

The original documents are located in Box 2, folder “Second Debate: Issue Papers on Miscellaneous Topics” of the White House Special Files Unit Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

October 1, 1976

MR7

MEMORANDUM FOR THE PRESIDENT

Subject: Monthly Report on Economic Conditions

Summary

The projections of the Commerce Department indicate that real GNP will grow at a 4 percent annual rate in the third quarter. This compares with a 4-1/2 percent growth rate in the second quarter and a 7 percent average growth rate during the past five quarters. Despite a 1-1/2 percent decline in the index of leading indicators reported in September, signs of an acceleration of real growth appear to be at hand. Recent data suggest substantial increases in retail sales, investment spending intentions and housing activity. Unless the Ford Company strike is prolonged, the fourth quarter should show a substantial increase in the real rate of GNP growth.

Burton Malkiel
Burton G. Malkiel



Detailed Analysis

The slower growth phase in economic activity appears to have continued at least through the early summer. Retail sales did not grow in July. Business fixed investment has yet to show substantial strength and housing starts were very low in July. Moreover, businessmen appear to have been extremely cautious in their inventory behavior during the third quarter. At the present time the Commerce Department estimates that inventory accumulation actually fell from second quarter levels.

In recent weeks, however, despite the decline in the index of leading indicators, signs of renewed acceleration in economic activity have appeared.

July retail sales estimates were revised upward by \$0.6 billion to \$53.8 billion. This compares with \$54.0 in sales for June. Retail sales then rose sharply to \$55.0 billion in August. Current evidence suggests that retail sales for September will exceed August by perhaps \$0.5 billion.

Housing starts increased to 1.54 million units in August from 1.39 million units in July. Most of this increase is in multi-unit dwellings. Single unit starts continued at a very strong 1.20 million unit level. Total starts in August were the highest since February and the near-term outlook is for further strength in this area. Building permits have exceeded starts in permit-issuing areas by 206 thousand units at an annual rate for the last two months. This suggests good gains in housing starts in coming months.

Indicators of business fixed investment have been rising strongly in recent reports. Conference Board data on new capital appropriations by manufacturers rose 13.2 percent in the second quarter. The value of plant and equipment projections started by manufacturers last quarter rose 9.6 percent. New orders for nondefense capital goods have been quite volatile in July and August rising sharply in July but falling by the same amount in August, helping to push the leading indicators down. Nevertheless, the average of nondefense capital goods orders for July and August is 11-1/2 percent above the average during the year.

In August, the unemployment rate increased for the third consecutive month to 7.9 percent. As we have noted before, the rise in unemployment has been caused by an extraordinary increase in the labor force and not a shortfall in job creation. During the past two months alone the economy has produced 500,000 new jobs but the labor force increased by 850,000, including 350,000 adult women. We continue to believe that the growth

in the labor force will slow in coming months and with continued increases in employment, the unemployment rate should drop sharply. The September unemployment rate from the household survey will be released on October 8.

The rate of inflation appears to have stabilized at a rate around 6 percent. The consumer price index (CPI) has risen 0.5 percent in each of the last three months despite continued moderation in food prices. This is because commodities, excluding food, have been rising at an annual rate in excess of 7 percent during the three months ending in August. This high rate of inflation has been sustained by large increases in energy prices.

The wholesale price index (WPI), which has been growing at very low rates since May, has been influenced by declines in food prices during the last two months. Food prices are expected to remain weak through the Fall and into the early part of 1977. The WPI for fuels increased at a 24 percent annual rate in August. We expect the rate of increase in energy prices to decline, however, in coming months.

The decline in long-term interest rates which began in June continued during September, but at a slower pace. The rate on corporate Aaa bonds averaged 8.37 percent during the first 4 days of this week compared with an average of 8.62 percent in June. A heavy supply of new corporate bonds may exert some upward pressure on long-term rates during October, but this will be partially offset by reduced Treasury borrowing needs brought on by lower than anticipated Federal expenditures.

Short-term interest rates stabilized during September with the Federal funds rate holding at about 5-1/4 percent, the midpoint of the 5 to 5-1/2 percent range set at the August 17 meeting of the Federal Open Market Committee. By mid-September three successive declines in weekly M_1 figures had led some market participants to expect a decline in the Federal funds rate. However, the large \$4.5 billion increase in M_1 for the week ending September 15 and the subsequent \$2.8 billion decline in the following week reminded participants of the volatility of the weekly figures and temporarily ended these expectations. Looking at longer run averages, neither M_1 nor M_2 appear to be growing at rates sufficiently different from the Federal Reserve tolerance ranges to require a significant change in the Federal funds rate. Commercial and industrial loans at commercial banks were unchanged from July to August and still show no significant sign of recovery. In the latter part of September several large banks announced a reduction in their prime rate from 7 to 6-3/4 percent, but this reduction has not yet spread to a majority of commercial banks.

Overview Response on Nuclear Issues

Nuclear power is one of the most complex issues we face. It is also one of the most difficult to discuss in a campaign because it lends itself so easily to demagoguery. Fortunately, nuclear power has traditionally been approached in a bipartisan manner. There has never been a Republican or Democratic position on questions of nuclear safety or preventing nuclear proliferation. I hope there never will be.

As President I have dealt with nuclear issues from three different perspectives:

First, in assuring that our domestic nuclear power plants are safe and environmentally acceptable;

Second, preventing the proliferation of nuclear materials which can be used to make weapons;

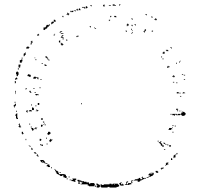
Third, in developing a balanced program of nuclear and non-nuclear research and development which will contribute to reduction of dependence on foreign oil and our vulnerability to embargoes.

My Administration has taken strong action in each of these areas. For example:

1. Shortly after I took office, I signed into law the bill creating an independent Nuclear Regulatory Commission. Its primary mission is to oversee the development of the nuclear industry from



the standpoint of protecting public health and safety. This legislation eliminated the potential conflict of interest that existed in the old Atomic Energy Commission where the regulatory and promotional responsibilities were combined.



