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THE WHITE HOUSE
WASHINGTON

May 18, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE *F. M.*
SUBJECT: Meeting with Non-Washington Editors

You asked me for material on Panama for your briefing. I believe that it would be most appropriate for you to look at the memorandum we prepared for your meeting with the Congressmen on May 8, as well as the transcript from that meeting. Your remarks that night were very well put and very well received.

Attachments

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7:30 PM

THE WHITE HOUSE
WASHINGTON

C

MEETING WITH CONGRESSMEN

Tuesday, May 8, 1979

Time: 7:30-9:00

Place: East Room

From: Zbigniew Brzezinski *ZS.*
Frank Moore *FM/BB*

I. PURPOSE--To discuss the importance of the Panama Canal Implementing Legislation with about 100 House Members.

II. SCENARIO, BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Scenario

1. We suggest that you open the meeting by explaining the format; i.e., remarks by yourself, Secretary of the Army Clifford Alexander, Lt. General McAuliffe--Commander-in-Chief of the US Southern Command, and Ambassador Ambler Moss; to be followed by question and answer session for the balance of the time.

-- Available in the first row to answer questions are:

- a. LT. GENERAL WELBOURN G. DOLVIN, USA(RET). General Dolvin was a member of the Negotiating Team representing the DOD from October 1975 until the treaties were signed. Since that time he has been the DOD Representative for Panama Canal Treaty Affairs. He is also the co-Chairman of the Panama Canal Treaty Implementing Committee (PCTIC).
- b. Michael Blumenfeld, Assistant Secretary of the Army (Civil Works), who aids the Secretary of the Army in carrying out his functions with respect to the Panama Canal Commission.
- c. Viron Vaky, Assistant Secretary for Latin American Affairs.
- d. David Popper, Secretary of State's special representative for Panama Treaty Affairs.

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2. Your opening remarks
3. Following your remarks, Secretary Alexander, who represents the President as the single shareholder in the Panama Canal Company, will speak about the management aspects of the implementing legislation.
4. You might want to say that you have asked General McAuliffe and Ambassador Ambler Moss to come up from Panama to give the group an assessment of the situation there and the importance of the legislation from their perspective.

B. Background

1. Though the Leadership and some strong advocates of implementing legislation have been invited to this event, the vast majority will be comprised of Members with an ambiguous voting record on Panama issues. Most in this target group have serious political difficulties with this issue. The anti-Canal Treaty opposition has convinced many in their constituencies that the House can defeat the treaty by voting against the implementing legislation. The first objective therefore is to convince these Members that the treaties cannot be defeated in this manner--they will go into effect on October 1 and the Panama Canal Zone will become Panamanian territory. The courts have sustained this position and nothing legally can be done at this stage to reverse the process. We have, in effect, an obligation under international law to implement the provisions of these treaties in good faith.
2. The second objective is to convince these members that it is in the national interest of the United States to assure that the legislation enacted by Congress permits our contry to efficiently operate and defend the Panama Canal until the year 2,000. If legislation is not adequate to this task, important American interests--the shipping industry, consumers, farmers, East Coast states dependent on Alaskan oil and major Gulf and Eastern ports--will suffer. The legislation will provide appropriate benefits for the US civilian Canal Zone workers, so important to the continued efficient operation of the Canal under the new system. It will also assure that our military forces in the Canal Zone have the equipment and facilities to perform their mission--guarding against any threat to the integrity of the Canal.

3. The third, and perhaps most important, objective is to demonstrate to these Members that this is an issue that can be handled politically. This requires explaining to the voters that a defeat of the treaties is not possible. It is important to note that the Administration's strongest allies in the House were public opponents of the treaties. Jack Murphy, who as the Chairman of the Merchant Marine Committee will manage the implementing legislation, was a vocal opponent. Murphy should be commended for the courageous role he played. We do not agree with all aspects of his bill, but we are supporting its passage. David Bowen of Mississippi and Ed Derwinski of Illinois both come from districts which strongly oppose the treaties, but they have handled the issue masterfully. They have turned back on the opponents the responsibility for causing the Canal to shut down should the absence of good legislation lead to labor troubles or other disturbances which bring that to pass. These two congressmen should be cited as the prime examples of Members who know how to deal with this issue politically.
4. Despite flaws, the Murphy bill is almost surely the best we can hope for in the House. Murphy sells his version as stronger on defense of the Canal, less expensive to the taxpayer and more beneficial to the canal employees than our bill. Since a large number of Members, particularly freshmen, are publicly committed to vote against any treaty implementing legislation, this approach has considerable merit in terms of getting a bill through the House. Because most of the prospective amendments would make the bill worse rather than better, we have adopted the strategy of supporting the Murphy bill without substantive amendment. We are explaining that we hope to get a better bill in the Senate and to eliminate less desirable provisions in conference. It is important to stress that we are getting behind Jack Murphy's bill, though we do not agree with all its provisions. Murphy's bill gives Congress more control than we think is necessary and is truly a congressional product. We share its objective, if not its methodology.

