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THE WHITE HOUSE

WASHINGTON
August 15, 1974

MEMORANDUM FOR: DAVID PARKER

FROM: WILLIAM E. TIMMONS

SUBJECT: Bipartisan Leadership Meeting

I understand the President wishes a congressional leadership meeting for Tuesday, August 20, at 8:00 a.m. in the Cabinet Room to discuss plans for the Economic Summit.

I recommend these Members be invited:

1. Rep. Carl Albert	Speaker
2. Rep. Thomas O'Neill	Leader
3. Rep. John Rhodes	Leader
4. Rep. John McFall	Whip
5. Rep. Les Arends	Whip
6. Rep. Olin Teague	Conference Chairman
7. Rep. John Anderson	Conference Chairman
8. Sen. James Eastland	President Pro Tem
9. Sen. Mike Mansfield	Leader
10. Sen. Hugh Scott	Leader
11. Sen. Robert Byrd	Whip
12. Sen. Robert Griffin	Whip
13. Sen. Frank Moss	Conference Chairman
14. Sen. Norris Cotton	Conference Chairman

This is the formal leadership of Congress and excludes Finance-Ways and Means, Appropriations, Banking, Joint Economic and Joint Budget Committee leaders.

However, it is assumed Members from appropriate committees will be involved in the substance of the Summit. The Tuesday list is "clean" and does not force the President to pick and choose.

Please advise soonest because invitations must be extended today before any public announcement is made.

cc: Gen. Alexander Haig
Jerry ter Horst

THE WHITE HOUSE

WASHINGTON
August 19, 1974

BIPARTISAN LEADERSHIP MEETING

8:30 - 10:00 a.m. (1-1/2 hours)

Tuesday, August 20, 1974

The Cabinet Room

From: William E. Timmons **BT**

I. PURPOSE

To discuss with Congressional leaders plans for Summit Meeting on Inflation.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Congress requested a Summit Meeting on the Economy -- with Administration officials, legislators, labor leaders and businessmen participating.
2. The President in his Joint Session address pledged to hold a Summit Conference and said he would personally preside.
3. This meeting is to plan activities leading up to the Summit: task force, composition, study papers, goals, procedures, etc.
4. NOTE: It is important for the President to make it clear that the Bipartisan leaders will choose Congressional participants in the Summit. It is suggested, however, that the President urge Albert, Rhodes, Mansfield and Scott to serve on the Steering Committee.

B. Participants:

In Tab A. The formal leaders are invited rather than those from substantive economic committees.

C. Press Plan:

1. White House Press Office to announce the meeting during Monday's news briefing.
2. White House Press Corps photographers to have TV and still photo opportunity at beginning of meeting. White House photographer to take pictures for President's use.
3. Counsellor Ken Rush to brief press after the leadership meeting.

II. AGENDA AND TALKING POINTS

- A. Agenda is in Tab B.
- B. Talking Points are in Tab C.

A

PARTICIPANTS

Executive

The President
The Secretary of the Treasury, William Simon
Chairman of Federal Reserve Board, Arthur Burns (must leave early)
Chairman of Council of Economic Advisers, Herbert Stein
Director of Office of Management and Budget, Roy Ash
Counsellor for Economic Affairs, Kenneth Rush

Senate

Mike Mansfield	Leader
Hugh Scott	Leader
Robert Byrd	Whip
Robert Griffin	Whip
Frank Moss	Conference Secretary
Norris Cotton	Conference Chairman

House

Carl Albert	Speaker
Thomas O'Neill	Leader
John Rhodes	Leader
John McFall	Whip
Les Arends	Whip
Olin Teague	Caucus Chairman

Staff

Dean Burch
Robert Hartmann
Jack Marsh
Alexander Haig
Bill Seidman
Jerry terHorst
Kenneth Cole
William Timmons
Tom Korologos
Max Friedersdorf
Bill Baroody

Regrets

Senator James Eastland - out-of-town
Rep. John Anderson - ill

B

AGENDA

I. PRELIMINARY REMARKS (30 minutes)

1. Thank you - prompt action on Agency to monitor wages and prices. (Talking points attached.)
2. Joint statement agreeing not to impose mandatory wage and price controls. (Talking points and proposed joint statement attached.)
3. Statement on General Motors price increase (statement attached).

II. SUMMIT CONFERENCE ON INFLATION (one hour)

1. Purpose of conference - consensus.
2. Format - pre-Summit meetings - Summit on September 30 and October 1.
3. Substantive
 - Present economic situation
 - Present policy
 - Budget
 - action areas - alternatives for reduction of the budget
 - (Talking points attached)
 - news ideas
4. Personnel - Mr. Rush, Cabinet Officers, etc.
5. Conclusion - No miracles but sound approach.

III. ANNOUNCEMENT OF SELECTION OF VICE PRESIDENT

C

V

E



TALKING POINTS

COST OF LIVING TASK FORCE

1. Thanks for such prompt action.
2. I am gratified that we are cooperating in this way and look forward to getting a clean bill later this week.
3. I also look forward to the contribution that the new monitoring agency can make in our fight on inflation.

TALKING POINTS

JOINT STATEMENT ON WAGE AND PRICE CONTROLS

1. The U.S. experience with wage and price controls has been disappointing. Nevertheless, there is a risk that price and wage decisions may anticipate a return to such controls causing inflationary pressures to increase.
2. There is widespread agreement in the Executive Office and Congress, as indicated by the Congressional rejection of authorizing legislation last April and the recent statement by Senator Bentsen, that we do not want to reimpose mandatory controls. Therefore, I recommend that we jointly issue a statement in which we agree not to impose mandatory wage and price controls.
3. A proposed joint statement is included at Tab C.

Proposed Joint Statement by Congressional Leaders and
the Administration Agreeing Not to Impose Mandatory
Wage and Price Controls

"Our economic system works best when competitive forces allocate our valuable labor and material resources. We have just completed a 2-1/2 year period of wage and price controls which disrupted the efficient operation of our economy. Widespread agreement among labor, management and government officials led to the expiration of the controls last April. While we will continue to search for every possible way to reduce inflation, we must avoid returning to mandatory wage and price controls. Fortunately, bipartisan agreement exists on this fundamental point. The Administration has clearly stated its opposition to mandatory controls in the testimony of economic officials before various Congressional committees. Democratic and Republican Congressmen also spoke out strongly against continuing controls last April when the authorizing legislation was allowed to expire. Most recently, the designated spokesman for the Democratic Party stated that 'he would not advocate a return to wage and price controls.' The leadership and the President agree."

(RUSH)

STATEMENT TO THE CONGRESSIONAL LEADERS BY THE PRESIDENT
WITH REGARD TO GENERAL MOTORS' PRICE INCREASE:

As you know, last week I stated that I was very disappointed over the size of the price increase put into effect by General Motors for its 1975 model cars. I did this, realizing that in fact General Motors has been acting quite responsibly in its pricing policy. During the 1972-74 period, its price increases have been well below those permitted by the rules of the Cost of Living Council. General Motors also made no price adjustment on its 1974 models in July while other manufacturers were increasing their prices because of announced other cost increases, particularly the steel price increase. In its announcement, General Motors has increased its 1975 model prices by 7% plus an additional \$130, or approximately 2 $\frac{1}{2}$ %, to reflect the cost of equipment to meet the new emission standards.

