.
- o As a result of changes in the farmer-owned grain reserve, over 5 million tons of grain have entered the reserve since January 4, with more entering every day.
- o We have also intensified efforts to promote agricultural exports to other countries. Partly as a result of these efforts, we are now estimating that our exports to other countries will be over 11 million tons above that estimated prior to the suspension.

Although market prices rebounded quickly from the January 4 action, since late February they have been declining and in several markets (particularly Interior points), prices are below their January 4 levels. In the case of wheat, prices are significantly below January 4 levels. We believe the CCC purchase program, under which the first significant acquisition will be announced this week, will reverse this trend and add strength to the commodity markets. We are confident that once the market begins to better reflect its underlying fundamentals, prices will strengthen.

Farm Credit Situation

Agricultural credit is extremely tight in certain regions. Commercial banks in the upper mid-West are experiencing very high loan to deposit ratios and below normal repayment rates. Although this appears to be a temporary situation -- aggravated by the Soviet suspension, the Deluth-Superior port strike of last fall, and general transportation difficulties -- it is occurring at a crucial time when the demand for credit for spring planting is approaching its peak.

Although credit remains available through the Farm Credit Administration system, it is being rationed by more stringent requirements. This problem will be eased somewhat by the pending legislation to extend the Farmers Home Administration Economic Emergency Loan Program with added funding of \$2 billion. We have supported the Senate version of this bill and are hopeful that it will soon be presented for signature in this form. The CCC purchases of corn and wheat, together with the movement of additional grain into the farmer-owned grain reserve, will also provide needed capital. We have also advanced the FmHA \$200 million of its third quarter loan funds to accelerate the availability of needed capital.

### USDA Budget

Although all agencies have been asked to share in the fiscal restraint required to achieve a balanced budget in FY 1981, we have been careful to avoid actions that would have a depressing effect on agricultural productivity. The most significant changes in the USDA FY 1981 budget following the recent economic policy review are:

- o deferral of an expended WIC program;
- o a scaling down of construction programs (e.g. watershed, water and sewer, business and industrial development and housing);
- o a move from semi-annual to annual indexed changes in benefits under the food stamp, school lunch, and dairy support programs; and
- o across-the-board reductions in operating costs.

### Alcohol Fuel Policy

The policy you announced on January 11, 1980, once it is fully enacted and in operation, will provide between \$8.5 billion and \$13 billion of assistance to stimulate the production of alcohol fuels over the decade of the 1980's. You established a production capacity goal of 500 million gallons of alcohol fuel by the end of 1981. In comparison with the 80 million gallon capacity that existed in the U.S. on January 1, 1980, this represents a more than six-fold increase. It also represents the equivalent of about 1 percent of our anticipated demand for unleaded gasoline in 1981.

### Reconstituted Milk

The Community Nutrition Institute, a non-profit organization specializing in food and nutrition issues, has filed a petition with the Secretary of Agriculture asking that he consider removing reconstituted milk from the Class I pricing provisions of the 47 Federal milk marketing orders. The public comment period on this petition ended February 29, 1980. The Secretary is now considering whether or not to have a public hearing. You might want to defer comment on this, pending the Secretary's determination.

Under the current market orders, milk reconstituted and bottled by commercial processors must be priced at the same level as all other bottled milk, even though it costs less to produce and ship milk powder and reconstitute it in the receiving market than it does to ship fluid milk beyond about 500 miles. Opponents of reconstituted milk argue that removing the restriction would destroy the existing classified pricing system and reduce the prices of all milk.

### Crop Insurance Legislation

Legislation has been pending on this since we first proposed it in 1978. Our objective is to consolidate the existing crop disaster assistance programs -- Crop Insurance, disaster Payments, subsidized FmHA and SBA emergency loans -- into an expanded and improved crop insurance program administered by the Federal Crop Insurance Corporation funded through the Commodity Credit Corporation.

The measure now pending begins at a smaller level than our original proposal and does not replace the disaster payment program completely until 1982. Nevertheless, we remain optimistic that this measure will soon be approved and we can begin developing a more rational approach to the provision of agricultural disaster assistance.

### Mexican Winter Vegetables

The Secretary of Commerce today issued a finding of no dumping in the case of imported Mexican vegetables (mainly tomatoes). We understand the Florida growers will challenge this result. This finding confirms an earlier tentative finding made by the Secretary of the Treasury. This finding followed an extensive analysis of pricing behavior of Mexican imports, an analysis that revealed no predatory practices. The analysis was made unusually difficult by the fact that the price of these products changes with great frequency and is influenced by a great many factors that have nothing to do with dumping (e.g., time of day of the transaction or the expense of the product).

### Possible Dairy Legislation

Milk production and government purchases of dairy products under the milk price support program are increasing rapidly. The Secretary of Agriculture is very concerned about the costs of the program. It is now estimated that Commodity Credit Corporation (CCC) purchases of butter, cheese, and nonfat dry milk will cost the government about \$800 million dollars during FY 80 and almost that much during FY 1981 -- if current legislation is not changed.

During the first five months of this market year CCC has purchased 62.5 million pounds of butter, 68.2 million pounds of cheese and 135.0 million pounds of nonfat dry milk at a cost of \$312 million. In addition, the Secretary will be required by law to increase the support price of manufactured milk from \$11.49 to about \$12.35 per cwt. on April 1 and to about \$13.00 on October 1.

As part of the Administration's package of proposals to move to annual indexes, authority will be sought to adjust dairy price levels annually rather than twice each year as they are now. This would mean that we would adjust support levels on October 1 of each year to 80 percent of parity. We would not, however, adjust supports a second time each April.

This legislation has not yet been sent to the Congress, although we have begun consulting with both the Congress and the industry over its form.

### Agricultural Land Availability

Forty-eight States now have some program to retain land in agricultural and other open-space uses. For the last several sessions of the Congress, bills have been introduced in both houses to establish a National policy directed at the conversion of agricultural land to nonagricultural uses. None have passed.

In June, 1979, USDA and CEQ announced an 18-month interagency (11 agencies) study to investigate this issue. Its scope includes:

- o The supply, use and ownership of agricultural lands.
- o Competing demands for agricultural lands.
- o Mechanisms by which agricultural lands are allocated and how efficiently they function.
- o Adverse consequences of agricultural land allocation.
- o Policy options for retaining agricultural lands.

Seventeen public involvement workshops were held October 31 through December 12 in all regions of the country to get local views on the agricultural land conversion/retention issues. Technical studies are well underway. A report is due to you January 1, 1981.

#### Soil and Water Resources Conservation Act (RCA)

The Soil and Water Resources Conservation Act of 1977 requires a continuing appraisal of the soil, water, and related resources on private and non-Federal lands and development of a national conservation program and policy.

As part of this process, seven alternative strategies for achieving conservation goals have been published for public comment. The strategies range from simply redirecting existing programs to improve performance to very fundamental changes in our approach to conservation. Sharp criticism has been received on strategies which would:

- o tie participation in commodity programs to the solution ~~of~~ of conservation problems (cross compliance); and
- o emphasize regulations to achieve conservation goals even when coupled with financial assistance to help offset compliance costs.

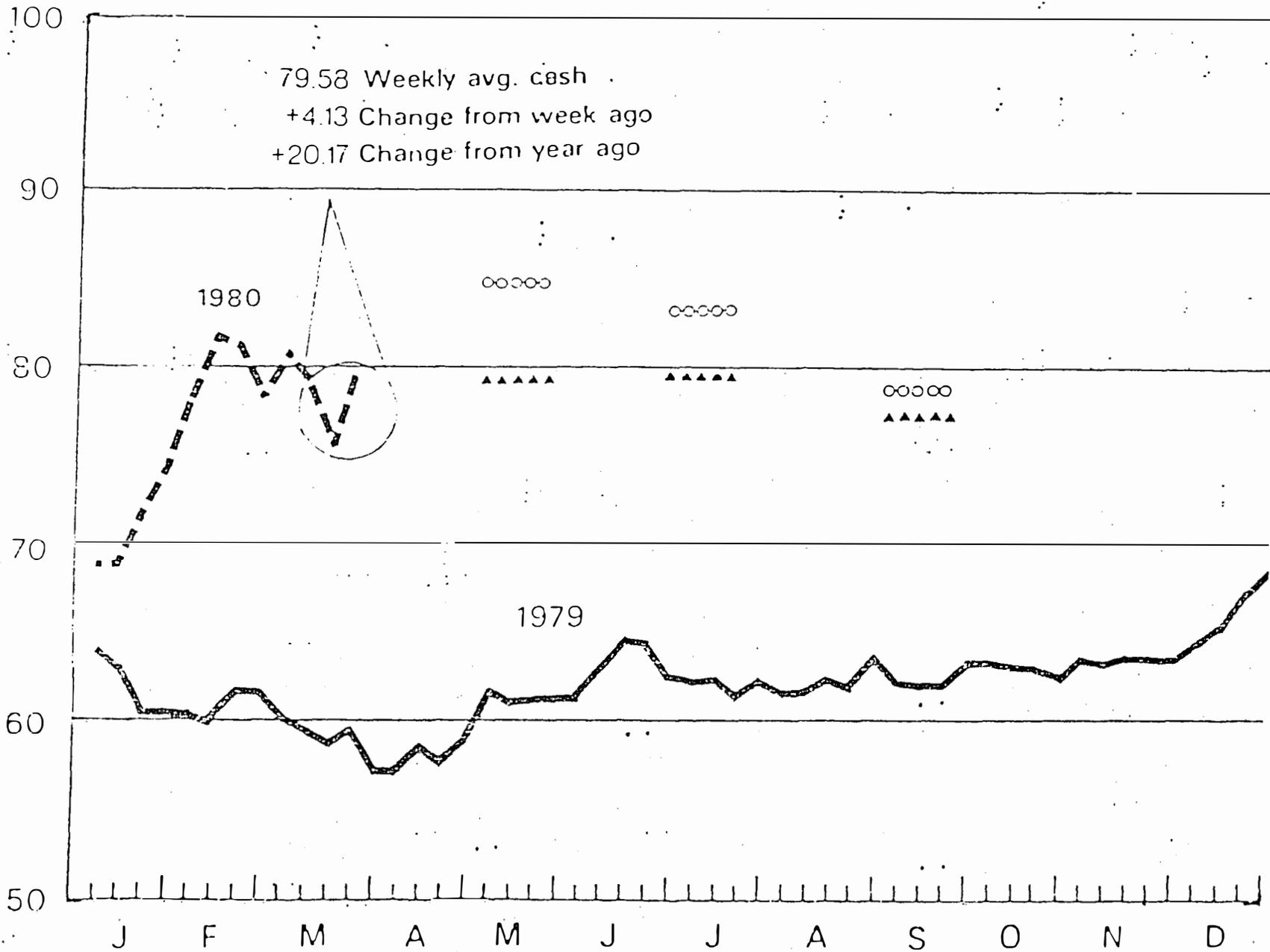
Draft appraisal and program documents were published for public review on January 28. The comment period is scheduled to end on March 28. This is the first comprehensive review of Federal conservation programs in the 45 years since they began. It now appears that the final RCA products will probably not be ready for transmittal to Congress until late in 1980 or early in 1981. Given the prominence that we be accorded these findings, all interested parties are encouraged to make their views known.

#### Parity

Ronald Regan was asked a question the other day about parity as it applies to agricultural prices and indicated he was not familiar with the concept. This could spark a question to you. As you know, parity is the price required to enable a given unit of product to have the same purchasing power as it had in the base period, 1910-14.

# Average Weekly Price: 10 Market Spot Price—SLM 1<sup>1</sup>/<sub>16</sub> Cotton and New York Futures

c/Lb.