5. Since the cost issue is foremost in the minds of so many Members, you should hit hard on this question, aggressively challenging the \$4 billion Hansen estimate. Hansen has used misstatements of fact, false citations, and double accounting to devise so-called "price-tags" of implementing the Treaties. For instance, he cites the increase in tolls twice, whereas in fact it will not be a direct cost to the taxpayers at all. Another example: He claims there will be a deficit of \$36.2 million a year, but in actuality the Canal operation will be self-sustaining financially. The result is that he has confused the issue of treaty-related costs through exaggerations for which there is no reasonable basis whatever.

C. Participants--see attached list. (Tab A)

D. Press Plan--White House photo only.

III. TALKING POINTS

A. There are a number of issues involved in the implementing legislation for the Panama Canal Treaties in the House. Members of the Administration are here to discuss them with you in detail. I would like to start the discussion by making a few general points.

B. The Treaties will enter into force a little less than five months from now, on October 1. The instruments of ratification became effective April 1.

o Under the Treaties, we have the right to operate the Canal until the year 2,000, and, after that, to defend it against any threat.

C. The Treaties are a fact. They are part of the law of the United States and a part of international law.

o During the ratification process, the Treaties were the subject of intense national discussion and debate.

o As the Constitution requires, they were submitted to the Senate for its advice and consent. The Senate gave us plenty of advice--but they also gave their consent.

o What the national interest now requires of us is to make the Treaties work and keep the Canal running efficiently.

- D. I am asking for your support of reasonable and effective legislation to accomplish this purpose. I am also asking you to oppose legislation or amendments that would make it impossible for us to operate the Canal properly or to meet our legal obligations.
- o The Government of Panama has pledged to me to fulfill the letter and the spirit of the Treaties.
 - o Obviously, we must do the same.
- E. Positive political changes in Panama since the Treaties have brought us closer together.
- o There has been a steady improvement in the human rights situation, as a recent report by the Inter-American Commission on Human Rights has confirmed.
 - o Last October, a new civilian government was elected to succeed General Torrijos.
 - o Ambassador Moss, Governor Parfitt, and General McAuliffe, our ranking officials there, report a new and healthy atmosphere of cooperation.
 - o Unlike the old 1903 Treaty, the new Treaties are widely accepted.
- F. The implementing legislation must meet three basic needs:
- o The need to make the transition as smooth as possible.
 - o The need to meet solemn obligations undertaken under American and international law.
 - o The need to maintain and strengthen our partnership with Panama--because that partnership is by far the most efficient and least expensive way to keep the Canal open, working and secure, while at the same time improving our relationships throughout the region.
- G. In the weeks ahead, the Congress will determine whether or not the US will have the tools to do the job.
- o Failure to enact legislation, or the enactment of legislation that is seriously flawed, could cause chaos in the Canal's operation.
 - o We owe it to the Americans who work in the Zone and their Panamanian co-workers.

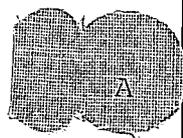
- o Our national defense and the interests of the US Merchant Marine and American consumers, port workers, importers, and exporters would be well served by good implementing legislation.
- H. I know that there have been many figures thrown around about the cost of this Treaty. They have been vastly exaggerated. The estimate last year was a preliminary one. The Defense Department is now projecting a cost of \$870 million. We believe that estimate is on the high side and I have asked that the costs be reviewed.
- I. I realize that this is not an easy issue politically. Defeat of the Treaties is not possible. There are those among you who have realized that. In fact, Chairman Murphy and Congressmen Derwinski and Bowen were public opponents of the Treaties. They are now playing key roles in helping us get implementing legislation because they understand the need for a smooth transition. They have turned back on the opponents of the legislation the responsibility for causing the Canal to shut down if there are disturbances in Panama.

