

**5/19/80 [2]**

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THE WHITE HOUSE  
WASHINGTON

5/19/80

Frank Moore

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Rick Hutcheson

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	CAMPBELL
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	CLOUGH
	CRUIKSHANK
	FIRST LADY
	FRANCIS
	HARDEN
	HERTZBERG
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	KAHN
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THE WHITE HOUSE

WASHINGTON

May 17, 1980

MEMORANDUM FOR: THE PRESIDENT  
FROM: FRANK MOORE/BOB THOMSON **FBT.**  
RE: DOD CONGRESSIONAL LIAISON

We have tried over the life of the Administration to get some control over the Department of Defense Congressional Liaison operation--largely without success. The uniformed services go their own way, often supporting legislative objectives contrary to yours.

The major problem has always been the chief civilian CL assistant to the Secretary, ~~Jack Stempler~~. Most of the time he is well-meaning, but largely ineffectual in controlling the hundreds of people at his disposal for the good of our programs. In particular, we have detected no significant effort on his behalf to hold the line on defense spending.

The latest travesty was the Defense Authorization bill on the House floor last week. The bill was reported out of the Armed Services Committee in mid-April with a rejuvenated B-1 program, an amendment authorizing the construction of B-1 "cruise missile carriers." Although there was opposition to the amendment in Committee, we believe there was no effort by defense to get a sponsor for an amendment deleting the B-1 authorization on the floor.

Thanks to Herky Harris, Congressman Edwards was recruited at the last minute to offer such an amendment, but it was defeated badly with no visible DOD support.

Chairman Stennis has indicated he will not authorize the B-1 in the Senate Committee's version of the bill, but a floor attempt is likely. If we lose the floor fight, the B-1 will be in the bill and you will be faced with an election year defense veto.

We need DOD's active participation in the Senate floor fight on Registration next week. We will also need their help when the Defense Authorization bill hits the floor.

We recommend you call Secretary Brown to express dissatisfaction over DOD'S performance on the B-1 vote in the House, and to urge active participation on Registration and the authorization bill in the Senate.



THE SECRETARY OF ENERGY  
WASHINGTON, D.C. 20585

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May 16, 1980

MEMORANDUM FOR: THE PRESIDENT

FROM: CHARLES W. DUNCAN, JR.  
JOHN C. SAWHILL

SUBJECT: Weekly Activity Report  
Week of May 9 - May 16, 1980

1. Gasoline Conservation Fee: The District Court granted our request for a partial stay of its order to maintain the reporting and bookkeeping requirements. The fee could thus be reimposed quickly in the event of a successful appeal, but no funds are currently being collected. The appeal has been filed, for jurisdictional reasons, in both the Court of Appeals for the District of Columbia Circuit and the Temporary Emergency Court of Appeals. We expect to submit our briefs by May 20, reply briefs will be due May 30, and oral argument will be held the first week in June. Both we and the Department of Justice believe that our position will be upheld on appeal.

Congress remains opposed. I testified before the House Government Operations Energy Subcommittee; Secretary Miller testified before the House Ways and Means Trade Subcommittee. The Ways and Means Subcommittee approved a resolution disapproving the fee as did the Senate Finance Committee. Floor action by the Senate is being held pending final action by the House. Action by the full Ways and Means Committee is expected next week. The Senate earlier had approved by a vote of 70 to 19 a procedural change to facilitate approval of a disapproval resolution.

The major newspapers have been overwhelmingly critical of the Congress, and, while avoiding judgment on the legal issues, favorable to the fee.

2. Alaska Natural Gas Transportation System: On Monday, John Sawhill and I met with Canadian officials who discussed several matters, including adequate assurances of financing for the complete project, that they believe need to be resolved before Canada can approve the pre-build sections of the pipeline. On Thursday we met again with representatives of the producers, the pipeline sponsors, and the State of Alaska. There was no breakthrough but progress continues. The parties reaffirmed an agreement in principle on the design and engineering phase. They agreed to work intensively in the next few days on a process for formulating a construction financing plan.

*ok* We are considering, with Chairmen Jackson and Dingell, a possible sense-of-the-Congress resolution emphasizing the importance of the pipeline. Stu Eisenstat and I think this is something we ought to consider. This would facilitate the Canadian decision next month to proceed with the pre-build.

3. International Energy Agency: I will be in Paris next week for a two day meeting of the energy ministers of the 21 member countries. We will seek action to establish import targets for the next decade. Preparatory negotiations have forged a compromise position with three major elements:

- o The IEA Secretariat will prepare oil forecasts annually of each member's

requirements as "yardsticks." During a shortage, these quickly could be transformed by Ministerial decision into binding oil import ceilings.

- o The 1985 aggregate oil import objective will be reduced from 26 million barrels to 22 million barrels per day to reflect the lower supply levels experienced and expected from OPEC.
- o A 1990 oil import objective will be set 2 million barrels per day below the reduced 1985 objective.

Two issues remain: (1) conforming the 1981 "yardsticks" to a path necessary to achieve the 1985 import target, and (2) automatically changing these yardsticks into import ceilings during an oil shortage. Opposition to our proposals has been strongest from West Germany and the United Kingdom.

I will meet with Minister Giraud for a visit to French nuclear facilities and will have a bilateral meeting with Minister Howell in London before the IEA meeting.

4. The Venice Summit: We appear to have support for a strong energy portion of the communique that will emphasize our longer term needs for fuel substitution and supply development. The proposed communique will contain demand and supply objectives for 1990 that will

- o reduce the ratio between the rate of economic growth and the rate of increase in energy consumption to about 0.6 over the next decade;
- o reduce the share of oil in our total energy demand from 53 percent to 40 percent, thereby allowing available supply to match demand; and
- o increase the supply and use of coal, nuclear energy, synthetic fuels, and renewable energy sources by the equivalent of 15 to 20 million barrels per day by 1990. This would require doubling coal production and use by the early 1990's.

The draft communique expresses a willingness to talk with producing nations and endorses expansion of assistance to developing countries to expand their domestic energy production.

5. Energy Conservation: The Weatherization Assistance Program has made substantial progress. The first quarter reports show that 58,900 homes were weatherized, 4,000 more than the program had projected. This important and previously troubled program now appears to be working. We expect to be able to weatherize 310,000 homes this calendar year, compared with 144,000 during 1979.

The Department's efforts, in conjunction with private industry, have produced a greatly improved electric water heater. The water heater operates on heat pump principles and uses less than half the electricity of a normal water heater. At least four firms will be producing these water heaters before the end of the year. The savings could be as great as the equivalent of 50 million barrels of oil per year by 1990.

6. Trips: I addressed an audience of about 2,000 at the annual dinner of the Houston Chamber of Commerce on Thursday. John Sawhill was in Knoxville earlier this week to speak to financial executives about international finance and the energy crisis.

THE WHITE HOUSE  
WASHINGTON

19 May 80

The Vice President  
Hamilton Jordan  
Jody Powell  
Al McDonald  
Stu Eizenstat  
Sarah Weddington  
Anne Wexler  
Lloyd Cutler  
Frank Moore  
Hedley Donovan  
Jack Watson  
Jim McIntyre  
Charlie Schultze  
Alfred Kahn

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your personal information.

Rick Hutcheson

EYES ONLY

THE WHITE HOUSE

WASHINGTON

May 16, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN

Fred

SUBJECT: Weekly Activities Summary

CWPS expansion

Last week I told you that the Senate and House Banking Committees had reported out our reauthorizing bill at the funding levels we requested. We suffered a reversal on Monday when the House Banking Committee voted to change its position and merely extend CWPS' life without any expansion this year or next. Chairman Moorhead has assured us that he will go some distance toward full expansion in conference, but we believe that he could use some shoring up. We will submit a request for you to telephone him before the conference.

Trucking

We are on the verge of an agreement with the leadership of the House Public Works Committee that should result in prompt passage of an excellent trucking bill (modelled closely after the Senate's). I'll report more fully when we have reached final agreement, which I expect on Monday.

State and local regulatory reform

HUD, working in collaboration with my people, has just announced four projects, working closely with local officials in four quite different communities, to demonstrate the large cost savings that can be achieved by a rationalization and consolidation of local building restrictions. They expect to have the homes completed by this fall.



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

May 16, 1980

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MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson, Staff Secretary

FROM : William J. Beckham, Jr.  
Acting Secretary

A handwritten signature in black ink, appearing to read "William J. Beckham, Jr.", is written over the typed name and title.