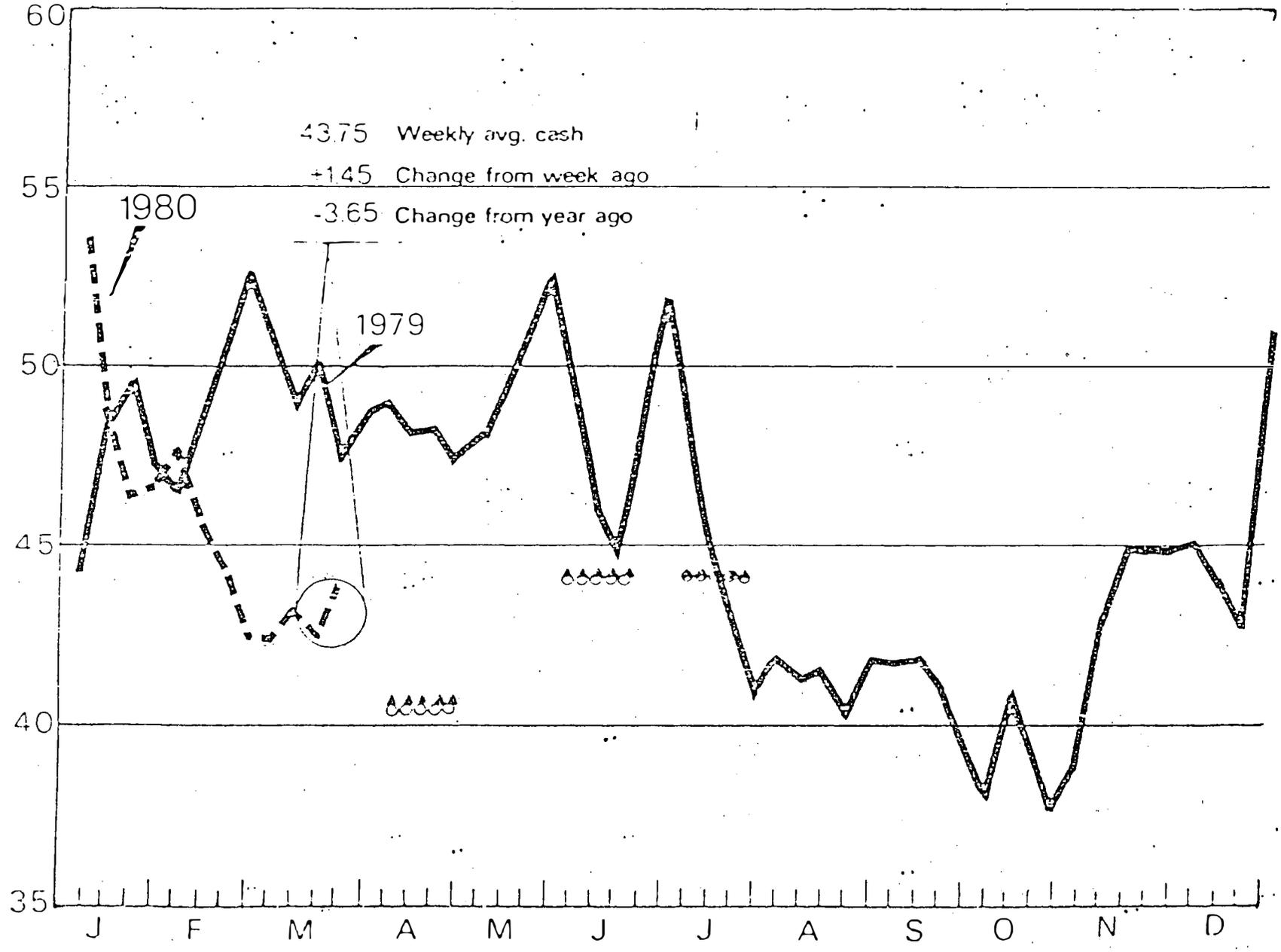
Futures prices

○○○○○ Avg. for current week

△△△△△ Avg. for previous week

# Average Weekly Price: New York Broilers and Chicago Futures

c/Lb.

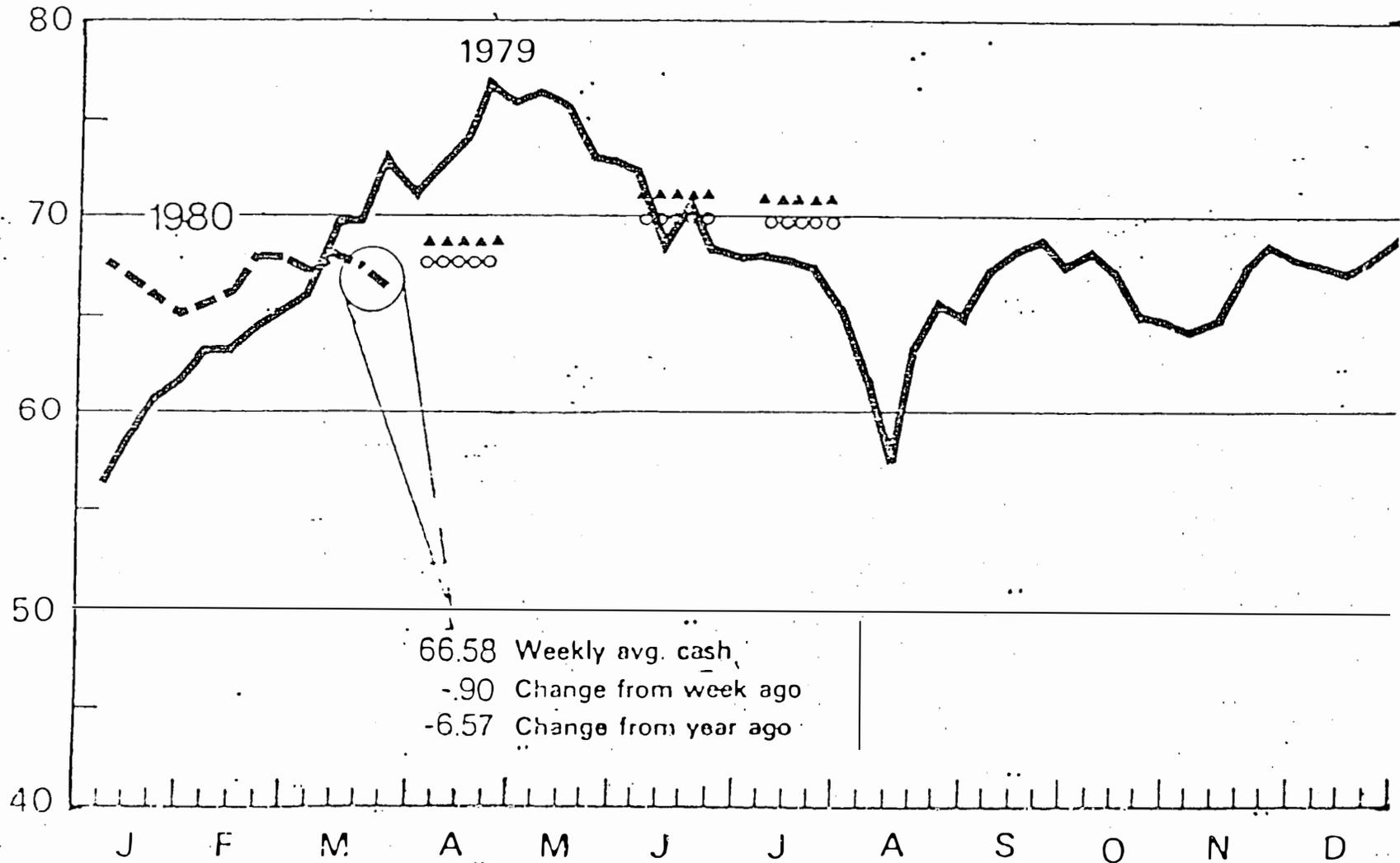


Futures prices

- OOOOO Avg. for current week
- AAAAA Avg. for previous week

# Average Weekly Price: Omaha Steers, 900-1100 lbs. and Chicago Futures

\$/CWT



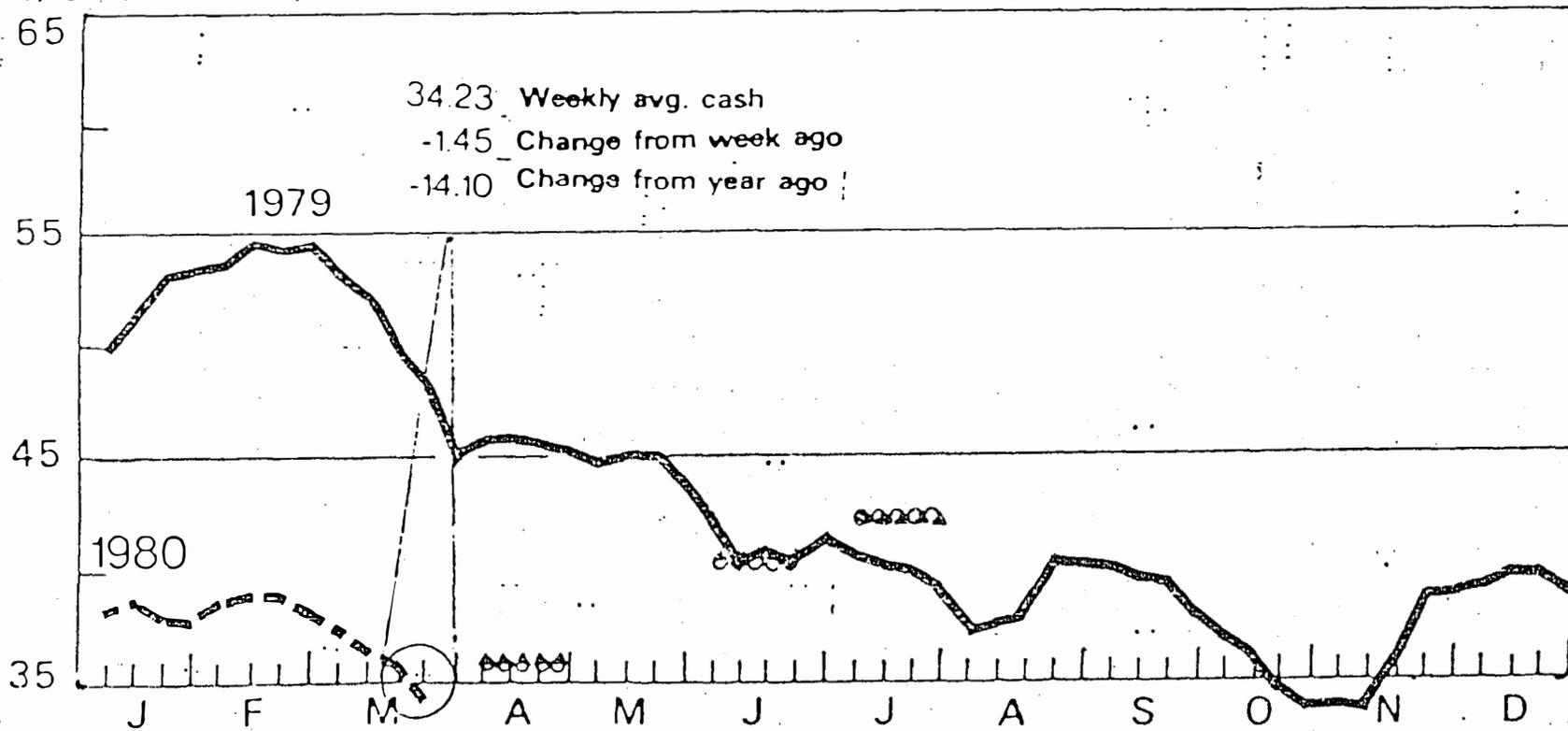
Futures prices

ooooooo Avg. for current week

aaaaaaaaa Avg. for previous week

# Average Weekly Price: Omaha, Barrows and Gilts U.S. 1-3 220-240 lbs. : and Chicago Futures

\$/Cwt.



