

State of the Union Addresses of Jimmy Carter

Jimmy Carter

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State of the Union Address
Jimmy Carter
January 19, 1978

Two years ago today we had the first caucus in Iowa, and one year ago tomorrow, I walked from here to the White House to take up the duties of President of the United States. I didn't know it then when I walked, but I've been trying to save energy ever since.

I return tonight to fulfill one of those duties of the Constitution: to give to the Congress, and to the Nation, information on the state of the Union.

Militarily, politically, economically, and in spirit, the state of our Union is sound.

We are a great country, a strong country, a vital and dynamic country, and so we will remain.

We are a confident people and a hardworking people, a decent and a compassionate people, and so we will remain.

I want to speak to you tonight about where we are and where we must go, about what we have done and what we must do. And I want to pledge to you my best efforts and ask you to pledge yours.

Each generation of Americans has to face circumstances not of its own choosing, but by which its character is measured and its spirit is tested.

There are times of emergency, when a nation and its leaders must bring their energies to bear on a single urgent task. That was the duty Abraham Lincoln faced when our land was torn apart by conflict in the War Between the States. That was the duty faced by Franklin Roosevelt when he led America out of an economic depression and again when he led America to victory in war.

There are other times when there is no single overwhelming crisis, yet profound national interests are at stake.

At such times the risk of inaction can be equally great. It becomes the task of leaders to call forth the vast and restless energies of our people to build for the future.

That is what Harry Truman did in the years after the Second World War, when we helped Europe and Japan rebuild themselves and secured an international order that has protected freedom from aggression.

We live in such times now, and we face such duties.

We've come through a long period of turmoil and doubt, but we've once again

found our moral course, and with a new spirit, we are striving to express our best instincts to the rest of the world.

There is all across our land a growing sense of peace and a sense of common purpose. This sense of unity cannot be expressed in programs or in legislation or in dollars. It's an achievement that belongs to every individual American. This unity ties together, and it towers over all our efforts here in Washington, and it serves as an inspiring beacon for all of us who are elected to serve.

This new atmosphere demands a new spirit, a partnership between those of us who lead and those who elect. The foundations of this partnership are truth, the courage to face hard decisions, concern for one another and the common good over special interests, and a basic faith and trust in the wisdom and strength and judgment of the American people.

For the first time in a generation, we are not haunted by a major international crisis or by domestic turmoil, and we now have a rare and a priceless opportunity to address persistent problems and burdens which come to us as a nation, quietly and steadily getting worse over the years.

As President, I've had to ask you, the Members of Congress, and you, the American people, to come to grips with some of the most difficult and hard questions facing our society.

We must make a maximum effort, because if we do not aim for the best, we are very likely to achieve little. I see no benefit to the country if we delay, because the problems will only get worse.

We need patience and good will, but we really need to realize that there is a limit to the role and the function of government. Government cannot solve our problems, it can't set our goals, it cannot define our vision. Government cannot eliminate poverty or provide a bountiful economy or reduce inflation or save our cities or cure illiteracy or provide energy. And government cannot mandate goodness. Only a true partnership between government and the people can ever hope to reach these goals.

Those of us who govern can sometimes inspire, and we can identify needs and marshal resources, but we simply cannot be the managers of everything and everybody.

We here in Washington must move away from crisis management, and we must establish clear goals for the future, immediate and the distant future, which will let us work together and not in conflict. Never again should we neglect a growing crisis like the shortage of energy, where further delay will only lead to more harsh and painful solutions.

Every day we spend more than \$120 million for foreign oil. This slows our economic growth, it lowers the value of the dollar overseas, and it aggravates unemployment and inflation here at home.

Now we know what we must do, increase production. We must cut down on waste. And we must use more of those fuels which are plentiful and more permanent. We must be fair to people, and we must not disrupt our Nation's economy and our budget.

Now, that sounds simple. But I recognize the difficulties involved. I know that it is not easy for the Congress to act. But the fact remains that on the energy legislation, we have failed the American people. Almost 5 years

after the oil embargo dramatized the problem for us all, we still do not have a national energy program. Not much longer can we tolerate this stalemate. It undermines our national interest both at home and abroad. We must succeed, and I believe we will.

Our main task at home this year, with energy a central element, is the Nation's economy. We must continue the recovery and further cut unemployment and inflation.

Last year was a good one for the United States. We reached all of our major economic goals for 1977. Four million new jobs were created, an alltime record, and the number of unemployed dropped by more than a million. Unemployment right now is the lowest it has been since 1974, and not since World War II has such a high percentage of American people been employed.

The rate of inflation went down. There was a good growth in business profits and investments, the source of more jobs for our workers, and a higher standard of living for all our people. After taxes and inflation, there was a healthy increase in workers' wages.

And this year, our country will have the first \$2 trillion economy in the history of the world.

Now, we are proud of this progress the first year, but we must do even better in the future.

We still have serious problems on which all of us must work together. Our trade deficit is too large. Inflation is still too high, and too many Americans still do not have a job.

Now, I didn't have any simple answers for all these problems. But we have developed an economic policy that is working, because it's simple, balanced, and fair. It's based on four principles: First, the economy must keep on expanding to produce new jobs and better income, which our people need. The fruits of growth must be widely shared. More jobs must be made available to those who have been bypassed until now. And the tax system must be made fairer and simpler.

Secondly, private business and not the Government must lead the expansion in the future.

Third, we must lower the rate of inflation and keep it down. Inflation slows down economic growth, and it's the most cruel to the poor and also to the elderly and others who live on fixed incomes.

And fourth, we must contribute to the strength of the world economy.

I will announce detailed proposals for improving our tax system later this week. We can make our tax laws fairer, we can make them simpler and easier to understand, and at the same time, we can, and we will, reduce the tax burden on American citizens by \$25 billion.

The tax reforms and the tax reductions go together. Only with the long overdue reforms will the full tax cut be advisable.

Almost \$17 billion in income tax cuts will go to individuals. Ninety-six percent of all American taxpayers will see their taxes go down. For a typical family of four, this means an annual saving of more than \$250 a year, or a tax reduction of about 20 percent. A further \$2 billion cut in

excise taxes will give more relief and also contribute directly to lowering the rate of inflation.

And we will also provide strong additional incentives for business investment and growth through substantial cuts in the corporate tax rates and improvement in the investment tax credit.

Now, these tax proposals will increase opportunity everywhere in the Nation. But additional jobs for the disadvantaged deserve special attention.

We've already passed laws to assure equal access to the voting booth and to restaurants and to schools, to housing, and laws to permit access to jobs. But job opportunity, the chance to earn a decent living, is also a basic human right, which we cannot and will not ignore.

A major priority for our Nation is the final elimination of the barriers that restrict the opportunities available to women and also to black people and Hispanics and other minorities. We've come a long way toward that goal. But there is still much to do. What we inherited from the past must not be permitted to shackle us in the future.

I'll be asking you for a substantial increase in funds for public jobs for our young people, and I also am recommending that the Congress continue the public service employment programs at more than twice the level of a year ago. When welfare reform is completed, we will have more than a million additional jobs so that those on welfare who are able to work can work.

However, again, we know that in our free society, private business is still the best source of new jobs. Therefore, I will propose a new program to encourage businesses to hire young and disadvantaged Americans. These young people only need skills and a chance in order to take their place in our economic system. Let's give them the chance they need. A major step in the right direction would be the early passage of a greatly improved Humphrey-Hawkins bill.

My budget for 1979 addresses these national needs, but it is lean and tight. I have cut waste wherever possible.

I am proposing an increase of less than 2 percent after adjusting for inflation, the smallest increase in the Federal budget in 4 years.

Lately, Federal spending has taken a steadily increasing portion of what Americans produce. Our new budget reverses that trend, and later I hope to bring the Government's toll down even further. And with your help, we'll do that.

In time of high employment and a strong economy, deficit spending should not be a feature of our budget. As the economy continues to gain strength and as our unemployment rates continue to fall, revenues will grow. With careful planning, efficient management, and proper restraint on spending, we can move rapidly toward a balanced budget, and we will.

Next year the budget deficit will be only slightly less than this year. But one-third of the deficit is due to the necessary tax cuts that I've proposed. This year the right choice is to reduce the burden on taxpayers and provide more jobs for our people.

The third element in our program is a renewed attack on inflation. We've

learned the hard way that high unemployment will not prevent or cure inflation. Government can help us by stimulating private investment and by maintaining a responsible economic policy. Through a new top-level review process, we will do a better job of reducing Government regulation that drives up costs and drives up prices.

But again, Government alone cannot bring down the rate of inflation. When a level of high inflation is expected to continue, then companies raise prices to protect their profit margins against prospective increases in wages and other costs, while workers demand higher wages as protection against expected price increases. It's like an escalation in the arms race, and understandably, no one wants to disarm alone.

Now, no one firm or a group of workers can halt this process. It's an effort that we must all make together. I'm therefore asking government, business, labor, and other groups to join in a voluntary program to moderate inflation by holding wage and price increases in each sector of the economy during 1978 below the average increases of the last 2 years.

I do not believe in wage and price controls. A sincere commitment to voluntary constraint provides a way, perhaps the only way, to fight inflation without Government interference.

As I came into the Capitol tonight, I saw the farmers, my fellow farmers, standing out in the snow. I'm familiar with their problem, and I know from Congress' action that you are too. When I was running Carters Warehouse, we had spread on our own farms 5-10-15 fertilizer for about \$40 a ton. The last time I was home, the price was about \$100 a ton. The cost of nitrogen has gone up 150 percent, and the price of products that farmers sell has either stayed the same or gone down a little.

Now, this past year in 1977, you, the Congress, and I together passed a new agricultural act. It went into effect October 1. It'll have its first impact on the 1978 crops. It will help a great deal. It'll add \$6 1/2 billion or more to help the farmers with their price supports and target prices.

Last year we had the highest level of exports of farm products in the history of our country, \$24 billion. We expect to have more this year. We'll be working together. But I think it's incumbent on us to monitor very carefully the farm situation and continue to work harmoniously with the farmers of our country. What's best for the farmers, the farm families, in the long run is also best for the consumers of our country.

Economic success at home is also the key to success in our international economic policy. An effective energy program, strong investment and productivity, and controlled inflation will provide [improve] our trade balance and balance it, and it will help to protect the integrity of the dollar overseas.

By working closely with our friends abroad, we can promote the economic health of the whole world, with fair and balanced agreements lowering the barriers to trade.

Despite the inevitable pressures that build up when the world economy suffers from high unemployment, we must firmly resist the demands for self-defeating protectionism. But free trade must also be fair trade. And I am determined to protect American industry and American workers against foreign trade practices which are unfair or illegal.

In a separate written message to Congress, I've outlined other domestic initiatives, such as welfare reform, consumer protection, basic education skills, urban policy, reform of our labor laws, and national health care later on this year. I will not repeat these tonight. But there are several other points that I would like to make directly to you.

During these past years, Americans have seen our Government grow far from us.

For some citizens, the Government has almost become like a foreign country, so strange and distant that we've often had to deal with it through trained ambassadors who have sometimes become too powerful and too influential, lawyers, accountants, and lobbyists. This cannot go on.

We must have what Abraham Lincoln wanted, a government for the people.

We've made progress toward that kind of government. You've given me the authority I requested to reorganize the Federal bureaucracy. And I am using that authority.

We've already begun a series of reorganization plans which will be completed over a period of 3 years. We have also proposed abolishing almost 500 Federal advisory and other commissions and boards. But I know that the American people are still sick and tired of Federal paperwork and redtape. Bit by bit we are chopping down the thicket of unnecessary Federal regulations by which Government too often interferes in our personal lives and our personal business. We've cut the public's Federal paperwork load by more than 12 percent in less than a year. And we are not through cutting.

We've made a good start on turning the gobbledygook of Federal regulations into plain English that people can understand. But we know that we still have a long way to go.

We've brought together parts of 11 Government agencies to create a new Department of Energy. And now it's time to take another major step by creating a separate Department of Education.

But even the best organized Government will only be as effective as the people who carry out its policies. For this reason, I consider civil service reform to be absolutely vital. Worked out with the civil servants themselves, this reorganization plan will restore the merit principle to a system which has grown into a bureaucratic maze. It will provide greater management flexibility and better rewards for better performance without compromising job security.

Then and only then can we have a government that is efficient, open, and truly worthy of our people's understanding and respect. I have promised that we will have such a government, and I intend to keep that promise.

In our foreign policy, the separation of people from government has been in the past a source of weakness and error. In a democratic system like ours, foreign policy decisions must be able to stand the test of public examination and public debate. If we make a mistake in this administration, it will be on the side of frankness and openness with the American people.

In our modern world, when the deaths of literally millions of people can result from a few terrifying seconds of destruction, the path of national strength and security is identical to the path of peace.

Tonight, I am happy to report that because we are strong, our Nation is at peace with the world.

We are a confident nation. We've restored a moral basis for our foreign policy. The very heart of our identity as a nation is our firm commitment to human rights.

We stand for human rights because we believe that government has as a purpose to promote the well-being of its citizens. This is true in our domestic policy; it's also true in our foreign policy. The world must know that in support of human rights, the United States will stand firm.

We expect no quick or easy results, but there has been significant movement toward greater freedom and humanity in several parts of the world.

Thousands of political prisoners have been freed. The leaders of the world, even our ideological adversaries, now see that their attitude toward fundamental human rights affects their standing in the international community, and it affects their relations with the United States.

To serve the interests of every American, our foreign policy has three major goals.

The first and prime concern is and will remain the security of our country.

Security is based on our national will, and security is based on the strength of our Armed Forces. We have the will, and militarily we are very strong.

Security also comes through the strength of our alliances. We have reconfirmed our commitment to the defense of Europe, and this year we will demonstrate that commitment by further modernizing and strengthening our military capabilities there.

Security can also be enhanced by agreements with potential adversaries which reduce the threat of nuclear disaster while maintaining our own relative strategic capability.

In areas of peaceful competition with the Soviet Union, we will continue to more than hold our own.

At the same time, we are negotiating with quiet confidence, without haste, with careful determination, to ease the tensions between us and to ensure greater stability and security.

The strategic arms limitation talks have been long and difficult. We want a mutual limit on both the quality and the quantity of the giant nuclear arsenals of both nations, and then we want actual reductions in strategic arms as a major step toward the ultimate elimination of nuclear weapons from the face of the Earth.

If these talks result in an agreement this year, and I trust they will, I pledge to you that the agreement will maintain and enhance the stability of the world's strategic balance and the security of the United States.

For 30 years, concerted but unsuccessful efforts have been made to ban the testing of atomic explosives, both military weapons and peaceful nuclear

devices.

We are hard at work with Great Britain and the Soviet Union on an agreement which will stop testing and will protect our national security and provide for adequate verification of compliance. We are now making, I believe, good progress toward this comprehensive ban on nuclear explosions.

We are also working vigorously to halt the proliferation of nuclear weapons among the nations of the world which do not now have them and to reduce the deadly global traffic in conventional arms sales. Our stand for peace is suspect if we are also the principal arms merchant of the world. So, we've decided to cut down our arms transfers abroad on a year-by-year basis and to work with other major arms exporters to encourage their similar constraint.

Every American has a stake in our second major goal, a world at peace. In a nuclear age, each of us is threatened when peace is not secured everywhere. We are trying to promote harmony in those parts of the world where major differences exist among other nations and threaten international peace.

In the Middle East, we are contributing our good offices to maintain the momentum of the current negotiations and to keep open the lines of communication among the Middle Eastern leaders. The whole world has a great stake in the success of these efforts. This is a precious opportunity for a historic settlement of a longstanding conflict, an opportunity which may never come again in our lifetime.

Our role has been difficult and sometimes thankless and controversial. But it has been constructive and it has been necessary, and it will continue.

Our third major foreign policy goal is one that touches the life of every American citizen every day, world economic growth and stability.

This requires strong economic performance by the industrialized democracies like ourselves and progress in resolving the global energy crisis. Last fall, with the help of others, we succeeded in our vigorous efforts to maintain the stability of the price of oil. But as many foreign leaders have emphasized to me personally and, I am sure, to you, the greatest future contribution that America can make to the world economy would be an effective energy conservation program here at home. We will not hesitate to take the actions needed to protect the integrity of the American dollar.

We are trying to develop a more just international system. And in this spirit, we are supporting the struggle for human development in Africa, in Asia, and in Latin America.

Finally, the world is watching to see how we act on one of our most important and controversial items of business, approval of the Panama Canal treaties. The treaties now before the Senate are the result of the work of four administrations, two Democratic, two Republican.

They guarantee that the canal will be open always for unrestricted use by the ships of the world. Our ships have the right to go to the head of the line for priority of passage in times of emergency or need. We retain the permanent right to defend the canal with our own military forces, if necessary, to guarantee its openness and its neutrality.

The treaties are to the clear advantage of ourselves, the Panamanians, and the other users of the canal. Ratifying the Panama Canal treaties will

demonstrate our good faith to the world, discourage the spread of hostile ideologies in this hemisphere, and directly contribute to the economic well-being and the security of the United States.

I have to say that that's very welcome applause.

There were two moments on my recent journey which, for me, confirmed the final aims of our foreign policy and what it always must be.

One was in a little village in India, where I met a people as passionately attached to their rights and liberties as we are, but whose children have a far smaller chance for good health or food or education or human fulfillment than a child born in this country.

The other moment was in Warsaw, capital of a nation twice devastated by war in this century. There, people have rebuilt the city which war's destruction took from them. But what was new only emphasized clearly what was lost.

What I saw in those two places crystalized for me the purposes of our own Nation's policy: to ensure economic justice, to advance human rights, to resolve conflicts without violence, and to proclaim in our great democracy our constant faith in the liberty and dignity of human beings everywhere.

We Americans have a great deal of work to do together. In the end, how well we do that work will depend on the spirit in which we approach it. We must seek fresh answers, unhindered by the stale prescriptions of the past.

It has been said that our best years are behind us. But I say again that America's best is still ahead. We have emerged from bitter experiences chastened but proud, confident once again, ready to face challenges once again, and united once again.

We come together tonight at a solemn time. Last week the Senate lost a good and honest man, Lee Metcalf of Montana.

And today, the flag of the United States flew at half-mast from this Capitol and from American installations and ships all over the world, in mourning for Senator Hubert Humphrey.

Because he exemplified so well the joy and the zest of living, his death reminds us not so much of our own mortality, but of the possibilities offered to us by life. He always looked to the future with a special American kind of confidence, of hope and enthusiasm. And the best way that we can honor him is by following his example.

Our task, to use the words of Senator Humphrey, is "reconciliation, rebuilding, and rebirth."

Reconciliation of private needs and interests into a higher purpose.

Rebuilding the old dreams of justice and liberty, and country and community.

Rebirth of our faith in the common good.

Each of us here tonight, and all who are listening in your homes, must rededicate ourselves to serving the common good. We are a community, a beloved community, all of us. Our individual fates are linked, our futures

intertwined. And if we act in that knowledge and in that spirit, together, as the Bible says, we can move mountains.

Thank you very much.

State of the Union Address
Jimmy Carter
January 25, 1979

Tonight I want to examine in a broad sense the state of our American Union--how we are building a new foundation for a peaceful and a prosperous world.

Our children who will be born this year will come of age in the 21st century. What kind of society, what kind of world are we building for them? Will we ourselves be at peace? Will our children enjoy a better quality of life? Will a strong and united America still be a force for freedom and prosperity around the world?

Tonight, there is every sign that the state of our Union is sound.

Our economy offers greater prosperity for more of our people than ever before. Real per capita income and real business profits have risen substantially in the last 2 years. Farm exports are setting an all-time record each year, and farm income last year, net farm income, was up more than 25 percent.

Our liberties are secure. Our military defenses are strong and growing stronger. And more importantly, tonight, America--our beloved country--is at peace.

Our earliest national commitments, modified and reshaped by succeeding generations, have served us well. But the problems that we face today are different from those that confronted earlier generations of Americans. They are more subtle, more complex, and more interrelated. At home, we are recognizing ever more clearly that government alone cannot solve these problems. And abroad, few of them can be solved by the United States alone. But Americans as a united people, working with our allies and friends, have never been afraid to face problems and to solve problems, either here or abroad.

The challenge to us is to build a new and firmer foundation for the future--for a sound economy, for a more effective government, for more political trust, and for a stable peace--so that the America our children inherit will be even stronger and even better than it is today.

We cannot resort to simplistic or extreme solutions which substitute myths for common sense.

In our economy, it is a myth that we must choose endlessly between inflation and recession. Together, we build the foundation for a strong economy, with lower inflation, without contriving either a recession with its high unemployment or unworkable, mandatory government controls.

In our government, it is a myth that we must choose between compassion and competence. Together, we build the foundation for a government that works, and works for people.

In our relations with our potential adversaries, it is a myth that we must choose between confrontation and capitulation. Together, we build the foundation for a stable world of both diversity and peace.

Together, we've already begun to build the foundation for confidence in our economic system. During the last 2 years, in bringing our economy out of the deepest recession since the 1930's, we've created 7,100,000 new jobs. The unemployment rate has gone down 25 percent. And now we must redouble our fight against the persistent inflation that has wracked our country for more than a decade. That's our important domestic issue, and we must do it together.

We know that inflation is a burden for all Americans, but it's a disaster for the poor, the sick, and the old. No American family should be forced to choose among food, warmth, health care, or decent housing because the cost of any of these basic necessities has climbed out of reach.