The day the letters to dealers announcing the price increases were being mailed, officials of General Motors told Ken Rush and Herb Stein of the action, in accordance with their long-established practice of keeping Government officials informed of such matters. Of course, neither Ken nor Herb gave any indication of approval.

Despite all this, it was my feeling that for me to

permit such a large price increase by the world's largest corporation to be announced and not mentioned by me would be misunderstood as indifference on my part or even tacit approval, with seriously adverse effects on our fight against inflation.

I am pleased to say that General Motors has taken my statement very seriously. Ken Rush has been in touch with officials of the company, and a further meeting between them is scheduled for this afternoon. I am very hopeful that as a result of such reconsideration, General Motors will promptly announce a reduction in the amount of the increase. If they do so, it would be a very encouraging example of cooperation and should have widespread beneficial influence on industry and labor to exercise restraint in price and wage actions.

I am giving you this information in confidence, since I would not want to upset the prospect for a successful conclusion to the talks with General Motors.

August 19, 1974

TALKING POINTS

SUMMIT CONFERENCE ON INFLATION

1. Pleased to join with Congress in fighting inflation - our #1 problem.
2. Conference must be a substantive effort to produce agreements and programs to reduce inflation.
3. No miracles can be expected - but progress and a plan can result.
4. Purpose of the conference:
 - (a) Clarifying present economic conditions.
 - (b) Seek consensus on fiscal policy and budget.
 - (c) Seek new ideas for examination.
 - (d) Determine where immediate action is needed - possibly wage-price guideline agreement between labor and management.
5. Format of Conference is a joint effort with Congress - our suggestions follow.
 - (a) Steering committee of eight (8) - four (4) from the Congress under chairmanship of Mr. Rush.
 - (b) A series of pre-Summit meetings with various sectors and chaired by the President or a Cabinet officer and attended by six (6) or more Members of the Congress.

Labor
Business (several areas)
Financial
State and local government
Agricultural
Consumers
Economists

Attendance: 20 - 40 from each sector.

Agenda will be provided.

(c) In addition, provision for receiving inputs from others in Congress, including the results of meetings held with constituents, individual written comments, and other information.

(d) A Two-day Summit Conference

(1) Delegates from each meeting will be selected to report at Summit.

(2) All participants will attend and be able to ask questions.

(3) Summit will be public.

(4) Part of pre-Summit meeting will be public.

(5) President will pre side.

(6) Schedule

August 26 - Cabinet

August 28 - Economists

September 4 - Labor

September 9-23 - Other pre-Summit meetings

September 30-October 1 - Summit Meeting

(7) A report from the Summit will be prepared.

Note: Optional - the possibility of a second Summit before January.

Monday
FYI
+ return

file

THE WHITE HOUSE
WASHINGTON
September 9, 1974

MEETING WITH REPUBLICAN LEADERS
8:00 - 9:30 a.m. (1-1/2 hours)
Wednesday, September 11, 1974
The Cabinet Room

From: William E. Timmons **BT.**

I. PURPOSES

To update leaders on current status of Inflation Summit;
to discuss legislation before Congress in its fall term.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

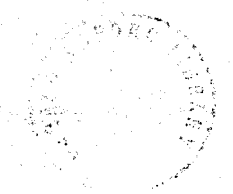
1. This will be the President's first meeting of Republican leadership.
2. The pre-Inflation Summit conferences are underway and will conclude on September 27 and 28.
3. Congress will have five weeks in its fall term to complete necessary business and the President will transmit his list of legislative expectations today.

B. Participants:

List in Tab A.

C. Press Plan:

Meeting to be announced by the Press Office. White House photographs only. Scott and Rhodes to have news briefing afterwards.



III. AGENDA

- A. Presidential Talking Points are in Tab B.
- B. Message to Congress is in Tab C.

PARTICIPANTS

Executive

The President

Senate

✓ Hugh Scott
✓ Robert Griffin
✓ Norris Cotton
✓ John Tower
✓ Bill Brock

House

✓ John Rhodes
✓ Les Arends
✓ John Anderson
✓ Sam Devine
✓ Lou Frey
✓ Barber Conable
✓ Dave Martin
✓ Robert Michel

Staff

Anne Armstrong
Roy Ash
Dean Burch
Robert Hartmann
John Marsh
Ken Rush
Jim Cavanaugh
Al Haig
William Seidman
Milton Friedman
William Timmons
Tom Korologos
Gene Ainsworth
Vern Loen

RNC

George Bush

Regrets

Senator Wallace Bennett
Rep. Jack Edwards

B

AGENDA

8:00 - 8:05 A.M.
(5 minutes)

INTRODUCTION
(The President)

8:05 - 8:15 A.M.
(10 minutes)

PRE-SUMMIT CONFERENCES
(Ken Rush and Bill Seidman)

8:15 - 8:30 A.M.
(15 minutes)

BUDGET DEFERRALS
(Roy Ash)

8:30 - 9:30 A.M.
(1 hour)

LEGISLATIVE DISCUSSION
(Bill Timmons)

TALKING POINTS

1. I appreciate the leaders coming in early, recognizing the advantage I have living somewhat closer to the office. Actually, I have to attend the second pre-summit inflation conference (on Labor) this morning but wanted enough time to discuss several items with the Republican leaders.
2. Because this is the first meeting I've had with this group, I would like to have an official picture taken by the White House photographer. So everybody smile
3. There are three items I would like to have discussed today:
 - Status of twelve conferences leading up to the Summit on Inflation, September 27 and 28. I will ask Ken Rush and Bill Seidman to fill us in on the planning and progress.
 - Budget recisions and deferrals which will be transmitted to Congress this week. Roy Ash will explain the plan.
 - Legislative priorities for the fall term. I plan to send a Message to Congress today or tomorrow outlining a few items that I would like to see considered before sine die adjournment. Bill Timmons will moderate a general discussion on this.
4. As we move through the agenda topics, I hope the leaders will feel free to comment or give me the benefit of your views.

c

I. NOMINATIONS

1. Rockefeller
2. 40 pending before Senate
3. 25 in pre-nomination clearance

II. APPROPRIATIONS

1. Agriculture
2. Defense HSC
3. State-Justice-Commerce HSC
4. Labor-HEW
5. Military Construction
6. Foreign Assistance
7. 1st Supplemental

III. AUTHORIZATIONS

1. Foreign Aid
2. State Department SHC
3. USIA SHC
4. Military Construction H
5. AMTRAK HSC
6. Export-Administration HSC
7. Defense Production HSC
8. Health Manpower
9. Health Services H
10. Health Resources
11. Ex-Im Bank H
12. Asian Development Bank ?