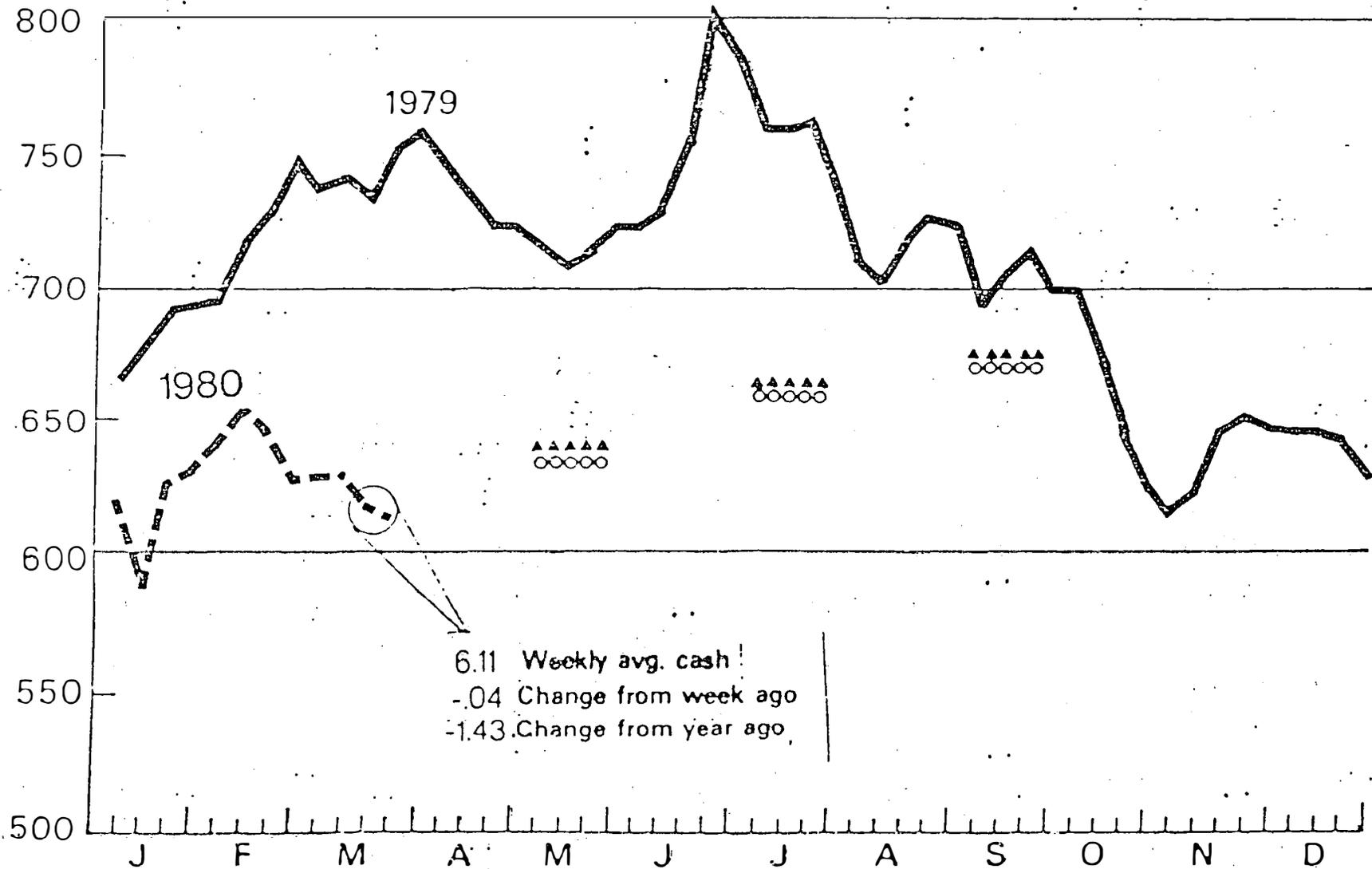
Futures prices

○○○○○ Avg. for current week

————— Avg. for previous week

# Average Weekly Price : Chicago, Soybean: No. 1 and Chicago Futures

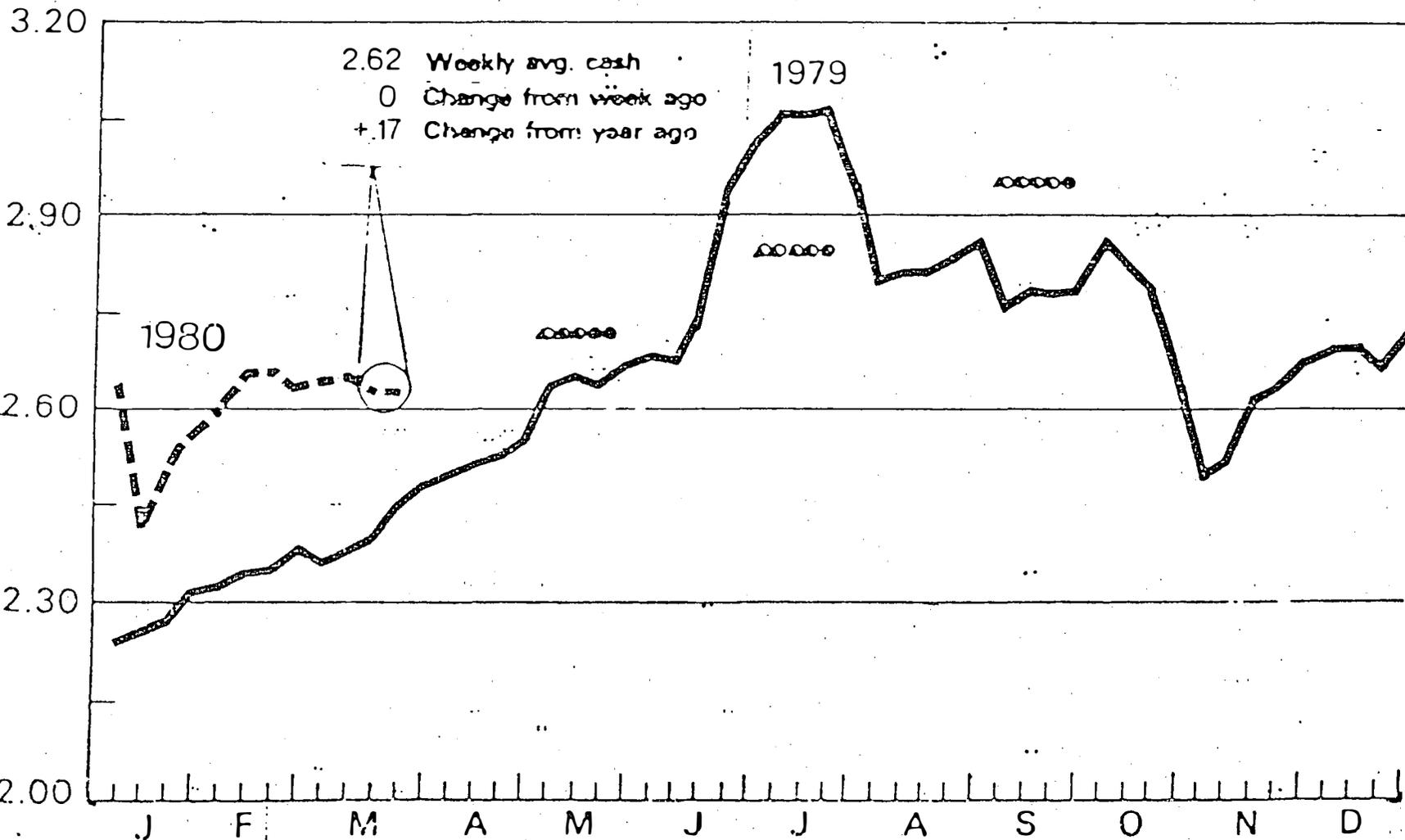
\$/Bu.



Futures price  
○○○○ Avg. for current week

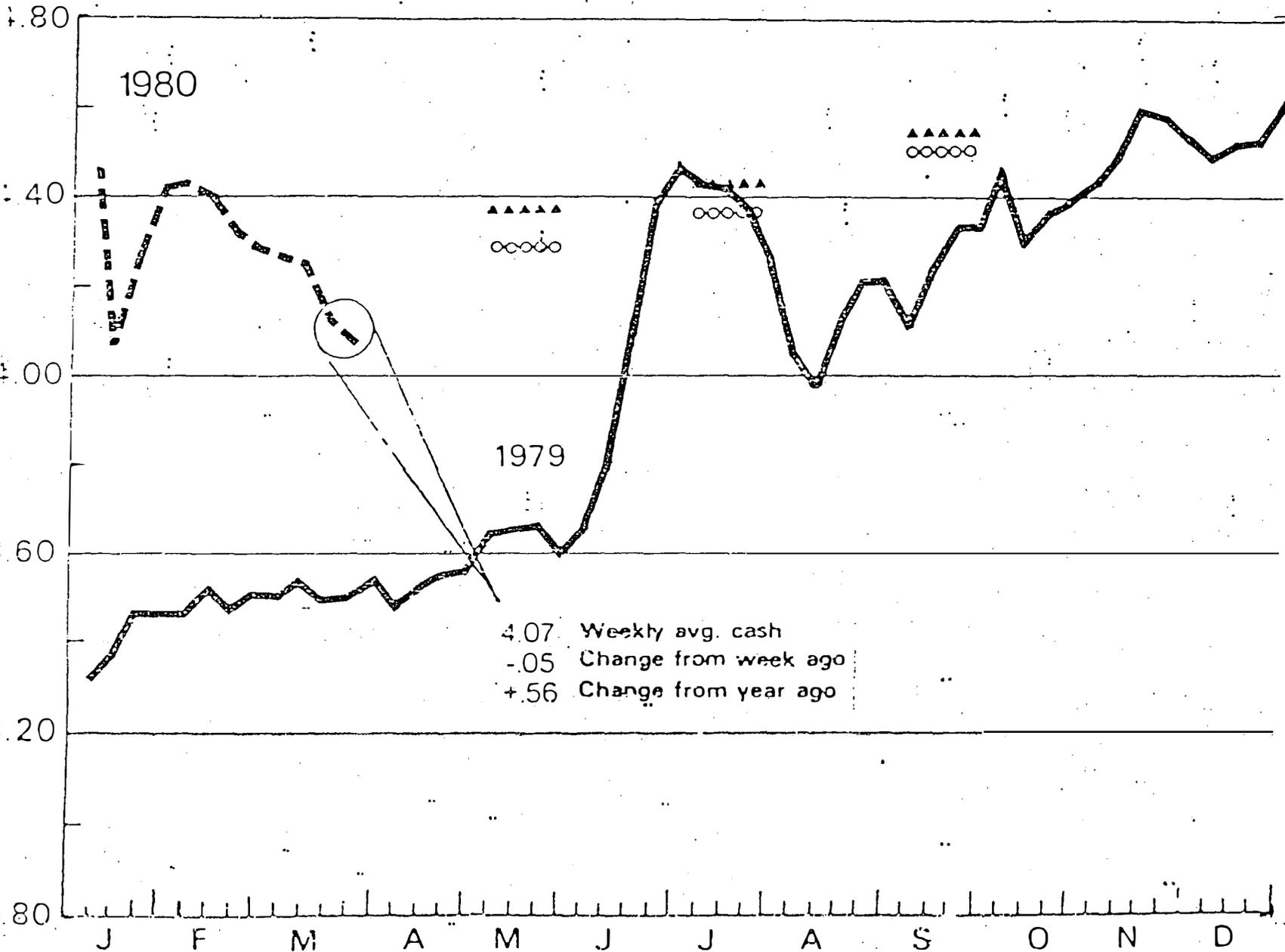
# Average Weekly Price: Chicago, Corn: Yellow No. 2 and Chicago Futures

\$/Bu.



Futures prices  
 ○○○○○○ Avg. for current week  
 ▲▲▲▲▲ Avg. for previous week

# Average Weekly Price: Kansas City, Wheat: Hard Winter No. 1 and Chicago Futures



Futures prices

ooooo

Avg. for current week

Avg. for previous week

11:30

THE WHITE HOUSE  
WASHINGTON

March 21, 1980

MEMORANDUM FOR THE PRESIDENT

From: Al McDonald  
Rick Hertzberg  
Achshah Nesmith *AN*

Subject: Presidential Talking  
Points: Briefing for  
Agricultural Editors

Scheduled Delivery:

Tue, March 25, 1980

11:30 AM, Rm 450 EOB

The Presidential Talking Points for  
this briefing are attached.

Clearances

David Rubenstein  
Ray Jenkins

Electrostatic Copy Made  
for Preservation Purposes

[The salutations will be updated no later than 9:00 AM on Tuesday by Charlie Goodwin x2910.]

Achsah Nesmith  
A-1 3/21/80  
Scheduled Delivery:  
Tues, 3/25/80, 11:30 AM

Agricultural Editors Association

VICE PRESIDENT (John) HARVEY (Farm Journal), ~~PRESIDENT-ELECT~~  
PRESIDENT Bill  
(William D.) FLEMING (Beef):

1. IT'S A SPECIAL PLEASURE TO MEET WITH THE AGRICULTURAL EDITORS ASSOCIATION. YOUR PUBLICATIONS REACH <sup>almost</sup> EVERY FARM FAMILY IN AMERICA. I TAKE SOME FAMILY PRIDE IN THAT FACT. ONE OF MY GRANDFATHER JIM JACK GORDY'S PROUDEST ACHIEVEMENTS WAS PERSUADING HIS CONGRESSMAN TO PUSH RURAL FREE DELIVERY THROUGH CONGRESS. WITHOUT THAT PERHAPS NONE OF US WOULD BE HERE TODAY.

2. INFORMATION IS IMPORTANT TO EVERYONE IN OUR SOCIETY, BUT PERHAPS IN NO OTHER FIELD IS INFORMATION SO CRITICAL AS IN AGRICULTURE. IN NO OTHER MAJOR SECTOR OF OUR ECONOMY ARE THERE SO MANY SMALL PRODUCERS DEPENDENT ON THEIR ACCESS TO INFORMATION ABOUT NEW PRODUCTS AND PRACTICES, THE CURRENT SITUATION AND THE OUTLOOK FOR FARM COMMODITIES BOTH IN THE UNITED STATES AND ABROAD, GOVERNMENT POLICIES AND PROGRAMS, AND THE EFFECT OF WORLD AND NATIONAL EVENTS ON THEIR LIVES AND LIVELIHOODS. INFORMATION IS CRUCIAL TO THE SUCCESS OF THE INDIVIDUAL FARMER, AND TO THE SUCCESS OF OUR NATION, BECAUSE AGRICULTURE IS SO CRITICALLY IMPORTANT TO OUR WHOLE ECONOMY, AND EVEN TO OUR FOREIGN POLICY. YOU HERE TODAY ARE RESPONSIBLE FOR GETTING MUCH OF THAT INFORMATION TO AMERICAN FARMERS.

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3. SECRETARY BERGLAND AND OTHERS WILL BE DISCUSSING OUR AGRICULTURAL AND OTHER POLICIES WITH YOU IN DETAIL. I WILL NOT ATTEMPT TO DO THAT IN THESE FEW MOMENTS, BECAUSE I WANT TO ANSWER SOME OF YOUR QUESTIONS, BUT THERE ARE A COUPLE OF POINTS I WOULD LIKE TO MENTION BEFORE I DO THAT.

I CAME TO THE PRESIDENCY WITH SOME IMPORTANT GOALS FOR AMERICAN AGRICULTURE, AND I AM PLEASED WITH HOW MUCH WE HAVE BEEN ABLE TO ACCOMPLISH IN THESE PAST THREE YEARS:

+ WE HAVE GONE A LONG WAY TOWARD ELIMINATING THE PRICE EXTREMES THAT HAVE TOO OFTEN TAKEN FARMERS ON A ROLLER COASTER FROM BOOM TO BUST.

+ WE HAVE SUCCEEDED IN ELIMINATING GOVERNMENT INTERFERENCE IN AGRICULTURE WHERE IT WAS FEASIBLE, WITHOUT ABANDONING FARMERS. THE NEW FARMER-OWNED GRAIN RESERVE PROGRAM IS A GOOD EXAMPLE -- IN THE PAST SUCH A PROGRAM WOULD HAVE MEANT A MASSIVE DIRECT INTERVENTION BY GOVERNMENT THAT WOULD HAVE BEEN BOTH MORE EXPENSIVE AND LESS EFFECTIVE. NOW THE FARMER HOLDS THE GRAIN AND DECIDES WHEN TO MARKET WITH THE LEAST POSSIBLE FEDERAL INTERFERENCE TO ACCOMPLISH OUR PURPOSE. WHENEVER POSSIBLE, WE HAVE LEFT DECISIONS WHERE THEY SHOULD BE -- IN THE HANDS OF AMERICAN FARMERS.

+ ANOTHER AIM WAS TO EXPAND EXPORT MARKETS. WE HAVE SUCCEEDED IN DOING THIS. RECORD HARVESTS HAVE BEEN MATCHED BY RECORD EXPORT MARKETS AND STRENGTHENING PRICES. DESPITE THE GRAIN

+ 11 mt

EMBARGO, GRAIN AND SOYBEAN EXPORTS WERE STILL UP 38% OVER  
THE FIRST TWO MONTHS OF LAST YEAR.

