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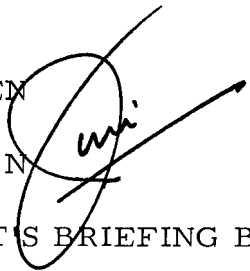
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THE WHITE HOUSE

WASHINGTON

October 4, 1975

MEMORANDUM FOR:                   RON NESSEN  
FROM:                                 JIM SHUMAN  
SUBJECT:                             PRESIDENT'S BRIEFING BOOK



Attached is a brief refresher briefing book for the President's interview Monday afternoon with the Cox newspapers.

I have tried not to clutter it with subjects he is already familiar with, such as travel and Presidential security, his plans for an extension of the tax cut, and others, despite the risk that entails. (You might want to remove the page<sup>Q & A</sup> reminding him of the possibility of political questions but containing no Q & A's.)

There will be a few more Q & A's by noon Monday, specifically one on the nomination of Ben Blackburn to head the Federal Home Loan Bank Board and perhaps others growing out of the Colby appearance on television and other weekend events.

Enclosure

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S BRIEFING BOOK

(Key Questions)

For: October 6, 1975

TAB A

GENERAL DOMESTIC

TAB B

INTERNATIONAL

TAB C

ENERGY INDEPENDENCE  
ADMINISTRATION



## POLITICAL QUESTIONS

NOTE: We expect there will be several political questions. Following usual procedure, no guidance on answers has been supplied.

## RUSSIAN GRAIN PURCHASES

- Q. What is the status of U.S. agricultural exports to the USSR?
- A. Since the beginning of fiscal year 1976, U.S. export firms have sold the Soviet Union 9.8 million metric tons of grain: 4.5 million tons of corn, 1.1 million tons of barley, and 4.2 million tons of wheat.

Further sales to the Soviet Union have been suspended until mid-October. We are continuing to negotiate for a long term grain sales agreement with the Soviet Union. Such an agreement could help moderate uneven buying patterns which have had a destabilizing effect on world markets.

PCL/9/27/75

STATUS OF LOANS FOR 1972-1973 SOVIET GRAIN DEAL

Question:

Is the Soviet Union making payments on the grain loans it got from the U.S.?

Answer:

Yes. As of August 28, 1975 they had paid \$344.0 million on principal and \$54.3 million on interest.

Background:

The Soviet Union was granted a \$750 million line of Commodity Credit Corporation (CCC) credit in July 1972 under regular terms of the CCC credit program. It provides 3-year credit at rates in line with going commercial rates. (Current CCC rate is 8 percent on letters of credit confirmed or issued by U.S. banks and 9 percent for foreign bank obligations.)

The credit agreement provided that no more than \$500 million in credit could be outstanding at one time.

\$550 million worth of corn and wheat were financed for export to the USSR under the program over a 2-year period.

The Soviets used \$460 million of the credit in fiscal year 1973 and \$89 million in fiscal 1974 (figures don't add due to rounding). The USSR has made all payments promptly when due.

PCLEACH  
9/17/75

MUNICIPAL BOND INSURANCE

- Q. Would you consider some form of Government insurance, such as the Federal Deposit Insurance Corporation provides individual bank depositors, for municipal bonds.
- A. No. It is one thing to insure the deposits in commercial banks which are licensed and closely regulated by the Federal Government. It is quite another thing to ask the taxpayers all over the country to promise municipal bond holders that they will assume all the risks for the possible mismanagement of a local government's affairs.

I also am opposed to such a plan because it would distort the federal system. For with such a program would come the necessity for tight regulation. (Just ask any contractor who has built a house to be eligible for an FHA loan how tight that regulation can be.) And such tight regulation would mean the federal government stepping in on what should be local decisions.