SUBJECT: Significant Issues for the Week of May 12

Budget and Appropriations - In a first, inauspicious move, the conference committee on the budget resolution eliminated the \$400 million transit supplemental appropriation for FY 1980, setting up a potential fight with the House Appropriations Committee which has included the transit money in its overall supplemental appropriation bill. The conference has yet to consider other transportation items. Members of both chambers appear to be realizing the extent of damage to transportation programs which would result from the Senate's \$3.5 billion reduction from your March budget message. We are concentrating on minimizing the damage by trying to move the conferees toward the House figures for transportation, including reversal of the vote to eliminate the 1980 transit supplemental, but it is still an uphill fight.

Auto Industry - All sectors of the Administration have responded quickly to your order for a review of appropriate actions to assist the auto industry. Secretary Goldschmidt has established full coordination of the effort and will report back to you through the Economic Policy Group within the six-week deadline.

Cuban Refugee Situation - The Coast Guard is implementing its part of your five-point program for handling the Cuban refugee situation. Additional Coast Guard units from other districts are being brought into the Southern Florida area. As of midnight May 14, the exodus of refugees from Cuba to the United States had resulted in 607 search and rescue cases with 10 fatalities and the entry of more than 37,000 refugees.

Rail Deregulation Legislation - The House Commerce Committee overwhelmingly reported a strong rail deregulation bill. The rate-setting sections were preserved against concerted effort by coal and utility interests to substitute the weaker provisions of the bill already passed the Senate. The provision allowing

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rate and service contracts should permit significant improvement in shipper-railroad relationships.

Other titles of the bill provide for adjustment of ConRail labor protection benefits, new financial assistance for railroads, and a streamlined technique for transfer of ConRail lines to other railroads.

Midwest Rail Restructuring - A House-Senate conference committee has approved the Administration's Rock Island employees labor protection bill. However, we suffered setbacks in the amount and flexibility in funding needed to carry out restructuring the Milwaukee and Rock Island. The House Appropriations Committee rescinded \$75 million FY 1980 restructuring assistance, while the conference committee on the Rock Island labor protection bill earmarked \$58 million for non-railroad acquisition of rail lines. The Senate budget resolution cuts FY 1981 rail restructuring funds from \$250 million to \$100 million.

The Trustee of the Milwaukee Railroad has indicated he will not submit a plan for reorganizing the railroad until early 1981. We will be asked in early June by the bankruptcy court what, if any, funds we will provide to continue Milwaukee operations.

A number of States affected by the bankruptcies are advancing plans to preserve parts of the Milwaukee and Rock Island which otherwise would go out of service. These efforts take on more importance as we watch the Congress reduce our funding. We are working with the States to insure that their plans are complementary to ours, that they understand the fiscal implications, and that shippers which seek continuation of financially marginal rail service share in the financial burden.

Trucking Deregulation Legislation - House Committee markup of trucking deregulation is set for May 20 and 22. The most recent version of the bill is weaker than we had hoped. It does not include an expanded exemption for hauling agricultural products. It prohibits the ICC from removing rate-setting anti-trust immunity until 1984. Carriers would still be allowed to jointly discuss single-line rates even after they are prohibited from voting on them in 1984. Rate-setting flexibility would be increased two years before anti-trust immunity is restricted.

Secretary's Travel - Secretary Goldschmidt will be in Europe, Egypt, and Israel between today and May 20 for meetings and attendance at the annual meeting of the European Commission of Ministers of Transport.



Office of the Attorney General  
Washington, D. C. 20530

May 16, 1980

Principal Activities of the Department of Justice  
For The Week of May 9, 1980 through May 16, 1980

1. Meetings and Events

On May 9 the Attorney General addressed the Executive Council of the Inter-American Bar Association in Mexico City on the topic of the need for mutual evidentiary assistance to meet needs of transnational trade. He thanked the Council for adopting a resolution urging Iran to obey the judgment of the International Court of Justice which mandates the release of the American hostages.

On May 11 the Attorney General addressed the graduates of the Tulane School of Law in New Orleans. The speech discussed the increasing responsibility of lawyers to protect the public interest in their relationships with their clients.

2. Oil Import Fee

On May 13 U.S. District Judge Aubrey Robinson declared the President's imposition of an oil import fee unlawful in Independent Gasoline Marketers Council, Inc. v. Duncan. The decision will be appealed by the Justice Department.

3. Houston School Case

On May 15 the Department of Justice filed motions to add 22 school districts surrounding the Houston school system, the sixth largest in the United States, as defendants in the 23-year-old Houston school desegregation case. This is the first time the Justice Department has charged interdistrict violations and sought a metropolitan desegregation remedy in a large urban area.

4. Institutions

The Institutionalized Persons Bill, which was strongly supported by the Justice Department, has been approved and sent to the President for his signature. This is the only civil rights measure approved to date by the 96th Congress.

5. Cubans

Since the announcement of the new policy regarding Cubans and Haitians there has been a decline in southbound boat traffic. The law is being enforced firmly and forcefully and additional enforcement personnel have been assigned to the area and all situations are being closely monitored. Approximately 100 boats have been seized. The prior total had been 9. There are now some 500 persons in detention at various federal facilities.

6. Handicapped Persons

The Attorney General signed the final version of the Department's regulations under Section 504 of the Rehabilitation Act which bars discrimination against the handicapped.

7. Hooker Chemical Company

On Thursday, the Attorney General was advised of significant tentative scientific findings of severe chromosomal damage to persons living near the Hooker Chemical Company dump site on the Love Canal in New York. The Justice Department has made a demand upon Hooker that it agree by Monday, May 19, to pay for the temporary relocation of some 500 to 800 families pending further studies. If the company refuses, prompt federal or state court action may be necessary. Jack Watson has been advised of the situation.

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

May 16, 1980

FYI

REPORT TO THE PRESIDENT

FRANCE: Two significant matters were raised during my meeting with the French Minister of Foreign Trade Jean-Francois Deniau. First, he unequivocally re-affirmed the French commitment not to substitute French for American transactions cancelled because of the U.S. policy on trade with the Soviet Union. Second, he expressed grave concern for the steel anti-dumping suits indicating that a determination that French manufacturers, who represent only 1.17% of the U.S. steel market, have materially damaged U.S. producers would set a dangerous precedent particularly in light of the French trade deficit with the U.S. and the fact that U.S. producers account for sizeable shares of various French markets.

FINLAND: Finnish Minister of Foreign Trade Esko Rekola expressed the strong interest of his government in the sale of Ice Breakers to the U.S. for the purpose of opening the Great Lakes to year round traffic. He also emphasized their interest in continued general trade with the U.S.

Loan Guarantee Programs: All loan guarantee programs within Commerce are being assessed first to determine the magnitude of the potential default problem given the state of the economy; and second, to determine the capacity of existing agencies to handle defaults. With regard to discussions concerning Redevelopment Finance Corporations (RFC's), I am attracted to the fact that while the RFC served a purpose when no agencies existed to deal with industry problems, an RFC could today be a costly duplication of existing programs and experienced agencies better equipped to handle such problems as they are acquainted with both the borrowers and the private sector financial institutions.

National Minority Purchasing Council: At a meeting with Tom Murphy (GM) and Gus Marusi (Borden), they evidenced enthusiasm for the efforts of the Council and we agreed to work to help expand its membership and activity.

Committee on Economic Development (CED): At their executive committee meeting yesterday in New York in the midst of general discussions of tax policy the more mature expressed views suggestive of targeted increased depreciation linked to industrial modernization. While in New York to address the CED, I made a brief appearance at Mayor Koch's request at the "Salute to the Fashion Industry" and met with New York area Commerce employees who evidenced a good spirit and real interest in this Administration.

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Export Trading Companies: Following upon your resolution of the outstanding anti-trust issue, Senator Stevenson, with the support of six other members of the Senate Banking Committee, succeeded in moving the bill out of committee on Monday.

Automobiles: At Secretary Goldschmidt's request we are addressing the trade aspects of the automobile issue and, together with SBA and the Farmers Home Administration, the financial plight of dealers.

World Trade Week: In the context of the Department's World Trade Week program, I will appear Monday on Good Morning America, address a luncheon meeting of the National Press Club, and go on to Dallas for a major trade speech on Tuesday. All will emphasize the positive accomplishments of your Administration to promote trade.