IV. ADDITIONAL MATERIAL

A. Issues

1. The Panama legislation is likely to come to the House floor the week of either May 14 or 21. The bill, HR 111, was sponsored by Jack Murphy, who in turn borrowed heavily from an early draft of the Administration bill. While generally satisfactory, the Murphy bill has a number of provisions that cause problems. For your background, the more troublesome provisions are as follows:
 - a. Panama would not get its "contingent" payment, provided for in Article 13(4)(c) of the Treaty, until all direct and indirect costs of the Treaty had been paid. This would effectively eliminate any possibility that we could make the payment.
 - b. The bill provides that property transfers to Panama may be made only pursuant to law and authorized only the initial transfers under the Treaty.
 - c. It would permit the President to appoint a US military officer to operate, as well as defend, the Canal in wartime.

2. The main attack on the Murphy bill will probably come in the form of a substitute or amendment by Rep. George Hansen (R-Idaho) which would add on so many new payments to be made by the new Canal Commission or by Panama which are not foreseen by the Treaties that Panama would receive little benefit from Canal operations.
 3. Other possible amendments include a Post Office and Civil Service Committee amendment which would provide less generous benefits for Canal employees on early retirement and other matters than either the Administration proposal or the Murphy bill. You will recall that you promised in the Canal Zone to seek to maintain the quality of life of the workers there. The Canal workers believe that that is at stake in this legislation.
- B. Questions and Answers--See Attached. (Tab B)



PARTICIPANTS

Alexander, Bill Rep.
Anthony, Beryl Rep.
Atkinson, Eugene Rep.

Bailey, Don Rep.
Bennett, Charles Rep.
Bethune, Edwin Rep.
Biaggi, Mario Rep.
Boggs, Lindy Rep.
Boner, William Rep.
Bowen, David Rep.
Brademas, John Rep.
Broomfield, William Rep.
Broyhill, James Rep.

Campbell, Carroll Rep.
Cheny, Richard Rep.
Clinger, William Rep.
Coelho, Tony Rep.
Courter, James Rep.
Dannemeyer, William Rep.
Daschle, Thomas Rep.
Davis, Robert Rep.
Derrick, Butler Rep.
Derwinski, Edward Rep.
Donnelly, Brian Rep.
Dougherty, Charles Rep.
Ducan, Robert Rep.

Edwards, Jack Rep.
Emery, David Rep.
Erdahl, Arlen Rep.
Evans, David Rep.

Fenwick, Millicent Rep.
Findley, Paul Rep.
Forsythe, Edwin Rep.
Frost, Martin Rep.

Gephardt, Richard Rep.
Gilman, Benjamin Rep.
Glickman, Dan Rep.
Goodling, William Rep.
Gramm, Phil Rep.
Green, William Rep.
Grisham, Wayne Rep.
Guarini, Frank Rep.

Hamilton, Lee Rep.
Hance, Kent Rep.
Hanley, James Rep.
Heftel, Cecil Rep.
Hillis, Elwood Rep.
Hopkins, Larry Rep.
Hughes, William Rep.

Ichord, Richard Rep.

Jeffords, James Rep.

Lehman, William Rep.
Lewis, Jerry Rep.
Livingston, Bob Rep.
Lloyd, Jim Rep.
Loeffler, Thomas Rep.
Long, Clarence Rep.
Lowry, Michael Rep.
Lujan, Manuel Rep.
Lungren, Dan Rep.

McClory, Robert Rep.
McCloskey, Paul Rep.
McKay, Gunn Rep.

Madigan, Edward Rep.
Marks, Marc Rep.
Mattox, Jim Rep.
Mavroules, Nicholas Rep.
Mica, Dan Rep.
Murphy, John Rep.
Murtha, John Rep.

Nelson, Bill Rep.

Oberstar, James Rep.
Obey, David Rep.
O'Neill, Thomas Rep.

