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INTERNATIONAL
ECONOMICS

OIL PRICES

FORD POSITION

The United States has made it clear to the OPEC countries in very forceful terms that we oppose any increase in oil prices, and that we do not consider the current high level to be in the interest of the world economy. I have been in contact with key countries to emphasize our view that prices are already too high and that another increase would be extremely damaging to the economies of many countries, industrialized as well as developing.

These policies have been successful to the point where there has been no oil price increase over the past year; an outcome due in large part to the moderating roles of responsible OPEC states such as Saudi Arabia.

At the same time, we are working with industrialized states in Europe and with Japan in order to develop mutually constructive solutions for economic issues which are troubling some of our key OPEC friends, and thereby reduce pressures for higher oil prices.

We have as well joined with other developed countries to establish the International Energy Agency to take common action to reduce our vulnerability to energy pressures from OPEC. Here at home I have submitted legislation to the Congress, most of which has regrettably not been enacted, to reduce our dependence on imported oil. These are the key elements of my Administration's comprehensive policy to deal with a very difficult problem.

Question: Why not use the leverage of arms supply and food to force OPEC not to raise prices?

Response: As far as retaliation with a cut in military or food assistance, economic warfare with certain OPEC countries to force them to lower oil prices would not only not solve the problem but would do further damage to the world economy. The Western Europeans and Japan (who are far more dependent on OPEC oil than ourselves and therefore more sensitive to the use of confrontational measures) would suffer greatly from any confrontation of that sort. Instead, we are using an affirmative approach to the problem, but we can hardly expect cooperation if the Congress constantly criticizes and harasses Saudi Arabia and Iran, which has been done in recent weeks.

Q: Why not use the leverage of arms supply and food to force OPEC not to raise prices?

A: Economic warfare by the US against OPEC countries to force them to lower oil prices would not solve the problem. There are many other sources of food and arms to which these countries could turn. For instance with respect to food we would succeed only in depriving our farmers of a good export market. Further, Western Europe and Japan are far more dependent on OPEC oil than ourselves and therefore would be reluctant to undertake economic warfare measures which would be unlikely to succeed. Rather than taking ineffective economic warfare measures, my Administration has pursued an affirmative policy of reducing our dependence, cooperating with other oil importers, and improving our relationship with oil-exporting countries.

-- We have developed mechanisms with other developed country oil consumers to share oil in the event of an embargo. And we have also agreed on a long-term program to conserve energy and increase production, as well as a joint effort to build national stocks.

-- Legislation to create a US domestic stockpile has been enacted. When stockpile efforts are complete, we will have a buffer to cushion quite a few months of OPEC cutbacks.



Q: Governor Carter has said that he would institute a total embargo against the OPEC nations if they again embargoed oil to this country, that he would consider this an "economic declaration of war". What would you do if the oil producers put a new embargo into effect?

A: We are prepared in many ways should another embargo occur. But I don't believe there will be another embargo. My Administration has taken major steps to develop good relations with the various nations of the Middle East, including moderate Arab nations, as well as Israel. We have been successful in reaching the Sinai II agreement and in strengthening economic cooperation with these countries. The solid prospects for continued progress in these areas are grounds for confidence that there will not be another embargo.

But we are also continuing to work to reduce our vulnerability to supply interruptions. I particularly regret, however, that Congress has failed to pass a number of measures which were vital elements in my comprehensive energy program. However, we now have in place a number of mechanisms which will reduce our vulnerability to embargoes.

-- The Alaska pipeline is moving toward completion.

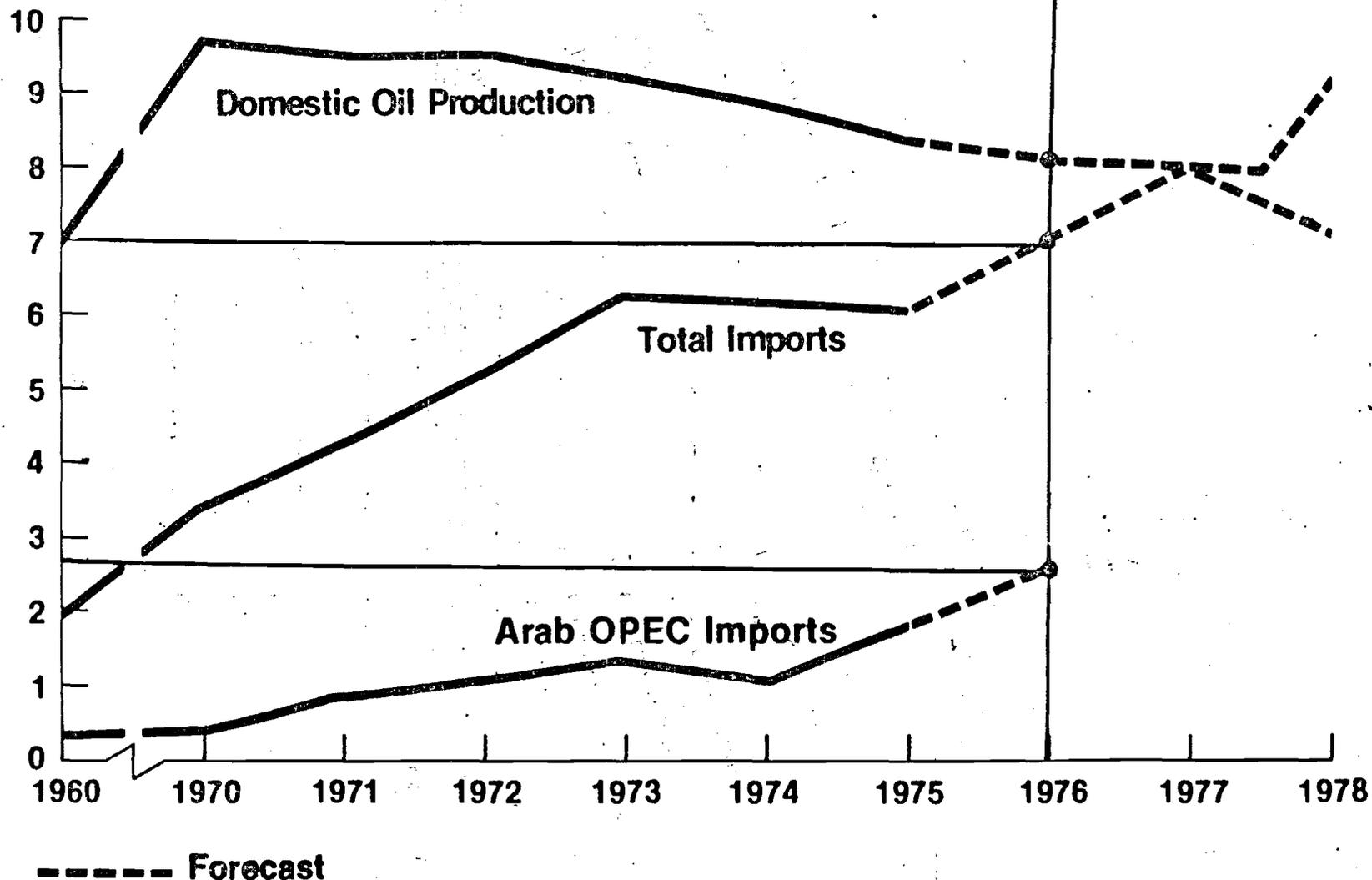
-- We have a well developed domestic distribution/allocation plan which can be instituted rapidly should it be required. In late 1973, we had to start from scratch.