IV. LEGISLATION

1. Trade Reform H
2. Federal Mass Transportation H
3. Job Security Assistance
4. Deepwater Ports H
5. ERDA HSC
6. Gas Deregulation
7. Energy Taxes
8. Railroad Retirement
9. Illegal Aliens H
10. Rhodesian Chrome. S
11. Veterans Education H
12. Cargo Preference H
13. Surface Mining HSC
14. Reorganization Authority
15. New Judgeships

IV. LEGISLATION (continued)

- 16. National Health Insurance
- 17. Naval Petroleum Reserves S

NOTE: - Request legislation in Budget to reduce
- FY 75 spending by \$700 million
- Request action on Budget rescissions
- Request no action on Budget deferrals
- Request no action on Federal Pay deferral

V. DEFERRALS

- 1. Consumer Protection Agency H.
- 2. Capital Punishment S.
- 3. Tax Reform. X
- 4. Transportation Improvement
- 5. OEO Transfer H
- 6. No Fault Insurance S
- 7. Freedom of Information HSC
- 8. Toxic Substances HSC
- 9. Safe Drinking Water S,
- 10. Campaign Reform HSC,
- 11. DENR
- 12. Clean Air Act.

J. Friedman)

September 6, 1974

SPECIAL MESSAGE TO THE CONGRESS

the Congress of the United States:

In my first address before a Joint Session of Congress, I spoke of "communication, conciliation, compromise and cooperation." The Congress responded. We have communicated, conciliated, compromised, and cooperated.

I thank the bipartisan leaders and all Members for this working partnership. So far, we have had a good marriage.

I had serious objections to the SBA loan legislation, Public Works Appropriations, and D.C. Medical School bill. Recognizing congressional interest in particular elements of each measure, I signed them.

No effort was made to override measures that I had to veto. Congress responded promptly to my request for a Council on Wage and Price Stability. Landmark bills in the fields of Education, Housing - Community Development, and Pension Reform were passed. For these examples of cooperation of real benefit to so many Americans, I am grateful.



Of the specific proposals I am singling out today, some are at the conference stage. Others have passed only one House. A few have passed neither. But virtually all have been the subject of hearings and are in the mark-up phase.

NOMINATIONS

Of utmost importance for Congress in its fall term is the consideration of Nelson Rockefeller as my nominee for Vice President of the United States. The Administration will assist the Congress in all appropriate ways to expedite this nomination. The precedent for this procedure under the 25th Amendment to the Constitution has been established. I am sure there will be no inordinate delay in moving forward Governor Rockefeller's nomination.

There are other nominations before the Senate, some pending since last January. There are other candidates for Federal office in varying stages of clearances. I expect to be able to submit them to the Senate within a few days. I would hope Congress could expedite action on all these nominees so that none will have to be held over to 1975.

REDUCING 1975 SPENDING

Responding to the initiative of the distinguished majority leader of the Senate and other members of the Congress, I have convened bi-partisan summit meetings on the issue of inflation. Many of you are participating. The legislative and executive branches are working together.

We are seeking short-term answers to short-term problems and long-term answers to long-term problems.

A concerted effort must be undertaken to bring spending down to manageable proportions. An important first step in this effort is to bring Federal outlays under control in 1975, making possible a balanced budget in 1976.

I need the help of the Congress in reducing 1975 spending below \$300 billion. Several important cooperative steps by the Congress will be required to achieve this difficult target.

First, the Congress must resist temptations to add to spending totals through legislation now being considered. Responsible action calls for agreements on cuts, not increases. I solicit suggestions on any programs that might be curtailed or stopped. Let me know about any spending that seems unnecessary or inflationary.

In the same vein, I would hope the Congress could pass legislation proposed in the February Budget submission that would reduce 1975 spending by almost \$700 million.

Immediate action should be taken on the rescissions that I proposed in my first message to the Congress under the newly-enacted Budget and Impoundment Control Act. Moreover, the deferrals transmitted to Congress under the same Act should be supported. Overturning these actions could increase spending by as much as \$600 million in 1975 and by far more in 1976 and future years.

Finally, I need your support of my recommendation to defer the next Federal pay raise from October to January. It will be my intention to deal fairly with the just concerns of Federal workers. But I am asking them to join in the sacrifice I want all of the Federal Government to share. This action will reduce 1975 outlays by \$700 million. It will also set an example of wage restraint for the private sector. Let us practice what we preach.

These efforts are essential if our cooperation is to keep spending under \$300 billion. We simply cannot afford to fail.

APPROPRIATIONS

Eight of fourteen regular appropriations bills have been enacted. These measures in total represent a reduction of \$532 million from the Administration's Budget in spending authority and \$122 million in outlays for the current fiscal year. These are helpful moves in the right direction. I urge that this momentum be maintained.

There are seven money bills that require action during the balance of the session.

The Agriculture money bill was vetoed on the basis of excessive funding; the Defense appropriation is in conference with very sharp reductions. Levels below the House bill would be extremely unwise. State-Justice-Commerce is also in conference and undoubtedly will show a reduction in the Budget; Labor-HEW appropriations, however, appear to be moving in the direction of exceeding the Budget substantially.

Appropriations for Military Construction and Foreign Assistance have not yet passed the House of Representatives.

There is ample time to consider the remaining appropriations bills before adjournment. In addition, I will be sending essential but carefully limited Supplemental Requests for fiscal year 1975. I trust they will be considered an urgent priority.

LEGISLATION

It is unnecessary to submit a laundry list of Administration legislative initiatives to Congress. Leaders and Members know them as well as I do. I recognize the inevitable consequence of any legislative Message in the twilight of the 93rd Congress is to suggest deferment of some desirable legislation in favor of imperatives that are realistic in the existing time frame.

The Trade Reform bill has passed the House of Representatives but remains pending before the Senate Finance Committee. Efforts are underway to find a reasonable and mutually acceptable compromise to restrictive language that would deny Most Favored Nation status and Export-Import credits to the Soviet Union. I want to emphasize the extreme importance I attach to the granting of Most Favored Nation status to the USSR. Careful attention should also be given to the importance of Title V concerning tariff preferences for developing countries and providing appropriate limits for Trade Adjustment Assistance. This legislation is close to enactment, it would be a tragedy not to pass it.

In the area of foreign policy, Congress should also try to enact the Export-Import Bank Authorization, Asian and African Development Bank Authorizations, and the Foreign Assistance Act.

There are several significant problems in the State Department Authorization. I have requested Secretary of State Kissinger to work with appropriate leaders in an effort to resolve these differences.

The USIA Authorization has been passed by both Bodies and should be finally considered by a conference committee. The House version is preferred.

