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March 5, 1975

MIDDLE EAST NEGOTIATIONS--SOVIET ROLE/GENEVA

Q: How do the Soviets relate to the current U.S. diplomatic initiatives and how do you see them becoming more involved? When will the Geneva talks be resumed?

A: We share with the Soviets the objective of an overall peace settlement in the Middle East. This is implicit in the fact that we share with the Soviet Union a role as Co-Chairman of the Geneva Peace Conference. We are not trying to exclude them and we do not envisage any final settlement which does exclude them.

As far as steps toward peace, the parties have expressed interest in our proceeding with our diplomatic efforts. The Soviets are informed of our continuing efforts and the Secretary had useful talks with Foreign Minister Gromyko in Geneva last month. The Communique issued after that meeting reaffirmed the need for an overall settlement based on Security Council Resolution 338. In it we also indicated that we are ready for Geneva to resume when the parties deem it appropriate.

U. S. -- IRANIAN COOPERATION

Q. The U. S. and Iran have announced that they are entering into a substantial economic cooperation arrangement with Iran involving billions of dollars. These agreements also include large-scale purchase of nuclear technology by Iran in addition to arms purchases from the U. S. and Iranian investment in the U. S. In light of Iran's ambitious policies in the region and particular sensitivity of nuclear proliferation, is this close cooperation with Iran in the U. S.' interest?

A. We have long had a close, cooperative relationship with Iran, a country that is playing a constructive role in the security and economic development of its region. Our policy has been to encourage our friends in that area to assume regional responsibilities and to help them meet their own needs. Our mutually cooperative relationship with Iran in all fields is an outgrowth of this policy, an important aspect of which is a strengthening of mutually advantageous economic relations. The Joint Statement issued at the conclusion of the Joint Commission meeting this week clearly and publicly recorded the interest of both sides in respecting the rules and regulations of each country in economic cooperation and investment.

Our nuclear cooperation with Iran is for peaceful, constructive development. Progress has been made toward the signing of the formal bilateral agreement, including safeguards, to provide nuclear technology for peaceful purposes. The Non-Proliferation Treaty and all safeguards will be applied.

MIDDLE EAST NEGOTIATIONS -- SINAI PROGRESS

Q. What are the chances for a new Egyptian/Israeli agreement on the Sinai during the Secretary's trip and what will this agreement involve? Did the Secretary make sufficient progress with Israel and Egypt during his last trip to ensure that a new agreement can be signed in March? What about progress on the Syrian front?

A. Secretary Kissinger will be meeting with key leaders to discuss ways in which they may be able to reach agreement on further progress toward peace in the Middle East. This trip is at the invitation of the parties and is in keeping with our continued commitment to do all we can to assist them in the negotiating process.

We very much hope that the Secretary's trip will lead to some concrete, positive results without prejudging what these results should be.

The U. S. has felt that the interests of all parties in an overall peace settlement can best be met by dealing with the many complex issues in a pragmatic fashion resulting in progress on all fronts. We will be making determined efforts in the next few weeks, but in the current complex and sensitive period I am not going to get into the substance of delicate negotiations.

MIDDLE EAST NEGOTIATIONS -- THE PALESTINIANS AND PLO

Q. Do you have any comments on President Asad's statement that Syria will not be willing to sign a final peace treaty with Israel until the U.S. recognizes the PLO?

A. We continue to believe that an eventual overall Middle East peace settlement must pay due attention to the legitimate interests of the Palestinian people. The solution to the Palestinian problem and the means to achieving it, is, however, a matter for the parties to decide in the negotiations. As far as negotiations between the PLO and Israel, or so-called U.S. recognition of the PLO, the issue is academic since the PLO does not recognize Israel's right to exist.

ARAB DISCRIMINATION

Q. What is the U. S. doing to prevent the application of discriminatory economic practices by Arab or other countries to U. S. businesses and institutions? And, can you explain the allegations that Jews have been excluded from service in U. S. Defense Department missions in the Middle East?

A. As I made clear in my February 26 statement, such discriminatory practices are totally contrary to American tradition and principles. The Departments of State, Treasury, Commerce, Defense and Justice are currently looking into the matter, and will report their findings to me. If there is any infraction of U. S. law, it will be dealt with firmly. If it is determined that further protective action or legislation is required, it shall be proposed by this Administration in consultation with Congress.

Let me add that there is no agreement whatsoever between the U. S. Government and any foreign country to exclude American citizens from service in that country on religious or ethnic grounds. Foreign entry policies of sovereign nations may be selectively applied, and in certain cases may exclude foreign citizens, including U. S. citizens. This is not a policy of any branch of the U. S. Government, however. Our views on discriminatory policies are well known and understood by other countries.



U. S. "MERCENARIES" IN SAUDI ARABIA

Q: Isn't there something contradictory in Secretary Kissinger's threat to use force against oil producers while at the same time the United States is contracting with a private U. S. firm to train Saudi Arabia's forces to protect those oil fields?

A: There is no contradiction. Secretary Kissinger and I have made clear many times that his remarks were addressed to an absolutely hypothetical situation in which the actual strangulation of the entire industrialized world was being attempted in a confrontation started by the oil producers. We do not anticipate a situation arising which would require the use of American force against the oil producers.