Three months ago, I outlined to the Nation a balanced anti-inflation program that couples responsible government restraint with responsible wage and price restraint. It's based upon my knowledge that there is a more powerful force than government compulsion--the force created by the cooperative efforts of millions of Americans working toward a common goal.

Business and labor have been increasingly supportive. It's imperative that we in government do our part. We must stop excessive government growth, and we must control government spending habits.

I've sent to this Congress a stringent but a fair budget, one that, since I ran for President in 1976, will have cut the Federal deficit in half. And as a percentage of our gross national product, the deficit will have dropped by almost 75 percent.

This Congress had a good record last year, and I now ask the 96th Congress to continue this partnership in holding the line on excess Federal spending. It will not be easy. But we must be strong, and we must be persistent.

This budget is a clear message that, with the help of you and the American people, I am determined, as President, to bring inflation under control.

The 1980 budget provides enough spending restraint to begin unwinding inflation, but enough support for our country to keep American workers productive and to encourage the investments that provide new jobs. We will continue to mobilize our Nation's resources to reduce our trade deficit substantially this year and to maintain the strength of the American dollar.

We've demonstrated in this restrained budget that we can build on the gains of the past 2 years to provide additional support to educate disadvantaged children, to care for the elderly, to provide nutrition and legal services for the poor, and to strengthen the economic base of our urban communities and, also, our rural areas.

This year, we will take our first steps to develop a national health plan.

We must never accept a permanent group of unemployed Americans, with no hope and no stake in building our society. For those left out of the economy because of discrimination, a lack of skills, or poverty, we must

maintain high levels of training, and we must continue to provide jobs.

A responsible budget is not our only weapon to control inflation. We must act now to protect all Americans from health care costs that are rising \$1 million per hour, 24 hours a day, doubling every 5 years. We must take control of the largest contributor to that inflation: skyrocketing hospital costs.

There will be no clearer test of the commitment of this Congress to the anti-inflation fight than the legislation that I will submit again this year to hold down inflation in hospital care.

Over the next 5 years, my proposals will save Americans a total of \$60 billion, of which \$25 billion will be savings to the American taxpayer in the Federal budget itself. The American people have waited long enough. This year we must act on hospital cost containment.

We must also fight inflation by improvements and better enforcement of our antitrust laws and by reducing government obstacles to competition in the private sector.

We must begin to scrutinize the overall effect of regulation in our economy. Through deregulation of the airline industry we've increased profits, cut prices for all Americans, and begun--for one of the few times in the history of our Nation--to actually dismantle a major Federal bureaucracy. This year, we must begin the effort to reform our regulatory processes for the railroad, bus, and the trucking industries.

America has the greatest economic system in the world. Let's reduce government interference and give it a chance to work.

I call on Congress to take other anti-inflation action--to expand our exports to protect American jobs threatened by unfair trade, to conserve energy, to increase production and to speed development of solar power, and to reassess our Nation's technological superiority. American workers who enlist in the fight against inflation deserve not just our gratitude, but they deserve the protection of the real wage insurance proposal that I have already made to the Congress.

To be successful, we must change our attitudes as well as our policies. We cannot afford to live beyond our means. We cannot afford to create programs that we can neither manage nor finance, or to waste our natural resources, and we cannot tolerate mismanagement and fraud. Above all, we must meet the challenges of inflation as a united people.

With the support of the American people, government in recent decades has helped to dismantle racial barriers, has provided assistance for the jobless and the retired, has fed the hungry, has protected the safety, health, and bargaining rights of American workers, and has helped to preserve our natural heritage.

But it's not enough to have created a lot of government programs. Now we must make the good programs more effective and improve or weed out those which are wasteful or unnecessary.

With the support of the Congress, we've begun to reorganize and to get control of the bureaucracy. We are reforming the civil service system, so that we can recognize and reward those who do a good job and correct or remove those who do not.

This year, we must extend major reorganization efforts to education, to economic development, and to the management of our natural resources. We need to enact a sunshine [sunset] law that when government programs have outlived their value, they will automatically be terminated.

There's no such thing as an effective and a noncontroversial reorganization and reform. But we know that honest, effective government is essential to restore public faith in our public action.

None of us can be satisfied when two-thirds of the American citizens chose not to vote last year in a national election. Too many Americans feel powerless against the influence of private lobbying groups and the unbelievable flood of private campaign money which threatens our electoral process.

This year, we must regain the public's faith by requiring limited financial funds from public funds for congressional election campaigns. House bill 1 provides for this public financing of campaigns. And I look forward with a great deal of anticipation to signing it at an early date.

A strong economy and an effective government will restore confidence in America. But the path of the future must be charted in peace. We must continue to build a new and a firm foundation for a stable world community.

We are building that new foundation from a position of national strength--the strength of our own defenses, the strength of our friendships with other nations, and of our oldest American ideals.

America's military power is a major force for security and stability in the world. We must maintain our strategic capability and continue the progress of the last 2 years with our NATO Allies, with whom we have increased our readiness, modernized our equipment, and strengthened our defense forces in Europe. I urge you to support the strong defense budget which I have proposed to the Congress.

But our national security in this complicated age requires more than just military might. In less than a lifetime, world population has more than doubled, colonial empires have disappeared, and a hundred new nations have been born, and migration to the world's cities have all awakened new yearnings for economic justice and human rights among people everywhere.

This demand for justice and human rights is a wave of the future. In such a world, the choice is not which super power will dominate the world. None can and none will. The choice instead is between a world of anarchy and destruction, or a world of cooperation and peace.

In such a world, we seek not to stifle inevitable change, but to influence its course in helpful and constructive ways that enhance our values, our national interests, and the cause of peace.

Towering over this volatile, changing world, like a thundercloud on a summer day, looms the awesome power of nuclear weapons.

We will continue to help shape the forces of change, to anticipate emerging problems of nuclear proliferation and conventional arms sales, and to use our great strength parts of the world before they erupt and spread.

We have no desire to be the world's policeman. But America does want to be the world's peacemaker.

We are building the foundation for truly global cooperation, not only with Western and industrialized nations but with the developing countries as well. Our ties with Japan and our European allies are stronger than ever, and so are our friendly relations with the people of Latin America, Africa, and the Western Pacific and Asia.

We've won new respect in this hemisphere with the Panama Canal treaties. We've gained new trust with the developing world through our opposition to racism, our commitment to human rights, and our support for majority rule in Africa.

The multilateral trade negotiations are now reaching a successful conclusion, and congressional approval is essential to the economic well-being of our own country and of the world. This will be one of our top priorities in 1979.

We are entering a hopeful era in our relations with one-fourth of the world's people who live in China. The presence of Vice Premier Deng Xiaoping next week will help to inaugurate that new era. And with prompt congressional action on authorizing legislation, we will continue our commitment to a prosperous, peaceful, and secure life for the people of Taiwan.

I'm grateful that in the past year, as in the year before, no American has died in combat anywhere in the world. And in Iran, Nicaragua, Cyprus, Namibia, and Rhodesia, our country is working for peaceful solutions to dangerous conflicts.

In the Middle East, under the most difficult circumstances, we have sought to help ancient enemies lay aside deep-seated differences that have produced four bitter wars in our lifetime.

Our firm commitment to Israel's survival and security is rooted in our deepest convictions and in our knowledge of the strategic importance to our own Nation of a stable Middle East. To promote peace and reconciliation in the region, we must retain the trust and the confidence both of Israel and also of the Arab nations that are sincerely searching for peace.

I am determined, as President, to use the full, beneficial influence of our country so that the precious opportunity for lasting peace between Israel and Egypt will not be lost.

The new foundation of international cooperation that we seek excludes no nation. Cooperation with the Soviet Union serves the cause of peace, for in this nuclear age, world peace must include peace between the super powers--and it must mean the control of nuclear arms.

Ten years ago, the United States and the Soviet Union made the historic decision to open the strategic arms limitations talks, or SALT. The purpose of SALT, then as now, is not to gain a unilateral advantage for either nation, but to protect the security of both nations, to reverse the costly and dangerous momentum of the nuclear arms race, to preserve a stable balance of nuclear forces, and to demonstrate to a concerned world that we are determined to help preserve the peace.

The first SALT agreement was concluded in 1972. And since then, during 6

years of negotiation by both Republican and Democratic leaders, nearly all issues of SALT II have been resolved. If the Soviet Union continues to negotiate in good faith, a responsible SALT agreement will be reached.

It's important that the American people understand the nature of the SALT process.

SALT II is not based on sentiment; it's based on self-interest--of the United States and of the Soviet Union. Both nations share a powerful common interest in reducing the threat of a nuclear war. I will sign no agreement which does not enhance our national security.

SALT II does not rely on trust; it will be verifiable. We have very sophisticated, proven means, including our satellites, to determine for ourselves whether or not the Soviet Union is meeting its treaty obligations. I will sign no agreement which cannot be verified.

The American nuclear deterrent will remain strong after SALT II. For example, just one of our relatively invulnerable Poseidon submarines--comprising less than 2 percent of our total nuclear force of submarines, aircraft, and land-based missiles--carries enough warheads to destroy every large- and medium-sized city in the Soviet Union. Our deterrent is overwhelming, and I will sign no agreement unless our deterrent force will remain overwhelming.

A SALT agreement, of course, cannot substitute for wise diplomacy or a strong defense, nor will it end the danger of nuclear war. But it will certainly reduce that danger. It will strengthen our efforts to ban nuclear tests and to stop the spread of atomic weapons to other nations. And it can begin the process of negotiating new agreements which will further limit nuclear arms.

The path of arms control, backed by a strong defense, the path our Nation and every President has walked for 30 years, can lead to a world of law and of international negotiation and consultation in which all peoples might live in peace. In this year 1979, nothing is more important than that the Congress and the people of the United States resolve to continue with me on that path of nuclear arms control and world peace. This is paramount.

I've outlined some of the changes that have transformed the world and which are continuing as we meet here tonight. But we in America need not fear change. The values on which our Nation was founded: individual liberty, self-determination, the potential for human fulfillment in freedom, all of these endure. We find these democratic principles praised, even in books smuggled out of totalitarian nations and on wallposters in lands which we thought were closed to our influence. Our country has regained its special place of leadership in the worldwide struggle for human rights. And that is a commitment that we must keep at home, as well as abroad.

The civil rights revolution freed all Americans, black and white, but its full promise still remains unrealized. I will continue to work with all my strength for equal opportunity for all Americans--and for affirmative action for those who carry the extra burden of past denial of equal opportunity.

We remain committed to improving our labor laws to better protect the rights of American workers. And our Nation must make it clear that the legal rights of women as citizens are guaranteed under the laws of our land by ratifying the equal rights amendment.

As long as I'm President, at home and around the world America's examples and America's influence will be marshaled to advance the cause of human rights.

To establish those values, two centuries ago a bold generation of Americans risked their property, their position, and life itself. We are their heirs, and they are sending us a message across the centuries. The words they made so vivid are now growing faintly indistinct, because they are not heard often enough. They are words like "justice," "equality," "unity," "truth," "sacrifice," "liberty," "faith," and "love."

These words remind us that the duty of our generation of Americans is to renew our Nation's faith, not focused just against foreign threats but against the threats of selfishness, cynicism, and apathy.

The new foundation I've discussed tonight can help us build a nation and a world where every child is nurtured and can look to the future with hope, where the resources now wasted on war can be turned towards meeting human needs, where all people have enough to eat, a decent home, and protection against disease.

It can help us build a nation and a world where all people are free to seek the truth and to add to human understanding, so that all of us may live our lives in peace.

Tonight, I ask you, the Members of the Congress, to join me in building that new foundation, a better foundation, for our beloved country and our world.

Thank you very much.

State of the Union Address
Jimmy Carter
January 21, 1980

This last few months has 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's 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'm 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; and the press of social and religious and economic and political change in the 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.

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.

We continue to pursue these specific goals: first, to protect the present and long-range interests 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. We will never rest until every one of the American hostages are released.

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 3 1/2 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 at 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 rearmed to assure the continuation of that containment.

In the 1960's we met the Soviet challenges in Berlin, and we faced the Cuban missile crisis. 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's why we've negotiated the strategic arms limitation 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 countries 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.

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's using its great military power against a relatively defenseless nation. The implications of the Soviet invasion of Afghanistan could pose the 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 their aggression.

While this invasion continues, we and the other nations of the world cannot conduct business as usual with the Soviet Union. That's 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've cut Soviet access to high-technology equipment and to agricultural products. I've limited other commerce with the Soviet Union, and I've 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.

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.

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 most 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.

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've increased annually our real commitment for defense, and we will sustain this increase of effort throughout the Five Year Defense Program. It's imperative that Congress approve this strong defense budget for 1981, encompassing a 5-percent real growth in authorizations, without any reduction.

We are also improving our capability to deploy U.S. military forces rapidly to distant areas. We've 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. 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've 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've 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've 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'm asking the Congress specifically to reaffirm this agreement. I'm 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.

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 through 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'm 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. 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.

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 engaged 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.

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. 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 3 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've 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'm 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 the people of America--to help our Nation. Conserve energy. Eliminate waste. Make 1980 indeed a year of energy conservation.

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.

Second, as we continue to work with business to hold down prices, we'll 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.

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's the heart of America--and it's 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 Lippmann 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's 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--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.

State of the Union Address
Jimmy Carter
January 16, 1981

To the Congress of the United States:

The State of the Union is sound. Our economy is recovering from a recession. A national energy plan is in place and our dependence on foreign oil is decreasing. We have been at peace for four uninterrupted years.

But, our Nation has serious problems. Inflation and unemployment are unacceptably high. The world oil market is increasingly tight. There are

trouble spots throughout the world, and 52 American hostages are being held in Iran against international law and against every precept of human affairs.

However, I firmly believe that, as a result of the progress made in so many domestic and international areas over the past four years, our Nation is stronger, wealthier, more compassionate and freer than it was four years ago. I am proud of that fact. And I believe the Congress should be proud as well, for so much of what has been accomplished over the past four years has been due to the hard work, insights and cooperation of Congress. I applaud the Congress for its efforts and its achievements.

In this State of the Union Message I want to recount the achievements and progress of the last four years and to offer recommendations to the Congress for this year. While my term as President will end before the 97th Congress begins its work in earnest, I hope that my recommendations will serve as a guide for the direction this country should take so we build on the record of the past four years.

RECORD OF PROGRESS

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

- no national energy policy existed, and our dependence on foreign oil was rapidly increasing;
- public trust in the integrity and openness of the government was low;
- the Federal government was operating inefficiently in administering essential programs and policies;
- major social problems were being ignored or poorly addressed by the Federal government;
- our defense posture was declining as a result of a defense budget which was continuously shrinking in real terms;
- the strength of the NATO Alliance needed to be bolstered;
- tensions between Israel and Egypt threatened another Middle East war; and
- America's resolve to oppose human rights violations was under serious question.

Over the past 48 months, clear progress has been made in solving the challenges we found in January of 1977:

- almost all of our comprehensive energy program have been enacted, and the Department of Energy has been established to administer the program; confidence in the government's integrity has been restored, and respect for the government's openness and fairness has been renewed;
- the government has been made more effective and efficient: the Civil Service system was completely reformed for the first time this century;
- 14 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;

--the regulatory process has been reformed through creation of the Regulatory Council, implementation of Executive Order 12044 and its requirement for cost-impact analyses, elimination of unnecessary regulation, and passage of the Regulatory Flexibility Act;

--procedures have been established to assure citizen participation in government;

--and the airline, trucking, rail and communications industries are being deregulated;

--critical social problems, many long ignored by the Federal government, have been addressed directly;

--an urban policy was developed and implemented to reverse the decline in our urban areas;

--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 more than 75 percent;

--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;

--the Nation's first sectoral policies were put in place, for the auto and steel industries, with my Administration demonstrating the value of cooperation between the government, business and labor;

--reversing previous trends, real defense spending has increased every year since 1977;

--the real increase in FY 1980 defense spending is well above 3 percent and I expect FY 1981 defense spending to be even higher;

--looking ahead, the defense program I am proposing is premised on a real increase in defense spending over the next five years of 20 percent or more;

--the NATO Alliance has proven its unity in responding to the situations in Eastern Europe and Southwest Asia and in agreeing on the issues to be

addressed in the review of the Helsinki Final Act currently underway in Madrid;

--the peace process in the Middle East established at Camp David and by the Peace Treaty between Egypt and Israel is being buttressed on two fronts: steady progress in the normalization of Egyptian-Israeli relations in many fields, and the commitment of both Egypt and Israel, with United States' assistance, to see through to successful conclusion the autonomy negotiations for the West Bank and Gaza;

--the Panama Canal Treaties have been put into effect, which has helped to improve relations with Latin America;

--we have continued this Nation's strong commitment to the pursuit of human rights throughout the world, evenhandedly and objectively;

--our commitment to a worldwide human rights policy has remained firm;

--and many other countries have given high priority to it;

--our resolve to oppose aggression, such as the illegal invasion of the Soviet Union into Afghanistan, has been supported by tough action.

I. ENSURING ECONOMIC STRENGTH ECONOMY

During the last decade our Nation has withstood a series of economic shocks unprecedented in peacetime. The most dramatic of these has been the explosive increases of OPEC oil prices. But we have also faced world commodity shortages, natural disasters, agricultural shortages and major challenges to world peace and security. Our ability to deal with these shocks has been impaired because of a decrease in the growth of productivity and the persistence of underlying inflationary forces built up over the past 15 years.

Nevertheless, the economy has proved to be remarkably resilient. Real output has grown at an average rate of 3 percent per year since I took office, and employment has grown by 10 percent. We have added about 8 million productive private sector jobs to the economy. However, unacceptably high inflation--the most difficult economic problem I have faced--persists.

This inflation--which threatens the growth, productivity, and stability of our economy--requires that we restrain the growth of the budget to the maximum extent consistent with national security and human compassion. I have done so in my earlier budgets, and in my FY '82 budget. However, while restraint is essential to any appropriate economic policy, high inflation cannot be attributed solely to government spending. The growth in budget outlays has been more the result of economic factors than the cause of them.

We are now in the early stages of economic recovery following a short recession. Typically, a post-recessionary period has been marked by vigorous economic growth aided by anti-recessionary policy measures such as large tax cuts or big, stimulation spending programs. I have declined to recommend such actions to stimulate economic activity, because the persistent inflationary pressures that beset our economy today dictate a restrained fiscal policy.

Accordingly, I am asking the Congress to postpone until January 1, 1982,

the personal tax reductions I had earlier proposed to take effect on January 1 of this year.

However, my 1982 budget proposes significant tax changes to increase the sources of financing for business investment. While emphasizing the need for continued fiscal restraint, this budget takes the first major step in a long-term tax reduction program designed to increase capital formation. The failure of our Nation's capital stock to grow at a rate that keeps pace with its labor force has clearly been one cause of our productivity slowdown. Higher investment rates are also critically needed to meet our Nation's energy needs, and to replace energy-inefficient plants and equipment with new energy-saving physical plants. The level of investment that is called for will not occur in the absence of policies to encourage it.

Therefore, my budget proposes a major liberalization of tax allowances for depreciation, as well as simplified depreciation accounting, increasing the allowable rates by about 40 percent. I am also proposing improvements in the investment tax credit, making it refundable, to meet the investment needs of firms with no current earnings.

These two proposals, along with carefully-phased tax reductions for individuals, will improve both economic efficiency and tax equity. I urge the Congress to enact legislation along the lines and timetable I have proposed.

THE 1982 BUDGET

The FY 1982 budget I have sent to the Congress continues our four-year policy of prudence and restraint. While the budget deficits during my term are higher than I would have liked, their size is determined for the most part by economic conditions. And in spite of these conditions, the relative size of the deficit continues to decline. In 1976, before I took office, the budget deficit equalled 4 percent of gross national product. It had been cut to 2.3 percent in the 1980 fiscal year just ended. My 1982 budget contains a deficit estimated to be less than 1 percent of our gross national product.

The rate of growth in Federal spending has been held to a minimum. Nevertheless, outlays are still rising more rapidly than many had anticipated, the result of many powerful forces in our society:

We face a threat to our security, as events in Afghanistan, the Middle East, and Eastern Europe make clear. We have a steadily aging population and, as a result, the biggest single increase in the Federal budget is the rising cost of retirement programs, particularly social security. We face other important domestic needs: to continue responsibility for the disadvantaged; to provide the capital needed by our cities and our transportation systems; to protect our environment; to revitalize American industry; and to increase the export of American goods and services so essential to the creation of jobs and a trade surplus.

Yet the Federal Government itself may not always be the proper source of such assistance. For example, it must not usurp functions if they can be more appropriately decided upon, managed, and financed by the private sector or by State and local governments. My Administration has always sought to consider the proper focus of responsibility for the most efficient resolution of problems.

We have also recognized the need to simplify the system of grants to State and local governments. I have again proposed several grant consolidations in the 1982 budget, including a new proposal that would consolidate several highway programs.

The pressures for growth in Federal use of national resources are great. My Administration has initiated many new approaches to cope with these pressures. We started a multi-year budget system, and we began a system for controlling Federal credit programs. Yet in spite of increasing needs to limit spending growth, we have consistently adhered to these strong budget principles:

Our Nation's armed forces must always stand sufficiently strong to deter aggression and to assure our security. An effective national energy plan is essential to increase domestic production of oil and gas, to encourage conservation of our scarce energy resources, to stimulate conversion to more abundant fuels, and to reduce our trade deficit. The essential human needs for our citizens must be given the highest priority. The Federal Government must lead the way in investment in the Nation's technological future. The Federal Government has an obligation to nurture and protect our environment--the common resource, birthright, and sustenance of the American people.