Farm - City

+ A FOURTH AIM WAS TO INCREASE THE STATURE OF AMERICAN FARMERS. OUR NATION'S SUCCESS IS LARGELY DEPENDENT ON THE SUCCESS OF THE AMERICAN FARMER. OUR STRENGTH IS TIED TO THE ABUNDANCE OF OUR LAND AND THE FARMERS' STEWARDSHIP OF THE LAND PRODUCES THAT ABUNDANCE. THE SOVIET UNION IS FAR LARGER IN SIZE, AND IS RICH IN MANY KINDS OF MINERAL WEALTH, AS WE ARE. WHEN THEY CHOOSE TO CONCENTRATE ON A PARTICULAR AREA THEY CAN SOMETIMES MATCH OUR ACCOMPLISHMENTS. BUT THEY CANNOT MATCH OUR AGRICULTURAL OUTPUT. WHEN THEY HAVE TRIED, THEY HAVE FAILED REPEATEDLY. WE HAVE BEEN ABLE TO COME TO THE AID OF STARVING CAMBODIANS AND VIETNAMESE BOAT PEOPLE AND IN SMALLER EMERGENCIES THROUGHOUT THE WORLD BECAUSE OF THE ACCOMPLISHMENTS OF AMERICAN FARMERS. BOTH ABROAD AND HERE AT HOME, PEOPLE ARE MORE CONSCIOUS OF THIS THAN EVER BEFORE, AND MORE APPRECIATIVE OF ITS IMPORTANCE IN THESE CHALLENGING AND OFTEN DANGEROUS TIMES.

Pr. J. It 25 → 357.  
L 2222.

4. INFLATION THREATENS TO DESTROY ALL OUR HARD-WON PROGRESS. FARMERS ARE PARTICULARLY VULNERABLE TO THE COST-PRICE FREEZE BECAUSE AGRICULTURE IS THE MOST COMPETITIVE SECTOR OF OUR ECONOMY. PRICE CONTROLS ARE A DISASTER FOR FARMERS, AND HURT THE CONSUMER IN THE LONG RUN. SHORT-SIGHTED MEAT PRICE CONTROLS IN 1973 CAUSED THE MOST DRAMATIC HERD REDUCTION IN OUR HISTORY. CATTLEMEN ARE ONLY NOW BEGINNING TO RECOVER AND REBUILD THEIR HERDS.

5. TO BALANCE THE FEDERAL BUDGET WE MUST CUT BACK NOT JUST THE FAT, BUT PROGRAMS WE ALL FEEL ARE IMPORTANT. IF OUR NATION IS TO REGAIN CONTROL OF OUR ECONOMY WE MUST ALL SHARE IN MAKING THESE EFFORTS WORK. I AM COUNTING ON YOU TO HELP ME GET THE MESSAGE ACROSS.

# # #

11:30 AM

THE WHITE HOUSE

WASHINGTON

March 24, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Patricia Bario

SUBJECT: Your Meeting with American Agricultural Editors' Association, 11:30 a.m., Tuesday, March 25, Room 450 OEOB

This is the first time you have met with representatives of this group. They are accustomed to meeting with the President almost annually, and are most delighted that time has been found for them this year. This meeting replaces a regular non-Washington editors briefing on your schedule.

AAEA has 650 members. About 125 of them are attending their annual Washington Workshop. This opened Monday night with a reception for Congressmen. John Sawhill will meet with them prior to you; Bob Russell will follow. Bob Bergland is their luncheon speaker. (A list of attendees and the agenda are attached.)

As you are aware, publications of this group range from the Farm Journal and Progressive Farmer to weeklies such as the Georgia Farmer and Texas Agriculture. With a combined circulation of 40 million, they reach every farm family, and many families get a mailbox full each month.

We will follow the regular non-Washington editors' meeting format, with brief opening remarks followed by questions. I will call time after 20 minutes to allow one-on-one photos. Many will use these in their publications.

There will be the standard photo session for the White House press corps at the beginning of the meeting.

Attachments

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THE WHITE HOUSE

WASHINGTON

BRIEFING FOR THE  
AMERICAN AGRICULTURAL EDITORS' ASSOCIATION

March 25, 1980

AGENDA

|            |                             |  |
|------------|-----------------------------|--|
| 10:55 a.m. | WELCOME                     | PATRICIA Y. BARIO<br>Deputy Press Secretary<br>The White House       |
| 11:00 a.m. | NATIONAL ENERGY POLICY      | JOHN SAWHILL<br>Deputy Secretary<br>Department of Energy             |
| 11:30 a.m. | Q & A WITH PRESIDENT CARTER |  |
| 12:00 noon | ANTI-INFLATION POLICY       | ROBERT RUSSELL<br>Director<br>Council on Wage and Price<br>Stability |
| 12:30 p.m. | CONCLUDE                    |  |

THE WHITE HOUSE

WASHINGTON

BRIEFING FOR THE  
AMERICAN AGRICULTURAL EDITORS' ASSOCIATION

March 25, 1980

ATTENDEES

Mr. Earl P. Ainsworth  
Farm Journal  
Philadelphia, Pennsylvania

Mr. Dick Beeler  
California Farmer Publishing Company  
San Francisco, California

Mr. Gordon L. Berg  
AG Consultant and Fieldman  
Willoughby, Ohio

Mr. Benjamin R. Blankenship, Jr.  
U.S. Department of Agriculture - ESCS  
Washington, D.C.

Mr. Allan E. Bovey  
Farm Credit Banks of Springfield  
Springfield, Massachusetts

Ms. Carolyn M. Boyle  
Dow Chemical  
Midland, Michigan

Mr. David L. Brown  
Dave Brown and Associates, Inc.  
Oak Brook, Illinois

Mr. Robert J. Brown  
U.S. Feed Grains Council  
Washington, D.C.

Mr. Tom Budd  
Indiana Prairie Farmer  
Indianapolis, Indiana

Mr. David W. Butterfield  
American Cyanamid Company  
Princeton, New Jersey

Mr. William E. Carnahan  
Science and Education Administration  
Extension, USDA  
Washington, D.C.

Mr. Wilson W. Carnes  
The National Future Farmer  
Alexandria, Virginia

Ms. Carolyn R. Christensen  
American Quotation Systems  
Champaign, Illinois

Mr. Harry C. Cline  
California-Arizona Farm Press  
Fresno, California

Mr. Calvin T. Cobb  
NEDCO Today Magazine  
Syracuse, New York

Mr. Robert H. Coffman  
Professional Farmers of America  
Cedar Falls, Iowa

Mr. Donald N. Collins  
The Fertilizer Institute  
Washington, D.C.

Ms. Marilyn Cooper  
Monsanto Company  
St. Louis, Missouri

Mr. Raymond C. Dankenbring  
Ralston Purina Company  
St. Louis, Missouri

Mr. William Deitenbeck  
Florida Grower & Rancher  
Orlando, Florida

Mr. Del A. Deterling  
Progressive Farmer  
Dallas, Texas

Mr. James A. Dickrell  
The Farmer Magazine  
St. Paul, Minnesota

Mr. Thomas A. Doughty  
The Farmer Magazine  
St. Paul, Minnesota

Mr. Eugene M. Farkas  
U.S. Department of Agriculture  
Beltsville, Maryland

Mr. Richard K. Fee  
Big Farmer Magazine  
Frankfort, Illinois

Mr. William D. Fleming  
National Hog Farmer  
St. Paul, Minnesota

Mr. Sheldon D. Golub  
American Bankers Association  
Washington, D.C.

Mr. Gerald C. Grooms  
The Ohio State University  
Columbus, Ohio

Mr. Delmer E. Groves  
Milk Marketer/Milk Marketing, Inc.  
Strongsville, Ohio

Mr. Milton D. Hakel  
National Farmers Union  
Washington, D.C.

Mr. Don Hanes  
National Council of Farmer Cooperatives  
Washington, D.C.

Ms. Carol J. Harding  
Gibbs & Soell, Inc.  
New York, New York

Mr. Larry S. Harper  
Missouri Ruralist  
Fayette, Missouri

Mr. John R. Harvey  
Farm Journal  
Philadelphia, Pennsylvania

Mr. Bruce H. Herz  
Agri Finance Magazine  
Skokie, Illinois

Mr. Giff Hoag  
E.A. Jaenke & Associates, Inc.  
Washington, D.C.

Mr. Douglas A. Holthaus  
Meredith Publishing Services  
Des Moines, Iowa

Mr. Wayne W. Hopkins  
Burlington Northern  
St. Paul, Minnesota

Mr. Richard A. Howell  
Farm & Industrial Equipment  
Institute  
Chicago, Illinois

Mr. James E. Hurley  
Agway Cooperator  
Syracuse, New York

Mr. Frederick I. Jones  
Richardson, Myers & Donofrio, Inc.  
Baltimore, Maryland

Mr. Bill Kelsey  
Massey-Ferguson, Inc.  
Des Moines, Iowa

Mr. Alan R. Knight  
American Agriculturist  
Ithaca, New York

Mr. Charles R. Koch  
Livestock Market Digest  
Oxford, Ohio

Ms. Mary S. Kowalczyk  
Velsicol Chemical Corporation  
Chicago, Illinois

Mr. Steven P. Krikava  
Midland Cooperator  
Minneapolis, Minnesota

Mr. Donald G. Lerch  
Lerch & Company, Inc.  
Washington, D.C.

Mr. James P. Lilly  
Prairie Farmer  
Oak Brook, Illinois

Mr. Eugene R. Maahs  
Iowa Farm Bureau Spokesman  
West Des Moines, Iowa

Mr. Will McCracken  
Deere and Company  
Moline, Illinois

Mr. Earl W. McMunn  
Delaware  
Delaware, Ohio

Mr. Eugene C. Meyer  
Hoard's Dairyman  
Fort Atkinson, Wisconsin

Ms. Ellen M. Miller  
Plainwell, Michigan

Mr. Ronald A. Miller  
The Upjohn Company  
Kalamazoo, Michigan

Mr. Gaylin F. Morgan  
Morgan & Associates, Inc.  
Ft. Atkinson, Wisconsin

Mr. Victor E. Muniec  
Tuesday Letter  
Washington, D.C.

Mr. Gary A. Myers  
Bader Rutter & Associates  
Brookfield, Wisconsin

Mr. Roger W. Nielsen  
Ohio Farmer  
Columbus, Ohio

Mr. Kim E. Nowels  
Future Farmers of America  
Alexandria, Virginia

Ms. Gail M. Osten  
MidAmerica Commodity Exchange  
Chicago, Illinois

Mr. Lane M. Palmer  
Farm Journal Magazine  
Philadelphia, Pennsylvania

Mr. Bruce L. Pankonin  
Cargill, Inc.  
Minneapolis, Minnesota

Mr. James L. Phillips  
Farm Journal Magazine  
Philadelphia, Pennsylvania

Mr. John Phillips  
Farm & Country  
Toronto, Ontario, CANADA

Mr. John M. Pitzer  
National Future Farmer  
Alexandria, Virginia

Mr. Ted Priebe  
Agri Finance/Agri Marketing  
Skokie, Illinois

Ms. Linda R. Prosser  
Bozell & Jacobs Public Relations  
New York, New York

Mr. Raymond P. Reiman  
Farm Business, Inc.  
Arlington, Virginia

Mr. Gary A. Reynolds  
Prairie Farmer  
Decatur, Illinois

Mr. Edward M. Rider  
American Trucking Associations, Inc.  
Washington, D.C.

Ms. Dona M. Robinson  
American Quotation Systems  
Champaign, Illinois

Mr. K. Schleeter  
Commodity Futures Trading Commission  
Washington, D.C.

Ms. Sara K. Schildt  
U.S. Feed Grains Council  
Washington, D.C.

Ms. Linda H. Schotsch  
Farm Journal  
Philadelphia, Pennsylvania

Mr. C.G. Scruggs  
Progressive Farmer  
Birmingham, Alabama

Mr. Monte N. Sesker  
Wallaces Farmer Magazine  
Des Moines, Iowa

Ms. Meg Sonnenberg  
American Agriculturist  
Ithaca, New York

Mr. Andrew L. Stevens  
The Ohio Farmer  
Columbus, Ohio

Ms. Jolene Stevens  
National Pork Producers Council  
Des Moines, Iowa

Mr. Jeffrey E. Tennent  
The National Future Farmer  
Alexandria, Virginia

Mr. Lynn Tilton  
Pennsylvania Farmer  
Camp Hill, Pennsylvania

Mr. Cordell W. Tindall  
By-Line Editor  
Fayette, Missouri

Mr. Thomas R. Unzicker  
International Minerals & Chemical  
Corporation  
Northbrook, Illinois

Mr. Ted Vaughan  
Manheim, Pennsylvania

Mr. Gary L. Vincent  
Successful Farming  
Des Moines, Iowa

Mr. Jay J. Vroom  
Merchants Exchange  
St. Louis, Missouri

Mr. Thomas E. Waldinger  
The Fertilizer Institute  
Washington, D.C.

Mr. Roy Wallace  
Roy Wallace & Associates, Inc.  
Minneapolis, Minnesota

Mr. Michael Walsten  
Professional Farmers of America  
Cedar Falls, Iowa

Mr. Mark L. Wiehe  
Insight/MFA Incorporated  
Columbia, Missouri

Mr. Robert H. Williams  
Pennsylvania Farmer  
Camp Hill, Pennsylvania

Mr. David L. Wothke  
Elanco Products Company  
Indianapolis, Indiana

Ms. Marcia L. Zarley  
Successful Farming  
Des Moines, Iowa

THE WHITE HOUSE  
WASHINGTON

25 mar 80

Stu Eizenstat

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
your information.