October 2, 1975

SUBJECT:

FEDERAL ASSISTANCE TO  
NEW YORK CITY

The total Federal assistance to New York City totals about \$3.5 Billion. A rough breakdown is as follows:

	<u>(Billions)</u>
Payments to Individuals	\$ 2.0
Medicaid	1.115
Public Assistance	.650
Food and Nutrition	.135
Other	<u>.137</u>
General Revenue Sharing	.263
Transportation (mainly mass trans)	.203
Education and Manpower	.408
Other	.580

JGC

## BREAKING UP MAJOR OIL COMPANIES

- Q. Recently Senators Abourezk, Hart, and Nelson introduced a bill that would break up the big oil companies, because they felt their monopoly power had contributed to the current energy crisis and high cost of petroleum. Do you support that bill? And if not, why not?
- A. I must admit the public reputation of the oil companies is poor. We live in a period of skepticism and it is understandable why many people should demand that all of our institutions justify their existence.

But we should not let our skepticism lead us into the trap of blaming all our troubles on the oil companies, or into believing that some simple and quick solution will solve all our problems.

We ought to look at the major reasons for our problems:

1. OPEC is setting the price for oil, and they are continually raising it.
2. We continue to import too much oil.
3. Until Congress acts on an energy program, there is nothing we can do about these increases, and about our continued dependence on foreign suppliers. That is why I hope that Congress will face up to the hard, tough decision needed to restore America's energy independence, reinvigorate America's economy and save American jobs before it is too late.

Then, if Congress should find that the oil companies are contributing to our problems, we should take whatever action is appropriate.

## REVENUE SHARING

- Q. Although the concept that revenue sharing allows local citizens more control over how federally collected money is spent seems sound, in practice it seems to mean that minority and disadvantaged groups, which need help the most, are slighted. Do you see any way the concept of revenue sharing can be preserved, while at the same time helping the poor and disadvantaged?

(This is a matter of concern to the Urban League of Nebraska.)

- A. I am deeply concerned about the plight of minority and disadvantaged groups. And I believe the non-discrimination provisions of revenue sharing insure that no one will be kept out of programs because of race, sex, religion, or age.

Let me explain why I believe revenue sharing is the best way to solve many national problems. The United States is a large country. It is made up of greatly varying regions. No two areas are exactly alike.

I do not believe that any one solution is right for all those regions. But if every community, benefitting from the availability of additional money, is able to tackle its problems in its own way, creating and adjusting programs to meet its own specific local problems, we may begin to eliminate some of the ills that now plague us.

There are other benefits. If local communities take on this responsibility, we will begin to restore that sense of local initiative and self-confidence that helped build the United States. And as people realize that the solution to their problems lies not in Washington but right in their own city halls or state legislatures, we will begin to strengthen the two-party system at the grass roots. If a program isn't working, people don't need to go all the way to Washington to correct it.

I am confident that within a few years, we all will recognize that many exciting and innovative solutions have emerged from communities all over the United States because of revenue sharing.

## REDUCING SIZE OF GOVERNMENT

- Q. One of the themes of your administration seems to be reduction of the size of the Federal Government. If you had a free hand to do whatever you wanted, how would you go about cutting the size of the Federal Government, and how much would you cut it?
- A. If I had a free hand to do whatever I wanted, I wouldn't necessarily set out to cut the government below the size we have now.

What I would do is stop the ever-faster pace of increasing the size of our government. It's not necessary to have expanded programs or new programs day by day to meet our national needs. We're already taking a bath in red ink. It's time to dry out.

The best thing we could do is to evaluate the present programs -- to make sure they carry out the purpose for which they were set up. For instance: do our nutrition programs actually increase the nutritional level of our people? Or for instance, is there some way we could make the programs simpler, with less red tape, fewer forms and more efficient systems? We're working at that through the Management by Objectives System, through the Regulatory Reform campaign, and through OMB's Evaluation Role.

Another thing we could do is to get across to the public the need to set priorities: We'll go broke as New York seems to be threatening to do if we keep up our present pace. The public has got to understand this, and if they do, they will work with us in government so that we do the very best things we can, and spin off the projects with lesser priorities.

Finally, the effort to increase local decision-making will help in this effort. The General Revenue Sharing program allows local decisions on local problems -- and that means better decisions based on local needs.

COURT ORDERS ON BUSING

- Q. In your last press conference here in the Oval Office, you said that Federal Courts in many instances have ignored a 1974 law (containing the Esch Amendment) requiring them to consider other proposals before they actually use the busing remedy. Can you give us some examples of the Federal Courts where the judges have ordered busing without considering some of the other alternatives?
- A. I don't believe I should comment on or refer to specific cases. To do so would be to intrude the Executive Branch onto the Judicial Branch.