My 1982 budget continues to support these principles. It also proposes responsible tax reductions to encourage a more productive economy, and adequate funding of our highest priority programs within an overall policy of constraint.

Fiscal restraint must be continued in the years ahead. Budgets must be tight enough to convince those who set wages and prices that the Federal Government is serious about fighting inflation but not so tight as to choke off all growth.

Careful budget policy should be supplemented by other measures designed to reduce inflation at lower cost in lost output and employment. These other steps include measures to increase investment--such as the tax proposals included in my 1982 budget--and measures to increase competition and productivity in our economy. Voluntary incomes policies can also directly influence wages and prices in the direction of moderation and thereby bring inflation down faster and at lower cost to the economy. Through a tax-based incomes policy (TIP) we could provide tax incentives for firms and workers to moderate their wage and price increases. In the coming years, control of Federal expenditures can make possible periodic tax reductions. The Congress should therefore begin now to evaluate the potentialities of a TIP program so that when the next round of tax reductions is appropriate a TIP program will be seriously considered.

EMPLOYMENT

During the last four years we have given top priority to meeting the needs of workers and providing additional job opportunities to those who seek work. Since the end of 1976:

Almost 9 million new jobs have been added to the nation's economy total employment has reached 97 million. More jobs than ever before are held by women, minorities and young people. Employment over the past four years has increased by: 17% for adult women 11% for blacks, and 30% for Hispanics employment of black teenagers increased by more than 5%, reversing the decline that occurred in the previous eight years.

Major initiatives launched by this Administration helped bring about these accomplishments and have provided a solid foundation for employment and training policy in the 1980's. In 1977, as part of the comprehensive economic stimulus program:

425,000 public service jobs were created A \$1 billion youth employment initiative funded 200,000 jobs the doubling of the Job Corps to 44,000 slots began and 1 million summer youth jobs were approved--a 25 percent increase.

In 1978:

The Humphrey-Hawkins Full Employment Act became law the \$400 million Private Sector Initiatives Program was begun a targeted jobs tax credit for disadvantaged youth and others with special employment barriers was enacted the Comprehensive Employment and Training Act was reauthorized for four years.

In 1979:

A \$6 billion welfare reform proposal was introduced with funding for 400,000 public service jobs welfare reform demonstration projects were launched in communities around the country the Vice President initiated a nationwide review of youth unemployment in this country.

In 1980:

The findings of the Vice President's Task Force revealed the major education and employment deficits that exist for poor and minority youngsters. As a result a \$2 billion youth education and jobs initiative was introduced to provide unemployed youth with the basic education and work experience they need to compete in the labor market of the 1980's. As part of the economic revitalization program several steps were proposed to aid workers in high unemployment communities:

An additional 13 weeks of unemployment benefits for the long term unemployed. \$600 million to train the disadvantaged and unemployed for new private sector jobs. Positive adjustment demonstrations to aid workers in declining industries. The important Title VII Private Sector Initiatives Program was reauthorized for an additional two years.

In addition to making significant progress in helping the disadvantaged and unemployed, important gains were realized for all workers:

An historic national accord with organized labor made it possible for the views of working men and women to be heard as the nation's economic and domestic policies were formulated; the Mine Safety and Health Act brought about improved working conditions for the nation's 500,000 miners. substantial reforms of Occupational Safety and Health Administration were accomplished to help reduce unnecessary burdens on business and to focus on major health and safety problems; the minimum wage was increased over a four year period from \$2.30 to \$3.35 an hour; the Black Lung Benefit Reform Act was signed into law; attempts to weaken Davis-Bacon Act were defeated.

While substantial gains have been made in the last four years, continued efforts are required to ensure that this progress is continued:

Government must continue to make labor a full partner in the policy

decisions that affect the interests of working men and women; a broad, bipartisan effort to combat youth unemployment must be sustained. A compassionate reform of the nation's welfare system should be continued with employment opportunities provided for those able to work; workers in declining industries should be provided new skills and help in finding employment.

TRADE

Over the past year, the U.S. trade picture improved as a result of solid export gains in both manufactured and agricultural products. Agricultural exports reached a new record of over \$40 billion, while manufactured exports have grown by 24 percent to a record \$144 billion. In these areas the United States recorded significant surpluses of \$24 billion and \$19 billion respectively. While our oil imports remained a major drain on our foreign exchange earnings, that drain was somewhat moderated by a 19 percent decline in the volume of oil imports.

U.S. trade negotiators made significant progress over the past year in assuring effective implementation of the agreements negotiated during the Tokyo Round of Multilateral Trade Negotiations. Agreements reached with the Japanese government, for example, will assure that the United States will be able to expand its exports to the Japanese market in such key areas as telecommunications equipment, tobacco, and lumber. Efforts by U.S. trade negotiators also helped to persuade a number of key developing countries to accept many of the non-tariff codes negotiated during the Multilateral Trade Negotiations. This will assure that these countries will increasingly assume obligations under the international trading system.

A difficult world economic environment posed a challenge for the management of trade relations. U.S. trade negotiators were called upon to manage serious sectoral problems in such areas as steel, and helped to assure that U.S. chemical exports will have continued access to the European market.

Close consultations with the private sector in the United States have enabled U.S. trade negotiators to pinpoint obstacles to U.S. trade in services, and to build a basis for future negotiations. Services have been an increasingly important source of export earnings for the United States, and the United States must assure continued and increased access to foreign markets.

The trade position of the United States has improved. But vigorous efforts are needed in a number of areas to assure continued market access for U.S. exports, particularly agricultural and high technology products, in which the United States continues to have a strong competitive edge. Continued efforts are also needed to remove many domestic disincentives, which now hamper U.S. export growth. And we must ensure that countries do not manipulate investment, or impose investment performance requirements which distort trade and cost us jobs in this country.

In short, we must continue to seek free--but fair--trade. That is the policy my Administration has pursued from the beginning, even in areas where foreign competition has clearly affected our domestic industry. In the steel industry, for instance, we have put Trigger Price Mechanism into place to help prevent the dumping of steel. That action has strengthened the domestic steel industry. In the automobile industry, we have worked--without resort to import quotas--to strengthen the industry's ability to modernize and compete effectively.

SMALL BUSINESS

I have often said that there is nothing small about small business in America. These firms account for nearly one-half our gross national product; over half of new technology; and much more than half of the jobs created by industry.

Because this sector of the economy is the very lifeblood of our National economy, we have done much together to improve the competitive climate for smaller firms. These concerted efforts have been an integral part of my program to revitalize the economy.

They include my campaign to shrink substantially the cash and time consuming red tape burden imposed on business. They include my personally-directed policy of ambitiously increasing the Federal contracting dollars going to small firms, especially those owned by women and minorities. And they include my proposals to reinvigorate existing small businesses and assist the creation of new ones through tax reform; financing assistance; market expansion; and support of product innovation.

Many of my initiatives to facilitate the creation and growth of small businesses were made in response to the White House Conference on Small Business, which I convened. My Administration began the implementation of most of the ideas produced last year by that citizen's advisory body; others need to be addressed. I have proposed the reconvening of the Conference next year to review progress; reassess priorities; and set new goals. In the interim I hope that the incoming Administration and the new Congress will work with the committee I have established to keep these business development ideas alive and help implement Conference recommendations.

MINORITY BUSINESS

One of the most successful developments of my Administration has been the growth and strengthening of minority business. This is the first Administration to put the issue on the policy agenda as a matter of major importance. To implement the results of our early efforts in this field I submitted legislation to Congress designed to further the development of minority business.

We have reorganized the Office of Minority Business into the Minority Business Development Administration in the Department of Commerce. MBDA has already proven to be a major factor in assisting minority businesses to achieve equitable competitive positions in the marketplace.

The Federal government's procurement from minority-owned firms has nearly tripled since I took office. Federal deposits in minority-owned banks have more than doubled and minority ownership of radio and television stations has nearly doubled. The SBA administered 8(a) Pilot Program for procurement with the Army proved to be successful and I recently expanded the number of agencies involved to include NASA and the Departments of Energy and Transportation.

I firmly believe the critical path to full freedom and equality for America's minorities rests with the ability of minority communities to participate competitively in the free enterprise system. I believe the government has a fundamental responsibility to assist in the development of minority business and I hope the progress made in the last four years will continue.

II. CREATING ENERGY SECURITY

Since I took office, my highest legislative priorities have involved the reorientation and redirection of U.S. energy activities and for the first time, to establish a coordinated national energy policy. The struggle to achieve that policy has been long and difficult, but the accomplishments of the past four years make clear that our country is finally serious about the problems caused by our overdependence on foreign oil. Our progress should not be lost. We must rely on and encourage multiple forms of energy production--coal, crude oil, natural gas, solar, nuclear, synthetics--and energy conservation. The framework put in place over the last four years will enable us to do this.

NATIONAL ENERGY POLICY

As a result of actions my Administration and the Congress have taken over the past four years, our country finally has a national energy policy:

Under my program of phased decontrol, domestic crude oil price controls will end September 30, 1981. As a result exploratory drilling activities have reached an all-time high; Prices for new natural gas are being decontrolled under the Natural Gas Policy Act--and natural gas production is now at an all time high; the supply shortages of several years ago have been eliminated; The windfall profits tax on crude oil has been enacted providing \$227 billion over ten years for assistance to low-income households, increased mass transit funding, and a massive investment in the production and development of alternative energy sources; The Synthetic Fuels Corporation has been established to help private companies build the facilities to produce energy from synthetic fuels; Solar energy funding has been quadrupled, solar energy tax credits enacted, and a Solar Energy and Energy Conservation Bank has been established; A route has been chosen to bring natural gas from the North Slope of Alaska to the lower 48 states; Coal production and consumption incentives have been increased, and coal production is now at its highest level in history; A gasoline rationing plan has been approved by Congress for possible use in the event of a severe energy supply shortage or interruption; Gasohol production has been dramatically increased, with a program being put in place to produce 500 million gallons of alcohol fuel by the end of this year--an amount that could enable gasohol to meet the demand for 10 percent of all unleaded gasoline; New energy conservation incentives have been provided for individuals, businesses and communities and conservation has increased dramatically. The U.S. has reduced oil imports by 25 percent--or 2 million barrels per day--over the past four years.

INCREASED DEVELOPMENT OF DOMESTIC ENERGY SOURCES

Although it is essential that the Nation reduce its dependence on imported fossil fuels and complete the transition to reliance on domestic renewable sources of energy, it is also important that this transition be accomplished in an orderly, economic, and environmentally sound manner. To this end, the Administration has launched several initiatives.

Leasing of oil and natural gas on federal lands, particularly the outer continental shelf, has been accelerated at the same time as the Administration has reformed leasing procedures through the 1978 amendments to the Outer Continental Shelf Lands Act. In 1979 the Interior Department held six OCS lease sales, the greatest number ever, which resulted in federal receipts of \$6.5 billion, another record. The five-year OCS Leasing

schedule was completed, requiring 36 sales over the next five years.

Since 1971 no general federal coal lease sales were suspended. Over the past four years the Administration has completely revised the federal coal leasing program to bring it into compliance with the requirements of 1976 Federal Land Planning and Management Act and other statutory provisions. The program is designed to balance the competing interests that affect resource development on public lands and to ensure that adequate supplies of coal will be available to meet national needs. As a result, the first general competitive federal coal lease sale in ten years will be held this month.

In July 1980, I signed into law the Energy Security Act of 1980 which established the Synthetic Fuels Corporation. The Corporation is designed to spur the development of commercial technologies for production of synthetic fuels, such as liquid and gaseous fuels from coal and the production of oil from oil shale. The Act provides the Corporation with an initial \$22 billion to accomplish these objectives. The principal purpose of the legislation is to ensure that the nation will have available in the late 1980's the option to undertake commercial development of synthetic fuels if that becomes necessary. The Energy Security Act also provides significant incentives for the development of gasohol and biomass fuels, thereby enhancing the nation's supply of alternative energy sources.

COMMITMENT TO A SUSTAINABLE ENERGY FUTURE

The Administration's 1977 National Energy Plan marked an historic departure from the policies of previous Administrations. The plan stressed the importance of both energy production and conservation to achieving our ultimate national goal of relying primarily on secure sources of energy. The National Energy Plan made energy conservation a cornerstone of our national energy policy.

In 1978, I initiated the Administration's Solar Domestic Policy Review. This represented the first step towards widespread introduction of renewable energy sources into the Nation's economy. As a result of the Review, I issued the 1979 Solar Message to Congress, the first such message in the Nation's history. The Message outlined the Administration's solar program and established an ambitious national goal for the year 2000 of obtaining 20 percent of this Nation's energy from solar and renewable sources. The thrust of the federal solar program is to help industry develop solar energy sources by emphasizing basic research and development of solar technologies which are not currently economic, such as photovoltaics, which generate energy directly from the sun. At the same time, through tax incentives, education, and the Solar Energy and Energy Conservation Bank, the solar program seeks to encourage state and local governments, industry, and our citizens to expand their use of solar and renewable resource technologies currently available.

As a result of these policies and programs, the energy efficiency of the American economy has improved markedly and investments in renewable energy sources have grown significantly. It now takes 3 1/2 percent less energy to produce a constant dollar of GNP than it did in January 1977. This increase in efficiency represents a savings of over 1.3 million barrels per day of oil equivalent, about the level of total oil production now occurring in Alaska. Over the same period, Federal support for conservation and solar energy has increased by more than 3000 percent, to \$3.3 billion in FY 1981, including the tax credits for solar energy and energy conservation investments--these credits are expected to amount to \$1.2 billion in FY

1981 and \$1.5 billion in FY 1982.

COMMITMENT TO NUCLEAR SAFETY AND SECURITY

Since January 1977, significant progress has been achieved in resolving three critical problems resulting from the use of nuclear energy: radioactive waste management, nuclear safety and weapons proliferation.

In 1977, the Administration announced its nuclear nonproliferation policy and initiated the International Fuel Cycle Evaluation. In 1978, Congress passed the Nuclear Nonproliferation Act, an historic piece of legislation.

In February 1980, the Administration transmitted its nuclear waste management policy to the Congress. This policy was a major advance over all previous efforts. The principal aspects of that policy are: acknowledging the seriousness of the problem and the numerous technical and institutional issues; adopting a technically and environmentally conservative approach to the first permanent repository; and providing the states with significant involvement in nuclear waste disposal decisions by creating the State Planning Council. While much of the plan can be and is being implemented administratively, some new authorities are needed. The Congress should give early priority to enacting provisions for away-from-reactor storage and the State Planning Council.

The accident at Three Mile Island made the nation acutely aware of the safety risks posed by nuclear power plants. In response, the President established the Kemeny Commission to review the accident and make recommendations. Virtually all of the Commission's substantive recommendations were adopted by the Administration and are now being implemented by the Nuclear Regulatory Commission. The Congress adopted the President's proposed plan for the Nuclear Regulatory Commission and the Nuclear Safety Oversight Committee was established to ensure that the Administration's decisions were implemented.

Nuclear safety will remain a vital concern in the years ahead. We must continue to press ahead for the safe, secure disposal of radioactive wastes, and prevention of nuclear proliferation.

While significant growth in foreign demand for U.S. steam coal is foreseen, congestion must be removed at major U.S. coal exporting ports such as Hampton Roads, Virginia, and Baltimore, Maryland. My Administration has worked through the Interagency Coal Task Force Study to promote cooperation and coordination of resources between shippers, railroads, vessel broker/operators and port operators, and to determine the most appropriate Federal role in expanding and modernizing coal export facilities, including dredging deeper channels at selected ports. As a result of the Task Force's efforts, administrative steps have been taken by the Corps of Engineers to reduce significantly the amount of time required for planning and economic

review of port dredging proposals. The Administration has also recommended that the Congress enact legislation to give the President generic authority to recommend appropriations for channel dredging activities. Private industry will, of course, play the major role in developing the United States' coal export facilities, but the government must continue to work to facilitate transportation to foreign markets.

III. ENHANCING BASIC HUMAN AND SOCIAL NEEDS

For too long prior to my Administration, many of our Nation's basic human

and social needs were being ignored or handled insensitively by the Federal government. Over the last four 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 record has produced clear progress in the effort to solve some of the country's fundamental human and social problems. My 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, important legislation still must be enacted. National Health Insurance, Welfare Reform, Child Health Assessment Program, are before the Congress and I urge their passage.

HEALTH NATIONAL HEALTH PLAN

During my Administration, 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 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:

Nearly 15 million additional poor would receive fully-subsidized comprehensive coverage; 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; 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; all full-time employees and their families would receive insurance against at least major medical expenses under mandated employer coverage; Medicare and Medicaid would be combined and expanded into an umbrella Federal program, Healthcare, for increased program efficiency, accountability and uniformity; and strong cost controls and health system reforms would be implemented, including greater incentives for Health Maintenance Organizations.

I urge the new 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 substantial financial burdens on the American taxpayers. I hope 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.

HEALTH CARE COST CONTROL

Inflation in health care costs remains unacceptably high. Throughout my Administration, legislation to reduce health care cost inflation was one of my highest priorities, but was not passed by the Congress. Therefore, my FY 1982 budget proposes sharing the responsibility for health care cost control with the private sector, through voluntary hospital cost guidelines

and intensified monitoring. In the longer term, the health care reimbursement system must be reformed. We must move away from inflationary cost-based reimbursement and fee-for-service, and toward a system of prospective reimbursement, under which health care providers would operate within predetermined budgets. This reimbursement reform is essential to ultimately control inflation in health care costs, and will be a significant challenge to the new Congress.

HEALTH PROMOTION AND DISEASE PREVENTION

During my Administration, 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.

I urge the new Congress to endorse the principles of "Healthy People," and to adopt the recommendations to achieve its goals. This will necessitate adoption of a broader concept of health care, to include such areas as environmental health, workplace health and safety, commercial product safety, traffic safety, 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.

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 would 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 have extremely high returns in terms of improved newborn and long-term child health.

Under the Child Health Assurance Program (CHAP) legislation which I submitted to the Congress, and which passed the House, an additional two million low-income children under 18 would become eligible for Medicaid benefits, which would include special health assessments. CHAP would also improve the continuity of care for the nearly 14 million children now eligible for Medicaid. An additional 100,000 low-income pregnant women would become eligible for prenatal care under the proposal. I strongly urge the new Congress to enact CHAP and thereby provide millions of needy children with essential health services. The legislation has had strong bipartisan support, which should continue as the details of the bill are completed.

I also urge the new Congress to provide strong support for two highly successful ongoing programs: the special supplemental food program for women, infants and children (WIC) and Family Planning. The food supplements under WIC have been shown to effectively prevent ill health and thereby reduce later medical costs. The Family Planning program has been effective at reducing unwanted pregnancies among low-income women and adolescents.

EXPANSION OF SERVICES TO THE POOR AND UNDERSERVED

During my Administration, health services to the poor and underserved have been dramatically increased. The number of National Health Service Corps (NHSC) assignees providing services in medically underserved communities has grown from 500 in 1977 to nearly 3,000 in 1981. The population served by the NHSC has more than tripled since 1977. The number of Community Health Centers providing services in high priority underserved areas has doubled during my Administration, and will serve an estimated six million people in 1981. I strongly urge the new Congress to support these highly successful programs.

MENTAL HEALTH

One of the most significant health achievements during my Administration was the recent passage of the Mental Health Systems Act, which grew out of recommendations of my Commission on Mental Health. I join many others in my gratitude to the First Lady for her tireless and effective contribution to the passage of this important legislation.

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 and for the development of community-based mental health services. I urge the new Congress to provide adequate support for the full and timely implementation of this Act.

HEALTH PROTECTION

With my active support, the Congress recently passed "Medigap" legislation, which provides for voluntary certification of health insurance policies supplemental to Medicare, to curb widespread abuses in this area.

In the area of toxic agent control, legislation which I submitted to the Congress recently passed. This will provide for a "super-fund" to cover hazardous waste cleanup costs.

In the area of accidental injury control, we have established automobile safety standards and increased enforcement activities with respect to the 55 MPH speed limit. By the end of the decade these actions are expected to save over 13,000 lives and 100,000 serious injuries each year.

I urge the new Congress to continue strong support for all these activities.

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 in 1979 and 1980 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. The Food Stamp Act will expire at the end of fiscal 1981. It is essential that the new Administration and the Congress continue this program to ensure complete eradication of the debilitating malnutrition witnessed and documented among thousands of children in the 1960's.

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, reduced the number of heroin overdose deaths by 80%, and reduced the number of heroin related injuries by 50%. We have also seen and encouraged a national movement of parents and citizens committed to reversing the very serious and disturbing trends of adolescent drug abuse.

Drug abuse in many forms will continue to detract, however, from the quality of life of many Americans. To prevent that, I see four great challenges in the years ahead. First, we must deal aggressively with the supplies of illegal drugs at their source, through joint crop destruction programs with foreign nations and increased law enforcement and border interdiction. Second, we must look to citizens and parents across the country to help educate the increasing numbers of American youth who are experimenting with drugs to the dangers of drug abuse. Education is a key factor in reducing drug abuse. Third, we must focus our efforts on drug and alcohol abuse in the workplace for not only does this abuse contribute to low productivity but it also destroys the satisfaction and sense of purpose all Americans can gain from the work experience. Fourth, we need a change in attitude, from an attitude which condones the casual use of drugs to one that recognizes the appropriate use of drugs for medical purposes and condemns the inappropriate and harmful abuse of drugs. I hope the Congress and the new Administration will take action to meet each of these challenges.