  
Philip M. Klutznick

THE SECRETARY OF EDUCATION  
WASHINGTON, D.C. 20202

May 16, 1980

MEMORANDUM FOR: The President  
Attention: Rich Hutcheson, Staff Secretary

SUBJECT: Weekly Report of Major Activities

Swearing-In Ceremonies

On May 15, the following Education Department officials were sworn in: James Rutherford, Assistant Secretary for Educational Research and Improvement; Thomas Minter, Assistant Secretary for Elementary and Secondary Education; and Josue Gonzales, Director, Bilingual and Minority Languages Affairs.

Legislative Action

The Education Department is subject to broad legislation permitting the Congress to veto ED regulations by concurrent resolution within 45 days of promulgation. Recently, both the House and Senate have approved resolutions of disapproval for two programs (the Education Appeals Board and the Arts in Education program).

The Department concurs in the Attorney General's position that such "vetoes" are unconstitutional. However, we will examine carefully all congressional objections to proposed rules and make changes in those cases where we believe they are warranted. If a regulation is vetoed, we intend to treat the regulation as effective despite the veto.

Budget Planning

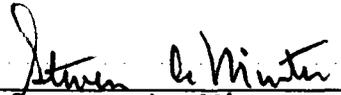
On May 12-13, I held a two-day workshop with the senior officials to begin formulating the Department's approach to the FY 1982 budget.

Trips

I delivered the commencement address at Barnard College which was well received.

I will travel to Mexico on personal leave next week.

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Steven A. Minter  
Under Secretary for  
Secretary Hufstedler



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

May 16, 1980

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MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE MARKETS AND THE DOLLAR

- . The Dow Jones index gained 20.74 points from last Friday, closing today at 826.54. This is the highest level since March 6.
- . Money and capital market rates moved higher primarily in response to a \$5.8 billion increase in the money supply. Short term interest rates rose over 1 percent from their mid-week lows.
- . Further increases in market interest rates are likely next week given today's money supply number.
- . Most major banks are posting a 16-1/2% prime rate, compared with a 17-1/2% prime last week.
- . Gold gained \$5 over the week to close at \$513 today in London. The May silver contract declined 46 cents from last week to close at \$12.52.
- . The dollar continued to trade within a narrow range in generally calm markets. As in recent weeks, modest intervention was required at times.
- . The yen declined by 1-1/2 percent immediately following the unexpected fall of the Ohira Government. It has stabilized in subsequent trading today.

2. MULTILATERAL DEVELOPMENT BANKS (MDB'S)

- . The MDB Regional Authorization Bill was reported by the Conference Committee yesterday; it will be scheduled for a vote on the floor next week. Dr. Brzezinski will be forwarding talking points for Monday night's meeting. We will be making a maximum effort on this one.

3. ALCOHOLIC BEVERAGE INGREDIENT LABELING

- . Early next week the Treasury expects to issue final regulations concerning ingredient labeling for alcoholic beverages. These regulations require producers to include a partial list of ingredients on the container

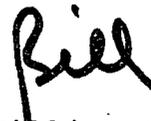
or indicate on the front label where to mail for such a list. This is a compromise which provides for health and consumer benefits at very minimal costs. The wine industry has generated intense political opposition to the proposal, and I have had a number of meetings with members of the California Congressional delegation. The distilling industry and brewers support the compromise as being "fair." Consumer groups, although disappointed that full ingredient labeling will not be proposed, nevertheless recognize this as a reasonable approach. We have indicated our commitment to work with all concerned parties to minimize the disruption to the industry as the regulation is implemented.

4. CHRYSLER

- . On May 10 the Chrysler Corporation Loan Guarantee Board agreed to guarantee up to \$1.5 billion in loans to Chrysler. A fifteen day notice period to Congress prior to issuance of the guarantees began on May 12. Drafting of the legal documents and completion of additional details are expected by early June.
- . The Senate Banking Committee has scheduled hearings on the Board's findings on May 20.

5. TARIFFS ON IMPORTED THRESHED TOBACCO

- . The U.S. Customs Service will announce on May 16 its decision on a petition received from the North Carolina Farm Bureau. The petition requested Customs to change the tariff classification of imported threshed tobacco thereby subjecting it to a substantially higher duty rate. Customs' decision that the imported threshed tobacco is properly classifiable in a tariff item subject to a lower duty rate will be unpopular. Members of Congress from tobacco states have followed this issue closely, and have been briefed on the pending announcement. These members also agree now that the tariff reclassification requested would not be effective in retarding imports of tobacco, owing to the flexibility importers have to import the tobacco in another form subject to a low duty rate.



G. William Miller



# CABINET ECONOMIC POLICY GROUP

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

MEMORANDUM FOR THE PRESIDENT

FROM: G. WILLIAM MILLER *fill*  
CHAIRMAN, ECONOMIC POLICY GROUP

SUBJECT: EPG Activities

## I. Meeting of May 12, 1980

### A. Wage Price Program

1. CWPS to publish an issue paper in June or July on the possibility of a separate limitation on executive compensation for consideration as part of the third year program.
2. Bob Russell to continue discussions with oil companies on Oil, Chemical and Atomic Workers settlement. CWPS to seek corrective action in the form of limitation of executive compensation for the noncompliance.
3. Fred Kahn to continue discussions with John Dunlop on issues being raised by the Pay Advisory Committee.

### B. National Accord

1. Organized the task forces to be set up to pursue further consultations with Labor on contingency planning and on longer term issues of industrial policy.

### C. Communications on Economic Outlook

1. Agreed to the importance of not deviating from official forecast published in March.
2. Emphasis to be placed on forces under way-- lower interest rates and inflation--which will moderate the recession.

## II. Meeting of May 16, 1980

- A. Reviewed strategy on gasoline conservation fee. Separate memo being sent to bring you up to date.

**Community** WASHINGTON, D.C. 20506  
**Services Administration**



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MEMORANDUM FOR THE PRESIDENT

TO: Rick Hutcheson  
Staff Secretary

FROM: William W. Allison *W. Allison*  
Acting Director

SUBJECT: Weekly Report of Significant Activity  
(May 12-16, 1980)

DATE: May 16, 1980

RURAL COOPERATIVE HOUSING DEMONSTRATION:

CSA is participating in the Rural Cooperative Housing Demonstration with HUD/FmHA. This demonstration is an action agenda item from the President's Small Community and Rural Development Policy. Its purpose is to develop and maintain an integrated delivery system in rural areas for small rural housing cooperatives to increase homeownership opportunities for rural residents.

CSA is providing its support primarily through its grant to the National Council of LaRaza, one of the three technical service organizations providing support to the demonstration.

CSA will be joining HUD, the Battelle Corporation, Columbus and Rural America, in designing a major assessment of the demonstration project.



Veterans  
Administration



May 15, 1980

TO : The President  
THRU : Rick Hutcheson, Staff Secretary  
FROM : Administrator of Veterans Affairs

A handwritten signature in dark ink, appearing to read 'Max [unclear]'.

VA Presidential Update

Doing What We Can To Help - VA personnel have made personal contact with the families of the 8 servicemen killed in Iran offering assistance in obtaining a number of VA benefits. I also have written each family making clear we want to help. Each of my letters carried the name and telephone number of the nearest agency representative who stands ready to provide immediate assistance.

All of the servicemen had \$20,000 GI Insurance policies in force. All of the Air Force families have received this amount. Payments to the three Marine families are ready to distribute the minute we can secure applications through the Marine Corps.

Presidential Memorial Certificates bearing your signature were mailed to all next-of-kin on May 7.

Although none of the deceased will be buried in VA national cemeteries, VA will design and provide a special headstone for the 3 Air Force personnel interred in a common grave at Arlington National Cemetery May 14. We have offered to supply headstones or grave markers for the other burial sites.

Recoveries (Two Kinds) - VA has sold \$13.7 million worth of refined silver in the current fiscal year. This is three-times more than the prior record sales of \$4.2 million in FY 1978. We recover silver from X-ray developing solutions and films. The proceeds revert to VA, thus lowering the cost of supplies we purchase . . . VA netted \$3.9 million in calendar 1979 in claim recoveries against private insurance companies under the Federal Medical Care Recovery Act. We were commended by the Dept. of Justice for an average claim recovery of \$1,785 - the highest in government.

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

May 16, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM: Gus Speth  
Jane Yarn  
Bob Harris

*Gus Speth*

SUBJECT: Weekly Report

California Trip by Members. Jane and I have both done extensive traveling and speaking in California during the last two weeks. We feel these trips contributed to your visibility in the state. The people of California seem to be very much attuned to environmental issues. Although environmental leaders were not enthusiastically working for us at this time, we have not lost their support either. I think the trips helped to provide them with a better understanding of your good environmental record.