2. In the last two years, I have increased the budget for nuclear safety regulation by more than 60% from \$148 million when I took office to nearly \$250 million this year.

3. In the fall of 1974, I became concerned that some other nations, eager to become nuclear suppliers, were being tempted to offer laxity in the treatment of nuclear materials as a competitive device. I directed the Secretary of State to find ways of eliminating this dangerous form of competition. As a result of this effort, the first Conference of Nuclear Supplier Nations was convened in London in April 1975. That Conference has met 6 times and the seven nations have agreed to a much tighter set of guidelines on nuclear exports. I have directed that the United ^{states} adopt these guidelines as our policy.

4. In the area of energy research and development, I have increased our commitments in both the nuclear and non-nuclear areas. By far the greatest increase, however, has occurred in the non-nuclear area. Coal research has tripled in the last two years. Solar energy research has increased about 8 times-- conservation research more than 4 times. We now have a balanced program, and we expect results in both the nuclear and non-nuclear areas

that will contribute substantially to reducing our dependence on foreign oil.

But the effort to insure that the benefits of nuclear energy outweigh its risks have not stopped. Several months ago, I initiated a complex review of the entire nuclear fuel cycle in both its domestic and international aspects. That review has now been completed. In the context of this debate, there is obviously not enough time for me to explain fully the decisions that I have made on this entire range of issues, but I shall announce them in a very short time.

There is one final point that I would like to make on this whole question of dealing with nuclear energy, particularly on the question of proliferation. As in so many other areas of foreign policy, the real issue which confronts the President is to make very sure that what he proposes is effective. He cannot be satisfied with mere words. In nuclear proliferation this means making sure that other countries which have the ability to export nuclear materials and technology abide by the same set of rules as the United States. If they do not, then all of our words and all of our efforts are in vain and the world becomes an even more dangerous place than it is. Achieving cooperation in these areas requires leadership on our part and a willingness to negotiate positively but firmly to apply strong pressures, as we have in some cases, to discourage undesirable developments, and to offer incentives, as we have in other areas, to encourage cooperation. Unilateral declarations, not matter how good they may sound, will not prevent nuclear

proliferation, and it is with such proliferation that the President of the United States must concern himself.



October 3, 1976

The Foreign Policy Debate

The Setting

There is reason to expect that Carter will take a substantially more confrontational line in the second debate than he did in the first.

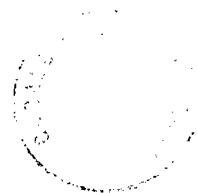
It is, therefore, important that you set the tone of the debate at the outset, and that Carter be shown to be a man without a program -- a man who is reduced to picking at the edges of a successful policy without having anything comprehensive to offer in its place.

I would recommend that you seek an early opportunity -- hopefully in response to your first question -- to lay out a few basic themes. These themes would then provide the underpinning for your answers to further questions, and you would be able to refer back to the conceptual framework already established.

The themes, as I see them, are:

- Peace: In a world of thermonuclear weapons, with their potential to destroy mankind, the search for peace must be the overwhelming responsibility of the President and the United States. America is at peace for the first time in almost a generation. No President since Eisenhower has been able to say what can now be said: no American is fighting anywhere in the world. It is our task in the years ahead to see that America remains at peace, that tensions between the super powers are reduced, and that local conflicts do not escalate to involve the super powers.

- Strength: Peace can only be lasting so long as America and the Western democracies remain strong and united. America is the most powerful nation in the world and it must remain so. America is, after more than a decade of war and constitutional crisis, a united country once again. Our relations with our NATO allies and Japan have never been better; our consultations are intimate and constant;



NATO's combined military strength in Europe has never been more impressive; our cooperation with Western Europe and Japan on military, economic and political issues never more intimate.

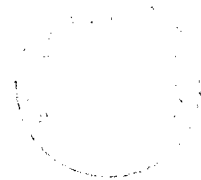
- Relations with Adversaries: Based on our strength and that of our allies, America has sought to lower the level of tension with our adversaries. Ideological and political competition with the Soviet Union will continue for decades. But the issue must be whether we can contain that competition, and reduce the chances of war between the super powers. A lessening of tensions can only be achieved if both sides are prepared to compromise; America has not, and will not, accept "one-sided" agreements that do not give a balance of benefits to both sides.

- A Compassionate America: America has, since its birth 200 years ago, been the hope of the world. We remain so today. We are the world's greatest democracy; the wealthiest, most prosperous and most generous nation in history. We have never failed to help those in need, not only because it is morally right, but also because it is wise policy. We will continue to do all we can to assist the world's poor and starving, because there can be no peace, no security, in a world of poverty, disease and hopelessness. But let us also be clear that we will not respond to threats or blackmail, and that we will be most ready to help those who help themselves.

The specific answers to the probable Carter line of attack can, with this framework established, be put within its context. It is important not to be defensive, but to show how what we have done is part of a coherent strategy and for a positive purpose.

The Issues

The probable points of Carter attack and the suggested responses are described below:



1. Detente

-- Carter: The U.S. has given up too much and gotten too little. Helsinki confirmed the Soviet takeover of Eastern Europe; the Sonnenfeldt doctrine condemns Eastern Europe to perpetual domination; the first SALT agreement permitted the USSR to reach strategic parity with the U.S., and the Soviets have cheated on the agreement since (e.g., submarine launched missiles; ABM-related radar; enlarging of missile silos); the Vladivostok accords, if carried through would grant the Soviets the Backfire and limit our cruise missiles; despite "detente" the Soviets have fostered war in the Middle East, attacked us in Africa, and sought to upset the balance wherever they could.

In a reversal of roles, Carter may also condemn the grain export embargo as frivolous and harmful to the American farmer.

-- Response: Peace can only be maintained if we manage the relationship with the Soviet Union. The two super powers have the means to destroy civilization if the competition between us gets out of hand. This Administration has managed the relationship to the benefit of the United States: the danger of war in the heart of Europe has substantially lessened; Berlin is no longer a source of constant tension and potential conflict; the Soviets and we agreed, in SALT I, to limit the size of our nuclear arsenals; that agreement ended the Soviet buildup, while affecting no American program; as should be expected in any agreement of such complexity, some technical problems have arisen; we have a joint Soviet-U.S. Commission to deal with such cases, and it has done so effectively.

