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STATE OF THE UNION ADDRESS

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON THE STATE OF THE UNION



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THE STATE OF THE UNION—ADDRESS BY THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 257)

The **PRESIDENT**. Mr. President, Mr. Speaker, Members of the 96th Congress, fellow citizens.

These last few months have not been an easy time for any of us. As we meet tonight, it has never been more clear that the state of our union depends on the state of the world. And tonight, as throughout our own generation, freedom and peace in the world depend on the state of our union.

The 1980's have been born in turmoil, strife, and change. This is a time of challenge to our interests and our values, and it is a time that tests our wisdom and our skills.

At this time in Iran 50 Americans are still held captive, innocent victims of terrorism and anarchy.

Also at this moment massive Soviet troops are attempting to subjugate the fiercely independent and deeply religious people of Afghanistan.

These two acts—one of international terrorism and one of military aggression—present a serious challenge to the United States of America and indeed to all the nations of the world. Together, we will meet these threats to peace.

I am determined that the United States will remain the strongest of all nations, but our power will never be used to initiate a threat to the security of any nation or to the rights of any human being. We seek to be and to remain secure—a nation at peace in a stable world, but to be secure we must face the world as it is.

Three basic developments have helped to shape our challenges:

- the steady growth and increased projection of Soviet military power beyond its own borders;
- the overwhelming dependence of the Western democracies on oil supplies from the Middle East;
- the press of social and religious and economic and political change in many nations of the developing world—exemplified by the revolution in Iran.

Each of these factors is important in its own right. Each interacts with the others. All must be faced together—squarely and courageously.

We will face these challenges and we will meet them with the best that is in us. And we will not fail. [Applause.]

In response to the abhorrent act in Iran, our nation has never been aroused and unified so greatly in peacetime. Our position is clear. The United States will not yield to blackmail. [Applause.]

We continue to pursue these specific goals:

- first, to protect the present and long-range interest of the United States;

- secondly, to preserve the lives of the American hostages and to secure as quickly as possible their safe release;
- if possible, to avoid bloodshed, which might further endanger the lives of our fellow citizens;
- to enlist the help of other nations in condemning this act of violence which is shocking and violates the moral and the legal standards of a civilized world; and also
- to convince and to persuade the Iranian leaders that the real danger to their nation lies in the north in the Soviet Union and from the Soviet troops now in Afghanistan, and that the unwarranted Iranian quarrel with the United States hampers their response to this far greater danger to them.

If the American hostages are harmed, a severe price will be paid. [Applause.]

We will never rest until every one of the American hostages is released. [Applause.]

But now we face a broader and more fundamental challenge in this region because of the recent military action of the Soviet Union.

Now, as during the last 3½ decades, the relationship between our country, the United States of America, and the Soviet Union is the most critical factor in determining whether the world will live in peace or be engulfed in global conflict.

Since the end of the Second World War, America has led other nations in meeting the challenge of mounting Soviet power. This has not been a simple or a static relationship. Between us there has been cooperation—there has been competition—and at times there has been confrontation.

In the 1940's, we took the lead in creating the Atlantic Alliance in response to the Soviet Union's suppression and then consolidation of its East European empire and the resulting threat of the Warsaw Pact to Western Europe.

In the 1950's, we helped to contain further Soviet challenges in Korea and in the Middle East, and we re-armed, to assure the continuation of that containment.

In the 1960's, we met the Soviet challenges in Berlin and we faced the Cuban missile crises, and we sought to engage the Soviet Union in the important task of moving beyond the cold war and away from confrontation.

And in the 1970's, three American Presidents negotiated with the Soviet leaders in attempts to halt the growth of the nuclear arms race. We sought to establish rules of behavior that would reduce the risks of conflict, and we searched for areas of cooperation that could make our relations reciprocal and productive—not only for the sake of our two nations, but for the security and peace of the entire world.

In all these actions, we have maintained two commitments: To be ready to meet any challenge by Soviet military power, and to develop ways to resolve disputes and to keep the peace.

Preventing nuclear war is the foremost responsibility of the two superpowers. That is why we have negotiated the strategic arms limitation talks, treaties—SALT I and SALT II. Especially now in a time of great tension, observing the mutual constraints imposed by the terms of these treaties will be in the best interest of both coun-

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tries—and will help to preserve world peace. I will consult very closely with the Congress on this matter as we strive to control nuclear weapons. That effort to control nuclear weapons will not be abandoned. [Applause.]

We superpowers also have the responsibility to exercise restraint in the use of our great military force. The integrity and the independence of weaker nations must not be threatened. They must know that in our presence they are secure.

But now the Soviet Union has taken a radical and an aggressive new step. It is using its great military power against a relatively defenseless nation. The implications of the Soviet invasion of Afghanistan could pose a most serious threat to the peace since the Second World War.

The vast majority of nations on earth have condemned this latest Soviet attempt to extend its colonial domination of others and have demanded the immediate withdrawal of Soviet troops. The Moslem world is especially and justifiably outraged by this aggression against an Islamic people. No action of a world power has ever been so quickly and so overwhelmingly condemned.

But verbal condemnation is not enough. The Soviet Union must pay a concrete price for its aggression. [Applause.] While this invasion continues, we and the other nations of the world cannot conduct business as usual with the Soviet Union. That is why the United States has imposed stiff economic penalties on the Soviet Union. I will not issue any permits for Soviet ships to fish in the coastal waters of the United States. I have cut Soviet access to high-technology equipment and agricultural products. I have limited other commerce with the Soviet Union and I have asked our allies and friends to join with us in restraining their own trade with the Soviets and not to replace our own embargoed items. And I have notified the Olympic Committee that with Soviet invading forces in Afghanistan, neither the American people nor I will support sending an Olympic team to Moscow. [Applause.]

The Soviet Union is going to have to answer some basic questions: Will it help promote a more stable international environment in which its own legitimate, peaceful concerns can be pursued? Or will it continue to expand its military power far beyond its genuine security needs and use that power for colonial conquest?

The Soviet Union must realize that its decision to use military force in Afghanistan will be costly to every political and economic relationship it values. [Applause.]

The region which is now threatened by Soviet troops in Afghanistan is of great strategic importance. It contains more than two-thirds of the world's exportable oil. The Soviet effort to dominate Afghanistan has brought Soviet military forces to within 300 miles of the Indian Ocean and close to the Straits of Hormuz—a waterway through which much of the world's oil must flow. The Soviet Union is now attempting to consolidate a strategic position, therefore, that poses a grave threat to the free movement of Middle East oil.

This situation demands careful thought, steady nerves, and resolute action—not only for this year but for many years to come. It demands collective efforts to meet this new threat to security in the Persian Gulf and in Southwest Asia. It demands the participation of all those who

rely on oil from the Middle East and who are concerned with global peace and stability. And it demands consultation and close cooperation with countries in the area which might be threatened.

Meeting this challenge will take national will, diplomatic and political wisdom, economic sacrifice and, of course, military capability. We must call on the best that is in us to preserve the security of this crucial region.

Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America and such an assault will be repelled by any means necessary, including military force. [Applause.]

During the past 3 years you have joined with me to improve our own security and the prospects for peace—not only in the vital oil-producing area of the Persian Gulf region, but around the world.

We have increased annually our real commitment for defense, and we will sustain this increased effort throughout our Five-Year Defense Program. It is imperative that Congress approve this strong defense budget for 1981 encompassing a five-percent real growth in authorizations without any reductions. [Applause.]

We are also improving our capability to deploy U.S. military forces rapidly to distant areas.

We have helped to strengthen NATO and our other alliances, and recently we and other NATO members have decided to develop and to deploy modernized intermediate-range nuclear forces to meet an unwarranted and increased threat from the nuclear weapons of the Soviet Union.

We are working with our allies to prevent conflict in the Middle East. The peace treaty between Egypt and Israel is a notable achievement which represents a strategic asset for America and which also enhances prospects for regional and world peace. We are now engaged in further negotiations to provide full autonomy for the people of the West Bank and Gaza, to resolve the Palestinian issue in all its aspects, and to preserve the peace and security of Israel. [Applause.]

Let no one doubt our commitment to the security of Israel. In a few days we will observe an historic event when Israel makes another major withdrawal from the Sinai and when ambassadors will be exchanged between Israel and Egypt.

We have also expanded our own sphere of friendship. Our deep commitment to human rights and to meeting human needs has improved our relationship with much of the third world. Our decision to normalize relations with the People's Republic of China will help to preserve peace and stability in Asia and in the Western Pacific.

We have increased and strengthened our naval presence in the Indian Ocean, and we are now making arrangements for key naval and air facilities to be used by our forces in the region of Northeast Africa and the Persian Gulf.

We have reconfirmed our 1959 agreement to help Pakistan preserve its independence and its integrity. The United States will take action—consistent with our own laws—to assist Pakistan in resisting any outside aggression. And I am asking the Congress specifically to reaffirm this agreement. I am also working, along with the leaders of other nations, to provide additional military and economic aid for Pakistan. That request will come to you in just a few days.

In the weeks ahead, we will further strengthen political and military ties with other nations in the region.

We believe that there are no irreconcilable differences between us and any Islamic nation. We respect the faith of Islam, and we are ready to cooperate with all Moslem countries.

Finally, we are prepared to work with other countries in the region to share a cooperative security framework that respects differing values and political beliefs, yet which enhances the independence, security and prosperity of all.

All these efforts combined emphasize our dedication to defend and preserve the vital interests of the region and of the Nation which we represent and those of our allies in Europe and the Pacific and also in the parts of the world which have such great strategic importance to us, stretching especially to the Middle East and Southwest Asia.

With your help I will pursue these efforts with vigor and with determination. You and I will act as necessary to protect and to preserve our Nation's security.

The men and women of America's armed forces are on duty tonight in many parts of the world. I am proud of the job they are doing and I know you share that pride. I believe that our volunteer forces are adequate for current defense needs and I hope that it will not become necessary to impose a draft. However, we must be prepared for that possibility. For this reason, I have determined that the Selective Service system must now be revitalized. [Applause.] I will send legislation and budget proposals to the Congress next month so that we can begin registration and then meet future mobilization needs rapidly if they arise.

We also need clear and quick passage of a new charter to define the legal authority and accountability of our intelligence agencies. We will guarantee that abuses do not recur, but we must tighten our controls on sensitive intelligence information and we need to remove unwarranted restraints on America's ability to collect intelligence. [Applause.]

The decade ahead will be a time of rapid change, as nations everywhere seek to deal with new problems and age-old tensions. But America need have no fear—we can thrive in a world of change if we remain true to our values and actively engage in promoting world peace.

We will continue to work as we have for peace in the Middle East and Southern Africa. We will continue to build our ties with developing nations, respecting and helping to strengthen their national independence which they have struggled so hard to achieve and we will continue to support the growth of democracy and the protection of human rights.

In repressive regimes, popular frustrations often have no outlet except through violence. But when peoples and their governments can approach their problems together—through open, democratic methods—the basis for stability and peace is far more solid and far more enduring.

That is why our support for human rights in other countries is in our own national interest as well as part of our own national character. [Applause.]

Peace—a peace that preserves freedom—remains America's first goal. In the coming years as a mighty nation, we will continue to pursue peace.

But to be strong abroad we must be strong at home. And in order to be strong, we must continue to face up to the difficult issues that confront us as a nation today.

The crises in Iran and Afghanistan have dramatized a very important lesson. Our excessive dependence on foreign oil is a clear and present danger to our nation's security. [Applause.]

The need has never been more urgent. At long last, we must have a clear, comprehensive energy policy for the United States.

As you well know, I have been working with the Congress in a concentrated and persistent way over the past three years to meet this need.

We have made progress together. But Congress must act promptly now to complete final action on this vital energy legislation.

Our Nation will then have a major conservation effort, important initiatives to develop solar power, realistic pricing based on the true value of oil, strong incentives for the production of coal and other fossil fuels in the United States, and our Nation's most massive peacetime investment in the development of synthetic fuels.

The American people are making progress in energy conservation. Last year we reduced overall petroleum consumption by 8 percent and gasoline consumption by 5 percent below what it was the year before.

Now we must do more. After consultation with the Governors, we will set gasoline conservation goals for each of the 50 States, and I will make them mandatory if these goals are not met.

I have established an import ceiling for 1980 of 8.2 million barrels a day—well below the level of foreign oil purchases in 1977. I expect our imports to be much lower than this. But the ceiling will be enforced by an oil import fee if necessary. I am prepared to lower these imports still further if the other oil-consuming countries will join us in a fair and mutual reduction. If we have a serious shortage, I will not hesitate to impose mandatory gasoline rationing immediately.

The single biggest factor in the inflation rate last year, the increase in the inflation rate last year was from one cause, the skyrocketing prices of OPEC oil. We must take whatever actions are necessary to reduce our dependence on foreign oil—and at the same time reduce inflation.

As individuals and as families, few of us can produce energy by ourselves. But all of us can conserve energy—every one of us, every day of our lives.

Tonight I call on you, in fact all of the people of America, to help our Nation. Conserve energy. Eliminate waste. Make 1980 indeed a year of energy conservation. [Applause.]

Of course, we must take other actions to strengthen our Nation's economy.

First, we will continue to reduce the deficit and then to balance the federal budget. [Applause.]

Second, as we continue to work with business to hold down prices, we will build also on the historic national accord with organized labor to restrain pay increases in a fair fight against inflation.

Third, we will continue our successful efforts to cut paperwork and to dismantle unnecessary government regulation. [Applause.]

Fourth, we will continue our progress in providing jobs for America, concentrating on a major new program to provide training and work for our young people, especially minority youth. It has been said that "a mind is a terrible thing to waste." We will give our young people new hope for jobs and a better life in the 1980's.

And, fifth, we must use the decade of the 1980's to attack the basic structural weaknesses and problems in our economy through measures to increase productivity, savings, and investment.

With these energy and economic policies we will make America even stronger at home in this decade—just as our foreign and defense policies will make us stronger and safer throughout the world.

We will never abandon our struggle for a just and a decent society here at home. That is the heart of America—and it is the source of our ability to inspire other people to defend their own rights abroad.

Our material resources, great as they are, are limited. Our problems are too complex for simple slogans or for quick solutions. We cannot solve them without effort and sacrifice.

Walter Lippman once reminded us:

"You took the good things for granted. Now you must earn them again. For every right that you cherish, you have a duty which you must fulfill. For every good which you wish to preserve, you will have to sacrifice your comfort and your ease.

"There is nothing for nothing any longer."

Our challenges are formidable. But there is a new spirit of unity and resolve in our country. We move into the 1980's with confidence and hope—and a bright vision of the America we want:

An America strong and free.

An America at peace.

An America with equal rights for all citizens and for women guaranteed in the United States Constitution. [Applause.]

An America with jobs and good health and good education for every citizen.

An America with a clean and bountiful life in our cities and on our farms.

An America that helps to feed the world.

An America secure in filling its own energy needs.

An America of justice, tolerance, and compassion.

For this vision to come true, we must sacrifice, but this national commitment will be an exciting enterprise that will unify our people. Together as one people let us work to build our strength at home and together as one indivisible union let us seek peace and security throughout the world.

Together let us make of this time of challenge and danger a decade of national resolve and of brave achievement.

Thank you very much.

[Applause, the Members rising.]

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Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

My State of the Union Address will be devoted to a discussion of the most important challenges facing our country as we enter the 1980's.

Over the coming year, those challenges will receive my highest priority and greatest efforts. However, there will also be many other significant areas which will receive my personal commitment, as well as that of my Administration, during the 2nd Session of the 96th Congress.

It is important that Congress, along with the public, be aware of these other vital areas of concern as they listen to my State of the Union Address. In that way, the context of the Address, and my Administration's full message for 1980, can best be understood.

For that reason, I am sending this State of the Union Message to the Congress today, several days before my State of the Union Address.

CONGRESS

During the last three years, my Administration has developed a very cooperative and productive record with Congress. Landmark legislation has been enacted; major domestic and international problems have been addressed directly and resolved; and a spirit of mutual trust and respect has been restored to Executive-Legislative relations. Indeed, in no other three-year period in our recent past has there been a comparable record of progress and achievement for the American people.

But much more remains to be done. We cannot afford to rest on our record. We cannot fail to complete the agenda begun in the 1970's; we cannot ignore the new challenges of the 1980's.

By continuing to work together, my Administration and the Congress can meet these goals. Our cooperative efforts can help to ensure stable prices and economic growth; a return to energy security; an efficient, responsive government; a strong, unsurpassed defense capability; and world peace.

The program that I have placed before the Congress since 1977, combined with the few new initiatives I will be placing before the Congress this year, will enable us to reach these goals. Our task in this Session is to complete the work on that program. I have no doubt that we can do it. There is no time to waste.

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RECORD OF PROGRESS

When I took office in 1977, our Nation faced a number of serious domestic and international problems:

- o the economy had still not recovered from the most serious recession since World War II;
- o unemployment was near 8%, and almost 8 million American workers were unemployed;
- o no national energy policy existed, and our dependence on foreign oil was rapidly increasing;
- o public trust in the integrity and openness of the government was extremely low;
- o the Federal government was operating inefficiently in administering essential programs and policies;
- o major social problems were being ignored or poorly addressed by the Federal government;
- o our defense posture was declining as a result of a continuously shrinking defense budget;
- o the strength of the NATO Alliance was at a post-World War II low;
- o tensions between Israel and Egypt threatened another Middle East war; and
- o America's resolve to oppose international aggression and human rights violations was under serious question.

Over the past 36 months, clear progress has been made in solving the challenges we found in January of 1977:

- o the unemployment rate at the end of last year of 5.9%, representing a 25% decrease in three years; 9 million jobs have been created, and more Americans, 98 million, are at work than at any time in our history;
- o major parts of a comprehensive energy program have been enacted; a Department of Energy has been established to administer the program; and Congress is on the verge of enacting the remaining major parts of the energy program;
- o confidence in the government's integrity has been restored, and respect for the government's openness and fairness has been renewed;

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- o the government has been made more effective and efficient: the Civil Service system was completely reformed for the first time this century; 13 reorganization initiatives have been proposed to the Congress, approved, and implemented, two new Cabinet departments have been created to consolidate and streamline the government's handling of energy and education problems; inspectors general have been placed in each Cabinet department to combat fraud, waste and other abuses; zero-based budgeting practices have been instituted throughout the Federal government; cash management reforms have saved hundreds of millions of dollars; the process of issuing regulations has been reformed to eliminate unneeded and incomprehensible regulations; procedures have been established to assure citizen participation in government; and the airline industry has been deregulated, at enormous savings to the consumer.
- o critical social problems, many long ignored by the Federal government, have been addressed directly and boldly: an urban policy was developed and implemented, reversing the decline in our urban areas; the Food Stamp program has been expanded and the purchase requirement eliminated; the Social Security System was refinanced to put it on a sound financial basis; the Humphrey-Hawkins Full Employment Act was enacted; Federal assistance for education was expanded by 75%; the minimum wage was increased to levels needed to ease the effects of inflation; affirmative action has been pursued aggressively -- more blacks, Hispanics and women have been appointed to senior government positions and to judgeships than at any other time in our history; the ERA ratification deadline was extended to aid the ratification effort; and minority business procurement by the Federal government has more than doubled;
- o the decline in defense spending has been reversed; defense spending has increased at a real rate of over 3% in 1979, and I am proposing a real increase in the defense spending level of more than 20% over the next 5 years;
- o the NATO Alliance has been revitalized and strengthened through substantially increased resources, new deterrent weapons, and improved coordination; increased emphasis has also been given to conventional force capabilities to meet crises in other areas of the world;
- o Egypt and Israel have ended more than 30 years of war through a Peace Treaty that also established a framework for comprehensive peace in the Middle East;
- o the commitment of our Nation to pursue human rights throughout the world, in nations which are friendly and those which are not, has been made clear to all;
- o our resolve to oppose aggression, such as the illegal invasion of the Soviet Union into Afghanistan, has been supported by tough action.

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LEGISLATIVE PRIORITIES

In the coming legislative session, the last in this Presidential term, I am deeply committed to finishing the agenda that I have placed before the Congress. That agenda has been comprehensive and demanding, but it has also been absolutely essential for our Nation's well-being.

I do not plan to add significantly to the agenda this year. Because of the importance of enacting the proposals already before the Congress, and the relatively short Congressional session facing us, I will be limiting my major new proposals to a critical few:

- o Youth Employment;
- o General Revenue Sharing;
- o Utility Oil Use Reduction;
- o Nuclear Waste Management and Nuclear Regulatory Commission Reorganization;
- o Standby Gasoline Rationing Plan; and
- o Initiatives implementing my response to the Soviet invasion of Afghanistan.

I am convinced that these new initiatives, along with the major proposals I previously made to the Congress, can be enacted this year, if we have a dedicated, all-out effort on the part of the Administration and the Congress. I pledge such an effort on my part, and that of my Administration.

As in the previous three years, I will be working with you toward the basic goals of:

- o Ensuring our economic strength;
- o Creating energy security for our nation;
- o Enhancing basic human and social needs;
- o Making our government more efficient and effective;
- o Protecting and enhancing our rights and liberties;
- o Preserving and developing our natural resources;
- o Building America's military strength;
- o Working to resolve international disputes through peaceful means;
- o Striving to resolve pressing international economic problems;
- o Continuing to support the building of democratic institutions and protecting human rights; and
- o Preventing the spread and further development of nuclear weapons.