Solar and Energy Conservation Activities. The Council has prepared a short summary of the solar and energy conservation programs that the Administration has proposed or which are currently in effect. To our knowledge this is the first time this type of review has been prepared. A copy is ~~attached~~. We have given copies of the review to some EOP staff and we will be giving copies to other EOP and Administration officials who are likely to serve as Administration spokespeople on solar and energy conservation issues.

June 20 is the first anniversary of your Solar Message. We have asked the Department of Energy to prepare a Solar Fact Sheet documenting the commitment of your Administration to the use of renewable energy sources. The Fact Sheet would be widely distributed to the public in mid-June and would list the number of new solar and renewable energy facilities completed over the past year along with the total amount of energy saved by renewable energy technologies. The Fact Sheet would also list federal and local programs that are available to help consumers make use of solar technologies. Lastly, it would summarize the findings of a new comprehensive study on solar and conservation being completed by the Solar Energy Research Institute.

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THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

May 17, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze <sup>CLS</sup>

Subject: CEA Weekly Report

On Thursday, May 15 by a voice vote the Senate confirmed Lyle E. Gramley as a Member of the Board of Governors of the Federal Reserve. He will leave the CEA and be sworn in at the Board on May 28.

Next week I will be in Paris. Tuesday and Wednesday I will be chairing a meeting of the Economic Policy Committee of the OECD. Thursday, May 21 George Eads and I will be conducting bilateral meetings with the Japanese Economic Planning Agency (the closest thing they have to a CEA).

These bilaterals are an annual event. Generally, we go over the maximum and long-term economic outlook in our two countries. Given the recent fall of the Ohira government, I am not sure just how much we will learn from these meetings. Lyle Gramley will be Acting Chairman while I am gone.

Auto Credit and related matters: As we discussed Friday, Secretary Miller will be following up with Chairman Volcker on potential steps to improve the availability of auto credit and on other matters related to the future of credit controls.



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

May 16, 1980

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report of HHS Activities

New York State Funding Controversy. On May 2 the Department reduced New York State's Federal letter of credit by \$120 million per month to recover \$392 million that the State had drawn from the Medicaid and AFDC programs in excess of grant awards. The action was taken after GAO and Departmental auditors simultaneously discovered that \$202 million of the improperly drawn funds had been deposited in an interest bearing account and then transferred to the General State Fund. Consideration of New York State's pending Medicare claims was expedited to minimize the impact that the reduction in the letter of credit would have on the financial condition of the State. This morning a letter was delivered to Governor Carey, notifying him that the total amount of funds to be recovered will be offset by a \$92 million Medicaid claim for retroactive rate adjustments that was allowed by the Health Care Financing Administration.

Geneva World Health Assembly. My meetings with other world health ministers at the plenary session were warm and served as a means of exchanging information and discussing collaborative health projects. My address on ways that the U.S. is using the World Health Organization's goal of "Health for All by the Year 2000", bringing attention to gaps in health services in the United States, was particularly well received.

Meetings with Chancellor Kreisky and the Austrian and French Ministers of Health. I visited Minister of Health Herbert Salcher in Vienna and Minister of Health Jacques Barrot in Paris. Both Ministers wish to visit the United States to observe our health facilities, methods, and research. I extended an invitation to Minister Salcher, which he accepted immediately, and discussions preliminary to the extension of an invitation to Minister Barrot will take place in the next few days. Minister Salcher said at least three times during our meetings that Chancellor Kreisky had asked him to invite me to Vienna, and that statement was supported by the fact that the Chancellor returned from West Germany to serve as host at a small post-opera dinner party for me just a few hours before he again left the country for Yugoslavia. In our private conversations Chancellor Kreisky made it clear that he hopes the United States will not be angry with him for sometimes taking a position not in total agreement with us. I told him that I would urge his right to disagree, even when he disagrees with me.

Speech to the National Democratic Finance Council. On Wednesday I addressed a meeting of the National Democratic Finance Council held in Washington, D.C. My speech emphasized the Administration's establishment of a comprehensive approach to the needs of our cities and the dramatic increase of opportunities in the Federal Government for women and members of minority groups.

The Department Provides Funds for HUD Grants to Public Housing Agencies. The Department's Administration on Alcohol, Drug Abuse, and Mental Health (ADAMHA) transferred \$500,000 to HUD for awards as part of a cooperative anti-crime effort targeted at the neediest public housing sites in the U.S. The Department approved grants to Public Housing Agencies in Baltimore, MD; Cambridge, MA; Charleston, WV; Charlotte, NC; Chicago, IL; Hampton, VA; Louisville, KY; Toledo, OH; San Antonio, TX; and Seattle, WA.

Intradepartmental Reorganization. I approved the reorganization of the Office of Human Development Services (OHDS), to become effective May 18. The Department will conduct orientation sessions for all OHDS central and regional office staff on the structure and function of each new office. There have been extensive briefings on the reorganization for interest groups and the Congress.

Cuban Boat Lift. To date the Department has assigned 133 personnel to the Cuban processing points in Florida and Arkansas. The majority are Public Health Service physicians, nurses, technical personnel and environmental health specialists. The Department estimates that services for the newly arriving Cubans will cost the Federal Government approximately \$300 million if the Cubans retain the status of asylum applicants, and approximately \$450 million if all are determined to be refugees.

A handwritten signature in black ink, reading "Patricia Roberts Harris". The signature is written in a cursive, flowing style with a large initial "P".

Patricia Roberts Harris



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

May 16, 1980

MEMORANDUM FOR: The President  
Attention: Rick Hutcheson, Staff Secretary

Subject: Weekly Report of Major Departmental Activities

FHA Rate Declines Again. The sharpest drop ever -- a 1.5 percent decrease -- in FHA interest rates was announced on Wednesday. Effective May 15, the new rates are: 11.5 percent for single-family homes; 16.5 percent for mobile home and property improvement loans; 16 percent for combination mobile home and lot loans. This decrease comes as similar declines in mortgage interest rates are taking place in the private sector and is an encouraging sign for the housing industry.

More Action Grants Recipients Selected. In the second quarter 1980 selection round for small cities, 44 Urban Development Action Grant projects were given preliminary approval. This represents a commitment of \$47,223,000 in UDAG funding. The amount is backed by \$339,736,000 in private investment, a ratio of more than seven private dollars for each dollar of Action Grant funding. When the projects are completed, an estimated 7,918 permanent jobs will be created, 2,744 jobs retained and some 3,800 positions made available in the construction of projects. The median grant for this round is under one million dollars. The largest grant -- \$6,900,000 -- will enable the City of Quincy, Illinois to attract Cummins Engine, Inc. to locate a new plant at a manufacturing site formerly owned by Motorola, which closed its operation in 1975. In the next four years \$89 million of private money is expected to be invested in the Cummins plant and an estimated 680 jobs created.

Housing Costs Reduction Demonstration Announced. Today Alfred Kahn and I have jointly announced a new demonstration project aimed at reducing the cost of housing and curbing inflation. Two demonstrations will involve inner-city projects in Hayward, California and Shreveport, Louisiana; another two will be in suburban areas of Allegheny County, Pennsylvania and Clark County, Washington. The demonstration is designed to reduce housing costs through modifying local government regulations and shortening processing times. We will be working with local government officials to develop innovative approaches that result in the construction of quality homes at affordable prices. The goal is to reduce total life cycle costs, which include not only the initial construction costs, but also continuing operation and maintenance expenses. The project is an outgrowth of last year's HUD-sponsored National Conference on Housing Costs and the White House Conference on State and Local Regulatory Reform.

A handwritten signature in cursive script that reads "Moon".

Moon Landrieu

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for Preservation Purposes



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

May 16, 1980

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson  
Staff Secretary

SUBJECT: Weekly Report

WORLD CROPS. World total grain production for 1980/81 will likely be up from last year if world weather conditions hold. Larger crops are likely in a number of countries, including Western and Eastern Europe and the USSR. Very early indications for 1980/81 world oilseed production point to a decline from 1979/80's record, with much of this decline expected to occur in the U.S. where planting indications are down. Oilseed production in the rest of the world is expected to be down moderately from the high 1979/80 level. World cotton production for 1980/81 could be in the neighborhood of last year. While U.S. production may be down slightly, the foreign crop is projected to rise somewhat. Recent reports from several major producing countries indicate that currently higher cotton prices are spurring larger cotton plantings this spring.