Domestic Oil Production and Imports

CHART II

Source: FEA
Energy Situation
July, 1976

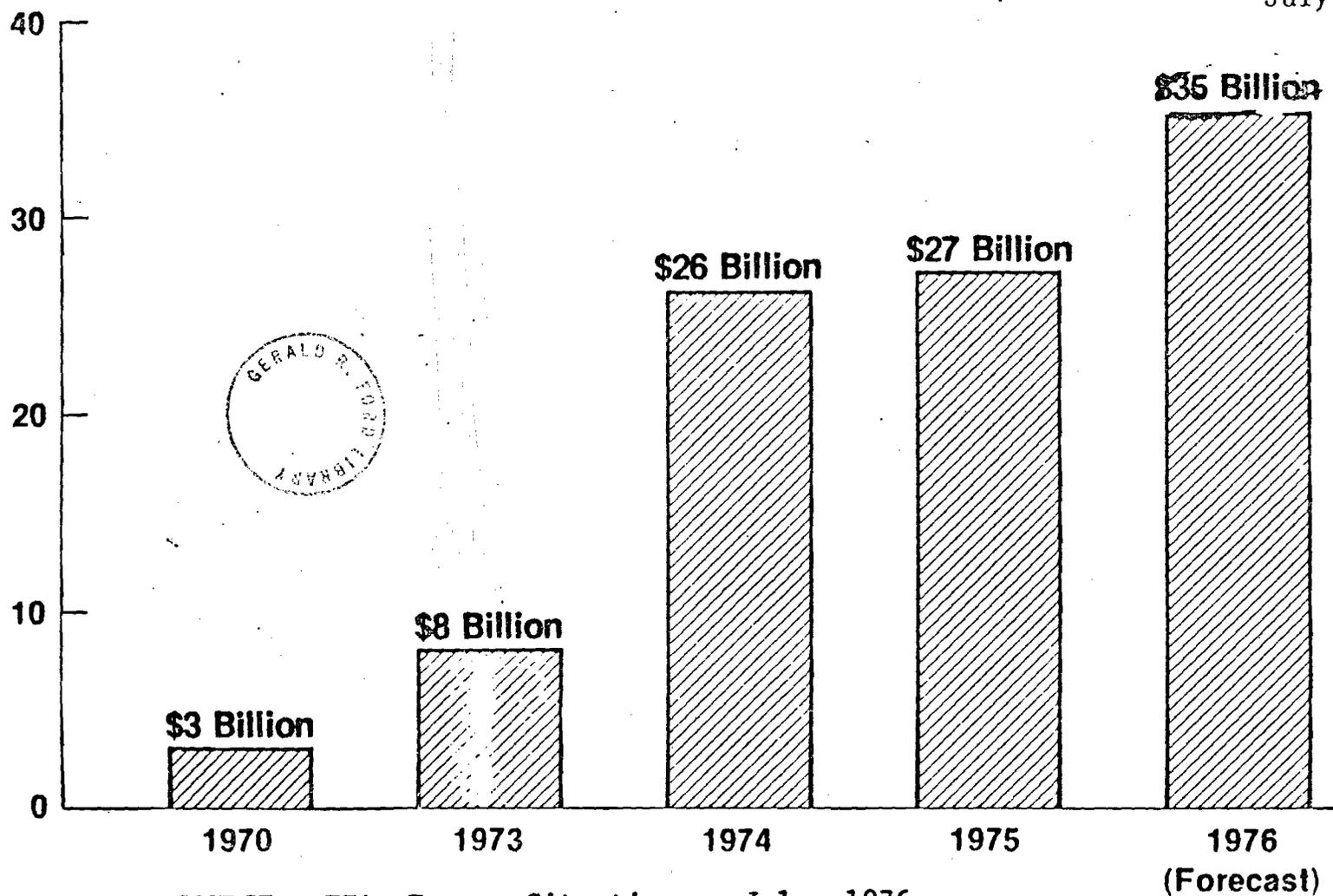
Millions of Barrels Per Day



U.S. Annual Payments for Petroleum Imports

Billions of U.S. Dollars

Source: FEA
Energy Situation
July, 1976



SOURCE: FEA, Energy Situation, July, 1976.

ENERGY SCORECARD

PRESIDENTIAL PROPOSALS
PASSED BY CONGRESS

1. NPR PRODUCTION
2. STRATEGIC RESERVES
3. STANDBY AUTHORITIES
4. COAL CONVERSION
5. APPLIANCE LABELLING
6. BUILDING STANDARDS
7. WEATHERIZATION
ASSISTANCE FOR LOW
INCOME PERSONS
8. PRICE-ANDERSON NUCLEAR
INSURANCE EXTENSION

ADDITIONAL BILLS
SIGNED INTO LAW

1. PHASED DECONTROL OF
OIL
2. AUTO EFFICIENCY
STANDARDS
3. COAL LOAN GUARANTEES
4. CONSERVATION LOAN
GUARANTEES
5. STATE CONSERVATION
PROGRAMS
6. EXPANDED R&D PROGRAMS

PROPOSALS STILL
WAITING ENACTMENT

1. NATURAL GAS DEREGULA-
TION
2. NATURAL GAS EMERGENCY
AUTHORITY
3. SYNTHETIC FUELS
COMMERCIALIZATION
4. INSULATION TAX CREDIT
5. ALASKAN GAS TRANSPOR-
TATION
6. NUCLEAR LICENSING
7. NUCLEAR FUEL ASSURANCE
8. CLEAN AIR ACT
9. ENERGY INDEPENDENCE
AUTHORITY
10. ENERGY FACILITIES SITING
11. UTILITY TAX INCENTIVES
12. UTILITY REGULATORY
REFORM
13. OIL SPILL LIABILITY
14. URANIUM ENRICHMENT
15. IMPACT ASSISTANCE



WORLD FOOD PROBLEM

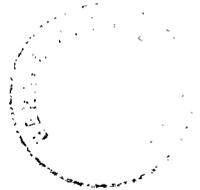
FORD POSITION

I am proud to say that the United States has a strong record of responding positively to the world food problem, in keeping with its long tradition of alleviating human suffering. This record reflects a humanitarian concern by the American people and a sense of responsibility which we, the richest nation in the world, feel toward those less fortunate.

As President, I have addressed constructively the two main aspects of the world food problem:

-- First, the immediate need for food assistance to hungry people. Thanks to the extraordinary productivity of the American farmer, the U.S. will be able to furnish this year about six million tons of food assistance, almost two-thirds of the 10 million ton annual food aid target set at the World Food Conference in Rome.

-- Second, the fundamental causes of the food problem. Through our foreign assistance programs we are working to improve agricultural production in poor nations, particularly those which suffer major shortfalls in food. This is of critical importance to their prospects for economic growth. It is, therefore, a key objective of our bilateral and multilateral foreign assistance efforts.



We are also cooperating with other nations to coordinate our assistance efforts and ensure that the burden is spread equitably among potential donors -- including the oil producing nations. All of our assistance agreements are written to encourage the recipient countries to proceed with measures necessary to encourage food production.

NORTH-SOUTH DIALOGUE

FORD POSITION

The United States has taken a clear role of world leadership in fashioning positive cooperation between the industrial and the developing nations.

It is in the best moral and historical tradition of the U.S. to assist the poorer nations to meet the pressing needs of their peoples. By far the largest portion of our development assistance -- 75 percent -- goes to the poorest people in the poorest countries (with per capita GNP of less than \$300 per year). And 83 percent of total bilateral development aid goes to programs -- such as food production, rural development, and nutrition -- which focus on the basic needs of the very poor.

The developing nations are economically important to us. They account for over one-fourth of our exports (\$39 billion out of \$107 billion last year), and they provide us with important commodities. We don't agree with all the demands of the developing countries, and we have resisted pressure tactics. Economic confrontation is in the interest of no country. But our record is clear: We are prepared for cooperation on the basis of mutual respect.

* * * *

Our record is a good one.

-- The World Food Conference in 1974 was called at U.S. initiative.

When the Conference met in Rome in November 1974, the U. S. presented comprehensive proposals to boost food output in developing countries, by raising productivity, better financing, and storage and distribution. An International Fund for Agricultural Development, which holds great promise for achieving these goals, has been created as a result of our initiative.

-- In September 1975, Secretary Kissinger's speech to the Seventh Special Session of the General Assembly was the most important initiative of its kind by this country in decades. We proposed a series of measures for international cooperation to promote development -- measures of trade, investment, technology, and measures to safeguard developing economies against disastrous swings in their export earnings.

-- The meeting of the International Monetary Fund (IMF) in Jamaica in January 1976 followed through on our proposal and created a \$1.5 billion fund to ease the financial impact on developing nations of drastic shortfalls in export earnings.

-- In the Multilateral Trade Negotiations in Geneva, a central point of our effort is to improve access to our markets for the poorer countries.

-- The U. S. has put into effect our own Generalized System of Preferences to give preference to the exports of developing country products.



-- At the meeting of the United Nations Conference on Trade and Development (UNCTAD) held in Nairobi in May of this year, Secretary Kissinger again proposed realistic and constructive programs to deal with the needs of the developing states and the world economy.

-- At the Conference on International Economic Cooperation (CIEC), launched in Paris last December, the U.S. has played a leadership role in this dialogue with the developing nations and oil exporting nations. Key issues of energy supply, raw materials supply and price, trade and finance are being addressed in this new forum.

So this country can be proud of our efforts to help the poorer countries. Most of the criticism shows basic ignorance of what has been going on. I must add that I have been disappointed that the Congress has not fully supported our efforts -- I have in mind particularly its failure to appropriate fully my requests for the international development lending banks. But I am heartened by what seems to be increasing recognition of the importance of my proposals in this area.



FOREIGN ASSISTANCE

FORD POSITION

We provide foreign aid for two major reasons. One, because it is morally right that the U.S. -- the world's richest country -- join with other nations in helping poor peoples to improve their lives. Two, because it is important to our national interest to identify with, and support, the efforts of developing nations to improve their standards of living and to protect their security. Failure to do this would surely contribute to a sharper confrontation between the developed and the developing nations.

There are many myths about American aid, and we often hear them in an election year. Let's look at some facts.

One myth is that our aid does not go to those who need it. The fact is that by far the largest portion of our development assistance goes to the world's poorest peoples. Since 1973, the Congress and the Executive Branch have cooperated to focus our aid directly on the low income groups. Currently, more than 75% of our bilateral development assistance to specific countries is going to nations with a per capita income of less than \$300 per year. Furthermore, over 80% of total bilateral development assistance is destined for programs -- such as food production, rural development, nutrition, population planning, health, and education -- which focus on the critical needs of the poor majority in the poor countries. Looking at our multilateral assistance, which we give through the World Bank and other international financial institutions, we find much the same story.

More than half of the funds expended by these institutions last year went to countries with per capita incomes of less than \$375. In the case of security assistance, the main recipient with GNP per capita of over \$300 per year is Israel. Is the implication of those who criticize our program on these grounds that we should cut back on this assistance?

Another myth is that our assistance is an international giveaway which has no real impact. The fact is that our assistance is based on the principle of helping people to help themselves. A Chinese proverb says that if you give a man a fish you have given him food for a day, but if you teach him how to fish, you have given him food for a lifetime. Our assistance does provide direct relief for human suffering, but it is focused on the longer-term need to help developing countries develop the capacity for self-sustaining economic growth. While it is difficult to see dramatic progress overnight, we have over the years helped improve the lives of millions of people in poor nations -- providing them with better homes, better education, better health, and better nutrition.