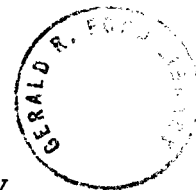
If further nuclear arms agreements can be achieved that are fair to both sides we will proceed with them; the American people will support any reasonable effort to reduce the dangers of war for themselves and their children.

The peoples of Eastern Europe have a right to freedom and national independence, and the United States has not, and will not abandon them. The Helsinki agreement, which was signed by such countries as Britain, France, and Germany -- and by the Pope's representative -- is aimed at requiring the USSR to permit a freer flow of people and ideas between West and East, thereby forcing a relaxation of Soviet control over Eastern Europe and, indeed, its own people.

~~As to the embargo of grain exports, I have already pledged that we will not use this weapon because of the hardship and uncertainty it would impose on America's farmers. Will Mr. Carter make a similar pledge?~~

2. Relations with Allies

- Carter: This Administration has ignored our Japanese and Western European allies. As a result, relations have never been worse; Japan was "surprised" by the move toward Peking, and has lost confidence in the U.S.; Western Europe has been shaken by U.S. detente with the Soviets, taken without consultation or warning; "hardline" U.S. opposition to Western European communist parties (particularly Italy): 1) threatens our ability to work with them if they take power, thereby weakening their chances of maintaining a course independent of Moscow; 2) places the U.S. squarely behind corrupt parties that have failed to govern for too long, and whom we failed to push toward reform when we could have.
- Response: Any charge that our relations with Western Europe and Japan are not good is irresponsible. I have personally met with the leaders of our NATO allies and Japan 56 times. NATO's defenses are stronger than they have ever been, and we have opened up a whole new range of consultations and cooperative efforts in fields other than defense, such as



the environment, international financial and economic issues, energy, The Law of the Sea, etc. With Japan, too, we have developed a closer relationship than ever before in history, and again, we consult with them across a wide and growing range of issues.

It is correct that this Administration is opposed to permitting Communist parties to enter governments in Western Europe. The question, of course, is for the peoples directly involved to decide. But when we are asked we will give our opinion, as we have. Communist participation in NATO governments would be destructive of the very democracy we seek to protect in Western Europe, and would certainly mean a major change in the structure and purpose of the NATO Alliance. The peoples of Western Europe have a right to know what our attitude is, and statements by American leaders that indicate we would accept Communists in European governments only weakens those in Europe who fight against Communist participation.

3. Arms Sales

- Carter: This Administration has made America the greatest purveyor of arms in history. We have fueled arms races around the world, selling billions of dollars worth of arms to virtually anyone who wants them; Saudi Arabia uses revenues squeezed from Americans through high oil prices to buy arms which may be used against Israel; Iran does likewise, while both use the threat of another oil embargo or price rise to blackmail the U.S. to continue to sell; developing nations in Latin America and elsewhere who would better spend money on development are instead encouraged to buy useless arms that only strengthen the military establishment.
- Response: The apparent compulsion of some in America to punish those who stand with us and are our friends is beyond understanding. If it continues it can only weaken the resolve of nations around the world to remain our friends and allies.

Both Saudi Arabia and Iran, for example, are strongly anti-Soviet; both have stood firm against Communist adventurism in the Middle East. Both nations pay cash for the arms they buy; both have only bought items they believe necessary for their defense.

The question of arms sales is, indeed, a serious one. But it is not soluble by simple answers or demagoguery. If the U.S. refuses to sell arms that will not keep potential purchasers from buying the arms they think they need. It will simply mean that they will buy from others, including the USSR, and we will have lost our ability to influence them along a moderate course.

The arms sales issue can only be resolved by common agreement among all major suppliers that limits will be placed on the amount every nation will sell. Others are not yet ready to make such an international commitment, but this Administration will continue to examine how such a solution might be negotiated and implemented.

4. Nuclear Proliferation

-- Carter: The U.S. has unwisely exported nuclear technology and fuels under loose and ineffective controls. We have also acted only hesitantly to prevent others (e.g., France, the FRG) from similar exports under even weaker controls. The inevitable consequence will be other cases like India, with ever more nations developing their own nuclear weapons.

-- Response: It is ridiculous to charge that the controls we maintain over the sale of nuclear materials abroad are ineffective. On the contrary, America's safeguards are the most stringent in the world. And we are the strongest advocate of strengthened international controls, as well. But some other nuclear nations, seeing export sales as a major source of revenue, have not been so careful. The U.S. has opposed the sale of nuclear technology and materials by



others when we considered the safeguards inadequate; in some cases we have been successful in preventing such sales.

Several months ago, I ordered a comprehensive study on the issue of nuclear proliferation and how we might bring the question of technology and materials export under better control. That study is now virtually complete and I will announce its findings and recommendation soon. When we make that announcement we will also propose a broad and far-reaching program aimed at strengthening international cooperation and control over nuclear exports. We intend to pursue the negotiation of an international agreement on this question vigorously.

5. Human Rights

- Carter: Under Nixon and Ford America has strengthened its relationships with dictators in Korea, Chile, Brazil, and elsewhere. Instead of acting to force an end to political repression and torture, we provide arms, economic assistance and moral support, making a mockery of all America should stand for in the world.

- Response: It is easy to posture and make public statements about a dedication to human rights, but it is another thing to do something concrete about them. Our support for the Helsinki agreement was because of its provisions regarding greater freedom for Eastern Europeans, yet Mr. Carter opposes that agreement. It is this Administration that, through quiet pressure on the Soviets, succeeded in raising Jewish emigration from the Soviet Union from a few hundred a year to over 35,000 a year. And it was a Democratic Congress that then enacted legislation that led the Soviets to reduce that number substantially. It is this Administration that quietly secured the release of at least 400 political prisoners in Chile; it is this Administration that has put quiet but effective pressure on the Government of Korea to protect the rights of political dissidents. Others have postured, but accomplished nothing. In fact, those who constantly make a public show of their concern for human rights often do the cause they profess to serve great harm because their public challenges make it more difficult for the govern-

ments we seek to influence to do what we ask.