USSR CROPS. The Central Statistical Board's weekly report indicated that as of May 12, Soviet farmers had sown almost 65 million hectares of spring crops, or 44 percent of the planned area. This is up sharply from 37.3 million hectares last week. However, planting still lags the previous two years. The report also gave the following breakdown of actual plantings: cotton sowing plan fulfilled; 41 percent of the planned area for grains completed; rice planting on 55 percent of plan; sunflowers sown on 84 percent of target; and sugar beet planting completed on 85 percent of the planned area.

U.S. CROPS. The dryness in the Upper Midwest was broken by some light rainfall last week. Additional amounts so far this week across South Dakota and northern Iowa have improved conditions somewhat, and more moisture is forecast in the next several days, at least across southern Iowa. Planting of both corn and spring wheat had advanced rapidly with the fair weather, but slowed abruptly as conditions for germination became too dry. The moisture this week promoted germination, and the additional rainfall forecast would be very timely.

EXPORTS. USDA forecasts fiscal 1980 U.S. agricultural exports at a record \$38 billion, \$1 billion above the previous forecast and more than \$6 billion above 1979's record level. Continued strength in cotton,

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grain and oilseed exports account for the recent improvement in overall U.S. agricultural export prospects; while over \$5 billion of the year-to-year gain is due to larger volume and higher prices for grains and cotton. The value of U.S. agricultural imports also is forecast to rise in fiscal 1980, but the indicated record trade surplus of over \$19 billion would be more than \$3 1/2 billion above 1979.

CORN. USDA announced that the deadline for farm program non-compliers to enter corn in the farmer-owned reserve has been extended from May 15 to June 13. A total of 55,850,578 bushels has been added.



BOB BERGLAND

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

May 7, 1980

MEMORANDUM FOR: THE PRESIDENT  
FROM: ZBIGNIEW BRZEZINSKI   
SUBJECT: Your Friday Speech

I enclose the text of the speech, as per our discussion. It is meant to be a thoughtful presentation of your overall approach, stressing the themes of continuity and constancy. The more newsworthy elements in the speech are the following:

1. The stress on the political-strategic significance of the Venice summit -- a new departure in the Alliance.
2. The affirmation of U.S. support for the Non-Aligned Movement -- more explicit than heretofore.
3. The reaffirmation of U.S. determination not to be deviated in any way from the Camp David process -- an important signal to our Allies as well as to the Israelis and the Arabs.
4. Stress on greater need for the Allies to be responsive to the strategic challenge in the Persian Gulf area.

Finally, I included your comments that we will not "forget" Soviet unhelpfulness on Iran since that evoked such an enthusiastic response from the audience of May 6.

If Muskie's and Christopher's comments come in early enough, they will also be inserted in this envelope. If not, I will bring them to you separately first thing tomorrow morning.

Draft A-1  
5/7 5:00 p.m.  
Scheduled Delivery:  
Fri, May 9, 1:00 p.m.  
Philadelphia

Address to World Affairs Council

Mr. [Robert] Yarnall (YARN-ull) [chairman of the board of the World Affairs Council of Philadelphia], Mr. (William) Bodine (bo-DEEN) [president of the Philadelphia World Affairs Council], ladies and gentlemen:

[Thank you all very much for your reception. I want especially to thank the Herald Trumpeteers of the Valley Forge Military Academy, who played "Hail to the Chief" a moment ago. It happens to be one of my favorite selections, and they played it very well.]\*

It is a pleasure to be in Philadelphia -- for the city

\*This paragraph would be omitted from the press release version. Lloyd Cutler says that in this form it presents no problems as far as "converting the trip" is concerned. Al McDonald and Stu think the "Hail to the Chief" pleasantry is tasteless.

where our Nation was born is an especially appropriate place to discuss the future of this Nation's foreign policy.

And it is a special pleasure to appear before the World Affairs Council of Philadelphia. I know the good work you have done to help make Philadelphia a truly international city -- and to fulfill the motto of your organization: "In a democracy, agreement is not essential; participation is." I would add that informed understanding is essential as well.

For the past six months, all our policies abroad have been conducted in the glare of two crises: the holding of American hostages in Iran, and the brutal invasion of Afghanistan by the Soviet Union.

In meeting these crises, our tactics must change with changing circumstances. But our goals will not waver:

We will not rest until our fellow Americans held captive

in Iran -- against every tenet of law and decency -- are safe and free.

We will continue to impose economic and political costs on the Soviet Union until it withdraws its forces from Afghanistan and restores its independence.

These two crises underline the reality that our world is a dangerous place. Like peaks pushing through a bank of clouds, they can help us locate the rugged terrain beneath. But they are not the only mountains we must scale.

What I want to emphasize today is that amid the crises of the moment, the fundamentals of American foreign policy are being carried forward with strength and determination.

The central reality that confronts America today is that of a complex world -- a world that seems to be in turmoil because, in fact, it is politically awakened for the first

time in its collective history. Our world is one of conflicting hopes, ideologies and powers. It is a world from which we cannot escape -- and yet a world which we cannot dominate. It is a world which requires confident, stable and powerful American leadership to shift the trend of history away from the specter of fragmentation and toward the promise of genuinely global cooperation.

Over the years serious American thinking about foreign policy has tended to polarize between two basic approaches. At one extreme, thinkers and policy makers have stressed the primacy of power. They advocate "realism" in dealing with the external world and dismiss moral considerations as naive sentimentality. In contrast, others argue that power matters less and less. America, in that view, can rely most of all on its inherent decency and morality and substitute "idealism" for the use of power.

Neither extreme is workable. In this complex age, our foreign policy must blend these two main strands of traditional American thought into a steady course of conduct designed to shape a more decent world in a revolutionary age.

American ideals are relevant to that age. Our society has stood for political freedom, social justice and pluralism. Those values of ours have real meaning in a world that is no longer dominated by a few empires, that demands a more equitable distribution of political and economic power.

But in this age of unprecedentedly rapid change, the opportunities for violence and conflict have also grown. American power must be strong enough to deal with that danger. A weak America would be unable to promote its ideals and to defend its national interests. Indeed, a weak America would be unable to prevent global change from degenerating into global anarchy, inviting political and military exploitation by our adversaries.

That is why our foreign policy, the policy I have shaped over the last three years, must be based simultaneously on the primacy of certain basic moral principles -- principles now applicable on a global scale -- and on the preservation of an American military strength that is second to none. This fusion of principle and power is the only way to ensure global stability while we accommodate to the reality of global change.

The synthesis of these two elements requires a third element: public understanding and support. Foreign policy no longer has a single or simple focus, such as defeating Nazi aggression or repelling a monolithic Stalinist threat. Instead, Americans must be mature enough to recognize that we need to be strong and to be accommodating at the same time -- that we need to protect our interests vigorously while finding honorable ways to adjust to the new claimants to economic and political power.

There are two obvious preconditions for an effective American foreign policy in this age of revolutionary change: a strong national economy and a strong national defense.

That is why I placed the highest priority on the attainment of a national energy policy. That is why we must win the struggle against inflation. All this requires sacrifice. I am determined to see to it that the sacrifice is fairly shared. I am convinced that it is necessary. Our democracy's response to the economic challenge will determine whether we will be able to manage the challenge of global change in the 1980s and beyond.

We must also be militarily strong. The fact is that for fifteen years the Soviet Union has been expanding its military capabilities far out of proportion to its genuine defense needs. For much of the same period our spending for defense had been going down. If these trends were to continue, we

could soon find ourselves facing a severe strategic imbalance, an imbalance all the more threatening because of mounting global turbulence. That is why I have launched the broadest modernization of our strategic and conventional forces in a decade, and that is why we and our Allies have pledged ourselves to sustained real annual increases in our defense spending.

For our armed strength to be equal to the challenges we face and must foresee, our readiness must match our commitment. That is why I determined in January to move promptly to revitalize the Selective Service system. The House of Representatives has acted, but the legislation we need in this field still faces major obstacles in the Senate.

Draft registration is needed and it is prudent. It is a form of insurance against conflicts we do not seek and therefore must be ready to deter. The Senate's action will properly be perceived as a major test of America's will.

We must not fail that test, for to do so would be to broadcast a dangerous signal of irresolution to our friends and to our competitors.

With a strong economy and a credible national defense, this country can pursue a foreign policy designed to translate a worldwide revolution into a global commonwealth.

In that task, we have to recognize the choice that history offers us. The next two decades can propel our world into anarchy and a series of advances by our ideological adversaries. Alternatively, we can begin to build the foundations of a truly cooperative global community, to compose a global mosaic which embraces the wealth and diversity of the earth's peoples, cultures and religions.