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

3/24/80

Mr. President:

Shall I schedule?

yes     no

Phil

1115

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THE WHITE HOUSE

WASHINGTON

March 24, 1980

*Stu ok -  
Give me a  
few talking pts.  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: Meeting with National Homebuilders Association  
Executive Committee

As you know, the housing industry has been particularly hard hit by high interest rates and the unavailability of mortgage money. Housing construction is now at a projected 1.3 million unit level for the year, which would be the lowest since 1974.

Because of the housing industry's problems, we have been literally beseiged over the past several weeks to develop programs or policies to help the industry. This has intensified since our anti-inflation program was announced. The housing industry sees the program as further impairing their ability to stay afloat until interest rates begin to come down.

The industry's association, the National Homebuilders Association, has called an emergency meeting tomorrow (Tuesday) in Washington to determine what steps the industry can take to help itself and what actions should be sought from the Federal government. Secretary Landrieu and I will be meeting with the Executive Committee of the Association tomorrow afternoon at 1:00 in the Roosevelt Room. Both of us strongly recommend that you drop by this meeting for five minutes. The purpose of your drop-by would not be to listen to all of their problems, or to offer the hope of our doing something in the immediate future. Rather, it would just be to show that we are cognizant of the seriousness of the problem and that we are sympathetic to their dilemma.

This is an extremely influential group, with enormous political impact in communities throughout the country. If you were to spend five minutes with the leadership, and allow a White House photographer to take pictures of that session (no general press would be allowed), I think the benefits would be well worth the time spent.

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THE WHITE HOUSE  
WASHINGTON



Susan -  
Put in envelope &  
send directly to  
Cy - J

done 3/25/80  
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2005

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March 20, 1980

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*a) In first 20 or so pages every theme from State of the Union speech should be repeated. Omissions will be noted.*

Mr. Chairman, Members of the Committee:

I welcome the opportunity to join with you in looking beyond immediate events to America's overall posture and purposes in the world.

*b) First half, especially, needs a good editing job. There is a lot of repetition.*

For the past four months, our primary concern has been drawn to an area of immediate crisis -- Southwest Asia and the Persian Gulf. Terrorism in Iran and aggression in Afghanistan have required concentrated attention.

*c) Good luck - the Soviet*

*JL*

But even as we address these current challenges, we must constantly place our response to specific events within our broader strategy. Our present actions must not only meet immediate crises; they must advance our long-term interests as well.

Over the past several years I have met with the Committee many times on specific elements of our foreign policy. These hearings offer an opportunity to consider America's wide-ranging interests, how they relate to each other, and our overall course.

*Brief Summary near top of probs we faced 1/77 -> progress made*

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~~DECLASSIFIED~~  
Per, Rac Project  
ESDN: NLC-126-21-6-1-1  
BY KS NARA DATE 12/16/13

And I believe these hearings can serve another purpose: to help crystallize a broad agreement on the general course that best suits America's interests and needs in the coming decade.

I do not suggest that a full consensus behind a detailed foreign policy is now <sup>likely</sup> possible. In a world of extraordinary and growing complexity . . . a world in which our interests are diverse . . . we cannot escape choices which in their nature are the stuff of controversy.

But I do believe that despite differences on decisions we have made, and that we and others will make during the 1980's, our nation <sup>can now shape</sup> ~~[could be on the edge of]~~ a new foreign policy consensus about our goals in the world -- and the essential strands of our strategy to pursue them.

This consensus can be built around agreement on two central points:

-- First, the United States must maintain a military balance of power. Our defense forces must ~~be~~ <sup>remain</sup> unsurpassed. Our strategic deterrent must be unquestionable. Our conventional forces must be strong enough and flexible enough to meet the full range of military threats we may face. As a global power, we must maintain the

-3- *Our strength*

global military balance. ~~It~~<sup>is</sup> important to our<sup>own</sup> safety; to a strong foreign policy, free from coercion; to the confidence of allies and friends; and to the future of reciprocal arms control and other negotiations. Our strength also buttresses regional balances that could be upset by the direct or indirect use of Soviet power.

-- The second central point is this: that our military strength, while an essential condition for an effective foreign policy, is not<sup>in itself</sup> a sufficient condition. We must nurture and draw upon our other strengths as well -- our alliances and other international ties, our economic resources, our ability to deal with diversity, and our ideals. By drawing fully on these strengths, we can help shape world events now in ways that ~~lessen the dangers~~<sup>reduce the likelihood</sup> of having to use our military force later.

A global American foreign policy can succeed only if it has both these dimensions.

?  
Some have argued that a strong response to Soviet military growth and aggression is overreaction. But to disregard the trend in Soviet military budgets . . . or to explain away aggression as a defensive maneuver . . . is to take refuge in illusion.

*add in:*  
We now confront a serious and sustained Soviet challenge, which is both political and military. Vital interests of the non-Communist world are threatened by Soviet ~~and~~ adventurism.

It is just as illusory, and just as dangerous, to believe that we can turn away from the pursuit of human rights, arms control and economic development abroad. ~~(-- to believe that increased military power, alone, can protect our interests in the world.)~~ There can neither be a fortress America nor a world that follows our lead solely because of our military strength.

As we look to the '80s, America faces multiple challenges -- in rival military power, in the turmoil that can accompany economic and political change, in the energy crisis and global inflation. <sup>These challenges</sup> They <sup>require</sup> full American engagement in the world -- a resolve to defend our vital interests with force if necessary and to attack potential causes of conflict before they erupt.

Managing a foreign policy of full and active engagement requires more than the will to do so...the will to defend ourselves and to make sacrifices now for the sake of our future. It requires of us something yet more difficult -- our wisdom. I can foresee <sup>serious problem</sup> tremendous dangers for our nation if we let, <sup>should</sup> <sup>ill considered</sup> ~~our~~ collective actions run ahead of our collective thought.

*excessive  
extreme  
superlatives*

That is why I so welcome these hearings. They can illuminate our central challenge: how best to order and serve the extraordinary range of interests we have in a world grown extraordinarily complex.

In my remarks today, I will discuss eight central American interests for the coming years. Each is very broad in its own terms. But I do not believe that any of these interests can be narrowed, much less disregarded, without doing damage to the others.

Our most basic interest, and first priority, is the physical security of our nation, the safety of our people. This requires strong defense forces.

It also requires firm and careful handling of a second area of concern: East-West relations.

A third interest -- balanced arms control agreements -- enhances our security and a more stable East-West balance.

Our fourth interest, peace in troubled areas of the world, reduces potential threats of wider war and removes opportunities for our rivals to extend their influence.

Our diplomacy in troubled regions, and our ability to pursue our global economic interests, are strengthened by pursuing a fifth interest -- in broadening our ties to other nations -- with China, for example, and throughout the Third World.

The advancement of human rights is more than an ideal. It, too, is an interest. Every peaceful gain

for freedom is a step towards stability abroad -- and greater security for America.

A seventh interest is central to our well-being as a people and our strength as a nation. We have a deep interest in confronting the global energy crisis and strengthening the international economy.

And finally, we cannot disregard our interest in addressing environmental and other longer term global challenges.

Pursuit of each of these interests helps shape the kind of world we want to see. Each is important, as a part of this broader conception, and because failure in one area can lead to failure in another.

Can we say that our security is more threatened by the growth of Soviet military power or by the strains we can foresee in the international economy? By the prospect of nuclear weapons in the hands of additional nations or by the prospect of social and political turmoil in many regions of the world?

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The hard fact is that we must face each of these and other challenges simultaneously. Our course in the world must be defined by a mix of interests, sensibly balanced, with priority always for the central imperative of military security for our nation and its people.

No simple slogan or single priority can answer in advance the dilemmas of the coming decade. There will be no escaping the difficult task of weighing our nation's varied international interests against each other in particular circumstances, moving each forward whenever possible.

*delete*

We must also resist the temptation to define our security interests simplistically by drawing a series of lines on a map. For it is an inescapable axiom of geopolitics no less than geometry that such lines have two sides.

Unless they were all inclusive and therefore without meaning, drawing lines on the globe to define our security interests would inevitably exclude nations of genuine importance to our well-being or tempt others to believe that we were ceding to them new spheres of influence.

Certainly, we will always have clear areas of priority. As I shall discuss in more detail, by history, strategic location, and shared values, our allies in Europe and the Far East are central to our planning, as is our Hemisphere.

We must also respond to specific new dangers that have arisen in a region of growing importance -- Southwest Asia and the Persian Gulf. Because of its present urgency and its relevance to our overall foreign policy, let me begin there.

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\* \* \*

Our first concern is the continued, illegal, barbaric detention of Americans in Tehran. Rarely has our judgment been so severely tested as in our efforts to free them. We will persist in these efforts. For as long as the cruel torment of our people continues, this matter will remain at the forefront of our national agenda.

Several broader conditions in that region also converge to demand our attention.

-- One is our direct interest in the Persian Gulf region. Roughly one-quarter of the oil we import comes from this area of the world. For our allies the proportion is higher -- two-thirds in the case of Western Europe, three-fourths for Japan.

And our stake in the region involves more than economics, more than oil. For peace and stability in the region are critical to the future of our friends there, and could affect the broader peace. Our strength and skill in supporting their independence will demonstrate to them and to others the constancy of our purpose.

*Mention Pakistan & Iran - separately & specifically - (secure - independent)*

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-- Another condition is the potential for turmoil and instability in the region, caused by tensions between nations, among political ideologies, about ethnic differences.

-- A third condition is the geographic accessibility of <sup>this vital</sup> the region to the Soviet Union. <sup>The Soviet invasion of</sup> ~~Their presence in~~ Afghanistan <sup>further dramatizes the</sup> is a potential threat to the security of nations in the region and to the world's free access to natural resources and shipping routes.

That is the fact, whatever we may speculate about Soviet aims. For intentions cannot be known with certainty. Even if they could, intentions can change. Our response must be based upon Soviet capabilities and Soviet behavior. To respond firmly to these realities now is not to be apocalyptic; it is simply to be prudent.

Thus, we are moving to deal with a new security situation in the region. We have increased our own military presence there and we are gaining access to additional air and naval facilities in the region. We are consulting with others on steps to reinforce the deterrence to any future Soviet aggression.

These steps serve an explicit and unmistakable purpose. As President Carter has said, an attempt by an

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entire TP →  
from St of G.

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outside force to gain control of the Persian Gulf region would be "repelled by any means necessary, including military force."

We have also moved to impose a serious price for the aggression that is being committed against Afghanistan. The steps we have taken -- on grain, on technology, on the Olympics, and in other areas -- have two purposes.

First, we seek to deter aggression elsewhere. To pursue business as usual in the face of aggression is to tempt new adventures.

These measures also serve a second purpose: the prompt withdrawal of all Soviet military forces from Afghanistan.

Our pressures do not stand alone. The Soviet actions *have been and* are condemned by the overwhelming majority of the nations of the world. The Soviets are facing a staunch, broadly-based Afghan resistance. These factors, <sup>all</sup> combine to impose

*to* a heavy and continuing cost on the Soviets for their aggression.

*We will be persistent.*

*Review*

To encourage Soviet withdrawal, we also support efforts to restore a neutral, non-aligned Afghanistan, <sup>with a government</sup> that would be responsive to the wishes of the Afghan people. With the prompt withdrawal of Soviet troops, we would join with Afghanistan's neighbors in a guarantee of Afghanistan's true neutrality and of non-interference in its internal affairs.

With the exception of opposing attendance at the Moscow Olympics, upon which a deadline has already passed, our intention is that the sanctions we have imposed since the invasion of Afghanistan would be removed <sup>only</sup> if the invasion were ended. (COCOM?)

Let me be <sup>clear</sup> ~~equally clear~~, ~~however~~, that so long as Soviet forces remain in Afghanistan, <sup>The</sup> ~~these~~ sanctions will remain in force.

The Soviet invasion is a challenge not only to our interests but to those of our Allies. Thus there must be a parallel response.

We are not asking our allies to dismantle the framework of East-West relations. We do ask that they take measures designed to press for the withdrawal of Soviet forces from Afghanistan, and to deter the Soviets from new adventures that will produce new crises.

*It is very important that we and our allies stand together in our condemnation of aggression.*

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Detente cannot be divorced from deterrence. To oppose aggression now is to promote peace in the future -- to foster the conditions for progress in East-West relations. To assume that we can obtain the benefits of detente while ignoring the need for deterrence would be shortsighted and dangerous. To assume that detente is divisible, that aggression can be met only in the area in which it takes place, could encourage aggression elsewhere.

*need { be met only when it directly threatens one's own region, }*

Deterrence requires sacrifice. The United States is, *willing to* bearing its share of that burden. It is vital that the burden of sacrifice be shared equitably among all our allies -- for the sake of peace, for the sake of our alliances, and for the sake of the public support which makes those alliances strong.

Our response to the immediate situation is a part of our long-term strategy in the region, as we seek to strengthen nations determined to resist outside control, and to build our relations with them. We advance these objectives in several ways:

-- We are persevering in our efforts for peace in that broad region. A comprehensive settlement between Israel and her neighbors remains a paramount American goal. It would strengthen the security of Israel, to

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which we remain unshakeably committed; the security of its neighbors; and the stability of the region as a whole.

In South Asia, mutual suspicions between India and Pakistan harm the security of both and heighten the regional danger. We will continue to support their efforts to resolve the issues dividing them. We seek good relations with both. Our assistance to either is not directed at the other.