We have a number of on-going programs in the economic and military fields implementing our long-standing policy of cooperation with Saudi Arabia. This is consistent with our policy of helping our own friends meet their legitimate security needs and with our own concern for stability in the region. In 1973, we agreed with Saudi Arabia on a program to modernize the Saudi National Guard Forces and provide training for its security tasks. For this purpose, the Pentagon has contracted with qualified US firms to provide certain services, including training. The Pentagon last week released detailed information on these contract procedures.

FYI: Under a Memorandum of Understanding between the U. S. and the Saudi Government in March 1973, we agreed to help the Saudis modernize units of their National Guard. The approved program involves the construction of headquarters, maintenance, supply and training facilities, establishing a logistics and communications system, modernization of equipment and training four mechanized battalions and one artillery battalion in the use of maintenance of new equipment. The program is expected to last almost six years. As it stands now, the program overall is in excess of \$300 million; all of it paid by Saudi Arabia. Vinnell is one of several companies involved in the modernization program. The U. S. Army Corps of Engineers is responsible for the planning, design, and construction of the headquarters facilities, and for development of criteria for the vehicle maintenance program. The Saudi National Guard has about 36,000 men.

MIDDLE EAST SETTLEMENT--GUARANTEES
DEFENSE PACTS

Q: There has been discussion about guarantees for a final settlement and other security arrangements. What is your thinking about U.S., Soviet or other power guarantees and/or a defense pact, either bilateral or in the NATO context, with Israel?

A: There have been many ideas put forth recently on the subject of guarantees and other security arrangements as part of an overall final settlement. These issues will need careful review in all considerations of a final peace. We will, of course, need to know the views of the parties themselves on the role of such guarantees in an overall settlement.

We are concentrating now on another step forward; it would be premature to speculate on the content of a final settlement or what kinds of security arrangements would be appropriate.

SOUTH ASIAN ARMS DECISION - CHANGE IN POLICY

Q: In view of your interest in not fueling an arms race in South Asia and of encouraging the normalization of relations, why have you decided to lift the embargo?

A: The nature of this decision must be clearly understood. We strongly encourage the process of normalization on which India and Pakistan have embarked. We approved a policy of cash sales only to Pakistan and India -- no grant or military assistance credits. We are not reverting to our pre-1965 policy. We will weigh each request on a case-by-case basis. There is no reason for our new arms sales policy to have a negative effect on our relations with the states in the area or their relations with each other. We hope these states share our views on this matter.

SECRETARY KISSINGER'S MEETING WITH THE GREEK
FOREIGN MINISTER

Q: Mr. President, we understand that Secretary Kissinger is meeting Friday, March 7 with Greek Foreign Minister Bitsios in Brussels. What is the purpose of the meeting? Is Cyprus being discussed, and is a similar meeting planned with Turkish Foreign Minister Esenbel in the near future?

A: The meeting you refer to is another in a series of informal consultations between the Secretary of State and the Greek Foreign Minister for the purpose of discussing matters of interest to our two countries, including the Cyprus problem. As you may recall, they last met in December at Brussels. I would emphasize that the United States continues to stand ready to assist all the parties involved in the Cyprus dispute -- Greece, Turkey and Cyprus -- to make rapid progress toward a negotiated settlement of this difficult and complex problem.

(FYI: A meeting with Turkish Foreign Minister may materialize during the course of the Secretary of State's Middle East trip. Nothing can be said about it at this time, however.)

DECLARATION OF INDEPENDENT TURKISH CYPRIOT STATE

Q: Mr. President, on February 13, the Turkish Cypriots proclaimed an independent state in the Turkish-occupied northern portion of Cyprus. As a result, the Greek Cypriots -- with the support of the Greeks -- have taken the matter to the U. N. Security Council. How does all this affect the chances of reaching a negotiated settlement to the Cyprus problem at an early date?

A: I regret the February 13 announcement by the Turkish Cypriots. We support the sovereignty, independence and territorial integrity of Cyprus. Although unilateral action such as this tends to complicate efforts to achieve a rapid and peaceful settlement, the United States will continue to do its utmost to further the process of negotiation between the parties involved. It is in the best interest of these parties -- friends and allies whom we value -- to return to the path of negotiation and seek an early solution based on justice, dignity and self-respect for all.

CYPRUS SITUATION -- TURKISH MILITARY ASSISTANCE

Q: Mr. President, military assistance to Turkey was cut off on February 5 as required by the Congress. How will this action affect the Cyprus negotiations and our relations with Turkey?

A: As I have already stated, I deeply regret the action of Congress in cutting off military assistance to Turkey. We have expressed to Congress the strong belief of this Administration that a cut-off of aid to Turkey in the present situation is counterproductive, impeding rather than facilitating the negotiating process on Cyprus. Beyond limiting our ability to work with all the parties to the Cyprus dispute and damaging our relations with an important NATO ally, the aid suspension could have far reaching and damaging effects on the overall political stability in the eastern Mediterranean and even the Middle East.

We are now working with the Congress with a view to finding a way of satisfactorily resolving this issue. In the meantime, we will also continue to do what ever we can to encourage the parties involved to make progress toward a negotiated settlement of the difficult and complex Cyprus situation.

PORTUGAL

Q: Mr. President, are you concerned over current developments in Portugal, particularly the indications of political unrest?