Clearly, the second alternative is a world not only congenial to our interest but genuinely compatible with our values.

In promoting the prospects of that future of peace, my Administration will stay on the steady course to which we have been committed over the last three and a half years.

We pursue five major objectives:

First, to enhance political solidarity among the industrial democracies.

Second, to establish a genuinely cooperative relationship with the Third World.

Third, to persevere with the Camp David process in order to bring peace to the Middle East.

Fourth, to defend our strategic interests, especially those now threatened in Southwest Asia.

Fifth, to advance arms control, especially through agreed strategic arms limitations with the Soviet Union.

Our first objective -- solidarity with our Allies -- is the touchstone of our foreign policy. Without such solidarity, the world economy and international politics will degenerate into disorder.

Next month the seven leading industrial democracies will hold a summit meeting in Venice. It is our collective intention not only to make that summit another milestone for global economic cooperation, but also to use it to advance our political and strategic solidarity. We have to act in concert to protect the peace and to insure that vital regions of the world, such as the Persian Gulf, do not fall prey to hostile designs. The Venice Summit gives us a timely opportunity to articulate a common political perspective on the key strategic issues of our time.

Second, we will persevere in our efforts to widen the scope of our cooperation with the newly awakened nations

of the Third World. By the end of this century, eighty-five per cent of the world's population will be living in Latin America, Asia, and Africa. In the last several years, through the Panama Canal Treaties, through our commitment to majority rule in Africa, and through normalization with China, we have vastly improved the relationship of the United States with these regions. We can be justly proud of our accomplishments in building strong new bridges to the developing world.

The United States respects the desire of the Third World for genuine non-alignment, and respects the Non-Aligned Movement as the expression of that desire. Nations which value their own independence are already resisting efforts to subvert the Non-Aligned Movement and to make it a tool of Soviet foreign policy. The United States is prepared to work with such nations for the resolution of conflicts and for the promotion of greater global social justice.

Third, we will continue to work for peace in the Middle East. Such peace is essential to all the parties concerned. Israel deserves it and Israel needs it for its long-term survival. The Arab nations require peace in order to satisfy the legitimate rights of the Palestinians and to ensure that their own social development can move forward without disruption and foreign intrusion. The West must have peace in the Middle East or run grave risks that the radicalization of the region will draw outsiders into its explosive conflicts.

The Camp David process works. Already it has led to the first peace treaty ever between Israel and an Arab state. My Administration is determined to continue within the Camp David framework and, through it, to reach a more comprehensive settlement. We will not be diverted from that goal. We will not turn from that path. May 26 is an important milestone, and we intend to prove to all the parties concerned that on the basis of the farsighted cooperation of President Sadat,

Prime Minister Begin and the United States, genuine peace in the region can be attained.

Fourth, the West must defend its strategic interests wherever they are threatened.

Since 1945 the United States has been committed to the defense first of Western Europe, and then of the Far East, notably Japan and Korea.

In recent years it has become evident that the well-being of these two vital regions depends on peace, stability and independence of a third region -- the Middle East and Persian Gulf area. Yet the Soviet invasion of Afghanistan and the progressive political disintegration of Iran both put the security of that region in grave jeopardy.

I want to reemphasize what I said in my State of the Union Address on January 23:

"Let our position be absolutely clear: an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America and such an assault will be repelled by any means necessary, including military force."

The commitment I made then is a commitment on which we are now -- steadily -- making good. The steps we are taking on our own and with the cooperation of others involve complicated measures, considerable expense and a careful balance between the urgency of the collective security needs of the region and its political realities. We are making good progress. We must -- and we will -- make more.

The necessity of a common action and the timetable for it in that region are dictated not by any belligerence on our part but by the clear strategic threat that stems from the Soviet invasion of Afghanistan. A failure to respond

convincingly to that contemptuous act of aggression would only invite its repetition. Inaction on our part would also undermine the central principle on which the West has relied to maintain world order since Germany and Japan surrendered their ambitions to upset it.

Beyond the violence done to Afghanistan's independence and people, the Red Army troops consolidating their hold there are also taking positions from which Soviet imperialism could meddle more deeply and more dangerously in the politics of this vital area. Afghanistan had long been a barrier against outsiders seeking to dominate that region. That is the historic role to which Afghanistan must be restored. Soviet success there, even at the high cost in blood and respectability which Moscow is now paying, could turn Afghanistan from a road block against aggression into a launching pad for further incursions.

This would threaten Pakistan and Iran, but not those nations alone. Soviet expansionism -- unless checked -- confronts all the world with the most serious long-term strategic challenge since the Cold War began. To underrate the magnitude of that challenge, to shape only half-hearted responses would constitute an historic error -- one with probably historic consequences.

America's position is clear. It is consistent, as well, with the interests of our Allies, whose well-being -- along with our own -- is intimately tied to the security and independence of this strategically vital region. We must therefore work together in meeting the challenge we face in common.

The nations of the region must also be aware that the United States has no designs on the area. Our interests match theirs -- to cooperate in the preservation of the region's independence and stability.

Fifth, this Administration has been and remains committed to arms control, especially to strategic arms limitations. Our resolve to pursue those goals remains as strong as ever.

Neither arms control nor strategic arms limitation is a favor to anyone but ourselves. The SALT II agreement is a major accomplishment of my Administration. It contributes directly to our national security, and we intend to abide by the treaty's terms as long as the Soviet Union complies with them as well. Of course, we will seek its ratification at the earliest opportune time.

But the time is also fast approaching when we must think beyond SALT II to SALT III -- to negotiating wider, more comprehensive arrangements dealing both with additional categories of strategic weapons and with weapons of less than intercontinental range. If the decade of the eighties is not to become the decade of violence, both we and the Soviets

must make renewed efforts to stabilize the arms competition and to widen the scope of arms control arrangements. We will persevere in these efforts.

At the same time, the Soviet Union must learn that its aggression in Afghanistan, aptly described by Secretary Muskie as an act of "international cannibalism", will not be tolerated by the international community. As long as Soviet forces continue to suppress the people of Afghanistan, there will be no business as usual with the Soviet Union. I am confident that the Soviet Union will not succeed in dividing the Alliance with the false prospect of a sheltered detente in Europe while the Soviet Union threatens the West's interests elsewhere through the exercise of brute force. The Soviet aggression in Afghanistan has been rightly condemned by the entire civilized world, including particularly the non-aligned world, and the U.S. will persevere in the policies adopted in response to that aggression.

Together, these five constants I have outlined are the compass points that guide America's course in this world of change and challenge. They link our specific actions to each other, to the past, and to the future.

Our foreign policy is designed to be responsive to the revolutionary age in which we live. To be effective it must have the wise and wide support of the American people. That depends on public understanding that foreign policy is not a matter of instant successes. Rather, policy is the prolonged process of managing intractable situations and often contradictory realities.

To play its historical role, the United States must be steady and constant. Our commitment to our ideals must be unchanging and our power must be credible.

While we seek to attain our broad ultimate objectives, we must never lose sight of immediate human suffering.

We have not forgotten and will not forget the fifty-three Americans imprisoned in Iran. We will not forget what nations have supported us in the course of our efforts to obtain their release -- and we will not forget those governments that have deliberately obstructed us.

In this regard, I mentioned the Soviet Union specifically the other day -- for I believe that Soviet support for the terrorists in Iran has done singular damage to the cause of East-West detente. This had to be stated frankly and bluntly. The Soviet leaders should know how the American people feel. We will continue to make every effort, preferably peacefully and through collective action with our Allies, to obtain the release of our countrymen. And we will remind the Iranian leaders that the integrity and independence of their country can only suffer from policies of theirs that lead to international isolation and internal disintegration. We have no permanent quarrel with the Iranian people. We wish to fashion a

relationship of dignity with Iran, once this illegal action has been put behind us.

We have no apologies to make. Our Nation has acted responsibly and in good faith toward the people and leaders of Iran.

And we have no apologies to make for our rescue attempt. It was a mission of mercy -- not a military attack. Its only aim was to rescue innocent victims of terrorist exploitation. I do not regret the attempt. I regret only that it did not succeed, and that eight gallant men died in the accident as the rescue team was leaving its desert rendezvous.

America's foreign policy must always reflect the kind of people we are. We are a strong people. And we are a caring people. We care about human rights; we care about decent living standards; we care about the freedom of nations and the rights of individuals. Therefore, we have a sober,

responsible recognition that American power is especially important in a turbulent world where others depend upon us for their safety.