I know that a troublesome piece of legislation for me -- and perhaps one of the most important for the Nation -- will be the Foreign Assistance Act. I am disturbed over the deep cuts in many essential and worthwhile programs which contribute to our overall efforts to attain peace and stability in the world. In addition, the bill contains several restrictions on the Executive which would reduce my ability to meet obligations to American security and that of our friends abroad. I respect and strongly support the role of Congress in the area of foreign policy. But under the Constitution, the Executive is the spokesman for the Nation and must have adequate

freedom of action. While I plan to recommend changes in our approach to foreign aid in the coming year, and will propose realistic programs which we may all find acceptable and in the national interest, I strongly urge this Congress to continue the current programs unencumbered by unacceptable amendments which are harmful to the effective implementation of policy and unacceptable to me

Both bodies have passed an extension of the Defense Production Act. I hope the differing versions will be reconciled and sent to me for signature.

To promote more effective management of the Government's approach to our national energy resources, the Administration recommended creation of an Energy Research and Development Administration. This key legislation has now passed both Houses and hopefully will soon be considered by a conference committee. In its consideration of this legislation, I recommend to the conference committee that the provision calling for an Energy Policy Council be deleted and several other undesirable provisions be revised in accordance with ongoing discussions with conferees.

To increase the use of clean natural gas through competitive pricing of newly developed gas supplies, I urge the Congress to consider the Natural Gas Supply Act in its fall term. As we enter the

winter months, our energy resources must be effectively utilized for the benefit of all Americans. Gas deregulation which would increase supply is an important part of the Administration's response to the crisis.

Of major importance to our ability to provide sufficient energy in the years ahead is a proposal for the Federal Government to grant permits for construction, licensing and operation of Deepwater Ports beyond the three-mile limit. The House has passed a bill. Hopefully, the Senate will also move forward on this key measure.

Among the many energy-related bills before Congress, is the important Energy Tax Package. This measure imposes a windfall profits tax on the selling price of domestic crude oil with a forgiveness feature for investment, eliminates the percentage depletion deduction for U.S. taxes on foreign production of oil and gas and limits foreign tax credits available to U. S. oil and gas companies operating in foreign lands.

We learned from the recent oil embargo that we must be better prepared to reduce the impact of any future supply interruptions. At the time of the embargo our Naval petroleum reserves, set aside

through the foresight of the Congress for the specific purpose of assuring adequate supplies of essential fuels, could not be used in order to contribute to our national defense requirements.

In a moment of need, oil in the ground is useless. We must be able to produce and deliver our emergency petroleum reserves to the user. Presently, NPR-1 in Elk Hills, California, has proven reserves of approximately one billion barrels. NPR-4 in Alaska, although unexplored, has estimated reserves of up to 33 billion barrels. It is my intention to consult with the Congress on the best way to assure that the reserve capacities of NPR-1 and 4 are in a state where they can contribute effectively to our national security in any future energy crisis.

The Illegal Aliens legislation is necessary to establish clear guidelines regarding the law for employment of aliens who work in this country. The House has already passed a bill. I would hope the Senate could consider this measure during the fall term.

Real progress was made on the House floor in recent days when the Conference report on the Veterans Education Bill was substantially reduced in terms of Federal expenditures. I hope the Senate will now act in the same spirit. This can be done by reducing the benefit limit to the original Senate bill. It provided a substantial increase -- 18.2 percent. But cost-of living increases for our



veterans in school are necessary. I urge the Senate to reaffirm its original rate increase and send the bill to me so benefits can begin to flow.

In May of 1973, the Administration requested enactment of the Job Security Assistance Act. This proposal is an important part of our policy to assist in a period of rising unemployment. It would modernize the unemployment compensation system without violating the relationship between the States and the Federal government.

I recognize the concern of many that unemployment might rise because of the policies we must follow to fight inflation.

I am watching the unemployment rate very closely. This Administration will act with compassion. We will not permit the burden of necessary economic restraint to fall on those members of society least able to bear the costs.

The unemployment rate in August, announced last Friday, was 5.4 percent. While we certainly cannot be complacent about any American lacking work, we are thankful that the number is not larger.

The present situation calls for full use of available tools and dollars.



I have instructed Secretary of Labor Brennan to accelerate the obligation of currently available funds under the Comprehensive Employment and Training Act.

The Secretary will now disperse \$65 million to those communities in which unemployment is highest. By the end of the month he will make available another \$350 million under CETA Title II. This \$415 million will finance some 85,000 public sector jobs in State and local governments. Added to the almost \$550 million obligated for public service employment in June from the FY 1974 appropriation, and about \$50 million in prime sponsorships under the CETA Title I have allocated for this purpose, currently available resources will provide 170,000 public service jobs this coming winter. The effect of these actions will be to double the number of federally funded public service jobs. In addition, \$1.3 billion will be available to State and local governments for manpower programs.

Beyond this, I have instructed the Secretary of Labor, in consultation with my economic advisors, and drawing on the outcome of the Conference on Inflation, to develop contingency plans against the possibility that unemployment might give evidence of

rising to substantially higher levels. If the employment statistics demonstrate the need in the future, we will be ready to present such plans to the Congress and to work together to assure a mutually satisfactory course of action before the end of this session.

There are several health authorities that require extension this year. They are the Health Manpower Act, Health Services Act and the Health Resources Planning Act. All are necessary but, unfortunately, each currently has objectionable features in program provisions and excessive authorizations. I am instructing Secretary of Health, Education, and Welfare Weinberger to work closely with appropriate committees in an effort to enact reasonable legislation. I have not abandoned efforts to achieve a sound compromise on the Comprehensive Health Insurance Plan.

The House recently passed the Federal Mass Transportation Act. While the funding was kept to a level which I can support, certain structural changes in that bill are necessary. I am asking Secretary of Transportation Brinegar to work closely with the Senate in an effort to develop an acceptable bill.

I am pleased by the progress in the House on the Administration's proposal to improve the regulatory climate in the transportation industry. The bill presently before the House Commerce Committee, with certain modifications to ensure greater reliance on competitive market forces, would contribute substantially to the efficiency and vitality of this Nation's private sector transportation system. I urge the Congress to act promptly to complete its work on this important legislation.

The Amtrak Authorization legislation is now ready for Conference. Since major problems exist with the Senate version, I hope the Conference will adhere as closely as possible to the House version and soon present it for my signature.

I assume the ~~Senate~~ ^{Congress}, upon return from the summer recess, will pass the Military Construction Authorization bill, including expansion of the support facility at Diego Garcia.

The Export Administration Act is ready for conference action and should be reported soon.

The House and Senate conferees are now addressing the difficult issues involved in regulating the environmental effects of surface coal mining under the proposed Mined Area Protection Act.

This bill has been under consideration throughout this Congress. It would greatly reduce the problem of opening new coal mines if acceptable mined area legislation can be produced before adjourn-
of the Interior
ment. I am asking Secretary / Morton to continue discussions with appropriate leaders in an effort to reach an agreement over troublesome provisions in this measure, especially the potential for excessive funding levels.

Legislation to restore financial integrity to the Railroad Retirement system has not been enacted by either House. I urge legislation be adopted to accomplish this objective without resorting to a subsidy from either the Social Security taxpayers or the general taxpayers.