A: After the change of government in Portugal in 1974, I met with the new Portuguese President in October and expressed our admiration for the steps taken to restore democracy. We welcomed his reaffirmation of Portugal's commitment to the North Atlantic Treaty and Portugal's desire for closer ties to the United States.

We look forward to a continued US-Portuguese relationship based on this friendship alliance. In this regard, we have developed with Congress an economic program that should prove of assistance to Portugal. I am hopeful that this demonstration of U.S. interest and confidence in Portugal's future will be helpful.

CSCE SUMMIT

Q: Mr. President, there has been considerable comment lately in the press and by Administration officials regarding the likelihood of a summit meeting in connection with the European Security Conference. Will you attend such a conference and what significance would such a meeting have for East-West relations?

A: The European Security Conference has made good progress. There are unresolved issues in several areas, including general principles and human contacts, but headway is being made in the negotiations. If the Conference is concluded along lines that are now foreseeable, a summit conclusion would be highly probable and the United States would participate. However, we need first to see the results of the negotiations still underway at Geneva.

DETENTE

Q: Mr. President, in light of Soviet rejection of the 1972 Trade Agreement, some say that detente has been set back, and that US-Soviet relations may now enter a cooling period -- would you comment?

A: At the Vladivostok Summit, General Secretary Brezhnev and I reaffirmed the determination of the United States and the Soviet Union to further develop our relations and to continue the search for peace. With the Vladivostok agreement on offensive strategic arms we took another important step toward greater peace and stability. We will continue to approach our contacts and negotiate with the USSR with utmost seriousness and determination to achieve concrete and lasting results -- results in the best interests of the United States and in the interests of improved international stability.

I believe therefore that the prospects for further improvements in US-USSR relations -- the prospects for detente -- are good in so far as they depend on our actions. It is my impression that the Soviet leadership continues to share in this desire for further progress. Nevertheless, we must recognize that the process of detente is based upon mutual benefit and mutual confidence. Attempts to extract unilateral advantage or to condition cooperation on action within the domestic province of the other party call into question the purposes and good faith of the other side and erode the confidence that must be present for the relationship to survive. Recent developments relating to US-Soviet trade relations must be viewed in this context.

SALT

Q: The SALT talks have now resumed in Geneva. How do you assess the prospects for a new agreement? Will the U.S. SALT delegation in Geneva be seeking additional limitations on strategic arms over and above those agreed to in Vladivostok?

A: I have confidence that the terms of an agreement can be worked out by the two sides. The guidelines already agreed to by General Secretary Brezhnev and me are a clear basis for agreement, and I have instructed our delegation to translate them into the formal ten-year agreement which can be signed by both governments. There are important technical provisions that have to be worked out, but I believe this can be done over the next few months.

I would not want to make any comments at this time about the outcome of the present negotiations, but there is still much work to be done in putting the basic provisions already agreed into treaty language and adding those details required to insure confidence in the agreement.

MBFR PROGRESS

Q: The MBFR negotiations have been going on for over a year now and appear to be stalemated. Is there any reason to think the talks will produce results? Could some reductions be made while the talks continue?

A: We have known from the start that these negotiations would be very complex and difficult, and that we should not expect quick results. The issues being addressed in the MBFR talks go to the very heart of the structure of European security and affect the vital interests of some 19 participating countries.

The talks have been serious so far and neither side has used them as a propaganda forum. If they continue in this spirit meaningful results will be achieved. We do not consider the talks to be stalemated and are optimistic about the eventual outcome.

There will be no U.S. withdrawals while the talks continue. We have told our allies that we would maintain and improve our forces in Europe and not reduce them except in the context of MBFR. Unilateral reductions would undercut the Alliance position in the negotiations and would not stimulate reductions on the Soviet side.

ETHIOPIA - AID REQUEST

Q: It has been reported that the United States Government has received a request for the urgent resupply of ammunition for the Ethiopian Armed Services and that the Washington Special Action Group, chaired by Secretary Kissinger, has recommended a course of action to you. There are also reports that the Eritrean liberationists, who have been fighting the Ethiopian military in Eritrea, have urged the United States to turn down the request. Would you comment on the United States position?

A: As you know, we have had a traditional military relationship with Ethiopia. In that context we have continuing discussions with the Ethiopian Government about military supplies, including its recent request for ammunition. This is now under consideration.

FYI: Secretary Kissinger made following statement in his news conference February 25, 1975:

"The issue that is presented to us by the Ethiopian request is that we have had a military relationship with Ethiopia since 1953. The Eritrean rebellion -- or independence movement -- has been going on since 1962, and the United States takes no position on the merits of the particular conflict.

"The problem that we have to decide is whether a country, whose military establishment has been based on American arms, should be cut off from support at the precise moment that it most needs it. It is a difficult decision for us, and we have not come close to making it. And tomorrow's meeting is not to make a decision. Tomorrow's meeting is to sort out what the issues are."

AMBASSADOR DAVIS' NOMINATION

Q: There has been criticism of your nomination of Nathaniel Davis as Assistant Secretary of State for African Affairs to replace Donald Easum. Criticism includes his lack of African experience and that he was our Ambassador to Chile during the Allende regime. Are you reconsidering the nomination?