## REGULATORY REFORM

Q. You have frequently stated your desire to reform the numerous governmental regulations affecting business and industry. What specifically do you have in mind?

A. First, let me make it clear that I am not proposing that we eliminate all government regulation. Much of what the government does in this area is essential and beneficial.

What I am proposing is to scrape off the costly barnacles which are dragging down the operation of our economy. However, well intentioned it is, much of the regulation now in effect is contradictory and expensive.

I mentioned one example at the White House Conference in Omaha last week. Let me give you another one, which will show how regulation affects consumer prices. The CAB regulates interstate air fares. It does not regulate fares on flights that originate and terminate within the same state.

The difference in the cost of that regulation can be seen in the fare between Los Angeles and San Francisco, a distance of 337 air miles, and the fare between Chicago and Minneapolis, a distance of 334 miles. If you go between those two cities in California, you can take an intra-state carrier, and the fare is only \$22.50. Yet to fly from Chicago to Minneapolis, crossing a state line, your fare would be \$44.37 to fly three miles less.

The additional \$21.87 is the effect of regulation by the CAB.

Regulation also raises prices by removing the incentives for competition and by adding to paperwork, and it unnecessarily influences business decisions that ought to be made on the basis of sound economics, not on the basis of what a government regulator in Washington says.

And I am looking at other regulatory areas to see where they can be improved. We also have a commission studying ways to cut down on the paperwork required by the Federal Government.

JBS/9/29/75

B

PANAMA

Q: Secretary Kissinger recently said that the United States must maintain the right, unilaterally, to defend the Panama Canal for an indefinite period. Given the Panamanian reaction to this statement and the action of the House in insisting on its Amendment to deny funds to continue the negotiations, do you plan to continue the negotiations? What are the prospects of concluding a treaty this year for submission to the Congress?

A: Discussions with Panama relating to the Canal have been conducted during the last three Administrations. The goal of these negotiations is to reach an agreement which would accommodate the interests of both nations while protecting our basic interests in defense and operation of the Canal. We believe this should be possible, and we are now in the process of discussing with Panama the possibility of arriving at such an agreement. There are a number of difficult questions remaining to be resolved and the negotiations are continuing. At this stage it simply would not be useful or possible to predict when agreement on a treaty might be reached.

It is my hope that in considering any amendment to the State, Justice and Commerce appropriations bill the Congress will be mindful of the importance of maintaining our commitment to complete these negotiations so that any agreement can be considered on its merits. I have no intention of proposing to the Congress any agreement with Panama, or with anyone else, that would not protect our vital interests. Naturally, any treaty we reach will be submitted to the full constitutional process, including Senate approval, and we will be consulting closely with Congress as the discussions continue.



(If asked)

Q: But are we seeking agreement to enable the U.S. to defend the Canal for an indefinite period?

A: We are talking about an arrangement which would protect U.S. defense interests in the Canal for many decades and maintain our operating interest as well for several decades, but this subject is still under discussion with the Panamanians.

CUBA

Q: The U.S. has announced that it would lift the restrictions it placed against nations which trade with Cuba. Do you now expect to move toward normalization of relations with Cuba, or will the Cuban-hosted conference on Puerto-Rican independence affect this process?

A: Last July the OAS, by a two-thirds majority, passed a resolution freeing each government to determine in accordance with its own particular policies whether to maintain relations with Cuba. In order to be consistent with this, we decided to begin modifying those aspects of our Cuban denial policy which penalize other countries that trade with Cuba. The lifting of those restrictions, however, does not affect our bilateral policy and prohibition against bilateral trade with Cuba, which continues in force.

It has already been said on a number of occasions that we see no advantage in permanent antagonism between ourselves and Cuba but that change in our bilateral policies toward Cuba will depend on Cuban attitudes and policies towards us. There are a number of outstanding and complex issues between us, and I wouldn't want to speculate on when or whether it might prove possible to begin to work out these issues.