Court congestion impairs fair and speedy trials. The Administration supports legislation to create thirty new Federal District Court Judges. While this measure has been slow to move, I would hope Congress could expedite consideration in order to alleviate lengthy trials.

A bill to renew my authority to submit Executive Reorganization Plans has recently been sent to the Congress. During the past 25 years all Presidents have used this authority to improve management in the executive branch. I would like my Administration also to be able to utilize this effective tool of good government. I urge prompt bipartisan consideration of this bill.

It is apparent that I have referred to some legislative matters and omitted reference to others. As I have suggested, this is not an inventory of my total legislative concerns. I will send the traditional message to the Congress in January covering the broad spectrum of legislative programs. This will afford an interim opportunity for detailed study and review.

The 93rd Congress, in which I am proud to have served, has an opportunity to join with the Executive department at this point in history. We can respond together in the harmony that now exists between Republicans and Democrats, between Federal and local governments, between the Executive and Legislative branches, and between America and other nations. A momentous challenge confronts me as well as the 93rd Congress. Together, we can summon forth the reserves of energy, imagination, and devotion necessary to generate a new and proud era of American achievement. We cannot and will not fail the American people.

THE WHITE HOUSE

WASHINGTON

September 10, 1974

file

MEETING WITH BIPARTISAN LEADERS

8:30 - 9:30 A.M. (1 Hour)

Thursday, September 12, 1974

The Cabinet Room

From: William E. Timmons *BT*

I. PURPOSES

To brief bipartisan leaders on international developments and urge approval of responsible foreign assistance legislation.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Over the years Congressional support for foreign aid has been eroding steadily. Opposition stems from competition for funds for domestic programs and a "hangover" from the Vietnam War.
2. Military assistance to South Vietnam (MASF) is in the Defense Appropriations bill now in conference. The Administration requested \$1.45 billion, the Congress authorized \$1 billion and both Houses passed only \$700 million.
3. The Foreign Assistance Authorization has been reported by the Senate Foreign Relations Committee and a similar bill is in mark-up before the House Foreign Affairs Committee.
4. The Administration requested \$4.1 billion for Foreign Assistance. The Senate Committee bill is \$3.4 billion and House version is \$3.6 billion.



5. Perhaps more troublesome than the program cuts are unprecedented restrictions on your flexibility under the Act.

B. Participants:

Listed in Tab A. In addition to regular leaders, guests will be chairman and ranking Republicans from Foreign Relations/Affairs, Armed Services and Appropriations.

C. Press Plan:

Meeting to be announced by the Press Office. White House news photographers to take still and television film at beginning of meeting. There will be no Congressional briefing afterwards (although Members will be approached as they depart for their cars).

III. TALKING POINTS

In Tab B. Furnished by NSC.

PARTICIPANTS

Executive

The President
The Secretary of State
Administrator of Agency for International Development
(Daniel Parker)

Senate

James Eastland	-
Mike Mansfield ✓	Hugh Scott ✓
Robert Byrd ✓	Robert Griffin ✓
Frank Moss ✓	Norris Cotton
John Stennis ✓	George Aiken ✓
John McClellan ✓	Strom Thurmond ✓
John Sparkman ✓	Milton Young ✓

House

Carl Albert ✓	-
Thomas O'Neill ✓	John Rhodes ✓
John McFall ✓	Les Arends ✓
Olin Teague ✓	John Anderson ✓
Edward Hebert ✓	William Bray ✓
George Mahon ✓	Elford Cederberg ✓
Wayne Hays ✓	

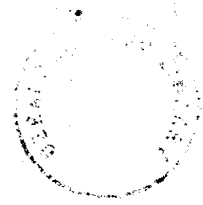
Staff

Anne Armstrong	General Brent Scowcroft
Roy Ash	Tom Korologos
Dean Burch	Gene Ainsworth
Robert Hartmann	Vern Loen
John Marsh	
Al Haig	
William Timmons	

Regrets

Senator William Fulbright - in China
Rep. Thomas Morgan - out of town
Rep. Peter Frelinghuysen - in China

B



TALKING POINTS

INTRODUCTION

Gentlemen, if you don't object, we have a request for press photographs -- which should take just several minutes.

(Press photographers)

Today, I will transmit to the Congress a Special Message listing some of the pending legislation which I hope can be enacted during this session. I'm sure each of you could disagree with my list -- as I might with yours.

Unfortunately, because of the time constraints we work under, I call attention mostly to imperatives rather than to seek approval of all the measures supported by the Administration.

One of the bills highlighted in the Message deserves special attention and that is the purpose of this meeting -- foreign assistance.

TALKING POINTS

1. I would like to discuss two aspects of foreign assistance which disturb me deeply.

-- First, the funding levels for economic and military aid to Vietnam are dangerously low and threaten to negate all we have achieved in Vietnam at great sacrifice to this country.

We have a commitment to Vietnam which we cannot disregard. Failure to meet at least the minimum requirements of this commitment would have repercussions that would go far beyond Southeast Asia. This could, in turn, seriously damage our worldwide credibility as an ally.

-- Second, the Foreign Assistance Act as reported by the Senate Foreign Relations Committee contains a number of amendments which would severely limit my authority to conduct United States foreign policy. Some, for example, would make it virtually impossible for me to take appropriate actions in crisis situations.

2. I will ask Secretary Kissinger to go over the specific funding levels and restrictive amendments at issue. I would then like to discuss the further consideration of the bill in the weeks ahead.

[Secretary Kissinger briefs - 20 Minutes]

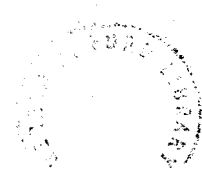
3. Henry has highlighted the major problem areas. I would again like to emphasize my concerns.

-- The limitations on the President's authority to waive restrictions of the Act when such a waiver is clearly in the interest of national security;

-- the limitation on authority to draw down Defense stocks, when the action is clearly necessary. This authority has been used very sparingly in the past to react to urgent requirements in Israel and Cambodia. It would continue to be used in this manner under my personal authority.

-- the elimination of authority to shift funds between accounts and between countries where absolutely necessary to meet unexpected crises.

These are unacceptable restrictions which would prevent me from protecting our security interests abroad. I ask your support in meeting these obligations, and the responsibility we share to the nation and to our allies.

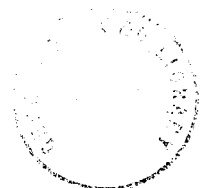


-- The funding levels of all programs are, of course, subject to detailed negotiations. However, we are already far advanced in Fiscal 1975, and I would ask that you reconsider the levels to permit continuation of programs that are vitally important.

4. As I stated before, I am particularly concerned by the problems of underfunding in Vietnam. Inadequate support there will undermine confidence in the role of the U.S. and can only strengthen the will of Hanoi. Lack of fuel and ammunition will prohibit the use of the weapons we have already provided. The Vietnamese military can only attain 40 percent of the capability of last year at the \$700 million level you propose.
5. With regard to the Foreign Aid bill, I would hope that during consideration of the bill in your committee Doc and during floor debate in both Houses it will be possible to restore \$150 million to the Indo China Postwar Reconstruction request. Further, in the event delays are encountered, I would hope that you would bear in mind this higher level of funding when preparing the continuing resolution to carry us into next year.
6. I would welcome your views.