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My highest legislative priorities in each of these areas this year will be:

Ensuring Economic Strength

o The FY 1981 Budget - This is a responsible, restrained budget, whose enactment will help control Federal spending, significantly reduce the Federal deficit, and aid in our fight against inflation.

o Hospital Cost Containment - This long overdue legislation is a major weapon in our fight against inflation; it will save consumers more billions of dollars and is the single most important anti-inflation bill before the Congress.

o Youth Education, Training and Employment Program - This new initiative, which is designed to educate and train youth to secure and hold meaningful jobs, will provide enhanced opportunities for disadvantaged youth as well as improve the productivity of our work force.

Creating Energy Security for Our Nation

o Windfall Profits Tax - The size of this important energy and tax measure has been agreed to by the conferees, but it is imperative that final agreement on a tax reflecting sound energy policy occur at the outset of this session and that Congress act promptly on that agreement.

o Energy Mobilization Board - It is also essential that this vital measure in the effort to eliminate unnecessary red tape in the construction of needed energy facilities be agreed to promptly by the conferees and the Congress, without substantive waivers of law.

o Energy Security Corporation - The conferees and the Congress also need to act expeditiously on this legislation. This bill is critical to our Nation's beginning a serious, massive program to develop alternative energy fuels so that our dependence on foreign oil can be severely reduced. It is necessary to remove this critical national effort from the constraints which can bind government agencies.

This legislation contains, as well, vital energy conservation and gasohol provisions. They are needed if we are to move forward in our national efforts in these areas.

o Utility Oil Use Reduction - This new initiative will aid in the effort to reduce our reliance on oil by requiring our Nation's utilities to substantially convert from oil to coal-burning or other energy facilities by our Nation's utilities over a defined timetable. This bill is a key tool in our effort to increase the use of coal, our most abundant natural fuel source.

o Standby Gasoline Rationing Plan - Under the legislation enacted last year, I will propose to the Congress a Standby Gasoline Rationing Plan; its prompt approval will be required if we are to be prepared for a significant energy supply interruption.

Enhancing Basic Human and Social Needs

o National Health Plan - The time for improving the health care provided to our citizens is long overdue, and I am convinced that the health plan I proposed last year provides a realistic, affordable and beneficial way of providing our citizens with the health care they need and

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deserve. It will provide millions of low-income Americans with health coverage for the first time, improved Medicare coverage for the elderly, and protect every American against the disastrous costs of extended illness.

Our national health effort also needs prompt enactment of two other important bills -- Child Health Assurance Program, which will provide needed health care for disadvantaged children, and Mental Health Systems Act, which is needed to reform our mental health programs.

o Welfare Reform - Our nation's welfare system remains a disgrace to both the recipient and the taxpayers. It encourages family instability and encourages waste. It is a crazy-quilt of differing provisions from state-to-state. The House has approved a sound welfare reform proposal. I call upon the Senate to act rapidly on this issue so that welfare reform can become a reality this Session.

o General Revenue Sharing - I will propose a reauthorization of this important program to our state and local governments, in order to continue providing them with the funds that they depend upon to meet essential social and operating needs. This program is an essential element of the partnership I have forged with state and local governments and is critical to the continued economic health of our states, cities and counties.

o Countercyclical Revenue Sharing - I will again work with the Congress to provide the aid needed to help our most financially pressed local areas. The Senate has already acted and I urge prompt House passage early in the Session.

o Low-Income Energy Assistance - I am committed to seeking authority to continue the low-income assistance program enacted at my request last year to give the poor protection against rising energy costs.

o Economic Development - This legislation will reauthorize and improve the government's ability to provide economic development assistance. It is a key ingredient in implementing both my urban and rural policy and I urge prompt action on it by the House-Senate Conference.

Making Our Government More Efficient and Effective

o Regulatory Reform - I will continue to pursue efforts to eliminate unnecessary regulatory burdens, and will concentrate on seeking approval this year of my regulatory process reform bill, my trucking and rail deregulation proposals, my banking reform measures, and passage of sunset legislation and communications reform measures. Progress has been made on each of these during the First Session. Final passage should come before this Session ends.

o Nuclear Regulatory Commission Reorganization - As I stated in responding to the Kemeny Commission Report, I will propose a reorganization of the Nuclear Regulatory Commission in order to improve its management and its emergency operating capabilities. This is an essential step to the improvement of safety in the nuclear industry.

Protecting and Enhancing Our Rights and Liberties

o Equal Rights Amendment - While the Congress has passed the Equal Rights Amendment, and the possibility for ratification now lies with the State Legislatures, it is essential that the Members of Congress help with their State Legislatures. Toward that end, we will be working with Members from States which have not yet been ratified. We cannot stand tall as a Nation seeking to enhance human rights at home so long as we deny it to American women here at home.

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o Fair Housing - I will continue to press for enactment of this important civil rights initiative; it will enable the government to enforce our fair housing laws effectively and promptly. It is the most critical civil rights legislation before the Congress in years. The promise of equal housing opportunity has been far too long an empty promise. This bill will help make that promise a reality.

o Intelligence Charters - I have already proposed a legislative charter for the FBI; I will soon be proposing a legislative charter for the intelligence community. These charters will protect our citizens' rights while enabling the agencies to meet their responsibilities.

Preserving and Developing Our Natural Resources

o Alaska D-2 Lands - My highest environmental priority in this Congress continues to be enactment of legislation that will preserve and protect Alaska lands. I urge the Senate to follow the House's lead in this area.

o Oil and Hazardous Wastes Superfund - This program is needed to mitigate the effects of oil hazardous substance spills and releases from uncontrolled hazardous waste dumps, which is a growing national problem.

o Nuclear Waste Management - I will propose a series of legislative and administrative initiatives to implement our Nation's first comprehensive nuclear waste program.

Building America's Military Strength

o Defense Department Authorizations and Appropriations - I will be proposing a defense budget containing a 3.3% real growth in outlays. It is essential that the Congress support an increase of that amount if we are to strengthen our defense capabilities.

Working to Resolve International Disputes

o Refugee Legislation and Funding - This legislation is necessary to improve our refugee program and to provide needed domestic assistance to refugees. Prompt House action would assure that we have a sound framework within which to accommodate the increasing flow of refugees.

Striving to Resolve International Economic Problems

o Bilateral and Multilateral Foreign Assistance - I will be proposing foreign assistance legislation which provides the authority needed to carry forward a cooperative relationship with a large number of developing nations. Prompt Congressional action is essential.

o China Trade Agreement - I will be seeking early approval by the Congress of the Trade Agreement reached with China; the Agreement represents a major step forward in the process toward improved economic relations with China.

Continuing to Support the Building of Democratic Institutions and Protecting Human Rights

o Special International Security Assistance for Pakistan - I am sending to Congress a military and economic assistance program to enable Pakistan to strengthen its defenses. Prompt enactment will be one of my highest legislative priorities.

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o Human Rights Conventions - I will continue to press the Senate to ratify five key human rights treaties -- the American Convention on Human Rights, the Convention on Racial Discrimination, the UN Covenants on Civil and Political Rights, and on Economic and Social and Cultural Rights, and the Genocide Convention.

Preventing the Spread and Further Development of Nuclear Weapons

o SALT II - I firmly believe that SALT II is in our Nation's security interest and that it will add significantly to the control of nuclear weapons. But because of the Soviet invasion of Afghanistan, I do not believe it is advisable to have the Senate consider the Treaty now.

I. ENSURING ECONOMIC STRENGTH

My economic program, since I took office, has been designed to achieve several goals:

- restore and continue economic growth;
- reduce unemployment; and
- restrain inflation.

Over the past three years, considerable progress has been made in each of these areas:

- The economy has recovered from its deepest recession since World War II; and we have had a sustained economic recovery during the last three years.
- Unemployment has been reduced by 25% and employment is at its highest level in history.
- Inflation has increased to unacceptable levels, in large part because of OPEC price increases, but a program has now been put in place which will moderate inflation in an equitable and effective way.

In 1980, we will continue the steady economic policies which have worked to date. We can only succeed in making our economy strong, however, if we have Congress' cooperation. I am confident that we can work together successfully this year to achieve our economic goals.

Inflation

Inflation continues to be our most serious economic problem. Restraining inflation remains my highest domestic priority.

Inflation at the current, unacceptably high levels is the direct result of economic problems that have been building, virtually without letup, for over a decade. There are no easy answers, or quick solutions to inflation. It cannot be eliminated overnight; its roots in our economy are too deep, its causes are too pervasive and complex. We know we cannot spend our way out of this problem.

But there is hope -- for a gradual reduction in the inflation rate, for an easing of the economic pressures causing inflation.

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The hope lies in a program of public and private restraint in the short-run and a program to attack the structural causes of inflation over the longer-run. This is the policy I have pursued and will continue to pursue.

Last year was an especially difficult time for anti-inflation policies. OPEC increased its prices by more than 80% and thus added more than three points to the inflation rate. If energy price increases are excluded, inflation last year would have been nearly three percentage points lower.

The biggest challenge to anti-inflation policy is to keep energy price increases from doing permanent damage, to prevent a dangerous acceleration of the wage-price spiral. My program has been successful in accomplishing this. Inflation will slow this year. In 1981 it should be even lower. This progress is the result of our persistence in the battle against inflation on many fronts:

Budget Restraint: The budget deficit for FY 1979 was lowered to \$27.7 billion, more than 50% below the FY 1976 level.

Regulatory Reform: The flood of new, costly government regulations was slowed as our procedures to ensure that we achieve our regulatory goals in the most cost-effective manner took hold.

Wage-Price Guidelines: The guideline standards were followed by the vast majority of unions which negotiated contracts and by nearly every major corporation in the country.

Energy: The energy legislation put into place over the past two years began to reduce our dependence on foreign oil and our consumption of such important energy fuels as gasoline, thereby reducing the ability of oil producing nations to disrupt our economy.

Productivity: We began to introduce policies to increase industrial innovation and thereby productivity; the decline in productivity growth must be reversed if we are to improve our real living standards over the long term.

In 1980, with the Congress' cooperation, we will continue our aggressive fight against inflation on each of these major fronts:

Budget Restraint: The deficit for the FY 1981 budget will be less than half of the FY 1980 budget deficit and will represent a 75% reduction from the deficit I inherited.

Regulatory Reform: We will be pursuing deregulation legislation for the trucking, rail, banking and communications industries, as well as regulatory management reform legislation; these bills will enable us to further eliminate unnecessary regulatory burdens.

Labor Accord: The Pay Advisory and Price Advisory Committees, established as a result of last year's historic Accord with organized labor will enable us to better implement, and coordinate with both labor and business, the private restraint necessary as part of our anti-inflation efforts.

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Energy: We expect to enact major energy legislation -- the Windfall Profits Tax, the Energy Mobilization Board, and the Energy Security Corporation -- early in this Session; this legislation, when combined with the voluntary and mandatory energy conservation measures that will take an even stronger hold this year, should enable us to further reduce our dependence on foreign oil.

Productivity: We will be implementing our industrial innovation program and further expanding our commitment in the budget to research and development.

Council on Wage and Price Stability

The Council on Wage and Price Stability has played a vital role in our anti-inflation efforts. The Council and its staff have lead responsibility within the Executive branch for implementing the voluntary wage and price monitoring program. Without the Council's continuing role, the anti-inflation effort could not begin to assess whether the private sector is cooperating with our standards.

It is therefore essential that the Council, along with its staff operation, be reauthorized early this year. The reauthorization should not contain amendments that interrupt or restrain the important and essential work of the Council or its staff.

The 1981 Budget

The budget I will send to the Congress for FY 1981 will meet this Nation's critical needs; and it will continue the sound budgetary policies that my Administration has pursued throughout my term in office.

No single year's budget can accurately portray the philosophy of an Administration. However, there is a clear pattern in the budgets I have proposed -- restraint in spending, coupled with careful targeting of resources to areas of greatest need. My 1981 budget continues this pattern by lowering the deficit roughly \$50 billion below what it was when I ran for office. At the same time, I will recommend increases for programs of critical national concern.

Last year, my budget was austere. I proposed eliminating some programs and reducing spending for others; and these tough decisions have proven correct and have provided the country with clear benefits. I am pleased that the Congress approved my budget in virtually the form I proposed. As a result of our actions, the rate of Federal spending growth has been slowed. Just as importantly, the widespread expectation that the Federal budget would continue its upward spiral unchecked has been proven false. We have moved on to the path necessary for achieving a balanced budget in the very near future. And we have helped the fight against inflation.

The 1981 Budget will continue my policy of restraint. Real growth in spending will be close to zero. The deficit will be cut by more than half from last year. The deficit as a percent of the budget and of GNP will be at the second lowest point in this decade. We will have the smallest deficit in seven years. And if the economy were to continue to grow at a rate which held the unemployment rate at the current level, this budget would be in surplus.

At the same time, I am proposing some vital spending increases in the 1981 Budget. Most of these increases will be in "uncontrollable" programs (those in which increases are automatically required by existing law). There will also be discretionary increases; in part, to strengthen our defense

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forces and enhance our crucial investments in energy production and conservation. In addition, I will propose a major new initiative to reduce youth unemployment, and State and local governments will receive continued fiscal support from the General Revenue Sharing extension I will propose.

Developing the budget this year has been, in several respects, more difficult than in previous years. International turmoil threatens our vital interests, energy problems dampen the economy and alter our domestic priorities, and inflation erodes basic programs, all adding new pressures for Federal spending. But I am confident that this budget responds responsibly -- and with needed resources -- to our Nation's most pressing needs and positions us for responsible and effective government in the 1980's.

Fiscal Policy

As President, I have been concerned about the tax burden on our citizens and have, as a result, worked with the Congress to enact two major tax cuts. In 1977, I proposed, and Congress passed, an \$8 billion individual tax cut as part of the economic stimulus package. In 1978, I proposed, and Congress passed, a \$21 billion individual and business tax cut. This year, those two cuts will reduce Americans' tax burden by \$31 billion.

I recognize that there is interest in another tax cut this year, but my 1981 budget proposes no tax cuts. As long as double-digit inflation continues and there is no sign of a recession, our top budgetary priority must be reduction of the deficit.

Over the long run, continued tight control over budget expenditures will hold down the share of Federal spending in GNP. Inflation, on the other hand, is raising the percentage of national income collected in taxes. Over time, because of these two developments, tax reductions will be possible while still maintaining the fiscal restraint needed to control inflation. However, the timing and structure of any tax reductions is of critical importance and must be dictated by our economic circumstances: the urgency of the anti-inflation fight requires that we defer such tax reductions at this time.

Tax reductions put into effect prematurely, and under the wrong economic conditions, could make inflation worse by overstimulating the economy. Inflation is still running at unacceptably high levels.

Virtually all economic forecasters predict the onset of a mild recession and my Administration's estimates of budget receipts and expenditures in the FY 1981 budget assume a recession. However, none of the current economic statistics yet show any overall economic decline. In recent months the economy has displayed much more strength than earlier forecasts had predicted. Forecasts of impending recession may therefore prove to be as wrong as previous ones. Employment has held up well -- in part due to unsatisfactory productivity performance. To enact tax cuts now would run a serious risk of adding inflationary demand pressures to an economy which continues to grow more strongly than predicted by the forecasts. With the present high inflation, we cannot afford that risk.

When tax reductions are timely, they should be designed insofar as possible in a way that achieves multiple objectives -- not only reducing the tax burden and stimulating growth, but raising investment and productivity and reducing inflation as well.

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In particular, a significant part of any tax reduction should be directed to the provision of incentives for increased investment, to improve productivity, expand capacity, and adjust to higher energy prices. Serious consideration should be given, in the case of tax cuts for individuals, to lowering social security payroll taxes, since half of such reductions would go towards lowering business costs and prices.

The necessities of the inflation fight require that we be very cautious about when taxes are reduced, and how it is done. But they do not require that we ignore changes in economic conditions. Should the economic situation and prospects sharply worsen, I will consider recommendations to deal with the situation. Under those circumstances, tax cuts and other measures could be taken to improve the prospects for employment and growth, to reduce business costs, and to assist those most severely damaged by recession, without threatening to set off inflationary demand pressures. However, the current economic situation does not warrant such measures and it would be inappropriate to propose them at this time.

Employment

My Administration, working closely with Congress, has made significant progress in reducing the serious unemployment problems that existed three years ago.

- o The December unemployment rate of 5.9% represents a 25% reduction from the December 1976 rate.
- o Over 9.2 million more people have jobs than before the beginning of the Administration.
- o Total employment has reached an all-time high of 98 million in December.
- o Nonwhite employment has increased by 1.4 million persons or 15.5%.
- o Adult female employment has increased by 5 million persons.
- o Employment of black teenagers, which had actually decreased during the 1969-1975 period, has increased by more than 15% since I took office. Although unemployment rates for all youth, especially minority youth, are still too high, progress has been made.

We will continue to make progress in the 1980's as a result of the framework which has already been established and which will be strengthened this year.

- o The Comprehensive Employment and Training Act (CETA) was reauthorized in 1978 for four years.
- o The Humphrey-Hawkins Full Employment Act became law after many years of effort.
- o The Private Sector Initiatives Program, a new partnership between the government and the private sector to assist the most disadvantaged unemployed, is being successfully implemented.
- o A targeted jobs tax credit has been enacted to provide employers with the economic incentives needed to increase their hiring of unemployed low-income youth and others who historically have difficulty finding jobs.

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- o A massive effort to reduce the problems causing excessive youth unemployment rates is being strengthened and revitalized this year with a new \$2 billion youth education, training, and employment program.

This year, we will work aggressively to make certain that this framework continues to be successfully implemented. Even that effort may not be sufficient, if economic forecasts are accurate, to keep the unemployment rate from rising. We will be monitoring the economy closely. If unemployment should dramatically increase, I will be prepared to consider actions to counter that increase, consistent with our overriding concern about accelerating inflation. At this time though, when unemployment is at its lowest level in years, it would be premature and unwise to propose measures that might be helpful in a time of recession-induced high unemployment.

Youth Employment

The fact that we have had persistently high unemployment among poor and minority youth for three decades demonstrates clearly the inadequacies of our system for teaching, training and helping young people to find and keep decent jobs.

The economic challenges of the 1980's will require the energy and commitment of the entire American work force. We cannot afford to waste anyone's talents.

If we are to become the society of our ideals, we must provide economic opportunity for all.

My Administration is committed to a renewed national effort to remove any unnecessary obstacles to a productive life for every American.

Over the past three years, we have developed a solid record. We have increased resources for youth employment and training programs from \$2.5 to over \$4 billion. We have conducted the largest experimental youth program effort ever attempted. We have reduced overall youth unemployment rates by 15%. But this is not good enough. Youth unemployment, especially for the poor and minorities, is still unacceptably high.

Based on the experience we have gained over the past three years, and on the advice of the thousands of Americans who helped the Vice President's Task Force on Youth Employment over the last nine months, my Administration has devised a new approach, which I announced two weeks ago. Under my program, the most significant new domestic initiative I will be sending to Congress this year, the Federal government will be making its most comprehensive effort ever to eradicate the causes of excessive and harmful youth unemployment.

By 1982 this new program will have increased Federal resources committed to reducing youth unemployment by \$2 billion, to a total of \$6 billion. The program will have two key components: for in-school youth, we will have a major effort through the Department of Education to teach basic skills to low-achieving youth in junior and senior high schools located in low-income communities, while providing work experience and training after school hours. For disadvantaged out-of-school youth, we will provide, through the Department of Labor, redesigned and expanded work experience and training programs, as well as basic skills programs managed by the Department of Education.

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The Department of Education's basic education and skill training program, when fully implemented, will provide basic education and employment skills to approximately 1 million low-achieving junior and senior high school students in about 3,000 of the poorest urban and rural school districts around the country. The new program will emphasize:

- basic skills for low-achieving youngsters, including help for students with limited ability in English;
- school-wide planning with the active involvement of teachers, parents, employers, and the community;
- using the link between work and classroom-learning as a way to motivate students to stay in school; and
- a major role for vocational education in preparing young people for work.

The Department of Labor's new Youth Employment Program, when fully implemented, will provide education, work experience, training, labor market information and other services to more than 500,000 additional young people in each year. The new resources, when added to current programs, will serve over 2.5 million 14- to 21-year olds each year.

The program will emphasize:

- additional training and work experience opportunities for older and out-of-school youth;
- stringent performance standards for both participants and program operators;
- financial incentives to encourage greater cooperation between CETA sponsors, local employers, and school officials; and
- consolidation of three of the existing CETA youth programs and closer coordination with the summer employment program to simplify local administration and reduce paperwork.

We have learned from the 1960's and the 1970's. We know we must concentrate on administration and management. We know that we must have tough performance standards, not merely allocation formulas. We know that the partnership between government and all elements of the private sector must be made a reality, and that focusing on basic skills now is the key to job success in the future.

We also know that the hope our young people have for their lives in this great country is our most precious resource. We must keep that hope alive.

We will be working closely and intensively with the Congress to enact and carry out this youth employment program as soon as possible.

Trade

This past year was one of unmatched and historic achievement for a vital component of the U.S. economy -- exports and trade. In 1979, nearly 3 million jobs in our manufacturing industries, or one out of every seven jobs in manufacturing, depended upon our export performance in overseas markets.