EDUCATION

The American people have always recognized that education is one of the soundest investments they can make. The dividends are reflected in every dimension of our national life--from the strength of our economy and national security to the vitality of our music, art, and literature. Among the accomplishments that have given me the most satisfaction over the last four years are the contributions that my Administration has been able to make to the well-being of students and educators throughout the country.

This Administration has collaborated successfully with the Congress on landmark education legislation. Working with the Congressional leadership, my Administration spotlighted the importance of education by creating a new Department of Education. The Department has given 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 has successfully combined nearly 150 Federal education programs into a cohesive, streamlined organization that is more responsive to the needs of educators and students. The Department has made strides to cut red tape and paperwork and thereby to make the flow of Federal dollars to school districts and institutions of higher education more efficient. It is crucial that the Department be kept intact and strengthened.

Our collaboration with the Congress has resulted in numerous other important legislative accomplishments for education. A little over two years ago, I signed into law on the same day two major bills--one benefiting elementary and secondary education and the other, postsecondary education. The Education Amendments of 1978 embodied nearly all of my

Administration's proposals for improvements in the Elementary and Secondary Education Act, including important new programs to improve students' achievement in the basic skills and to aid school districts with exceptionally high concentrations of children from low-income families. The Middle Income Student Assistance Act, legislation jointly sponsored by this Administration and the Congressional leadership, expanded eligibility for need-based Basic Educational Opportunity Grants to approximately one-third of the students enrolled in post-secondary education and made many more students eligible for the first time for other types of grants, work-study, and loans.

Just three and a half months ago, my Administration and the Congress successfully concluded over two years of work on a major reauthorization bill that further expands benefits to postsecondary education. Reflected in the Education Amendments of 1980 are major Administration recommendations for improvements in the Higher Education Act--including proposals for better loan access for students; a new parent loan program; simplified application procedures for student financial aid; a strengthened Federal commitment to developing colleges, particularly the historically Black institutions; a new authorization for equipment and facilities modernization funding for the nation's major research universities; and revitalized international education programs.

Supplementing these legislative accomplishments have been important administrative actions aimed at reducing paperwork and simplifying regulations associated with Federal education programs. We also launched major initiatives to reduce the backlog of defaulted student loans and otherwise to curb fraud, abuse, and waste in education programs.

To insure that the education enterprise is ready to meet the scientific and technological changes of the future, we undertook a major study of the status of science and engineering education throughout the nation. I hope that the findings from this report will serve as a springboard for needed reforms at all levels of education.

I am proud that this Administration has been able to provide the financial means to realize many of our legislative and administrative goals. Compared to the previous administration's last budget, I have requested the largest overall increase in Federal funding for education in our nation's history. My budget requests have been particularly sensitive to the needs of special populations like minorities, women, the educationally and economically disadvantaged, the handicapped, and students with limited English-speaking ability. At the same time, I have requested significant increases for many programs designed to enhance the quality of American education, including programs relating to important areas as diverse as international education, research libraries, museums, and teacher centers.

Last year, I proposed to the Congress a major legislative initiative that would direct \$2 billion into education and job training programs designed to alleviate youth unemployment through improved linkages between the schools and the work place. This legislation generated bipartisan support; but unfortunately, action on it was not completed in the final, rushed days of the 96th Congress. I urge the new Congress--as it undertakes broad efforts to strengthen the economy as well as more specific tasks like reauthorizing the Vocational Education Act--to make the needs of our nation's unemployed youth a top priority for action. Only by combining a basic skills education program together with work training and employment incentives can we make substantial progress in eliminating one of the most severe social problems in our nation--youth unemployment, particularly

among minorities. I am proud of the progress already made through passage of the Youth Employment and Demonstration Project Act of 1977 and the substantial increase in our investment in youth employment programs. The new legislation would cap these efforts.

INCOME SECURITY SOCIAL SECURITY

One of the highest priorities of my Administration has been to continue the tradition of effectiveness and efficiency widely associated with the social security program, and to assure present and future beneficiaries that they will receive their benefits as expected. The earned benefits that are paid monthly to retired and disabled American workers and their families provide a significant measure of economic protection to millions of people who might otherwise face retirement or possible disability with fear. I have enacted changes to improve the benefits of many social security beneficiaries during my years as President.

The last four years have presented a special set of concerns over the financial stability of the social security system. Shortly after taking office I proposed and Congress enacted legislation to protect the stability of the old age and survivors trust fund and prevent the imminent exhaustion of the disability insurance trust fund, and to correct a flaw in the benefit formula that was threatening the long run health of the entire social security system. The actions taken by the Congress at my request helped stabilize the system. That legislation was later complemented by the Disability Insurance Amendments of 1980 which further bolstered the disability insurance program, and reduced certain inequities among beneficiaries.

My commitment to the essential retirement and disability protection provided to 35 million people each month has been demonstrated by the fact that without interruption those beneficiaries have continued to receive their social security benefits, including annual cost of living increases. Changing and unpredictable economic circumstances require that we continue to monitor the financial stability of the social security system. To correct anticipated short-term strains on the system, I proposed last year that the three funds be allowed to borrow from one another, and I urge the Congress again this year to adopt such interfund borrowing. To further strengthen the social security system and provide a greater degree of assurance to beneficiaries, given projected future economic uncertainties, additional action should be taken. Among the additional financing options available are borrowing from the general fund, financing half of the hospital insurance fund with general revenues, and increasing the payroll tax rate. The latter option is particularly unpalatable given the significant increase in the tax rate already mandated in law.

This Administration continues to oppose cuts in basic social security benefits and taxing social security benefits. The Administration continues to support annual indexing of social security benefits.

WELFARE REFORM

In 1979 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. The House passed the second of these two proposals. 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.

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.

I urge the Congress to take action in this area along the lines I have recommended.

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. These improvements will be achieved with the recent enactment of H.R. 3434, the Adoption Assistance and Child Welfare Act of 1980. The well-being of children in need of homes and their permanent placement have been a primary concern of my Administration. This legislation will ensure that children are not lost in the foster care system, but instead will be returned to their families where possible or placed in permanent adoptive homes.

LOW-INCOME ENERGY ASSISTANCE

In 1979 I proposed a program to provide an annual total of \$1.6 billion to low-income households which are hardest hit by rising energy bills. With the cooperation of Congress, we were able to move quickly to provide assistance to eligible households in time to meet their winter heating bills.

In response to the extreme heat conditions affecting many parts of the country during 1980, I directed the Community Services Administration to make available over \$27 million to assist low-income individuals, especially the elderly, facing life threatening circumstances due to extreme heat.

Congress amended and reauthorized the low-income energy assistance program for fiscal year 1981, and provided \$1.85 billion to meet anticipated increasing need. The need for a program to help low-income households with rising energy expenses will not abate in the near future. The low-income energy assistance program should be reauthorized to meet those needs.

HOUSING

For the past 14 months, high interest rates have had a severe impact on the nation's housing market. Yet the current pressures and uncertainties should not obscure the achievements of the past four years.

Working with the Congress, the regulatory agencies, and the financial community, my Administration has brought about an expanded and steadier flow of funds into home mortgages. Deregulation of the interest rates payable by depository institutions, the evolution of variable and renegotiated rate mortgages, development of high yielding savings certificates, and expansion of the secondary mortgage market have all increased housing's ability to attract capital and have assured that mortgage money would not be cut off when interest rates rose. These actions

will diminish the cyclical nature of the housing industry. Further, we have secured legislation updating the Federal Government's emergency authority to provide support for the housing industry through the Brooke-Cranston program, and creating a new Section 235 housing stimulus program. These tools will enable the Federal Government to deal quickly and effectively with serious distress in this critical industry.

We have also worked to expand homeownership opportunities for Americans. By using innovative financing mechanisms, such as the graduated payment mortgage, we have increased the access of middle income families to housing credit. By revitalizing the Section 235 program, we have enabled nearly 100,000 moderate income households to purchase new homes. By reducing paperwork and regulation in Federal programs, and by working with State and local governments to ease the regulatory burden, we have helped to hold down housing costs and produce affordable housing.

As a result of these governmentwide efforts, 5 1/2 million more American families bought homes in the past four years than in any equivalent period in history. And more than 7 million homes have begun construction during my Administration, 1 million more than in the previous four years.

We have devoted particular effort to meeting the housing needs of low and moderate income families. In the past four years, more than 1 million subsidized units have been made available for occupancy by lower income Americans and more than 600,000 assisted units have gone into construction. In addition, we have undertaken a series of measures to revitalize and preserve the nation's 2 million units of public and assisted housing.

For Fiscal Year 1982, I am proposing to continue our commitment to lower income housing. I am requesting funds to support 260,000 units of Section 8 and public housing, maintaining these programs at the level provided by Congress in Fiscal 1981.

While we have made progress in the past four years, in the future there are reasons for concern. Home price inflation and high interest rates threaten to put homeownership out of reach for first-time homebuyers. Lower income households, the elderly and those dependent upon rental housing face rising rents, low levels of rental housing construction by historic standards, and the threat of displacement due to conversion to condominiums and other factors. Housing will face strong competition for investment capital from the industrial sector generally and the energy industries, in particular.

To address these issues, I appointed a Presidential Task Force and Advisory Group last October. While this effort will not proceed due to the election result, I hope the incoming Administration will proceed with a similar venture.

The most important action government can take to meet America's housing needs is to restore stability to the economy and bring down the rate of inflation. Inflation has driven up home prices, operating costs and interest rates. Market uncertainty about inflation has contributed to the instability in interest rates, which has been an added burden to homebuilders and homebuyers alike. By making a long-term commitment to provide a framework for greater investment, sustained economic growth, and price stability, my Administration has begun the work of creating a healthy environment for housing.

TRANSPORTATION

With the passage of the Airline Deregulation Act of 1978, the Motor Carrier Act of 1980, and the Harley O. Staggers Rail Act of 1980, my Administration, working with the Congress, has initiated a new era of reduced regulation of transportation industries. Deregulation will lead to increased productivity and operating efficiencies in the industries involved, and stimulate price and service competition, to the benefit of consumers generally. I urge the new Administration to continue our efforts on behalf of deregulation legislation for the intercity passenger bus industry as well.

In the coming decade, the most significant challenge facing the nation in transportation services will be to improve a deteriorating physical infrastructure of roadways, railroads, waterways and mass transit systems, in order to conserve costly energy supplies while promoting effective transportation services.

HIGHWAYS

Our vast network of highways, which account for 90 percent of travel and 80 percent by value of freight traffic goods movement, is deteriorating. If current trends continue, a major proportion of the Interstate pavement will have deteriorated by the end of the 1980's.

Arresting the deterioration of the nation's system of highways is a high priority objective for the 1980's. We must reorient the Federal mission from major new construction projects to the stewardship of the existing Interstate Highway System. Interstate gaps should be judged on the connections they make and on their compatibility with community needs.

During this decade, highway investments will be needed to increase productivity, particularly in the elimination of bottlenecks, provide more efficient connections to ports and seek low-cost solutions to traffic demand.

My Administration has therefore recommended redefining completion of the Interstate system, consolidating over 27 categorical assistance programs into nine, and initiating a major repair and rehabilitation program for segments of the Interstate system. This effort should help maintain the condition and performance of the Nation's highways, particularly the Interstate and primary system; provide a realistic means to complete the Interstate system by 1990; ensure better program delivery through consolidation, and assist urban revitalization. In addition, the Congress must address the urgent funding problems of the highway trust fund, and the need to generate greater revenues.

MASS TRANSIT

In the past decade the nation's public transit systems' ridership increased at an annual average of 1.1% each year in the 1970's (6.9% in 1979). Continued increases in the cost of fuel are expected to make transit a growing part of the nation's transportation system.

As a result, my Administration projected a ten year, \$43 billion program to increase mass transit capacity by 50 percent, and promote more energy efficient vehicle uses in the next decade. The first part of this proposal was the five year, \$24.7 billion Urban Mass Transportation Administration reauthorization legislation I sent to the Congress in March, 1980. I urge the 97th Congress to quickly enact this or similar legislation in 1981.

My Administration was also the first to have proposed and signed into law a non-urban formula grant program to assist rural areas and small communities with public transportation programs to end their dependence on the automobile, promote energy conservation and efficiency, and provide transportation services to impoverished rural communities.

A principal need of the 1980's will be maintaining mobility for all segments of the population in the face of severely increasing transportation costs and uncertainty of fuel supplies. We must improve the flexibility of our transportation system and offer greater choice and diversity in transportation services. While the private automobile will continue to be the principal means of transportation for many Americans, public transportation can become an increasingly attractive alternative. We, therefore, want to explore a variety of paratransit modes, various types of buses, modern rapid transit, regional rail systems and light rail systems.

Highway planning and transit planning must be integrated and related to State, regional, district and neighborhood planning efforts now in place or emerging. Low density development and land use threaten the fiscal capacity of many communities to support needed services and infrastructure.

ELDERLY AND HANDICAPPED TRANSPORTATION

Transportation policies in the 1980's must pay increasing attention to the needs of the elderly and handicapped. By 1990, the number of people over 65 will have grown from today's 19 million to 27 million. During the same period, the number of handicapped--people who have difficulty using transit as well as autos, including the elderly--is expected to increase from 9 to 11 million, making up 4.5 percent of the population.

We must not retreat from a policy that affords a significant and growing portion of our population accessible public transportation while recognizing that the handicapped are a diverse group and will need flexible, door-to-door service where regular public transportation will not do the job.

RAILROADS

In addition, the Federal government must reassess the appropriate Federal role of support for passenger and freight rail services such as Amtrak and Conrail. Our goal through federal assistance should be to maintain and enhance adequate rail service, where it is not otherwise available to needy communities. But Federal subsidies must be closely scrutinized to be sure they are a stimulus to, and not a replacement for, private investment and initiative. Federal assistance cannot mean permanent subsidies for unprofitable operations.

WATERWAYS AND RURAL TRANSPORTATION

There is a growing need in rural and small communities for improved transportation services. Rail freight service to many communities has declined as railroads abandon unproductive branch lines. At the same time, rural roads are often inadequate to handle large, heavily-loaded trucks. The increased demand for "harvest to harbor" service has also placed an increased burden on rural transportation systems, while bottlenecks along the Mississippi River delay grain shipments to the Gulf of Mexico.

We have made some progress:

--To further develop the nation's waterways, my Administration began construction of a new 1,200 foot lock at the site of Lock and Dam 26 on the Mississippi River. When opened in 1987, the new lock will have a capacity of 86 million tons per year, an 18 percent increase over the present system. The U.S. Army Corps of Engineers has also undertaken studies to assess the feasibility of expanding the Bonneville Locks. Rehabilitation of John Day Lock was begun in 1980 and should be completed in 1982. My Administration also supports the completion of the Upper Mississippi River Master Plan to determine the feasibility of constructing a second lock at Alton, Illinois. These efforts will help alleviate delays in transporting corn, soybeans and other goods along the Mississippi River to the Gulf of Mexico.

--The Department of Transportation's new Small Community and Rural Transportation Policy will target federal assistance for passenger transportation, roads and highways, truck service, and railroad freight service to rural areas. This policy implements and expands upon the earlier White House Initiative, "Improving Transportation in Rural America," announced in June, 1979, and the President's "Small Community and Rural Development Policy" announced in December, 1979. The Congress should seek ways to balance rail branch line abandonment with the service needs of rural and farm communities, provide financial assistance to rail branch line rehabilitation where appropriate, assist shippers to adjust to rail branch line abandonment where it takes place, and help make it possible for trucking firms to serve light density markets with dependable and efficient trucking services.

MARITIME POLICY

During my Administration I have sought to ensure that the U.S. maritime industry will not have to function at an unfair competitive disadvantage in the international market. As I indicated in my maritime policy statement to the Congress in July, 1979, the American merchant marine is vital to our Nation's welfare, and Federal actions should promote rather than harm it. In pursuit of this objective, I signed into law the Controlled Carrier Act of 1978, authorizing the Federal Maritime Commission to regulate certain rate cutting practices of some state-controlled carriers, and recently signed a bilateral maritime agreement with the People's Republic of China that will expand the access of American ships to 20 specified Chinese ports, and set aside for American-flag ships a substantial share (at least one-third) of the cargo between our countries. This agreement should officially foster expanded U.S. and Chinese shipping services linking the two countries, and will provide further momentum to the growth of Sino-American trade.

There is also a need to modernize and expand the dry bulk segment of our fleet. Our heavy dependence on foreign carriage of U.S.-bulk cargoes deprives the U.S. economy of seafaring and shipbuilding jobs, adds to the balance-of-payments deficit, deprives the Government of substantial tax revenues, and leaves the United States dependent on foreign-flag shipping for a continued supply of raw materials to support the civil economy and war production in time of war.

I therefore sent to the Congress proposed legislation to strengthen this woefully weak segment of the U.S.-flag fleet by removing certain disincentives to U.S. construction of dry bulkers and their operation under U.S. registry. Enactment of this proposed legislation would establish the basis for accelerating the rebuilding of the U.S.-flag dry bulk fleet

toward a level commensurate with the position of the United States as the world's leading bulk trading country.

During the past year the Administration has stated its support for legislation that would provide specific Federal assistance for the installation of fuel-efficient engines in existing American ships, and would strengthen this country's shipbuilding mobilization base. Strengthening the fleet is important, but we must also maintain our shipbuilding base for future ship construction.

Provisions in existing laws calling for substantial or exclusive use of American-flag vessels to carry cargoes generated by the Government must be vigorously pursued.

I have therefore supported requirements that 50 percent of oil purchased for the strategic petroleum reserve be transported in U.S.-flag vessels, that the Cargo Preference Act be applied to materials furnished for the U.S. assisted construction of air bases in Israel, and to cargoes transported pursuant to the Chrysler Corporation Loan Guarantee Act. In addition, the deep Seabed Hard Mineral Resources Act requires that at least one ore carrier per mine site be a U.S.-flag vessel.

Much has been done, and much remains to be done. The FY 1982 budget includes a \$107 million authorization for Construction Differential Subsidy ("CDS") funds which, added to the unobligated CDS balance of \$100 million from 1980, and the recently enacted \$135 million 1981 authorization, will provide an average of \$171 million in CDS funds in 1981 and 1982.

COAL EXPORT POLICY

While significant growth in foreign demand for U.S. steam coal is foreseen, congestion at major U.S. coal exporting ports such as Hampton Roads, Virginia, and Baltimore, Maryland, could delay and impede exports.

My Administration has worked through the Interagency Coal Task Force Study, which I created, to promote cooperation and coordination of resources between shippers, railroads, vessel broker/ operators and port operators, and to determine the most appropriate Federal role in expanding and modernizing coal export facilities, including dredging deeper channels at selected ports.

Some progress has already been made. In addition to action taken by transshippers to reduce the number of coal classifications used whenever possible, by the Norfolk and Western Railroad to upgrade its computer capability to quickly inventory its coal cars in its yards, and by the Chessie Railroad which is reactivating Pier 15 in Newport News and has established a berth near its Curtis Bay Pier in Baltimore to decrease delays in vessel berthing, public activities will include:

--A \$26.5 million plan developed by the State of Pennsylvania and Conrail to increase Conrail's coal handling capacity at Philadelphia;

--A proposal by the State of Virginia to construct a steam coal port on the Craney Island Disposal area in Portsmouth harbor;

--Plans by Mobile, Alabama, which operates the only publicly owned coal terminal in the U.S. to enlarge its capacity at McDuffie Island to 10 million tons ground storage and 100 car unit train unloading capability;

--Development at New Orleans of steam coal facilities that are expected to add over 20 million tons of annual capacity by 1983; and

--The Corps of Engineers, working with other interested Federal agencies, will determine which ports should be dredged, to what depth and on what schedule, in order to accommodate larger coal carrying vessels.

Private industry will, of course, play a major role in developing the United States' coal export facilities. The new Administration should continue to work to eliminate transportation bottlenecks that impede our access to foreign markets.

Special Needs

WOMEN

The past four years have been years of rapid advancement for women. Our focus has been two-fold: to provide American women with a full range of opportunities and to make them a part of the mainstream of every aspect of our national life and leadership.

I have appointed a record number of women to judgeships and to top government posts. Fully 22 percent of all my appointees are women, and I nominated 41 of the 46 women who sit on the Federal bench today. For the first time in our history, women occupy policymaking positions at the highest level of every Federal agency and department and have demonstrated their ability to serve our citizens well.

We have strengthened the rights of employed women by consolidating and strengthening enforcement of sex discrimination laws under the EEOC, by expanding employment rights of pregnant women through the Pregnancy Disability Bill, and by increasing federal employment opportunities for women through civil service reform, and flexi-time and part-time employment.

By executive order, I created the first national program to provide women businessowners with technical assistance, grants, loans, and improved access to federal contracts.

We have been sensitive to the needs of women who are homemakers. I established an Office of Families within HHS and sponsored the White House Conference on Families. We initiated a program targeting CETA funds to help displaced homemakers. The Social Security system was amended to eliminate the widow's penalty and a comprehensive study of discriminatory provisions and possible changes was presented to Congress. Legislation was passed to give divorced spouses of foreign service officers rights to share in pension benefits.

We created an office on domestic violence within HHS to coordinate the 12 agencies that now have domestic violence relief programs, and to distribute information on the problem and the services available to victims.

Despite a stringent budget for FY 1981, the Administration consistently supported the Women's Educational Equity Act and family planning activities, as well as other programs that affect women, such as food stamps, WIC, and social security.