As to the meeting in Havana, I can only say that Americans in this country and in Puerto Rico feel just as strongly as others about interference in their internal affairs. The Puerto Ricans have expressed themselves strongly on their relationship with the United States in free elections. We consider the Cuban action an unfriendly act and an unwarranted interference in our domestic affairs.

October 3, 1975

RESUMPTION OF MILITARY ASSISTANCE TO TURKEY

Q: Mr. President, you mentioned rebuilding our security relationship with Turkey. What initiatives do you have in mind and will we be able to resume normal operations at the joint defense installations in Turkey?

A: As I said, the partial lifting of the embargo is an important first step in restoring the proper balance in our relations with Turkey. We have been in continuing touch with the Turkish government concerning the future of our security relationship. That relationship, as you have mentioned, includes a number of very important bilateral and NATO defense installations. Activity, at present, has been suspended at some of these installations, and we are looking forward to returning such facilities to active status at the earliest possible date in our common defense interests and those of the Alliance.

Q: Mr. President, what is the current status of the Cyprus negotiations?

A: As you know, the intercommunal talks held in New York in early September adjourned without making further progress toward a Cyprus settlement. We believe that the partial lifting of the embargo will better enable us to work with the parties involved -- Greece, Cyprus and Turkey -- to resume meaningful and productive negotiations on the Cyprus issue. Progress in the intercommunal talks, of course, is essential to satisfactory resolution of the Cyprus crisis.

Q: Mr. President, concerning the Cyprus refugees, what humanitarian assistance has been given to date and what additional help is planned?

A: In fiscal year 1974, the United States provided \$25 million for refugee assistance on Cyprus. These funds were channelled through the U. N. High Commissioner for Refugees and the International Red Cross. A program of similar scope is planned for fiscal year 1976. Resettlement of the refugees is an agenda item in the talks between the two Cypriot communities.

Q: Mr. President, what are we planning in the way of economic and security assistance for Greece?

A: We have, of course, been in touch with Greece on the matter of U. S. assistance since early this year. These consultations are continuing and our objective is to meet Greek needs for assistance which will help them in meeting their economic and security problems. There is, of course, specific language on this subject in the legislation just passed and I will soon be making reports to the Congress.

Office of the White House Press Secretary

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THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

[Turkish Aid]

I welcome the passage by the Congress of S. 2230, which provides for a partial lifting of the embargo on U.S. arms for Turkey. This action is an essential first step in the process of rebuilding a relationship of trust and friendship with valued friends and allies in the Eastern Mediterranean.

The Congressional vote reflects a cooperative effort with the Senate and House of Representatives on the difficult question of Cyprus and the vital task of restoring stability and security along NATO's strategically important southern flank.

With the partial lifting of the embargo, I intend to take action in four broad areas in the weeks ahead.

First, we will seek to rebuild our security relationship with Turkey to underscore that Turkey's membership in the Western alliance and partnership with the United States serve the very important interest of both nations.

Second, we will make a major effort to encourage resumption of the Cyprus negotiations and to facilitate progress by the parties involved -- Greece, Turkey and Cyprus -- toward a peaceful and equitable settlement of this dispute. In this connection, we will fulfill whatever role the parties themselves want us to play in achieving a settlement acceptable to all. In accordance with S. 2230, I will submit to the Congress within 60 days of enactment a report on progress made in reaching a solution to the Cyprus problem.

Third, the Administration will intensify cooperation with appropriate international humanitarian agencies to find ways to alleviate the suffering of the many people displaced as a result of the 1974 hostilities. The plight of these unfortunate people makes progress towards solution of the Cyprus problem all the more important.

Finally, the Administration intends to provide support to the democratic government of Greece. In that regard, we will pursue efforts to help that country overcome its current economic and security problems. Also, in compliance with S. 2230, I will submit within 60 days my recommendations for assistance to Greece for fiscal year 1976.

(MORE)

Our goals in the Eastern Mediterranean in the months ahead -- to help the parties involved achieve a Cyprus settlement, to rebuild a relationship of trust and friendship with both Greece and Turkey, to alleviate the suffering on Cyprus and to meet Greece's needs for assistance -- are objectives on which we all can agree. Let us now join in working together to achieve them.