Our interests and our ideals serve each other. Our power must be used in the service of both.

The course I have mapped today is neither simple nor easy. No true course today can be. But in its broad outlines, it is the soundest, safest course we can pursue.

I firmly believe it deserves your understanding and support, not only for our Nation's own security, but in order that people everywhere can be certain of America's commitment to use its vast power with a clear, firm, steady purpose -- to seek for all humankind a future of peace, a world of freedom.

###

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

May 7, 1980

MEMORANDUM FOR: THE PRESIDENT.  
FROM: ZBIGNIEW BRZEZINSKI

Warren's comments are attached. Though some are quite helpful, I believe the speech will lose its sharp edge if every other goal is added. Moreover, we can not have it both ways on the Soviet Union. If it is posing a major strategic challenge, to which we want the Allies to also respond, then stressing right now the need for balanced accommodation makes us look like we want our cake and eat it too.

THE WHITE HOUSE  
WASHINGTON

7PM  
5-7-80

ZBIG

May 7, 1980

My Comments (hasty)  
are noted in the  
margin.

MEMORANDUM FOR

THE ACTING SECRETARY OF STATE

SUBJECT:

Presidential Speech

I am sending  
a copy to Ed at  
his residence, since he  
may also wish to comment  
to the President.

The President would like to work on this first thing tomorrow morning so -- though it is a terrible imposition -- could you please send us back your and (if possible) Ed's comments by tonight.

Chris

The speech is essentially a restatement of policy, emphasizing constancy and continuity. Please indicate if there is anything objectionable or troublesome in it, or if something vital is missing.



Zbigniew Brzezinski

Attachment

Draft A-1  
5/7 5:00 p.m.  
Scheduled Delivery:  
Fri, May 9, 1:00 p.m.  
Philadelphia

Address to World Affairs Council

*W. C.  
Comments*

Mr. [Robert] Yarnall (YARN-ull) [chairman of the board of the World Affairs Council of Philadelphia], Mr. (William) Bodine (bo-DEEN) [president of the Philadelphia World Affairs Council], ladies and gentlemen:

[Thank you all very much for your reception. I want especially to thank the Herald Trumpeteers of the Valley Forge Military Academy, who played "Hail to the Chief" a moment ago. It happens to be one of my favorite selections, and they played it very well.]\*

It is a pleasure to be in Philadelphia -- for the city

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where our Nation was born is an especially appropriate place to discuss the future of this Nation's foreign policy.

And it is a special pleasure to appear before the World Affairs Council of Philadelphia. I know the good work you have done to help make Philadelphia a truly international city -- and to fulfill the motto of your organization: "In a democracy, agreement is not essential; participation is." I would add that informed understanding is essential as well.

For the past six months, all our policies abroad have been conducted in the glare of two crises: the holding of American hostages in Iran, and the brutal invasion of Afghanistan by the Soviet Union.

In meeting these crises, our tactics must change with changing circumstances. But our goals will not waver:

We will not rest until our fellow Americans held captive

in Iran -- against every tenet of law and decency -- are safe and free.

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What I want to emphasize today is that amid the crises of the moment, the fundamentals of American foreign policy are being carried forward with strength and determination.

The central reality that confronts America today is that of a complex world -- a world that seems to be in turmoil because, in fact, it is politically awakened for the first

time in its collective history. Our world is one of conflicting hopes, ideologies and powers. It is a world from which we cannot escape -- and yet a world which we cannot dominate. It is a world which requires confident, stable and powerful American leadership to shift the trend of history away from the specter of fragmentation and toward the promise of genuinely global cooperation.

Over the years serious American thinking about foreign policy has tended to polarize between our basic approaches. At one extreme, thinkers and policy makers have stressed the primacy of power. They advocate "realism" in dealing with the external world and dismiss moral considerations as naive sentimentality.—In contrast, others argue that power matters less and less. America, in that view, can rely most of all on its inherent decency and morality and substitute "idealism" for the use of power.

Neither extreme is workable. In this complex age, our foreign policy must blend these two main strands of traditional American thought into a steady course of conduct designed to shape a more decent world in a revolutionary age.

American ideals are relevant to that age. Our society has stood for political freedom, social justice and pluralism. Those values of ours have real meaning in a world that is no longer dominated by a few empires, that demands a more equitable distribution of political and economic power.

But in this age of unprecedentedly rapid change, the opportunities for violence and conflict have also grown. American power must be strong enough to deal with that danger. A weak America would be unable to promote its ideals and to defend its national interests. Indeed, a weak America would be unable to prevent global change from degenerating into global anarchy, inviting political and military exploitation by our adversaries.

That is why our foreign policy, the policy I have shaped over the last three years, must be based simultaneously on the primacy of certain basic moral principles -- principles now applicable on a global scale -- and on the preservation of an American military strength that is second to none. This fusion of principle and power is the only way to ensure global stability while we accommodate to the reality of global change.

The synthesis of these two elements requires a third element: public understanding and support. Foreign policy no longer has a single or simple focus, such as defeating Nazi aggression or repelling a monolithic Stalinist threat. Instead, Americans must be mature enough to recognize that we need to be strong and to be accommodating at the same time -- that we need to protect our interests vigorously while finding honorable ways to adjust to the new claimants to economic and political power.

Too  
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speech

There are two obvious preconditions for an effective American foreign policy in this age of revolutionary change: a strong national economy and a strong national defense.

That is why I placed the highest priority on the attainment of a national energy policy. That is why we must win the struggle against inflation. All this requires sacrifice. I am determined to see to it that the sacrifice is fairly shared. I am convinced that it is necessary. Our democracy's response to the economic challenge will determine whether we will be able to manage the challenge of global change in the 1980s and beyond.

We must also be militarily strong. The fact is that for fifteen years the Soviet Union has been expanding its military capabilities far out of proportion to its genuine defense needs. For much of the same period our spending for defense had been going down. If these trends were to continue, we

could soon find ourselves facing a severe strategic imbalance, an imbalance all the more threatening because of mounting global turbulence. That is why I have launched the broadest modernization of our strategic and conventional forces in a decade, and that is why we and our Allies have pledged ourselves to sustained real annual increases in our defense spending.

For our armed strength to be equal to the challenges we face and must foresee, our readiness must match our commitment. That is why I determined in January to move promptly to revitalize the Selective Service system. The House of Representatives has acted, but the legislation we need in this field still faces major obstacles in the Senate.

Draft registration is needed and it is prudent. It is a form of insurance against conflicts we do not seek and therefore must be ready to deter. The Senate's action will properly be perceived as a major test of America's will.

We must not fail that test, for to do so would be to broadcast a dangerous signal of irresolution to our friends and to our competitors.

With a strong economy and a credible national defense, this country can pursue a foreign policy designed to translate a worldwide revolution into a global commonwealth.

In that task, we have to recognize the choice that history offers us. The next two decades can propel our world into anarchy and a series of advances by our ideological adversaries. Alternatively, we can begin to build the foundations of a truly cooperative global community, to compose a global mosaic which embraces the wealth and diversity of the earth's peoples, cultures and religions.

Clearly, the second alternative is a world not only congenial to our interest but genuinely compatible with our values.

*Handwritten notes:*  
The  
C. J. ...

*Handwritten notes:*  
7. 2. 1971

Overall - goals seem narrowly stated

In promoting the prospects of that future of peace, my Administration will stay on the steady course to which we have been committed over the last three and a half years.

We pursue five major objectives:

military? economic?

First, to enhance political solidarity among the industrial democracies.

Second, to establish a genuinely cooperative relationship with the Third World.

Third, to persevere with the Camp David process in order to bring peace to the Middle East.

This seems too narrow to be one of 5 "constants"

Fourth, to defend our strategic interests, especially those now threatened in Southwest Asia.

Fifth, to advance arms control, especially through agreed strategic arms limitations with the Soviet Union.

Missing objectives:

1. Firm but balanced Soviet relationships. (over)
2. Human rights

\* without material on maintenance  
of a firm but balanced relationship  
with the Soviet Union, the various  
references to the Soviets (pp. 3, 7, 15, 16, 17, 19, 21)  
add up to a one-sided policy  
of confrontation.

Our first objective -- solidarity with our Allies -- is the touchstone of our foreign policy. Without such solidarity, the world economy and international politics will degenerate into disorder.

Next month the seven leading industrial democracies will hold a summit meeting in Venice. It is our collective intention not only to make that summit another milestone for global economic cooperation, but also to use it to advance our political and strategic solidarity. We have to act in concert to protect the peace and to insure that vital regions of the world, such as the Persian Gulf, do not fall prey to hostile designs. [The Venice Summit gives us a timely opportunity to articulate a common political perspective on the key strategic issues of our time.]