We have been concerned not only about the American woman's opportunities, but ensuring equality for women around the world. In November, 1980, I sent

to the Senate the Convention on the Elimination of All Forms of Discrimination Against Women. This United Nations document is the most comprehensive and detailed international agreement which seeks the advancement of women.

On women's issues, I have sought the counsel of men and women in and out of government and from all regions of our country. I established two panels--the President's Advisory Committee for Women and the Interdepartmental Task Force on Women--to advise me on these issues. The mandate for both groups expired on December 31, but they have left behind a comprehensive review of the status of women in our society today. That review provides excellent guidance for the work remaining in our battle against sex discrimination.

Even though we have made progress, much remains on the agenda for women. I remain committed to the Equal Rights Amendment and will continue to work for its passage. It is essential to the goal of bringing America's women fully into the mainstream of American life that the ERA be ratified.

The efforts begun for women in employment, business and education should be continued and strengthened. Money should be available to states to establish programs to help the victims of domestic violence. Congress should pass a national health care plan and a welfare reform program, and these measures should reflect the needs of women.

The talents of women should continue to be used to the fullest inside and outside of government, and efforts should continue to see that they have the widest range of opportunities and options.

HANDICAPPED

I hope that my Administration will be remembered in this area for leading the way toward full civil rights for handicapped Americans. When I took office, no federal agency had yet issued 504 regulations. As I leave office, this first step by every major agency and department in the federal government is almost complete. But it is only a first step. The years ahead will require steadfast dedication by the President to protect and promote these precious rights in the classroom, in the workplace, and in all public facilities so that handicapped individuals may join the American mainstream and contribute to the fullest their resources and talents to our economic and social life.

Just as we supported, in an unprecedented way, the civil rights of disabled persons in schools and in the workplace, other initiatives in health prevention, such as our immunization and nutrition programs for young children and new intense efforts to reverse spinal cord injury, must continue so that the incidence of disability continues to decline.

This year is the U.N.-declared International Year of Disabled Persons. We are organizing activities to celebrate and promote this important commemorative year within the government as well as in cooperation with private sector efforts in this country and around the world. The International Year will give our country the opportunity to recognize the talents and capabilities of our fellow citizens with disabilities. We can also share our rehabilitation and treatment skills with other countries and learn from them as well. I am proud that the United States leads the world in mainstreaming and treating disabled people. However, we have a long way to go before all psychological and physical barriers to disabled people are torn down and they can be full participants in our American way of life. We must pledge our full commitment to this goal during the International Year.

FAMILIES

Because of my concern for American families, my Administration convened last year the first White House Conference on Families which involved seven national hearings, over 506 state and local events, three White House Conferences, and the direct participation of more than 125,000 citizens. The Conference reaffirmed the centrality of families in our lives and nation but documented problems American families face as well. We also established the Office of Families within the Department of Health and Human Services to review government policies and programs that affect families.

I expect the departments and agencies within the executive branch of the Federal government as well as Members of Congress, corporate and business leaders, and State and local officials across the country, to study closely the recommendations of the White House Conference and implement them appropriately. As public policy is developed and implemented by the Federal government, cognizance of the work of the Conference should be taken as a pragmatic and essential step.

The Conference has done a good job of establishing an agenda for action to assure that the policies of the Federal government are more sensitive in their impact on families. I hope the Congress will review and seriously consider the Conference's recommendations.

OLDER AMERICANS

My Administration has taken great strides toward solving the difficult problems faced by older Americans. Early in my term we worked successfully with the Congress to assure adequate revenues for the Social Security Trust Funds. And last year the strength of the Social Security System was strengthened by legislation I proposed to permit borrowing among the separate 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. In addition, my Administration worked very 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, as my previous budgets have, increased funding for nutrition, senior centers and home health care, and will focus added resources on the needs of older Americans.

With the 1981 White House Conference on Aging approaching, I hope the new Administration will make every effort to assure an effective and useful conference. This Conference 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.

REFUGEES

We cannot hope to build a just and humane society at home if we ignore the humanitarian claims of refugees, their lives at stake, who have nowhere else to turn. Our country can be proud that hundreds of thousands of people around the world would risk everything they have--including their own lives--to come to our country.

This Administration initiated and implemented the first comprehensive reform of our refugee and immigration policies in over 25 years. We also established the first refugee coordination office in the Department of State under the leadership of a special ambassador and coordinator for refugee affairs and programs. The new legislation and the coordinator's office will bring common sense and consolidation to our Nation's previously fragmented, inconsistent, and in many ways, outdated, refugee and immigration policies.

With the unexpected arrival of thousands of Cubans and Haitians who sought refuge in our country last year, outside of our regular immigration and refugee admissions process, our country and its government were tested in being compassionate and responsive to a major human emergency. Because we had taken steps to reorganize our refugee programs, we met that test successfully. I am proud that the American people responded to this crisis with their traditional good will and hospitality. Also, we would never have been able to handle this unprecedented emergency without the efforts of the private resettlement agencies who have always been there to help refugees in crises.

Immigrants to this country always contribute more toward making our country stronger than they ever take from the system. I am confident that the newest arrivals to our country will carry on this tradition.

While we must remain committed to aiding and assisting those who come to our shores, at the same time we must uphold our immigration and refugee policies and provide adequate enforcement resources. As a result of our enforcement policy, the illegal flow from Cuba has been halted and an orderly process has been initiated to make certain that our refugee and immigration laws are honored.

This year the Select Commission on Immigration and Refugee Policy will complete its work and forward its advice and recommendations. I hope that the recommendations will be carefully considered by the new Administration and the Congress, for it is clear that we must take additional action to keep our immigration policy responsive to emergencies and ever changing times.

VETERANS

This country and its leadership has a continuing and unique obligation to the men and women who served their nation in the armed forces and help maintain or restore peace in the world.

My commitment to veterans, as evidenced by my record, is characterized by a conscientious and consistent emphasis in these general areas:

First, we have worked to honor the Vietnam veteran. During my Administration, and under the leadership of VA Administrator Max Cleland, I was proud to lead our country in an overdue acknowledgement of our Nation's gratitude to the men and women who served their country during the bitter war in Southeast Asia. Their homecoming was deferred and seemed doomed to be ignored. Our country has matured in the last four years and at long last we were able to separate the war from the warrior and honor these veterans. But with our acknowledgement of their service goes an understanding that some Vietnam veterans have unique needs and problems.

My Administration was able to launch a long sought after psychological

readjustment and outreach program, unprecedented in its popularity, sensitivity and success. This program must be continued. The Administration has also grappled with the difficult questions posed by some veterans who served in Southeast Asia and were exposed to potentially harmful substances, including the herbicide known as Agent Orange. We have launched scientific inquiries that should answer many veterans' questions about their health and should provide the basis for establishing sound compensation policy. We cannot rest until their concerns are dealt with in a sensitive, expeditious and compassionate fashion.

Second, we have focused the VA health care system in the needs of the service-connected disabled veteran. We initiated and are implementing the first reform of the VA vocational rehabilitation system since its inception in 1943. Also, my Administration was the first to seek a cost-of-living increase for the recipients of VA compensation every year. My last budget also makes such a request. The Administration also launched the Disabled Veterans Outreach Program in the Department of Labor which has successfully placed disabled veterans in jobs. Services provided by the VA health care system will be further targeted to the special needs of disabled veterans during the coming year.

Third, the VA health care system, the largest in the free world, has maintained its independence and high quality during my Administration. We have made the system more efficient and have therefore treated more veterans than ever before by concentrating on out-patient care and through modern management improvements. As the median age of the American veteran population increases, we must concentrate on further changes within the VA system to keep it independent and to serve as a model to the nation and to the world as a center for research, treatment and rehabilitation.

Government Assistance

GENERAL AID TO STATE AND LOCAL GOVERNMENTS

Since taking office, I have been strongly committed to strengthening the fiscal and economic condition of our Nation's State and local governments. I have accomplished this goal by encouraging economic development of local communities, and by supporting the General Revenue Sharing and other essential grant-in-aid programs.

GRANTS-IN-AID TO STATES AND LOCALITIES

During my Administration, total grants-in-aid to State and local governments have increased by more than 40 percent, from \$68 billion in Fiscal Year 1977 to \$96 billion in Fiscal Year 1981. This significant increase in aid has allowed States and localities to maintain services that are essential to their citizens without imposing onerous tax burdens. It also has allowed us to establish an unprecedented partnership between the leaders of the Federal government and State and local government elected officials.

GENERAL REVENUE SHARING

Last year Congress enacted legislation that extends the General Revenue Sharing program for three more years. This program is the cornerstone of our efforts to maintain the fiscal health of our Nation's local government. It will provide \$4.6 billion in each of the next three years to cities, counties and towns. This program is essential to the continued ability of our local governments to provide essential police, fire and sanitation

services.

This legislation renewing GRS will be the cornerstone of 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 am grateful that Congress moved quickly to assure that our Nation's localities can begin the 1980's in sound fiscal condition.

COUNTER-CYCLICAL ASSISTANCE

Last year, I proposed that Congress enact a \$1 billion counter-cyclical fiscal assistance program to protect States and localities from unexpected changes in the national economy. This program unfortunately was not enacted by the [full] Congress. I, therefore, have not included funding for counter-cyclical aid in my Fiscal Year 1982 budget. Nevertheless, I urge Congress to enact a permanent stand-by counter-cyclical program, so that States and cities can be protected during the next economic downturn.

URBAN POLICY

Three 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, sixteen of these bills have now been signed into law.

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.

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. Since that time, we have created the Urban Development Action Grant (UDAG) program and substantially expanded the economic development programs in the Commerce Department. My FY 1982 budget requests more than \$1.5 billion for economic development grants, loans and interest subsidies and almost \$1.5 billion for loan guarantees. Approximately 60 percent of these funds will be spent in our Nation's urban areas. In addition, we have extended the 10 percent investment credit to include rehabilitation of existing industrial facilities as well as new construction.

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 continue to provide strong support for the UDAG program and the programs for the Economic Development Administration. Those programs 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.

Last year, Congress reauthorized both the CDBG and UDAG programs. The CDBG program was reauthorized for three more years with annual funding increases of \$150 million, and the UDAG program was extended for three years at the current funding level of \$675 million annually. My 1982 budget requests full funding for both of these programs. These actions should help our Nation's cities and counties to continue the progress they have made in the last three years.

NEIGHBORHOODS

During my Administration we have taken numerous positive steps to achieve a full partnership of neighborhood organizations and government at all levels. We have successfully fought against red lining and housing discrimination. We created innovative Self Help funding and technical resource transfer mechanisms. We have created unique methods of access for neighborhood organizations to have a participating role in Federal and State government decision-making. Neighborhood based organizations are the threshold of the American community.

The Federal government will need to develop more innovative and practical ways for neighborhood based organizations to successfully participate in the identification and solution of local and neighborhood concerns. Full partnership will only be achieved with the knowing participation of leaders of government, business, education and unions. Neither state nor Federal solutions imposed from on high will suffice. Neighborhoods are the fabric and soul of this great land. Neighborhoods define the weave that has been used to create a permanent fabric. The Federal government must take every opportunity to provide access and influence to the individuals and organizations affected at the neighborhood level.

Rural Policy

Since the beginning of my Administration, I have been committed to improving the effectiveness with which the Federal government deals with the problems and needs of a rapidly changing rural America. The rapid growth of some rural areas has placed a heavy strain on communities and their resources. There are also persistent problems of poverty and economic stagnation in other parts of rural America. Some rural areas continue to lose population, as they have for the past several decades.

In December, 1979, I announced the Small Community and Rural Development Policy. It was the culmination of several years' work and was designed to address the varying needs of our rural population. In 1980, my Administration worked with the Congress to pass the Rural Development Policy Act of 1980, which when fully implemented will allow us to meet the needs of rural people and their communities more effectively and more efficiently.

As a result of the policy and the accompanying legislation, we have:

--Created the position of Under Secretary of Agriculture for Small Community and Rural Development to provide overall leadership.

--Established a White House Working Group to assist in the implementation of the policy.

--Worked with more than 40 governors to form State rural development councils to work in partnership with the White House Working Group, and the Federal agencies, to better deliver State and Federal programs to rural areas.

--Directed the White House Working Group to annually review existing and proposed policies, programs, and budget levels to determine their adequacy in meeting rural needs and the fulfilling of the policy's objectives and principles.

This effort on the part of my Administration and the Congress has resulted in a landmark policy. For the first time, rural affairs has received the prominence it has always deserved. It is a policy that can truly help alleviate the diverse and differing problems rural America will face in the 1980's.

With the help and dedication of a great many people around the country who are concerned with rural affairs, we have constructed a mechanism for dealing effectively with rural problems. There is now a great opportunity to successfully combine Federal efforts with the efforts of rural community leaders and residents. It is my hope this spirit of cooperation and record of accomplishment will be continued in the coming years.

CONSUMERS

In September, 1979, 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 decision-making. Forty Federal agencies have adopted programs to comply with the requirements of the Order. These programs will improve complaint handling, provide better information to consumers, enhance opportunities for public participation in government proceedings, and assure that the consumer point of view is considered in all programs, policies, and regulations.

While substantial progress has been made in assuring a consumer presence in Federal agencies, work must continue to meet fully the goals of the Executive Order. Close monitoring of agency compliance with the requirements of the Order is necessary. Continued evaluation to assure that the programs are effective and making maximum use of available resources is also essential. As a complement to these initiatives, efforts to provide financial assistance in regulatory proceedings to citizen groups, small businesses, and others whose participation is limited by their economic circumstances must continue to be pursued.

It is essential that consumer representatives in government pay particular attention to the needs and interests of low-income consumers and minorities. The Office of Consumer Affairs' publication, "People Power: What Communities Are Doing to Counter Inflation," catalogues some of the ways that government and the private sector can assist the less powerful in our society to help themselves. New ways should be found to help foster this new people's movement which is founded on the principle of self-reliance.

Science and Technology

Science and technology contribute immeasurably to the lives of all Americans. Our high standard of living is largely the product of the technology that surrounds us in the home or factory. Our good health is due in large part to our ever increasing scientific understanding. Our national security is assured by the application of science and technology that will bring.

The Federal government has a special role to play in science and technology. Although the fruits of scientific achievements surround us, it is often difficult to predict the benefits that will arise from a given scientific venture. And these benefits, even if predictable, do not usually lead to ownership rights. Accordingly, the Government has a special obligation to support science as an investment in our future.

My Administration has sought to reverse a decade-long decline in funding. Despite the need for fiscal restraint, real support of basic research has grown nearly 11% during my term in office. And, my Administration has sought to increase the support of long-term research in the variety of mission agencies. In this way, we can harness the American genius for innovation to meet the economic, energy, health, and security challenges that confront our nation.

--International Relations and National Security. Science and technology are becoming increasingly important elements of our national security and foreign policies. This is especially so in the current age of sophisticated defense systems and of growing dependence among all countries on modern technology for all aspects of their economic strength. For these reasons, scientific and technological considerations have been integral elements of the Administration's decision-making on such national security and foreign policy issues as the modernization of our strategic weaponry, arms control, technology transfer, the growing bilateral relationship with China, and our relations with the developing world.

Four themes have shaped U.S. policy in international scientific and technological cooperation: pursuit of new international initiatives to advance our own research and development objectives; development and strengthening of scientific exchange to bridge political, ideological, and cultural divisions between this country and other countries; formulation of programs and institutional relations to help developing countries use science and technology beneficially; and cooperation with other nations to manage technologies with local impact. At my direction, my Science and Technology Adviser has actively pursued international programs in support of these four themes. We have given special attention to scientific and technical relations with China, to new forms of scientific and technical cooperation with Japan, to cooperation with Mexico, other Latin American and Caribbean countries and several states in Black America, and to the proposed Institute for Scientific and Technological Cooperation.

In particular our cooperation with developing countries reflects the importance that each of them has placed on the relationship between economic growth and scientific and technological capability. It also reflects their view that the great strength of the U.S. in science and technology makes close relations with the U.S. technical community an especially productive means of enhancing this capability. Scientific and technological assistance is a key linkage between the U.S. and the developing world, a linkage that has been under-utilized in the past and

one which we must continue to work to strengthen.

--Space Policy. The Administration has established a framework for a strong and evolving space program for the 1980's.

The Administration's space policy reaffirmed the separation of military space systems and the open civil space program, and at the same time, provided new guidance on technology transfer between the civil and military programs. The civil space program centers on three basic tenets: First, our space policy will reflect a balanced strategy of applications, science, and technology development. Second, activities will be pursued when they can be uniquely or more efficiently accomplished in space. Third, a premature commitment to a high challenge, space-engineering initiative of the complexity of Apollo is inappropriate. As the Shuttle development phases down, however, there will be added flexibility to consider new space applications, space science and new space exploration activities.

--Technology Development. The Shuttle dominates our technology development effort and correctly so. It represents one of the most sophisticated technological challenges ever undertaken, and as a result, has encountered technical problems. Nonetheless, the first manned orbital flight is now scheduled for March, 1981. I have been pleased to support strongly the necessary funds for the Shuttle throughout my Administration.

--Space Applications. Since 1972, the U.S. has conducted experimental civil remote sensing through Landsat satellites, thereby realizing many successful applications. Recognizing this fact, I directed the implementation of an operational civil land satellite remote sensing system, with the operational management responsibility in Commerce's National Oceanic and Atmospheric Administration. In addition, because ocean observations from space can meet common civil and military data requirements, a National Oceanic Satellite System has been proposed as a major FY 1981 new start.

--Space Science Exploration. The goals of this Administration's policy in space science have been to: (1) continue a vigorous program of planetary exploration to understand the origin and evolution of the solar system; (2) utilize the space telescope and free-flying satellites to usher in a new era of astronomy; (3) develop a better understanding of the sun and its interaction with the terrestrial environment; and (4) utilize the Shuttle and Spacelab to conduct basic research that complements earth-based life science investigations.

DISTRICT OF COLUMBIA

Washington, D.C., is home to both the Federal Government and to more than half a million American citizens. I have worked to improve the relationship between the Federal establishment and the Government of the District of Columbia in order to further the goals and spirit of home rule. The City controls more of its own destiny than was the case four years ago. Yet, despite the close cooperation between my Administration and that of Mayor Barry, we have not yet seen the necessary number of states ratify the Constitutional Amendment granting full voting representation in the Congress to the citizens of this city. It is my hope that this inequity will be rectified. The country and the people who inhabit Washington deserve no less.

THE ARTS

The arts are a precious national resource.

Federal support for the arts has been enhanced during my Administration by expanding government funding and services to arts institutions, individual artists, scholars, and teachers through the National Endowment for the Arts. We have broadened its scope and reach to a more diverse population. We have also reactivated the Federal Council on the Arts and Humanities.

It is my hope that during the coming years the new Administration and the Congress will:

--Continue support of institutions promoting development and understanding of the arts;

--Encourage business participants in a comprehensive effort to achieve a truly mixed economy of support for the arts;

--Explore a variety of mechanisms to nurture the creative talent of our citizens and build audiences for their work;

--Support strong, active National Endowments for the Arts;

--Seek greater recognition for the rich cultural tradition of the nation's minorities;

--Provide grants for the arts in low-income neighborhoods.

THE HUMANITIES

In recently reauthorizing Federal appropriations for the National Endowment for the Humanities, the Congress has once again reaffirmed that "the encouragement and support of national progress and scholarship in the humanities . . . while primarily a matter for private and local initiative, is also an appropriate matter of concern to the Federal Government" and that "a high civilization must not limit its efforts to science and technology alone but must give full value and support to the other great branches of man's scholarly and cultural activity in order to achieve a better understanding of the past, a better analysis of the present, and a better view of the future."

I believe we are in agreement that the humanities illuminate the values underlying important personal, social, and national questions raised in our society by its multiple links to and increasing dependence on technology, and by the diverse heritage of our many regions and ethnic groups. The humanities cast light on the broad issue of the role in a society of men and women of imagination and energy--those individuals who through their own example define "the spirit of the age," and in so doing move nations. Our Government's support for the humanities, within the framework laid down by the Congress, is a recognition of their essential nourishment of the life of the mind and vital enrichment of our national life.

I will be proposing an increase in funding this year sufficient to enable the Endowment to maintain the same level of support offered our citizens in Fiscal Year 1981.

In the allocation of this funding, special emphasis will be given to:

--Humanities education in the nation's schools, in response to the great needs that have arisen in this area;

--Scholarly research designed to increase our understanding of the cultures, traditions, and historical forces at work in other nations and in our own;

--Drawing attention to the physical disintegration of the raw material of our cultural heritage--books, manuscripts, periodicals, and other documents--and to the development of techniques to prevent the destruction and to preserve those materials; and

--The dissemination of quality programming in the humanities to increasingly large American audiences through the use of radio and television.

The dominant effort in the Endowment's expenditures will be a commitment to strengthen and promulgate scholarly excellence and achievement in work in the humanities in our schools, colleges, universities, libraries, museums and other cultural institutions, as well as in the work of individual scholars or collaborative groups engaged in advanced research in the humanities.

In making its grants the Endowment will increase its emphasis on techniques which stimulate support for the humanities from non-Federal sources, in order to reinforce our tradition of private philanthropy in this field, and to insure and expand the financial viability of our cultural institutions and life.