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BILATERAL UNDERSTANDINGS WITH ISRAEL --  
What Kinds of Agreements are These?

Q: Do our private memos of understanding with Israel constitute a formal treaty requiring Congressional approval? Why has the US refused to formally sign the memo of understanding with Israel until Congress acts on the proposal for technicians?

A: The various understandings related to the Middle East agreement have been provided to the pertinent committees and members of the Congress; there are no treaty relationships involved. We have requested Congressional approval of the proposal for the Early Warning System in view of the importance of any proposal involving commitment of US personnel.

## US ARMS FOR ISRAEL

Q: What are the facts on US arms for Israel? It is true that the US will try to give positive consideration to the sale of such sophisticated equipment as the F-16 and the PERSHING missile? How could you sell the PERSHING knowing that it is outfitted for a nuclear-warhead? Would you do so on the basis of Israeli assurances no nuclear warheads would be used?

A: We have committed to nothing more than to study Israel's requests for military equipment. Our policy is to help Israel meet its legitimate security needs, to develop our relations with the moderate Arab states and generally to promote peace in the Middle East. Any arms decisions will be made with these objectives in mind. While I am not going to get into a detailed discussion of our on-going military supply relationship with Israel or with any country, I would add that my views on the proliferation of nuclear weapons are clearly on record.



07

US TECHNICIANS -- ANOTHER VIETNAM?

Q: In a post-Vietnam period how can the Administration expect the American public and Congress to welcome a US presence in the volatile Middle East?

A: There are several very important factors to be kept in mind:

-- First, the US role would be a civilian one -- very limited numbers of technicians to help with the warning systems and only few in number -- no more than 200. They have no military role whatever. We are simply offering our technological expertise at the request of the parties.

-- Second, Congress is being asked to approve the provision of US technicians as requested by the two Parties.

-- Third, we have been invited by both Parties to provide these technicians. This is not a case of military advisors assisting one side against the other side.

September 26, 1975

MIDDLE EAST -- WHO WILL THE TECHNICIANS BE?

Q: What kind of people will be recruited as the US technicians? Are intelligence or military personnel likely to be selected? Will these Americans be sponsored privately or by the government and to whom will they report?

A: We are presently studying all of these questions on an urgent basis. Naturally people will have to be found who meet the technical requirements for the job but I would expect they would be recruited from civilian life. The personnel will not be under the Defense Department, because they have no military function to perform. The personnel will report to both sides and to the UN as well as the United States Government.

When the study now underway is completed we will have a clearer idea of how to proceed on these detailed aspects.

September 26, 1975

MIDDLE EAST-SOVIET ROLE

Q: If your policy is to help ease tensions between the US and USSR in areas of potential conflict and in areas where both the US and USSR have interests, don't you regard leaving the Soviets out of the negotiations for any interim Sinai agreement and also injecting US technicians -- excluding the Soviets -- as provocative to the Soviets?

A: We believe that any developments which reduce the prospects of war-- and therefore the prospects for superpower confrontation--in the Middle East are in the mutual interests of the United States and the Soviet Union.

The role we have played was requested by the two parties. We do not regard the most recent agreement between Egypt and Israel as either detrimental to Soviet interests or giving unilateral advantage to the US. We have always recognized that a Soviet role is important to a final settlement in the area. Both the Secretary and I have had full discussions on the Middle East with Soviet Foreign Minister Gromyko.

September 26, 1975

SADAT, RABIN VISITS

Q: When is President Sadat due in Washington? The Egyptians have talked about October 28. Can you confirm Sadat is definitely coming or will he cancel if the Congress does not act on the proposal for technicians and puts the whole Agreement in jeopardy? What about a Rabin visit?

A: I invited both President Sadat and Prime Minister Rabin to visit Washington when I talked to them by phone on September 1, following the initialling of the Sinai accord. When specific arrangements have been made we will announce them.

[FYI: As soon as all of the final details related to the Sadat visit beginning in Washington October 27 are firmed up, we will be making a formal White House announcement.]