Others argue that we get nothing back from our economic assistance. The fact is that it is very much in our national interest to provide foreign aid. Politically, while recipients do not always agree with us or vote the way we do, on every issue, our cooperative relationship in the aid area has helped us to establish the basis for better relations in a number

of other areas of importance to us. From a security point of view, our assistance has helped friendly nations to protect themselves. And, many countries who were formerly recipients of aid are now growing markets for U.S. exports and sources of important raw materials. Every President since World War II has recognized that aid is a good investment in a more prosperous and secure world for ourselves and for our children.

Turning to economic security supporting assistance, which we provide to support countries' security as well as development efforts, the myth is that we are proping up corrupt dictators. The fact is that in 1977 95% of the security supporting assistance I have requested will support our effort to achieve a just and lasting peace in the Middle East.

We now have peace in this vital region, and we will continue to work for more stability. Such assistance will remain an integral part of our diplomatic efforts. In fact, we provide both security and development assistance to countries around the world and with various types of governments, some quite close in character to ours, some quite different. Regardless of the type of government a developing country has, however, it will still have large numbers of very poor people, who need assistance. I can assure you that we make every effort to ensure that our aid benefits these needy people. (Moreover, history has demonstrated that cutting off aid is counterproductive in influencing the policies of other countries.)

Although I believe we are on the right track, I am also convinced that we can effectively provide somewhat more foreign assistance.

Congress has repeatedly failed to appropriate the funds necessary to adequately assist many developing countries. For 1976 and 1977, Congress has cut almost a billion dollars from my economic assistance requests,* and these cuts have sharply reduced the flow of U.S. assistance to the needy people of the world.** Governor Carter has suggested that aid levels should be increased to .5% of GNP, which in 1976 would amount to roughly \$8 billion, \$4 billion more than the amount of aid Congress provided. While I support foreign aid, and I will continue to request what I believe to be necessary, I believe most Americans would agree that this would be too much, given our priorities at home.

* The Administration request for bilateral and multilateral foreign aid was \$4,315.5 million in 1976 and \$4,651.6 million in 1977; Congress appropriated \$3,866.8 million and \$4,121.4 million, respectively. Total reduction, \$978.9 million.

** U.S. official development assistance has dropped to .26% of GNP, from .5% in 1960 and .3% in 1970. It still represents almost a third of total assistance from developed countries -- more aid than any other country in the world.

INTERNATIONAL ECONOMICS

FORD POSITION

No one who recalls the effects of the oil embargo of 1973 can fail to recognize that the United States has become increasingly affected by events in the world economy. When I took office the world was in the midst of a highly disruptive energy crisis, experiencing rampant inflation, and in the early stages of the worst recession in the post-war period.

Upon assuming office I consulted with leaders of the other major industrial democracies to develop a coordinated approach to our common problems. These consultations culminated in two international Summit conferences -- in France last November, and in Puerto Rico this June. At these Summits the other leaders and I achieved an unprecedented degree of agreement and commitment to cooperation in shaping national policies to contribute to stable growth without inflation for all. We strengthened our common resolve to avoid harmful protectionist measures. We also developed both a coordinated approach to reduce payments imbalances and a cooperative effort to deal with the problems of the developing nations.

The success of our domestic policies which led to recovery at home has also helped restore the health of the world economy, and this strengthened world economy has in turn resulted in greater exports and more jobs for Americans.

Specifically:

-- In energy, under the leadership of the United States the

industrialized democracies came together to form the International Energy Agency to coordinate efforts to reduce our vulnerability to supply disruptions. We have developed a long-term program for conservation and development of new energy sources and an energy-sharing program to safeguard against a new crisis.

-- 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 future.

-- In the trade area, we are engaged in negotiations to reduce trade barriers and to ensure fair and orderly rules for the international trading system. This will help our industries, our farmers, our workers, and our consumers.

I am proud of the record of American leadership in this area.



RELATIONS BETWEEN THE DEVELOPED
AND DEVELOPING COUNTRIES

FORD POSITION

The United States has taken a position of firm world leadership fashioning positive cooperation between the industrial and the developing nations. We have turned the trend of these relations away from confrontation and into constructive discussion. We have made a major effort to find better ways to help poorer peoples overcome the hunger, malnutrition, and diseases which retard their development and to achieve their aspirations for a better life. ~~And~~ We have done this for reasons which are important to the American people.

-- It is in the best moral and historical tradition of the US to assist the poorer nations in economic development so they can meet the pressing needs of their peoples.

-- It is in the national interest to improve relations with the developing nations, which are economically important to us. They buy over a quarter of our exports (\$39 billion out of \$107 billion last year), and they provide us with commodities which are important to American jobs and to our standard of living.

We do not agree with all the demands or all the actions of the developing countries. We have resisted pressure tactics, whether economic or political. But our record is clear: We are prepared for genuine cooperation on the basis of mutual respect.

* * * * *

My Administration's record is one of initiative and leadership.

-- We have presented comprehensive proposals to boost food output in developing countries by improving productivity, financing, storage, and distribution. (World Food Conference, Rome, November 1974; and subsequently)

-- We launched this country's most comprehensive proposal ever to improve international cooperation for economic development -- a series of measures dealing with trade, investment, technology, and protection of developing economies against disastrous swings in their export earnings. (UN Seventh Special Session, New York, September 1975)

-- We led the effort to establish an IMF facility to ease the financial impact on developing nations of drastic shortfalls in export earnings. (IMF Meeting, Jamaica, January 1976)

-- We have instituted measures which will improve access to our markets for exports from the poorer countries, and are discussing additional measures to reduce global trade barriers. (Generalized ^{System} ~~Schedule~~ of Preferences, and Multilateral Trade Negotiations)

-- We are playing a leadership role in ongoing discussions between the industrialized, developing, and oil-exporting nations, on issues of energy, raw materials, trade, and finance. (Conference on International Economic Cooperation (CIEC), begun in Paris, December 1975)

* * * * *

This great effort to constructively work with the developing nations in a search for ways to help them meet their development objectives and improve the international economic system will benefit Americans and all peoples. The American people have over the years demonstrated their generosity to the world's poor and made a major contribution to the development effort. I believe that Americans will continue to support efforts to improve opportunities for economic growth in other nations. They will not, however, support schemes which would distort the international economy. This would not be in the interest of either the US or the developing nations.

QUESTIONABLE CORPORATE PAYMENTS

FORD POSITION

Bribery is contrary to the economic and ethical principles which we stand for, and it is contrary to American foreign policy interests.

The only effective 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 UN. Our proposal has been received favorably, and an international working group is scheduled to begin on October 11 the work essential to the drafting of a treaty. We are also discussing this problem in the OECD and at the Multilateral Trade Negotiations in Geneva.

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 articulated by Justice Brandeis, that "sunshine is the best disinfectant". I regret that the Congress has not yet even had hearings on my proposed legislation.

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 US law.

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. Our private enterprise system, which has provided a higher standard of living and greater economic security than other other, is under attack. We must renew and restore public faith in that system and see to it that the public knows that it is a clean and honest system. We think our initiatives are a vital step in that direction.



COMMODITY POLICY

FORD POSITION

The supply shortages and violent price swings of 1973 and 1974 were largely a consequence of the rampant world-wide inflation and subsequent recession. We are now working intensively with other nations to develop policies which will insure that these events are not repeated.

Our commodity policy is positive and constructive. It is designed to assure us that we will have needed raw materials at reasonable prices, and the exporting nations that they have reasonable growth in the earnings of their commodity exports.

We do not believe that commodity agreements are an effective way of achieving this goal. They risk actions which would increase prices to consumers by restricting supply, and distorting patterns of trade, investment and consumption, thus harming producers in the long run. Just as we combat such anti-competitive practices at home, we oppose arrangements which would arbitrarily fix prices or restrict trade internationally.

We do, however, recognize the need to help countries to protect their development plans against the disruption caused by volatile swings in export

earnings. In fact, earlier this year the other members of the IMF accepted our proposal for expansion of the International Monetary Fund facility which compensates developing countries suffering from shortfalls in their overall export earnings. This facility is now in place, and has provided substantial sums to needy developing nations.

We also recognize that the functioning of international markets for individual commodities can be improved through international cooperation. Thus, we have proposed:

-- The establishment of producer-consumer groups for major commodities to facilitate better information exchange on production, trade, and investment, to determine the root causes of problems affecting particular commodities, and to consider remedial measures. Remedial measures could include commodity arrangements providing for buffer stocks, where appropriate; but our commodity experts do not believe that such arrangements are appropriate for, or will benefit markets in, most commodities. (We have already agreed to commodity agreements on tin (which includes a small buffer stock) and coffee, after being ensured that consumer country interests were protected; we have rejected one on cocoa as not providing sufficient protection to consumer interests.)

-- The active encouragement by the World Bank and other financial institutions of needed investment in new minerals production.

-- The negotiation of supply access assurances and reductions in trade barriers.

* * * * *

This is a sound approach which is consistent with our basic philosophy of expansion of market-oriented world trade. It is vastly superior to a policy based on artificial control of prices through organized markets, which has repeatedly failed at home and abroad.

QUOTATIONS FROM FOREIGN LEADERS ATTENDING THE
PUERTO RICO SUMMIT

Giscard: "When we met at Rambouillet, six months ago, it was not clear that the world economy was committed to recovery. Today our economic situation is quite different from Rambouillet. In fact, most of the industrialized nations represented at this table have experienced strong recovery, as contrasted with the 1975 situation, and even better than our hopes expressed at Rambouillet."