INSULAR AREAS

I have been firmly committed to self-determination for Puerto Rico, the Virgin Islands, Guam, American Samoa and the Northern Mariana Islands, and have vigorously supported the realization of whatever political status aspirations are democratically chosen by their peoples. This principle was the keystone of the comprehensive territorial policy I sent the Congress last year. I am pleased that most of the legislative elements of that policy were endorsed by the 96th Congress.

The unique cultures, fragile economies, and locations of our Caribbean and Pacific Islands are distinct assets to the United States which require the sensitive application of policy. The United States Government should pursue initiatives begun by my Administration and the Congress to stimulate insular economic development; enhance treatment under Federal programs eliminating current inequities; provide vitally needed special assistance and coordinate and rationalize policies. These measures will result in greater self-sufficiency and balanced growth. In particular, I hope that the new Congress will support funding for fiscal management, comprehensive planning and other technical assistance for the territories, as well as create the commission I have proposed to review the applicability of all Federal laws to the insular areas and make recommendations for appropriate modification.

IV. REMOVING GOVERNMENTAL WASTE AND INEFFICIENCY

One of my major commitments has been to restore public faith in our Federal government by cutting out waste and inefficiency. In the past four years, we have made dramatic advances toward this goal, many of them previously considered impossible to achieve. Where government rules and operations were unnecessary, they have been eliminated, as with airline, rail, trucking and financial deregulation. Where government functions are needed,

they have been streamlined, through such landmark measures as the Civil Service Reform Act of 1978. I hope that the new administration and the Congress will keep up the momentum we have established for effective and responsible change in this area of crucial public concern.

CIVIL SERVICE REFORM

In March 1978, I submitted the Civil Service Reform Act to Congress. I called it the centerpiece of my efforts to reform and reorganize the government. With bipartisan support from Congress, the bill passed, and I am pleased to say that implementation is running well ahead of the statutory schedule. Throughout the service, we are putting into place the means to assure that reward and retention are based on performance and not simply on length of time on the job. In the first real test of the Reform Act, 98 percent of the eligible top-level managers joined the Senior Executive Service, choosing to relinquish job protections for the challenge and potential reward of this new corps of top executives. Though the Act does not require several of its key elements to be in operation for another year, some Federal agencies already have established merit pay systems for GS-13-15 managers, and most agencies are well on their way to establishing new performance standards for all their employees. All have paid out, or are now in the process of paying out, performance bonuses earned by outstanding members of the Senior Executive Service. Dismissals have increased by 10 percent, and dismissals specifically for inadequate job performance have risen 1500 percent, since the Act was adopted. Finally, we have established a fully independent Merit Systems Protection Board and Special Counsel to protect the rights of whistle-blowers and other Federal employees faced with threats to their rights.

In 1981, civil service reform faces critical challenges, all agencies must have fully functioning performance appraisal systems for all employees, and merit pay systems for compensating the government's 130,000 GS-13-15 managers. Performance bonuses for members of the Senior Executive Service will surely receive scrutiny. If this attention is balanced and constructive, it can only enhance the chances for ultimate success of our bipartisan commitment to the revolutionary and crucial "pay for performance" concept.

REGULATORY REFORM

During the past four years we have made tremendous progress in regulatory reform. We have discarded old economic regulations that prevented competition and raised consumer costs, and we have imposed strong management principles on the regulatory programs the country needs, cutting paperwork and other wasteful burdens. The challenge for the future is to continue the progress in both areas without crippling vital health and safety programs.

Our economic deregulation program has achieved major successes in five areas:

Airlines: The Airline Deregulation Act is generating healthy competition, saving billions in fares, and making the airlines more efficient. The Act provides that in 1985 the CAB itself will go out of existence.

Trucking: The trucking deregulation bill opens the industry to competition and allows truckers wide latitude on the routes they drive and the goods they haul. The bill also phases out most of the old law's immunity for setting rates. The Congressional Budget Office estimates these reforms will

save as much as \$8 billion per year and cut as much as half a percentage point from the inflation rate.

Railroads: Overregulation has stifled railroad management initiative, service, and competitive pricing. The new legislation gives the railroads the freedom they need to rebuild a strong, efficient railroad industry.

Financial Institutions: With the help of the Congress, over the past four years we have achieved two major pieces of financial reform legislation, legislation which has provided the basis for the most far-reaching changes in the financial services industry since the 1930's. The International Banking Act of 1978 was designed to reduce the advantages that foreign banks operating in the United States possessed in comparison to domestic banks. The Depository Institutions Deregulation and Monetary Control Act, adopted last March, provides for the phased elimination of a variety of anti-competitive barriers to financial institutions and freedom to offer services to and attract the savings of consumers, especially small savers.

Recently, I submitted to the Congress my Administration's recommendations for the phased liberalization of restrictions on geographic expansion by commercial banks. Last year the Administration and financial regulatory agencies proposed legislation to permit the interstate acquisition of failing depository institutions. In view of the difficult outlook for some depository institutions I strongly urge the Congress to take prompt favorable action on the failing bank legislation.

Telecommunications: While Congress did not pass legislation in this area, the Federal Communications Commission has taken dramatic action to open all aspects of communications to competition and to eliminate regulations in the areas where competition made them obsolete. The public is benefitting from an explosion of competition and new services.

While these initiatives represent dramatic progress in economic deregulation, continued work is needed. I urge Congress to act on communications legislation and to consider other proposed deregulation measures, such as legislation on the bus industry. In addition, the regulatory commissions must maintain their commitment to competition as the best regulator of all.

The other part of my reform program covers the regulations that are needed to protect the health, safety, and welfare of our citizens. For these regulations, my Administration has created a management program to cut costs without sacrificing goals. Under my Executive Order 12044, we required agencies to analyze the costs of their major new rules and consider alternative approaches, such as performance standards and voluntary codes, that may make rules less costly and more flexible. We created the Regulatory Analysis Review Group in the White House to analyze the most costly proposed new rules and find ways to improve them. The Regulatory Council was established to provide the first Government-wide listing of upcoming rules and eliminate overlapping and conflicting regulations. Agencies have launched "sunset" programs to weed out outmoded old regulations. We have acted to encourage public participation in regulatory decision-making.

These steps have already saved billions of dollars in regulatory costs and slashed thousands of outmoded regulations. We are moving steadily toward a regulatory system that provides needed protections fairly, predictably, and at minimum cost.

I urge Congress to continue on this steady path and resist the simplistic solutions that have been proposed as alternatives. Proposals like legislative veto and increased judicial review will add another layer to the regulatory process, making it more cumbersome and inefficient. The right approach to reform is to improve the individual statutes, where they need change, and to ensure that the regulatory agencies implement those statutes sensibly.

PAPERWORK REDUCTION

The Federal Government imposes a huge paperwork burden on business, local government, and the private sector. Many of these forms are needed for vital government functions, but others are duplicative, overly complex or obsolete.

During my Administration we cut the paperwork burden by 15 percent, and we created procedures to continue this progress. The new Paperwork Reduction Act centralizes, in OMB, oversight of all agencies' information requirements and strengthens OMB's authority to eliminate needless forms. The "paperwork budget" process, which I established by executive order, applies the discipline of the budget process to the hours of reporting time imposed on the public, forcing agencies to scrutinize all their forms each year. With effective implementation, these steps should allow further, substantial paperwork cuts in the years ahead.

TIGHTENING STANDARDS FOR GOVERNMENTAL EFFICIENCY AND INTEGRITY

To develop a foundation to carry out energy policy, we consolidated scattered energy programs and launched the Synthetic Fuels Corporation; to give education the priority it deserves and at the same time reduce HHS to more manageable size, I gave education a seat at the Cabinet table, to create a stronger system for attacking waste and fraud, I reorganized audit and investigative functions by putting an Inspector General in major agencies. Since I took office, we have submitted 14 reorganization initiatives and had them all approved by Congress. We have saved hundreds of millions of dollars through the adoption of businesslike cash management principles and set strict standards for personal financial disclosure and conflict of interest avoidance by high Federal officials.

To streamline the structure of the government, we have secured approval of 14 reorganization initiatives, improving the efficiency of the most important sectors of the government, including energy, education, and civil rights enforcement. We have eliminated more than 300 advisory committees as well as other agencies, boards and commissions which were obsolete or ineffective. Independent Inspectors General have been appointed in major agencies to attack fraud and waste. More than a billion dollars of questionable transactions have been identified through their audit activities.

The adoption of business-like cash management and debt collection initiatives will save over \$1 billion, by streamlining the processing of receipts, by controlling disbursements more carefully, and by reducing idle cash balances. Finally this Administration has set strict standards for personal financial disclosure and conflict of interest avoidance by high Federal officials, to elevate the level of public trust in the government.

V. PROTECTING BASIC RIGHTS AND LIBERTIES

I am extremely proud of the advances we have made in ensuring equality and

protecting the basic freedoms of all Americans.

--The Equal Employment Opportunity Commission (EEOC) and the Office of Federal Contract Compliance (OFCCP) have been reorganized and strengthened and a permanent civil rights unit has been established in OMB.

--To avoid fragmented, inconsistent and duplicative enforcement of civil rights laws, three agencies have been given coordinative and standard-setting responsibilities in discrete areas: EEOC for all employment-related activities, HUD for all those relating to housing, and the Department of Justice for all other areas.

--With the enactment of the Right to Financial Privacy Act and a bill limiting police search of newsrooms, we have begun to establish a sound, comprehensive, privacy program.

Ratification of the Equal Rights Amendment must be aggressively pursued. Only one year remains in which to obtain ratification by three additional states.

The Congress must give early attention to a number of important bills which remain. These bills would:

--strengthen the laws against discrimination in housing. Until it is enacted, the 1968 Civil Rights Act's promise of equal access to housing will remain unfulfilled;

--establish a charter for the FBI and the intelligence agencies. 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;

--establish privacy safeguards for medical research, bank, insurance, and credit records; and provide special protection for election fund transfer systems.

EQUAL RIGHTS AMENDMENT

I remain committed as strongly as possible to the ratification of the Equal Rights Amendment.

As a result of our efforts in 1978, the Equal Rights Amendment's deadline for ratification was extended for three years. We have now one year and three States left. We cannot afford any delay in marshalling our resources and efforts to obtain the ratification of those three additional States.

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 their influence to secure ratification. I will continue my own efforts to help ensure ratification of the Equal Rights Amendment.

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. I hope the

Congress will enact legislation this year that will achieve this goal.

FAIR HOUSING

The Fair Housing Act Amendments of 1980 passed the House of Representatives by an overwhelming bipartisan majority only to die in the Senate at the close of the 96th Congress. The leaders of both parties have pledged to make the enactment of fair housing legislation a top priority of the incoming Congress. The need is pressing and a strengthened federal enforcement effort must be the primary method of resolution.

CRIMINAL CODE

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

PRIVACY

As our public and private institutions collect more and more information and as communications and computer technologies advance, we must act to protect the personal privacy of our citizens.

In the past four years we acted on the report of the Privacy Commission and established a national privacy policy. We worked with Congress to pass legislation restricting wiretaps and law enforcement access to bank records and to reporters' files. We reduced the number of personal files held by the government and restricted the transfer of personal information among Federal agencies. We also worked with the Organization for Economic Cooperation and Development to establish international guidelines to protect the privacy of personal information that is transferred across borders.

VI. PROTECTING AND DEVELOPING OUR NATURAL RESOURCES

Two of our Nation's most precious natural resources are our environment and our vast agricultural capacity. From the beginning of my Administration, I have worked with the Congress to enhance and protect, as well as develop our natural resources. In the environmental areas, I have been especially concerned about the importance of balancing the need for resource development with preserving a clean environment, and have taken numerous actions to foster this goal. In the agricultural area, I have taken the steps needed to improve farm incomes and to increase our agricultural production to record levels. That progress must be continued in the 1980's.

ENVIRONMENT

Preserving the quality of our environment has been among the most important objectives of my Administration and of the Congress. As a result of these shared commitments and the dedicated efforts of many members of the Congress and my Administration, we have achieved several historic accomplishments.

PROTECTION OF ALASKA LANDS

Passage of the Alaska National Interest Lands Conservation Act was one of the most important conservation actions of this century. At stake was the

fate of millions of acres of beautiful land, outstanding and unique wildlife populations, native cultures, and the opportunity to ensure that future generations of Americans would be able to enjoy the benefits of these nationally significant resources. As a result of the leadership, commitment, and persistence of my Administration and the Congressional leadership, the Alaska Lands Bill was signed into law last December.

The Act adds 97 million acres of new parks and refuges, more than doubling the size of our National Park and National Wildlife Refuge Systems. The bill triples the size of our national wilderness system, increasing its size by 56 million acres. And by adding 25 free-flowing river segments to the Wild and Scenic River System, the bill almost doubles the river mileage in that system. The Alaska Lands Act reaffirms our commitment to the environment and strikes a balance between protecting areas of great beauty and allowing development of Alaska's oil, gas, mineral, and timber resources.

PROTECTION OF NATURAL RESOURCES

In addition to the Alaska Lands Act, over the past four years we have been able to expand significantly the national wilderness and parks systems. In 1978, the Congress passed the historical Omnibus Parks Act, which made 12 additions to the National Park System. The Act also established the first two national trails since the National Trails System Act was passed in 1968. Then, in 1980, as a result of my 1979 Environmental Message, the Federal land management agencies have established almost 300 new National Recreational Trails. With the completion of the RARE II process, which eliminated the uncertainty surrounding the status of millions of acres of land, we called for over 15 million acres of new wilderness in the nation's National Forest, in 1980 the Congress established about 4.5 million acres of wilderness in the lower 48 states. In addition, the Administration recommended legislation to protect Lake Tahoe, and through an Executive Order has already established a mechanism to help ensure the Lake's protection. Finally, in 1980 the Administration established the Channel Islands Marine Sanctuary.

Administration actions over the past four years stressed the importance of providing Federal support only for water resource projects that are economically and environmentally sound. This policy should have a major and lasting influence on the federal government's role in water resource development and management. The Administration's actions to recommend to the Congress only economically and environmentally sound water resource projects for funding resulted not only in our opposing uneconomic projects but also, in 1979, in the first Administration proposal of new project starts in 4 years.

One of the most significant water policy actions of the past four years was the Administration's June 6, 1978 Water Policy Reform Message to the Congress. This Message established a new national water resources policy with the following objectives:

- to give priority emphasis to water conservation;
- to consider environmental requirements and values more fully and along with economic factors in the planning and management of water projects and programs;
- to enhance cooperation between state and federal agencies in water resources planning and management.

In addition, the Executive Office of the President established 11 policy decision criteria to evaluate the proposed federal water projects, the Water Resources Council developed and adopted a new set of Principles and Standards for water projects which is binding on all federal construction agencies, and improved regulations were developed to implement the National Historic Preservation Act and the Fish and Wildlife Coordination Act. As a result, water resource projects must be determined to be economically sound before the Administration will recommend authorization or appropriation. Over the years ahead, this policy will help to reduce wasteful federal spending by targeting federal funds to the highest priority water resource projects.

In the pursuit of this policy, however, we cannot lose projects. In the part that sound water resource projects play in providing irrigation, power, and flood control. We must also recognize the special needs of particular regions of the country in evaluating the need for additional projects.

ADDRESSING GLOBAL RESOURCE AND ENVIRONMENTAL PROBLEMS

The Global 2000 Report to the President, prepared in response to my 1977 Environment Message, is the first of its kind. Never before has our government, or any government, taken such a comprehensive, long-range look at the interrelated global issues of resources, population, and environment.

The Report's conclusions are important. They point to a rapid increase in population and human needs through the year 2000 while at the same time a decline in the earth's capacity to meet those needs, unless nations of the world act decisively to alter current trends.

The United States has contributed actively to a series of U.N. conferences on the environment, population, and resources, and is preparing for the 1981 Conference on New and Renewable Sources of Energy. Following my 1977 Environmental Message, the Administration development assistance programs have added emphasis to natural resource management and environmental protection. My 1979 Environmental Message called attention to the alarming loss of world forests, particularly in the tropics. An interagency task force on tropical forests has developed a U.S. government program to encourage conservation and wise management of tropical forests. The Administration is encouraging action by other nations and world organizations to the same purpose. The United States is a world leader in wildlife conservation and the assessment of environmental effects of government actions. The January 5, 1979, Executive Order directing U.S. government agencies to consider the effects of their major actions abroad, is another example of this leadership.

COMMITMENT TO CONTROL OF POLLUTION AND HAZARDOUS CHEMICALS

Over the past four years, there has been steady progress towards cleaner air and water, sustained by the commitment of Congress and the Administration to these important national objectives. In addition, the Administration has developed several new pollution compliance approaches such as alternative and innovative waste water treatment projects, the "bubble" concept, the "offset" policy, and permit consolidation, all of which are designed to reduce regulatory burdens on the private sector.

One of the most pressing problems to come to light in the past four years

has been improper hazardous waste disposal. The Administration has moved on three fronts. First, we proposed the Oil Hazardous Substances and Hazardous Waste Response, Liability and Compensation Act (the Superfund bill) to provide comprehensive authority and \$1.6 billion in funds to clean up abandoned hazardous waste disposal sites. In November 1980 the Congress passed a Superfund bill which I signed into law.

Second, the administration established a hazardous waste enforcement strike force to ensure that when available, responsible parties are required to clean up sites posing dangers to public health and to the environment. To date, 50 lawsuits have been brought by the strike force.

Third, regulations implementing subtitle C of the Resource Conservation and Recovery Act were issued. The regulations establish comprehensive controls for hazardous waste and, together with vigorous enforcement, will help to ensure that Love Canal will not be repeated.

THE FUTURE

For the future, we cannot, and we must not, forget that we are charged with the stewardship of an irreplaceable environment and natural heritage. Our children, and our children's children, are dependent upon our maintaining our commitment to preserving and enhancing the quality of our environment. It is my hope that when our descendants look back on the 1980's they will be able to affirm:

--that we kept our commitment to the restoration of environmental quality;

--that we protected the public health from the continuing dangers of toxic chemicals, from pollution, from hazardous and radioactive waste, and that we made our communities safer, healthier and better places to live;

--that we preserved America's wilderness areas and particularly its last great frontier, Alaska, for the benefit of all Americans in perpetuity;

--that we put this nation on a path to a sustainable energy future, one based increasingly on renewable resources and on energy conservation;

--that we moved to protect America's countryside and coastland from mismanagement and irresponsibility;

--that we redirected the management of the nation's water resources toward water conservation, sound development and environmental protection;

--that we faced squarely such worldwide problems as the destruction of forests, acid rain, carbon dioxide build-up and nuclear proliferation; and

--that we protected the habitat and the existence of our own species on this earth.

AGRICULTURE THE FARM ECONOMY

The farm economy is sound and its future is bright. Agriculture remains a major bulwark of the nation's economy and an even more important factor in the world food system. The demand for America's agricultural abundance, here and abroad, continues to grow. In the near-term, the strength of this demand is expected to press hard against supplies, resulting in continued price strength.

The health and vitality of current-day agriculture represents a significant departure from the situation that existed when I came to office four years ago. In January 1977, the farm economy was in serious trouble. Farm prices and farm income were falling rapidly. Grain prices were at their lowest levels in years and steadily falling. Livestock producers, in their fourth straight year of record losses, were liquidating breeding herds at an unparalleled rate. Dairy farmers were losing money on every hundredweight of milk they produced. Sugar prices were in a nosedive.

Through a combination of improvements in old, established programs and the adoption of new approaches where innovation and change were needed, my Administration turned this situation around. Commodity prices have steadily risen. Farm income turned upward. U.S. farm exports set new records each year, increasing over 80 percent for the four year period. Livestock producers began rebuilding their herds. Dairy farmers began to earn a profit again.

RECENT POLICY INITIATIVES

Several major agricultural policy initiatives have been undertaken over the past year. Some are the culmination of policy proposals made earlier in this Administration; others are measures taken to help farmers offset the impact of rapid inflation in production costs. In combination, they represent a significant strengthening of our nation's food and agricultural policy. These initiatives include:

FOOD SECURITY RESERVE

The Congress authorized formation of a 4 million ton food grain reserve for use in international food assistance. This reserve makes it possible for the United States to stand behind its food aid commitment to food deficit nations, even during periods of short supplies and high prices. This corrects a serious fault in our past food assistance policy.

COMPREHENSIVE CROP INSURANCE

The Congress also authorized a significant new crop insurance program during 1980. This measure provides farmers with an important new program tool for sharing the economic risks that are inherent to agriculture. When fully operational, it will replace a hodgepodge of disaster programs that suffered from numerous shortcomings.

SPECIAL LOAN RATES

Another legislative measure passed late in the 2nd session of the 96th Congress authorizes the Secretary of Agriculture to provide higher loan rates to farmers who enter their grain in the farmer-owned grain reserve. This additional incentive to participate will further strengthen the reserve.

INCREASED LOAN PRICES

In July 1980, I administratively raised loan prices for wheat, feedgrains, and soybeans to help offset the effects of a serious cost-price squeeze. At the same time, the release and call prices for the grain reserve were adjusted upward.

HIGHER TARGET PRICES

The Agricultural Adjustment Act of 1980 raised the target prices for 1980-crop wheat and feed grain crops. This change corrected for shortcomings in the adjustment formula contained in the Food and Agriculture Act of 1977.

FUTURE AGENDA

The food and agricultural policies adopted by this Administration over the past four years, including those described above, will provide a firm foundation for future governmental actions in this field. Expiration of the Food and Agriculture Act of 1977 later this year will require early attention by the Congress. With relatively minor changes, most of the authorities contained in the 1977 Act should be extended in their present form. The farmer-owned grain reserve has proven to be a particularly effective means of stabilizing grain markets and should be preserved in essentially its present form.