Pashayan, Charles Rep.
Patterson, Jerry Rep.
Perkins, Carl Rep.
Petri, Thomas Rep.
Peyser, Peter Rep.

Quayle, Dan Rep.

PARTICIPANTS

Rahall, Nick Rep.
Regula, Ralph Rep.
Rinaldo, Matthew Rep.
Rodino, Peter Rep.
Roe, Robert Rep.
Roth, Toby Rep.
Royer, William Rep.
Runnels, Harold Rep.
Russo, Marty Rep.

Sawyer, Harold Rep.
Sharp, Philip Rep.
Shelby, Richard Rep.
Skelton, Ike Rep.
Snowe, Olympia Rep.
Solomon, Gerald Rep.
Stack, Edward Rep.
Staggers, Harley Rep.
Steed, Tom Rep.
Stewart, Bennett Rep.
Stockman, Dave Rep.
Stratton, Samuel Rep.
Swift, Allan Rep.
Synar, Michael Rep.

Volkner, Harold Rep.

Williams, Lyle Rep.
Wolff, Lester Rep.
Wright, Jim Rep.
Wyatt, Joe Rep.

Zablocki, Clement Rep.

WHITE HOUSE CONGRESSIONAL LIAISON

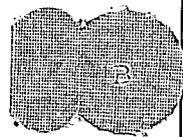
Albright, Madeliene
Beckel, Robert
Moore, Frank
Pastor, Bob

STATE DEPARTMENT OFFICIALS

Atwood, Brian
Bennet, Doug
Moss, Ambler
Popper, Dave

DEFENSE DEPARTMENT OFFICIALS

Alexander, Cliff (Secretary)
Blumenfeld, Michael
Dolvin, Wilborn General
McAuliffe, Phil General
Stempler, Jack



NEED FOR IMPLEMENTING LEGISLATION

Q: The implementing legislation appears to be in trouble. What will the Administration do if there is no legislation by October 1?

A: The consequences would be extremely serious. Without implementing legislation it is not clear how the Canal organization would find the means to pay our employees to stay on the job and to keep the ships moving through the Canal. Moreover, we would have an international commitment under the Treaty to make payments to Panama. There would be many other requirements it would be very difficult, if not impossible, to fulfill.

We do not believe that the Congress would put our country in such a situation. I don't think it's helpful to speculate on the consequences.

OPPOSITION TO THE TREATY

Q: I was opposed to the Panama Canal Treaty as were my constituents. Why should I vote to implement it?

A: By our constitutional processes the Panama Canal Treaty is now an international obligation of our country and a part of the law of the land. It is the American tradition to keep our word and support our commitments. Without implementing legislation, it is very difficult to see how we can honor these commitments or exercise our rights under the Treaty. The Canal could be shut down if we have not set up the new operating machinery or arranged to retain and pay the workforce. A vote to implement the Treaty is a vote to keep the Canal open and to keep faith with our commitments. It is not a vote on whether the Treaty goes into effect. The Treaty was approved by the Senate after long debate last year, and it was duly ratified.

*Sworn
upheld
law*

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CONFUSION OVER TREATY COSTS

Q: In February 1978, the Administration told the Senate that the total appropriations impact of the Panama Canal Treaty was \$350 million over the life of the Treaty -- i.e., to the year 2000. Now, the Administration has produced new estimates which conclude that impact may be as much as \$870 million in constant dollars. Why did the Administration so miscalculate the costs of implementing the Panama Canal Treaty?

A: The estimate last year was a preliminary one. As a result of exhaustive analysis and detailed budget data now available for FY 1980 and the 1980-84 five-year budget cycle, we now have a much better basis for estimating all foreseeable expenses to the United States Government until the end of the century.

* * *

-- We believe the estimate of \$870 million is on the high side.

-- For example, we have projected the level of the United States official community (troops and US-citizen DOD and Canal employees) at the Canal to remain constant until the end of the century. In all probability, our official presence will be reduced at various stages

during the life of the Treaty. Since reductions are not currently planned, we have not reflected those reductions in our cost estimates. Nor have we allowed for any other cost-saving measures after 1984.