Schmidt: "We all know how useful Rambouillet was. I am convinced that it was very helpful in our efforts to achieve recovery. I subscribe to what was said by President Giscard about progress since Rambouillet. I believe we exercised cooperation in analyzing and combating recession and in creating increasing domestic demand instead of permitting failing world demand. We used corresponding measures, policies which were compatible. We also avoided restricted trade measures at the expense of one another. And we exhibited a large measure of solidarity dealing with balance of payments problems."

Callaghan: "We are meeting here in Puerto Rico in an atmosphere different from Rambouillet. At Rambouillet it was a feeling of gloom. There was no real optimism that recovery was under-way."

Miki: "When we assembled at Rambouillet in November, all of our national economies were showing declines. Unemployment was at high levels. Our free economies and democratic governments were on trial. That meeting, and subsequent months, have helped us to attain the self confidence we needed to stimulate our economies."

Ford: "When we met at Rambouillet last November, the discussion centered largely on how to assure a balanced recovery from the deep recession of 1974-75. The US economy was on the path to recovery at that time, but the upturn was not yet as visible. I am pleased to note that we now meet in an improved economic climate. In a number of countries, including my own, present recession of levels of output have been regained In many respects, our success in turning the recession around reflects the fact that we were able to refrain -- in the face of strong political pressures -- from instituting over-stimulative measures

Ford:
cont'd

"in our economies and from imposing restrictions on trade. Both these courses would have been short-sighted in nature and would have proved counterproductive."

JOINT DECLARATION
DORADO BEACH HOTEL -- JUNE 28, 1976

"The interdependence of our destinies makes it necessary for us to approach common economic problems with a sense of common purpose and to work toward mutually consistent economic strategies through better cooperation.

"We consider it essential to take into account the interests of other nations. And this is most particularly true with respect to the developing countries of the world.

"It was for these purposes that we held a broad and productive exchange of views on a wide range of issues. This meeting provided a welcome opportunity to improve our mutual understanding and to intensify our cooperation in a number of areas."

A copy of the Puerto Rico Declaration is attached.

INTERNATIONAL SUMMIT CONFERENCE IN PUERTO RICO

Text of the Joint Declaration Issued at the Conclusion of the Conference at the Dorado Beach Hotel. June 28, 1976

The heads of state and government of Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America met at Dorado Beach, Puerto Rico, on the 27th and 28th of June, 1976, and agreed to the following declaration:

The interdependence of our destinies makes it necessary for us to approach common economic problems with a sense of common purpose and to work toward mutually consistent economic strategies through better cooperation.

We consider it essential to take into account the interests of other nations. And this is most particularly true with respect to the developing countries of the world.

It was for these purposes that we held a broad and productive exchange of views on a wide range of issues. This meeting provided a welcome opportunity to improve our mutual understanding and to intensify our cooperation in a number of areas. Those among us whose countries are members of the European Economic Community intend to make their efforts within its framework.

At Rambouillet, economic recovery was established as a primary goal and it was agreed that the desired stability depends upon the underlying economic and financial conditions in each of our countries.

Significant progress has been achieved since Rambouillet. During the recession there was widespread concern regarding the longer-run vitality of our economies. These concerns have proved to be unwarranted. Renewed confidence in the future has replaced doubts about the economic and financial outlook. Economic recovery is well under way and in many of our countries there has been substantial progress in combatting inflation and reducing unemployment. This has improved the situation in those countries where economic recovery is still relatively weak.

Our determination in recent months to avoid excessive stimulation of our economies and new impediments to trade and capital movements has contributed to the soundness and breadth of this recovery. As a result, restoration of balanced growth is within our grasp. We do not intend to lose this opportunity.

Our objective now is to manage effectively a transition to expansion which will be sustainable, which will reduce the high level of unemployment which persists in many countries and will not jeopardize our common aim of avoiding a new wave of inflation. That will call for an increase in productive investment and for partnership among all groups within our societies. This will involve acceptance, in accordance with our individual needs and circumstances, of a restoration of better balance in public finance, as well as of disciplined measures in the fiscal area and in the field of monetary policy and in some cases supplementary policies, including incomes policy. The formulation of such policies, in the context of



growing interdependence, is not possible without taking into account the course of economic activity in other countries. With the right combination of policies we believe that we can achieve our objectives of orderly and sustained expansion, reducing unemployment and renewed progress toward our common goal of eliminating the problem of inflation. Sustained economic expansion and the resultant increase in individual well-being cannot be achieved in the context of high rates of inflation.

At the meeting last November, we resolved differences on structural reform of the international monetary system and agreed to promote a stable system of exchange rates which emphasized the prerequisite of developing stable underlying economic financial conditions.

With those objectives in mind, we reached specific understandings, which made a substantial contribution to the IMF meeting in Jamaica. Early legislative ratification of these agreements by all concerned is desirable. We agreed to improve cooperation in order to further our ability to counter disorderly market conditions and increase our understanding of economic problems and the corrective policies that are needed. We will continue to build on this structure of consultations.

Since November, the relationship between the dollar and most of the main currencies has been remarkably stable. However, some currencies have suffered substantial fluctuations.

The needed stability in underlying economic and financial conditions clearly has not yet been restored. Our commitment to deliberate, orderly and sustained expansion, and to the indispensable companion goal of defeating inflation provides the basis for increased stability.

Our objective of monetary stability must not be undermined by the strains of financing international payments imbalances. We thus recognize the importance of each nation managing its economy and its international monetary affairs so as to correct or avoid persistent or structural international payments imbalances. Accordingly, each of us affirms his intention to work toward a more stable and durable payments structure through the application of appropriate internal and external policies.

Imbalances in world payments may continue in the period ahead. We recognize that problems may arise for a few developed countries which have special needs, which have not yet restored domestic economic stability, and which face major payments deficits. We agree to continue to cooperate with others in the appropriate bodies on further analysis of these problems with a view to their resolution. If assistance in financing transitory balance of payments deficits is necessary to avoid general disruptions in economic growth, then it can best be provided by multilateral means coupled with a firm program for restoring underlying equilibrium.

In the trade area, despite the recent recession, we have been generally successful in maintaining an open trading system. At the OECD we reaffirmed our pledge to avoid the imposition of new trade barriers.

Countries yielding to the temptation to resort to commercial protectionism would leave themselves open to a subsequent deterioration in their competitive standing; the vigor of their economies would be affected while at the same time chain reactions would be set in motion and the volume of world trade would shrink, hurting all countries. Wherever departures from the policy set forth in the recently renewed OECD trade pledge occur, elimination of the restrictions involved is essential and

urgent. Also, it is important to avoid deliberate exchange rate policies which would create severe distortions in trade and lead to a resurgence of protectionism.

We have all set ourselves the objective of completing the Multilateral Trade Negotiations by the end of 1977. We hereby reaffirm that objective and commit ourselves to make every effort through the appropriate bodies to achieve it in accordance with the Tokyo Declaration.

Beyond the conclusion of the trade negotiations we recognize the desirability of intensifying and strengthening relationships among the major trading areas with a view to the long-term goal of a maximum expansion of trade.

We discussed East/West economic relations. We welcomed in this context the steady growth of East/West trade, and expressed the hope that economic relations between East and West would develop their full potential on a sound financial and reciprocal commercial basis. We agreed that this process warrants our careful examination, as well as efforts on our part to ensure that these economic ties enhance overall East/West relationships.

We welcome the adoption, by the participating countries, of converging guidelines with regard to export credits. We hope that these guidelines will be adopted as soon as possible by as many countries as possible.

In the pursuit of our goal of sustained expansion, the flow of capital facilitates the efficient allocation of resources and thereby enhances our economic well-being. We, therefore, agree on the importance of a liberal climate for international investment flows. In this regard, we view as a constructive development the declaration which was announced last week when the OECD Council met at the Ministerial level.

In the field of energy, we intend to make efforts to develop, conserve and use rationally the various energy resources and to assist the energy development objectives of developing countries.

We support the aspirations of the developing nations to improve the lives of their peoples. The role of the industrialized democracies is crucial to the success of their efforts. Cooperation between the two groups must be based on mutual respect, take into consideration the interests of all parties and reject unproductive confrontation in favor of sustained and concerted efforts to find constructive solutions to the problems of development.

The industrialized democracies can be most successful in helping the developing countries meet their aspirations by agreeing on, and cooperating to implement, sound solutions to their problems which enhance the efficient operation of the international economy. Close collaboration and better coordination are necessary among the industrialized democracies. Our efforts must be mutually supportive, not competitive. Our efforts for international economic cooperation must be considered as complementary to the policies of the developing countries themselves to achieve sustainable growth and rising standards of living.

At Rambouillet, the importance of a cooperative relationship between the developed and developing nations was affirmed; particular attention was directed to following up the results of the Seventh Special Session of the UN General Assembly, and especially to addressing the

balance of payments problems of some developing countries. Since then, substantial progress has been made. We welcome the constructive spirit which prevails in the work carried out in the framework of the Conference on International Economic Cooperation, and also by the positive results achieved in some areas at UNCTAD IV in Nairobi. New measures taken in the IMF have made a substantial contribution to stabilizing the export earnings of the developing countries and to helping them finance their deficits.

We attach the greatest importance to the dialogue between developed and developing nations in the expectation that it will achieve concrete results in areas of mutual interest. And we reaffirm our countries' determination to participate in this process in the competent bodies, with a political will to succeed, looking toward negotiations, in appropriate cases. Our common goal is to find practical solutions which contribute to an equitable and productive relationship among all peoples.