EIA -- LOANS

Q. Mr. President, at the Hardware Convention in Chicago you made a very strong statement for getting off the back of private enterprise. And back in June you urged the Congress to encourage private enterprise to get into the uranium enrichment business. Isn't your EIA proposal a major reversal of policy in that it will supplant a good part of the banking and investment banking industry?

A. No, EIA would only make those loans and investments that would not be made by private industry. Hence it would complement not supplant our private companies.

Follow-up

Question: But if that is so, Mr. President, won't EIA be taking on bad investments because they are so risky that private enterprise won't touch them? Doesn't this ensure that EIA will lose money -- and lots of it?

A. No, some investments are profitable but simply too large for the private sector to handle, and EIA would be a useful institution for those. Moreover, many investments are inherently sound but because of the long times to fruition, the private sector will not participate. Again, EIA would be useful. Finally, I think most would acknowledge that the private market does not always assess risk properly. Government guarantees of home mortgage loans which by-and-large have been quite successful is a good case in point.

## EIA vs CAPITAL FORMATION

- Q. Mr. President, the Brookings Institution has stated that adequate capital will be generated through the 1980's only if we get the Federal deficit under control. Won't EIA increase that deficit and work exactly against capital formation?
- A. As you know, EIA's activities will not be included in the Federal Budget because it is expected to recover the amounts of money it invests.

### Follow-up

Questions: If it were included in the Budget, what would be the result?

- A. Over the first seven years of its operation, Budget outlays from a government accounting standpoint would range between \$50-100 billion, but from a business accounting standpoint from between \$12-15 billion. However, it is important to recognize that after the first seven year period a very significant portion of these outlays and losses will be recovered from investment repayments.

## EIA SHIFT CAPITAL?

- Q. Mr. President, we understand that a number of your advisors and other distinguished economists have indicated that the private sector will generate enough capital to support energy development over the next decade. But even assuming there is a need for additional capital for energy, won't EIA simply shift it from other uses -- such as housing, schools and other uses?
- A. The key thing to remember is that without adequate sources of energy -- and the capital needed to support them -- our entire economy will falter. We must, therefore, fulfill this critical need. But I can also assure you we will not let other critical needs such as housing go unmet.



EIA AND CAPITAL NEED

- Q. Mr. President, aren't you treating the symptom of "capital need" rather than the root cause of "uneconomic rates of return" to energy companies? Isn't the real key to getting nuclear power going ensuring that utilities have reasonable revenues? How does EIA address that question?
- A. Because EIA will be lending funds borrowed at lower government rates, it will be able to charge less than utilities could otherwise pay in the private market and thereby give them access to capital they would not otherwise have in view of their fixed rates of return.

EIA -- REGULATORY DELAYS

- Q. Mr. President, aren't regulatory restraints holding down your 12-month limit on getting these commissions to decide these things?
- A. The EIA proposal contains significant procedures for minimizing regulatory delays. We did not, however, want to impinge upon the orderly processes of these independent agencies.

## EIA AND JACKSON PROPOSAL

Q. Mr. President, how does your proposal differ from the Energy Production Board proposed by Senator Jackson?

A. In at least two significant ways. First, the EIA proposal preserves private enterprise and as I understand Senator Jackson's proposal, there is heavy emphasis on government ownership. Secondly, the EIA proposal would include financing importantly needed emerging technologies -- such as synthetic fuels -- whereas Senator Jackson's proposal would only cover conventional enterprises.

EIA CZAR?

- Q. Mr. President, won't the new chairman and chief executive officer in EIA become the new energy Czar with \$1000 billion worth of clout? Will EIA replace the Federal Energy Administration?
- A. No, the EIA proposal requires coordination with the FEA and the other members of the Energy Resources Council. Further, EIA's plans will be reviewed by the Office of Management and Budget. Third, EIA's principal mission is to facilitate the flow of capital into the energy sector, not determine national energy policy. Finally, EIA's chairman will report directly to me, thereby allowing coordination with our national energy policy.

EIA AND SYNTHETIC FUELS PROGRAM

Q. Mr. President, do you intend to transfer your million barrel a day Synthetic Fuels Program to EIA?

A. In my view, EIA would be a very useful vehicle to achieve that goal. As soon as we have the EIA in place, I would certainly urge the chairman and the board to undertake such a program.