-- On this basis, the assumed costs would amount to less than \$42 million per year in constant dollars over the life of the Treaty. This is by no means disproportionate to the political, economic and strategic benefits we will obtain from efficient and secure Canal operations. It compares most favorably with costs we would incur for additional Canal defense and lost tolls if we did not have the Treaties.

MURPHY BILL

Q: The House Merchant Marine and Fisheries Committee has reported out Chairman Murphy's bill on the implementing legislation. Can you support this bill? Would you veto it if it were passed by the Congress?

A: The bill reported out by the Committee is in several important respects imperfect. Nevertheless, we certainly prefer this bill to no bill at all. We hope and expect that the Congress will correct those provisions which would cause us operational difficulties and others which we find inconsistent with the spirit or the letter of the Treaty. The congressional process still has a way to go; and it is too early to consider the question of a veto.

CUTOFF OF MILITARY AND ECONOMIC AID

Q: What is your reaction to the two votes in the House eliminating military and economic assistance to Panama?

A: They were unwarranted and adverse to our national interest. We will seek to have these funds restored.

* * * *

-- The thrust of the economic assistance program was to help those in Panama with a per capita income of less than \$8 per week. It meets all the criteria for economic assistance programs.

-- The program for foreign military sales credits of \$5 million is intended to improve Panama's capability to participate in the defense of the Panama Canal.

-- The military appropriation is for a credit guarantee, not a grant of taxpayer dollars, and it is a small program in keeping with Panama's needs.

-- Panama spends less on its military in terms of both the government budget and Panama's GNP than any other country in Latin America except Costa Rica (which has no army).

PANAMA: DEBT PROBLEM

Q: According to recent reports from our Embassy in Panama, published in the Congressional Record, Panama appears on the verge of bankruptcy. Will the Treaty payments be enough to bail Panama out? Or, will more U.S. money be needed?

A: While Panama has heavy debts, incurred as part of its national investment program, the debt load is manageable and longer-term prospects for the Panamanian economy are quite encouraging. Panama will manage its own financial affairs without our help.

* * * *

-- The reports in question did not constitute a forecast, but rather a description and analysis of the Panamanian debt, based on published data.

-- While the reports noted the size of the public debt, they also indicated that the debt was within tolerable limits if economic growth exceeds 3% annually during the next several years, no difficulties are experienced in implementing the Canal Treaty, and there is steady growth in Canal revenues. Our Embassy believes that all these conditions will be met.

SUPPORT FOR NICARAGUAN INSURGENTS

Q: Panama has given some materiel and other support to the Sandinistas in their effort to establish a communist government in Nicaragua. What have we done to deter Panama's involvement in the external affairs of a neighboring country?

A: Public opinion in Panama widely opposes Somoza; and the Government of Panama, we believe, has given some support to the Sandinistas. Our Ambassador has discussed this matter with the Government of Panama, indicating our concern that widespread fighting in Nicaragua would not only result in unnecessary bloodshed but also could lead to an outcome that neither we nor Panama seek. The Government of Panama has made clear that it shares our overall objectives. It believes that its relationship with elements of the Sandinistas provides a moderating influence. We do not entirely share that view.

HUMAN RIGHTS

Q: Freedom House has ranked Panama low in human rights performance. In view of its record on human rights, how does the Administration justify requests for military and economic aid to Panama? What has the Administration done to encourage improvement?

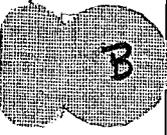
A: Panama has made a very substantial improvement in its human rights record over the last two years. Its record overall is now good. This is reflected in the State Department's current report to the Congress on human rights. We continue to encourage Panama to maintain this favorable trend. We do not believe the Freedom House report is accurate, but even it notes a positive trend.

* * * *

- All political exiles have been allowed to return, and most of them have.
- Freedom of expression has increased; press censorship has been repealed and the Government is frequently criticized in the media.
- Political parties are free to engage in political activity and to oppose the Government.

-- Torture is not practiced.

-- Panama is a signatory of the American Convention on Human Rights.



MAY 8, 1979

Office of the White House Press Secretary

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AT A
BRIEFING FOR A GROUP OF CONGRESSMEN

The East Room

7:40 P.M. EDT

THE PRESIDENT: I don't know of a better way to wind up a day of delightful legislative work -- (Laughter) -- than to discuss the Panama Canal Treaty and its implementation.