[Discussion]

7. Gentlemen, I fully understand your interest in fiscal austerity. I am acutely aware of the competing demands for funds at home, the problems of inflation, and the necessity for economic stability. However, the bill as now proposed would make it virtually impossible to conduct an effective foreign policy program. I ask your support in correcting the problems I have outlined today.



THE WHITE HOUSE

WASHINGTON

Calls on Bi-Partisan Leadership Meeting - September 12 - Thursday
Cabinet Room - 8:30 a. m. - 1 hour
NW Gate

Topic - Foreign Affairs

Y - Albert	Imogene	
Y - O'Neill	<i>Eleanor</i>	x 8040
Y - McFall	Rita	
Y - Teague	Audrey	
N Morgan	Susan	- out of town
Y - Hebert	Alma	
Y - Mahon	Helen	
Y - Rhodes	Clara	
Y - Arends	Ruth	
Y - Anderson	Mary Ellen	
N - Frelinghuysen	Catherine	in China
Y - Bray	Bruce Merkel	
Y - Cederberg	Larry Becker	



THE WHITE HOUSE

WASHINGTON

November 25, 1974

MEETING WITH BIPARTISAN LEADERSHIP

9:15 - 10:15 a.m. (60 minutes)

Tuesday, November 26, 1974

The Cabinet Room

From: William E. Timmons *WET*

I. PURPOSES

To report to the leaders on President's trip to Japan, Korea and Japan; Explain status of SALT negotiations; Urge approval of Foreign Aid legislation and Export-Import Bank authority; and brief on new Budget reduction requests.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. The President left for the Far East on November 17th and returned on the 24th after a week's visit. He met, among others, Brezhnev, Tanaka and Park.
2. Of particular significance was a breakthrough on a tentative agreement to limit strategic nuclear weapons through 1985.
3. Foreign Aid Authorization and Appropriations faces tough sledding before Congress. The House version has been reported and should be on the Floor after Thanksgiving. Negotiations are underway with the Senate Foreign Relations Committee for a compromise bill.
4. The important Export-Import Bank authorization conference report has been adopted by the House and will be on the Senate Floor today. The vote is expected to be close.
5. The President will today submit a package of Budget Reductions, a portion of which requires action by this Congress.

B. Participants:

In tab A. The regular bipartisan leaders and those involved in foreign policy, defense and appropriations are being invited.

C. Press Plan:

Meeting to be announced by the Press Office. White House press corps (stills and T.V.) to be given photo opportunity at start of meeting.

III. AGENDA

In tab B.

IV. TALKING POINTS

- In tab C.

PARTICIPANTS

The President

Senate

Hugh Scott (R-Pa)
Mike Mansfield (D-Mont)
Robert Griffin (R-Mich)
Robert Byrd (D-W Va)
George Aiken (R-Vt)
John Sparkman (D-Ala)
John McClellan (D-Ark)
Milton Young (R-ND)
John Stennis (D-Miss)
Strom Thurmond (R-SC)
John Pastore (D-RI)

House

Carl Albert (D-Okla)
John Rhodes (R-Ariz)
Thomas O'Neill (D-Mass)
Les Arends (R-Ill)
John McFall (D-Cal)
Melvin Price (D-Ill)
William Bray (R-Ind)
George Mahon (D-Tex)
Al Cederberg (R-Mich)
Thomas Morgan (D-Pa)
Peter Frelinghuysen (R-NJ)

Staff

Anne Armstrong
Roy Ash
Philip Buchen
Dean Burch
Robert Hartmann
Jack Marsh
Ron Nessen
Brent Scowcroft
Dick Cheney
Bill Timmons
Tom Korologos
Max Friedersdorf

Regrets

Senator James Eastland (D-Miss)
Senator William Fulbright (D-Ark)
Rep. F. Edward Hébert (D-La)
Rep. Craig Hosmer (R-Cal)

B

AGENDA

9:15 - 9:20 a.m.
(5 minutes)

PHOTO OPPORTUNITY
(Ron Nessen)

9:20 - 9:35 a.m.
(15 minutes)

FAR EAST TRIP OVERVIEW
(The President)

9:35 - 9:45 a.m.
(10 minutes)

SALT NEGOTIATIONS
(The President)

9:45 - 9:55 a.m.
(10 minutes)

FOREIGN AID, EXPORT-IMPORT BANK
AND TRADE
(The President)

9:55 - 10:15 a.m.
(20 minutes)

BUDGET REDUCTIONS
(Roy Ash)

NOTE: The bipartisan leaders will be escorted from the Cabinet Room to the East Room for the signing of the Urban Mass Transit bill.

C

FAR EAST TRIP

PURPOSE

The trips that a President may take in this new era of detente reflect the different elements of our foreign policy:

-- With our former enemies, we try to improve relations and to settle problems in a way that will protect our security and the peace of the world at large. This is what I did in Vladivostok.

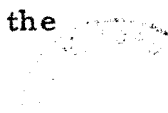
-- With our allies, we try to expand our relationships to deal with the many facets of security in the modern age. This is what I did in Tokyo.

-- At points where the danger of war through misunderstanding still persists, we reaffirm our old commitments to make sure that everybody appreciates our continued determination to help our friends. This is what I did in Seoul.

On this trip, I visited three different countries. My purpose in each of those countries was different. Together, however, they all fit into the pattern of the foreign policy that we must now try to conduct.

JAPAN

Since this was the first visit by an incumbent President to Japan, there were many ceremonial requirements such as the visit to Kyoto. These were important in creating an atmosphere of cooperation and understanding and in helping to provide a popular foundation for a closer relationship. It is important also to remember that for the Japanese form and substance are inseparable.



The Japanese have a key role to play in helping to develop international policies to conserve energy and to overcome the potentially disastrous financial results of high oil prices. It is essential to talk to them about these problems, since their collaboration is vital to the success of our efforts.

I met with many Japanese leaders. Secretary Kissinger met with others as well. Our meetings will lead to closer cooperation between the United States and Japan on such global problems as energy, food, international financial problems and international trade issues.

We discussed these multilateral issues in great detail. The Japanese are anxious not to offend the Arab states from whom they draw three-quarters of their energy supplies. But they want to work together with us and they are being helpful.

Although the main stress of our meetings was on multilateral issues, we also talked about bilateral problems. I told the Japanese that we were deeply concerned about their overfishing of our Pacific resources and their cut-off of beef imports. I know they took my remarks very seriously.

Our alliance with Japan is maturing. It is no longer just a military security treaty, but a broad relationship that deals with all

aspects of security in the modern world -- such as financial and resource problems -- as well as military matters.