NOTE: Participants in the 2-day Conference were President Ford, Valéry Giscard d'Estaing, President of the Republic of France, Pierre Elliott Trudeau, Prime Minister of Canada, Helmut Schmidt, Chancellor of the Federal Republic of Germany, Aldo Moro, Prime Minister of Italy, Takeo Miki, Prime Minister of Japan, and James Callaghan, Prime Minister and First Lord of the Treasury of the United Kingdom of Great Britain and Northern Ireland.

The text of the joint declaration was released at Dorado Beach, P.R.

International Summit Conference in Puerto Rico

Remarks of Secretary of State Henry A. Kissinger and Secretary of the Treasury William E. Simon in a Question-and-Answer Session With Reporters at the Condado Beach Convention Center in San Juan. June 28, 1976

SECRETARY KISSINGER. Let me say that basically the purpose of this conference was to enable the leaders of the industrial democracies, a group of nations that between them have 60 percent of the world's GNP, to discuss a number of economic issues and to discuss a number of issues where economic and political considerations merge, such as East-West and North-South issues. They discussed them in a very free and relaxed atmosphere.

It was not a question of reading prepared statements at each other, but, as Prime Minister Callaghan said, there was usually one of the leaders who introduced one of the issues and then there was a free and easy discussion.

We believe that on the major issues confronting these countries a large degree of understanding was reached that should help encourage the economic processes, and it should also enable the countries represented here to work together on international issues such as those that were mentioned in the communique. But what no communique can reflect is the many conversations that took place at the side, the attitude of the participants that reflected the

conviction that they represented parallel values and the realization that their destinies were linked together.

With this, let us answer your specific questions.

Q. Can any of you quantify the type of assistance that is in mind for Italy?

SECRETARY KISSINGER. There was no specific discussion of any particular amount nor indeed of the framework within which assistance can take place. There is a general statement in this document that we would apply to all circumstances in which there are persistent or temporary disequilibria and perhaps Bill can explain its significance better.

SECRETARY SIMON. Well, there is an existing agreement in the International Monetary Fund that loans can be made on a supplementary basis when resources are needed to forestall or to cope with a temporary problem in the international monetary system that is impairing its proper functioning. And we discussed the possibility of, if something like this were needed, as I believe the communique says verbatim, what type mechanism should be brought into place for transitory financing, for balance of payments purposes under very stringent economic conditions?

Q. May I ask the first Secretary—[laughter]—given the fact that you said we should not expect any dramatic developments out of this, can you give us an idea of any changes that might come about as a result of this meeting or any new directions that the United States' policy might take?

Comparative Economic Indicators for
Selected Industrial Countries

Table 1: Changes in Real Gross National Product

<u>Country</u>	1972/73	1973/74	1974/75	1st Q 1975/ 1st Q 1976
United States	5.5	-1.7	-1.8	7.3
France ¹	6.0	2.7	-3.0	1.6 ²
Germany	5.1	0.4	-3.4	5.3
United Kingdom	5.5	0.7	-1.6	1.8
Japan	9.9	-1.2	2.0	6.2
Canada	6.9	2.8	0.2	5.1

¹GDP - Gross Domestic Product

²4th Quarter 1974/4th Quarter 1975

Source: Department of Commerce

Table 2: Industrial Production

1967 = 100

<u>Country</u>	1970	1971	1972	1973	1974	1975
United States	106.6	106.8	115.2	129.8	129.3	117.8
France	120	128	135	145	148	135
Germany	133.8	136.4	141.7	151.1	148.6	138.3
United Kingdom	108.7	109.2	111.5	119.9	115.5	110.4
Japan	151.7	155.8	167.2	193.3	187.4	167.8
Canada	115.6	121.5	130	140.7	144.5	137.6

Source: Department of Commerce

Additional Highlights

--The trade surplus in 1975 was the largest in 25 years.

--During the period 1971-75 U.S. exports rose at an annual rate of 21% compared with 6% during 1961-65 and 10% during 1966-70.

--During 1971-75 exports increased at a faster pace than imports in contrast to the 1961-65 and 1966-70 periods where the import growth rate exceeded that of exports.

--In 1975 U.S. exports of agricultural goods accounted for over 20% of total U.S. exports. That percentage is below the 1973 figure (25%) but substantially above the rates during the late 1960's when exports of agricultural goods fell to less than 16% in 1969.

--In 1975, U.S. fuel imports reached 28.9% of total U.S. imports compared with only 7.8% in 1970.

--As a group, non-OPEC LDCs are our biggest customers.



Table 3: U.S. Foreign Trade by Country, Geographic Region or Political Grouping, 1965, 1970, 1975

(Billions of U.S. Dollars)

	1965			1970			1975		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Canada	5.7	4.9	.8	9.1	11.1	-2.0	21.8	21.7	0.1
EC	7.2	4.9	2.2	11.3	9.2	2.1	22.9	16.6	6.3
Japan	2.1	2.4	0.3	4.7	5.9	-1.2	9.6	11.3	-1.7
OPEC	1.4	1.7	-0.3	2.1	1.7	0.4	10.8	17.1	-6.3
Non-OPEC LDCs	7.6	5.5	2.1	10.9	8.8	2.2	28.5	22.2	6.3
Communist Countries*	0.1	0.1	-	0.4	0.2	0.2	3.1	0.9	2.2

Table 4: U.S. Exports by Country, Geographic Region or Political Grouping, 1965, 1970, 1975

(In Percentage Terms)

	<u>1965</u>	<u>1970</u>	<u>1975</u>
Canada	21.3	21.3	20.3
EC	27.0	26.5	21.4
Japan	7.9	11.0	9.0
OPEC	5.2	4.9	10.1
Non-OPEC LDCs	28.5	25.5	26.6
Communist Countries*	0.4	0.9	2.9

*Soviet Union, China, Eastern Europe

Sources: Department of Commerce, Council of Economic Advisors

FOREIGN TRADE DATA SHEET

Table 1: U.S. Foreign Trade (1970-1975)

(Billions of Current U.S. Dollars)

	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1970	42.7	40.0	2.7
1971	43.5	45.6	-2.0
1972	49.2	55.6	-6.4
1973	70.8	69.5	1.3
1974	98.5	100.3	-2.3
1975	107.1	96.1	11.0
1976 (Est.)	115.	122.	-7.0

Table 2: U.S. Foreign Trade by Commodity Groups (1965, 1970 and 1975)

(Billions of Current U.S. Dollars)

	<u>EXPORTS</u>					
	1965		1970		1975	
	Value \$	As % of Total	Value \$	As % of Total	Value \$	As % of Total
Agricultural Products	6.2	23.2	7.2	16.9	21.9	20.4
Minerals and Metals	2.1	7.8	3.5	8.1	6.5	6.0
Fuels	.9	3.4	1.6	3.7	4.5	4.2
Manufactured Products	17.2	64.4	29.1	68.1	71.3	66.3
Others	.3	1.1	.7	1.6	3.2	3.0
	<u>IMPORTS</u>					
Agricultural Products	4.1	19.2	5.8	14.5	9.5	9.9
Minerals and Metals	4.2	19.6	5.3	13.3	8.7	9.0
Fuels	2.2	10.3	3.1	7.8	26.5	27.6
Manufactured Products	10.2	47.7	24.5	61.3	48.9	50.9
Others	.7	3.3	1.3	3.3	2.5	2.6

Table 3: Quarterly Rate of Unemployment (1st Quarter 1974 - 2nd Quarter 1976)
(Percent of Civilian Labor Force)

Country	1974				1975				1976	
	I	II	III	IV	I	II	III	IV	I	II
United States	5.0	5.1	5.6	6.7	8.1	8.7	8.6	8.5	7.6	7.4
Germany	1.6	1.9	2.3	2.9	3.2	4.0	4.4	4.3	4.0	3.8
United Kingdom	2.8	2.9	3.0	3.2	3.7	4.5	4.7	6.0	6.2	6.9
Japan	1.3	1.3	1.4	1.7	1.7	1.8	1.9	2.2	2.0	NA
Canada	5.3	5.2	5.3	5.6	6.7	7.0	7.1	7.1	6.8	7.2
France	3.0	2.8	2.9	3.5	3.9	4.2	4.5	4.7	4.8	4.9

Source: Bureau of Labor Statistics

Table 4: Consumer Price Index

Country	1972/73	Annual Percentage Changes		2nd Q 1975/ 2nd Q 1976
		1973/74	1974/75	
United States	6.2	11.0	9.1	6.1
France	7.4	14.0	11.3	9.2
Germany	6.9	7.0	6.0	4.9
United Kingdom	9.1	16.2	24.1	15.9
Japan	11.8	24.4	11.8	8.9
Canada	7.5	10.9	10.8	8.6

Source: Department of Commerce

MIDDLE
EAST

MIDDLE EAST

FORD POSITION

We are involved in the Middle East negotiation because vital US interests (moral, strategic, economic) are at stake.

- Our commitment to the survival and security of Israel is non-negotiable.
- The Middle East is a strategic crossroads.
- The 1973 embargo and oil price rise cost Americans half a million jobs and one percent of national output, and added at least five percentage points to the price index.

We engaged in the negotiation at the request of the parties.

The step-by-step process achieved remarkable results (Egyptian-Israeli disengagement agreement of January 1974; between Syria and Israel in May 1974; Egyptian-Israeli Sinai Agreement of September 1975).