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Our exports were a key contributor to the growth of the U.S. economy in 1979.

Exports of agricultural and industrial goods grew by an unparalleled \$35 billion, reaching a level of \$180 billion. This represented an increase of 25% over exports in 1978. This record increase in exports, coupled with a slower rate of growth of imports, resulted in substantial improvements of \$5 billion in our balance of trade. Furthermore, a rapid growth of service exports in 1979 led to a \$13 billion improvement in the current account, bringing that account from a deficit in 1978 to near balance in 1979.

I expect that in 1980 our exports will continue to strengthen and that, if we can continue to further conserve and limit imports of oil, we will further improve our trade balance position and that of the dollar. The future for American exports is bright, and will remain so, despite the necessity of suspending certain exports to the Soviet Union.

This Administration has accomplished several goals in the last year in assuring that there will continue to be greater exports and, therefore, job possibilities for U.S. workers and farmers.

To improve the condition of access of U.S. exports to foreign markets, I signed into force in July of last year a new trade act which reflected two years of hard bargaining in the recently concluded round of multilateral trade negotiations. These negotiations, which included all major developed and lesser developed countries, resulted in agreements to strengthen the rules of conduct of international trade and open new markets to U.S. exports. These negotiations were of historic importance in their scope and accomplishment, and their success is attributable to close cooperation that existed during and after the negotiations between the Congress, the private sector and the Administration.

Our negotiating success now challenges us to take advantage of the opportunity for improving further our export performance. To meet this challenge, I proposed in 1979 a major reorganization of the government's trade policy and export promotion activities. That reorganization will strengthen government coordination in the trade field and provide an improved basis for protecting American interest in the recently negotiated trade agreements. I put this reorganization into effect, with Congressional approval, earlier this month. With the changes initiated in my trade reorganization, we will ensure that trade between the United States and its trading partners will be conducted fairly and openly.

Consistent with my decisions on suspending certain types of trade with the Soviet Union, my Administration will be seeking this year to find additional ways to foster U.S. export expansion. We are studying the possibility of further agreements on expanded trade with both traditional and newer trade partners, including China. I look forward to working with the Congress on ways we can continue to improve our trading position which, in turn, will help maintain a prosperous American economy.

Small Business

This year marks the high point of three years of accomplishment for small business under my Administration, and the beginning of a decade of continuing effort to strengthen this large and vital sector of our economy.

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The White House Conference on Small Business, which I convened eighteen months ago and which has just concluded its deliberations, fulfills a pledge I made in 1976 that the voice of small business would be heard in my Administration. In anticipation of the Conference, I called on the head of every executive Department and agency to propose at least one initiative of benefit to small business. Over 160 separate initiatives have been proposed and are under examination, and many of them have already been put in effect.

We have made great strides in reforming our regulatory process, cutting down Federal paperwork and developing flexible regulations which provide for minimizing or eliminating burdens on smaller businesses. The capital gains tax has been significantly reduced, and corporate taxes on small businesses have been lowered.

We have also increased Small Business Administration lending activity, from \$1.8 billion in 1976 to \$3.1 billion in 1979, an increase of 72%. Since 1977 we have more than doubled Federal purchases of goods and services from minority firms from \$1.1 billion to \$2.5 billion in 1979. I am confident that such purchases will exceed \$3.5 billion this year.

I have put into place a comprehensive policy to strengthen the role of women in business, and have directed Federal agencies to take affirmative action to include women in management assistance and other business-related programs.

SBA's advocacy role has been strengthened at my direction, and SBA has been added to the membership of the Regulatory Council and the Productivity Council, to help assure that the problems and issues facing small business are addressed wherever relevant policy decisions are made with the Federal government.

To reduce the paperwork and regulatory burdens small businesses face in raising capital, I have recently proposed a Small Business Issuers' Simplification Act. This legislation will exempt from the burdensome registration requirements of the Federal securities laws sales of securities by small businesses to institutional investors, such as banks, insurance companies and pension funds, and others making investments of at least \$100,000.

Finally, last week I sent to the Congress a Message on Small Business to emphasize the vital importance of small business and to report to you on the steps we have already taken and plan to take in 1980 to strengthen small business.

Minority Business

From the beginning of my term, I have worked with the Congress to increase opportunities for minority business. As a result of our efforts, enormous progress has been made in the last three years:

- o Federal procurement from minority-owned firms has increased by nearly two and a half times;
- o Federal deposits in minority-owned banks have nearly doubled;
- o minority ownership of radio and television stations has increased by 65%;
- o almost 15% of the funds spent under the Local Public Works Act of 1977 went to minority-owned firms;
- o the Section 8(a) program operated by the Small Business Administration has been reformed and strengthened.

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This year, my Administration is committed to expanding upon the progress made to date. This year, I am committed to more than tripling the 1977 level of federal procurement from minority-owned firms, and I have no doubt we can meet that goal.

My 1981 budget improves the targeting of Small Business Administration loans to minority-owned businesses. We will also expand management, technical, and training assistance for minority firms and provide substantial funding increases for minority capital development under the SBA's minority enterprise small business investment company (MESBIC) program.

I will also be proposing to the Congress a minority business legislative initiative to establish in the Department of Commerce a Minority Business Development Agency. That Agency, a successor to the Office of Minority Business Enterprise, was established last year under administrative authority, but I believe Congressional authorization would strengthen its operating abilities.

Women in Business

Last year I announced a new policy to strengthen and foster the growth of women-owned businesses. My new budget includes funds to make this policy a reality by increasing SBA direct loans to women by 50%, by assisting women in gaining access to sources of financing, and by expanding management and technical assistance to women. By insuring that women have fuller access to opportunities to start and maintain their own enterprises, we will start a genuine momentum to take full advantage of the contribution which women can make to the growth and productivity of our economy.

II. CREATING ENERGY SECURITY

Since I took office, my highest legislative priorities have involved the development of our Nation's first comprehensive energy policy. The struggle to achieve that policy has been difficult for all of us, but the accomplishments of the past three years leave no doubt that our country is finally serious about the problems caused by our over-dependence on foreign oil. The accomplishments can be lost, however, and the progress stopped, if we fail to move forward even further this year. There is no single panacea that will solve our energy crisis. We must rely on and encourage multiple forms of production -- coal, crude oil, natural gas, solar, nuclear, synthetics -- and conservation.

It is therefore essential that Congress enact the major energy bills I proposed last year; and their enactment will be my most immediate and highest legislative priority this year.

Windfall Profits Tax

My highest, most immediate legislative priority during this Session is prompt passage of a sound windfall profits tax on crude oil.

Last April, I proposed a tough windfall profits tax to recoup a portion of the unearned income that would accrue to the oil companies as a result of the phased decontrol of domestic crude oil prices and OPEC price increases. It is essential that these revenues be invested on behalf of all Americans to help us become an energy secure nation. The revenues from the tax will be used to support key national energy goals: low-income energy assistance, improved and expanded mass transit and energy supply and conservation programs.

The windfall tax that I proposed was also carefully designed to provide incentives needed to increase domestic

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oil production. Under my proposal, we expect a barrel per day increase in domestic production due to decontrol and higher world prices. Without any windfall profits tax production would be only marginally higher by 1985.

The American people clearly want and our national energy needs clearly require -- a tough windfall tax. We cannot afford further delay.

The House-Senate Conference Committee has reached agreement on a tax raising \$227 billion over the next ten years. A tax at that level is acceptable, provided the components of the tax are consistent with sound energy policy. I urge the conferees and the Congress to approve forthwith a tax that I can sign. There can be no higher legislative priority.

Energy Mobilization Board

Last July, together with a comprehensive energy program, I asked Congress to join with me to create an Energy Mobilization Board, (EMB). The Board can cut through burdensome and unnecessary red tape and reach prompt decisions on designated priority energy projects. Decision-making can be streamlined without overriding of substantive law, which I strongly oppose. The Board is a key element of our strategy to attain energy security by cutting foreign oil imports in the coming years. Prompt passage of the EMB is one of my highest priorities this year, and I urge the Congress to complete its action on this proposal without delay.

Energy Security Corporation

Last year, I proposed the creation of an Energy Security Corporation to lead our national effort to develop and produce synthetic fuels, coal-based synthetics, oil shale and biomass. The Corporation would be an independent body, chartered by the government and authorized to use a variety of financing tools -- principally price guarantees, Federal purchases, and loan guarantees -- to stimulate private sector development of synthetic energy alternatives to imported oil.

I have recommended that the Corporation be given a goal to develop the capacity to produce 1.75 million barrels per day of synthetic fuels, oil shale, and biomass by 1990. With an ability to produce commercially synthetic alternatives to foreign crude oil, our Nation will have effectively capped the price which foreign oil producers can charge for crude oil.

We cannot do the job we must do for our Nation's security by operating this program from within the government. The Corporation can much more easily obtain the needed talent and operate without the constraints binding a government agency.

Enactment of the legislation containing the Energy Security Corporation is one of my highest legislative priorities for this Session. I urge the conferees to complete this work expeditiously so that the Corporation can open its doors as early as possible this year.

Reduction in Utility Oil Use

I will soon send to the Congress legislation which will assist utilities in the use of coal, and encourage them to retire existing oil burning plants for generating electricity. The Department of Energy and my staff have worked very closely with Congressional energy leadership over the last several months to develop a legislative proposal which can be acted upon quickly.

My proposed utility oil use reduction legislation will help us to achieve two of our basic energy goals -- decreasing our dependence on foreign oil and increasing our production

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of more abundant and secure energy supplies, such as coal. For that reason, passage of this legislation will be one of my highest energy priorities this year.

Gasoline Rationing

I will soon be sending to Congress for its approval a standby gasoline rationing plan, under the authority of legislation I signed into law last year. In developing this plan, we have given priority attention to accommodating essential gasoline usage, bearing in mind the need to design a plan which is workable and which can be put into place quickly if a severe emergency arises.

I recognize the difficulty of developing a plan that meets the many competing State and local concerns. Last year's experience demonstrated that difficulty very well. I am determined, as I am certain Congress is, to avoid repeating it.

My Administration will work very closely with Congress on the standby plan. I hope the Congress will recognize the overriding national importance of emergency preparedness and will take action early to approve my proposed plan.

I do not intend, under our current supply conditions, to implement a rationing program. But we can no longer afford to be unprepared for the possibility of further severe interruptions in energy supplies.

Energy Conservation

In my very first energy address to the Nation in April 1977, I stressed the importance of conservation as the cornerstone of our national energy policy. It is the cheapest and fastest means of reducing our dependence on imported oil and it constitutes an alternative source of supply. To the extent that we conserve -- in our homes, factories, cars, and public buildings -- we make the task of providing secure sources of energy for the future that much more attainable.

In November, 1978, I signed into law our country's first energy conservation tax credits. These provide up to \$300 for home conservation investments, and an additional 10% investment tax credit for industrial investments in energy efficient equipment. At the same time, we put in place a requirement that utilities provide energy audits for their customers and offer to arrange financing. We also established stiff taxes on new gas guzzling automobiles. As a result of my April 1977 initiatives, we are also providing a total of \$900 million over three years to weatherize schools and hospitals across the Nation.

Last July, I proposed a program to provide \$5.8 billion over the next decade to subsidize interest rates on homeowner loans for conservation investments. This program will be targeted to low- and moderate-income homeowners and apartment owners for whom the tax credits are less effective as an incentive. Under this program it is expected that consumers' total monthly bills will decline since the financial savings resulting from lower energy use will be greater than the monthly payments on the subsidized loans.

I consider this new program to be an essential piece of my overall conservation strategy and urge the House-Senate Conference Committee now working on the bill containing this provision to complete work promptly.

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Energy conservation must also go forward at the State and local levels. To help that important effort, I am again urging Congress to pass my proposal, under the authority of the proposed Energy Management and Partnership Act, to provide grants to local governments to meet national energy conservation goals.

Solar Energy

Last June, I sent the Congress a Message on Solar Energy outlining my Administration's solar program and setting a national goal for the year 2000 of deriving 20% of this Nation's energy from solar and renewable resources. A firm and ambitious course -- not only by the Federal government but also by State and local governments, private industry, academia and private citizens -- is required to reach this goal.

As part of my solar program announced in June, I proposed a number of initiatives to the Congress to assist in solar energy development. Among those were the establishment of a Solar Energy Development Bank funded at \$150 million per year to provide subsidized loans for the installation of solar equipment on homes and commercial structures, and additional tax credits for passive solar construction, wood stoves, industrial and agricultural solar applications, and gasohol. These initiatives have yet to be enacted by the Congress and I urge prompt action on these measures to help speed the penetration of solar technologies in the marketplace.

In addition, my FY 1980 program for solar energy exceeded \$1 billion government-wide. This is more than three times greater than the program in place when I took office. In FY 1981 government-wide expenditures for solar and renewable energy will be nearly \$1.4 billion and will include programs administered by the Departments of Energy, Agriculture, Interior, Defense, State, Housing and Urban Development, and the Tennessee Valley Authority. The Federal solar program has as its overall objectives, the emphasis on basic research and development of solar technologies not currently economic such as photovoltaics, where electricity is generated directly from the sun, and the provision of funding and technical information to accelerate the use of marketable solar technologies which are available now. Solar heat and hot water and wood energy are among these technologies.

We will continue to work with the Congress this session on passage of critical solar energy legislation. We are making progress on the transition away from our dependence on fossil fuels and towards the widespread use of renewable sources of energy. We must maintain an aggressive policy to achieve this transition.

Nuclear Safety

Immediately following the accident at Three Mile Island, I established a Presidential Commission, chaired by the President of Dartmouth College, to report to me on actions needed to prevent recurrence of this kind of accident. Safety is and will remain my Administration's primary priority in the regulation and management of nuclear power. I have taken steps to correct virtually all problems identified by the Kemeny Commission and have acted to implement most of its specific recommendations, including:

- o A reorganization of the NRC to strengthen the role of the Chairman. I will soon send to Congress a reorganization plan to give the Chairman power to select key personnel and act on behalf of the Commission during an emergency.
- o Appointment of a new Chairman of the NRC from outside the agency when the next vacancy occurs. In the meantime, I have designated Commissioner Ahearne

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as Chairman with a mandate to initiate changes needed to assure the safety of nuclear power plant operations.

- o Direction to the Federal Emergency Management Agency to lead all off-site emergency activities and review all emergency plans in States with operating reactors by June.
- o A request to the NRC to accelerate its program to place a resident Federal inspector at every reactor site, and to upgrade training and evaluation programs for reactor operators.

I endorsed the approach the NRC adopted to pause in licensing, but have urged the Commission to complete its work as quickly as possible, and in any event no later than June of this year.

Once we have instituted the necessary reforms to assure safety, we must resume the licensing process promptly so that the new plants which we need to reduce our dependence on foreign oil can be built and operated. Nuclear power is an option that we should keep open.

Gasohol

I have recently proposed a program to accelerate dramatically America's production and use of gasohol, as yet another important way on which we can wage -- and win -- our energy war.

My Administration is committed to a program which will provide between \$8.5 billion and \$12.8 billion of assistance to stimulate production of alcohol fuels over the coming decade. We will quadruple current gasohol production capacity by the end of this year. During 1981, we should be capable of producing ethanol at an annual rate of 500 million gallons -- more than six times the current rate. If this entire amount of ethanol were turned into gasohol, it would replace almost 10% of our anticipated demand for unleaded gasoline in 1981.

Our overall gasohol program will spur the investments that we together must make for a more secure energy future. We will create new markets for our farmers. We will no longer have to throw away waste materials which can be turned into profitable, essential fuels.

Our Nation's enormous agricultural and fiber resources can be used to help provide a secure source of energy for our future. By producing gasohol from fiber and agricultural by-products, we can meet fuel needs for millions of Americans, including our farmers. I am eager to work with the Congress on my alcohol fuels program, so that we can soon have legislation that will authorize and provide the funding for this important energy development.

Energy Impact Assistance

As new domestic energy resources are developed, particularly in rural or isolated areas of the country, we must provide for the needs of rapidly developing communities. My Administration will continue to work with the Congress to enact legislation establishing an Inland Energy Assistance program, with funding of \$150 million per year, to aid those States and local areas which are experiencing a rapid growth in population as a result

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of new energy supply development. These communities often cannot plan for or meet increased need for new public facilities or services, since the population increases occur before the new energy supply activities are fully developed and producing local revenues. This legislation is essential to ensure that the burdens associated with solving our energy problems are borne equitably by all citizens and regions of the country.

III. ENHANCING BASIC HUMAN AND SOCIAL NEEDS

For too many years immediately preceding my Administration, too many of our Nation's basic human and social needs were being ignored or dealt with insensitively by the Federal government. Over the past three years, we have significantly increased funding for many of the vital programs in these areas; developed new programs where needs were unaddressed; targeted Federal support to those individuals and areas most in need of our assistance; and removed barriers that have unnecessarily kept many disadvantaged citizens from obtaining aid for their most basic needs.

Our efforts over the past three years have produced clear progress in our effort to solve some of the country's fundamental human and social problems. The Administration and the Congress, working together, have demonstrated that government must and can meet our citizens' basic human and social needs in a responsible and compassionate way.

But there is an unfinished agenda still before the Congress. If we are to meet our obligations to help all Americans realize the dreams of sound health care, decent housing, effective social services, a good education, and a meaningful job, we still have important legislation to enact this year. The legislation is before the Congress, and I will be working with you toward its enactment.

HEALTH

National Health Plan

Last June, I proposed to Congress a National Health Plan which will enable the country to reach the goal of comprehensive, universal health care coverage. The legislation I submitted lays the foundation for this comprehensive plan and addresses the most serious problems of health financing and delivery. It is realistic, affordable, and enactable. It does not overpromise or overspend, and, as a result, can be the solution to the thirty years of Congressional battles on national health insurance. My Plan includes the following key features:

- o nearly 15 million additional poor would receive fully-subsidized comprehensive coverage;
- o pre-natal and delivery services are provided for all pregnant women and coverage is provided for all acute care for infants in their first year of life.
- o the elderly and disabled would have a limit of \$1,250 placed on annual out-of-pocket medical expenses and would no longer face limits on hospital coverage;

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- o all full-time employees and their families would receive insurance against at least major medical expenses under mandated employer coverage;
- o Medicare and Medicaid would be combined and expanded into an umbrella Federal program, Healthcare, for increased program efficiency, accountability and uniformity; and
- o strong cost controls and health system reforms would be implemented initiatives, including greater incentives for Health Maintenance Organizations.

If enacted this year, my Plan would begin providing benefits in 1983.

I urge the Congress to compare my Plan with the alternatives -- programs which either do too little to improve the health care needs of Americans most in need or programs which would impose enormous financial burdens on the American taxpayers. When that comparison is completed, I am convinced the Congress will see the need for and the benefits of my Plan and work toward prompt enactment. We cannot afford further delay in this vital area.

Hospital Cost Containment

Hospital Cost Containment remains the single most important piece of legislation that the Congress can pass to demonstrate its commitment to fight inflation. This legislative initiative will save billions of dollars for our Nation's consumers by eliminating unnecessary and wasteful hospital services. We can no longer allow hospital inflation to put needed health care out of the reach of the average American. In a sector where there is an absence of competitive forces, Hospital Cost Containment legislation is necessary to restrain spending, while the process of developing other effective measures proceeds. The longer we delay enacting Cost Containment, the more expensive our fight against hospital inflation will become. I am asking the Senate to move quickly on this legislation.

Health Promotion and Disease Prevention

Last July, the Surgeon General released Healthy People, a landmark report on health promotion and disease prevention. The report signals the growing consensus that the Nation's health strategy must be refocused in the 1980's to emphasize the prevention of disease. Specifically, the report lays out measurable and achievable goals in the reduction of mortality which can be reached by 1990.

Consistent with this report, the health strategy I will propose in my FY 1981 budget places unprecedented emphasis on prevention. This strategy includes increased funding for many new and continuing programs in the areas of environmental hazards, workplace health and safety, commercial product safety, traffic safety, community water fluoridation, and health education, promotion and information.

Maternal and Child Health

Ensuring a healthy start in life for children remains not only a high priority of my Administration, but also one of the most cost effective forms of health care.

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When I took office, immunization levels for preventable childhood diseases had fallen to 70%. As a result of a concerted nationwide effort during my Administration, I am pleased to report that now at least 90% of children under 15, and virtually all school-age children are immunized. In addition, reported cases of measles and mumps are at their lowest levels ever.

Under the National Health Plan I have proposed, there will be no cost-sharing for prenatal and delivery services for all pregnant women and for acute care provided to infants in their first year of life. These preventive services are recognized to have extremely high returns in terms of improved newborn and long-term child health.

Under the Child Health Assurance Program (CHAP) legislation which I have already submitted to this Congress, an additional two million low-income children under 18 will become eligible for Medicaid benefits, which will include special health assessments. CHAP will also improve the continuity of care for the nearly 14 million children now eligible for Medicaid. An additional 100,000 low-income pregnant women will become eligible for prenatal care under the proposal. We must work together this year to enact CHAP and thereby provide millions of needy children with essential health services.

For the third consecutive year, I am requesting expansion of the special supplemental food program for women, infants, and children. Under my proposal, over 2 million low-income nutritionally needy mothers, their nursing infants, and children will receive special food supplements each month. These food supplements have been shown to prevent ill health thereby reducing later medical costs.