A: No. Ambassador Davis, one of our leading Career Foreign Service Officers, has a distinguished record at home and abroad. I have every confidence in him and see no valid reason for withdrawing his nomination. Ambassador Easum is also an outstanding Foreign Service Officer and I have nominated him to be our Ambassador to Nigeria, subject, of course, to Senate confirmation. We consider our excellent relations with Nigeria to be most important and assigning Ambassador Easum to Lagos is a mark of our confidence in him.

[FYI - Ambassador Easum's nomination was announced
March 5.]

INCREASE IN DEFENSE BUDGET FOR FY 1976

Q: How can you justify a Defense Budget for FY 76 which exceeds \$100 billion?

A: The Defense budget I sent to Congress will ensure that our defense will not erode because world peace depends upon a strong American defense posture. Almost all of the increases in next year's Defense budget resulted from the impact of inflation and increases in the price of energy.

In developing the budget there were certain fundamental decisions I had to make. One of the most fundamental was to ensure that the security of our Nation is maintained.

We should not forget that a strong defense is our principal deterrent to aggression. Our defense posture is a fundamental underpinning of our alliances, and reinforces the will of our allies to make our common defense work. Moreover, our military strength underwrites our diplomatic strength. It insures that negotiation is the only rational course, and thus lays the groundwork for achieving, through negotiations a relaxation of tensions with our adversaries and an enduring framework for peace.

Each Administration and Congress since the Second World War has supported -- on a bipartisan basis -- the maintenance of

our military strength. I intend to continue to support a strong defense posture, and I believe the Congress will continue to do so also.

FYI: The FY 76 Defense budget request provides for \$92.8 billion in outlays, \$106.3 billion in budget authority, and \$104.7 billion in total obligation authority.

CAMBODIA NEGOTIATIONS

Q: Are we really doing everything possible to get negotiations started on Cambodia? Would it not help if Lon Nol stepped down at this point? What do you think of the letter Sihanouk sent you? Are you going to reply to it?

A: The basic problem in getting talks started in Cambodia is the Communists' adamant refusal to negotiate. As long as they see success militarily, they have no incentive to negotiate. Only if they realize a military victory is not within their reach will they consider talking. That is why we have no choice but to support our friends.

We released yesterday a record of our numerous private attempts to seek a compromise settlement in Cambodia. All have been rebuffed. The Cambodian Government has indicated it would enter into talks unconditionally at any time and place. That offer has never been accepted and the Khmer Communists have refused to negotiate not only with Lon Nol but also with any of the top seven leaders of the Cambodian Government.

The public letter from Prince Sihanouk, delivered to the White House by a reporter, made no mention of negotiations. It simply asked the United States to abandon the government in Phnom Penh. This proposal is not new. But I think the gravity of the situation in Cambodia merits a serious and constructive dialogue, purposefully and directly communicated. In search of such intent I will continue to explore every diplomatic alternative to the armed conflict.

CONTINUED U. S. AID TO CAMBODIA

Q: Won't Cambodia fall to the Communists whether we provide aid or not? Are we throwing good money after bad?

A: One thing is certain. If we cut off aid, Cambodia will surely fall. As long as the Cambodians are willing to continue fighting for their freedom and until there can be negotiations, we have a clear moral obligation to continue our aid. America must not abandon or betray the trust of a small country which looks to us for its only means of self-defense.

CONGRESSIONAL TRIP TO SOUTH VIETNAM AND CAMBODIA

Q: What is your reaction to the recently completed visit to Vietnam and Cambodia by the Congressional fact-finding delegation?

A: Our actions in Indochina and the way we end our involvement there are extremely important to our position of leadership in the world. Because this is so important, the Executive and the Congress must consult and work together.

I was, therefore, delighted that the eight Members of Congress were willing to go to South Vietnam and Cambodia to make their own assessment of Vietnam's and Cambodia's requirements.

I was pleased to learn, in my meeting with the Members yesterday, that more of them now support increased assistance than before their visit. I think this shows the importance of firsthand information. The delegation worked tirelessly and gained valuable insights. I found their views both interesting and helpful. They will contribute to the dialogue between Congress and the Executive Branch and to the rational formulation of our national policy in Southeast Asia.

VIETNAM - ONLY THREE MORE YEARS?

Q: In your interview with the Chicago Tribune, you said you would be willing to accept a 3-year terminal date for aid to Saigon if Congress would vote enough funds to insure its survival that long. Will you formally propose such a program? How much would it cost to secure South Vietnam's survival?

A: My comments to the Tribune represented an attempt to respond constructively to the concerns of Congress about the extent and duration of the American involvement in Indochina. I am willing to explore with the Congress responsible strategies for ending that involvement in a way consistent with our commitment to give South Vietnam the means to defend itself.

South Vietnam has the will to defend itself and a viable economy which gives that country the potential to feed its people and purchase its own arms if only it can survive in the short run.

The additional \$300 million in assistance that I have requested will restock South Vietnam's depleted reserves and will enable the South Vietnamese to defend themselves without abandoning further positions simply to conserve ammunition and fuel. If, however, a terminal date is picked, appropriations would naturally have to be substantial enough to do the job over a three year period. I am ready to work with the Congress to determine the precise amounts and time frame.

ENDING THE FIGHTING IN SOUTH VIETNAM

Q: Senator Sparkman recently said the Administration will have to report on what steps have been taken or are contemplated to bring about President Thieu's compliance with the political provisions of the Paris Agreement. What are we doing to force Thieu to carry out the Agreement and thereby end the fighting?