I will not accept the charge that we care little about human rights around the world. Rather, let us ask ourselves who has accomplished real results -- not who has made the most noise.

6. The Third World

-- Carter: America's relations with the developing nations have never been worse. Our aid is grudging and inadequate; millions starve while we channel most of our aid to dictators; the U.S. is the object of frequent and violent attack in the U.N., a measure of the state to which our relations with the Third World have sunk.

-- Response: American aid to the developing nations is substantial and it is growing. America is a generous nation -- in fact the most generous in history. And we will continue to aid the poor, the starving and the homeless. But we cannot, by ourselves, correct all the world's ills. We can do most by working with nations that are themselves trying to change the conditions under which their people live. And we will not be pressured or blackmailed into aiding those who constantly attack us or demand that we do more. Our aid will be given because it is the right thing to do, not because it is being extorted from us.

7. Intelligence

-- Carter: Under Republican Presidents the CIA and FBI have conducted illegal activities both at home and abroad. The rights of Americans have been violated; we have covertly overthrown governments and sought to overthrow others; we have sought, by covert means, to involve the U.S. militarily in Angola; the Administration has fought Congressional efforts to investigate and

reform the intelligence community, and taken only those steps toward reform that were forced upon it; we have used American business to bribe foreign leaders, and in the process American business has also been corrupted.

-- Response: The violent attacks on the Intelligence community over the past several years are a great tragedy. Dedicated men and women who have been part of the best intelligence system in the world have been unfairly attacked; the Congress has forced public testimony about our intelligence system that has probably given the Soviets more information than they could ever have gotten through other means; controls have been imposed which greatly limit the ability of our intelligence agencies to do their work; sources of intelligence have dried up because of the public circus we have conducted.

I have fought hard to maintain and protect the intelligence community from unfair and destructive attack. True, some unwise and illegal activities did take place. They have been corrected and will not happen while I am President. But the American people know that in today's world a competent intelligence service is essential, and they know that the politically motivated witch-hunt we witnessed over the past year is both unfair and destructive.

All that is behind us now; our task is to rebuild the CIA and the other intelligence services while maintaining political control over what they do. We have that control through the reforms I announced earlier this year; we also have a strong and capable intelligence apparatus which I intend to see remains the world's best.

8. The Middle East

-- Carter: This Administration has been insufficiently concerned about Israel, as the recent arms sale to



Saudi Arabia demonstrates. Our commitment to Israel has been weakened, while we have begun large aid programs to Egypt and Syria; we maintain an intimate and costly relationship with Saudi Arabia, despite the fact that it and other Arab nations black list any U.S. firm that violates their boycott of Israel; our peace efforts in the Middle East have been hesitant, have failed to bring peace (as Lebanon shows), and have benefitted the Arab states at the expense of Israel.

- Response: What this Administration has accomplished in the Middle East is a source of pride to all Americans. For the first time in almost 30 years the peace process is at work there. Israel remains strong and free; the U.S. has resumed diplomatic relations with Egypt and Syria; two disengagement agreements have been signed between Israel and Egypt; one has been signed between Israel and Syria.

Much still remains to be done, but the chances for a peaceful resolution of the tragic Middle East conflict are better than ever before in history. During 8 years of Democratic rule America's influence in the Middle East fell to an all-time low, while the Russians gained greatly; during this Administration American influence has reached an all-time high and the chances for a lasting peace are better than ever in history. Russian influence has been greatly diminished; they have been kicked out of Egypt and their bases there closed; they have lost much of their influence over Syria; and their efforts to prevent the peace process from succeeding have totally failed. That is hardly a record of American failure.

This Administration firmly opposes the Arab boycott, but we know that public confrontation will only make the Arab states intransigent. We have worked quietly and effectively against the boycott, as the growing number of American firms that do business with Israel and the Arab states demonstrates.



9. Africa

- Carter: Recent efforts in Southern Africa are praiseworthy, but woefully late. Frantic efforts now to put the U.S. behind majority rule would not have been necessary if Kissinger had recognized years ago that a war of independence was inevitable, and had put American support behind the blacks then. Now, it seems, we will have to spend millions to buy the white Rhodesians out.

- Response: Secretary Kissinger's recent efforts in Southern Africa have, for the first time, given hope that a peaceful solution to the problem of Rhodesia is possible. He has achieved a major breakthrough; it is now up to the parties directly concerned, including the UK, to reach a settlement on the basis of the agreements already worked out. With good will on all sides that is possible.

I will not debate whether something could have been done sooner; that is an irrelevant argument not subject to any proof. I believe we acted at precisely the right time, when the conditions were appropriate for our intervention. But the basic point is that, as in the Middle East, it is America that has broken the stalemate and advanced the chances for a peaceful solution; no amount of criticism, no degree of damning with faint praise can change that fact.

A part of the peace settlement in Rhodesia may well include an American contribution to an aid fund for the new Rhodesian government. But many other governments will join with us; we will not be acting alone, nor will we give as much as the others combined. We may well have to bear some monetary burden, but the price will not be great; and whatever the cost, it will be worth it to prevent a race war in Africa that would have inevitable and incalculable consequences for America.

THE PRESIDENT'S POSITION ON PROLIFERATION

When the President took office, the United States had three ways of dealing with nuclear proliferation and preventing the spread of plutonium:

- no U.S. export of reprocessing facilities
- support for Non-Proliferation Treaty
- support of International Atomic Energy Agency Safeguards Program

Since taking office, he has expanded enormously U.S. efforts:

- bilateral pressure on those who would acquire plutonium facilities elsewhere
 - South Korea
 - Taiwan
- much greater financial commitment to research in U.S. and International Atomic Energy Agency to develop ways of detecting diversion of plutonium.
- multilateral cooperation to develop common guidelines for all nuclear suppliers.
- London Suppliers Conference, beginning April, 1975, produced new, tougher guidelines on all nuclear exports. U.S. has adopted as interim policy.
- comprehensive review (Fri report) begun summer '76 to review entire U.S. stance toward plutonium:
 - question assumption whether use of plutonium is either necessary or desirable.