In addition to these legislative initiatives, I will propose increased funding in the FY 1981 budget for the successful Family Planning program, which targets services on low-income women and adolescents at high risk for unwanted pregnancy. Further, the 1981 budget contains continued funding for my Adolescent Health initiative, which is designed to provide and coordinate services to pregnant teenagers as well as reduce the incidence of unwanted pregnancies, will be continued in the new budget.

Expansion of Services to the Poor and Underserved

My health proposals for FY 1981 will place high priority on expanding other improvements which have been made during my Administration in the access and continuity of care for medically underserved groups. I will propose substantially increased funding for the most successful programs in this area, including Community and Migrant Health Centers, and the National Health Service Corps program, which places health professionals in rural and urban medically underserved areas. In addition, I am proposing legislation to make coverage of clinics providing comprehensive primary care services a mandatory benefit under Medicaid.

Mental Health

Last year, I submitted a Mental Health Message to Congress and proposed the Mental Health Systems Act, which is based upon recommendations of my Commission on Mental Health. The Act is designed to inaugurate a new era of Federal and State partnership in the planning and provision of mental health services. In addition, the Act specifically provides for prevention and support services to the chronically mentally ill, to prevent unnecessary institutionalization, prevention services, and for the development of community-based mental health services.

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This year, my Administration will be working intensively with the Congress for prompt enactment of this important legislation, and the First Lady will continue her substantial work in this area, as an effective spokesperson and advocate for mental health reform throughout the country.

Worker Health and Safety

My Administration will continue to enforce fully laws protecting worker health and safety in a sensible and efficient manner. We will be making further efforts to eliminate frivolous and unneeded rules, while concentrating greater enforcement efforts on the most dangerous and particularly the most unhealthy occupational environments. More effective management of our worker safety programs will serve the interest that both labor and management have in better working conditions.

Drug Abuse Prevention

At the beginning of my Administration there were over a half million heroin addicts in the United States. Our continued emphasis on reducing the supply of heroin, as well as providing treatment and rehabilitation to its victims, has reduced the heroin addict population to 380,000, reduced the number of heroin overdose deaths by 80%, and reduced the number of heroin related injuries by 50%. However, drug abuse in many forms continues to detract from the quality of life and is of great concern to us and the people of all nations.

I am particularly concerned over the increasing quantities of heroin originating in Iran and Southwest Asia and we will continue to be especially alert to this threat in 1980. During 1980, we will also strive to reduce the supply of illegal drugs, both at their overseas sources and within the United States. While continuing a comprehensive treatment program, our priority will be to reduce drug abuse among adolescents. One of the important goals of my Administration at the beginning of this decade is to change the social acceptance of drug use.

Food and Nutrition

Building on the comprehensive reform of the Food Stamp Program that I proposed and Congress passed in 1977, my Administration and the Congress worked together last year to enact several other important changes in the Program. These changes will further simplify administration and reduce fraud and error, will make the program more responsive to the needs of the elderly and disabled, and will increase the cap on allowable program expenditures. In this session, I will continue to work with the Congress to achieve additional improvements in the Food Stamp Program and to eliminate permanently the expenditure cap. I will also propose this year that Congress pass the Administration's Child Nutrition Amendments to target assistance under our school meal programs to those most in need.

EDUCATION

The stern challenges of the 80's place new demands on every sector of our society. Education is the insurance we have to provide the talent and capability to meet every demand on our National agenda. The challenge of the 80's in education is to see that quantity education becomes quality education. That is a challenge we can meet. Last year, my Administration and the Congress successfully collaborated to create a new

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Department of Education. The Department will give education a stronger voice at the Federal level, while at the same time reserving the actual control and operation of education to states, localities, and private institutions. The Department combines nearly 150 existing Federal education programs into a cohesive, streamlined organization that will be more responsive to the needs of educators and students. The Department will cut red tape and paperwork to make the flow of Federal dollars to school districts and institutions of higher education more efficient, thereby providing students and educators with more benefits per dollar of Federal funds. We are determined to work closely with the Congress this year in making certain that the Department begins on a sound basis, consistent with the purposes and hopes Congress had when creating it.

To ensure adequate financial resources for education, I have requested, since taking office, an overall increase in Federal aid to education of 75% above the previous Administration's last budget. Many programs, including those serving disadvantaged and handicapped students and those providing financial aid to students enrolled in postsecondary education, have benefited from ever larger percentage increases during my Administration.

My FY 1981 budget request in education will represent a generous increase over last year's budget. There will be particularly significant increases in a number of programs serving special populations, in addition to the major new program designed to give youth the basic skills needed to get and keep a job. I am also recommending a substantial increase in the programs which deal with international education, to improve our understanding of other nations.

In addition, proposals I submitted last July to reauthorize the Higher Education Act are still under consideration in the Congress. The centerpiece of my proposals for the student financial aid programs is a major reform of the student loan programs. My proposal would, for the first time, provide a comprehensive program of loans from the Federal government for higher education students who need them. Our proposals would eliminate much of the paperwork and confusion that have plagued students, parents, and colleges by mandating a single application form for all Federal need-based assistance.

It is essential that this reauthorization be enacted this year. But the reauthorization legislation must be consistent with my commitment to a restrained, responsible budget. We are eager to work with the Congress to achieve this goal as soon as possible.

INCOME SECURITY

Welfare Reform

Last year, I proposed a welfare reform package which offers solutions to some of the most urgent problems in our welfare system. This proposal is embodied in two bills -- The Work and Training Opportunities Act and The Social Welfare Reform Amendments Act. Within the framework of our present welfare system, my reform proposals offer achievable means to increase self-sufficiency through work rather than welfare, more adequate assistance to people unable to work, the removal of inequities in coverage under current programs, and fiscal relief needed by States and localities.

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Our current welfare system is long overdue for serious reform; the system is wasteful and not fully effective. The legislation I have proposed will help eliminate inequities by establishing a national minimum benefit, and by directly relating benefit levels to the poverty threshold. It will reduce program complexity, which leads to inefficiency and waste, by simplifying and coordinating administration among different programs.

Last year the House passed The Social Welfare Reform Amendments Act, which addresses the major problems in our cash assistance programs. This year, we must continue this momentum toward welfare reform. I am determined to do whatever I can to help enact the two bills needed for the most comprehensive reform of the welfare system in our history.

Child Welfare

My Administration has worked closely with the Congress on legislation which is designed to improve greatly the child welfare services and foster care programs and to create a Federal system of adoption assistance. The work of the Congress on this legislation is now almost completed. The well-being of children in need of homes and their permanent placement are primary concerns of my Administration, and I am determined to see improvement in the system which cares for these children. This legislation will help ensure that.

Low-Income Energy Assistance

Last year, I proposed a program to provide a total of \$2.4 billion per year to low-income households which are hardest hit by rising energy bills. With Congress' cooperation, we were able to move quickly to provide \$1.6 billion for assistance needed this winter. Of that amount \$1.2 billion was provided for grants to eligible households and \$400 million for an energy crisis assistance program. The first checks were received by eligible families and individuals in early January.

I have already proposed, and will continue to press for, legislation which provides \$2.4 billion a year for low-income energy assistance. Funding from this program will come from the Windfall Profits Tax. Continuing this assistance is one of my high priorities in this session of Congress.

Social Security

I have been deeply committed to restoring the public's confidence and trust in the Social Security System. With the passage of the Social Security Amendments of 1977, the financial stability of the System was improved. Each month 35 million Americans receive pension and disability checks. They can rely on doing so without fear of interruption.

We must, however, address the continuing financial viability of the Social Security System in light of changing economic circumstances. We must also review the equity of the sex-related distinctions contained in the system's benefit provisions.

To help ensure the system's viability, I will propose legislation to permit borrowing among the separate trust funds. This measure will strengthen the Social Security System for current and future beneficiaries. I will also review closely the work of several major study groups, and will consult with experts in the Department of Health and Human Services and the Congress to assess their recommendations.

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Disability Insurance Reforms

As a result of the legislation we enacted in 1977, which strengthened the financing of the Social Security System, the Social Security disability insurance program is now in stable financial condition. Last year, my Administration proposed modifications in the program to further improve its administration and to increase incentives for disabled beneficiaries to seek rehabilitation and to return to work. In 1980, we will work with the Congress to enact these reforms. I hope the Congress will stay as close as possible to my original proposal.

HOUSING

My Administration has brought improved stability to the Nation's housing market. Housing starts from 1977 through 1979 averaged more than 1.9 million units per year. We have been and remain committed to assuring the availability of an adequate level of mortgage credit during a period of record high interest rates. Toward that goal, we developed the six-month money market certificate and broadened the secondary market activity of the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation. Most recently, the bank regulators introduced two and one-half year certificates which should become valuable sources of funds for savings institutions, enabling them to continue a high level of mortgage lending.

I am pleased that our anti-inflation policies have begun to slow the rate of growth in home prices. Within the context of our overall economic strategy, we will continue to support measures which provide for improved stability in the housing industry, avoiding the boom and bust cycles that led to unemployment, business failures and dislocation in the past. I have sent to the Congress legislation to update the government's emergency authority, under the Brooke-Cranston program to purchase mortgages in times of economic stress. The current authority could not be used effectively. I urge quick Congressional action on this legislation, so that the Administration will be in a position to use this program, if necessary.

We have also brought improved stability and predictability and higher production to the provision of assisted housing for low- and moderate-income Americans, including the elderly and the handicapped. During the period from 1978 through 1981, my Administration will have committed nearly 1.3 million units of housing for lower income renters and homeowners. Actual construction starts reached 175,000 units in 1979, a level which we will sustain through the next several years.

I will be proposing in my FY 1981 budget a level of 300,000 assisted rental units and 25,000 assisted homeownership units, a total 25% increase over 1980 levels. This recommendation reflects my Administration's concern about the number of poor Americans still living in substandard housing. I will also propose this year to extend HUD's home ownership assistance and interest subsidies to low-income tenants in designated revitalization areas. That will help address the particular problem of displacement of low-income persons and the elderly by urban revitalization and condominium conversions.

My Administration will again be working with the Congress to pass the condominium reform legislation that I proposed last year. That legislation will provide basic protections

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for the purchasers of condominium units. Many unit owners lack adequate remedies to redress serious inequities under existing law, and expeditious Federal action in this area is a priority.

In 1980 we will also propose a number of significant new legislative initiatives. I will be proposing a comprehensive simplification and consolidation of the Nation's basic housing laws on mortgage insurance and mortgage credit activities of the Federal Housing Administration and the Government National Mortgage Association. This proposal will make the services of these agencies more understandable and accessible to the American public.

I will also be recommending prompt Congressional action to extend the Home Mortgage Disclosure Act, which has been an important factor in aiding the availability of mortgage credit in inner city areas.

Finally, building on the urban partnership we have established with the cities, we will continue to increase the control local governments exercise over the operation of Federal housing programs. We will propose a fundamental change in HUD's public housing modernization program to allow local authorities to use up to 50% of their public housing production funds for modernization and repair of the existing, deteriorated stock of public housing. And in recognition of the severity of the housing problems in America's rural communities, we will be implementing the Action Agenda of 12 Rural Housing Initiatives which I announced last month.

Neighborhood Development

Neighborhood development is an essential component of my policies designed to revitalize our Nation's urban areas. My Administration has taken a number of steps to assist non-governmental, neighborhood groups carry out community improvement plans.

In Fiscal Year 1981, I will propose increased funding for the Neighborhood Self-Help Development Program. This program aims to build the capacity of independent, neighborhood organizations to implement conservation and revitalization projects in low- and moderate-income neighborhoods.

In 1980, I will strongly support the renewal of the Home Mortgage Disclosure Act in order to encourage neighborhood reinvestment. My Administration will also continue to support fully the neighborhood reinvestment actions of independent regulatory agencies, such as the Federal Home Loan Bank Board's Community Investment Fund.

TRANSPORTATION

A major goal during the 1980's is to bring about a dramatic increase in the economic and energy efficiency of our transportation systems. While this Nation's transportation facilities are among the best in the world, they were planned, designed and constructed in an era of abundant and cheap energy. The country now faces a totally different situation of scarce and increasingly expensive energy. To help combat this problem, I have proposed to use \$16.5 billion over the next decade from the windfall profits tax revenues to increase the energy efficiency of transportation. Of that, \$13 billion would be allocated to increase transit capacity; \$2.5 billion would be directed to promote the energy-efficient use of the automobile; and \$1 billion for research on automotive fuel efficiency. I urge the Congress to enact this proposal without delay.

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To further promote energy conservation, stimulate urban growth and create new employment opportunities in the inner cities, I urge the Congress to support mass transportation authorization legislation. This year I will seek reauthorization and extension of the public transportation grant program.

With the assistance of the Congress, we have taken a number of positive steps to reform outmoded transportation regulation. The Airline Deregulation Act of 1978 is working well, with reduced passenger fares per mile, and with the airlines better able to withstand the effects of recession and fuel price increases than would have otherwise been possible. To continue that type of progress, last year I submitted truck and rail regulatory reform bills and I am committed to seeking their enactment in 1980. These important bills will save consumers billions of dollars annually and reduce wasted fuel consumption.

To further improve America's railroads, I have introduced legislation to direct Federal railroad financial assistance toward restructuring of failing railroads and improved employment efficiency.

I will also ask Congress to increase funding for and extend the life of the Northeast Corridor Improvement Project to improve passenger rail services in the Northeast.

Statutory authority for present airport programs and related aviation taxes will expire during 1980. I have already sent to the Congress a proposal to use nearly \$15 billion from the Airport and Airways Trust Fund over the next five years for airport and aviation expenses. I urge Congress to enact this proposal this year.

Finally, I am committed to the further development of our maritime industry. To achieve maximum export competitive position for the United States, the ties between our port facilities and our land transport facilities must be greatly improved. Last year, my Administration conducted a comprehensive review of maritime policy and transmitted to the Congress our goals for liner regulation and merchant marine promotion. This year, we will be working with the Congress to pass legislation that embodies our interest in expanded trade and a strong merchant marine fleet.

SPECIAL NEEDS

Women

The efforts of my Administration over the last several years have been concentrated on providing American women with a full range of opportunities. Programmatic initiatives have been developed to overcome the widespread discrimination and disparities which women have faced in education, in health, and in employment.

The Women's Education Equity Act has been funded in both Titles I and II to provide school boards with grants for programs designed to end discrimination in education. The avoidance of discrimination in education has been also stressed through improvements in the enforcement of existing civil rights legislation.

The particular health problems faced have been addressed with increases in the family planning funds under Title XX, as well as improved teenage pregnancy funding and programs. Further, my National Health Plan provides complete coverage to pregnant mothers and infants without cost.

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Employment still continues to be a major problem with a wide gap between the average week wage of men and women. This is being addressed through major improvements in the funding for the Women's Bureau of the Department of Labor for model training programs and research projects.

CETA prime sponsors have been matched on a four-to-one basis to improve the amount of funding for these programs.

In the year ahead, the Administration will be supporting the passage of legislation to decrease domestic violence and provide shelters for battered spouses.

Families

As part of my Administration's effort to focus attention upon and strengthen the family structure, last year I established the Office of Families within the Department of Health, Education, and Welfare. That office will help coordinate our activities in this vital area. Later this year, we will hold the White House Conference on Families, which I initially proposed during my 1976 campaign. This conference, the culmination of three years of work, will help focus public attention on the problems affecting families and on the means needed to solve or avoid those problems.

Older Americans

My Administration has taken great strides toward solving the particular problems faced by senior citizens. Early in this term we worked successfully with the Congress to assure adequate revenues for the Social Security Trust Funds. I have also signed into law legislation prohibiting employers from requiring retirement prior to age 70, and removing mandatory retirement for most Federal employees. Further, the Administration worked closely with Congress to amend the Older Americans Act in a way that has already improved administration of its housing, social services, food delivery, and employment programs.

This year, I will be submitting to Congress a budget which again demonstrates my commitment to programs for the elderly. It will include increased funding for nutrition, senior centers and home health care, and will focus added resources on the needs of older Americans. I will also be seeking to strengthen further the Social Security System by proposing legislation to permit borrowing among the separate trust funds.

With the 1981 White House Conference on Aging approaching, my Administration is making every effort to assure an effective and useful conference. This forum should enable older Americans to voice their concerns and give us guidance in our continued efforts to ensure the quality of life so richly deserved by our senior citizens, with special attention to those in need of long-term care.

Refugees

In 1979 my Administration made significant progress in resolving a number of problems arising from the increase in refugees. Last March, I proposed comprehensive refugee legislation, and I regard its passage as a high priority this year. The legislation -- which is the first comprehensive reform of our refugee immigration and domestic resettlement policies in twenty-eight years -- will bring common sense and cohesion to an unnecessarily fragmented approach to international and

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domestic refugee needs. Under vigorous new leadership, the Office of the U.S. Coordinator for Refugee Affairs, which I created last year, will aggressively address the needs of refugees at home and abroad. We will also encourage greater cooperation with the private sector and other actions to ensure successful refugee resettlement.

Veterans

As our commitment to peace and our national security remains as strong as ever, so too is our Nation's obligation to those whose past service to our country helped to keep peace in the world. For that reason, my Administration's commitment to the needs of America's veterans will remain a high priority.

My Administration is committed to sustain high quality health care in the V.A. hospital system, the largest in the free world, and to encourage its growth in the most effective and efficient manner. That commitment will be reflected in my budget for FY 1981. The system must maintain its independent integrity.

In 1980, we will continue to honor and seek recognition of all our Nation's veterans, but we must acknowledge that veterans of the Vietnam War have yet to be accorded the full honor bestowed upon veterans of past wars. We will continue this year to assist Vietnam-era veterans with special needs and concerns, building on my initiative last year for these veterans. Accordingly, this year, I will again ask the Congress to reform and revitalize the VA's vocational rehabilitation program, and to extend eligibility for the G.I. Bill to those veterans of the Vietnam War era who are most in need of advanced job training opportunities. In addition, I will seek increased benefits for the recipients participating in the current G.I. Bill program. The Nation's veterans deserve these benefits, and I am committed to serving them.

My Budget also proposes legislation to grant a cost-of-living increase for the recipients of compensation for disabilities incurred while in the service of their country.

GOVERNMENT ASSISTANCE

General Aid to State and Local Governments

Since taking office, I have been strongly committed to strengthening the fiscal condition of our Nation's State and local governments. I have accomplished this goal by maintaining consistent and strong economic growth, and by encouraging economic development of local communities, and by supporting the General Revenue Sharing and Counter-Cyclical Fiscal Assistance programs.

General Revenue Sharing

This year I will propose the renewal of General Revenue Sharing. My Administration's proposal will forge a closer partnership among the Federal, State and local governments and will further emphasize the pivotal role of the States in our Federal system. My proposal for GRS renewal also will provide additional aid to the cities and counties that are most strained fiscally.

I will soon send legislation to Congress that will extend GRS for five years at the current funding level of \$6.9 billion. One-third of the money will be provided to State governments on the basis of the current distribution formula. As a condition

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for continued payments to the States, each State will be required to constitute a broadly-based Commission to assess and address the fiscal problems confronted by the State and by the local governments within the State. These Commissions will provide a mechanism for involving the States to a greater extent in the Federal-State-local government partnership.

Two-thirds of GRS payments will be provided to local governments on the basis of population, tax effort and per capita income. While I will propose retention of the basic distribution formula for local governments, I also will propose a number of modest formula changes to provide greater aid to localities with large service responsibilities and with insufficient fiscal resources.

My proposal for GRS renewal will be the cornerstone of my policy for Federal-State-local government relations in the 1980's. This policy will emphasize the need for all levels of government to cooperate in order to meet the needs of the most fiscally strained cities and counties, and also will emphasize the important role that GRS can play in forging this partnership. I urge Congress to move quickly on my GRS proposal, to assure that our Nation's States and localities can begin the 1980's in sound fiscal condition.

Counter-Cyclical and Targeted Fiscal Assistance

Last year, I submitted to Congress a two-part fiscal aid package designed to strengthen further the fiscal condition of our Nation's States and localities. The first part of this legislation provided standby counter-cyclical legislation to protect States and localities from unexpected changes in the national economy. The second part provided transitional highly targeted fiscal assistance in FY 1980 to only the most distressed local governments.

Substantial progress has been made on this legislation in the past year. The Senate passed legislation providing both targeted fiscal assistance and counter-cyclical aid in August, 1979, and similar legislation is now ready for House action. It is important that Congress complete its action on this legislation early this year.

URBAN POLICY

Two years ago, I proposed the Nation's first comprehensive urban policy. That policy involved more than one hundred improvements in existing Federal programs, four new Executive Orders and nineteen pieces of urban-oriented legislation. With Congress' cooperation, fifteen of these bills have now been signed into law. Additional action is expected to put into place more of these proposals this year.

Economic Development

One of the principal goals of my domestic policy has been to strengthen the private sector economic base of our Nation's economically troubled urban and rural areas. With Congress' cooperation, we have substantially expanded the Federal government's economic development programs and provided new tax incentives for private investment in urban and rural communities. These programs have helped many communities to attract new private sector jobs and investments and to retain the jobs and investments that already are in place.

