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QUESTIONS FOR CARTER - SECOND DEBATE

Q. Every President since the last World War have been men with substantial experience in foreign policy, prior to their election as President. As a matter of fact, one must go back to the late 19th century -- to the Presidencies of Grover Cleveland and Benjamin Harrison -- to find an example of a President who was elected with as little experience in foreign policy as you have. What are your qualifications to exercise the Presidential responsibility to conduct this country's foreign policy and provide for its national security?

Follow-up question:

It seems to me that you are saying, in effect, that you will rely on expert advice and your own common sense judgment. However, at the time of a major international problem, the President receives all kinds of conflicting advice and counsel from all sorts of high-ranking people in and out of government. In the end, the President must decide. If you are elected, won't you be a "captive" of your advisors, either who talks to you last, or who is most persuasive, because you cannot draw on personal knowledge and experience with international problems?



QUESTIONS FOR CARTER - SECOND DEBATE

Q. Mr. Carter, you have indicated that you would be prepared to work with Communist parties if they come to power in the countries of Western Europe (get exact quote).



September 20, 1976

Q: What has the U.S. done to contribute to a healthier world economy?

A: It is important to look at where we were two years ago and where we are today. The record demonstrates clearly that we and our allies among the industrialized democracies have not only worked together to overcome the worst crisis facing the world economy in the postwar period, but have in the process achieved a degree of cooperation in the economic area unprecedented in the postwar era.

The basis of my international economic policy has been the recognition that the United States is increasingly dependent on other nations as markets for our manufactured and agricultural exports, as sources of energy and raw materials, and as sources of investment income. Other nations in turn are increasingly dependent on the United States. Economic developments abroad, therefore, affect our well-being. And economic developments in this country affect the well-being of others. It is for that reason that I set out to insure that as we worked in this country to achieve recovery and stable growth, we would work with others -- especially the Europeans, Japanese and Canadians -- to bolster their efforts to achieve the same objective. Our recovery has been helpful to them, and their success has in turn contributed to our recovery.

In energy, there was, as we can recall, disarray following the Arab oil embargo in the fall and winter of 1973 and the sharp price increase which followed. Since then, in large measure as a result of



the leadership of the United States, the industrialized democracies have demonstrated remarkable cooperation in the energy area. We have come together to form the International Energy Agency to coordinate efforts to reduce our dependence on imported oil and our vulnerability. We have developed a long-term program of conservation and development of new energy sources. We have established a financial solidarity fund to protect against financial disruptions. And we have established an energy-sharing program to safeguard against supply disruptions.

In the monetary area, we have undertaken a sweeping reform of the international monetary system, eliminating the rigidities of the Bretton Woods system and substituting more flexible arrangements tailored to the needs of the more tightly linked international economy of today and of the future. In the trade area, we are engaged in multi-lateral trade negotiations to reduce global trade barriers and insure fair and orderly rules for the international trading system. This will help our industries, farmers, workers and consumers.

The economic summits at Rambouillet last November and Puerto Rico this June were striking demonstrations of the unity of purpose of the industrialized democracies and resulted in practical steps of economic cooperation. Rambouillet strengthened confidence

among the peoples of the industrialized democracies in the global economic outlook, supporting efforts in the United States and abroad to achieve economic recovery. Further, the firm agreement of the participants to avoid protectionist measures contributed to the collective ability of the industrialized democracies to maintain an open trading order even during a global recession. At Puerto Rico, agreement was reached on the need for the developed countries to achieve sustainable rates of growth, to reduce unemployment without creating new inflation, to work to avoid or reduce payments imbalances, to achieve a cooperative approach toward the problems of the developing nations, and to coordinate in building a constructive relationship with Communist countries.

In respect to the developing nations we have played a leadership role in establishing the North-South dialogue to deal with problems of energy, raw materials, development and financial relations in a mutually beneficial way, and have made major economic contributions to development in the poorer nations. In the many bilateral meetings I have held with leaders of our major economic partners, developed and developing alike, I have pursued the overriding objective of achieving closer cooperation in dealing with common problems and avoiding working at cross-purposes. This must remain the centerpiece of our international economic policy if we wish to continue common efforts to achieve economic prosperity.

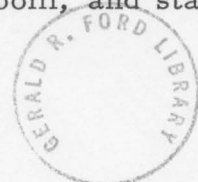
September 20, 1976

Q: What are you doing to reconcile the needs of US industry for protection from cheap imports while promoting more open, active world trade?

A: I have long believed that our international interests are best served by an open world trading system which allows expanding markets for our exports and increasing benefits for our consumers. This has been the basis of my approach to international trade, and the guiding principle behind this country's bipartisan trade policy since the end of World War II.