We understand that Prime Minister Tanaka will resign shortly. This has been expected for some time. It does not undercut the achievements of the visit. The Japanese Government operates by consensus and Tanaka functions more as a Chairman of the Board than as a Chief Executive. When he resigns, his successor will represent the same party and will pursue similar policies.

KOREA

Even though we are in an era of detente, the situation in Korea remains tense. North Korea is still building up its military forces. It has given no indication that it is genuinely prepared to ease tensions on the peninsula. If I had not gone to Korea from Japan, the North Koreans might have believed that we were reducing our commitment to the Republic of Korea and they might have miscalculated by stepping up their pressures against the South. That is why I believe it was important for me to go to Seoul.

From my conversations there, I am convinced that we still need to keep up our military aid to Korea to maintain the balance on the peninsula. The North Koreans have a bigger air force and a bigger navy than the South. They maintain larger ground forces as well.

The economic development of South Korea is very impressive. The South Koreans have told us that they are prepared to carry a larger share of our military aid in loans rather than in grants. We are planning to move in this direction to ease the burden on the American taxpayer while maintaining the security of South Korea.

President Park believes there is a connection between his domestic opposition and North Korea. This is how he justified his political policies at home. I pointed out to him that those policies are weakening congressional support for our aid program in Korea.

It was inspiring to visit our front-line forces in Korea. The Second Division is a fine group of Americans. The men themselves and their equipment are in good shape, fully able to give a good account of themselves in any hostilities.

VLADIVOSTOK

When I entered office, I determined there should be no break in the momentum of our relations with the Soviet Union. In order to contribute to the maintenance of this process, I agreed that an early meeting with General Secretary Brezhnev would be desirable. My trip to Japan and Korea offered an obvious opportunity for an informal meeting where we could exchange views.

It was also my hope that some sort of progress on SALT might be possible in a face-to-face meeting at the Summit.

- We had been attempting since 1972 to develop a set of comprehensive limitations of strategic offensive weapons.
- That was a difficult task because the strategic forces of the two sides had developed so differently. To limit them in such a manner as to preserve equality and the essential security of each was a problem of enormous complexity.

Some progress on SALT was essential if we were not to embark on another round in the arms race.

- The Soviet Union has a number of strategic programs underway which have the potential to provide substantial additional strength in the years ahead.
- The U.S. could obviously not permit such a development to take place without responding.

Thus it was that we have been engaged internally in the most intensive examination of possible ways to curb strategic arms competition in a mutually acceptable manner.

- We were also exploring possible areas of agreement with the Soviet Union.
- By the time of my trip, our analysis, together with discussions with the Soviets, had progressed to the point that there appeared some hope that face-to-face discussions at the Summit might produce a breakthrough.

As you already know, that breakthrough was achieved. We have agreed on basic limitations which will govern our strategic relationship until 1985.

- That relationship is composed of an overall equal ceiling on strategic offensive forces, and
- A separate equal ceiling for MIRV missiles.
- Thus far we have only a verbal understanding. We will exchange written understandings in about a week, and prior to that, I do not feel I should jeopardize the situation by getting into specific numbers.

(If you provide the numbers in the agreement)

(-- Strategic offensive weapons are limited to a total of 2,400 on each side)

(-- MIRV missiles are limited to 1,320 on each side.)

(-- Ballistic missiles having a range in excess of 600 km carried on bombers are to be included in the total.)

(-- I must ask you to divulge these numbers to no one at the present time, inasmuch as we are still in the process of committing our agreement to writing.)

I do not want to minimize the difficulties which still remain.

There are a number of technical issues of great complexity -- such as verifying MIRV limitations -- which must be resolved.

-- But it is clear that we have achieved a breakthrough and the same give-and-take negotiations which achieved that should see us through to a successful treaty next year.

While our talks concentrated on SALT, we also touched on all the major issues of mutual concern, including the Middle East, Cyprus and European Security.

-- We did not agree in all respect on these issues. But we discussed our viewpoints frankly and openly, in the belief that through a process of exchange and consultations such as this it is possible to work toward peaceful and constructive solutions to these and other problems.

I believe the fact that my first personal contact with Mr. Brezhnev went well and was marked by concrete accomplishment argues well for the future. I know I can count on the Congress to do its part to support

the mutually beneficial improvement of our relations with the Soviet Union.

- We must have an adequate defense posture to leave no illusions or temptations for the Soviets.
- But we must also enact such measures as the Trade Bill, to give us the means of conducting a positive policy toward the Soviet Union.

I am pleased with the results of my trip.

- In Japan, we have clearly put one relationship on firmer ground and broadened the character of our security relationship.
- In Korea we reaffirmed our commitment to the security of our ally.
- In Vladivostok I established a personal relationship with the leader of the other superpower and we took a major step in strategic arms limitations.

FOREIGN AID

In my meetings with the leaders of Japan, Korea, and the Soviet Union, I was again impressed with the vital responsibility which the U.S. carries for building peace in the world and the need for a dynamic American diplomacy to achieve this objective.

It is clear that the survival of our economic, social, and political institutions depends upon our purposeful and wise involvement with other nations. We must fashion a role of leadership -- in our own interests and that of others -- if the possibilities for conflict between nations are not to outweigh the possibilities of cooperation.

One of the most proven and flexible tools to deal with the urgent needs of the world -- security needs, economic needs, emergency relief, development needs -- is foreign assistance.

Nothing has demonstrated our interdependence with other countries and their reliance on American leadership and cooperation than the shortages we are facing in food and energy. For many countries, without the help of our foreign assistance programs, there would be starvation and sickness.

We must not neglect the needs of the very poor. We must not ignore the victims of famine and disasters.

-- The funding levels are obviously lower than we asked for and will have repercussions around the world. I am particularly concerned with the levels for Indochina. If they are not raised we will be unable either to continue our modest support to Cambodia's effort to survive or to help South Vietnam build the economic base for peace and security.

-- Also there are a number of amendments which have been considered which would severely tie my hands in the conduct of our foreign policy. Some, for example, would make it impossible for any President to adequately respond to crisis situations.

The last time we all met, I promised you that we would take a hard look at the foreign assistance program. We have undertaken that examination and I can assure you that our requests in the future will be the basis for a genuine dialogue with the Congress on our needs and priorities.

In the meantime, I want to explain the serious impact the funding limits and restrictions which were considered before the recess would have on our foreign policy.

I want, and I believe we all want, a Foreign Aid Bill, but we need a bill which will be responsive to the needs of the world today and of our own vital role in it.

As I have discussed at previous meetings, I have two areas of serious disagreement with the Foreign Aid Bill as we have seen it developing until now.

Funding LevelsMiddle East

The Middle East assistance package of \$379 million in economic assistance and \$430 million in military assistance together with a \$100 million special requirements fund which we requested is of crucial importance to the success of our efforts to help bring peace to that part of the world while helping develop further the cooperative bilateral ties between the United States and the nations of that area.

-- Peace in the Middle East is essential to peace and stability throughout the world. We should be in a position to do all we can to assist the countries in that area turn their efforts toward reconstruction and economic development as part of their movement toward a durable peace settlement.