-- We are working with the nations of the region to foster their economic progress and political stability. The conditions inviting internal disorder cannot be remedied by military force. They can be met as governments move to meet the expectations of their people in their own ways and within their own traditions.

Our diplomacy is grounded in support for the independence of others and respect for their traditions and concerns.

It is important to underscore that respect must be mutual. The Government of Iran cannot expect respect from us or from any civilized member of the world community as long as it allows innocent diplomats to be

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Our first imperative is defense, to maintain our security through an assured balance of military power.

For more than fifteen years there has been a steady growth in Soviet military investments. There is no sign of abatement in the Soviet effort.

During most of that same period our own real investments -- after inflation, and excluding Vietnam -- were declining. *During the last three years* Now, we have reversed the downward trend in our own defense efforts.

We are moving in an orderly fashion to anticipate and remedy the potential gaps in our defenses -- strategic, theater nuclear, and conventional. Our real defense investments have been growing. To portray an America that has stood immobile in the face of growing danger may be fashionable -- but it also is patently false.

The increases in defense spending that this Administration has proposed require sacrifice at a time of economic difficulty. They are sacrifices we must make.

But as we proceed, we should not underestimate our existing strength. We want no dangerous miscalculations of our power or our will.

The Soviets spend considerably more than we do on defense -- but total NATO defense spending is higher than that of the Warsaw Pact. Simple US-Soviet force

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*Syntax*

comparisons ignore the principles of collective security are the core of our defense strategy.

US and allied strength rests upon an economic foundation more than twice the size of that of the Warsaw Pact.

A fair measurement of the balance must account for the fact that the Soviets have fully one-fourth of their ground forces deployed along their border with China.

2  
We must consider that our Alliances are based upon long tradition and shared values, and because their purpose is clearly defense they have a fundamental cohesion less certain on the Warsaw Pact side.

More broadly, our purpose in the world is in basic harmony with deep determination of nations around the world to defend their sovereignty. A purpose in conflict with nationalism -- a quest to dominate and control others -- presents far more difficulties and dangers, as the Soviets are learning from the nationalists in Afghan-

istan.

As we address the comprehensive defense modernization we need, we do so from a strong base.

Our security begins with the balance of strategic forces. The Soviet nuclear arsenal constitutes the one credible, direct threat to the continental United States.

*Insert of re Soviet use of surrogates in Angola, Ethiopia, Cambodia - Yemen*

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To effectively deter that danger we must have a capability for certain and appropriate retaliation to any level of attack. We must also maintain forces which are, and are perceived to be, essentially equivalent to those of the Soviet Union, to avoid the possible military or political consequences that an imbalance might bring.

These requirements -- flexible <sup>response</sup> ~~deterrence~~ and essential equivalence -- are advanced by our programs to modernize and improve the three elements of our triad of strategic force: the M-X mobile land-based missile, the Trident submarine and missile programs, and the air-launched cruise missiles for our manned bombers.

Our security is also based upon collective defense. The security of our Allies has been, and continues to be, synonymous with our own.

The Soviet Union, with its Warsaw Pact allies, has increased its capability to mount a heavy attack, with little warning, in Europe. To counter that danger, President Carter in 1977 recommended to NATO a Long Term Defense Program to improve Allied capabilities in each of ten vital areas. These range from air defense to maritime posture. The program was adopted in 1978. It is being implemented.

Last December the NATO ministers agreed to a plan for modernization of our theater nuclear forces -- in response to Soviet theater nuclear modernization -- particularly SS-20 and Backfire deployments. At the same time, the Ministers agreed to seek equal limits through negotiations on long-range theater nuclear systems of both sides.

order of F's ?  
These steps reflect a common perception in NATO of the growing threat to Europe -- and a common determination to respond. I will not pretend that there is unanimity in the Alliance on all international issues. But NATO is united on its central role, and the Alliance is making considerable new progress to guarantee that its capabilities will be fully sufficient to meet its obligations.

We have security interests in Asia similar to those in Europe. We are committed to maintaining our strength in Asia.

Our close association and alliance with Japan reflect strong economic ties and shared security interests . . . and beyond that an identity of values and of views on a wide range of issues. Our defense cooperation is expanding. Japan's Self-Defense Forces are undergoing steady improvement. We have urged Japanese leaders to expand these programs, for the combined planning efforts of the United States, Western Europe and Japan are needed to counter the global Soviet buildup.

We attach great importance to our alliances with our ANZUS partners -- Australia and New Zealand. We stand by our other security commitments in the region.

In response to the confirmed sharp buildup in North Korea, we are committed to maintaining our strength in that area, as the strength of our South Korean ally grows. Next year, for example, South Korean defense spending is expected to reach nearly six percent of its gross national product, compared to roughly four percent in the early 1970's.

Conclusion of a revised base agreement with the Philippines has been an important, positive development for the sustained defense of the region.

Our forces in East Asia reinforce our security commitments there, and because of their mobility, they help protect interests that we and our Asian allies share outside the immediate region, such as those in the Persian Gulf.

Our European and Asian alliances have long encompassed our major defense priorities. They do not, however, define the perimeters of our security interests. We must also be prepared to reinforce the capacity for resistance to aggression elsewhere in the world.

Our ability to project our power is unsurpassed. But improvements must be made. The strengthening of our Rapid Deployment Forces will be an important step forward. Plans for Maritime Prepositioning Ships and a new large cargo aircraft will further strengthen our ability to respond quickly when crises occurs.

With an inescapable stake in the health of the international economy, we cannot idly watch vital resources fall, by forceful means, under the control of a hostile outside power. Our interests require that we be able and willing to help others resist challenges to their sovereignty and to counter, in particular, a growing Soviet ability to project its power.

Certainly there are practical limits. We would undermine the confidence of our friends and allies through bellicose pronouncements or a posture that implied an interest in dominating other sovereign states. The use of American military force is not a desirable American policy response to the purely internal politics of other nations.

Nor would we be well served by a rigid doctrine on where and when our forces will be used beyond our specific security commitments. No easy formula can encompass all the contingencies that can arise in an unsettled world.

*add:  
all of our  
actions &  
responses  
have been  
forceful, but  
peaceful in  
nature*

But it is important that we be clear in advance about the questions we must ask ourselves when a decision about using American forces in such situations must be made.

A number of critical elements must be weighed:

-- The character and immediacy of our national interest.

-- When we undertake to help another nation resist aggression, the degree of local effort must be judged. We cannot defend a nation that is insufficiently dedicated to its own defense.

-- The involvement or potential support of other countries, whether in the region or among our Allies must be taken into account.

-- The subject and the international legal standing of the conflict are factors. It does not, for example, generally serve our interests to become involved in territorial disputes between Third World nations; the situation is quite different, however, where there is Soviet aggression.

-- We must coldly analyze at the outset not only what we seek to accomplish and stand to gain, but the prospects for success and the potential costs of the endeavor.

-- And we must have public support for the sacrifice entailed: Under any circumstances, our system rightly involves both the President and the Congress in the responsibility for sending our troops into battle. To sustain such a commitment requires a firm public base.

Obviously, direct military involvement is not our preference. The best answer to outside pressure is indigenous strength. Sensible programs of security assistance and arms supply can help our friends build their own capacity to resist.

A policy which concentrated solely on building on our military strength and failed to provide for legitimate needs of our friends would be more than shortsighted. It would be dangerous. For such a policy would increase the danger of conflicts and international confrontations that might be avoided if local security balances are preserved.

Let me emphasize, Mr. Chairman, that if we shortchange these programs of foreign assistance now, we will be shortchanging our own future security. Such programs are not as gifts to other nations; they are investments which serve our security interests as well as theirs.

Critical as they are, the goals of defense and deterrence constitute one part of a prudent American approach to the world. Our foreign policy must also make full use of our nonmilitary assets -- to address the conditions which feed instability and conflict, and to help shape events in constructive directions.

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As we fulfill the needs of defense and deterrence, our second interest is in fashioning a relationship with the Soviet Union in which our fundamental competition is bounded by restraint.

The Soviet invasion of Afghanistan, <sup>and their adventures in Africa and Asia</sup> has done real damage to this relationship and to the immediate prospects of a more peaceful world.

We will firmly oppose aggression, as we have before in our history. And we will promote America's interests and values in all of our dealings, with the Soviet Union and with others.

But it is not in our interest, even during a period of heightened tensions, to dismantle the entire framework of East-West relations constructed over more than a generation. Even if we could discount the direct implications of an unbounded competition for our own interests -- and we cannot --

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our relations with our Allies and our credibility throughout the world would still call for a diligent, good faith American effort to sustain a framework for peace.

We are prepared to impose costs on aggression for as long as is necessary. But we seek no Cold War or indiscriminate confrontation.

Thus, even as we have responded to Soviet aggression, we have also held to our formal obligations. We are denying specific benefits to the Soviet Union; but we have not abrogated formal agreements. Progress has been suspended; but when Soviet behavior allows, the door to a more stable and mutually beneficial relationship -- a competition bounded by restraint and a regard for each other's interests -- will be open.

Meanwhile, we should avoid framing our discussions of East-West relations in ways that suggest a false choice between extremes: between some utopian state of perfect detente on the one hand, or, on the other, a condition of implacable hostility. In fact, both realism and safety require that we conduct relations in the continuum between those two poles. At times, there will be greater progress in areas of mutual interest. At others, as now, the competitive elements in our relations will be prominent. There will always be elements of both.

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In seeking to deter further aggression and in pressing for an end to the invasion of Afghanistan, we are working to create the conditions that will enable us to return to building a more stable relationship.

A third and related area of emphasis is arms control.

Our interests have been well served by the arms control agreements to which the United States and the Soviet Union are parties. In 1963 we halted poisonous nuclear weapons tests in the atmosphere. The SALT I Interim Agreement froze the number of offensive strategic missiles when the Soviets were building up in that area and we were not. The Anti-Ballistic Missile Treaty headed off a potentially costly and destabilizing arms race in these defensive weapons.

Our strategic objectives can best be assured if we also place the SALT II treaty in force. The treaty will not interfere with our own modernization. Indeed, it will complement those programs. In particular, the survivability of the M-X missile can more readily be assured if the SALT limits are in place. SALT II will restrain the Soviet buildup in important respects. And it will assure our ability to monitor Soviet strategic programs.

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The rationale for SALT II has not been diminished one iota as a result of recent events. On the contrary, at a time of increased tensions between the superpowers, effective mutual constraints on strategic arms become all the more imperative. Especially under these conditions, a no-SALT world would pose heightened risks; it would add to the uncertainties we face, and it would vastly complicate the already difficult choices we face in our defense budget.

For reasons of security, we want to move ahead with the treaty as soon as practical. I hope these hearings will contribute to that result.

It is difficult to say when the opportune moment might arise for resuming the ratification process. But it is most important in this interim period that we keep alive the option for ratification, and that both sides continue to observe the mutual constraints embodied in SALT I and II. Our own strategic programs are consistent with these agreements. We will, of course, continue to review with the Congress our strategic arms requirements, and keep a close watch on Soviet actions to determine whether they are exercising a similar degree of restraint.

For the same reasons, and despite the obstacles, we will continue to pursue balanced and verifiable arms control agreements at other levels -- on conventional

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and theater nuclear forces in Europe, on antisatellite warfare, on banning nuclear weapons tests and in other areas. The TNF negotiating offer, for example, remains on the table. We have called upon the Soviet Union to pursue it with us.

None of these efforts is undertaken as a favor to the Soviet Union; each one serves the national security interests of the United States.

Our willingness to seek restraint in strategic weapons reinforces other critical arms control efforts. In particular, we must be concerned as well about the spread of nuclear weapons to more countries. The technology has lost its mystery. Six countries have already tested nuclear explosive devices. At least a dozen more could produce a weapon within a few years of deciding to do so.

The risks in this progression are self-evident. Regional nuclear arms races have become a real danger. The presence of nuclear arms in volatile areas multiplies the chance that they will be used.

Thus, we continue to press for the widest adherence to the Nuclear Non-Proliferation Treaty; we are urging others to take necessary steps to bring the Treaty of Tlatelolco into full force; and we support vigorously the improvement and application of International Atomic Energy Agency safeguards.

In 1977 President Carter also initiated the International Nuclear Fuel Cycle Evaluation, to involve both producing and consuming nations in a joint search for ways to realize the benefits of nuclear power while limiting the risks that nuclear weapons will be developed. This was a technical study that illuminated problems and possible solutions; it was not a negotiation that resolved all differences. It provides a better understanding of the economics, technology, and risk associated with the nuclear fuel cycle and it produced consensus on a number of middle-range goals. These include the possible value of an international regime to manage excess plutonium, improved fuel supply assurances for consumers under effective non-proliferation controls, and conversion of research reactors from use of highly enriched uranium fuels.

Differences remain in many areas. But the essential task has been advanced by this common effort.

More countries will approach the nuclear weapons threshold in the decade ahead, some with uncertain intentions in regions of tension and conflict. The time remaining to reduce the appeal of nuclear weapons and to develop the safest ways of addressing legitimate energy needs is slipping

away. Our non-proliferation efforts are more vital now than ever before.

A fourth element in our global strategy is to help achieve peaceful resolutions of disputes in troubled regions of the world.

The task is an imposing one, and it is not without costs. It is always difficult to work for accommodations which cannot fully satisfy the demands of any side, because they must be accepted by all sides. There are financial costs as well, in helping to underwrite agreements to assure that they endure. We must be prepared for inevitable frustration and possible failure. The road to war is never hard to find; the path to peace is always longer.

But the rewards of success -- and the savings -- unquestionably warrant all of our efforts.