As a result of Fri report, President has made decisions dramatically changing U.S. stance toward use of plutonium:

- it is not certain that plutonium use is either necessary or desirable;
- before we or others commit to it, it is necessary to establish that the material can be handled in such a way as to ensure both safety and non-proliferations.
- calls for a three-year worldwide moratorium on export of all reprocessing facilities;
- for those countries which do produce plutonium, to put it in the custody of the International Atomic Energy Agency.
- U.S. initiative to undertake agreements restricting reprocessing and plutonium use;
- development of financial and technical alternatives to use of plutonium until and unless its safety is assured.

10/4/76

REBUTTAL - NUCLEAR PROLIFERATION

Mr. Carter's remarks on nuclear proliferation suggest that he has not followed what has been happening in U. S. foreign policy and he does not know how an effective foreign policy is made.

His claim that the proliferation issue has been ignored is flatly wrong. Shortly after I took office I became concerned that some other nations, eager to improve their nuclear business, were enhancing their competitive position by offering customers easy access to plutonium. As a nation, we had three choices:

-- compete along with them. But if we did, the world would become an even more dangerous place than it is today;

-- issue a unilateral declaration like Mr. Carter has proposed announcing that we did not like what was happening and threatening other countries with ~~sanctions~~ they could easily avoid or ignore;

-- Finally, we could take the initiative to eliminate this dangerous form of competition once and for all on a world-wide base.


I choose this third course. As a direct result of our efforts, the first Nuclear Suppliers Conference convened in London in April 1975.



That conference has met six times and the seven nations have agreed to a much tighter set of guidelines on nuclear exports. I directed that as an interim step, the U. S. adopt these guidelines as our policy.

But I was not satisfied that we had done all in our power to effectively prevent nuclear proliferation. Last summer, therefore, I called for a complete review of our policy toward plutonium both here and abroad. That review was completed a month ago. I have made my decision. We are now in the process of ensuring that we get the kind of international cooperation necessary to make an effective worldwide policy.

Unlike Mr. Carter, I cannot be content with settling for a speech which sounds good at home but makes no difference abroad. In the area of nuclear proliferation this is particularly true. The blunt fact is that there are other nations who have the technology, the resources and the will to supply nuclear materials no matter what we do or say. In order to stop proliferation we must get the cooperation of all of those nations. We won't get that cooperation by issuing unilateral declarations. We have gotten it, and we will continue to get it, by developing wise policies, and by pursuing those policies through a course of quite, firm and patient negotiation.



COPY OF TELEGRAM SENT TODAY

TELEGRAM

October 6, 1976

The Honorable Thomas E. Morgan
Chairman
House Committee on International Relations
Washington, D.C.

Dear Mr. Chairman:

As Ranking Republican on the Subcommittee on International Political and Military Affairs, I strongly object to release without my knowledge of the Mayaguez report by Committee staff one day before October 6 debate between President Ford and Governor Carter.

Headlines from Committee Report stating "GAO criticizes Administration handling of Mayaguez Crisis" reeks of political partiality. According to the staff at the printing office of the House International Relations Committee, the material was sent to GPO on September 22, 1976, page proofs were returned on Friday, October 1, 1976, the day Congress adjourned.

Page proofs were ostensibly made available to Members of the Subcommittee on Monday, October 4, when Congress had left Washington. At about the same time Monday, the Subcommittee purportedly gave approval to the GPO to print the report. Even HIRC printing office staff had no opportunity to read the page proofs for errors.

On Tuesday, October 5, 1976, 100 copies of the hastily printed report were released to the press. It is clear that a decision was made to release the report on October 5 without regard for normal courtesies to colleagues and coworkers.

Ask that you investigate recent telephone calls by Subcommittee Chairman and/or staff to and from Plains, Georgia, and Carter for President National Headquarters.

I regret that a serious incident such as Mayaguez has been deceitfully used to influence the Presidential campaign. I am hoping you will respond to my request in the very near future, and in fairness to all concerned I am sending a copy of this telegram to the President.

Most sincerely,
Larry Winn, Jr., M. C.
Ranking Republican, Subcommittee on
International Political and Military Affairs



CRUDE OIL IMPORTS, BY SOURCE

<u>FROM</u>	<u>PERCENT OF TOTAL IMPORTS</u>
TOTAL OPEC	84%
TOTAL OAPEC	42%
SAUDI ARABIA	21%
IRAN	7%

NOTE: Iran has historically pushed for higher oil prices.

THE PRESIDENT HAS SEEN . . .



CONGRESSIONAL SCORECARD

PRESIDENT'S BILLS PASSED

&

CONGRESSIONAL ADDITIONS

BILLS REMAINING

EPCA: * STRATEGIC RESERVES
STANDBY AUTHORITIES
COAL CONVERSION
* APPLIANCE LABELING
AUTO EFFICIENCY STANDARDS
* PRICE CONTROL PHASEOUT
COAL LOAN GUARANTEES
STATE CONSERVATION PROGRAMS

ECPA: BUILDING STANDARDS
WEATHERIZATION
CONSERVATION LOAN GUARANTEES
UTILITY RATE STRUCTURE DEMO.
INSULATION DEMO. PROGRAM

OTHER: * NAVAL PETROLEUM RESERVES
COASTAL IMPACT ASSISTANCE
ERDA ORGANIZATION

NATURAL GAS DEREGULATION
NATURAL GAS EMERGENCY
AUTHORITY
SYNTHETIC FUELS COM-
MERCIALIZATION
INSULATION TAX CREDIT
ALASKAN GAS TRANSPORTATION
NUCLEAR LICENSING
NUCLEAR FUEL ASSURANCE
CLEAN AIR ACT
ENERGY INDEPENDENCE
AUTHORITY
ENERGY FACILITIES SITING
UTILITY TAX INCENTIVES
UTILITY REGULATORY REFORM
OIL SPILL LIABILITY
URANIUM ENRICHMENT
IMPACT ASSISTANCE



PRESIDENT'S BILLS PASSED
&
CONGRESSIONAL ADDITIONS



EPCA:

STRATEGIC RESERVES -- establishes storage of at least 150 million barrels of petroleum within 3 years and up to 1 billion barrels in seven years.