A: I reject the notion that it is the Thieu government that is refusing to implement the political portions of the Accords.

-- On three separate occasions, the Government of South Vietnam has made specific, concrete offers to implement all political provisions of the Paris Agreement completely. They proposed definite dates to hold elections.

-- They have formally requested direct talks between North and South Vietnam to begin discussion of reunification.

-- All of these offers have been rejected and for over six months the Communists have boycotted all talks with the Government. During this period, President Thieu's government has tried to get talks started again. On at least ten separate occasions they have called for an unconditional resumption of negotiations. These have been answered by the current North Vietnamese attacks.

Let me remind you of the blatant violations of the Agreement by the Communists. Tanks, artillery and tens of thousands of men have been sent into South Vietnam; large-scale attacks against South Vietnamese cities and towns have increased; the Communists walk

away from the conference tables in Saigon and Paris; they refuse to pay their share of the International Cease-fire Supervision teams; they refuse to let us search for our men who are missing in action. It is in these actions by the Communists that the difficulties with implementation of the Paris Agreement lie.

U. S. INVOLVEMENT IN VIETNAM

Q: Why can we not extricate ourselves from Vietnam once and for all? Why do we have to stay involved with all these aid restrictions?

A: In a fundamental sense we have already extricated ourselves.

We have fully complied with the terms of the Paris Agreement.

American troops no longer fight in Indochina. Compared to the massive expenditures of the 1960's, the levels of assistance now being considered are very small. The American forces sent to Indochina achieved our aims. They helped our allies to preserve independence and the freedom to choose their own future.

The problem that we now face is a different one. It is that North Vietnam, in violation of the Paris Agreement, has resumed large scale military action in South Vietnam. It has done so although the South Vietnamese Government has repeatedly offered to negotiate a political settlement that would have given all political elements in South Vietnam a full opportunity to participate in free elections and the political life of the society.

We now must decide whether to help our friends defend themselves and whether we will do what is necessary to sustain the peace agreements that we helped to negotiate. It is not a question of involvement; but of assistance. This is a problem that we face not only in Vietnam but elsewhere, including the Middle East. That is one reason why our policies in Indochina must be seen in a wider context.

WILL SOUTH VIETNAM FAIL WITHOUT AID?

Q: Why are you pushing so hard for further aid to Vietnam?
There are reports that South Vietnam would not fall this year even if we did not send them the additional \$300 million in aid.

A: We are not saying that South Vietnam will fall this year if we do not provide them an additional \$300 million in assistance. What we are saying is that reducing aid to South Vietnam will not bring peace to South Vietnam. A weakened South Vietnam will encourage Hanoi to step up the fighting rather than to negotiate. And with insufficient assistance, the South Vietnamese must conserve ammunition while casualties go up. Reduced aid only increases the suffering and dying by a brave people who rely on us for their means of self defense. On the other hand, adequate aid can create the situation necessary to negotiations.

The aid I have requested will
enable the South Vietnamese to defend themselves without abandoning further positions simply to conserve ammunition and fuel.

COMMUNIST INTENTIONS IN VIETNAM

Q: We understand that most intelligence estimates say that North Vietnam will not try to take over South Vietnam this year but is only trying to force South Vietnam to negotiate. Therefore, why are you pushing so hard for further aid to Vietnam?

A: I do not believe we can predict what the North Vietnamese will do. We know that they have infiltrated over 50,000 men into South Vietnam since September 1, 1974. If they succeed with some of their attacks, they will undoubtedly press further. The question is not whether they can take all of South Vietnam. The question is whether our failure to provide aid will help North Vietnam to succeed in its violations of the Paris accords.

Let me say one thing about political negotiations, about which there has been a lot of misleading information. South Vietnam has consistently called for the implementation of all the political provisions of the Paris Agreement. It has suggested several dates for free elections and it has suggested conditions under which all South Vietnamese political groups will be able to participate in those elections. South Vietnam is, in short, complying with the political provisions of the Paris Agreements. If North Vietnam wants a fair political settlement, it does not need to attack. It should sit down and talk.

MORE MONEY IS A NEW COMMITMENT TO VIETNAM

Q: It has been argued that your request for supplemental assistance for South Vietnam represents a new commitment which could lead us back to direct involvement to Indochina. How do you react to this?

A: We are not moving toward a greater involvement in Indochina. Rather, we are pursuing a policy which will enable us to reduce and end our involvement -- and in a way which does not sacrifice those who have put their trust in us.

The question is whether -- after all the sacrifices we have made -- this country will deprive a brave ally of the means for its own self defense. The amounts we are seeking have already been authorized by the Congress. The funds appropriated, however, fall short of the authorization and of the minimum required to permit the South Vietnamese to defend themselves.

The need is urgent and immediate. In violation of the Paris Agreement, North Vietnam has resumed large scale military action in South Vietnam. A substantial weakening of the South Vietnamese could very well encourage the North Vietnamese to further escalate the level of fighting. As the South finds itself increasingly low on ammunition, Hanoi may be tempted to go all out to seek a military solution. The South Vietnamese are brave and determined and if we do not abandon them, they can defend themselves.

THAILAND

Q: Could you comment on the new Thai government's statement that it wants all U.S. troops out of Thailand in 18 months?