On the other hand, I am fully aware that an open trading system can cause dislocations. I am determined to assure that trade is fairly conducted. Our anti-dumping and countervailing duty laws do just that. I will not allow US workers and firms to suffer from unfair practices and subsidies by other nations.

The Trade Act of 1974 also outlines procedures -- "escape clause" actions -- for providing relief to industries which are having difficulty adjusting to international competition. In the past few months, I have taken final action in a number of important escape clause cases referred to me by the International Trade Commission. I ordered the establishment of a program to control imports of speciality steel; directed the Secretaries of Commerce and Labor to expedite adjustment assistance to workers and firms in the footwear, shrimp, mushroom, and stainless



steel flatware industries; and denied import relief in two cases involving imports of honey and certain pigments. I decided each case on its merits, taking into account both the situation in the domestic industry, the interests of American consumers, and our broader trade objectives. These were not easy decisions, but I believe my record of fairness and balance speaks for itself.

We have shown our trading partners abroad as well as our citizens at home that the US is still firmly committed to a system of free, but fair, international trade.

September 21, 1976

TO: MIKE DUVAL

FROM: BILL GOROG *WFC*

Attached is language for the debates dealing with the subject of foreign military sales.

*Sub Second
debate
QTA:*

Many nations in this world have discovered a need to develop armed security forces for the maintenance of their sovereignty against internal and external enemies. Equipping these forces is not difficult, since the major powers possess abundant stockpiles of arms and are eager to 1) make a profit; 2) establish closer relations with the vendee (especially if vendee possesses valuable natural resources such as oil); 3) extend sphere of influence in an attempt to secure military/political/economic dependency.

The Soviet Union has effectively used the method of military arms sales to expand its sphere of influence and spread its doctrine, notably in South and Central America, East Asia and, most recently, the Middle East and Africa.

US has traditionally supplied its allies with arms and has recently opened up its program of Foreign Military Sales (FMS) to Third World and other nations. US has found this to be an effective diplomatic tool: FMS are made after careful study and consideration to maintain an overall "balance of peace." Most notable recent example: after years of supplying Israel with sophisticated weapons, US has begun selling equivalent weapons to Egypt, Saudi Arabia, Jordan and Iran. As a result, those nations have significantly reduced their dependence on Soviet weapons (witness Sadat's expulsion of Soviet technicians in (1972) and increased their dependence on US. Thus, US can use this powerful diplomatic lever to secure peace. (Possible scenario: a US-supplied Middle Eastern army isn't likely to precipitate a war if it believes it will receive no further US military supplies.) Therefore, with carefully controlled arms sales, the US can counter and arrest Soviet expansion, encourage closer relations with foreign arms buyers, and secure peace as well.



THE WHITE HOUSE
WASHINGTON

Mike -

Attached are
assorted Q & A's
for the debates.

Salomon

File
Q + A's
2 nos
debates



THE WHITE HOUSE

WASHINGTON

September 10, 1976

MEMORANDUM FOR: MIKE DUVAL
FROM: BILL GOROG *WFG*
SUBJECT: Foreign Policy/National Defense Debate Material

On 27 August 1976, thirty defense industry representatives met with Stu Eizenstat (Jimmy Carter's campaign issues chief writer) in Atlanta to discuss Carter/Mondale defense policy. Notes from that meeting and from Carter's statements during the campaign follow:

1. In the upcoming debates, Carter may attach the present system of bidding and procurement of defense contracts. The President should have experts from NSA, DOD or NSIA brief him on the details of defense contracts. Such contracts are complicated and demand a certain expertise for analysis and comprehension. As evidenced by Eizenstat's "naivete," Carter is probably just as uninformed about the mechanics of defense contracts as the average citizen. His main criticism is likely to be the tremendous cost overruns in some defense contracts. The President might be able to show up Carter by carefully dropping a "few" facts and figures during the debate.
2. Carter will surely refer to his military background and nuclear "expertise." The President should be able to neutralize this by citing his own four-year Navy experience and emphasizing his twenty-five year Congressional experience, especially his position as House Minority leader and his membership on the Defense Appropriations Subcommittee. Certainly this long experience indicates more direct dealings with the military than a state senator or one-term governor could receive.
3. Carter is likely to refer to the subject of Foreign Military Sales and say that he, as President, would look at every case of foreign arms sales on its own merit with the contention that what is needed on FMS is closer surveillance on such a basis. At the Atlanta briefing, he did not disclose his method of surveillance. The

President might be able to counter by saying that US arms sales to foreign countries are made to secure peace and insure strategic balance.

4. When Carter claims he will cut "fat" from DOD and other Departments, President could point out the fact that as Governor of Georgia, Carter may have consolidated and streamlined the state agencies but he took no one off the payroll. "In fact, the budget went up 45% in the Carter years, and state employment by 12.9%" (Newsweek, 9/13/76) If this is true, it's a case of cost avoidance rather than cost reduction.