Beyond this, it will be important for the Congress to keep a close eye on price-cost developments in the farm sector. As noted above, some of the actions I took last year were for the purpose of providing relief from the cost-price squeeze facing farmers. Should these pressures continue, further actions might be required.

My Administration has devoted particular attention to the issues of world hunger, agricultural land use, and the future structure of American agriculture. I encourage the Congress and the next Administration to review the results of these landmark enquiries and, where deemed appropriate, to act on their recommendations.

Following a careful review of the situation, I recently extended the suspension of grain sales to the Soviet Union. I am satisfied that this action has served its purpose effectively and fairly. However, as long as this suspension must remain in effect, it will be important for the next Administration and the Congress to take whatever actions are necessary to ensure that the burden does not fall unfairly on our Nation's farmers. This has been a key feature of my Administration's policy, and it should be maintained.

VII. FOREIGN POLICY

From the time I assumed office four 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, in Iran and uncertainty about the future stability of many developing 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 stable flow of oil. As the unprecedented relations, an and overwhelming vote in the General Assembly demonstrated, countries across the world, and particularly the nonaligned, 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 oil importing 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.

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.

--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.

--We have worked domestically and with our allies to respond to an uncertain energy situation by conservation and diversification of energy supplies based on internationally agreed targets.

--We have unambiguously demonstrated our commitment to defend Western interests in Southwest Asia, and we have significantly increased our ability to do so.

--And over the past four years the U.S. has developed an energy program which is comprehensive and ambitious. New institutions have been established such as the Synthetic Fuels Corporation and Solar Bank. Price decontrol for oil and gas is proceeding. American consumers have risen to the challenge, and we have experienced real improvements in consumption patterns.

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 contradictions 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 six basic goals for America in the world over the 1980's:

--First, we will continue, as we have over the past four 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 and through the preservation of an open multilateral trading system.

--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.

--Sixth, we must continue to look ahead in order to evaluate and respond to resource, environment and population challenges through the end of this century.

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 hostages, 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.

ENHANCING NATIONAL SECURITY, AMERICAN MILITARY STRENGTH

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

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 real increases in defense spending, therefore probably will be higher than previously projected; protecting our security may require a larger share of our national wealth in the future.

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 invasion of Afghanistan and the imposition of a puppet 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 the communization of Eastern Europe after 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.

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

It has also 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 could control an area of vital strategic and economic significance to the survival of Western Europe, the Far East, and ultimately the United States.

It has now been over a year since the Soviet invasion of Afghanistan dealt a major blow to U.S.-Soviet relations and the entire international system. The U.S. response has proven to be serious and far-reaching. It has been increasingly effective, imposing real and sustained costs on the U.S.S.R.'s economy and international image.

Meanwhile, we have encouraged and supported efforts to reach a political settlement in Afghanistan which would lead to a withdrawal of Soviet forces from that country and meet the interests of all concerned. It is Soviet intransigence that has kept those efforts from bearing fruit.

Meanwhile, an overwhelming November resolution of the United Nations

General Assembly on Afghanistan has again made clear that the world has not and will not forget Afghanistan. And our response continues to make it clear that Soviet use of force in pursuit of its international objectives is incompatible with the notion of business-as-usual.

BILATERAL COMMUNICATION

U.S.-Soviet relations remain strained by the continued Soviet presence in Afghanistan, by growing Soviet military capabilities, and by the Soviets' apparent willingness to use those capabilities without respect for the most basic norms of international behavior.

But the U.S.-Soviet relationship remains the single most important element in determining whether there will be war or peace. And so, despite serious strains in our relations, we have maintained a dialogue with the Soviet Union over the past year. Through this dialogue, we have ensured against bilateral misunderstandings and miscalculations which might escalate out of control, and have managed to avoid the injection of superpower rivalries into areas of tension like the Iran-Iraq conflict.

POLAND

Now, as was the case a year ago, the prospect of Soviet use of force threatens the international order. The Soviet Union has completed preparations for a possible military intervention against Poland. Although the situation in Poland has shown signs of stabilizing recently, Soviet forces remain in a high state of readiness and they could move into Poland on short notice. We continue to believe that the Polish people should be allowed to work out their internal problems themselves, without outside interference, and we have made clear to the Soviet leadership that any intervention in Poland would have severe and prolonged consequences for East-West detente, and U.S.-Soviet relations in particular.

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 1982 budget would increase funding authority for defense to more than \$196 billion. This amount, together with a supplemental request for FY 1981 of about \$6 billion, will more than meet my Administration's pledge for a sustained growth of 3 percent in real expenditures, and provides for 5 percent in program growth in FY 1982 and beyond.

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.

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:

1. 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;
2. 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;
3. It provides us the ability to come quickly to the aid of friends and allies around the globe;
4. 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 force. Four more POSEIDON submarines backfitted with new, 4,000 mile TRIDENT I missiles began deployments in 1980. Nine TRIDENT submarines have been authorized through 1981, and we propose one more each year.

The new M-X missile program to enhance our land-based intercontinental ballistic missile force continues to make progress. Technical refinements in the basing design over the last year will result in operational benefits, lower costs, and reduced environmental impact. The M-X program continues to be an essential ingredient in our strategic posture, providing survivability, endurance, secure command and control and the capability to threaten targets the Soviets hold dear.

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.

STRATEGIC DOCTRINE

This Administration's systematic contributions to the necessary evolution of strategic doctrine began in 1977 when I commissioned a comprehensive net assessment. From that base a number of thorough investigations of specific topics continued. I should emphasize that the need for an evolutionary doctrine is driven not by any change in our basic objective, which remains peace and freedom for all mankind. Rather, the need for change is driven by the inexorable buildup of Soviet military power and the increasing propensity of Soviet leaders to use this power in coercion and outright aggression to impose their will on others.

I have codified our evolving strategic doctrine in a number of interrelated and mutually supporting Presidential Directives. Their overarching theme is to provide a doctrinal basis, and the specific program to implement it, that tells the world that no potential adversary of the United States could ever conclude that the fruits of his aggression would be significant or worth the enormous costs of our retaliation.

The Presidential Directives include:

PD-18: An overview of our strategic objectives PD-37: Basic space policy
PD-41: Civil Defense PD-53: Survivability and endurance for
telecommunications PD-57: Mobilization planning PD-58: Continuity of
Government PD-59: Countervailing Strategy for General War.

These policies have been devised to deter, first and foremost, Soviet aggression. As such they confront not only Soviet military forces but also Soviet military doctrine. By definition deterrence requires that we shape Soviet assessments about the risks of war, assessments they will make using their doctrine, not ours.

But at the same time we in no way seek to emulate their doctrine. In particular, nothing in our policy contemplates that nuclear warfare could ever be a deliberate instrument for achieving our own goals of peace and freedom. Moreover, our policies are carefully devised to provide the greatest possible incentives and opportunities for future progress in arms control.

Finally, our doctrinal evolution has been undertaken with appropriate consultation with our NATO Allies and others. We are fully consistent with NATO's strategy of flexible response.

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 percent.

We are working closely with our European allies to secure the Host Nation Support necessary to enable us to deploy more quickly a greater ratio of combat forces to the European theater at a lower cost to the United States.

SECURITY ASSISTANCE

As we move to enhance U.S. defense capabilities, we must not lose sight of the need to assist others in maintaining their own security and independence. Events since World War II, most recently in Southwest Asia, have amply demonstrated that U.S. security cannot exist in a vacuum, and that our own prospects for peace are closely tied to those of our friends. The security assistance programs which I am proposing for the coming fiscal year thus directly promote vital U.S. foreign policy and national security aims, and are integral parts of our efforts to improve and upgrade our own military forces.

More specifically, these programs, which are part of our overall foreign aid request, promote U.S. security in two principal ways. First, they assist friendly and allied nations to develop the capability to defend

themselves and maintain their own independence. An example during this past year was the timely support provided Thailand to help bolster that country's defenses against the large numbers of Soviet-backed Vietnamese troops ranged along its eastern frontier. In addition, over the years these programs have been important to the continued independence of other friends and allies such as Israel, Greece, Turkey and Korea. Second, security assistance constitutes an essential element in the broad cooperative relationships we have established with many nations which permit either U.S. bases on their territory or access by U.S. forces to their facilities. These programs have been particularly important with regard to the recently-concluded access agreements with various countries in the Persian Gulf and Indian Ocean regions and have been crucial to the protection of our interests throughout Southwest Asia.

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 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; the procurement of fast sealift ships to move large quantities of men and material quickly from the U.S. to overseas areas of deployment; increasing training and exercise activities to ensure that our forces will be well prepared to deploy and operate in distant areas.

In addition, our European allies have agreed on the importance of providing support to U.S. deployments to Southwest Asia.

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 1990's 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. This Administration has supported for FY 1981 the largest peacetime increase ever in military pay and allowances.

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

We have completed our first phase of mobilization planning, the first such Presidentially-directed effort since World War II. The government-wide exercise of our mobilization plans at the end of 1980 showed, first, that planning pays off and, second, that much more needs to be done.

OUR INTELLIGENCE POSTURE

Our national interests are critically dependent on a strong and effective intelligence capability. We will maintain and strengthen 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 1981 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.

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

In recognition of the threat which the Soviet invasion of Afghanistan posed to Western interests in both Europe and Southwest Asia, NATO foreign and defense ministers have expressed full support for U.S. efforts to develop a capability to respond to a contingency in Southwest Asia and have approved an extensive program to help fill the gap which could be created by the diversion of U.S. forces to that region.

The U.S. has not been alone in seeking to maintain stability in the Southwest Asia area and insure access to the needed resources there. The European nations with the capability to do so are improving their own forces in the region and providing greater economic and political support to the residents of the area. In the face of the potential danger posed by the Iran-Iraq conflict, we have developed coordination among the Western forces in the area of the Persian Gulf in order to be able to safeguard passage in that essential waterway.

Concerning developments in and around Poland the allies have achieved the highest level of cohesion and unity of purpose in making clear the effects on future East-West relations of a precipitous Soviet act there.

The alliance has continued to build on the progress of the past three years in improving its conventional forces through the Long-Term Defense Program. Though economic conditions throughout Europe today are making its achievement difficult, the yearly real increase of 3 percent in defense spending remains a goal actively sought by the alliance.

The NATO alliance also has moved forward during the past year with the implementation of its historic December 1979 decision to modernize its Theater Nuclear Force capabilities through deployment of improved Pershing ballistic missiles and ground-launched cruise missiles in Europe. Our allies continue to cooperate actively with us in this important joint endeavor, whose purpose is to demonstrate convincingly to the Soviet Union the potential costs of a nuclear conflict in Europe. At the same time, we offered convincing evidence of our commitment to arms control in Europe by initiating preliminary consultations with the Soviet Union in Geneva on the subject of negotiated limits on long-range theater nuclear forces. Also, during 1980 we initiated and carried out a withdrawal from our nuclear weapons stockpile in Europe of 1,000 nuclear warheads. This successful drawdown in our nuclear stockpile was a further tangible demonstration of our commitment to the updating of our existing theater nuclear forces in Europe.

In the NATO area, we continued to work closely with other countries in providing resources to help Turkey regain economic health. We regretted that massive political and internal security problems led the Turkish military to take over the government on September 12. The new Turkish authorities are making some progress in resolving those problems, and they have pledged an early return to civilian government. The tradition of the Turkish military gives us cause to take that pledge seriously. We welcomed the reestablishment of Greece's links to the integrated military command structure of the Atlantic Alliance--a move which we had strongly encouraged--as a major step toward strengthening NATO's vital southern flank at a time of international crisis and tension in adjacent areas. Greek reintegration exemplifies the importance which the allies place on cooperating in the common defense and shows that the allies can make the difficult decisions necessary to insure their continued security. We also welcomed the resumption of the intercommunal talks on Cyprus.

THE U.S. AND THE PACIFIC NATIONS

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 as great as our trade with Europe. During the past four years we have regained a strong, dynamic and flexible posture for the United States in this vital region.

Our major alliances with Japan, Australia and New Zealand are now stronger than they ever have been, and together with the nations of western Europe, we have begun to form the basic political structure for dealing with international crises that affect us all. Japan, Australia and New Zealand have given us strong support in developing a strategy for responding to instability in the Persian Gulf.

Normalization of U.S. relations with China has facilitated China's full entry into the international community and encouraged a constructive Chinese role in the Asia-Pacific region. Our relations with China have been rapidly consolidated over the past year through the conclusion of a series of bilateral agreements. We have established a pattern of frequent and frank consultations between our two governments, exemplified by a series of high-level visits and by regular exchanges at the working level, through which we have been able to identify increasingly broad areas of common interest on which we can cooperate.

United States relations with the Association of Southeast Asian Nations (ASEAN) have also expanded dramatically in the past four years. ASEAN is now the focus for U.S. policy in Southeast Asia, and its cohesion and strength are essential to stability in this critical area and beyond.

Soviet-supported Vietnamese aggression in Indo-china has posed a major challenge to regional stability. In response, we have reiterated our security commitment to Thailand and have provided emergency security assistance for Thai forces facing a Vietnamese military threat along the Thai-Cambodian border. We have worked closely with ASEAN and the U.N. to press for withdrawal of Vietnamese forces from Cambodia and to encourage a political settlement in Cambodia which permits that nation to be governed by leaders of its own choice. We still look forward to the day when Cambodia peacefully can begin the process of rebuilding its social, economic and political institutions, after years of devastation and occupation. And, on humanitarian grounds and in support of our friends in the region, we have worked vigorously with international organizations to arrange relief and resettlement for the exodus of Indo-chinese refugees which threatened to overwhelm these nations.

We have maintained our alliance with Korea and helped assure Korea's security during a difficult period of political transition.

We have amended our military base agreement with the Philippines, ensuring stable access to these bases through 1991. The importance of our Philippine bases to the strategic flexibility of U.S. forces and our access to the Indian Ocean is self-evident.

Finally, we are in the process of concluding a long negotiation establishing Micronesia's status as a freely associated state.

We enter the 1980's with a firm strategic footing in East Asia and the Pacific, based on stable and productive U.S. relations with the majority of countries of the region. We have established a stable level of U.S. involvement in the region, appropriate to our own interests and to the interests of our friends and allies there.

THE MIDDLE EAST AND SOUTHWEST ASIA

The continuing Soviet occupation of Afghanistan and the dislocations caused by the Iraq-Iran war serve as constant reminders of the critical importance for us, and our allies, of a third strategic zone stretching across the

Middle East, the Persian Gulf, and much of the Indian subcontinent. This Southwest Asian region has served as a key strategic and commercial link between East and West over the centuries. Today it produces two-thirds of the world's oil exports, providing most of the energy needs of our European allies and Japan. It has experienced almost continuous conflict between nations, internal instabilities in many countries, and regional rivalries, combined with very rapid economic and social change. And now the Soviet Union remains in occupation of one of these nations, ignoring world opinion which has called on it to get out.

We have taken several measures to meet these challenges.

MIDDLE EAST

In the Middle East, our determination to consolidate what has already been achieved in the peace process--and to buttress that accomplishment with further progress toward a comprehensive peace settlement--must remain a central goal of our foreign policy. Pursuant to their peace treaty, Egypt and Israel have made steady progress in the normalization of their relations in a variety of fields, bringing the benefits of peace directly to their people. The new relationship between Egypt and Israel stands as an example of peaceful cooperation in an increasingly fragmented and turbulent region.

Both President Sadat and Prime Minister Begin remain committed to the current negotiations to provide full autonomy to the inhabitants of the West Bank and Gaza. These negotiations have been complex and difficult, but they have already made significant progress, and it is vital that the two sides, with our assistance, see the process through to a successful conclusion. We also recognize the need to broaden the peace process to include other parties to the conflict and believe that a successful autonomy agreement is an essential first step toward this objective.

We have also taken a number of steps to strengthen our bilateral relations with both Israel and Egypt. We share important strategic interests with both of these countries.

We remain committed to Israel's security and are prepared to take concrete steps to support Israel whenever that security is threatened.

PERSIAN GULF

The Persian Gulf has been a vital crossroads for trade between Europe and Asia at many key moments in history. It has become essential in recent years for its supply of oil to the United States, our allies, and our friends. We have taken effective measures to control our own consumption of imported fuel, working in cooperation with the other key industrial / nations of the world. However, there is little doubt that the healthy growth of our American and world economies will depend for many years on continued safe access to the Persian Gulf's oil production. The denial of these oil supplies would threaten not only our own but world security.

The potent new threat from an advancing Soviet Union, against the background of regional instability of which it can take advantage, requires that we reinforce our ability to defend our regional friends and to protect the flow of oil. We are continuing to build on the strong political, economic, social and humanitarian ties which bind this government and the American people to friendly governments and peoples of the Persian Gulf.

We have also embarked on a course to reinforce the trust and confidence our regional friends have in our ability to come to their assistance rapidly with American military force if needed. We have increased our naval presence in the Indian Ocean. We have created a Rapid Deployment Force which can move quickly to the Gulf--or indeed any other area of the world where outside aggression threatens. We have concluded several agreements with countries which are prepared to let us use their airports and naval facilities in an emergency. We have met requests for reasonable amounts of American weaponry from regional countries which are anxious to defend themselves. And we are discussing with a number of our area friends further ways we can help to improve their security and ours, both for the short and the longer term.

SOUTH ASIA

We seek a South Asia comprising sovereign and stable states, free of outside interference, which can strengthen their political institutions according to their own national genius and can develop their economies for the betterment of their people.

The Soviet invasion of Afghanistan has posed a new challenge to this region, and particularly to neighboring Pakistan. We are engaged in a continuing dialogue with the Pakistan government concerning its development and security requirements and the economic burden imposed by Afghan refugees who have fled to Pakistan. We are participating with other aid consortium members in debt rescheduling and will continue to cooperate through the UNHCR in providing refugee assistance. We remain committed to Pakistan's territorial integrity and independence.

Developments in the broad South/Southwest Asian region have also lent a new importance to our relations with India, the largest and strongest power in the area. We share India's interest in a more constructive relationship. Indian policies and perceptions at times differ from our own, and we have established a candid dialogue with this sister democracy which seeks to avoid the misunderstandings which have sometimes complicated our ties.

We attach major importance to strong economic assistance programs to the countries in the area, which include a majority of the poor of the non-Communist world. We believe that these programs will help achieve stability in the area, an objective we share with the countries in the region. Great progress has been achieved by these countries in increasing food production; international cooperation in harnessing the great river resources of South Asia would contribute further to this goal and help to increase energy production.

We continue to give high priority to our non-proliferation goals in the area in the context of our broad global and regional priorities. The decision to continue supply of nuclear fuel to the Indian Tarapur reactors was sensitive to this effort.

AFRICA

The United States has achieved a new level of trust and cooperation with Africa. Our efforts, together with our allies, to achieve peace in southern Africa, our increased efforts to help the poorest countries in Africa to combat poverty, and our expanded efforts to promote trade and investment have led to growing respect for the U.S. and to cooperation in areas of vital interest to the United States.

Africa is a continent of poor nations for the most part. It also contains many of the mineral resources vital for our economy. We have worked with Africa in a spirit of mutual cooperation to help the African nations solve their problems of poverty and to develop stronger ties between our private sector and African economies. Our assistance to Africa has more than doubled in the last four years. Equally important, we set in motion new mechanisms for private investment and trade.

Nigeria is the largest country in Black Africa and the second largest oil supplier to the United States. During this Administration we have greatly expanded and improved our relationship with Nigeria and other West African states whose aspirations for a constitutional democratic order we share and support. This interest was manifested both symbolically and practically by the visit of Vice President Mondale to West Africa in July (1980) and the successful visit to Washington of the President of Nigeria in October.

During Vice President Mondale's visit, a Joint Agricultural Consultative Committee was established, with the U.S. represented entirely by the private sector. This could herald a new role for the American private sector in helping solve the world's serious food shortages. I am pleased to say that our relations with Nigeria are at an all-time high, providing the foundation for an even stronger relationship in the years ahead.

Another tenet of this Administration's approach to African problems has been encouragement and support for regional solutions to Africa's problems. We have supported initiatives by the Organization of African Unity to solve the protracted conflict in the western Sahara, Chad, and the Horn. In Chad, the world is watching with dismay as a country torn by a devastating civil war has become a fertile field for Libya's exploitation, thus demonstrating that threats to peace can come from forces within as well as without Africa.

In southern Africa the United States continues to pursue a policy of encouraging peaceful development toward majority rule. In 1980, Southern Rhodesia became independent as Zimbabwe, a multiracial nation under a system of majority rule. Zimbabwean independence last April was the culmination of a long struggle within the country and diplomatic efforts involving Great Britain, African states neighboring Zimbabwe, and the United States.

The focus of our efforts in pursuit of majority rule in southern Africa has now turned to Namibia. Negotiations are proceeding among concerned parties under the leadership of U.N. Secretary General Waldheim. This should lead to implementation of the U.N. plan for self-determination and independence for Namibia during 1981. If these negotiations are successfully concluded, sixty-five years of uncertainty over the status of the territory, including a seven-year-long war, will be ended.

In response to our active concern with issues of importance to Africans, African states have cooperated with us on issues of importance to our national interests. African states voted overwhelmingly in favor of the U.N. Resolution calling for release of the hostages, and for the U.N. Resolution condemning the Soviet invasion of Afghanistan. Two countries of Africa have signed access agreements with the U.S. allowing us use of naval and air facilities in the Indian Ocean.