STANDBY AUTHORITIES -- provides the authorities necessary to deal with severe energy emergencies, including foreign supply interruptions, that may arise in the future.

COAL CONVERSION -- permits the conversion of oil and gas fired utility and industrial boilers to coal.

APPLIANCE LABELING -- requires appliance manufacturers to provide energy efficiency information to consumers.

AUTO EFFICIENCY STANDARDS -- mandatory standards for average fuel economy is set at 18 m.p.g. for model year 1978, gradually increasing to 27.5 m.p.g. in 1985.

PRICE CONTROL PHASEOUT -- the average price for all domestic crude oil was subject to a composite price limit of \$7.66, which is being adjusted upward during the 40 month period specified in the law. The mandatory control program converts automatically to a discretionary program at the end of 40 months. Additionally, price and allocation controls relating to wholesalers and retailers are being eliminated as quickly as possible in accordance with the law.

COAL LOAN GUARANTEES -- provides financial assistance to companies opening new coal mines that cannot obtain credit from private markets.

STATE CONSERVATION PROGRAMS -- to assist in the development and implementation of energy conservation programs.

ECPA:

BUILDING STANDARDS -- requires HUD to develop and promulgate thermal efficiency standards for all new residential and commercial buildings.

STRIPPER WELLS -- exempts stripper wells from price controls.

WEATHERIZATION -- authorizes a three year, \$200 million weatherization grant program for the insulation of homes of low-income, elderly, and handicapped persons, and Indian tribes.

CONSERVATION OBLIGATION GUARANTEES -- authorizes up to \$2 billion in obligation guarantees for conservation investments by industry, small business, and non-profit institutions, provided conservation investments would pay off and applicants satisfy a credit elsewhere test.

UTILITY RATE STRUCTURE INITIATIVES -- requires the FEA to develop proposals for the improvement of electric utility rate design.

ENERGY CONSERVATION AND RENEWABLE RESOURCE DEMONSTRATION -- establishes a demonstration program to test various mechanisms (grants, low interest loans, interest subsidies, etc.) for encouraging energy conservation improvements or use of renewable resources, such as solar heating or cooling, in existing residential buildings.

OTHER:

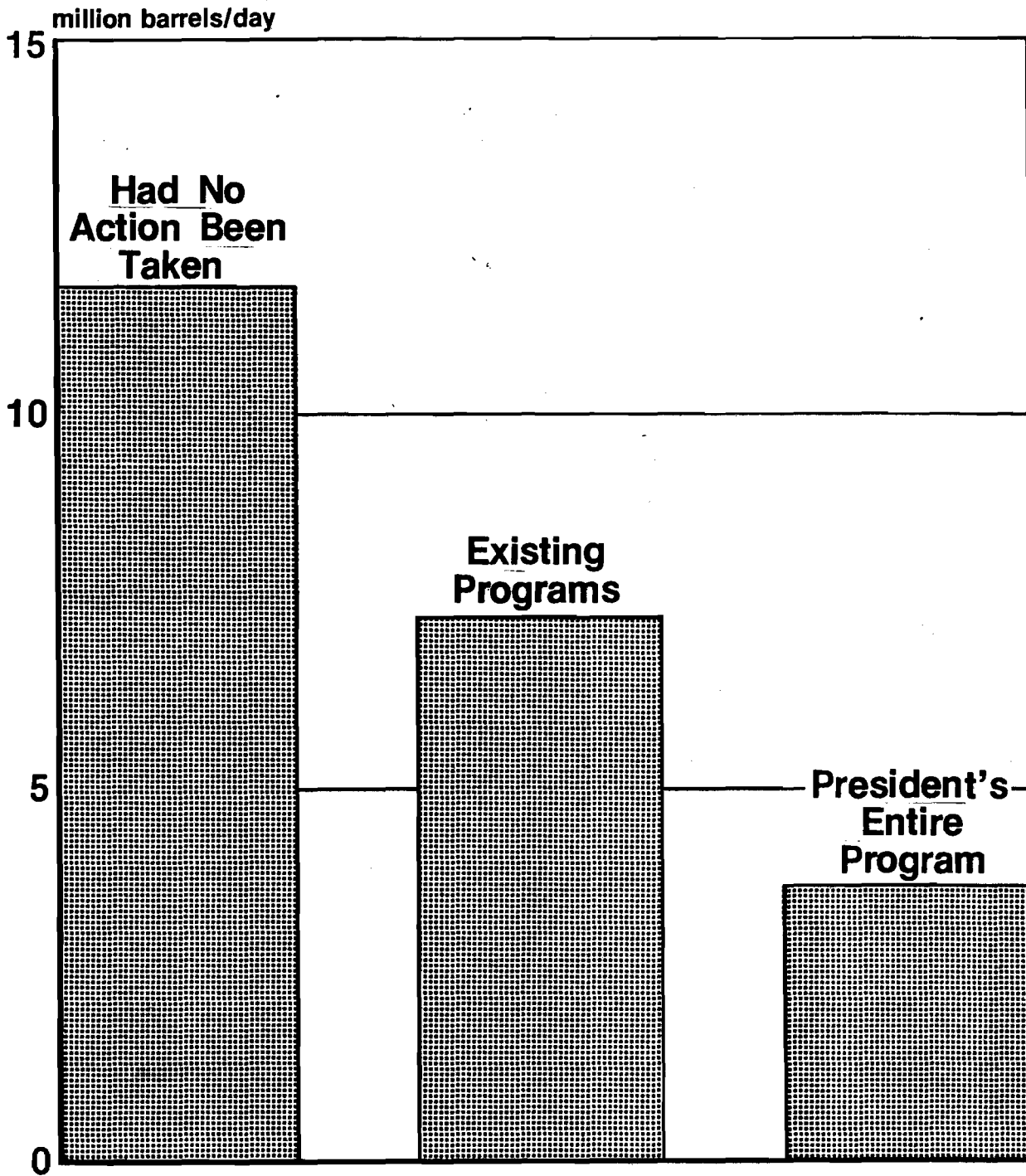
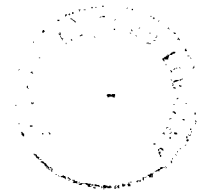
NAVAL PETROLEUM RESERVES -- authorizes the full development of NPR's 1, 2, and 3 in the lower-48 States, and exploration of NPR-4 in Alaska, leading to its eventual development.