5. Carter would cut defense budget by \$5 to \$7 billion (Pittsburgh Press 4/8/76, Democratic Platform, Columbus Dispatch 5/29/76, CSM 6/4/76, WSJ 6/14/76). So far, it doesn't appear that he has definitely said where he will cut it from, but probably manpower (see #7). Yet he would provide for "a stronger maritime fleet" (Baltimore Sun 7/1/76) and would "accelerate naval spending?" (Washington Post 2/12/76). This can only mean that some other branch must suffer. A strong navy is mandatory (President could point out the increased allotment for new ships in this year's budget) but not at the expense of tanks, planes, men, etc. Strongest defense is one that is well balanced. A President needs many flexible military options to deal with different foreign policy situations. This could be used to point Carter's naivete.

6. Carter has voiced opposition to the B-1 but is officially undecided. His opposition should be blasted by pointing out that our B-52 fleet-- the backbone of SAC-- is outdated and that the B-1 will be a vital cog in our defense machinery. Carter says he would "never let our military strength be inadequate" (Bangor Daily News 12/12/75) and that "we must maintain adequate military strength compared to that of our potential adversaries." (American Legion Speech) Also, Carter's indecision on the program is passed off by saying "he needs until February." (NSIA briefing in Atlanta) Such indecision and stretching out the program by Congress and Carter has resulted in a considerably higher cost for the B-1, perhaps \$1 billion. Why can't he make up his mind now and let the American voters know his decision? He claims he doesn't have enough information, but the program is a well-documented piece of legislation, and his stalling tactic should be exposed.

7. Carter says "it is imperative that the world know that we will meet our obligations and commitments to our allies" (American Legion speech) but he advocates withdrawing all

US troops from Thailand, Taiwan and South Korea (Wisconsin State Journal 2/9/76, Washington Post 3/17/76).

8. Carter wants to eliminate nuclear weapons from the world's arsenals. It's a noble idea but it's not original. Ford has already taken positive steps towards reduction of nuclear weapons in SALT. Carter says that until all nukes are abolished, we should reduce our own stockpile. Such a move would be extremely dangerous without a corresponding Soviet response and with the increase of nuclear proliferation.



- Q. The United States and other Western countries have granted enormous amounts of credit to the Soviet Union and Eastern Europe, with the result that the Communist countries now owe the West more than \$30 billion. Why are we giving the Communists all this money? Don't these loans merely serve to subsidize Communist economic and military development?
- A. Let me answer by stating, first, that by extending normal trading credits to the Communist countries we are in no way "giving" them anything. The use of credit -- both government-supported and commercial -- in financing exports is common practice in international trade, and East-West trade is no exception. In any event, of the Communist debt that you have mentioned, only a very small portion -- about 10 percent -- is owed to the United States. Secondly, I want to make clear that we are in no way "subsidizing" the Communist economies. Our loans to the Communist countries are made on commercial terms, and interest charges and repayment schedules are set in accordance with prevailing market rates and standard banking practices. Moreover, these loans are constantly in the process of being repaid, in dollars, on time, and with interest -- which is obviously to our own economic advantage.



September, 1976

SUBJECT: Presidential Debates: MNC's, Technology Transfer,
and Foreign Policy

Since MNC's and the presumed export of jobs is a favorite theme of organized labor, this topic may be raised by Jimmy Carter. Tied with this is the transfer of privately owned technology in support of direct foreign investment, with the presumed loss of some U.S. technical leadership as well as jobs.

I recently participated in a National Academy of Engineering meeting on Technology Transfer -- it was run by Professor Milton Katz of the Harvard Law School; Katz is a foreign policy adviser for Carter and picked up the usual arguments about technology transfer (I don't think Katz knows too much so if he passes many conclusions to Carter the President should be able to handle it).

On MNC's and the export of jobs:

1. Direct foreign investment is a small portion of total private investment made in the U.S., so U.S. employment cannot be grossly reduced. When plants close in the U.S. and move off-shore, there are dislocations that are handled through unemployment insurance. But no major harm is done.
2. Foreign investment in the U.S. is up. Although small compared with U.S. direct foreign investment, reverse investment creates jobs here (the Volvo and VW auto plants might be cited).

3. Foreign direct investment enables U.S. firms to get into foreign markets that would be otherwise hard to penetrate by straight exports.
4. Data on job effects of MNC direct foreign investment suggest either neutral or favorable job consequences for U.S. employment.
5. Balance of payments effects are clearly positive.

There is another theme often raised about MNC's and technology transfer, namely, that the U.S. has been losing competitive position. Low comparative rates of productivity growth are cited in support of this notion. There is nothing new or remarkable here. Average U.S. output per man-hour still far exceeds any other economy. The U.S. has had large and growing trade surpluses in technology intensive products. And if the comparative measure selected is unit labor cost, the U.S. has done very well.