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When I took office, the Federal government was spending less than \$300 million annually on economic development programs, and only \$60 million of those funds in our Nation's urban areas. My FY 1980 budget requested more than \$1.5 billion for economic development grants, loans and interest subsidies and more than \$2.5 billion for loan guarantees. Approximately 60% of these funds will be spent in our Nation's urban areas. My FY 1981 budget continues these programs at these already high levels. In addition, we have extended the 10% investment credit to include rehabilitation of existing industrial facilities as well as new construction.

This year we need to continue our progress by extending and expanding the programs of the Economic Development Administration. With Congress' cooperation, this legislation already has passed both the House and the Senate. Both the House and the Senate bills include the key elements of my original National Development Bank proposal and provide a substantial expansion of the economic development grant, loan, loan guarantee and interest subsidy programs of the Federal government. This legislation is vitally important to the economic revitalization and redevelopment of our Nation's economically troubled urban and rural areas. I am hopeful that the conferees will complete their work shortly so that we can get these essential programs underway.

I continue to believe that the development of private sector investment and jobs is the key to revitalizing our Nation's economically depressed urban and rural areas. To ensure that the necessary economic development goes forward, the Congress must enact legislation reauthorizing the programs of the Economic Development Administration. That legislation is now in Conference, and I urge the conferees to complete their work soon, so that we can provide a foundation for the economic development of our Nation in the 1980's.

Community Development

The partnership among Federal, State and local governments to revitalize our Nation's communities has been a high priority of my Administration. When I took office, I proposed a substantial expansion of the Community Development Block Grant (CDBG) program and the enactment of a new \$400 million Urban Development Action Grant (UDAG) program. Both of these programs have provided essential community and economic development assistance to our Nation's cities and counties.

This year, I will ask Congress to reauthorize both the CDBG and UDAG programs. I will propose that the CDBG program be reauthorized for three more years, and that a \$150 million increase in funding be provided for FY 1981. I also will propose that the UDAG program be extended for three years, and that \$675 million be provided for this program in the upcoming fiscal year. These actions should help our Nation's cities and counties to continue the progress they have made in the last three years.

Rural Policy

Since the beginning of my Administration, we have taken steps to address the pressing needs of a changing and rapidly growing rural America. For many rural areas, and for most rural residents, the last decade was a time of rapid growth and development. While this growth and development has produced higher income and increased jobs in rural communities, it has also created substantial housing, energy, transportation, health, and management problems.

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Last December I announced our Small Community and Rural Development Policy, which is the culmination of several years' work and is designed to address these pressing problems now affecting rural areas. The major elements of the policy involve:

- Creation of the position of Under Secretary of Agriculture for Small Community and Rural Development to provide leadership in carrying out this policy.
- Establishment of an inter-agency working group to assist in the implementation of this policy.
- Appointment of a citizens Advisory Council to advise the President on the performance of the Federal government in the implementation of this policy and to recommend needed changes.
- An invitation to the Nation's government-formed rural development councils to work in partnership with Federal agencies in delivering State and Federal programs to rural areas.
- A directive to the working group to annually review existing and proposed policies, programs, and budget levels to determine their adequacy in meeting rural needs and fulfilling the policy objectives and principles.

This is a landmark policy. It is the first time rural affairs has been given the prominence of a Presidential policy. Although many new program authorities for dealing with rural problems have been provided over the past two or three decades, there has been no institutional capacity at the Federal level for coordinating and focusing these efforts in a coherent and effective way. This policy provides that capacity, backed by my personal commitment to make it work.

My Administration will be working with the Congress this year to pass legislation needed to fulfill the commitment of this rural policy initiative.

CONSUMERS

Consumer Representation

Last September I signed an Executive Order designed to strengthen and coordinate Federal consumer programs and to establish procedures to improve and facilitate consumer participation in government decisionmaking. Under the Order, each Federal agency must adopt and implement its own strong consumer program.

I also established an interagency Council to coordinate the Agencies' actions in responding to the Executive Order. This year, under the leadership of my Special Assistant for Consumer Affairs, we will be working to make certain that the Order is faithfully implemented and that consumers receive better protection and assistance from Federal agencies.

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My Administration will continue to support efforts to provide financial assistance in regulatory proceedings to citizen groups, small businesses and others whose participation is limited by their economic circumstances. These programs are needed to balance the regulatory process by assuring opportunities for broad public involvement in these proceedings.

Finally, the Administration will continue to support reform of class-action procedures to ease the unnecessary burdens and costs of class actions, while at the same time preventing their use as an harassment technique.

National Consumer Cooperative Bank

My Administration worked closely with the Congress to create the National Consumer Cooperative Bank. The Bank is to provide loans, loan guarantees, and other financial services to non-profit consumer cooperatives, operating in such areas as food, housing, health, and auto repair.

To demonstrate my commitment to this innovative institution, I have signed legislation increasing appropriations for the Bank from \$4 million in fiscal 1979 to \$74 million in fiscal 1980. Legislation has also been signed adding two members to the Bank's board of directors -- one to represent the interests of small business and one to represent the general public.

This year we will continue our efforts with Congress to make the Bank a strong and vital resource for consumers.

Consumer Services Information

Genuine competition is lacking in many service industries because consumers generally lack comparative cost and quality information. To help alleviate this problem, my Administration will assist non-profit groups and State and local government agencies to develop local consumer information systems to provide accurate cost and quality data on locally provided services. An essential part of this effort will be an evaluation of the impact of better consumer information on inflation and productivity in the service sector.

SCIENCE

Science and Technology

Since the beginning of my Administration, I have been committed to strengthening our Nation's research and development capability and to advancing those areas of science and technology which are vital to our economic and social well-being. That commitment has been reflected in: a 40% increase in basic research funding, resulting in the highest research and development funding in our Nation's history; a new Automotive Research initiative in which the industry, in partnership with the Federal government, will undertake basic research essential to help improve future automobiles; an acceleration of scientific and technological exchanges with the People's Republic of China; a major review of space activities and needs, resulting in a 60% increase in space funding and in the development of a space policy that will set the direction of our space efforts over the next decade; and a major new program to encourage industrial innovation.

Each of the undertakings will be pursued, in cooperation with the Congress, in this year.

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Space

The diversity of our activities in space shows that space technology has become an integral part of our lives -- in communications, in remote sensing for defense and civilian purposes, and in studies of the earth and the universe. Guided by a sound, aggressive, and fiscally responsible space policy, my Administration has undertaken a concerted effort to support and further our space activities.

During my Administration, the expenditures for Federal space programs have increased by 75%. Much of this increase is to meet the increasingly operational nature of our space activities. Nearly half of our expenditures are now for defense purposes; photo-reconnaissance satellites, for example, are enormously important in stabilizing world affairs and thereby make a significant contribution to the security of all nations. And my new initiative to establish an oceanic satellite system will provide invaluable ocean data for both the civil and defense sectors, thereby avoiding unnecessary duplication.

I have also emphasized space science and exploration, continuing to fund such spectacular programs as the Voyager missions that provided us with the remarkable close-up views of Jupiter and its moons. I am proposing two new measures -- the space telescope and the new Gamma Ray Observatory to provide a unique capability to observe distant galaxies and to obtain information about our universe from outside the earth's obscuring atmosphere.

In 1980, I will continue my strong support for the space program. That will be reflected in my budget and in my continued commitment to the space shuttle.

ARTS & HUMANITIESArts

The arts provide fundamental enrichment for our Nation. The National Endowment for the Arts has played a major role in focusing public attention on the arts. In doing so, the Endowment has brought wider audiences from all parts of the country into contact with all of the arts.

Since the beginning of my term, I have increased the government's support for the Endowment's activities. I will continue that record of expanded support again this year. This will enable the Endowment to strengthen its efforts to open the arts to new audiences, new forums, and new parts of the country.

Humanities

The humanities play a vital role in deepening our understanding of culture and society. To enable the National Endowment for the Humanities to continue its important efforts, I will again be proposing increased funding for the Endowment.

While maintaining the on-going programs aiding scholarly research, education, and cultural interpretation, the Endowment will use these increased funds to augment its support for:

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- o research designed to increase our understanding of the traditions, cultures, and directions of countries in the Third World;
- o studies exploring the complex public and ethical issues created by an increasingly technological society; and
- o efforts to preserve the priceless documents and other materials that constitute the heritage of this Nation and of its regional and ethnic communities.

To bring the fruits of this work to increasing numbers of the public at large, support will be provided for humanities activities in libraries, museums, and media, as well as for a variety of special activities tailored to the needs of groups that have traditionally not had ready access to opportunities for learning in the humanities.

In pursuing these objectives, the Endowment will concentrate on using Federal funds to stimulate support from non-Federal sources, in order to enhance our tradition of private philanthropy and to expand the financial base of our cultural institutions.

DISTRICT OF COLUMBIA

No longer is our Nation's Capital a convenient target for misdirected political attacks. My Administration has developed a partnership for progress with the District of Columbia.

My Administration worked with the last Congress to pass a proposed Constitutional amendment granting full voting representation to the citizens of our Nation's Capital. The ratification process for this proposed amendment has begun and I urge the State legislatures which have not ratified the resolution to join those which have. We will continue our efforts this year in the ratification effort.

Last year, progress was made toward strengthening the District's ability to meet its citizens' needs. With the Congress' help, we enacted legislation authorizing construction of the full METRO Mass Transit System and legislation funding the District's pension plan for municipal employees.

In 1980, we will build on this record. My Administration will continue to work closely with the Congress and Mayor Barry to expand home rule for the District, including development of a sensible formula for determining the Federal payment to the District.

I will continue working with Mayor Barry to make our Nation's Capital City a model for the rest of the Nation.

Commission on the Holocaust

Last year, I received and approved the recommendations of the President's Commission on the Holocaust, which I established to assess how our government might officially recognize, for the first time, the tragedy of the Holocaust. I will shortly be appointing a Council of distinguished Americans to develop ways to implement the Commission's proposals. The Council and my Administration will work closely with the Congress as we establish an appropriate memorial to the six million Jews and the millions of other victims of Nazism during World War II.

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IV. MAKING GOVERNMENT EFFECTIVE AND EFFICIENT

One of my major commitments as a candidate was to make the Federal government more effective and efficient. Over the past three years, with Congress' help, I believe that enormous progress has been made toward that goal. Reforms thought to be impossible -- such as Civil Service Reform -- have been enacted. Regulatory burdens -- such as airline regulation and government paperwork -- have been reduced or eliminated. This coming year, I intend to work with the Congress to improve further the government's ability to serve the nation effectively.

Government Reorganization

One of my highest priorities has been to improve the quality and efficiency of Federal programs through reorganization. Since I took office, we have submitted 13 reorganization initiatives to Congress, and Congress has approved all of them. These initiatives have strengthened the Federal government's capacity to deal effectively with such critical issues as energy, civil service, disaster relief, civil rights, international development assistance, education and trade.

In 1979, Congress approved legislation that I sought to consolidate education programs in a new Cabinet department. The Department of Education will provide full-time leadership, improved management and direct accountability for its performance to me, to the Congress and to those involved in education at every level.

This month I put into effect a major reorganization of the Federal government's trade functions approved by Congress last year. In conjunction with the Multilateral Trade Negotiations Agreements this reorganization will ensure that expanded trade opportunities for American business abroad are fully realized, and that my goal of trade expansion is given a higher priority by the Federal government.

Organizational initiatives are also an important part of my energy program. We have consolidated enforcement functions for the Alaska Natural Gas Transportation System under a single Federal Inspector to ensure timely completion of the natural gas pipeline. To reduce our dependence on foreign oil, I have proposed the creation of an Energy Mobilization Board which will expedite Federal, State, and local decisions on proposed energy facilities. I am also urging the Congress to approve creation of an Energy Security Corporation to spur development of a domestic fuels industry.

This year I will propose to Congress another significant reorganization: a plan which will strengthen the internal management and effectiveness of the Nuclear Regulatory Commission. Safety is our highest concern in regulating nuclear power development, and my reorganization plan will help improve the NRC's ability to ensure nuclear safety.

General Management Reform

To simplify the government for our citizens and to reduce the burden of unnecessary requirements and regulations, we will pursue a number of initiatives this year. We have instituted a government-wide management system to mandate the cost effectiveness of new regulations and the sunseting of old ones. In 1980, we will continue to pursue further

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reform of regulations through legislation designed to make permanent a new framework for managing the regulatory process, and legislation to reduce paperwork and red tape. We will also pursue initiatives to simplify the eligibility requirements for human services programs and to improve the management and delivery of social services through increased use of private sector skills and talent. This reform will reduce the obstacles for needy citizens seeking assistance and improve our ability to remove fraud from the system.

Last year, we implemented a program to manage the government's cash flow more efficiently. We have saved over \$450 million a year, and we expect further annual savings of \$600 million through more timely collection of cash payments, tighter control over disbursements and reductions in idle balances.

We have vigorously implemented legislation passed last year to establish independent inspectors general in each department and coordinated their work through the Executive Group to Combat Fraud and Waste in Government. To spot areas where management reform is especially likely to increase efficiency, I have created a Management Improvement Council to diagnose such circumstances and prescribe a cure.

We will continue to pursue vigorously our efforts to improve the structure and management of government programs. This is tough, unglamorous work, but it is essential to reduce the cost of government and to provide better service to the American people.

Civil Service and Compensation Reform

In March 1978 I said that civil service reform would be the centerpiece of my government reorganization efforts. The Congress supported it, and I am pleased to report it is working very well. In the first real test of the reform act, over 98% of the eligible top-level managers joined the Senior Executive Service, choosing the challenge and accountability demanded by this new corps of top executives. The Office of Personnel Management, the Merit Systems Protection Board, and the Federal Labor Relations Authority authorized by the Act have operated effectively in their first year. And the agencies throughout the government continue to make substantial progress in implementing the other important civil service reforms. For the first time in the hundred year history of the civil service system Federal employees can get and hold jobs, and be paid, on the basis of actual on-the-job performance -- not merely length of service.

Last year, I asked the Congress to take the next step in my Federal Employee Compensation Reform Message. I urged you to pass a pay reform bill which would modernize the Federal compensation system. This legislation is fair to Federal employees and to American taxpayers alike. Our white collar, blue collar and military compensation systems must be reformed in order to make certain that we neither overpay nor underpay Federal employees. It is a fair bill, and one which will help restore public confidence in the Federal service. I urge Congressional action on it.

Regulatory Reform

Over the past three years, we have put into place a comprehensive program to overhaul the Federal regulatory establishment, and eliminate unnecessary regulatory burdens. For 1980, I am determined to continue the progress of this effort; it is the most important part of my ongoing campaign to make our government more efficient and effective.

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Airline deregulation. The Airline Deregulation Act of 1978 has revolutionized air transportation. In the first year of its operation, the new environment of free competition created by the law produced a record number of flights and passengers, a much wider variety of service packages, and a savings of approximately \$2.5 billion in the fares paid by the travelling public. Under the Act, regulatory controls will continue to be relaxed, until in 1985, the CAB itself will be completely phased out of existence.

Trucking deregulation. The trucking industry is enmeshed in detailed regulations that control the routes truckers can drive and the goods they can carry. In addition, truckers are allowed to fix prices through industry rate bureaus. This regulatory system works to stifle competition, waste fuel, reduce service to small towns, and inflate prices.

My appointees to the Interstate Commerce Commission have started modernizing the system, but we need legislation to provide comprehensive reform. I have submitted a bill to open up entry, lift restrictions on the goods truckers may haul and the routes they may use, promote vigorous price competition, reduce regulatory delays, and improve safety on the road.

This bill is an important step in fighting inflation, and I look forward to passage of a sound bill by early summer. If appropriate legislation is not enacted, I would expect the ICC to proceed under its authority to implement reform initiatives.

In addition, we need legislation to increase competition in the household moving industry. The Senate recently passed a constructive bill, and I urge the House to strengthen and pass it.

Railroad deregulation. Railroads have traditionally been one of the most overregulated industries in America. As a result, management initiative, service, and competitive pricing have been stifled. Railroad plants and equipment have deteriorated, and the average railroad industry rate of return on investment is far too low. My Administration will continue to work to eliminate these wasteful conditions and the regulatory structure which helps cause them. Our principal weapon in that effort is the railroad deregulation bill that I proposed last year. Enactment of significant railroad deregulation legislation this year is essential to restoring our railroad system to its former strength.

Financial institutions regulation. Last year the combination of deposit rate ceilings and outmoded restrictions on the asset powers of thrift institutions produced severe inequities for the small saver, substantial savings outflows from many thrift institutions, and disruptions in the availability of mortgage credit. Contrary to its intended purpose, the Regulation Q system has contributed to the cyclical nature of the housing market and has destabilized the flow of mortgage funds. In a related area, changing competitive relationships, as well as innovations in the market, have increased inequities and produced a continuing decline in Federal Reserve membership. Now is the time to take the actions necessary to prepare for the financial environment of the 1980's.

The Congress passed legislation in 1979 which increased the ability of many Americans to obtain mortgage credit. In addition, the Congress made major progress toward enactment of the historic financial reform legislation I proposed last year.

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This year we will work closely with Congress to achieve final approval of our financial reform objectives: the phaseout of Regulation Q deposit rate ceilings, the broadening of the asset and liability process of thrift institutions, the approval of legislation to stem the decline in Federal Reserve membership, and the elimination of other unwarranted regulatory restraints. Prompt action is necessary to avert a significant decline in Federal Reserve membership and to assure a fair rate of return to the saver, a steadier flow of housing credit, and a stable financial environment for all classes of depository institutions.

This spring I will submit to the Congress the Administration's findings on the McFadden Act and other geographic restraints on banking activity.

Telecommunications deregulation. Technological advances, such as satellites, computers, and microwave relays, have made it practical to move much of the telecommunications industry from a regulated monopoly to a deregulated, competitive market. This shift is already underway and is benefitting individual customers as well as companies.

Toward that end, I will continue to support strongly ongoing efforts in Congress to pass a bill that will encourage and protect competition, remove needless regulation, and maintain universal, reliable service. In addition, we need this legislation to smooth the transition to a competitive environment by protecting workers' rights, ensuring against any large increases for rural telephone rates and providing needed national security and emergency preparedness powers.

Regulation Reform Act. In March of 1979, I sent to Congress the Regulation Reform Act. When enacted, this bill will assure that new and existing regulations will be rigorously scrutinized before they can be issued or retained, that wasteful delays are eliminated from the regulatory process, that key regulatory officials be selected purely on grounds of integrity and competence, and that the public will be assured meaningful opportunities to participate in regulatory decision-making. The reform steps I have taken administratively have already avoided billions of dollars in unnecessary regulatory costs, erased thousands of useless regulations from the books of OSHA and other agencies, and opened up the regulatory process across the Executive Branch. Enactment of my regulatory reform bill legislation is needed in this Congress, to strengthen these reforms, and extend their benefits to the independent regulatory commissions.

Presidential oversight of regulation. Many regulatory programs are vital to the protection of the health, safety and welfare of our citizens. These we must manage effectively, while cutting out wasteful red tape, rigidity, and costs imposed on industry and the public, and enhancing opportunities for public participation in decision-making. From the outset of my Administration, I have actively used my authority as President to assure that Executive Branch regulatory agencies respect these goals, through executive orders, through oversight from the Office of Management and Budget, through a Regulatory Analysis Review Group to assure that regulatory costs are accurately evaluated, and through a Regulatory Council to eliminate duplication and overlap among individual agencies. We will pursue these efforts in 1980.

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Legislative Veto. While supporting the Regulation Reform Act, I will strongly oppose proposals that would undermine the ability of the President to manage the regulatory process, or would cripple the effectiveness of needed programs. In particular, my Administration will oppose proposals to subject individual agency rules to veto by one or two houses of Congress, to transfer regulatory policy decision-making authority to the Federal courts, and to create rigid statutory procedures for Presidential supervision of Executive Branch regulatory agencies.

This last year has seen Congress besieged by assaults on various important regulatory statutes, especially the Federal Trade Commission Act, seeking groundless exemptions, crippling loopholes, and unprecedented Congressional interference with ongoing proceedings. I will resist strenuously all such efforts to confuse special interest pressure with regulatory reform.

Communications

My highest priority in the communications area is passage of regulatory reform legislation covering the telecommunications industry. In addition, in 1980 we will continue our program to make the media more diverse and to ensure that the public gets the full benefit of the advances in communications technologies. Administration efforts include:

- o working to increase minority participation; already our program has helped produce a two-thirds increase in minority ownership of broadcast stations, and we will continue that progress;
- o working with the Federal Communications Commission to continue to eliminate needless paperwork and regulations;
- o pursuing plans to open up channels for as many as 1,000 new radio stations, to improve service to rural areas and provide more opportunities for minorities;
- o developing proposals to improve the way frequencies are assigned, including incentives for users to conserve the increasingly crowded radio spectrum;
- o encouraging the use of satellites, cable TV, and other technologies to deliver public services and to improve rural communications;
- o working with Congress and the FCC to protect First Amendment rights and the free flow of information, through such measures as my bill on police searches of newsrooms; and
- o continuing to support a strong, independent public broadcasting system and working to increase its coverage to reach all Americans.

In addition, I will submit to the Senate, later this year, the Treaty and Protocol that resulted from the World Administrative Radio Conference concluded in Geneva in December. This conference, and the follow-up conferences that will be held in the next few years, will determine the utilization

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of the radio spectrum for the rest of the century. We prepared for this conference for over two years; our delegation has secured for the United States all allocations necessary for its civilian and military services while also responding to the legitimate needs of the Third World nations.