We are not wedded to one approach. It was always our expectation that at some point the step-by-step efforts would give way to a more comprehensive approach. Resuming the Geneva Conference might be appropriate at some point. It will depend on what is most workable and acceptable to all the parties.

Face to face negotiations are certainly a goal. We will seek them, but we are willing to continue our mediating role if this is desired. All the agreements thus far involved face-to-face talks at certain stages before or after.

We will proceed in all future negotiations, as we have in the past, in the closest consultation with Israel.

Israel's current proposal -- substantial territorial concessions, in return for an end to the state of war -- is a proposal that should be discussed.

The PLO is excluding itself from any negotiation as long as it refuses to recognize Israel's right to exist as a Jewish state.

US aid to Israel from FY '76 through FY '77 totals over \$4.2 billion.
All US aid from Israel's independence (1948) through FY '75 totaled \$6.1 billion.

Prime Minister Rabin has said that Israel's relations with the US are "at a peak," and he's right.

AFRICA

AFRICA

FORD POSITION

-- Africans want their future determined by Africans, free of outside interference.

-- This past year, events in Africa threatened to get out of control. Because we failed to stop Soviet-Cuban intervention in Angola, the trend toward radicalism and violence was sharply accelerated. Further intervention and great bloodshed seemed inevitable. Guerrilla war was underway in Rhodesia and threatening Namibia.

-- Because we alone had the trust of both sides, we were asked by many African leaders to use our good offices to help promote peaceful solutions while there was still time. That's why I sent Secretary Kissinger to Africa in April, where he announced a major new US initiative, to reduce tensions and condition the atmosphere for negotiations.

-- Our initiative was warmly welcomed by Africans of all races. We worked closely with Britain, which has an historical and legal responsibility for Rhodesia. We worked in close consultation with the leaders of African nations. And Secretary Kissinger met in Europe with Vorster.

-- The United States was in a unique position to help bring about negotiations to settle those issues. I considered it in the essential national interest of the United States to make this effort. Only we could do it. And we had to try, because of the enormous risks to peace if war escalated.

-- Our success last month is but the beginning of a process. The peoples and races of Rhodesia and Namibia now have to work out their own future. The American people can be proud of our African policy.



QUESTION:

Why did the Administration wait until so late to show concern for Africa? You got involved only when Angola happened.

FORD RESPONSE

We have always been deeply concerned with Africa. In the two years of my Administration, we have made far-reaching proposals for strengthening the world economy for the benefit of developing nations and for world prosperity. Our major initiative for increasing food productivity at the World Food Conference in 1974; our enormous program of assistance to the victims of the tragic Sahelion drought, as well as countless of other multilateral assistance efforts, amply demonstrate our readiness to help Africans help themselves.

In Southern Africa until recently, we had been working through Portugal, which had responsibility for those areas. It was the interference of the Soviet Union and its clients with the governmental arrangements worked out with the parties by the Portuguese and the subsequent Angolan conflict which precipitated the current situation.

The effort we have just made to promote racial peace and racial justice in Rhodesia and Namibia shows that our African policy is a success. We will not, however, pursue a policy of meddling where we are not wanted.

QUESTION: In Angola, why didn't the Administration level with the American people at an earlier stage? Why did you side with the Portuguese for so long and not support independence?

FORD RESPONSE

-- We sided with two African liberation groups which represented a clear majority of the Angolan people. They were overwhelmed by 17,000 Cuban combat troops and advisers and \$400 million in Soviet arms.

-- We had the support of all the neighboring African countries, and indeed the support of half the members of the OAU (Organization of African Unity), for our proposal of a negotiated compromise solution. The modest financial help we were giving could have produced such a solution.

-- Congress's action was reckless and short-sighted. The Cubans doubled the size of their forces after the Senate vote (in December), and the Soviets expanded their arms buildup.

-- The Congress was fully briefed, in accordance with all the new procedures for handling covert activities. Beginning in July 1975, we briefed eight separate committees on 24 separate occasions; more than two dozen Senators, 150 Congressmen, and over 100 staff members were kept informed.

QUESTION: Why are we selling arms to African countries instead of stopping the arms race there and increasing our economic aid?

FORD RESPONSE

-- An African nation has the same right to defend itself as any other nation. African nations have asked us for means of defense against massive Soviet arms in radical neighboring countries. Kenya and Zaire, for example, are two key pro-Western moderate African states. Kenya has a Soviet-equipped Somalia on its northern border and has come under threat from Uganda because of its role in the Entebbe raid; Zaire is surrounded by Soviet arms in radical hands in Angola, Uganda, and the Congo.

LATIN
AMERICA

LATIN AMERICA

FORD POSITION

It is a curious phenomena that those demanding a more aggressive Latin policy are the same ones complaining about our getting involved in other countries' affairs. They can't have it both ways.

I recall that in the early 60s we pursued a very vigorous program in which we developed paternalistic, expensive programs -- made in the USA -- for Latin America; we threw \$15 billion at Latin American problems dictating how it would be spent, and then were surprised when it didn't work. What it did do was engender resentment at our paternalistic approach and disillusionment and suspicion with our ability as an international leader.

In recent years we have altered our approach. We have learned to listen more and to talk less. When we do talk we are dealing maturely and realistically with matters of real concern to our southern neighbors.

Better communications have enabled us to put forward positive programs for improving hemispheric relations. We expressed the result of this approach last June at the OAS meeting in Santiago:

First, to give special attention to the economic concerns of Latin America, we want to create conditions for stable exports of the commodities that many Latin American countries depend on.

Second, to undertake detailed consultations to coordinate our economic positions; trade cooperation can stimulate economic growth.

Third, to consider special arrangements, such as transfer and development of technologies; we can make available the benefits of more than \$20 billion in research that the US sponsors.

This is a positive program and it has received significant support in Latin America. As a result our relations with Latin America and the Caribbean have never been better.

ASIA

CHINA - TAIWAN

FORD POSITION

The long-term prospects for peace depend on a normal positive relationship with China.

Cannot ignore nation with one quarter of world's population. China is a major country with a major role in the world. We have no practical choice but to deal with it.

We have already set the course for improving relations; trade is expanding; we have exchanges of visits.

I have met with Mao and Chinese leaders; I believe we have mutual understanding of each other's basic positions.

The goal is agreed. There is no timetable or specific formula. It will take time to work out the problems.

All parties agree there is only one China. A solution must be worked out -- but it is extremely important for us that this be done peacefully.

While we are normalizing relations with Peking, we will not abandon our commitments to Taiwan.

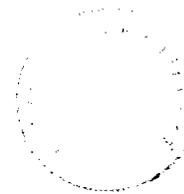
China knows that we want a good relationship. I believe we can find a solution because it is in the interest of both countries and of world peace.

Question: The Republican Party platform calls for the independence of the people of Taiwan and maintaining American defense commitments. Doesn't this repudiate your policy? How can you normalize relations, without giving up the independence of the people of Taiwan?

FORD REBUTTAL

The Republican platform deals with two issues: it endorses the normalization of relations with China. This is my policy, and I believe it has bipartisan support.

The second problem is the status of Taiwan. We will not abandon the people of Taiwan, but will work for conditions where their future will be a peaceful one.



Question: Reported that you are drawing down US personnel on Taiwan. Isn't this going to encourage the Chinese to believe they can simply wait, and then attack when US goes?

FORD REBUTTAL

We have told the Chinese leaders that as tensions are reduced in the area, we would reduce our military presence on Taiwan, much of which was related to the conflict in Southeast Asia. That is being done gradually. Important point is that tensions are, in fact, being reduced. Therefore, the chances for peaceful development of relations are improving.

This is a good sign as far as long-term settlement.

KOREA

FORD POSITION

Korea is focal point of possible Asian conflict.

North Korea is heavily armed and pursuing dangerously aggressive policies as we have just recently seen.

Therefore, it is essential that America be firm in the face of provocation and leave no doubt of its determination to live up to its obligations to defend Korea. This is only way to deter a new war in Asia. We proved this in August, when we stood firm. Our troops (42,000) are essential to the success of this policy.

Proposal by Democrats to reduce or pull out are dangerous, because they tempt attacks. We don't want repetition of 1950.

We have proposed a new conference with both Koreas, the United States and China. This is the way to ease tensions. Not unilateral withdrawals.

On human rights in Korea, our position is clear and we have made known our disagreements to President Park. But we must remember that Korea is **by hostile powers** practically surrounded/-- North Korea, the Soviet Union and China. Its very existence is at stake, with subversion ever present and open attack a constant threat. We cannot withdraw our troops, cut off our military aid, or blackmail Korean government, because it does not live up to our standards, when it faces half a million men on its borders.



Korea in hostile hands is a dagger pointed at the heart of Japan. Asians will lose faith in our reliability if we fail to live up to commitments in Korea.



NATIONAL DEFENSE

FORD POSITION

When I took office we faced a situation in which our defense budget had been reduced for eight years. In the last year before the beginning of the war in Vietnam, 42 percent of our budget went for national defense. By 1974 it had dropped to only 26 percent. In 1964 we spent 28 percent of all public spending on defense and 10 years later only 17 percent.

I was determined to reverse this disastrous trend before it did irreparable harm to our military capabilities. In the past two years I have fought for increases in our defense budget. Unfortunately, a year ago the Congress cut my proposals by almost \$7 billion. But this year we were able to establish a firm increase of \$11 billion.