A: We have consulted regularly with the Thai government by whose invitation we have maintained troops in Thailand. We have no request to withdraw our forces. We assume that when the new government is formally in place, the consultations will continue.

CUBA POLICY

Q: Last week in Miami you said that our policy towards Cuba was the same as it had been, that there had been no sign of Mr. Castro's change of heart and that we think it is in our best interests to continue the policies that are in effect at the present time. And yet on Saturday, Secretary Kissinger said we had already taken some symbolic steps to indicate that we were prepared to change and that we would re-evaluate our policy if the OAS lifted its sanctions. How do you reconcile these two statements which appear to be at such variance?

A: Secretary Kissinger and I discussed his speech in some detail before he made it. Our statements are consistent and are very clear on two fundamental points. First, we say that we respect the decisions of the OAS by whose sanctions we feel bound; and second, that any change in our policy will depend upon Cuba's policy toward us. We have indicated in various ways that we are serious in our intent to review our policy contingent upon these essential prerequisites to change.

PANAMA CANAL NEGOTIATIONS

Q: Would you bring us up to date on the Canal negotiations? What are the prospects of achieving an agreement, in light of substantial opposition in Congress?

A: Ambassador Ellsworth Bunker, who is our negotiator on the Panama Canal, has been meeting on a regular basis with the Panamanian authorities since November, 1973. Substantial progress has been achieved, but difficult issues remain. Both the U.S. and Panama have vital interests in the Canal. We are hopeful of reaching agreement on a draft treaty that takes these interests into account making us partners in the Canal operation and providing for a secure arrangement for both countries over the long term.

Any draft treaty would, of course, be submitted to the Senate, and we believe that it will be carefully considered on its merits. It is too early to predict when a draft treaty might be ready.

March 5, 1975

Question: Why do you oppose the elimination of depletion in the tax stimulus bill?

Answer: Because we feel it would delay passage of the tax stimulus bill. The bill should be as clean as possible.

Question: But if it goes back to the House without this provision--which was voted overwhelmingly by the full House--won't they vote to recommit and refuse to accept a "clean" bill?

Answer: I think the risk in that regard is much less than the risk of delay in the Senate where floor procedures make delay easier. Also, if the bill carries a non-germane item as major as this, it is likely to be Christmas-treed with other amendments on the Senate floor--which, again, is something more easily done under the Senate than the House rules.

Question: But, aren't you already inviting delay by asking that the Senate adopt the Administration's original proposals, which are substantially different from what the House passed? That will surely complicate the conference and probably get the bill recommitted in the House?

Answer: If the Senate were simply to rubber stamp the House bill that would undoubtedly be the quickest thing to do. But the bill is too important for a rubber stamp and we realize that Congress can't complete action overnight. But our stimulus proposal is the simplest of all and there is no reason why it cannot be quickly enacted.

Question: But what is your ultimate position on the elimination of depletion: Do you favor it?

Answer: I can't tell what our ultimate position on depletion will be without knowing the context in which the issue is ultimately presented. The answer has to be "It depends."

Under present conditions, where the industry is subject to extensive regulation, eliminating depletion would simply be a price roll-back and we could not favor it.

This is not a subject that should be "ad hoc'd." It should be looked at in the context of the total energy problem, which Ways and Means is taking up. Chairman Ullman has said he will consider it then. Chairman Long is said to have promised his Committee to do what he can to get the issue to the Senate floor by July.

In the last analysis the issue--like most tax issues--boils down to money, and like any other money issues it might be subject to trade offs that could make all parties happy.

Question: Would you sign a bill if it also contained a provision eliminating percentage depletion?

Answer: I cannot say whether or not I would veto a bill that contained the elimination of depletion. It depends on the rest of the bill. You may remember that I did urge Congress to pass a tax reform bill last year that was reported by the Ways and Means Committee. It contained an elimination of depletion which we had opposed, but also contained a number of other things which we felt were very important.

Question: If percentage depletion were eliminated, would you support an exemption for smaller producers?

Answer: Our position for the past year has been this: We have opposed the elimination of percentage depletion under existing conditions. But if it is to be eliminated, then it is difficult to justify exemptions, except possibly on a transitional basis.

Last year's Ways and Means bill did contain a transitional exemption for producers of up to a million barrels a year. This is the kind of sub-issue that Congress would surely explore and that is likely to spark the kind of controversy that could delay the current tax relief bill.

Question: Just tell me "yes", or "no" -- do you favor the elimination of percentage depletion?

Answer: Under present conditions and until there is complete review of the subject, the answer is "no."

Question: Didn't you previously say you were for elimination of depletion allowances if all controls on oil production and price were removed.

Answer: I think we must relate depletion to the whole energy question, and to the tax reform issue. That is my present view and it is premature to say more.

March 6, 1975

Question: Mr. President, just how big is the budget deficit going to be for FY 1976?