Sunset

We will continue to work with Congress to pass sunset legislation. This legislation will overcome the inertia that lets Federal programs continue when they have outlived their purpose. It will ensure that Congress regularly reviews programs to decide whether they should be changed or eliminated. A comprehensive sunset bill, with a strong mechanism to force action when programs need change, is a vital building-block toward making the government more efficient.

Paperwork Reduction

In the past three years, my Administration has cut the amount of time Americans spend filling out Federal forms by 127 million hours -- almost 15%. I recently issued an Executive Order to continue this progress by strengthening our management program. However, Congress is enacting new paperwork requirements in energy, environmental protection, and other areas, and we must have legislation to provide the strong administrative controls that will be needed to minimize these burdens.

I urge Congress to pass a Paperwork Reduction Act to close the wide loopholes in Executive Branch oversight power and create new authority to halt duplicative data collection. In addition, I urge legislation be enacted to improve Federal statistical systems by strengthening central management and by encouraging agencies to share data, under new, tough confidentiality safeguards.

Lobby Reform

The American people have a right to know what significant influences affect their national legislature. The proliferation of well-financed, organizational lobbying activities during recent years has demonstrated the clear need for reform of the outdated and ineffective lobby disclosure law now in effect. This year my Administration will again work with Congress to pass a sound lobby law reform bill -- one that respects the First Amendment rights of all Americans and minimizes paperwork burdens, yet allows meaningful disclosures.

Public Financing of Congressional Elections

The impact of special interest contributions on congressional campaigns has grown dramatically in recent years. It is time to adopt public financing for congressional elections before it is too late. Such public financing will avoid even the appearance of undue special interest influence, and will allow worthy candidates without adequate funds to run for Congress. I urge the Congress to act on this legislation.

Judicial Reform

In my Civil Justice Reform Message last year, I made proposals to increase the efficiency, cut the cost, and enhance the integrity of our Federal court system. Last year, I signed the Federal Magistrates Act of 1979. Both the Senate and the House have passed the Dispute Resolution Act, which would develop simple and informal means of resolving citizen disputes, and I look forward to early final action on this legislation. The Federal Courts Improvement Act has passed the Senate, and I urge the House to act on it early in this session. I hope that the Congress will also pass the other bills recommended in my Message, such as the one which would curtail diversity jurisdiction.

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LEAA

LEAA's potential to improve and strengthen State and local criminal justice programs has never been realized. Two years ago, I proposed far-reaching reforms in its structure and programs. Last month, Congress passed, and I signed, a bill which incorporated most of those reforms and which reauthorized LEAA for four more years. These reforms will preclude excessive expenditure of funds for equipment, enable better information and research about crime problems and permit funding only of innovative programs which have a high probability or record of proven success. During this year we will implement the new legislation in a way that makes certain the agency is efficiently carrying out its mission of providing meaningful law enforcement assistance.

Patent Reform

As part of the Industrial Innovation policy that I announced last year, we will be seeking to reform our patent laws in a way which will spur creativity and invention. The Administration will be working with Congress to develop a single policy to guide the Departments and Agencies dealing with patents resulting from federally-sponsored research. Such uniform treatment should encourage the commercial use of discoveries while protecting the taxpayers' investment.

V. PROTECTING BASIC RIGHTS AND LIBERTIES

Since taking office, I have worked to protect and enhance the basic rights and liberties guaranteed to Americans under the Constitution and our other laws. With your cooperation, we have made important progress in this area. This year, though, important work remains to be done if our goal of ensuring equality and basic freedoms for all Americans is to be realized. The dream of equal opportunity remains unfulfilled. I will do whatever I can to bring that dream closer to realization.

Equal Rights Amendment

I am committed as strongly as possible to the ratification of the Equal Rights Amendment. Its ratification this year will be one of my highest priorities.

As a result of our efforts in 1978, the Equal Rights Amendment's deadline for ratification was extended for three years. We have now two years and three States left. We cannot afford any delay in marshalling our resources and efforts to obtain the ratification of those three additional States. With your help, I believe we can succeed this year.

Although the Congress has no official role in the ratification process at this point, you do have the ability to affect public opinion and the support of State Legislators for the Amendment. I urge Members from States which have not yet ratified the Equal Rights Amendment to use that ability.

Civil Rights

The completion of the civil rights reorganization and significant operational improvements in the agencies that carry out equal employment opportunity functions have enabled the federal government to shift its focus for the first time to large-scale enforcement efforts. These have been buttressed by our vigorous and successful posture in several landmark affirmative action cases. At the same time, the reorganization

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mandate to eliminate unnecessary costs, paperwork and other burdens to businesses is being vigorously implemented by the Equal Employment Opportunity Commission. That will continue with increased resources this year.

To make certain that civil rights activities are given the highest priority in the Agencies, we have created a civil rights unit in the Office of Management and Budget. This new unit will monitor civil rights enforcement and advise the Director of OMB on the funding and management resources needed for effective enforcement.

Martin Luther King, Jr.

Dr. Martin Luther King, Jr. led this Nation's effort to provide all its citizens with civil rights and equal opportunities. His commitment to human rights, peace and non-violence stands as a monument to his humanity and courage. As one of our Nation's most outstanding leaders, it is appropriate that his birthday be commemorated as a national holiday, and I will continue to work with the Congress to enact legislation that will achieve this goal.

Fair Housing

Enforcement of laws against housing discrimination has lagged in comparison with the employment area. Because there is no adequate enforcement mechanism, Title VIII of the Civil Rights Act, which prohibits discrimination in housing, has been largely ineffective. I have strongly supported legislation which seeks to provide the Department of Housing and Urban Development with the power to hold administrative hearings and to issue "cease and desist orders" in cases where Title VIII has been violated. We will continue to work with the Congress during 1980 to enact this long-overdue authority. Its enactment will continue to be my highest legislative priority in the civil rights area.

Intelligence Charters

A legislative charter for the intelligence agencies and a charter for the FBI are long overdue. The failure to define in law the duties and responsibilities of these agencies has made possible some of the abuses which have occurred in recent years.

Several months ago, I submitted to the Congress a legislative charter for the FBI which protects the rights of our citizens while preserving the Bureau's ability to meet its important responsibilities. In 1980, we will continue to work with the Congress toward enactment of this legislation.

Events of the past year indicate the need for a strengthened and clearly defined role for our intelligence community. On the basis of the sound consultative work done already with Congress, I plan to submit a proposed charter early this year.

Hatch Act Reform

Federal employees who work in non-sensitive positions should have the right to participate in off-the-job political activities. My Administration will continue to support legislation which would reform the Hatch Act to accomplish this goal, and would prevent any on-the-job political abuse.

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Criminal Code

The Federal criminal laws are often archaic, frequently contradictory and imprecise, and clearly in need of revision and codification. My Administration will continue to work with the Congress to develop a Federal criminal code which simplifies and clarifies our criminal laws, while maintaining our basic civil liberties and protections.

Labor Law Reform

Our labor laws are vital to ensuring that a sound labor-management relationship exists in collective bargaining. Efforts to abuse those labor laws, especially by unduly slowing or blocking their implementation, have increased in recent years. As a result, a reform of our labor laws is badly needed to guarantee that their intended spirit is fully observed and enforced.

I am again ready to work with the Congress to develop legislation which improves the fairness and effectiveness of our labor laws.

Handicapped

During my Administration, we have made great strides toward ending discrimination against handicapped people through broadened employment opportunities, educational opportunities, and greater access to public facilities and services. Just after I came to office, the Department of Health, Education and Welfare issued the first regulations on Section 504 of the Rehabilitation Act. Since then, numerous other Federal agencies have issued final regulations, and we expect to have regulations from all the necessary agencies by the end of 1980.

Last year I supported legislation which would prohibit discrimination against the handicapped in private employment and housing. I will continue to support that initiative this year and to clarify legislative and administrative uncertainty about provisions of the Acts affecting the rights or programs affecting handicapped individuals.

While my Administration has worked to improve programs serving the handicapped, we must continue to push for removal of psychological and physical barriers against handicapped people in our society. We are actively organizing and preparing for next year's International Year of the Disabled. The International Year will enable this country -- with the public and private sector working together -- to demonstrate its commitment to the disabled and to teach or learn from other nations about ways to advance the quality of life of handicapped individuals.

Privacy

Changes in our society are threatening the rights to personal privacy. Government and private institutions collect increasing amounts of information about individuals. Many decisions that once were made face-to-face are now based on recorded data, and modern technology allows this data to be transferred throughout the country instantaneously. Much of this information must be collected and used to enforce the laws, provide financial services, and for other important services. However, these needs must be balanced against the right to privacy and against the harm that unfair uses of information can cause.

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Last year, I announced the government's first comprehensive privacy program, building on legislation already passed to prevent improper use of wiretaps and improper access to personal bank records. This new program has five separate bills -- establishing privacy safeguards for medical, research, bank, insurance, and credit records and providing special protections, modeled on the wiretap laws, for electronic funds transfer systems. In addition, I have proposed legislation limiting police searches of newsrooms to deal with the problems created by the Supreme Court's Stanford Daily decision.

My privacy program includes non-legislative action as well. We have improved the handling of Federal records -- we stopped the growth of personnel records and started cutting back, and we established rules to control computer matching of Federal files. I have called upon employers to establish voluntary privacy codes for the records concerning their employees and launched nationwide hearings to promote that effort.

International guidelines are needed to protect the privacy of personal information transferred from one country to another, while avoiding disruption of needed information flows. We have spearheaded work in the Organization for Economic Cooperation and Development toward this end, and guidelines have been drafted for adoption this year.

The key protections, however, need legislation. I urge Congress to act now on the five privacy bills I have submitted.

VI. PROTECTING AND DEVELOPING OUR NATURAL RESOURCES

Two of our Nation's greatest natural resources are our environment and our fertile agricultural capacity. Since I have been in office, I have worked with the Congress to preserve, protect and where appropriate, develop our natural resources. In the environmental areas, I have been concerned about the importance of preserving a clean environment, and have taken a number of major actions designed to foster such an environment.

In the agricultural area, I have taken the steps needed to improve farm incomes and increase our agricultural production to record levels. With your help we can continue to make progress in both of these areas in 1980.

Environment

Balancing the need for resource development and conservation has been a major environmental theme of my Administration. I remain strongly convinced that this Nation can have economic and energy development and adequate environmental protection. As we open the decade of the 80's, all Americans can be proud of their natural and cultural heritage which continues to satisfy economic, recreational, and spiritual requirements.

1980 is the tenth anniversary of a decade of environmental awareness that began on Earth Day, 1970. During this past decade, monumental legislative achievements have occurred. These include: the National Environmental Policy Act, the Clean Air and Clean Water Acts, additions to our National Parks, Trails, and River Systems, and the Endangered Species Act. I was pleased to sign into law the reauthorization of the Endangered Species Act last year. During 1980 as we celebrate this tenth anniversary let us rededicate ourselves

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to the creation and maintenance of a safe and healthy environment, to the wise use and development of our natural resources, to the fair implementation of environmental statutes, to preserving unique wildlife resources, and to even greater achievements for improving the quality of life for all Americans.

During the next year, my Administration will vigorously pursue the protection of Alaskan lands; the implementation of an effective water resources policy; a careful implementation of domestic energy production programs, with proper regard for environmental values; a review of wilderness potential on the public lands; creation of a hazardous waste management program; fisheries development and coastal management policies.

Alaska Lands

Passage of legislation which adequately resolves the allocation of Federal lands in Alaska continues to be my highest environmental priority. At stake is the fate of tens of millions of acres of beautiful land, outstanding and unique wildlife populations, native cultures, and the opportunity to ensure that future generations of Americans will be able to experience and benefit from these nationally significant resources.

The proposals which I have supported in the 95th Congress, and again during the first session of this Congress, assure that Alaska's great national treasures can be preserved, while providing for increased domestic energy production and for the economic needs of all Alaskans.

In addition to recommendations for designating National Parks, Wildlife Refuges, Wilderness Areas, National Forests, and Wild and Scenic Rivers on the Federal lands in Alaska, I have or will be proposing aggressive but environmentally sensitive oil and gas development programs in Alaska's outer continental shelf and National Petroleum Reserve. My Administration is also stepping up the transfer of 103 million acres of Federal land to the State of Alaska and 44 million acres to Alaskan natives so that both the State of Alaska and the Native Corporations can build their economic base.

However, in order to maintain the proper balance between resource protection and development in Alaska, the Congress must now enact the comprehensive legislation which has been before that body for over two years. The 96th Congress will soon be asked to vote on what clearly amounts to the conservation decision of the century.

The House of Representatives has already passed a strong conservation bill and the Senate will shortly take up debate on this issue. I urge that the Congress carry out its responsibility to enact legislation which truly protects and preserves our natural heritage in Alaska.

Hazardous Waste/Toxic Substances

One of the most important environmental and public health issues facing our Nation is the threat caused by the improper disposal of hazardous substances. Accidents like those at Love Canal and Valley of the Drums have highlighted the inadequacy of the existing laws and inability of governments at all levels to respond quickly and efficiently to these dangerous incidents. In the coming years, there may be thousands of hazardous waste sites which will need attention, the cost of which could be enormous. Clearly an effective public policy is needed to deal with this situation.

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Last June, I submitted to Congress a comprehensive \$1.6 billion legislative proposal that establishes a system to deal with releases from uncontrollable hazardous waste sites as well as spills of oil and hazardous substances. This system includes provisions for emergency government response, effective enforcement, liability and in some cases, economic compensation. The system also calls for a partnership with the States in cleaning up and containing this problem. This legislation is absolutely essential if we are to meet our responsibilities to the public and I urge the Congress to act on it expeditiously.

Nuclear Waste Management

The problems related to the management, disposal and storage of nuclear wastes remains one of the most serious problems with nuclear power. My Administration has been deeply concerned with this problem for the past three years. An exhaustive study and review of this problem has been undertaken by the Administration over the past year.

Based on the findings and recommendations of that study, I will soon be proposing to Congress comprehensive legislation that deals directly with this problem. My proposals, if enacted, will represent the biggest step forward in the area of nuclear waste management since the dawn of the nuclear age. I urge the Congress to take action in this area this year.

RARE II

In 1979, I submitted to Congress my recommendations on wilderness for the National Forests under the RARE II procedure. These proposals include 15.4 million acres of new wilderness -- the most desirable areas within the vast review. Over 10 million acres are undergoing further study. In addition, I directed the Forest Service to release for multiple use management the 36 million acres of land that was designated for non-wilderness. I urge the Congress to approve my recommendations this year.

Water Policy Legislation

Sound water management is vital to the economic and environmental health of our Nation.

Administrative implementation of the comprehensive water policy initiatives which I announced in June of 1978 is nearing completion. We will continue to work with the Congress to pass legislation needed to improve further Federal water resources programs and to support the States in their primary responsibilities for water allocation and management.

I am pleased that last fall the Senate authorized an expanded grant program to the States for water management and water conservation technical assistance, and I expect the House to soon pass this legislation. The cost sharing bill which I have proposed is critically needed to give the States a more effective voice in setting water project priorities in state and Federal water policy decisions.

I believe the establishment of an independent review unit in the Water Resources Council is essential, and I urge the Congress to act quickly on the pending authorization. The independent review unit will provide an objective, impartial, technical analysis to the Administration and to the Congress, of water projects proposed for authorization or new-start construction funding. This information will enable the Administration and the Congress to make better informed decisions on where to invest the taxpayers' water resource dollars.

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It should be clear that my Administration supports sound water resources development, and has taken several steps to improve the quality of projects sent to Congress for authorization and funding. I am concerned that the water projects authorization bills now under consideration by Congress threaten to overturn the progress made in recent years. I urge the Congress to give this legislation the careful and thoughtful scrutiny required by our joint commitment to restraining Federal spending and ensuring a sound environment.

Fisheries Development

Last May, my Administration proposed a fisheries development policy that recognizes both the importance of the U.S. commercial fishing industry to the Nation's economy and that fish is an important food source. This policy includes a recognition of the potential for fisheries expansion within the Nation's 200-mile fisheries conservation zone, and the importance of the Federal government's creating a positive climate for fisheries development. In conjunction with this policy, my Administration has sent a legislative proposal on fisheries development to the Congress.

It is time that the United States begin taking action to more fully utilize the fisheries resources of the 200-mile economic zone. I urge the Congress to join with me in this effort.

AGRICULTURE

Agricultural Progress

While much work remains to be done, America's agriculture is by far the best in the world. Efforts made by my Administration, in cooperation with Congress, to secure economic stability for the farmer, have produced results.

In 1979, we experienced another record year for farm production. Net farm income jumped to \$32 billion in 1979, a \$4 billion increase over 1978. Agricultural exports also reached new highs, rising 18% in 1979 to \$32 billion. Despite the suspension of exports to the Soviet Union, we can expect a continued healthy export picture for our Nation's farmers.

Last year the Secretary of Agriculture travelled around the country and conducted an extraordinarily detailed and creative dialogue with the Nation's farmers. He obtained invaluable suggestions on economic and social issues concerning farm life; as we prepare our farm program for this year and beyond, the advice of our Nation's farmers will clearly be reflected in the policies we develop with the Congress.

Soviet Grain Suspension

In response to the Soviet armed invasion of Afghanistan on Christmas Eve, I took several actions to demonstrate our Nation's resolve to resist such hostile acts of aggression against a sovereign, independent nation. One of the most important of these actions was the suspension of grain sales to the Soviet Union beyond the 8 million tons provided under our 1975 grains agreement. The Soviet Union had intended to purchase an estimated 25 million tons of U.S. wheat and feed grains. Thus, the suspension of sales above the 8 million ton agreement level is expected to result in the freeing of about 17 million tons.

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My decision to suspend these sales was a difficult one, but a necessary one. We could not continue to do business as usual with the Soviet Union while it is invading an independent, sovereign nation in an area of the world of strategic importance to the United States. I am fully committed to a policy of promoting international trade, and particularly the expanded export of U.S. agricultural products. I am proud of my Administration's record in this regard. Because of the aggressive efforts of American farmers and businessmen, working in cooperation with Federal representatives, and the provision of new authorities by Congress, we have set new export records in each of the past 3 years. Even with the Soviet suspension, we intend to set still another record in the coming year. In making my decisions on the suspension, I believed it would be unfair to ask the American farmer to bear a greater share of the burden and sacrifice than their fellow Americans were asked to bear. Farmers should not be penalized simply because they are part of an agricultural machine that is of growing strategic importance in the world.

To protect American farmers from the price depressing effects of the grain suspension, I directed the Secretary of Agriculture to take several actions:

- o The Commodity Credit Corporation will assume the contractual obligations for grain previously committed for shipment to the Soviet Union.
- o The Department of Agriculture, acting through the Commodity Credit Corporation, will purchase wheat contracted for export to the Soviet Union for the purpose of forming an emergency international wheat reserve. In this connection, I will propose legislation authorizing release of this wheat for international aid purposes.
- o To encourage farmers to place additional grain in the farmer-held grain reserve, the Secretary of Agriculture has made several modifications in that important program.
- o The Commodity Credit Corporation will purchase corn at the local level to alleviate the congestion within the transportation system caused by the refusal of the International Longshoremen's Association to load grain up to the 8 million metric ton level.

In combination, these actions are expected to isolate from the market an amount of grain equivalent to that not shipped to the Soviet Union, thereby avoiding a decline in grain prices. I am pleased to report that these actions are having the desired results and that American farmers are being protected from the effects of the suspension.

If further actions are necessary to insure that American agriculture does not bear a disproportionately large share of the burden associated with this action, I will not hesitate to take them.

Crop Insurance

We now have an assortment of Federal loan, grant and insurance programs designed to protect farmers from the economic risks associated with natural disasters. We recognized early in my Administration that these programs were in serious need of reform. They are marked by many shortcomings: inconsistencies in eligibility, inequities in the level of benefits to producers of different crops, and inefficiencies

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in the use of taxpayer money. Recent evidence of abuse in the agricultural disaster loan programs provides further evidence of the need for this reform.

I have sent the Congress a proposal to consolidate these authorities in the form of an all-risk comprehensive insurance program. Congress has made clear progress in devising an improved crop insurance program, but work remains to be done. I urge the Congress to finish its work on this legislation as soon as possible.

International Emergency Wheat Reserve

The Congress has not yet acted on the proposal I made in the last Session to create an International Emergency Wheat Reserve. This reserve of up to 4 million tons of wheat would be used to assure recipient nations that we will meet our international food aid commitments. The suspension of further grain sales to the Soviet Union provides an appropriate opportunity to provide this authority, and thereby establish guidelines for the release of wheat now being acquired by the Commodity Credit Corporation.

FOREIGN POLICY

From the time I assumed office three years ago this month, I have stressed the need for this country to assert a leading role in a world undergoing the most extensive and intensive change in human history.

My policies have been directed in particular at three areas of change:

- the steady growth and increased projection abroad of Soviet military power -- power that has grown faster than our own over the past two decades.
- the overwhelming dependence of Western nations, which now increasingly includes the United States, on vital oil supplies from the Middle East.
- the pressures of change in many nations of the developing world, including the year old revolution in Iran and uncertainty about the future in many other countries.