To the extent we can contribute to the just resolution of disputes, we not only help avoid the specter of wider confrontations, but we can build positive relations with the parties and with others who share our interest in peaceful solutions. When the United States is recognized as an honest champion of peace, the credibility of all our diplomatic efforts is strengthened.

And the search for peace is directly relevant to our interests in collective security and the independence of other nations from outside domination. <sup>Disputes</sup> ~~Conflict~~ between our allies -- as in the case of Greece and Turkey -- weakens the common defense. And as a magnet draws iron, Third World conflict seems to draw the interest of the Soviets, the Cubans, or others prepared to exploit disorder.

We can take satisfaction that real progress in the <sup>when</sup> pursuit of peace has been made.

In Rhodesia, soon to become Zimbabwe, there is for the first time the prospect of an enduring peace and a durable nation. That has come because of the skill of British diplomacy, the realism of the parties, the commitment of other African states, and the constructive role played by the United States. The steadfastness of the Congress in resisting attempts to lift sanctions prematurely had a significant part in assuring that bargaining and balloting, not bullets, are shaping Rhodesia's future.

I want to be sure the importance of this event is understood. We have a wide range of interests in Africa -- security interests, economic interests, an interest in political cooperation on all global issues. In my judgment no single policy could have served those interests better

than our stalwart support for the principle of majority rule, with minority rights, in Rhodesia. And nothing could have weakened us more there than to waiver in this crucial effort.

We must be equally diligent in the Middle East, where the depth of our interest needs no restatement. The 1979 peace treaty between Israel and Egypt is an historic achievement. We have no more urgent diplomatic priority than the effort to complete and broaden that peace so that Israel, the neighboring Arab states, and the Palestinian people will be able to live securely and with dignity. <

Our immediate attention must be on the autonomy negotiations. Ambassador Linowitz has worked hard to focus and accelerate the talks, which have now begun to center on the substantive issues that lie at the very heart of the negotiations--issues like security, land, and water. We have no illusion about the complexity and sensitivity of the problems that remain. But we have overcome seemingly intractable obstacles before in this evolutionary process.

The President has invited President Sadat and Prime Minister Begin to Washington for talks in April, to review the differences that remain and to look for ways to close the gaps. I am convinced that each of the parties is committed to resolving these questions in ways that will both assure continued Israeli security and provide full autonomy for the people of the West Bank and Gaza.

Peace and stability are at risk in other parts of the world -- in the Eastern Mediterranean, in Southeast Asia, in Northwest Africa, in our own hemisphere. All of those cases have some bearing upon American interests. At the same time there are, of course, practical limits on what we -- or any one nation -- can do. A number of factors determine how active we can and should be:

-- As with our defense priorities, the depth and immediacy of our interest will have a bearing on the extent of our efforts to resolve particular conflicts.

-- The extent of our role depends also on the extent of our influence with the parties. It may often be that other countries, regional associations, or international institutions can more effectively take the lead, with our support.

-- We must ask in each case whether the internal conditions necessary for progress are present. The opposing factions must be open to compromise. We must assess whether there is common ground upon which we can build.

-- In some cases, where the risks and consequences of conflict are large, our efforts to begin or sustain negotiations may be worthwhile even if a settlement cannot be foreseen -- if the fact of negotiations can at least keep disputes from flaring out of control.

The nature of our involvement also varies from one case to another -- from simple communication, to mediation, to supporting international efforts, to helping maintain a balance of forces if that is required to induce the parties to settle.

But in each case we are determined to employ the influence we have to develop workable alternatives to war; to help nations and people find peaceful ways to affirm their legitimate rights.

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We advance regional peace in another tangible way. As we work to avert or end specific conflicts, we also want to limit the destructiveness of war when it cannot be avoided.

Since 1977 the United States has taken the lead in working toward negotiated limits on conventional arms transfers -- the so-called CAT talks with the Soviet Union. While we remain convinced that such agreements can contribute to a safer world, we do not at this time foresee progress in these talks. Since the meeting of the delegation chairmen last July, no further meetings have been scheduled.

[Without progress in gaining restraint by others, we do not plan to reduce further the ceiling on our arms transfers. The other elements of our arms transfer policy, which was announced in May of 1977, continue to serve our interests.]

Our policy is that arms transfers must be based not only on commercial or economic concerns, but also upon assessments of U.S. foreign and national security policy interests. The policy has a dual effect:

-- to facilitate those arms transfers that clearly promote the security of the United States and our allies and friends, and

-- to restrain transfers that are in excess of legitimate defense needs, could promote regional

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arms races or increase instability, or otherwise do not advance U.S. interests.

The qualitative and quantitative controls in our arms transfer policy will never be applied in ways that in any way would compromise our security or that of our allies and friends. The policy does, however, confirm our interest in holding down the volume and the power of the weapons circulating the world. It affirms that our purpose in supplying arms is security, not profit. Along with our diplomatic efforts, it demonstrates the truth of our commitment to peace.

Fifth, we have an interest in our building positive bilateral relations with all countries, wherever there is a basis of shared concerns.

We cannot remain secure in isolation. Our own safety and well-being depend on the strength and independence of allies and friends as well as non-aligned nations.

Scores of new countries have come into being since the end of the Second World War. With their presence, and with the growth of other centers of power, the international landscape -- and thus the nature of diplomacy -- has been altered fundamentally. Questions of direct importance to us -- from the shape of the international economy to the allocation of radio frequencies -- are determined not in a few capitals, but among one hundred and fifty-five. Our access to resources or to defense facilities cannot simply be declared; it must be agreed. Thus we seek positive relations around the world not because we have a compulsion to be liked, but because our interests and the well-being of our people are at stake.

Those interests are reflected in our international approach:

-- As I have already stressed, we must pursue our broader efforts around the core of our traditional allies. This Administration has worked especially hard to strengthen those partnerships. If there appear to be new strains among us, they flow principally from the fact that we are facing up to hard, new challenges together.

-- We often have an interest in working with nations whose ideologies are different from ours. In a diverse world our exact scale of values will be replicated rarely if at all. It would make no sense to limit our influence by refusing to pursue specific areas of shared interest with other nations because of broader disagreement.

This is why we oppose, in principle, rigid country restrictions on our aid and trade programs. Obviously we will not have such relationships when there is not yet a basis for cooperation -- as is now the case in Cuba and Vietnam. But our diplomacy is undercut when such restrictions are cast in law.

The establishment of full diplomatic relations with the People's Republic of China illustrates the value of an open approach. This step means that we can deal forthrightly with a government representing more than one-fourth of the world's people. This is, in its own terms, an accomplishment of historic importance -- an achievement of economic as well as diplomatic meaning, global as well as regional significance. Normalization is not an end in itself. It is the beginning of continuing efforts to improve our relations with Beijing. Similarly, we are working toward improved relations with the nations of Eastern Europe, because that is in our interest.

-- The pursuit of our interests also requires that we stress an inclusive form of diplomacy, in which all who have a stake also have a role, and are encouraged to accept a share of the responsibility for hard decisions. Our diplomacy on Namibia and Zimbabwe is a case in point. The search for international consensus on the nuclear fuel cycle -- involving 44 nations -- is another example. Such multilateral efforts are time-consuming and complex. They are also the only way to achieve a workable result on many issues. For in a pluralistic world, we must seek to build coalitions of nations willing to work in common for common purposes.

This is a process that Americans, with our pluralistic tradition, understand. For we know that if differences on single issues here at home are transformed into hardened divisions on all questions the system would shortly be paralyzed. That same reality holds in our international dealings. We can rarely afford to let our disappointments with individual countries on some issues rule out the prospect for cooperation on others.

Our interest does not require that others be like us, but only that they be prepared to work with us toward goals we share. We do not expect that others will always side with us; we seek their willingness to find areas of mutual interest, or balanced compromise when our interests may clash. A quest for uniformity is not realistic, nor is it required. The Soviets may demand ideological purity; we can well serve our interests in a world of diversity.

In this context I want to dispute another widely held misconception about our international options. Some suggest that in our dealings with the Third World we have to choose between two approaches: either we can compete effectively with Soviet ambitions in the Third World by seeing the developing nations primarily through an East-West prism, or we can deal with the Third World primarily in terms of Third World problems. These are sometimes presented as exclusive options.

But the choice presented -- between an interest in Third World concerns and a determination to counter Soviet inroads -- is false. In fact, the two are twin strands in a single strategy. For the best strategy for competing with the Soviets is to address the practical interests of Third World countries themselves -- not only their security concerns but their goals of economic and political justice as well.

It would be misleading, of course, to gloss over our real differences with developing countries. We have differences with third world countries, individually and collectively, on a wide range of issues. But we can bargain most effectively, to our mutual benefit, when they are confident that we share the goals of equitable economic growth and political independence.

Certainly there have been painful disappointments and setbacks. But because we have applied the basic principles I have described, our relations with most of the nations of

Africa, Latin America and Asia are better than they have been for many years.

The sixth way in which we advance our interests in the world -- indeed our long-term security -- is through support for human rights.

When the two concepts -- human rights and national security -- are uttered in the same breath, it is often to express an unavoidable conflict -- a fundamental tension between the pursuit of the good and the pursuit of the practical.

I strongly reject the idea that there is a fundamental incompatibility between the pursuit of human rights and the pursuit of self-interest.

By this, I do not mean to say that there can never be a conflict between our human rights and security concerns. We cannot escape the hard decisions that must be made in such cases. We must constantly weigh how best to encourage the advancement of human rights while maintaining our ability to conduct essential business with governments -- even unpopular ones -- in countries where we have important security interests.

But the fact remains that over the longer term, our pursuit of human rights is not only generally compatible with our national security -- it contributes to that security.

We know from our own national experience that the drive for human freedom has tremendous force and vitality. It is universal. It is resilient. And, ultimately, it is irrepressible.

Just in the past several years, we have seen that drive for a fuller voice in economic and political life gain new expression . . . in Portugal and Spain and Greece . . . in Nigeria and Ghana and Upper Volta . . . in Ecuador, Peru and the Dominican Republic . . . and elsewhere.

These countries make a compelling case for the proposition that there is a tide of human rights in the world, and that it is in our interest to be part of it, and to support it.

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The United States cannot claim credit for these developments. But we can find proof in them that our policy of furthering human rights is not only consistent with our best ideals, it is consistent with the aspirations of others.

Our support for those aspirations enables us to regain the ideological initiative and the political high ground in competition for world influence and prestige. It stands in vivid contrast to the practices of the Soviet Union abroad, as Afghanistan demonstrates, and at home, as the internal exile of Andrei Sakharov again makes clear.

In short, our willingness to press for human rights progress gives credibility to our commitment to freedom. And it is that commitment which has always been one of America's most enduring strengths in the world.

Our support for human rights, serves our interests in another way. As President Carter put it in his State of the Union address,

"In repressive regimes, popular frustrations often have no outlet except violence. But when people and their governments can approach their problems together -- through open, democratic methods -- the basis for stability and peace is far more solid and enduring."

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As the President suggested, divergent views cannot be repressed without sowing the seeds of violent convulsion. And once the ties are broken between a government and its people, outside intervention cannot secure its long-term survival.

Thus it is profoundly in our national interest to support constructive change before such ties erode and the alternatives of radicalism or repression drive out moderate solutions.

How each society manages change is a matter for it to decide. We cannot and should not write social contracts for others.

But we can help others promote -- in their own ways -- peaceful and orderly reform.

We do that by clearly expressing our opposition to the harsh practices of government torture, abuse and arbitrariness that, for whatever short-term quiet they may provide, engender long-term bitterness.

We do it by reinforcing efforts to open economic and political institutions to broader national participation -- so that they are better able to accommodate conflicting views and interests.

And we do it by focusing assistance on helping governments meet the basic human needs of their people.

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Nowhere do we see more clearly the race between radical and peaceful change than in Central America today. And nowhere is our commitment to peaceful change more clearly tested.

In Nicaragua, our challenge is to join with others in the region to help the Nicaraguan people and government succeed in building a stable, healthy, democratic society out of the debris of dictatorship and civil war.

We cannot guarantee that democracy will take hold there. But if we turn our backs on Nicaragua, we can help guarantee that democracy will fail.

Failure to appropriate needed American aid has jeopardized our interests. It has weakened the position of the private sector, which would receive the majority of our assistance. It has made it more difficult for the government to pursue a development strategy that includes important roles for both the public and private sectors. And it has played into the hands of the Cubans.

Those who are most concerned about the potential for radical revolution in Latin America, and growing Cuban influence in the region, should be the strongest supporters of our efforts to help Nicaragua build a better future.

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Our essential challenge in El Salvador is similar. In October, reformist military officers overthrew a military dictator in order to forestall the outbreak of a violent and bloody civil war. The Revolutionary Junta of Government, which includes the Christian Democratic Party, is committed to peaceful, sweeping, change. An impressive agrarian reform has already turned more than 224,000 hectares of land over to the peasants. The ultimate success of the program will depend heavily on our ability to provide technical and economic assistance.

If reform fails, El Salvador will become a battleground between the radical left and the radical right. A moderate solution is still possible. It is in our interest. We will pursue this interest by helping the government of El Salvador pursue progress.

We pursue our human rights objectives, not only because they are right, but because we have a stake in the stability that comes when people can express their hopes and find their futures freely. Our ideals and our interests coincide.

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Seventh, it is plainly in our interest to strengthen the international economic structure, most essentially by confronting the global energy crisis.

The energy crisis heads the list of our international economic concerns.

We now import some 40 percent of the petroleum we use. The bill for these imports in 1980 will come to some \$90 billion. It may help us grasp the enormity of this figure to consider that it is equal to the total estimated cost of the three major new strategic defense systems we plan to acquire over the next decade - <sup>a fleet of</sup> the Trident Submarine, cruise missiles and the MX.