Africans have become increasingly vocal on human rights. African leaders have spoken out on the issue of political prisoners, and the OAU is drafting its own Charter on Human Rights. Three countries in Africa--

Nigeria, Ghana, and Uganda--have returned to civilian rule during the past year.

U.S. cooperation with Africa on all these matters represents a strong base on which we can build in future years.

Liberia is a country of long-standing ties with the U.S. and the site of considerable U.S. investment and facilities. This past April a coup replaced the government and a period of political and economic uncertainty ensued. The U.S. acted swiftly to meet this situation. We, together with African leaders, urged the release of political prisoners, and many have been released; we provided emergency economic assistance to help avoid economic collapse, and helped to involve the IMF and the banking community to bring about economic stability; and we have worked closely with the new leaders to maintain Liberia's strong ties with the West and to protect America's vital interests.

NORTH AFRICA

In early 1979, following a Libyan-inspired commando attack on a Tunisian provincial city, the U.S. responded promptly to Tunisia's urgent request for assistance, both by airlifting needed military equipment and by making clear our longstanding interest in the security and integrity of this friendly country. The U.S. remains determined to oppose other irresponsible Libyan aspirations. Despairing of a productive dialogue with the Libyan authorities, the U.S. closed down its embassy in Libya and later expelled six Libyan diplomats in Washington in order to deter an intimidation campaign against Libyan citizens in the U.S.

U.S. relations with Algeria have improved, and Algeria has played an indispensable and effective role as intermediary between Iran and the U.S. over the hostage issue.

The strengthening of our arms supply relationship with Morocco has helped to deal with attacks inside its internationally recognized frontiers and to strengthen its confidence in seeking a political settlement of the Western Sahara conflict. While not assuming a mediatory role, the U.S. encouraged all interested parties to turn their energies to a peaceful and sensible compromise resolution of the war in the Sahara and supported efforts by the Organization of African Unity toward that end. As the year drew to a close, the U.S. was encouraged by evolution in the attitudes of all sides, and is hopeful that their differences will be peacefully resolved in the year ahead so that the vast economic potential of North Africa can be developed for the well-being of the people living there.

LATIN AMERICA AND THE CARIBBEAN

The principles of our policies in this hemisphere have been clear and constant over the last four years. We support democracy and respect for human rights. We have struggled with many to help free the region of both repression and terrorism. We have respected ideological diversity and opposed outside intervention in purely internal affairs. We will act, though, in response to a request for assistance by a country threatened by external aggression. We support social and economic development within a democratic framework. We support the peaceful settlement of disputes. We strongly encourage regional cooperation and shared responsibilities within the hemisphere to all these ends, and we have eagerly and regularly sought the advice of the leaders of the region on a wide range of issues.

Last November, I spoke to the General Assembly of the Organization of American States of a cause that has been closest to my heart--human rights. It is an issue that has found its time in the hemisphere. The cause is not mine alone, but an historic movement that will endure.

At Riobamba, Ecuador, last September four Andean Pact countries, Costa Rica, and Panama broke new ground by adopting a "Code of Conduct," that joint action in defense of human rights does not violate the principles of nonintervention in the internal affairs of states in this hemisphere. The Organization of American States has twice condemned the coup that overturned the democratic process in Bolivia and the widespread abuse of human rights by the regime which seized power. The Inter-American Commission on Human Rights has gained world acclaim for its dispassionate reports. It completed two major country studies this year in addition to its annual report. In a resolution adopted without opposition, the OAS General Assembly in November strongly supported the work of the Commission. The American Convention on Human Rights is in force and an Inter-American Court has been created to judge human rights violations. This convention has been pending before the Senate for two years; I hope the United States this year will join the other nations of the hemisphere in ratifying a convention which embodies principles that are our tradition.

The trend in favor of democracy has continued. During this past year, Peru inaugurated a democratically elected government. Brazil continues its process of liberalization. In Central America, Hondurans voted in record numbers in their first national elections in over eight years. In the Caribbean seven elections have returned governments firmly committed to the democratic traditions of the Commonwealth.

Another major contribution to peace in the hemisphere is Latin America's own Treaty for the Prohibition of Nuclear Weapons. On behalf of the United States, I signed Protocol I of this Treaty in May of 1977 and sent it to the Senate for ratification. I urge that it be acted upon promptly by the Senate in order that it be brought into the widest possible effect in the Latin American region.

Regional cooperation for development is gaining from Central America to the Andes, and throughout the Caribbean. The Caribbean Group for Cooperation in Economic Development, which we established with 29 other nations in 1977, has helped channel \$750 million in external support for growth in the Caribbean. The recent meeting of the Chiefs of State of the Eastern Caribbean set a new precedent for cooperation in that region. Mexico and Venezuela jointly and Trinidad and Tobago separately have established oil facilities that will provide substantial assistance to their oil importing neighbors. The peace treaty between El Salvador and Honduras will hopefully stimulate Central America to move forward again toward economic integration. Formation of Caribbean/ Central American Action, a private sector organization, has given a major impetus to improving people-to-people bonds and strengthening the role of private enterprise in the development of democratic societies.

The Panama treaties have been in force for over a year. A new partnership has been created with Panama; it is a model for large and small nations. A longstanding issue that divided us from our neighbors has been resolved. The security of the canal has been enhanced. The canal is operating as well as ever, with traffic through it reaching record levels this year. Canal employees, American and Panamanian alike, have remained on the job and have found their living and working conditions virtually unchanged.

In 1980, relations with Mexico continued to improve due in large measure to the effectiveness of the Coordinator for Mexican Affairs and the expanded use of the U.S.-Mexico Consultative Mechanism. By holding periodic meetings of its various working groups, we have been able to prevent mutual concerns from becoming political issues. The Secretary of State visited Mexico City in November, and, along with the Mexican Secretary of Foreign Relations, reviewed the performance of the Consultative Mechanism. The office of the Coordinator has ensured the implementation of my directive to all agencies to accord high priority to Mexican concerns. Trade with Mexico rose by almost 60 percent to nearly \$30 billion, making that country our third largest trading partner.

These are all encouraging developments. Other problems remain, however.

The impact of large-scale migration is affecting many countries in the hemisphere. The most serious manifestation was the massive, illegal exodus from Cuba last summer. The Cuban government unilaterally encouraged the disorderly and even deadly migration of 125,000 of its citizens in complete disregard for international law or the immigration laws of its neighbors. Migrations of this nature clearly require concerted action, and we have asked the OAS to explore means of dealing with similar situations which may occur in the future.

We have a long-standing treaty with Colombia on Quita Sueno, Roncador, and Serrano which remains to be ratified by the Senate.

In Central America, the future of Nicaragua is unclear. Recent tensions, the restrictions on the press and political activity, an inordinate Cuban presence in the country and the tragic killing by the security forces of a businessman well known for his democratic orientation, cause us considerable concern. These are not encouraging developments. But those who seek a free society remain in the contest for their nation's destiny. They have asked us to help rebuild their country, and by our assistance, to demonstrate that the democratic nations do not intend to abandon Nicaragua to the Cubans. As long as those who intend to pursue their pluralistic goals play important roles in Nicaragua, it deserves our continuing support.

In El Salvador, we have supported the efforts of the Junta to change the fundamental basis of an inequitable system and to give a stake in a new nation to those millions of people, who for so long, lived without hope or dignity. As the government struggles against those who would restore an old tyranny or impose a new one, the United States will continue to stand behind them.

We have increased our aid to the Caribbean, an area vital to our national security, and we should continue to build close relations based on mutual respect and understanding, and common interests.

As the nations of this hemisphere prepare to move further into the 1980's, I am struck by the depth of underlying commitment that there is to our common principles: non-intervention, peaceful settlement of disputes, cooperation for development, democracy and defense of basic human rights. I leave office satisfied that the political, economic, social and organizational basis for further progress with respect to all these principles have been substantially strengthened in the past four years. I am particularly reassured by the leadership by other nations of the hemisphere in advancing these principles. The success of our common task of improving the circumstances of all peoples and nations in the hemisphere

can only be assured by the sharing of responsibility. I look forward to a hemisphere that at the end of this decade has proven itself anew as a leader in the promotion of both national and human dignity.

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

Last year, the war between Iraq and Iran led to the loss of nearly 4 million barrels of oil to world markets, the third major oil market disruption in the past seven years. This crisis has vividly demonstrated once again both the value of lessened dependence on oil imports and the continuing instability of the Persian Gulf area.

Under the leadership of the United States, the 21 members of the International Energy Agency took collective action to ensure that the oil shortfall stemming from the Iran-Iraq war would not be aggravated by competition for scarce spot market supplies. We are also working together to see that those nations most seriously affected by the oil disruption--including our key NATO allies Turkey and Portugal--can get the oil they need. At the most recent IEA Ministerial meeting we joined the other members in pledging to take those policy measures necessary to slice our joint oil imports in the first quarter of 1981 by 2.2 million barrels.

Our international cooperation efforts in the energy field are not limited to crisis management. At the Economic Summit meetings in Tokyo and Venice, the heads of government of the seven major industrial democracies agreed to a series of tough energy conservation and production goals. We are working together with all our allies and friends in this effort.

Construction has begun on a commercial scale coal liquefaction plant in West Virginia co-financed by the United States, Japan and West Germany. An interagency task force has just reported to me on a series of measures we need to take to increase coal production and exports. This report builds on the work of the International Energy Agency's Coal Industry Advisory Board. With the assurances of a reliable United States steam coal supply at reasonable prices, many of the electric power plants to be built in the 1980's and 1990's can be coal-fired rather than oil-burning.

We are working cooperatively with other nations to increase energy security in other areas as well. Joint research and development with our allies is underway in solar energy, nuclear power, industrial conservation and other areas. In addition, we are assisting rapidly industrializing nations to carefully assess their basic energy policy choices, and our development assistance program helps the developing countries to increase indigenous energy production to meet the energy needs of their poorest citizens. We support the proposal for a new World Bank energy affiliate to these same ends, whose fulfillment will contribute to a better global balance between energy supply and demand.

INTERNATIONAL MONETARY POLICY

Despite the rapid increase in oil costs, the policy measures we have taken to improve domestic economic performance have had a continued powerful

effect on our external accounts and on the strength of the dollar. A strong dollar helps in the fight against inflation.

There has also been considerable forward movement in efforts to improve the functioning of the international monetary system. The stability of the international system of payments and trade is important to the stability and good health of our own economy. We have given strong support to the innovative steps being taken by the International Monetary Fund and World Bank to help promote early adjustment to the difficult international economic problems. Recent agreement to increase quotas by fifty percent will ensure the IMF has sufficient resources to perform its central role in promoting adjustment and financing payments imbalances. The World Bank's new structural adjustment lending program will also make an important contribution to international efforts to help countries achieve a sustainable level of growth and development.

SUGAR

In 1980, Congress passed U.S. implementing legislation for 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. Producers and consumers alike will benefit from a more stable market for this essential commodity.

COFFEE

At year's end, Congress approved implementing legislation permitting the U.S. to carry out fully its commitments under International Coffee Agreement. Specifically, the legislation enables us to meet our part of an understanding negotiated last fall among members of the Agreement, which defends, by use of export quotas, a price range well below coffee prices of previous years and which commits major coffee producers to eliminate cartel arrangements that manipulated future markets to raise prices. The way is now open to a fully-functioning International Coffee Agreement which can help to stabilize this major world commodity market. The results will be positive for both consumers--who will be less likely to suffer from sharp increases in coffee prices--and producers--who can undertake future investment with assurance of greater protection against disruptive price fluctuations in their exports.

NATURAL RUBBER

In 1980, the International Natural Rubber Agreement entered into force provisionally. U.S. membership in this new body was approved overwhelmingly by the Senate last year. The natural rubber agreement is a model of its kind and should make a substantial contribution to a stable world market in this key industrial commodity. It is thus an excellent example of constructive steps to improve the operation of the world economy in ways which can benefit the developing and industrialized countries alike. In particular, the agreement has improved important U.S. relationships with the major natural rubber-producing countries of Southeast Asia.

COMMON FUND

The United States joined members of the United Nations Conference on Trade and Development, both developed and developing nations, in concluding Articles of Agreement in 1980 for a Common Fund to help international

commodity agreements stabilize the prices of raw materials.

ECONOMIC COOPERATION WITH DEVELOPING NATIONS

Our relations with the developing nations are of major importance to the United States. The fabric of our relations with these countries has strong economic and political dimensions. They constitute the most rapidly growing markets for our exports, and are important sources of fuel and raw materials. Their political views are increasingly important, as demonstrated in their overwhelming condemnation of 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 involvement with the developing world that we have pursued over the past four years.

The actions we have taken in such areas as energy, trade, commodities, and international financial institutions are all important to the welfare of the developing countries. Another important way the United States can directly assist these countries and demonstrate our concern for their future is through our multilateral and bilateral foreign assistance program. The legislation which I will be submitting to you for FY 82 provides the authority and the funds to carry on this activity. Prompt Congressional action on this legislation is essential in order to attack such high priority global problems as food and energy, 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.

Our proposed FY 1982 bilateral development aid program is directly responsive to the agreement reached at the 1980 Venice Economic Summit that the major industrial nations should increase their aid for food and energy production and for family planning. We understand that other Summit countries plan similar responses. It is also important to honor our international agreements for multilateral assistance by authorizing and appropriating funds for the International Financial Institutions. These multilateral programs enhance the efficiency of U.S. contributions by combining them with those of many other donor countries to promote development; the proposed new World Bank affiliate to increase energy output in developing countries offers particular promise. All these types of aid benefit our long-run economic and political interests.

Progress was made on a number of economic issues in negotiations throughout the U.N. system. However, in spite of lengthy efforts in the United Nations, agreement has not been reached on how to launch a process of Global Negotiations in which nations might collectively work to solve such important issues as energy, food, protectionism, and population pressures. The United States continues to believe that progress can best be made when nations focus on such specific problems, rather than on procedural and institutional questions. It will continue to work to move the North-South dialogue into a more constructive phase.

FOOD--THE WAR ON HUNGER

The War on Hunger must be a continuous urgent priority. Major portions of the world's population continue to be threatened by the specter of hunger and malnutrition. During the past year, some 150 million people in 36 African countries were faced with near disaster as the result of serious

drought, induced food shortages. Our government, working in concert with the U.N.'s Food and Agricultural Organization (FAO), helped to respond to that need. But the problems of hunger cannot be solved by short-term measures. We must continue to support those activities, bilateral and multilateral, which aim at improving food production especially in developing countries and assuring global food security. These measures are necessary to the maintenance of a stable and healthy world economy.

I am pleased that negotiation of a new Food Aid Convention, which guarantees a minimum annual level of food assistance, was successfully concluded in March. The establishment of the International Emergency Wheat Reserve will enable the U.S. to meet its commitment under the new Convention to feed hungry people, even in times of short supply.

Of immediate concern is the prospect of millions of Africans threatened by famine because of drought and civil disturbances. The U.S. plea for increased food aid resulted in the organization of an international pledging conference and we are hopeful that widespread starvation will be avoided.

Good progress has been made since the Venice Economic Summit called for increased effort on this front. We and other donor countries have begun to assist poor countries develop long-term strategies to improve their food production. The World Bank will invest up to \$4 billion in the next few years in improving the grain storage and food-handling capacity of countries prone to food shortages.

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 human rights policy of the United States has been an integral part of our overall foreign policy for the past several years. This policy serves the national interest of the United States in several important ways: by encouraging respect by governments for the basic rights of human beings, it promotes peaceful, constructive change, reduces the likelihood of internal pressures for violent change and for the exploitation of these by our adversaries, and thus directly serves our long-term interest in peace and stability; by matching espousal of fundamental American principles of freedom with specific foreign policy actions, we stand out in vivid contrast to our ideological adversaries; by our efforts to expand freedom elsewhere, we render our own freedom, and our own nation, more secure. Countries that respect human rights make stronger allies and better friends.

Rather than attempt to dictate what system of government or institutions other countries should have, the U.S. supports, throughout the world, the internationally recognized human rights which all members of the United

Nations have pledged themselves to respect. There is more than one model that can satisfy the continuing human reach for freedom and justice:

1980 has been a year of some disappointments, but has also seen some positive developments in the ongoing struggle for fulfillment of human rights throughout the world. In the year we have seen:

--Free elections were held and democratic governments installed in Peru, Dominica, and Jamaica. Honduras held a free election for installation of a constituent assembly. An interim government was subsequently named pointing toward national presidential elections in 1981. Brazil continues on its course of political liberalization.

--The "Charter of Conduct" signed in Riobamba, Ecuador, by Ecuador, Colombia, Venezuela, Peru, Costa Rica, Panama and Spain, affirms the importance of democracy and human rights for the Andean countries.

--The Organization of American States, in its annual General Assembly, approved a resolution in support of the Inter-American Human Rights Commission's work. The resolution took note of the Commission's annual report, which described the status of human rights in Chile, El Salvador, Paraguay and Uruguay; and the special reports on Argentina and Haiti, which described human rights conditions as investigated during on-site inspections to these countries.

--The awarding of the Nobel Prize for Peace to Adolfo Perez Esquivel of Argentina for his non-violent advocacy of human rights.

--The United States was able to rejoin the International Labor Organization after an absence of two years, as that U.N. body reformed its procedures to return to its original purpose of strengthening employer-employee-government relations to insure human rights for the working people of the world.

The United States, of course, cannot take credit for all these various developments. But we can take satisfaction in knowing that our policies encourage and perhaps influence them.

Those who see a contradiction between our security and our humanitarian interests forget that the basis for a secure and stable society is the bond of trust between a government and its people. I profoundly believe that the future of our world is not to be found in authoritarianism: that wears the mask of order, or totalitarianism that wears the mask of justice. Instead, let us find our future in the human face of democracy, the human voice of individual liberty, the human hand of economic development.

HUMANITARIAN AID

The United States has continued to play its traditional role of safehaven for those who flee or are forced to flee their homes because of persecution or war. During 1980, the United States provided resettlement opportunities for 216,000 refugees from countries around the globe. In addition, the United States joined with other nations to provide relief to refugees in country of first asylum in Africa, the Middle East, and Asia.

The great majority of refugee admissions continued to be from Indo-china. During 1980, 168,000 Indo-chinese were resettled in the United States. Although refugee populations persist in camps in Southeast Asia, and refugees continue to flee Vietnam, Laos and Kampuchea, the flow is not as

great as in the past. One factor in reducing the flow from Vietnam has been the successful negotiation and commencement of an Orderly Departure Program which permits us to process Vietnamese for resettlement in the United States with direct departure from Ho Chi Minh Ville in an orderly fashion. The first group of 250 departed Vietnam for the United States in December, 1980.

In addition to the refugees admitted last year, the United States accepted for entry into the United States 125,000 Cubans who were expelled by Fidel Castro. Federal and state authorities, as well as private voluntary agencies, responded with unprecedented vigor to coping with the unexpected influx of Cubans.

Major relief efforts to aid refugees in countries of first asylum continued in several areas of the world. In December, 1980, thirty-two nations, meeting in New York City, agreed to contribute \$65 million to the continuing famine relief program in Kampuchea. Due in great part to the generosity of the American people and the leadership exercised in the international arena by the United States, we have played the pivotal role in ameliorating massive suffering in Kampuchea.

The United States has taken the lead among a group of donor countries who are providing relief to some two million refugees in the Horn of Africa who have been displaced by fighting in Ethiopia. U.S. assistance, primarily to Somalia, consists of \$35 million worth of food and \$18 million in cash and kind. Here again, United States efforts can in large part be credited with keeping hundreds of thousands of people alive.

Another major international relief effort has been mounted in Pakistan. The United States is one of 25 countries plus the European Economic Community who have been helping the Government of Pakistan to cope with the problem of feeding and sheltering the more than one million refugees that have been generated by the Soviet invasion of Afghanistan.

In April, 1980, the Congress passed the Refugee Act of 1980 which brought together, for the first time, in one piece of legislation the various threads of U.S. policy towards refugees. The law laid down a new, broader definition of the term refugee, established mechanisms for arriving at a level of refugee admissions through consultation with Congress, and established the Office of the United States Coordinator for Refugees.

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.

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

My Administration has been committed to stemming the spread of nuclear weapons. Nuclear proliferation would raise the spectre of the use of nuclear explosives in crucial, unstable regions of the world endangering not only our security and that of our Allies, but that of the whole world. Non-proliferation is not and can not be a unilateral U.S. policy, nor should it be an issue of contention between the industrialized and developing states. The international non-proliferation effort requires the support of suppliers as well as importers of nuclear technology and materials.

We have been proceeding on a number of fronts:

--First, we have been seeking to encourage nations to accede to the Non-Proliferation Treaty. The U.S. is also actively encouraging other nations to accept full-scope safeguards on all of their nuclear activities and is asking other nuclear suppliers to adopt a full-scope safeguards requirement as a condition for future supply.

--Second, the International Nuclear Fuel Cycle Evaluation (INFCE), which was completed in 1980, demonstrated that suppliers and recipients can work together on these technically complex and sensitive issues. While differences remain, the INFCE effort provides 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 ought now to be ratified by the United States Senate.

LIMITATIONS ON STRATEGIC ARMS

I remain convinced that the SALT II Treaty is in our Nation's security interest and that it would add significantly to the control of nuclear weapons. I strongly support continuation of the SALT process and the negotiation of more far-reaching mutual restraints on nuclear weaponry.

CONCLUSION

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. The White House, January 16, 1981.

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