As a result of those fundamental facts, we face some of the most serious challenges in the history of this Nation. The Soviet invasion of Afghanistan is a threat to global peace, to East-West relations, and to regional stability and to the flow of oil. As the unprecedented and overwhelming vote in the General Assembly demonstrated, countries across the world -- and particularly the non-aligned -- regard the Soviet invasion as a threat to their independence and security. Turmoil within the region adjacent to the Persian Gulf poses risks for the security and prosperity of every Western nation and thus for the entire global economy. The continuing holding of American hostages in Iran is both an affront to civilized people everywhere, and a serious impediment to meeting the self-evident threat to widely-shared common interests -- including those of Iran.

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But as we focus our most urgent efforts on pressing problems, we will continue to pursue the benefits that only change can bring. For it always has been the essence of America that we want to move on -- we understand that prosperity, progress and most of all peace cannot be had by standing still. A world of nations striving to preserve their independence, and of peoples aspiring for economic development and political freedom, is not a world hostile to the ideals and interests of the United States. We face powerful adversaries, but we have strong friends and dependable allies. We have common interests with the vast majority of the world's nations and peoples.

There have been encouraging developments in recent years, as well as matters requiring continued vigilance and concern:

- Our alliances with the world's most advanced and democratic states from Western Europe through Japan are stronger than ever.
- We have helped to bring about a dramatic improvement in relations between Egypt and Israel and an historic step towards a comprehensive Arab-Israeli settlement.
- Our relations with China are growing closer, providing a major new dimension in our policy in Asia and the world.
- And across southern Africa from Rhodesia to Namibia we are helping with the peaceful transition to majority rule in a context of respect for minority as well as majority rights.

The central challenge for us today is to our steadfastness of purpose. We are no longer tempted by isolationism. But we must also learn to deal effectively with the contradiction of the world -- the need to cooperate with potential adversaries without euphoria, without undermining our determination to compete with such adversaries and if necessary confront the threats they may pose to our security.

We face a broad range of threats and opportunities. We have and should continue to pursue a broad range of defense, diplomatic and economic capabilities and objectives.

I see five basic goals for America in the world over the 1980's:

- First, we will continue, as we have over the past three years, to build America's military strength and that of our allies and friends. Neither the Soviet Union nor any other nation will have reason to question our will to sustain the strongest and most flexible defense forces.
- Second, we will pursue an active diplomacy in the world, working -- together with our friends and allies -- to resolve disputes through peaceful means and to make any aggressor pay a heavy price.
- Third, we will strive to resolve pressing international economic problems -- particularly energy and inflation -- and continue to pursue our still larger objective of global economic growth through expanded trade and development assistance.

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- Fourth, we will continue vigorously to support the process of building democratic institutions and improving human rights protection around the world. We are deeply convinced that the future lies not with dictatorship but democracy.

- Fifth, we remain deeply committed to the process of mutual and verifiable arms control, particularly to the effort to prevent the spread and further development of nuclear weapons. Our decision to defer, but not abandon our efforts to secure ratification of the SALT II Treaty reflects our firm conviction that the United States has a profound national security interest in the constraints on Soviet nuclear forces which only that treaty can provide.

Continuing close cooperation between the Congress and the Executive Branch will be required to achieve these goals. My most immediate legislative priorities include:

- (1) Defense Department Authorization and Appropriations Bills
- (2) Special International Security Assistance, for Pakistan and other countries
- (3) Bilateral and Multilateral Foreign Assistance Bills, including Central America supplemental
- (4) The China Trade Agreement
- (5) Intelligence Charters
- (6) Refugee Legislation and Funding
- (7) Human Rights Conventions
- (8) And, when appropriate, the SALT II Treaty.

One very immediate and pressing objective that is uppermost on our minds and those of the American people is the release of our hostages in Iran.

We have no basic quarrel with the nation, the revolution or the people of Iran. The threat to them comes not from American policy but from Soviet actions in the region. We are prepared to work with the government of Iran to develop a new and mutually beneficial relationship.

But that will not be possible so long as Iran continues to hold Americans hostage, in defiance of the world community and civilized behavior. They must be released unharmed. We have thus far pursued a measured program of peaceful diplomatic and economic steps in an attempt to resolve this issue without resorting to other remedies available to us under international law. This reflects the deep respect of our Nation for the rule of law and for the safety of our people being held, and our belief that a great power bears a responsibility to use its strength in a measured and judicious manner. But our patience is not unlimited and our concern for the well-being of our fellow citizens grows each day.

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ENHANCING NATIONAL SECURITY -- AMERICAN MILITARY STRENGTH

The maintenance of national security is my first concern, as it has been for every President before me.

As I stated one year ago in Atlanta: "This is still a world of danger, a world in which democracy and freedom are still challenged, a world in which peace must be re-won every day."

We must have both the military power and the political will to deter our adversaries and to support our friends and allies.

We must pay whatever price is required to remain the strongest nation in the world. That price has increased as the military power of our major adversary has grown and its readiness to use that power been made all too evident in Afghanistan.

The U.S.-Soviet Relationship

We are demonstrating to the Soviet Union across a broad front that it will pay a heavy price for its aggression in terms of our relationship. Throughout the last decades U.S.-Soviet relations have been a mixture of cooperation and competition. The Soviet attack on Afghanistan and the ruthless extermination of its government have highlighted in the starkest terms the darker side of their policies -- going well beyond competition and the legitimate pursuit of national interest, and violating all norms of international law and practice.

This attempt to subjugate an independent, non-aligned Islamic people is a callous violation of international law and the United Nations Charter, two fundamentals of international order. Hence, it is also a dangerous threat to world peace. For the first time since World War II, the Soviets have sent combat forces into an area that was not previously under their control, into a non-aligned and sovereign state.

On January 4 I therefore announced a number of measures, including the reduction of grain sales and the curtailment of trade and technology transfer, designed to demonstrate our firm opposition to Soviet actions in Afghanistan and to underscore our belief that in the face of this blatant transgression of international law, it was impossible to conduct business as usual. I have also been in consultation with our allies and with countries in the region regarding additional multilateral measures that might be taken to register our disapproval and bolster security in Southwest Asia. I have been heartened by the support expressed for our position, and by the fact that such support has been tangible, as well as moral.

The destruction of the independence of Afghanistan government and the occupation by the Soviet Union has altered the strategic situation in that part of the world in a very ominous fashion. It has brought the Soviet Union within striking distance of the Indian Ocean and even the Persian Gulf.

It has eliminated a buffer between the Soviet Union and Pakistan and presented a new threat to Iran. These two countries are now far more vulnerable to Soviet political intimidation. If that intimidation were to prove effective, the Soviet Union might well control an area of vital strategic and economic significance to the survival of Western Europe, the Far East, and ultimately the United States.

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It is clear that the entire subcontinent of Asia and specifically Pakistan is threatened. Therefore, I am asking Congress, as the first order of business, to pass an economic and military aid package designed to assist Pakistan defend itself.

Defense Budget

For many years the Soviets have steadily increased their real defense spending, expanded their strategic forces, strengthened their forces in Europe and Asia, and enhanced their capability for projecting military force around the world directly or through the use of proxies. Afghanistan dramatizes the vastly increased military power of the Soviet Union.

The Soviet Union has built a war machine far beyond any reasonable requirements for their own defense and security. In contrast, our own defense spending declined in real terms every year from 1968 through 1976.

We have reversed this decline in our own effort. Every year since 1976 there has been a real increase in our defense spending -- and our lead has encouraged increases by our allies. With the support of the Congress, we must and will make an even greater effort in the years ahead.

The Fiscal Year 1981 budget would increase funding authority for defense to more than \$158 billion, a real growth of more than 5% over my request for Fiscal Year 1980. Therefore, requested outlays for defense during Fiscal Year 1981 will grow by more than 3% in real terms over the preceding year.

The trends we mean to correct cannot be remedied overnight; we must be willing to see this program through. To ensure that we do so I am setting a growth rate for defense that we can sustain over the long haul.

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The defense program I have proposed for the next five years will require some sacrifice -- but sacrifice we can well afford.

The defense program emphasizes four areas:

- (a) It ensures that our strategic nuclear forces will be equivalent to those of the Soviet Union and that deterrence against nuclear war will be maintained;
- (b) It upgrades our forces so that the military balance between NATO and the Warsaw Pact will continue to deter the outbreak of war -- conventional or nuclear -- in Europe;
- (c) It provides us the ability to come quickly to the aid of friends and allies around the globe;
- (d) And it ensures that our Navy will continue to be the most powerful on the seas.

Strategic Forces

We are strengthening each of the three legs of our strategic forces. The cruise missile production which will begin next year will modernize our strategic air deterrent. B-52 capabilities will also be improved. These steps will maintain and enhance the B-52 fleet by improving its ability to deliver weapons against increasingly heavily defended targets.

We are also modernizing our strategic submarine missile force. The first new Trident submarine has already been launched and will begin sea trials this year. The second Trident will be launched in the spring of 1980. The first of our new Trident missiles, with a range of more than 4,000 miles, have already begun operational patrols in Poseidon submarines.

The new MX missile will enhance the survivability of our land-based intercontinental ballistic missile force. That is why I decided last spring to produce this missile and selected the basing mode best suited to enhance its capability. Further the MX will strengthen our capability to attack a wide variety of Soviet targets.

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Our new systems will enable U.S. strategic forces to maintain equivalence in the face of the mounting Soviet challenge. We would however need an even greater investment in strategic systems to meet the likely Soviet buildup without SALT.

Forces for NATO

We are greatly accelerating our ability to reinforce Western Europe with massive ground and air forces in a crisis. We are undertaking a major modernization program for the Army's weapons and equipment, adding armor, firepower, and tactical mobility.

We are prepositioning more heavy equipment in Europe to help us cope with attacks with little warning, and greatly strengthening our airlift and sealift capabilities.

We are also improving our tactical air forces -- buying about 1700 new fighter and attack aircraft over the next five years -- and increasing the number of Air Force fighter wings by over 10%.

We are accelerating the rate at which we can move combat aircraft to Europe to cope with any surprise attack, and adding to the number of shelters at European airbases to prevent our aircraft from being destroyed on the ground.

Rapid Deployment Forces

We are systematically enhancing our ability to respond rapidly to non-NATO contingencies wherever required by our commitments or when our vital interests are threatened.

The rapid deployment forces we are assembling will be extraordinarily flexible: They could range in size from a few ships or air squadrons to formations as large as 100,000 men, together with their support. Our forces will be prepared for rapid deployment to any region of strategic significance.

Among the specific initiatives we are taking to help us respond to crises outside of Europe are:

- the development and production of a new fleet of large cargo aircraft with intercontinental range;
- the design and procurement of a force of Maritime Prepositioning Ships that will carry heavy equipment and supplies for three Marine Corps brigades.

In addition, responding to the Soviet military presence in Cuba and the proxy role of Cuba on behalf of the USSR, we have taken or are taking the following actions in support of the rapid deployment force:

- (1) We are substantially increasing our ability to monitor Cuban and Soviet/Cuban activities;
- (2) We have established a Caribbean Joint Task Force Headquarters which improves our ability to respond to events in the region;
- (3) We are increasing regional military exercises; and,
- (4) We are intensifying assistance to countries in the region that are threatened by Soviet or Cuban intervention.

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Naval Forces

Seapower is indispensable to our global position -- in peace and also in war. Our shipbuilding program will sustain a 550-ship Navy in the 1990s and we will continue to build the most capable ships afloat.

The program I have proposed will assure the ability of our Navy to operate in high threat areas, to maintain control of the seas and protect vital lines of communication -- both military and economic -- and to provide the strong maritime component of our rapid deployment forces. This is essential for operations in remote areas of the world, where we cannot predict far in advance the precise location of trouble, or preposition equipment on land.

Military Personnel

No matter how capable or advanced our weapons systems, our military security depends on the abilities, the training and the dedication of the people who serve in our armed forces. I am determined to recruit and to retain under any foreseeable circumstances an ample level of such skilled and experienced military personnel.

We have enhanced our readiness and combat endurance by improving the Reserve Components. All reservists are assigned to units structured to complement and provide needed depth to our active forces. Some reserve personnel have also now been equipped with new equipment.

Mobilization Planning

I have also launched a major effort to establish a coherent and practical basis for all government mobilization planning. Begun last May, this is the first such effort conducted at Presidential level since World War II. It involves virtually every Federal agency, with the aim of improved efficiency and readiness.

Our Intelligence Posture

Our national interests are critically dependent on a strong and effective intelligence capability. We will not shortchange the intelligence capabilities needed to assure our national security. Maintenance of and continued improvements in our multi-faceted intelligence effort are essential if we are to cope successfully with the turbulence and uncertainties of today's world.

The intelligence budget I have submitted to the Congress responds to our needs in a responsible way, providing for significant growth over the Fiscal Year 1980 budget. This growth will enable us to develop new technical means of intelligence collection while also assuring that the more traditional methods of intelligence work are also given proper stress. We must continue to integrate both modes of collection in our analyses.

It is imperative that we now move forward promptly within the context of effective Congressional oversight to provide America's intelligence community with Charters which can permit it to operate more effectively and within a national concern codified by law.

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REGIONAL POLICIES

Every President for over three decades has recognized that America's interests are global and that we must pursue a global foreign policy.

Two world wars have made clear our stake in Western Europe and the North Atlantic area. We are also inextricably linked with the Far East -- politically, economically, and militarily. In both of these, the United States has a permanent presence and security commitments which would be automatically triggered. We have become increasingly conscious of our growing interests in a third area -- the Middle East and the Persian Gulf area.

We have vital stakes in other major regions of the world as well. We have long recognized that in an era of interdependence, our own security and prosperity depend upon a larger common effort with friends and allies throughout the world.

The Atlantic Alliance

At the outset of this Administration I emphasized the primacy of our Atlantic relationship in this country's national security agenda. We have made important progress toward making the Atlantic Alliance still more effective in a changing security environment.

We are meeting the Soviet challenge in a number of important ways:

First, there is a recognition among our allies that mutual security is a responsibility to be shared by all. We are each committed to increase national defense expenditures by 3% per year. There remains much work to be done in strengthening NATO's conventional defense; the work proceeding under the Alliance's Long Term Defense Program will help achieve this objective.

Last month, we and our NATO allies took an historic step in Alliance security policies with the decision to improve substantially our theater nuclear capabilities. The theater nuclear force modernization (TNF) program, which includes the deployment of improved Pershing ballistic missiles and of ground-launched cruise missiles in Europe, received the unanimous support of our allies. The accelerated deployment of Soviet SS-20 MIRVed missiles made this modernization step essential. TNF deployments will give the Alliance an important retaliatory option that will make clear to the Soviets that they cannot wage a nuclear war in Europe and expect that Soviet territory will remain unscathed.

While we move forward with our necessary defense efforts in Europe, we are also proceeding with our efforts to improve European security through arms control.

As an integral part of the NATO TNF decisions, the Alliance has made it clear that it is prepared to negotiate limitations on long-range theater nuclear missiles.

On our part, our TNF modernization efforts will make possible a streamlining of our nuclear weapons stockpile in Europe, allowing us to withdraw 1,000 nuclear warheads over the next year.

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In the Mutual and Balanced Force Reduction talks, we and our allies have recently put forward new proposals that are designed to simplify the negotiations and improve the prospect for early progress in limiting conventional military forces in Europe.

In a very real sense the accomplishments of the past year answered a critical question concerning NATO's future: can the Western Alliance, which has provided the foundation for one of the longest periods of peace and prosperity that Europe has ever enjoyed, still summon the essential cohesion, relevance, and resolve to deal with fundamental security issues likely to affect its member nations well into the next century? NATO's consensus in favor of modernizing and negotiating about its nuclear arsenal while continuing to improve conventional forces, dramatized Allied capacity to respond effectively to both the military and political threats posed by the Soviet Union.

Relations with our allies and friends in Europe are taking on ever broader dimensions. Our security agenda remains central; we are addressing new concerns as well.

I met with an unprecedented number of European statesmen in Washington during the year just past, including the leaders of Great Britain, West Germany, Austria, Norway, Finland, the Netherlands, Ireland, Sweden, and the European Community; in all of these meetings a common theme was the changing realities of political and economic interdependence and, as we enter a new decade, the need to promote more equitable conditions of peaceful growth and stability throughout the world.

This approach has achieved tangible form in a number of ways. For example, every West European government supports us as we have continued by every peaceful means to seek the release of American hostages held in Tehran in defiance of universal standards of international law and decency. We are consulting and cooperating closely in our responses to the Soviet Union's invasion and occupation of Afghanistan.

In the NATO area itself, we moved together vigorously to meet the serious economic problems faced by Turkey and thereby strengthen a vital part of NATO's southern flank and we have signed a new base agreement with Turkey. This action, though indispensable in its own right, also supported our continuing efforts to promote a solution to the Cyprus problem and to bring about the reintegration of Greece within the military framework of the Atlantic Alliance, objectives which retain high priority this year.

Asia

The United States is a Pacific nation, as much as it is an Atlantic nation. Our interests in Asia are as important to us as our interests in Europe. Our trade with Asia is even greater than our trade with Europe. We have pursued and maintained these interests on the basis of a stable balance of power in the region. Our partnership and alliance with Japan is central to our Asian policy. We are strengthening our new relationship with China. We have expanded our ties with the Association of South East Asian Nations (ASEAN) and its member governments.

My trip to the Far East helped forge closer working relationships with Japan and Korea.

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Asian Security

The balance of power is fundamental to Asian security. We have maintained that balance through a strong United States military posture in the region, as well as close ties with our allies, Japan, Australia, New Zealand and Korea. Over the past year I have worked to stabilize the United States military presence in Asia by concluding an amended base agreement with the Philippines that will last until 1991. We have fostered the closest degree of security cooperation with Japan in the history of our two nations -- exemplified by joint planning for the defense of Japan, increased Japanese contributions to United States base costs in Japan, and large-scale Japanese purchases of United States defense equipment. After examining in detail new intelligence estimates of North Korean military strength, I decided to maintain our troop strength in the Republic of Korea at its present level until at least 1981. The reaffirmation of our commitment to Korean security has been of great importance to the Koreans as they make necessary political adjustments in the wake of President Park's assassination.

Response by nations in East Asia to the Soviet aggression in Afghanistan has been gratifying. Australia in particular deserves recognition for the forthright stand it has taken. Japan and the ASEAN nations have also been strongly supportive.

China

Over the last year we have expanded our new relationship with the People's Republic of China to ensure that where our interests coincide, our separate actions will be mutually reinforcing. To this end we have enhanced our consultative relationship. We have also sought to develop an enduring institutional framework in the economic, cultural, scientific, and trade areas.

This process has been facilitated by the successful visits of Vice Premier Deng to the United States and Vice President Mondale to China; through the signing of over 15 commercial, scientific, and cultural agreements; through numerous Cabinet-level visits; and through a significant expansion of trade and the flow of people between our two countries.

During Secretary of Defense Brown's recent trip to the People's Republic of China, wide-ranging talks were held on global and regional issues, arms control, technology transfer, and ways to sustain bilateral contacts. Although we may differ with the Chinese on some issues, our views coincide on many important issues, particularly with respect to the implications for the region of the Soviet invasion of Afghanistan.

In 1980 I look forward to passage by Congress early in the year of the China Trade Agreement and of authorization of OPIC operations in China; we plan to conclude civil aviation, maritime, and textile agreements; and continue to expand our commercial, cultural, and scientific relations, particularly through ExImBank credits to the People's Republic of China.

Southeast Asia

The countries comprising ASEAN are central to United States interests in Southeast Asia.

Throughout the past year, our relations with ASEAN have continued to expand as our consultative arrangements were strengthened.

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The stability and prosperity of Southeast Asia have been severely challenged by Soviet-supported Vietnamese aggression in Cambodia. During this year we will continue to encourage a political settlement in Cambodia which will permit that nation to be governed by leaders of its own choice. We have taken all prudent steps possible to deter Vietnamese attacks on Thai territory by increasing our support to the Thais, and by direct warnings to Vietnam and the U.S.S.R. The other members of ASEAN have stood firmly behind Thailand, and this in great measure has helped to contain the conflict. We have been gratified by Thailand's courageous and humane acceptance of the Cambodian refugees.

Middle East--Persian Gulf--South Asia

Events in Iran and Afghanistan have dramatized for us the critical importance for American security and prosperity of the area running from the Middle East through the Persian Gulf to South Asia. This region provides two-thirds of the world's oil exports, supplying most of the energy needs of our allies in Europe and Japan. It has been a scene of almost constant conflict between nations, and of serious internal instability within many countries. And now one of its nations has been invaded by the Soviet Union.

We are dealing with these multiple challenges in a number of ways.

Middle East

First, it has been a key goal of my Administration since 1977 to promote an enduring resolution of the Arab-Israeli conflict -- which is so essential to bringing stability and peace to the entire region. Following the Camp David Summit of August 1978, in March 1979, I helped bring about the signing of a peace treaty between Egypt and Israel -- the first time in 30 years of Middle East conflict that peace had shined with such a bright and promising flame. At the historic signing ceremony at the White House, Prime Minister Begin and President Sadat repeated their Camp David pledge to work for full autonomy for the West Bank and Gaza.

Since then Egypt and Israel have been working to complete this part of the Camp David framework and to provide an opportunity for the Palestinian people to participate in determining their future. I strongly support these efforts, and have pledged that we will be a full partner in the autonomy negotiations. We will continue to work vigorously for a comprehensive peace in the Middle East, building on the unprecedented achievements at Camp David.