Answer: I am very concerned about that because the honest answer is that no one really knows. The Administration's proposals including the modifications since we sent the budget up the first week in February, would result in a deficit of about \$55 billion. However, there are many proposals in Congress that would add to the deficit. They are being worked on in an uncoordinated way with no clear relationship between particular proposals and the overall resulting effect on the budget deficit. On the one hand, the Congress is modifying the Administration's tax cut proposals in ways which could add substantially to the deficit. On the other, Congress is proposing a variety of spending programs that would add to the deficit. For example, this week the House Appropriations Committee put forward a proposal that would provide almost \$6 billion in additional funds for a variety of different purposes. The tax cut people don't seem to be taking into account the spenders, and the spenders don't seem to be taking into account the proposals of the tax cutters. As a result, the deficit threatens to go far higher than we need, and threatens to abort a recovery or restart an inflationary cycle. We need a targeted program -- one that relates spending and tax proposals to the overall level of the deficit. This is the approach the Administration has been following and will continue to follow. We will be flexible, and our recommendations will, as they have in the

past, take into account emerging events. But we will also resist moving ahead in an uncoordinated fashion on a whole series of measures at the same time.

Lynn 3/6/75
OMB

Question:

Why do you say that the provisions for employee stock ownership are bad?

Background:

Larger companies that wish to take the 5% increase in the investment credit (from 7% to 12%), must give stock equal to 1/5 of that increase to their employees. Also, companies electing the liberalized carryback rules must give stock equal to 25% of the benefit to their employees.

Answer:

I think employee stock ownership is a good thing. The tax laws already provide very liberal incentives for such plans. But stock ownership plans are totally extraneous to the issue of business relief and stimulation. We should not blackjack companies and employees into such plans.

1. The provision is wholly unfair as among employees. Employees who happen to work for companies that are growing and profitable or that are capital intensive would get big grants of stock. Employees that work for small companies, or that are unprofitable or don't use much capital, would get nothing or very little.

2. We are proposing the 12% investment credit as an investment incentive. If companies have to give it away, the incentive is reduced accordingly.

3. In the longer run, this grant will be just another employee cost taken into account in setting wages and pensions. If companies are forced to compensate employees in this particular manner, they will have to give them less in other compensation. Thus, the bill would set us out on a road that would diminish the free bargaining choice of employees and employers. Many employees do not want to take their compensation in stock of their employers.

March 16, 1975

Question:

Will you sign the bill if it comes down as the Finance Committee reported it?

Answer:

I hope that the final bill will be a better bill. I will have to wait and see what finally emerges, as well as what Congress is doing on the spending side.

March 16, 1975

Question:

What are your views on the tax cut bill reported by the Senate Finance Committee?

Answer:

I am very disappointed and very worried about what the Finance Committee has done. These are the things that worry me:

1. The tax cuts voted by the Finance Committee come to more than \$29 billion. That is nearly 10% of all of the revenues we collect and about twice the stimulus I recommended. I recommended \$16 billion of temporary tax reduction because that was our best judgment as to the maximum amount of stimulus we could provide without setting off on another inflationary spiral a year or so down the road. \$29 billion is playing with dynamite.

2. I recommended a cut as a stimulus and recommended that it be temporary to avoid future inflation. But most of what the Finance Committee has done--\$16 to \$20 billion of the \$29 billion--is designed to be permanent.

3. It is the total budget deficit that is important and this tax cut is only part of the picture. While the Finance Committee is proposing to cut revenues by \$29 billion, Congress is showing little inclination to make the spending cuts I recommended and a number of Congressional Committees seem to be off on new spending sprees.

4. Several of the individual provisions of the Finance Committee bills are very bad policy. The earned income credit, the housing credit and the employee stock ownership provisions are all ill-conceived.

A prompt stimulus is important, but there is some point at which the longer term cost is too high. A tax stimulus now is not desirable if it just primes the economy for another new inflationary cycle a year or so down the road. Inflation is the most burdensome, regressive tax of all.

Question:

What is your objection to the earned income credit?

Background:

The earned income credit would provide a cash payment equal to 10% of the \$4,000 of earned income or a maximum credit of \$400. Under the Senate version, the credit would be available only for individuals maintaining a household which is the principal place of residence for a dependent child. The credit would be phased out between \$4,000 and \$8,000 of income.

Answer:

1. This is just another welfare provision, to be administered by still another agency and added to the grab bag of overlapping and conflicting programs we already have.
2. It represents a "top of the head" undercutting of our social security system. This action makes worse the problem of underfinancing of the social security system. Congress needs to look carefully at this whole area.

Question:

What are your objections to the housing credit?

Background:

The housing credit would give purchasers a refundable credit equal to 5% of the purchase price of any house purchased in 1975 as a principal residence. The credit could not exceed \$2,000.

Answer:

The basic objection is that we can't justify just giving away enormous amounts of money to consumers to do what they would do otherwise.

1. The credit would be very expensive (\$3 to \$4 billion) and would not contribute to a basic solution of housing industry problems. The basic problem with housing has been inflation, and the high interest rates inflation causes. Interest rates are now coming down, funds are flowing back into lending institutions and it appears that housing is on the road to recovery. If we simply give away billions of dollars that put us back on the road to inflation, housing will be back in trouble in a year or so.
2. Even if further subsidy for housing were desirable, this is an extremely inefficient subsidy. Most of the persons who buy houses during the next year would have bought them anyway, and most of the money would go to them. Thus, we would get nothing for most of the money we spent.
3. Over the rest of the year, the principal effect of the credit would be to increase the prices of unsold houses.
4. The credit would compound our lower income housing problems. The credit would be a further discrimination in favor of single family, owner-occupied houses. Owner-occupied housing is already highly favored under the tax code. Our biggest housing problem, however, has been in multi-family rental units, where starts are down more than 70%. This is the kind of housing that is especially critical for lower income groups.