As much as anything else we do in the coming decade our efforts to conserve energy, to expand domestic production, and to develop new and renewable fuels will determine not only the quality of our lives at home but the strength of our position in the world.

Energy is also a major factor in our inflation. The escalations in the price of oil last year -- an increase of about 130 percent -- have greatly complicated the task of controlling spiralling prices here at home. Inflation in turn undermines the purchasing power of the dollar and raises prices for the goods we export. Oil production states then <sup>exporting nations</sup> argue that oil in the ground is a better reserve asset than the dollar -- and they limit production and raise prices again. Thus, global inflation and global energy problems feed on each other.

As we contemplate the painful effects of inflation and energy shortages in our own nation, we must also consider the consequences for other consuming nations.

Our allies are even more dependent than we on the production and pricing decisions of the OPEC cartel and on political events in oil producing nations.

The point is vividly illustrated by the plight of Turkey, which now spends 70% to 80% of what it earns from exports to pay for its oil imports. It is only able to keep its industry functioning at something less than 50% of capacity because of a shortage of fuel. It would be hard to exaggerate the strains this puts on *many nations such as* this democratic and strategically placed ally.

The developing countries are even more burdened by rising oil prices and the inflation which is strongly related to those prices. The oil import bill for the non-OPEC LDCs will be \$41 billion in 1980. Their total deficit will be in the neighborhood of \$53 billion. Developing countries will spend, on oil and on debt servicing alone, three times what they will receive in economic assistance from the industrial democracies and the OPEC countries combined.

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We have a direct stake in the economic vitality of developing countries. They are increasingly important as partners in trade -- both as markets and sources of supply. And the political effect of their economic stagnation can also affect us -- with major social disruptions, a reversal of progress toward human rights and democratic rule, and new openings for violence and radicalism. Their economic trouble harms our interests; our prosperity depends in part on their progress.

In short, our economy, and ultimately our security, depend upon an international economic structure in which our own needs can be protected, but which also serves the need of all countries.

In this realm, as in others, we have been engaged in steady efforts to advance our interest.

-- On energy, the American people are taking conservation seriously. While the economy was growing last year, oil consumption declined. Continued progress on that front will give impetus to our international efforts, including the goal of more stringent International Energy Agency targets for imported oil. Our steps to bolster domestic supplies are complemented by the

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World Bank program to increase its loans for fossil fuel exploration and production, and by the energy emphasis in our bilateral assistance programs.

-- In the vital area of trade we have faced the economic conditions which typically invite protectionism. The protectionist impulse remains strong. Yet the Tokyo round of multilateral trade negotiations was able to agree upon reductions both in tariff and non-tariff barriers. For the U.S. this means improved access to the foreign markets which today support over three and a half million American jobs. For our consumers, the agreement means a greater choice of goods in the market place and more competition, which helps to hold down inflation.

-- In the raw materials area, we have negotiated several commodity agreements and we have moved forward on a Common Fund. Stable commodity prices can help us remedy inflation while assisting developing countries that are dependent on raw materials exports.

-- We have helped strengthen the major international financial institutions. For example, the International Monetary Fund has improved its capacity to assist countries with the difficult internal adjustments that international

conditions have forced upon them. We look to it to play a key role in recycling of OPEC's enormous surpluses. The increase in IMF quotas scheduled for later this year is imperative if the Fund is to fulfill its vital mission. We strongly supported a capital increase of \$40 billion for the World Bank, and a replenishment of almost \$12 billion for the International Development Association, the World Bank's soft window for the poorest countries. We have also participated in recent replenishment negotiations for the Inter-American Development Bank and Asian Development Bank, and will join the African Development Bank.

Let there be no mistake. The years ahead will be trying ones. The trend in real oil prices is alarming. The OPEC countries will continue to run massive surpluses -- around \$120 billion in 1980 -- which means corresponding deficits for other nations. The developing countries will be hardest hit -- and faced with the painful choice between stunted growth and deeper debt. International financial institutions, both private and public, will be hardpressed to recycle the the OPEC surpluses in ways which will allow most countries to maintain reasonable rates of economic growth.

The steps already taken will help the international economic system assist countries through the difficult years ahead. But all the steps we have taken only buy us more time. We must use that time to make fundamental adjustments in our energy consumption and production patterns. Our older

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industries must be streamlined and re-tooled to meet the challenge of <sup>a</sup>more open and competitive world economy. More investment must be earmarked into developing new product lines and advanced technology. That is the best way to restore the balance in international commerce -- and to assure prosperity for the American people.

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Eighth and finally, we cannot define our interests so narrowly as to exclude from our immediate attention a series of other global trends that loom on the horizon.

We face a world population that could double in the next generation, overwhelming our global resources; already, for example, the world's tropical forests are disappearing at a rate of 50 acres a minute. The worldwide flood of refugees displaced from their homes -- some seven to eight million people today -- is growing. The enormous international traffic in narcotics costs our society nearly \$50 billion each year and destroys thousands of lives. The mounting wave of international terrorism strikes at the very heart of civilized order.

Imagine for a moment how different our world could be for our children if we do not address these problems on an urgent basis now. To relegate these matters permanently to the back burner of our foreign policy is to invite even more serious consequences for us in the future.

-- Thus we have increased our bilateral aid commitment in family planning. The United States has been the world's leading donor in this area.

-- We have focused greater attention, and greater resources, on efforts to deal with such potentially harmful environmental trends as the shrinking global base of tropical forests and farmland and the creeping spread of deserts.

-- The United States has taken a leading role in relief and resettlement of refugees, particularly in Southeast Asia where the need is acute.

-- We have taken a position of consistent firmness in response to international terrorist tactics. We will not yield to blackmail or pay ransom.

-- And, wherever possible, we have strengthened our bilateral cooperation with governments striving to halt the production of narcotics within their borders.

The steps that we take now to address these disturbing trends can prevent their engulfing us later.

But let me make a fundamental point here: on these -- and on many of the other challenges I have discussed this morning -- there can be no exclusively American solutions. There can only be international answers, or there will be no answers at all. We cannot assure our future security without a framework for global cooperation on issues that affect many nations and many peoples.

That is why we have welcomed, and sought to support, the growing strength of regional associations such as the Organization of American States, the Organization of African Unity and the Association of Southeast Asian Nations.

That is why it is important that we maintain our commitment to the Multilateral Development Banks. Increasingly, they reflect development priorities that parallel our own. And our contributions to them are multiplied 50 times over.

And that is why we need to support, and continue to help strengthen, the United Nations and its affiliated institutions. It is a center of global politics. In the Middle East and elsewhere its peace-keeping operations reduce tensions, On refugees...on the fight against hunger, illiteracy and disease...on strengthening international resistance to terrorism...and on other issues of importance to us, the United Nations is making a concrete contribution.

Certainly, there are limits to what international organizations can accomplish. But to dismiss them as irrelevant or inconsequential would be folly.

It is a simple fact that we need them and they need our support. In a world of more than one hundred and fifty nations, mounting interdependence, and a maze of competing interests, the institutions of international cooperation are essential to the practical advance of our interests in the world.

\* \* \* \* \*

Mr. Chairman, I know that no one is more acutely aware of the breadth and complexity of our challenges than the members of this Committee. We face a broad agenda. It requires constant, hard choices among compelling yet competing interests. It requires sacrifice -- in resources for our defense and

help for other nations, in reduced consumption of energy and efforts to control inflation. It will test our wisdom and our persistence. In reaction to its complexity, we will be tempted by simple solutions.

In the earlier years of this decade, there was a reaction against the use of American power. Today, there is a tendency to believe that enhanced military power can bring solutions to non-military problems.

It is time, as we enter a new decade, to agree on the broad outlines of a mature American foreign policy that harnesses our power, in all its aspects, to our principles. It is time to put behind us the debates of the past, and concentrate our thoughts and energies on the future.

Some have said that we are trying to do too much. I say that we cannot afford to do less, in our own national interest.

Some say that in trying to do too much, we have accomplished too little. I say that in improving our defense forces ...in new base agreements...in negotiating the SALT II treaty...in reemphasizing and strengthening NATO...in normalizing relations with China...in helping achieve peace between Israel and Egypt, a framework for a comprehensive peace in the Middle East, and peace in Zimbabwe...in the Panama Canal treaty...in the successful Multilateral Trade Negotiations and other improvements in the international economic system... in closer ties to developing nations...and in promoting human

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rights..in all these areas, I say we are on the right track, even if the journey is a long and difficult one.

Some say that in seeking peaceful change toward human justice in every area of the world, we encourage radicalism. I say that the world is changing...that human beings everywhere will and should demand a better life. The United States must offer its own vision of a better future, or the future will belong to others.

Some have said that the Executive and Legislative Branches cannot collaborate effectively on foreign policy. I say that the record over the past few years has been a good one.

Some say that America is in a period of decline. I am convinced they are wrong. Our strengths, military, economic and political, give us an unmatched capacity for world leadership through a foreign policy that is strongly internationalist and firmly grounded in American interests.

So despite the dangers, I am confident of our future. For in over three years as Secretary of State, my deep confidence in our nation has been reinforced. The unity and the strength...the balance and the persistence...our people have shown in response to terrorism in Teheran and aggression in Afghanistan will serve us well, not only in these days but in the years to come,

THE WHITE HOUSE  
WASHINGTON

25 Mar 80

Jack Watson

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

cc: Phil Wise

THE WHITE HOUSE

WASHINGTON

March 24, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON

*Jack Phil*

SUBJECT:

Cabinet Briefing on the Budget

Your present schedule includes a Cabinet meeting on Monday, March 31, 1980, at which the budget cuts would be discussed. However, because you are publicly announcing your budget plans on Monday, Jim and I feel it would be preferable for you to meet with the Cabinet late this week. The earlier meeting would enable you to discuss political/Congressional strategies before the House starts floor consideration of the budget resolution, and before the weekend press starts carrying stories about the specific cuts.

Jim would be ready to brief on the cuts by general budget categories and you could outline to the Cabinet the strategies you want them to implement on the Hill and with their various constituencies. If you agree with this change, we would substitute the Cabinet meeting for the Domestic Policy breakfast now scheduled for Thursday morning, March 27, 1980. We don't need to have both meetings.

Approve of Schedule Change

Disapprove of Schedule Change

*J*

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THE WHITE HOUSE  
WASHINGTON

25 Mar 80

Frank Moore  
Henry Owen

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

ORIGINAL TO MOORE FOR HANDLING

THE WHITE HOUSE  
WASHINGTONACTION

March 24, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: FRANK MOORE *FM*  
HENRY OWEN *HO*

SUBJECT: Presidential Support for Multilateral  
Development Bank Bill

Your foreign assistance program took a severe blow in the House earlier this month when the authorization bill for US subscriptions to the three regional development banks' programs was defeated. Now the House-Senate conference has reported in favor of the bill, and Jim Wright is taking soundings with a view to putting the Conference Report to the House for a vote this week.

In order to reverse the earlier House rejection of the bill, the House leadership needs your strong backing.

## RECOMMENDATION:

We propose that you raise the matter in the leadership breakfast, using the talking points at Tab A, and sign the letter to the Speaker at Tab B. The letter has been cleared by Treasury, IDCA and the speechwriters.

Attachment A: Talking Points - S.662  
Attachment B: Letter to Speaker O'Neill

THE WHITE HOUSE

WASHINGTON

March 25, 1980

Dear Mr. Speaker:

The House will soon vote on the Conference Report supporting legislation authorizing continued US participation in the Inter-American Development Bank, the Asian Development Fund, and the African Development Fund. As the conferees rightly concluded, passage of this legislation is crucial to the foreign policy and economic interests of the United States. This bill is fully compatible with a prudent fiscal policy.

The lending programs of the multilateral development banks promote economic progress in the less developed countries of Asia, Africa and Latin America. Some of these countries occupy strategic geographic positions; others provide critical raw materials for US industry. As a group they comprise the most rapidly growing market for our exports.

Over a period of many years, our participation in these institutions has had a net positive effect of more than \$11 billion on the US balance of payments. In recent years, the banks' activities have increased our gross national product by more than \$3 for each dollar that we have contributed.

The US contributions specified in the Conference Report are the result of internationally negotiated replenishment agreements. Failure to provide our agreed fair shares would force the banks to stop lending. A cessation of lending by the Asian Development Fund would hurt borrowers such as

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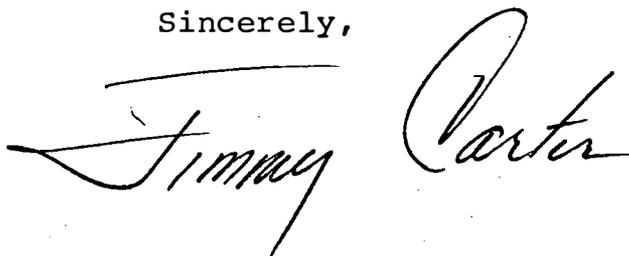
Pakistan, Thailand, Bangladesh and the Philippines. Similarly, the countries of Central America and the Caribbean would be greatly harmed if loans were no longer available from the Inter-American Bank.

If the United States drops out of international cooperation on a matter of such importance to the developing countries -- development financing -- we cannot expect their cooperation on matters of great importance to us in the current international crisis.

In summary, this legislation benefits the United States as well as the people of poor countries. Our contributions to the development banks are consistent with a tight budget and are fully provided for within the ceiling recommended by the House Budget Committee.

I urge the House to support the Conference Report on S.662.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Honorable Thomas P. O'Neill, Jr.  
Speaker of the House of  
Representatives  
Washington, D.C. 20515