At the same time, I have reinforced America's commitment to Israel's security, and to the right of all nations in the area to live at peace with their neighbors, within secure and recognized frontiers.

Persian Gulf

In recent years as our own fuel imports have soared, the Persian Gulf has become vital to the United States as it has been to many of our friends and allies. Over the longer term, the world's dependence on Persian Gulf oil is likely to increase. The denial of these oil supplies -- to us or to others -- would threaten our security and provoke an economic crisis greater than that of the Great Depression 50 years ago, with a fundamental change in the way we live.

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Twin threats to the flow of oil -- from regional instability and now potentially from the Soviet Union -- require that we firmly defend our vital interests when threatened.

In the past year, we have begun to increase our capacity to project military power into the Persian Gulf region, and are engaged in explorations of increased use of military facilities in the area. We have increased our naval presence in the Indian Ocean. We have been working with countries in the region on shared security concerns. Our rapid deployment forces, as described earlier, could be used in support of friendly governments in the Gulf and Southwest Asian region, as well as in other areas.

South Asia

The overwhelming challenge in this region will be dealing with the new situation posed by Soviet aggression in Afghanistan. We must help the regional states develop a capability to withstand Soviet pressures in a strengthened framework for cooperation in the region. We want to cooperate with all the states of the region in this regard -- with India and Pakistan, with Sri Lanka, Bangladesh and Nepal.

In this new situation, we are proposing to the Congress a military and economic assistance program to enable Pakistan to buttress its defenses. This is a matter of the most urgent concern, and I strongly urge the earliest possible approval by the House and Senate. We are also working closely with other friends of Pakistan to increase the resources available for Pakistan's development and security.

We are also pursuing the possibility of gaining access to military facilities in the region in time of trouble. We are prepared to work closely with our friends in the region, on a cooperative basis, to do whatever is required to ensure that aggressors would bear heavy costs so that further aggression is deterred.

A high priority for us in the region is to manage our nuclear concerns with India and Pakistan in ways that are compatible with our global and regional priorities. The changed security situation in South Asia arising from the Soviet invasion of Afghanistan calls for legislative action to allow renewed assistance to Pakistan. But this in no way diminishes our commitment to work to prevent nuclear weapons proliferation, in Pakistan or elsewhere.

Steady growth of our economic assistance is also essential if the countries of South Asia are to achieve growth and true stability.

Africa

A peaceful transition to majority rule in Southern Africa continues to be a major goal of the United States. We gave our fullest support to the successful British drive to reach an agreement among all parties in Rhodesia. The process of implementation will not be easy, but the path is now open to a peaceful outcome. With our European allies, Canada and the African states directly concerned we also are making progress toward independence and majority rule for Namibia. The momentum resulting from successful resolution of the Rhodesian conflict should aid in these initiatives.

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Congressional support for the Executive Branch decision to maintain sanctions on Rhodesia until the parties reached agreement on a ceasefire and an impartial elections process had begun was instrumental in creating the conditions necessary for agreement. Now that the United States, European trading partners and the surrounding African states have lifted sanctions, the process of economic reconstruction in Rhodesia -- soon to be Zimbabwe -- can begin.

With the creation of an independent Zimbabwe after many years of fighting, we will be prepared to cooperate in a coherent multi-donor development plan for the poor nations in the Southern Africa region.

Our active support for self-determination and racial equality in Southern Africa has enabled the United States to develop a continuing and effective dialogue with governments throughout the continent. As Africa grows more important to us for economic, political and strategic reasons, we will be strengthening our ties of mutual interest with Africans. We will continue to participate in their first priority -- economic development -- and to help Africans resolve their political problems and maintain stability in their continent.

Whether in the Horn or in other areas of the continent, we will also provide to friendly nations security assistance when needed for defense of their borders.

North Africa

In 1979 the United States moved to help a long-standing friend by strengthening our arms supply relationship with Morocco. In assisting Morocco to deal with attacks inside its internationally recognized frontiers, we seek conditions of greater security and confidence in which a political settlement of the Western Sahara conflict can be effectively pursued. Though not itself a mediator, the United States in the months ahead will encourage the countries in the area to resolve their differences peacefully in order that the vast economic potential of North Africa can be exploited for the well-being of the people living there.

Latin America

Since my inauguration, I have worked hard to forge a new, collaborative relationship with the nations of Latin America and the Caribbean -- one resting on a firm commitment to human rights, democratization, economic development and non-intervention. The events of 1979 -- even the turbulence in Central America and the Caribbean -- presented us with opportunities to move toward these goals.

There was encouraging progress in the area of human rights and democratization in the Western Hemisphere this past year. The inauguration of a new democracy in Ecuador, and the strong effort by the Andean countries to preserve democracy in Bolivia were positive steps.

During 1979, I met with the President of Mexico twice to discuss the opportunities and difficult issues before our two countries. We have taken worthwhile steps, including an agreement on natural gas and on trade.

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On October 1, Vice President Mondale and many leaders from Latin America traveled to Panama to celebrate the coming into force of the Panama Canal Treaties. The transition to a new relationship and a new structure to manage the Canal was smooth and effective because of the contributions and the mutual respect between Panamanians and Americans.

The Vice President also traveled to Brazil and Venezuela. The Secretary of State met with leaders in Quito at the inauguration of the new democratic President of Ecuador and in LaPaz at the OAS General Assembly. These meetings have helped us to develop further the close consultative ties which are so important to a free and balanced community of nations in the hemisphere.

Also, in 1979, the United States moved to a much closer economic and political relationship with the increasingly significant Andean Pact countries. A memorandum of understanding on economic relations was signed in Washington in November.

Central America and the Caribbean region are undergoing a period of rapid social and political change. There is a threat that intervention by Cuba may thwart the desire of the people of the region for progress within a democratic framework and we have been working closely with the governments in the region to try to aid in the developmental process of the region and are prepared to assist those threatened by outside intervention.

The Caribbean Group, which is coordinated by the World Bank and which we helped establish, has now become an important factor for development in the region, adding \$260 million in concessionary resources to the region. We have increased our aid to the Caribbean, reprogrammed loans, and are seeking prompt Congressional action on a supplemental of \$80 million for Nicaragua and Central America.

My Science Advisor, Dr. Frank Press, led a large delegation of scientists and educators to Barbados, Peru, Venezuela and Brazil to forge new and fruitful ties between our countries in important areas of science and technology.

THE INTERNATIONAL ECONOMY

A growing defense effort and a vigorous foreign policy rest upon a strong economy here in the United States. And the strength of our own economy depends upon our ability to lead and compete in the international marketplace.

Energy

An essential lesson to be drawn from Iran is that there are compelling foreign policy, as well as domestic economic reasons for lessening our dependence on foreign oil.

In response to a series of United States proposals, the industrial countries adopted in 1979 a cooperative energy strategy for the 1980's. Its main elements are collective restraint on oil imports; intensified efforts to conserve oil and boost production of conventional substitutes for oil; and collaborative research, development and commercialization of new fuel technologies.

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At the Tokyo Economic Summit in June, the heads of government of the seven major industrial democracies agreed that they must take responsibility for curbing oil demand. By the end of the year, 20 industrialized nations, members of the International Energy Association, had agreed not only to enforce equitably allocated ceilings on their oil imports, but to create a system for quickly adjusting the ceilings to changes in world oil supply. Completion of the detailed agreements to execute the global oil demand-allocation process is at the head of the international energy agenda for 1980.

At the 1980 Economic Summit in Venice, I intend to propose further joint action to smooth the transition from oil to more abundant fuels and to slow the growth in oil prices.

In support of the international oil strategy, the Administration and the United States coal industry are launching joint marketing efforts to make this country a major exporter of steam coal. With assurance of reliable United States coal supply at competitive prices, many of the electric power plants to be built in the 1980s and 1990s can be coal-fired rather than oil-burning. Coal exports will help us pay for our declining but costly oil imports.

A new source of natural gas supply for the United States -- Mexico -- was opened through the conclusion of government-to-government negotiations. Through close cooperation with our northern neighbor, Canada, the Administration cleared the way for expanding the flow of Canadian natural gas to the United States and for private development of the Alaskan gas pipeline across Canada to the lower 48 states.

We continue to believe that nuclear power will play an essential role in meeting the energy needs of many nations, but with effective safeguards against the proliferation of nuclear weapons.

International Monetary Policy

We are moving forcefully to establish the fundamental economic conditions for a strong dollar. In 1979 the balance of payments was in approximate balance for the first time in three years, despite substantially higher oil import costs. Our anti-inflationary economic policies and strong energy program should provide a basis for further improvement. Of course the outcome depends in part also upon responsible pricing behavior by OPEC and other oil producers.

We support the efforts under way to strengthen the international monetary system. I urge the Congress to enact promptly legislation permitting the United States to increase its quota in the International Monetary Fund (IMF) as part of the general expansion of Fund resources. We welcome the measures being taken by the IMF to improve its ability to promote sound economic and exchange rate policies in all member countries. We also welcome the study of the possible establishment of a "substitution account" to strengthen the international monetary system by promoting the role of the Special Drawing Right as the principal reserve asset in the system.

Trade

Under the direction of my Special Trade Representative, we brought to a successful conclusion the multilateral trade negotiations, the most ambitious set of negotiations to reduce barriers to international trade in a decade. The resulting "MTN" agreements, covering a broad spectrum of

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trade issues, were concluded and ratified by overwhelming majorities of the United States Congress. These binding commitments, signed by all the major trading nations, provide the framework for a new era in international trading relations with them and with the developing nations. This makes clear my resolve and that of the American people to resist the dangers of protectionism.

The reorganization of the Federal government trade agencies which I directed will assure more effective and prompt governmental action to exploit the export opportunities afforded by the MTN. The plan, approved by Congress this fall, establishes a strong, authoritative voice in the Executive Office of the President to provide coherence and leadership to United States trade policy, negotiations, and the implementation of the MTN trade codes. The reorganization establishes the Office of the U.S. Trade Representative and strengthens the Commerce Department.

Sugar

In 1979, Congress ratified the International Sugar Agreement, thus fulfilling a major commitment of this Administration. The agreement is an important element in our international commodity policy with far-reaching implications for our relations with developing countries, particularly sugar producers in Latin America. This agreement and other measures my Administration has taken already have helped to stabilize sugar prices and bring high domestic prices into line with those prevailing in the world marketplace. Producers and consumers alike will benefit from a more stable market for this essential commodity. We need prompt enactment of implementing legislation for this agreement.

Tin

At year's end, Congress approved stockpile disposal legislation which will permit the General Services Administration to sell 30,000 metric tons of tin from our strategic stockpile and contribute up to 5,000 metric tons to the International Tin Organization's (ITO) buffer stock. This fulfills a United States pledge made during the Conference on International Economic Cooperation and represents a major step forward in our relations with producing countries in the developing world. We will consult with other members of the ITO to ensure that our tin disposals do not disrupt markets and take into account the needs of both producers and consumers.

Common Fund

The United States joined members of the United Nations Conference on Trade and Development, both developed and developing nations, in negotiating an agreement on the framework of a Common Fund to help international commodity agreements stabilize the prices of raw materials. Negotiations are now underway on the final articles of agreement of the Fund.

The United States also participated in successful negotiations on an international rubber agreement.

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Economic Cooperation With Developing Nations

Our relations with the developing nations are of central importance to the United States. The fabric of our relations with these countries has both political and economic dimensions, as we witnessed in recent weeks when nations of the Third World took the lead in condemning the Soviet invasion of Afghanistan. Our ability to work together with developing nations toward goals we have in common -- their political independence, the resolution of regional tensions, and our growing ties of trade for example -- require us to maintain the policy of active engagement with the developing world that we have pursued over the past three years.

The foreign assistance legislation which I will be submitting to you for FY 81 provides the authority and the funds to carry on a cooperative relationship with a large number of developing nations. Prompt Congressional action on this legislation is essential in order to meet our treaty and base rights agreements, continue our peace efforts in the Middle East, provide economic and development support to countries in need, promote progress on North-South issues, protect Western interests, and counter Soviet influence.

We will also be asking Congress to enable us to honor our international agreements for multilateral assistance by authorizing and appropriating funds for the International Financial Institutions.

Finally, the Administration and the Congress agreed in 1979 on fundamental changes in the way the United States government is organized to conduct economic and technical relations with the developing nations. I submitted and the Congress approved a plan to consolidate in a small policy-coordination body, the International Development Cooperation Agency (IDCA), responsibility for direct United States development assistance, for guidance to United States representatives in multilateral development agencies, and for presenting our long-term development interests in Federal government policy bodies dealing with trade and other economic relations with developing nations. I also submitted, and the House approved in the 1979 session of Congress, a plan to establish the Institute for Scientific and Technological Cooperation (ISTC), a constituent element of the IDCA group of agencies. Once approved, the ISTC will carry out research as well as support research by foreign scientists on technological means of reducing poverty in developing nations.

Food -- The War on Hunger

One of the main economic problems facing developing countries is lagging food production. We must help these countries meet this problem -- not only so that their peoples will be free from the threat of continuing hunger, but also so that their societies will be strong enough to resist external pressure. I have directed that United States bilateral and multilateral aid be geared increasingly to this goal, as recommended by our Hunger Commission, chaired by Sol Linowitz; we are urging other donor countries to join in more effective efforts to this end.

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Good progress has been made since the Tokyo Economic Summit called for increased effort on this front. The World Bank is giving this problem top priority, as are some other donor countries. The resources of the consultative Group on International Agricultural Research will be doubled over a five-year period. The work of our own Institute of Scientific and Technological Cooperation will further strengthen the search for relevant new agricultural technologies.

The goal of freeing the world from hunger by the year 2000 should command the full support of all countries.

THE HUMAN DIMENSION OF FOREIGN POLICY

Human Rights

The ultimate aim of our foreign policy must be to preserve freedom for ourselves and to expand freedom for others. This is a matter both of national principle and of national interest. For we believe that free and open societies are not only better able to meet the rising expectations of their people; they are also better able to accommodate often conflicting internal pressures before popular frustrations explode in violent and radical directions.

We do not seek to impose our system or institutions on others. Rather, we seek to support, in practical and concrete ways, the efforts of other nations to build their own institutions in ways that will meet the irrepressible human drive for freedom and justice.

Human rights policy commands the strong support of our citizens, and of the Congress. The world climate increasingly favors human rights progress.

Despite new turbulence and conflict, the past year featured some encouraging positive developments. We cannot and should not claim credit for them. But it is clear that we are part of a growing movement. During 1979, we saw:

- The further strengthening of democratic practices in Spain and Portugal, with free elections in both countries;
- The disappearance of several of the world's most repressive regimes;
- The freeing of political prisoners in Asia, Africa, and Latin America;
- A return to democratic rule in several Latin American countries and widespread progress in reducing human rights violations in the region;
- The growing strength of international human rights institutions. The Inter-American Court of Human Rights held its first meeting. Preparations began for another conference to review compliance with the Helsinki accords, to be held in Madrid this November. The OAU took long strides toward establishing a human rights commission for Africa. UN bodies became increasingly active in their human rights efforts.

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The United States is still not a party to the key human rights treaties that establish world standards and implementing machinery. In early 1978, I sent for Senate approval four such treaties, the American Convention on Human Rights, the Convention on Racial Discrimination, and the UN Covenants on Civil and Political Rights and on Economic and Social and Cultural Rights. Hearings were held in 1979. No single action by this country would do more to advance the cause of human rights than Senate approval of these instruments and a fifth human rights treaty sent to Congress previously, the Genocide Convention. I urge the earliest possible Senate action.

Humanitarian Aid

The mass exodus of refugees from Vietnam reached a crescendo in summer 1979 with over 65,000 people a month fleeing repression and economic privation. Most fled by boat, and many were lost at sea. In July, at a special UN meeting on refugees, Vice President Mondale presented a major United States program to rescue and help support and resettle the new refugee population. I doubled to 14,000 a month the number of Indochinese refugees the United States, in accord with our finest traditions, would absorb over the year ahead.

The Vietnamese invasion of Kampuchea in late 1978 gravely jeopardized the supply of food for the already decimated and brutalized Khmer people. In October, I announced that the United States would pay one-third of the costs of the international relief program mounted jointly by UNICEF and the International Committee of the Red Cross. Leaders of thirty-five church and voluntary agencies, with White House encouragement, are engaged in their own large fund-raising program for refugees.

In early November, Mrs. Carter visited refugees on the Thai-Cambodian border and reported back to me, the United States voluntary agencies, and the American people. In response, our efforts to avert a mass famine were accelerated.

The obstacles remain daunting -- continued warfare and aggression by Vietnam, non-distribution by the Phnom Penh authorities of much of the UNICEF-ICRC aid, movement of up to 900,000 hungry Khmer to and across the Thai border where they can be fed and helped.

But Americans will continue their efforts both public and private to avert the famine that looms. New help for our efforts will come from the National Committee formed in early 1980 by leading citizens to help in mobilizing and supporting the sustained effort essential to achieve this humanitarian goal.

As the year began, we are also considering new means of helping, through our contribution to the UN High Commissioner for Refugees and in other ways, the mounting Afghan refugee population in Pakistan and other desperate refugee situations such as Somalia.

It cannot be ignored that the destructive and aggressive policies of the Soviet Union have added immeasurably to the suffering in these three tragic situations.

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I have asked the heads of the appropriate departments of the Executive Branch to play an active role in the Select Commission on Immigration and Refugee Policy to formulate a new approach to deal with sensitivity with the difficult subject of people arriving on our shores from Latin America.

My meeting with Pope John Paul II during his historic and unprecedented visit to the United States helped raise the world's consciousness in connection with pressing problems of famine, homelessness, and human rights. Our talks spurred positive action in many of these areas, notably Indochina, and set the stage for further action in 1980.

THE CONTROL OF NUCLEAR WEAPONS

Together with our friends and allies, we are striving to build a world in which peoples with diverse interests can live freely and prosper. But all that humankind has achieved to date, all that we are seeking to accomplish, and human existence itself can be undone in an instant -- in the catastrophe of a nuclear war.

Thus one of the central objectives of my Administration has been to control the proliferation of nuclear weapons to those nations which do not have them, and their further development by the existing nuclear powers -- notably the Soviet Union and the United States.

Non-Proliferation

I entered office committed to assert American leadership in stemming the proliferation of nuclear weapons -- which could create fundamental new instabilities in critical regions of the world, and threaten the security of the United States. This should not and cannot be done unilaterally. The cooperation of other suppliers of nuclear technology and materials is needed. This issue must not become a North-South confrontation.

We have been proceeding on a number of fronts:

- We have been seeking to encourage nations to accede to the Non-Proliferation Treaty, or to accept full-scope international safeguards. The Nuclear Non-Proliferation Act calls for such safeguards in connection with United States nuclear exports.
- The International Nuclear Fuel Cycle Evaluation (INFCE) has demonstrated that suppliers and recipients can work together. Its results will be published in a month. While differences remain, it will provide a broader international basis for national decisions which must balance energy needs with non-proliferation concerns.
- Finally, we are working to encourage regional cooperation and restraint. Protocol I of the Treaty of Tlatelolco which will contribute to the lessening of nuclear dangers for our Latin American neighbors has not yet been ratified by the United States Senate.

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Working together with the Congress, I remain committed to the vigorous pursuit of our non-proliferation objectives.

Limitations on Strategic Arms

The most prominent of our nuclear arms control efforts is, of course, SALT II.

The signing of the Treaty brought to an end painstaking negotiations carried out under three administrations of both parties.

- SALT II is in our mutual interest; it is neither an American favor to the Soviet Union nor a Soviet favor to the United States.
- Ratification of the SALT II Treaty would represent a major step forward in restraining the continued growth of Soviet strategic forces.

Because SALT II reduces superpower competition in its most dangerous manifestation, this Treaty is the single most important bilateral accord of the decade:

- SALT II will permit us better to maintain strategic equivalence in nuclear weapons and devote our defense increases more heavily to our highest priority needs for conventional force improvements;
- Without it, the Soviets can add more power to their forces and better conceal from us what they are doing;
- Without SALT II, and the beginning of SALT III, deeper cuts would take many more years to achieve;
- Without SALT II, our efforts to control the proliferation of nuclear weapons will be more difficult.

I believe that the Senate will ratify SALT II because the Treaty is, in its simplest terms, in the interest of our Nation's security.

But I do not believe it advisable at this time to bring up the Treaty for consideration on the Senate floor. The Congress and the Executive Branch must first deal with the pressing matters arising from the Soviet invasion of Afghanistan.

CONCLUSION

As we enter the decade of the 1980's, we face challenges both at home and abroad which will test our qualities as a people -- our toughness and willingness to sacrifice for larger goals, our courage and our vision.

For this Nation to remain secure, for this country to prosper, we must rise above narrow interests. The dangers of disunity are self-evident in a world of major power confrontation. The rewards of a new national consensus and sense of purpose are equally clear.

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We have new support in the world for our purposes of national independence and individual human dignity. We have a new will at home to do what is required to keep us the strongest nation on earth.

We must move together into this decade with the strength which comes from realization of the dangers before us and from the confidence that together we can overcome them.

JIMMY CARTER

THE WHITE HOUSE,

January 21, 1980.

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