These budgets, as well as the ones I will submit over the next four years, are designed to insure three basic objectives:

1. Under no circumstances can we permit a shift in the strategic balance. We must maintain the most modern missile and bomber forces. We have them today but only by supporting major programs such as the new Trident missile submarine, the B-1 bomber, and a new inter-continental ballistic missile, can we be guaranteed that we will have an adequate strategic deterrent in the 1980s.
2. We must provide our Army, Navy and Air Force with the most modern equipment. These conventional forces are a vital American

contribution to peace in Europe and in Asia. They are an indispensable deterrent to Soviet and Soviet proxy adventurism around the world.

3. We must make a major investment in research and development for the next decade. We cannot afford to be surprised; we cannot afford to be second best. Military technology will not stand still and we must remain at the forefront of progress.

My policy is to provide a strong national defense as the indispensable backdrop for taking every opportunity to reduce the arms competition. The agreement I negotiated at Vladivostok will put a ceiling on ballistic missiles and strategic bombers. When this is achieved we can move toward reduction of these systems.

Similarly, in Central Europe, where there are 200,000 American troops directly facing the forces of the Warsaw Pact, we are negotiating along with our NATO allies for a substantial reduction in the forces on both sides.

Moreover, we have just recently concluded new treaties that will restrain nuclear testing treaties, which I hope the Congress will approve.

So we will pursue two tracks.

1. To maintain a strong defense and
2. to negotiate reliable and fair arms control agreements to reduce the danger that these weapons will ever have to be used.

B-1 STRATEGIC BOMBER

Issue: Should we fund and develop the B-1, the most expensive bomber ever made?

FORD POSITION

The B-52 was built using technology of the 1940's and the early 50's. The B-52 has already been flying over 24 years. By the earliest date a B-1 could come into the force, they will have been flying 30 years. That is old by any measure, and especially in view of the rapid advance of technology.

A new strategic bomber is essential to cope with advances in Soviet air defense systems.

Our strategic forces have rested for 30 years on the so-called Triad -- ICBM's, submarine-launched ballistic missiles, and manned strategic bombers.

The Triad insures our ability to survive and respond adequately to any conceivable strategic attack on the US.

Bombers have the advantage of mobility, flexibility and recallability.

The B-1 will have a vastly improved capability to penetrate Soviet air defenses.

We need a new strategic bomber, and postponing it only adds to the cost.

FAT IN THE DEFENSE BUDGET

FORD POSITION

Those who would cut the Defense budget ought to sit down and study how our defense dollars are spent.

First, it should be understood that about half the budget goes for salaries. The size of our forces is at its lowest level since before the Korean War. Especially at those low levels, they must be used efficiently. That is why I have insisted on cutting support staffs and headquarters and putting more combat forces in the field. While our military strength is some 600,000 men below 1964 levels, we have almost the same number of Army brigades and almost the same number of tactical air squadrons today that we did then. We are continuing to look for ways to gain increased combat strength out of leaner, trimmer units.

Over the past two years we have made significant progress in improving the management and efficiency of the Department of Defense. I have proposed additional economies requiring legislation which would have saved approximately \$16 billion over a five-year period. Unfortunately, the Congress has thus far failed to act on a majority of those issues. Nevertheless, I am pleased that the Defense Appropriations Bill, which I signed on September 22, included some of the steps that I recommended.

While we have made progress in insuring the most efficient utilization of each defense dollar, we must recognize that you don't maintain modern, effective forces cheaply. We cannot meet the challenges of the 1980's with worn out weapons of the 1950's and 1960's. A major portion of our defense budget is dedicated to the development, purchase, and maintenance of today's sophisticated and complex ships, tanks, and planes. These are not items which are available off the shelf at cut-rate prices. They are products of the skill and ingenuity of America's scientific and industrial communities, and we can only cut so many corners before we weaken our ability to defend ourselves should the situation arise. This is why the defense budgets which I have submitted over the last two years have provided for real growth in national spending for defense for the first time in eight years. Where efficiencies can be made, we have made them and if the Congress would do its job, we would make some more.

It is easy to talk about "fat" and inefficiency, but it is quite another matter to strengthen our military capabilities without cutting our forces' muscle. I am convinced that the overall program I have recommended provides for major economies and efficiencies within the Defense Department. These programs have no fat. . . . To cut them deprives our military of muscle which is essential to the maintenance of national security.

LIMITED NUCLEAR WAR

QUESTION: Governor Carter has said that any first use of nuclear weapons, even tactical weapons, will most likely immediately escalate into all-out strategic war. He says he has read Soviet military theorists and claims this is the Soviet view. He has said that nothing short of the safety and existence of this country itself as a free nation would warrant our use of nuclear weapons.

FORD POSITION:

NATO strategy for almost 10 years has been based on the doctrine of "flexible response," which means we must be prepared at every level of possible warfare. This is the essence of a credible deterrence. Soviet strategy is to make their forces dual-capable, that is, equipped for either tactical nuclear war or conventional war. To rule out any use of a tactical nuclear weapon is to go back to the strategy of "massive retaliation," A President must have a choice between capitulation and all-out strategic war. In the face of the Warsaw Pact's tactical nuclear capabilities in Europe, NATO must maintain the capability to use these weapons if we are to deter this kind of attack. To rule this out is to undercut NATO strategy and renounce our commitment to come to our allies' defense. To announce in advance that we will never use a tactical weapon is an extremely dangerous policy. It could invite a major crisis. It would certainly cause grave concern in NATO.

TROOPS OVERSEAS

FORD POSITION

-- We station sizeable U.S. forces in Europe and Korea to deter aggression, and to make sure that we win if deterrence fails in either Europe or Northeast Asia. We now have the lowest number of military personnel deployed overseas since before the Korean War.

-- Although we are at peace, maintaining that peace depends on our continued demonstration -- to friends and enemies -- that our resolve is still firm. "In strength there is peace; in weakness lies the risk of war."

-- To withdraw our overseas forces would seriously weaken our deterrent and call into question our good faith among our NATO and Asian allies.

-- Any force reductions in Europe must be tied to reciprocal Soviet reductions.

-- In Korea the North Koreans periodically threaten the peace, most recently in August. When it happens, whether in Korea, Europe, or with the seizure of the Mayaguez, we must be able to demonstrate firmness, as we did.

-- Our actions reassured our Asian allies as well as our adversaries that the U.S. remains a Pacific power and will not tolerate aggression against our friends or Americans.

-- To pull our forces out would drastically reduce the credibility of our diplomacy or our efforts at arms reduction. Why should the

Soviets negotiate for something we will give away unilaterally.

-- Our troop presence abroad openly demonstrates our national will to honor our defense commitments to our allies. Reductions in these deployments, untill compensated for by reductions by our adversaries or strengthening of allied forces, can only be viewed as a weakening of that resolve.

REBUTTAL OF CARTER

BASIC REBUTTAL OF CARTER

There are several fundamental contradictions in Mr. Carter's position on Defense Policy.

He proposes that we withdraw troops from overseas, but that we strengthen relations with our allies -- those policies are contradictory.

He proposes a fundamental review of our NATO strategy, but promises constancy in our commitment to NATO -- those policies are contradictory.

He proposes a cut of from \$5 to \$7 billion in the Defense budget and considers scrapping the new B-1, but promises a strong defense posture -- those policies are contradictory.

At the same time, while proposing those cuts in defense, he says we should be tougher on the Russians. I know Brezhnev, and he is not a man who respects weakness.

While withdrawing from Korea, Mr. Carter wants closer relations with Japan. Those policies are contradictory. Our alliances have never been closer. I won't disrupt them by promising to reconsider them every four years. ||

Mr. Carter says we are neglecting the poorer countries. I would simply point out that the United States provides more assistance to developing nations than any other country and the bulk of our aid goes to the poorest countries. He wants to give more aid, yet the Congress last week cut my request by \$300 million. Mr. Carter's proposals for foreign aid would add more than \$3 billion to our foreign aid. Where is the money coming from?

Mr. Carter says that we aren't facing up to the new challenges -- food, environment -- what he calls the "global agenda." Yet on each major new issue, it is precisely the United States that has taken the lead -- in the UN Special Session (September 1975), we made and are carrying through on 40 specific proposals on these issues.

Governor Carter says the arms trade is "unsavory."

-- But who are we supplying? Our allies and friends, Israel and Iran, for example.

- We are committed to the support of Israel, and I don't believe the \$4 billion I have provided Israel is "unsavory."
- Military assistance to Iran began under President Truman. At that time the aid was a gift. Now that Iran is able to pay in cash has it become more unsavory? We are an ally of Iran -- a major oil producer which did not participate in the oil embargo -- a country which is bordered by the Soviet Union and Iraq -- a country which is pivotal in maintaining security over the vast oil resources of the Persian Gulf.
- It would be truly immoral to withhold aid from such a friend while Russia massively arms its Iraqi neighbor.

Finally, Mr. Carter complains that we have no policies on the proliferation of nuclear weapons, or export of nuclear technology.

- He has a new formula; he advocates what we have already achieved.
- He proposes a moratorium on export of nuclear reprocessing technology; yet, we have been negotiating with the nuclear suppliers on these subjects for almost 18 months.
- He proposes that we enter a five year moratorium on nuclear weapons test, without saying how we could verify it; but we have already negotiated two treaties putting a ceiling on the size of tests, with an exchange of information with the Soviets that allows verification and with on-site inspection.
- He proposes a World Energy Conference; the global energy problem has been under intense analysis since the International Energy Agency was established under US leadership in 1975.

Mr. Carter's positions show a lack of understanding of how foreign policy is really conducted. He talks about open policies, but he does not explain how to conduct a national referendum of the middle of a crisis. John Kennedy did not announce there were missiles in Cuba, and then ask what he should do. He decided what the national interest was, and then asked for support in carrying it out. When the Mayaguez was seized the American people expected me to act and I did.