It's possible that an allegation could be made that foreign policy dominates and harms domestic economic welfare. The 1972 Soviet wheat sale could be cited; among other responses, President Ford wasn't President then. Some of our high technology joint ventures (e.g., the jet engines) might be cited. These ventures were all studied with domestic economic considerations in mind and no harmful effects were found. Effects were judged helpful to the U.S. "Interdependence" in the world economy might be raised in rejoinder (i.e., research funds are tight, all nations have particular technical talents, and the world needs high technology products).

SEP 16 1976

THE WHITE HOUSE
WASHINGTON

September 16, 1976

file -

Debate - Qs

follow up

2nd debate

MEMORANDUM FOR:

JACK MARSH

FROM:

MAX FRIEDERSDORF *M.F.*

SUBJECT:

Carter

I have it from a blue chip source that the Carter people have been to the House Appropriations Committee to quiz Ralph Preston on how Carter can explain in the debates how to cut \$5 billion from the Defense budget.

My source, a top executive with a defense contractor, said Ralph mentioned this to him and commented that he is very fond of the President, has worked closely with the Ford Administration and has attended two recent social functions at the White House.

I believe it would be possible for you to approach Ralph with the comment, "I wonder how Carter will handle his \$5 billion defense cut," and Ralph would tell you what advice he gave Carter.



1. Advise TI

2. See Ralph / today about 3:00

3. To Milce



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Policy
Washington, D.C. 20230

September 21, 1976

file
2nd debate Q+A
To Dural

MEMORANDUM FOR BRENT SCOWCROFT
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

L. WILLIAM SEIDMAN ←
ASSISTANT TO THE PRESIDENT FOR
ECONOMIC AFFAIRS

WS



SUBJECT: Q & A FOR PRESIDENT RE PENDING FOREIGN PAYMENTS
LEGISLATION

J.T. Smith and I (on behalf of the Task Force) and other Administration witnesses testified before the Murphy Subcommittee of the House Interstate and Foreign Affairs Committee this morning. The Administration argued its case--but we are doubtful as to whether our arguments had much effect. (Rod Hills led off by endorsing the Proxmire bill!) The Murphy Subcommittee, as you know, is considering only the Proxmire bill as it passed the Senate (86 to 0), and not our bill. In conversation after our testimony, Murphy said to me that he planned to proceed expeditiously to mark-up--and he expected the full committee to vote out a bill on Thursday, September 23. It would seem likely that things could move this quickly only if the intention is to report out the Proxmire bill.

Other sources report that Congressman Moss views prompt committee action as highly unlikely. Even if the House Committee reports out a bill, it could get to the House Floor for action only with the blessing of the Democratic leadership. If this were an ordinary bill in terms of its political sensitivity, one would certainly not expect House action in this Congress. On the other hand.... At this point, we cannot confidently predict what may happen. It is at least technically possible that the President could find the Proxmire bill on his desk in the near future. It would not seem to be possible, however, for the House to have acted by Thursday.

The attached suggested answer to a question on this subject is for use on Thursday--assuming the full House will not have acted as of that time.

Richard G. Darman

Richard G. Darman
Assistant Secretary for Policy



Q & A RE: PENDING FOREIGN PAYMENTS LEGISLATION

QUESTION: A bill making corrupt foreign payments by U.S. corporations and officials a crime under U.S. law has passed the Senate by the overwhelming vote of 86 to 0. (Note: At the time the question is put the bill may also have passed the House Interstate and Foreign Commerce Committee.) What is the Administration's position with respect to this issue?

ANSWER : We, of course, adhor bribery abroad, as we do at home. It is contrary to American foreign policy interests and to the economic and ethical principles which we stand for.

The problem with the legislation which has passed the Senate, however, is that, while it seems attractive, it is--in the opinion of virtually all experts who have examined this issue--essentially unenforceable. It would require access to foreign witnesses and foreign records which would remain beyond the reach of U.S. law.

The only workable way to get at this problem is through an international agreement. In March, we proposed the drafting of such an agreement to a committee of the U.N. I am pleased to note that our proposal has been received favorably--and that an international working group is scheduled to begin the work essential to the drafting of a treaty on October 11.

As regards unilateral legislative action by the United States, I have proposed "disclosure" legislation which would require reporting of foreign payments. This legislation is enforceable and is based on the notion best articulated by Justice Brandeis: that "sunshine is the best disinfectant." I regret that the Congress has not yet even had hearings on our proposed legislation.

While awaiting Congressional action--and indeed thereafter--we will continue to pursue the vigorous enforcement of current law through the SEC, the IRS and the Department of Justice.