COASTAL IMPACT ASSISTANCE --authorizes a coastal energy impact program with funds of \$1.2 billion over the next 10 years to help coastal States and communities that are affected by the exploration and production of oil and gas from the OCS.

ERDA ORGANIZATION -- consolidated Federal activities relating to research and development on the various sources of energy and on the efficiency and reliability in the use of energy.



New FEA Import Outlook: 1985



Oct. 1, 1976

RESPONSE TO A GENERALIZED QUESTION
ON INTERNATIONAL ECONOMIC POLICY

I have developed a close personal rapport with the heads of governments of our major industrial trading partners. We have had continuous discussions on economic issues before, between and subsequent to, our economic summits at Rambouillet and Puerto Rico. We all recognize that our prosperities are mutual and reinforcing, and hence, our self interest requires the cooperation that we have so successfully created.

In late June, for example, I invited to Puerto Rico the heads of governments of Canada, France, Germany, Italy, Japan and the United Kingdom to improve our mutual understanding of our respective economic policies and to intensify our cooperation in a number of areas. We recognized (from the summit declaration) "...The interdependence of our destinies makes it necessary to approach common economic problems with a sense of common purpose and to work toward mutually consistent economic strategies through better cooperation." We further agreed that, "...Our determination in recent months to avoid excessive stimulation of our economies and new impediments to trade and capital movements has contributed to the soundness and breadth of this recovery....Sustained economic expansion and the resultant increase in individual well-being cannot be achieved in the context of high rates of inflation."

MAJORITY RULE IN RHODESIA

Q. The Wall Street Journal asks that you explain what you would be prepared to do with your scheme for majority rule in Rhodesia to protect whites if Rhodesia should turn into a black dictatorship?

A. I would simply ask the Wall Street Journal what they would have the United States do when, assuming we had not taken our initiatives for a peaceful settlement, the whites faced expulsion or annihilation in a brutal guerrilla war. Our plan provides an incentive for the whites to stay and a credible guarantee of their substantial investment.

SUBSIDIZING NUCLEAR REPROCESSING

Q. The Wall Street Journal today accuses you of participating in a \$1 Billion bailout of Allied Chemical under the guise of non-proliferation. Would you comment?

A. The Wall Street Journal is misinformed. The Allied Chemical plant referred to is a separation plant. U.S. funding for that plant is not contemplated. In addition to that plant, however, nuclear fuel reprocessing also requires additional plants for processing the separated plutonium, for refabricating it into fuel rods, and for nuclear waste disposal. It is for those plants, not the Allied plant, that U.S. Government funds are required.

SOVIET NUCLEAR TESTS

Q. The Wall Street Journal accuses you of ignoring the recent Soviet nuclear tests in violation of recently signed test limitation treaties. Would you comment?

A. While those treaties are not yet in effect, we have vigorously made known to the Soviets our strong feeling that testing which might have exceeded the prospective treaty test limits was a breach of faith.

But the key point in this issue is that the Congress should act to ratify the two treaties. They were submitted to the Senate, one in May and one in July and yet the Congress adjourned without acting on them.



ARAB BOYCOTT



Q: Governor Carter has charged that your Administration has shown a lack of moral leadership in not supporting legislative efforts to combat the Arab boycott. There are many who believe that your Administration worked with certain members of Congress to kill the Export Administration Act extension and its anti-boycott provisions. Wasn't this a cynical move designed to win votes? Do we have a moral view of the matter?

A: I am tired of the misleading statements on this issue. Let's take a look at the facts relating to the boycott and our responses to it.

The facts are that the international boycott has been in effect since 1952. No one had taken any comprehensive action against it before I, in November 1975, issued a series of orders to government agencies to counteract any foreign boycott activity which would have the effect of discriminating against American citizens as a result of their race, color, national origin, religion, sex or age.

In addition, the Justice Department earlier this year filed a historic antitrust suit against an American company charging it with illegally refusing to deal with other American companies in furtherance of a boycott agreement.

Earlier this week I signed the Tax Reform Act which includes tax penalties against American companies which comply with the boycott.

Finally, I proposed a solution to the Congress two weeks ago, when it was deadlocked over new anti-boycott legislation. In light of Congress' inability to act, I will direct the Commerce Department to strengthen its regulations to make public

boycott information forms filed with it by American companies. Disclosure of these reports will enable the American public to assess the impact of the boycott and to monitor the conduct of American firms.

I think the record clearly shows the thorough and comprehensive nature of my efforts. But we must remember that ultimately it is peace in the Middle East that will solve the problem.

SALT VIOLATIONS

Q: The WSJ claims that SALT negotiations are sidetracked by problems of compliance with SALT I. Is that true?

A: There is absolutely no connection between our discussions with the Soviet Union over compliance with SAL Interim Agreement and the pace of our negotiations on a new SAL Agreement. The two sides understood that in anything so complex and technical as SAL there would be questions of compliance, and a special commission was set up to deal with these questions. That system has been operating satisfactorily.



CHINESE NUCLEAR TEST FALLOUT

Q: We have been receiving reports of fallout in several states from the recent Chinese nuclear test. What can the U.S. do about this problem? Wouldn't Mr. Carter's moratorium proposal take care of the problem?

A: The U.S. has been for years the leader in seeking solutions to the problem of nuclear tests and nuclear fallout. A treaty with the Soviet Union to ban atmospheric nuclear tests was signed in 1963.

Last summer I sent to the Senate two additional treaties which limit the size of underground tests and provide verification safeguards. When we see the results of these treaties in practice, we will be prepared for further steps.