The American people and our allies want decisive action in a crisis, and they want a consistent policy over the longer term. This means there is no place for experiments and tinkering and constant reviews. Other nations must know where we stand today, and not a year from now after we complete a study.

The Governor complains about morality and secrecy. But what is more moral than peace?

What is more moral than being faithful to allies?

What is more moral than helping the poorer countries?

What is more moral than nuclear arms control.

What is more moral than bringing peace to the Middle East.

What is more moral than trying to prevent bloodshed in Africa.

On openness, Mr. Carter complains about secret negotiations but then calls for "unpublicized talks" with the Soviet Union on the Middle East. He can't have it both ways.

Every agreement I have concluded or approved has been brought into the open and submitted to Congress as the law requires.

The American people, through our public expositions and presentations to the Congress, have been made fully aware of our foreign policy.* I believe that they support it.

* Secretary Kissinger has testified before Congress 83 times over the last 3 years.

DETENTE - HELSINKI - SONNENFELDT

Question:

Governor Carter says that when he becomes President he will be a tough bargainer with the Soviet Union. In return for technology, trade etc., he will ask for something in return. He says that at Helsinki you endorsed Soviet domination of Eastern Europe and he cites the Sonnenfeldt Doctrine as proof of this. He also claims that he would stand up for human rights in the Soviet Union.

Ford

Rebuttal:

As far as dealing with the Soviets is concerned, Governor Carter seems to have a confusing, contradictory idea. First, he advocates slashing the defense budget, probably cutting out a new bomber, and reviewing our NATO strategy. Then he says he will be a tougher bargainer.

Now I know Brezhnev and I have dealt with him and I believe I know the Soviet Union. We can't bully them or blackmail them but we can only deal with them if they respect us. And they certainly don't respect a country whose policies indicate retreat and weakening its own national security.

I have made major progress with the Soviets in getting an equal bargain on strategic arms limitation. I got a good bargain for our farmers and our consumers in our grain agreement where the Soviets are obligated to buy

six to eight million tons of grain every year, providing a stable market and eliminating the sharp price swings which had hurt our consumers.

As far as Eastern Europe and the Helsinki Conference is concerned, it is a deep insult to the leaders of the free nations to distort what was done there. The Prime Minister of Great Britain, the President of France and the Chancellor of Germany, all of our NATO allies and His Holiness the Pope are not such fools to sign the kind of agreements Mr. Carter claims resulted from the Conference. We have established certain standards of conduct -- for the first time obtaining Soviet agreement to specific standards of conduct -- and we intend to hold all countries who signed responsible. That includes the Soviet Union.

I am also baffled about this talk about a Sonnenfeldt Doctrine in Eastern Europe. You can't have it both ways. I have visited Poland, Romania, and Yugoslavia as President. Our relations with and support for the countries of Eastern Europe have never been stronger. I don't see how you can talk about conceding Soviet domination in light of this record -- unmatched by any Democratic President since World War II.



DEVELOPING NATIONS - GLOBAL AGENDA

Question:

Governor Carter says that you are ignoring the real problems of the future. In particular, the growing split between the North and South, that is between the richer and poorer countries. He also says that you treat the developing countries as pawns in a big power chess game and that we are 12th in rank in giving aid. He says that if elected, he will not tax the poor people of America to aid the rich people of foreign countries. He says in this light we must turn our attention toward the common problems of food, energy, environment, and trade.

Ford

Rebuttal:

Governor Carter is simply dead wrong on this issue. First, we give more help to the developing countries than any other nation. Second, over 70 percent of our development assistance goes to the world's poorest countries. Third, about half of the aid that I proposed for this year was devoted to food, nutrition and medical assistance. One of the problems is that the Congress consistently cuts these programs. Once again last week the Congress slashed \$600 million out of my request. As for the global agenda -- food, environment, population, etc., on every single issue the United States has been in the lead. Our basic position was set forth at great length in the September 1975 United Nations Special Session. We proposed and are following upon forty specific initiatives intended to meet the problems of the less developed countries. So I believe any idea that we are ignoring these problems is simply contradictory to the facts.

SECRECY - MORALITY

Question: Governor Carter has charged that your foreign policy is too secretive, that it is without moral principles and is largely the ideas of Henry Kissinger. He advocates a more open foreign policy which involves the American people and he says that every successful foreign policy -- such as the Truman Doctrine -- has been because of the knowledge, understanding and support of the American people.

Ford

Rebuttal:

Frankly, I do not understand what Mr. Carter is talking about. What is more moral than peace -- which we have today. What is more moral than being a faithful ally. What is more moral than protecting the American people by a strong defense.

Not one of these basic policies of the United States is secret. In fact, they have been permanent interests of the United States for thirty years.*

On involving the American people Mr. Carter seems to think that every time there is an international crisis the President should either conduct a Gallup Poll or convene a town meeting to decide what to do.

-- In time of crisis, the President must know what to do.

-- When I ordered our forces to recover the Mayaguez,

I couldn't take a Gallup Poll to see whether it would be approved by 51 percent.

* It is moral to bring peace to the Middle East. It is moral to try to prevent bloodshed in Africa. It is moral to provide aid to hundreds of thousands of drought and disaster victims.

-- When I ordered reinforcements to Korea last August, I couldn't wait weeks to see whether there was an international consensus.

-- The President must do what is right, not what is popular.

-- President Truman is justly praised for his major foreign policy decisions, yet he was extremely unpopular at the time he was making them.

I believe our policy reflects the fundamental beliefs of the American people and I also believe that they are well informed. All of this talk about openness and secrecy seems to me to disguise a refusal to deal concretely with important issues of national policy.

RELATIONS WITH MAJOR ALLIES

Question:

Governor Carter charges that we have neglected our allies because we have concentrated on wooing the major Communist powers. He advocates "trilateralism" -- that is a closer coordination between the United States, Japan and Europe. He claims you cannot achieve this because our relations with the allies have been too unpredictable and inconsistent.

Ford

Rebuttal:

The only answer I can give you on this vague position is to site the record:

-- The same day I took office as President, I summoned in the NATO Ambassadors to assure them that our policy of firm alliance with Europe would not change. I met with that same group only last week and detected no feeling that we were neglecting the North Atlantic Alliances.

-- In fact, I have met with all of our major allies both here, in Europe and the far east and with some of them several times -- more times than any other President in a two year period. They know me and they know that I am the firmest supporter of closer alliances.

Look at what we have achieved:

-- On energy, we created the International Energy Agency to coordinate our policies in case of another oil crisis.

-- On the international economy, we have reached an unprecedented degree of cooperation in shaping mutually reinforcing national policies.

Or lets take military matters. We are working with our allies to get better standardization of weapons. For example, the Dutch and Belgians will help produce the American F-16 fighter and we are developing our new tank in coordination with the Germans.

So on every front -- political, economic and military, our relations have never been closer and I will not undermine them by promising as Governor Carter does to "review" them. This can only call into question our constancy and reliability.



MIDDLE EAST

Question:

Governor Carter has been critical of step-by-step diplomacy in the Middle East. He says we should raise our sights and concentrate on a general settlement.

Ford

Rebuttal:

It is easy to say we need a peace settlement in the Middle East. This is in several United Nations resolutions, sponsored by the United States. But how do we make progress? That is the real issue.

Governor Carter says we should have "unpublicized" negotiations with the Soviet Union, but at the same time, he says that we need to prevent the growth of Soviet influence.

The Governor quite rightly says that the Palestinians must recognize Israel's right to exist, and he advocates reconvening the Geneva Conference. But the first issue at Geneva is whether the Palestinians should be allowed to participate. How would he solve that particular dilemma.

The Governor has said that Israel will have to return to the 1967 borders, but achieving a settlement that includes defensible borders for Israel is one of the major issues. How would he resolve that?

In short, there is nothing of substance in the Democratic approach. The real steps toward peace have come in the last few years under Republican administrations.

ARMS SALES

Question: Both Senator Mondale and Governor Carter have been highly critical of the sharp rise in our arms sales. Senator Mondale says we are in danger of becoming the arsenal and Governor Carter says that we can't be the champion of peace while we are the merchants of death.

Ford

Rebuttal: Governor Carter is badly misleading the American people on this issue. We have to deal with the facts and not clever slogans. This year I proposed arms sales of about \$6 billion and 60 percent of this was for a single program -- the sale of F-16 fighters to Iran.

Now Iran is a good case in point. First of all, our security assistance to Iran was begun by President Truman in 1950. For over two decades Congress provided Iran \$2 billion in economic assistance and \$1.4 billion in military grants and loans.

This relationship with Iran has continued under every President -- in fact, in 1966 President Johnson agreed to supply Iran with four squadrons of F-4 jet fighters, the most advanced fighters in existence at the time.

Now what is happening is that Iran is beginning to replace and expand its air defense. Naturally, they want the best weapons they can buy. Since Iran is a friend and

ally of the United States and has been for over 25 years, why should we turn them down.

Lets remember that Iran has a common border with the Soviet Union and Iraq and the Soviet Union is a heavy military supplier to Iraq, including fighters and bombers.

In addition, we should remember that Iran did not participate in the oil embargo in 1974. Further, selling arms to allies and making them more able to defend themselves reduces the likelihood of our becoming involved in their defense.

So in terms of military sales we are supplying friends like Israel and Iran and as far as I am concerned this is clearly in our national interest.