5. To the extent that the credit may be effective, it would in substantial part simply change timing. It would cause taxpayers to do in 1975 what they would otherwise do in 1976. "Borrowing" for 1976 may dampen the recovery, which would be well under-way in 1976.

Question:

What was the nature of the Congressional objections to Mr. Silberman for the position of Special Trade Representative?

Answer:

As I pointed out, Silberman has had a distinguished public career, and I have great confidence in him. Among some Congressional leaders, there was a desire to have an individual whose background was more in the field of international trade and foreign affairs. His name was not withdrawn because he could not be confirmed, because in my opinion he could have been confirmed.

Question:

Mr. President, recent press stories indicate that you withdrew the nomination of Mr. Silberman to be Special Trade Representative at the request of Senator Long in order to gain support for your veto position on the oil tariff bill.

Answer:

These press stories are inaccurate. There was no quid pro quo with Senator Long on this matter. Quite some time ago, he made suggestions in reference to the selection of the STR and there were also suggestions from the Ranking Minority Member of the Senate Committee on Finance, Senator Curtis. In light of the special relationship that the STR has with the Senate Finance Committee and the Ways and Means Committee, we were especially attentive to the suggestions from senior members of these committees on the selection of a Special Trade Representative.

Let me say that Mr. Silberman is a highly qualified individual who has had a distinguished career in public service. I have the greatest confidence in him, and I felt he would have made an excellent representative.

Question:

Mr. President, press accounts indicate Vice President Rockefeller has tilted in favor of those who advocate change in the two-thirds rule in the Senate. Is this a reflection of your desires, or do you agree this is the case?

Answer:

This was a complicated parliamentary situation which required the rulings of the Vice President. Let me point out that as Vice President, he serves as President of the Senate under the Constitution, and that I feel it is not appropriate for me to make a comment on a parliamentary matter involving the rulings of procedure involving a separate branch of the Government.

Question:

Mr. President, much has been said about the growing role of Vice President Rockefeller in your Administration, particularly the key part he will play in the Domestic Council as well as members of his staff who will occupy positions of leadership.

Answer:

Vice President Rockefeller is an able man, which is the reason I selected him to be Vice President. I think he has much to offer. It is my hope to incorporate his talents and energies in the Administration to the fullest extent. He has associated with him some highly capable people, and I named them into key positions for the same reason.

On the outset, I have sought to include the Vice President and his staff in the day-to-day operations of my Administration and this is simply evidence of that effort.

Question:

The House of Representatives is about to consider a tax bill which varies somewhat from your tax bill. Do you plan to sign it when it comes to the White House?

Answer:

It is my honest desire that the Congress will act on a tax bill and I hope the one they send to me, I can sign. However, at this stage in the legislative process, it would be premature to predict what I might do, since it cannot be foretold what may happen through special amendments in the House or what the Senate version might be.

QUESTION - Do you think OPEC nations or rich individuals, Arabs or non-Arabs, should be allowed to buy large interests in U.S. banks or other enterprises? Why? Isn't there a danger the Arabs will be controlling a tremendous part of our industry and business?

ANSWER - This government welcomes investment by foreigners within the constraints of national security. The Administration is presently reviewing our many safeguards to assure that they are adequate to protect our essential national interests. As to control of U.S. industry by rich oil producing nations or individuals, our estimates of their peak financial accumulations and our experience of their investment behavior to date do not indicate either the capacity or the desire to exercise significant influence or control in an economy the size of the United States or even in an important sector of it. Moreover, our antitrust laws, which include measures to stop mergers and takeovers, apply equally to foreign and U.S. investors and prevent purchases that substantially lessen competition or create monopolies.

FURTHER
INFO

- The question cites in particular purchases of U.S. banks. The U.S. banking industry is quite competitive. That is, control of quite a number of large banks would be required to affect significantly the allocation of bank credit in this country. Banks are also closely regulated and supervised. In reality, bank managements in the United States have little freedom to depart from what are commonly agreed to be sound banking practices.

QUESTION - Do you think the U. S. Government should bail out Penn Central which is threatening to close down next week?

ANSWER - We certainly do not like the recurring dilemma of either putting more Federal money in the Penn Central or having the railroad shut down. However, any curtailment of freight shipments at this time obviously would have a serious detrimental effect on the national economic picture. Thus, we really have little choice but to keep the Penn Central running until the new restructured rail system which the United States Railway Association has been planning becomes operational in mid-1976. The plight of the railroads makes it essential that we get on with the job of regulatory and rate reform so that all modes of transportation can compete freely and provide the Nation with an efficient transportation system.

FURTHER

INFO - The Administration has proposed legislation which has passed the Senate and is now pending in the House that would amend last year's Regional Rail Reorganization Act to provide the necessary additional emergency aid to the Penn Central.

USRA will publish its Preliminary System Plan for the Northeast rail system on February 26, and by mid-1976 we expect that the new system will begin operating. To withhold funds from the Penn Central would destroy USRA's planning effort and the two year Congressional and Executive effort that preceded it, and would almost certainly result in a precipitous and unacceptable nationalization of the railroad.

We hope that the money we spend now to keep the Penn Central operating and what we spend to rehabilitate the new system, will be sufficient to create a railroad that, given rate and regulatory reform, can survive on its own.