The Peoples Republic of China, however, has thus far adamantly refused to participate in any of these treaties. We will continue to press the Chinese on these issues. But since they thus far have ~~adamantly~~ refused even to move their testing underground, they can hardly be expected to agree to a moratorium. (Even a moratorium however must include reliable means of verification -- a point Mr. Carter apparently does not understand. We intend to continue our efforts toward further test limitations.)

I

I have ordered a study of any possible hazards resulting from the fallout from the Chinese explosion.



FOREIGN BOYCOTTS AND DISCRIMINATION

February 22, 1975: The President said at a Hollywood, California press conference on reports of discrimination on religious or ethnic grounds in the international banking community: "There should be no doubt about the position of this Administration and the United States. Such discrimination is totally contrary to the American tradition and repugnant to American principles." This statement of policy was followed up by action.

February 24, 1975: Comptroller of the Currency James Smith issued a bulletin to all national banks stating that "discrimination based on religious affiliation or racial heritage is incompatible with the public service function of a banking institution in this country."

March 4, 1975: The President instructed each of the appropriate Cabinet members to do his or her utmost to insure that, in relation to foreign boycotts, all allegations of attempted discrimination against institutions or individuals on religious or ethnic grounds be fully investigated and that appropriate action be taken in the event that the investigations uncover discriminatory acts. The Office of White House Counsel was directed to receive Agency replies to the March 4 instruction, utilizing these as the basis for a major study leading to recommendations for additional action to deal effectively with various aspects of foreign boycotts and related discrimination on the basis of religion or national origin.

March 10, 1975: The Secretary of Labor issued a Memorandum to the heads of all USG agencies that contractors and subcontractors of the Federal Government who contract for work outside of the United States may not refuse to employ anyone because of religion or national origin regardless of the country in which the work is to be performed or the person for whom it is to be performed.

September 25, 1975: The Commerce Department made it mandatory rather than optional for United States firms to inform Commerce whether or not they had complied with requests from foreign governments for information on boycott-related matters.



*Congress undermined
U.S. in Middle East
Destroyed U.S. jobs.*

November 20, 1975: The President announced a package of proposals, including eight specific decisions, to insure that American citizens and firms will be fully protected from any discrimination on the basis of race, color, religion, national origin or sex that might arise from foreign boycott practices. This was the result of the study earlier directed to review existing Federal legislation and regulations covering possible discrimination against American citizens or firms as a result of economic policies or practices of certain foreign governments. The Departments of State, Treasury, Defense, Justice, Labor, Commerce and Agriculture participated in the review as well as AID, the Civil Service Commission, Export-Import Bank and the Council for International Economic Policy, NSC and OMB.

The decisions were:

1. -- The President signed a Directive to the Heads of all Departments and Agencies which states that the application of Executive Order 11478 and relevant statutes forbids any Federal Agency in making selections for overseas assignments, to take into account in making that assignment any exclusionary policies of a host country based upon race, color, religion, national origin, sex or age.

2. -- The President instructed the Secretary of Labor to issue an amendment to his Department's March 10, 1975 Secretary's Memorandum which will require Federal contractors and sub-contractors that have job applicants or present employees applying for overseas assignments to inform the Department of State of any visa rejections based on the exclusionary policies of a host country and the Department of State will attempt, through diplomatic channels to gain entry for those individuals. (Directive issued 11/21).

3. -- The Administration will propose legislation to prohibit a business enterprise from using economic means to coerce any person or entity to discriminate against any U. S. person or entity on the basis of race, color, religion, national origin or sex. (Economic Coercion Act of 1975 subsequently sent to the Congress).

4. -- The President exercised his discretionary authority under the Export Administration Act to direct the Secretary of Commerce to amend the Acts regulations to:

(a) Prohibit U. S. exporters and related service organizations from answering or complying in any way with boycott requests that would cause discrimination against U. S. citizens or firms on the basis of race, color, religion, sex or national origin; and

(b) Require related service organizations that become involved in any boycott request to report such involvement directly to the Department of Commerce. Related service organizations are defined to include banks, insurers, freight forwarders and shipping companies that become involved in any way in a boycott request to an export transaction from the U. S. (Regulations amended effective December 1).



5. -- The President has stated that his Administration will not tolerate discriminatory commercial banking practices or policies based upon the race or religious belief of any customer stockholder, employee, officer or director of a bank and that such practices or policies are incompatible with the public service function of a banking institution in the country.

6. -- The Administration will support legislation to amend the Equal Credit Opportunity Act, which presently covers sex and marital status, to include prohibition against any creditor discriminating on the basis of race, color, religion or national origin against any credit applicant in any aspect of a credit transaction. (This legislation was passed and signed by the President this year.)

7. -- In regard to the investment banking industry, the President:

(a) Commended the U. S. investment banking community for resisting the pressure of certain foreign investment bankers to force the exclusion from financing syndicates of some investment banking firms on a discriminatory basis;

(b) Urged the SEC and NASD to take whatever action they deem necessary to insure that discriminatory exclusion is not tolerated and that non-discriminatory participation is maintained. (SEC issued an SEC release on that day.)

8. -- The President endorsed the position of the Department of Justice that the refusal of an American firm to deal with another American firm in order to comply with a restrictive trade practice by a foreign country raises serious questions under the U.S. anti-trust laws and possible violations shall be investigated.

November 26, 1975: The Secretary of Commerce ordered that documents on trade opportunities known to contain boycott conditions imposing restrictive trade practices against friendly countries friendly with the U.S. would no longer be disseminated or made available for inspection. The Department of State instructed all Foreign Service posts not to forward information on trade opportunities containing boycott provisions.

December 12, 1975: The Board of Governors of the Federal Reserve sent a letter to 5,800 banks in the system warning against possible involvement in foreign boycott practices.

January 16, 1976: The Department of Justice filed a civil anti-trust suit against Bechtel Corporation and four of its subsidiaries or affiliates for their refusal to deal with U.S. subcontractors black-listed by Arab League countries. The suit charged Bechtel with violation of Section 1 of the Sherman Anti-trust Act.

April 29, 1976: The Secretary of Commerce directed that all charging letters alleging violations of the Export Administration regulations relating to the boycott be made public.