*The French have not agreed that Venice will have a political dimension*

*This point is too narrow - it leaves out NATO, TNE, LTDP*

Second, we will persevere in our efforts to widen the scope of our cooperation with the newly awakened nations

of the Third World. By the end of this century, eighty-five per cent of the world's population will be living in Latin America, Asia, and Africa. In the last several years, through the Panama Canal Treaties, through our commitment to majority rule in Africa, and through normalization with China, we have vastly improved the relationship of the United States with these regions. We can be justly proud of our accomplishments in building strong new bridges to the developing world.

The United States respects the desire of the Third World for genuine non-alignment, and respects the Non-Aligned Movement as the expression of that desire. Nations which value their own independence are already resisting efforts to subvert the Non-Aligned Movement and to make it a tool of Soviet foreign policy. The United States is prepared to work with such nations for the resolution of conflicts and for the promotion of greater global social justice.

Third, we will continue to work for peace in the Middle East. Such peace is essential to all the parties concerned. Israel deserves it and Israel needs it for its long-term survival. The Arab nations require peace in order to satisfy the legitimate rights of the Palestinians and to ensure that their own social development can move forward without disruption and foreign intrusion. The West must have peace in the Middle East or run grave risks that the radicalization of the region will draw outsiders into its explosive conflicts.

The Camp David process works. Already it has led to the first peace treaty ever between Israel and an Arab state. My Administration is determined to continue within the Camp David framework and, through it, to reach a more comprehensive settlement. We will not be diverted from that goal. We will not turn from that path. [ May 26 is an important milestone, and we intend to prove to all the parties concerned that on the basis of the farsighted cooperation of President Sadat,

*analyse  
to  
hype  
May 26*

Prime Minister Begin and the United States, genuine peace in the region can be attained.

Fourth, the West must defend its strategic interests wherever they are threatened.

Since 1945 the United States has been committed to the defense first of Western Europe, and then to the Far East, notably Japan and Korea.

*What about  
Latin  
America?*

In recent years it has become evident that the well-being of these two vital regions depends on peace, stability and independence of a third region -- the Middle East and Persian Gulf area. Yet the Soviet invasion of Afghanistan and the progressive political disintegration of Iran both put the security of that region in grave jeopardy.

I want to reemphasize what I said in my State of the Union Address on January 23:

"Let our position be absolutely clear: an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America and such an assault will be repelled by any means necessary, including military force."

The commitment I made then is a commitment on which we are now -- steadily -- making good. The steps we are taking on our own and with the cooperation of others involve complicated measures, considerable expense and a careful balance between the urgency of the collective security needs of the region and its political realities. We are making good progress. We must -- and we will -- make more.

The necessity of a common action and the timetable for it in that region are dictated not by any belligerence on our part but by the clear strategic threat that stems from the Soviet invasion of Afghanistan. A failure to respond

convincingly to that contemptuous act of aggression would only invite its repetition. Inaction on our part would also undermine the central principle on which the West has relied to maintain world order since Germany and Japan surrendered their ambitions to upset it.

?  
undear  
to me

Beyond the violence done to Afghanistan's independence and people, the Red Army troops consolidating their hold there are also taking positions from which Soviet imperialism could meddle more deeply and more dangerously in the politics of this vital area. Afghanistan had long been a barrier against outsiders seeking to dominate that region. That is the historic role to which Afghanistan must be restored. Soviet success there, even at the high cost in blood and respectability which Moscow is now paying, could turn Afghanistan from a road block against aggression into a launching pad for further incursions.

This would threaten Pakistan and Iran, but not those nations alone. Soviet ~~expansionism~~ *aggression in Afghanistan* -- unless checked -- confronts all the world with the most serious long-term strategic challenge since the Cold War began. To underrate the magnitude of that challenge, to shape only half-hearted responses would constitute an historic error -- one with probably historic consequences.

America's position is clear. It is consistent, as well, with the interests of our Allies, whose well-being -- along with our own -- is intimately tied to the security and independence of this strategically vital region. We must therefore work together in meeting the challenge we face in common.

The nations of the region must also be aware that the United States has no designs on the area. Our interests match theirs -- to cooperate in the preservation of the region's independence and stability.

Fifth, this Administration has been and remains committed to arms control, especially to strategic arms limitations. Our resolve to pursue those goals remains as strong as ever.

Neither arms control nor strategic arms limitation is a favor to anyone but ourselves. The SALT II agreement is a major accomplishment of my Administration. It contributes directly to our national security, and we intend to abide by the treaty's terms as long as the Soviet Union complies with them as well. Of course, we will seek its ratification at the earliest opportune time.

But the time is also fast approaching when we must think beyond SALT II to SALT III -- to negotiating wider, more comprehensive arrangements dealing both with additional categories of strategic weapons and with weapons of less than intercontinental range. If the decade of the eighties is not to become the decade of violence, both we and the Soviets

*Do we want to float this idea publicly without consultation with Allies - or prior contact with Soviets? The idea needs careful preparation to avoid rejection.*

must make renewed efforts to stabilize the arms competition and to widen the scope of arms control arrangements. We will persevere in these efforts.

At the same time, the Soviet Union must learn that its aggression in Afghanistan, aptly described by Secretary Muskie as an act of "international cannibalism", will not be tolerated by the international community. As long as Soviet forces continue to suppress the people of Afghanistan, there will be no business as usual with the Soviet Union. I am confident that the Soviet Union will not succeed in dividing the Alliance with the false prospect of a sheltered detente in Europe while the Soviet Union threatens the West's interests elsewhere through the exercise of brute force. The Soviet aggression in Afghanistan has been rightly condemned by the entire civilized world, including particularly the non-aligned world, and the U.S. will persevere in the policies adopted in response to that aggression.

P

*more like Tactical objectives, especially 1, 3, + 4*

Together, these five constants I have outlined are the compass points that guide America's course in this world of change and challenge. They link our specific actions to each other, to the past, and to the future.

Our foreign policy is designed to be responsive to the revolutionary age in which we live. To be effective it must have the wise and wide support of the American people. That depends on public understanding that foreign policy is not a matter of instant successes. Rather, policy is the prolonged process of managing intractable situations and often contradictory realities.

To play its historical role, the United States must be steady and constant. Our commitment to our ideals must be unchanging and our power must be credible.

While we seek to attain our broad ultimate objectives, we must never lose sight of immediate human suffering.

We have not forgotten and will not forget the fifty-three Americans imprisoned in Iran. We will not forget what nations have supported us in the course of our efforts to obtain their release -- and we will not forget those governments that have deliberately obstructed us.

In this regard, I mentioned the Soviet Union specifically the other day -- for I believe that Soviet <sup>refusal to support</sup> [support for the]

*efforts against the Terrorism*  
*A*

~~terrorists~~ in Iran has done singular damage to the cause of

East-West detente. This had to be stated frankly and bluntly.

The Soviet leaders should know how the American people feel.

We will continue to make every effort, preferably peacefully

and through collective action with our Allies, to obtain the

release of our countrymen. And we will remind the Iranian

leaders that the integrity and independence of their country

can only suffer from policies of theirs that lead to international

isolation and internal disintegration. We have no permanent

quarrel with the Iranian people. We wish to fashion a

relationship of dignity with Iran, once this illegal action has been put behind us.

We have no apologies to make. Our Nation has acted responsibly and in good faith toward the people and leaders of Iran.

And we have no apologies to make for our rescue attempt. It was a mission of mercy -- not a military attack. Its only aim was to rescue innocent victims of terrorist exploitation. I do not regret the attempt. I regret only that it did not succeed, and that eight gallant men died in the accident as the rescue team was leaving its desert rendezvous.

America's foreign policy must always reflect the kind of people we are. We are a strong people. And we are a caring people. We care about human rights; we care about decent living standards; we care about the freedom of nations and the rights of individuals. Therefore, we have a sober,

responsible recognition that American power is especially important in a turbulent world where others depend upon us for their safety.

Our interests and our ideals serve each other. Our power must be used in the service of both.

The course I have mapped today is neither simple nor easy. No true course today can be. But in its broad outlines, it is the soundest, safest course we can pursue.

I firmly believe it deserves your understanding and support, not only for our Nation's own security, but in order that people everywhere can be certain of America's commitment to use its vast power with a clear, firm, steady purpose -- to seek for all humankind a future of peace, a world of freedom.

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