Indochina

Our aid in Indochina is no less crucial than our aid in the Middle East in achieving an outcome which protects our interests and allows us to turn to other tasks of building a world of peace.

- The investment I am requesting for Vietnam now is small in comparison with our investment in the past, when American blood as well as American funds were spent to win a peace.
- The levels which were requested for South Vietnam were a realistic assessment of what was needed to move that country forward and to hasten the day when our aid would no longer be needed. But at least \$475 million is essential to preserve stability in that country and to lay the basis for eventually building its self-sufficiency.
- Any significant reduction in this level would seriously impair the GVN's ability to cope with current problems of inflation, unemployment, and reduced production.
- The resulting weakness would almost certainly encourage increased Communist military and terrorist activity and political subversion.

- So far, the South Vietnam has done an admirable job of limiting inflation, managing an extremely difficult economic situation, and defending against constant Communist military pressure.
- With adequate assistance now, South Vietnam's future prospects are excellent. There is good evidence of significant oil deposits (and possibly natural gas) off the coasts. These deposits should yield a substantial income within 5 or 6 years. Moreover, there are excellent prospects for rice and sugar exports within two years.
- In short, our aid to South Vietnam need not be a continuing problem. Sufficient aid in the short run may well be enough to secure the enormous investment we have already made. On the other hand, insufficient aid now could at best put South Vietnam on a permanent dole and may well lead to its unnecessary demise.
- Cambodia is now leading a hand-to-mouth existence. Although the GKR controls over 50% of the population, the Communist side has cut most lines of communications, and domestic rice and other production is at an all time low. The \$100 million we are seeking for Cambodia is the bare minimum for the country's survival.
 - . With this amount, there is at least a good chance for preserving the present stalemate and thus encouraging the other side to negotiate.
 - . Without it, we will seal Cambodia's doom.

Restrictions on President's Authority

As serious as the funding levels are, the restrictions on the authority of the President may be even more serious.

-- In the conduct of our foreign policy we must have the flexibility to act quickly and decisively to seize important opportunities or to deal with emerging crises before they reach dangerous proportions.

-- The waiver authorities and the authority to transfer funds between accounts which always have been available to the President must continue to be available to me. Also we should not be hamstrung with arbitrary ceilings on specific accounts. Such ceilings in the case of Indochina, for example, could make it impossible for us to respond to genuine needs in time to be of help. Our own policies and objectives would suffer.

I will use the flexibilities which the law should provide only when they are absolutely needed and will be in our own interest. But without those flexibilities my hands will be tied in ways which will seriously affect our ability to conduct a coherent and meaningful foreign policy.

I hope that the issue of aid to Turkey will not again cloud the whole discussion of the Foreign Aid Bill. As I have told you earlier, we are continuing our very difficult and important efforts to bring Greece and Turkey together to resolve the Cyprus matter and at the same time to protect our own relations and vital interests in both Greece and Turkey.

-- Although slow, the negotiations with Turkey are progressing.

Despite changes in the governments of both Turkey and Greece, there has been movement on both sides toward common ground.

To continue these negotiations and bring about a solution we must have flexibility. If we act wisely, as we are trying to do, we can bring peace to Cyprus and rebuild the friendship between two of America's closest allies.

-- To cut off aid to Turkey will simply destroy the very real opportunity we have to influence Turkey to move toward the kinds of conclusions which will be absolutely essential if the Cyprus matter will be resolved in a way that will even partially satisfy Greece.

At this crucial period in the Middle East we cannot afford a situation in which our own influence and position in the Eastern Mediterranean is seriously eroded to the benefit of the Soviet Union.

These are the problems; funding levels that will cripple the efforts of the U.S. to maintain and further a peaceful balance and amendments that tie the hands of the President in meeting the unforeseen events of the future.

In summation, the Administration needs a foreign assistance act before the end of the calendar year. We have too many needs, the Middle East and Indochina, Humanitarian assistance, and development assistance, to continue the legislative stalemate.

The world needs and needs to know that the U.S. has a stabilizing and reliable foreign policy.

The funds provided for our Foreign Assistance Legislation has only minimal impact on domestic economic problems (1/4 of 1% of our GNP). However, the importance of the program with the oil producing states and especially those of the Mideast, may well determine much of the future state of our economy.

-- On much of the bill, there is general agreement. The remaining differences can be solved if we work together.

-- And let me stress once more, the inability of the U.S. Government to come forward with a sound and good response would be an unfortunate signal to the

world and particularly to any adversaries which would understandably try to take advantage of the situation.

TRADE BILL

I congratulate the Members of the Senate Committee on Finance for reporting unanimously the Trade Reform Bill. When enacted this authority will be a most important tool in conducting trade negotiations, improving our balance of payments and cutting inflation.

Mike (Mansfield), I hope this measure can be scheduled for Floor consideration as soon as possible because the conference will probably take awhile. Also, I urge the Senate leaders to use your good offices to prevent non-germane amendments being added during Floor consideration. I know the temptation but hope the overriding importance of the Act will deter limiting riders.

EXPORT-IMPORT BANK

Another measure I want to raise is the Export-Import Bank Conference Report. The House has already adopted a compromise version of this bill which extends the bank's operating authority for four years and increases its loan authority.

I believe the Congressional review provisions strike a balance between viewpoints over financing trade with communist countries.

This is another important bill that deserves Senate support and I urge the leaders to adopt the Conference Report and send it to me for signature.

TALKING POINTS ON FY 75 BUDGET REDUCTIONS

1. As all of you know, I have been spending a fair amount of my time going over possible reductions in the FY 1975 budget. I have reached my conclusions regarding those reductions and will be forwarding them to you this afternoon at 3:00 p.m.
2. In reaching these decisions, I was mindful of the need to reduce spending as an important part of our effort to whip inflation. I also noted that the Congress has called for significant reductions in spending. For example, on June 13, 1974, the Senate, by a vote of 74 to 12, passed an amendment to H.R. 11221, the Depository Institutions Amendments of 1974, calling for FY 1975 expenditures to be held to \$295 billion. On June 19, 1974, 54 Senators signed a letter to the President asking him to submit a proposed balanced budget for FY 1975, incorporating changes in programs and funding of programs he believes necessary to meet the objective. Also, in its interim report on the economy, the Joint Economic Committee recommended that federal outlays in FY 75 be held to \$300 billion.

In the House, H.R. 667, establishing a target for FY 1975 budget outlays of \$300 billion, was passed by a vote of 329 to 20 on October 11, 1974.

3. With the submission of my proposed budget reductions, the responsibility for limiting government spending will rest with the Congress. I will have done my part. I urge you and your colleagues to give full consideration to the proposed budget reductions that I will send up today and, in the spirit of your Senate and House resolutions, to take speedy and responsible action to reduce FY 1975 spending.
4. In the time remaining, I would like Roy Ash to give you the highlights of the budget reduction package that will be forwarded to the Congress today.