I would like to start out and say a few words as President and then call on Secretary Alexander to follow me and then General McAuliffe and then Ambassador Ambler Moss. And following those brief explanations of what issues are involved, to spend the time we have available, I am at your disposal to answer questions that you might have about this very important issue.

I appreciate you coming over. I know it has been a hard and long day for you. But there is really no issue that you will address this year that is more difficult or more important than to pass reasonable legislation to implement the treaty. The instruments of ratification went into effect the first day of April. And, as you know, the Panama Canal Zone will come under Panamanian jurisdiction as Panamanian territory on the first day of October. This has already been written into the treaty which is now law. It has been ratified, after a treaty was negotiated for 14 years or more by me and, I think, three other Presidents. And this is an accepted fact that on the first day of October, the Panama Canal Zone will become Panamanian territory under Panamanian jurisdiction.

The responsibility that we share now, the House, Senate and the President, is to draft and to pass legislation to implement a treaty that is in existence. We have the right under the treaty, carefully negotiated, to operate and defend the canal itself through the year 2000. And after that time, our country has the right to continue to defend the canal fairly much as we see fit.

The most crucial element of the transition period for the next 20 or so years is to make sure that the canal is operating effectively, efficiently, that it is not in danger of interruption, and that we evolve over that period of time an even stronger sense of partnership and sharing with Panama.

MORE

As you know, we have for many years, many decades, many generations, shared with Panamanian workers there the responsibility for the effective maintenance and operation of the canal itself. And we built into the treaties the proposition that during this transition period, we would continue to work to operate the canal in harmony with one another.

I think there has been evolved in the last year or more a mutual respect for one another between ourselves and the people of Panama. There were sharp divisions and concerns raised during the intensely debated treaty ratification time. And I think the exchange of documents when I went to Panama, the visits by General Torrijos up here, Congressional delegations, particularly a large number of Senators -- I think almost half the Senate went to Panama to discuss with the leaders there and examine the canal installations and also to discuss future employment and retirement benefits with the American workers, primarily, but also Panamanian workers, to set a basis for proper relationships that are very crucial.

I think that all of the military leaders who testified in meetings like these, which were numerous, with the Members of the Senate, or with the public throughout the Nation, indicated accurately that a major factor in the peaceful operation of the canal itself was harmonious relationships with the Panamanians. And that is what we have achieved, and that is what we hope to maintain.

I believe that it is important to recognize that you and I have a responsibility to carry out a solemn commitment of the United States of America. Our word of honor is at stake. There have been promises made by the Panamanians and by us. The legal binding promises are spelled out in the technical language in the general terms of the treaty. But there is a general tone and spirit of the treaties that were evolved after difficult negotiations and when commitments were made on both sides.

We have an obligation to meet those commitments. We, in addition, have negotiated with the American employees there. There are certain employment rights, salary levels, retirement terms, benefits after retirement on which the successful operation of the Panama Canal depends. And the good will of the U.S. and Panamanian workers who maintain and operate the canal is a very important element in its proper operation.

Any defaulting on the treaty terms and the commitments that have been made would, I think, create serious problems for our country, not only in the violation of a respected nation's word of honor, but also possible labor unrest or even potential violence that might interrupt the operation of the canal.

MORE

East Coast oil deliveries from Alaska are dependent upon normal, uninterrupted traffic to the Canal. American shippers, shipping lines, Gulf Coast ports, consumers, farmers and others all depend upon the proper operation of the Panama Canal.

I think it is very important also for us to recognize the need to meet our responsibilities with adequate defense of the Canal itself. The expenses that accrue to our government primarily relate to workers' benefits of all kinds, which I have just described, and the proper deployment and equipping of American military personnel to be sustained there through the year 2000 to guarantee the safety of the Canal operation itself.

I recognize perhaps even more vividly than anyone in this room the political consequences of the consummation of the Panama Canal Treaty. When we started our final stage of negotiation, only eight percent of the American people favored the Panama Canal Treaties in any form. About 39 Members of the Senate had signed a resolution the year before I became President, committing themselves not to ratify any Panama Canal Treaty. But as the public became aware of the terms of the Treaty and the connotations of it and the consequences of rejection, the benefits of completion of the Treaty terms, a substantial majority approved of the Treaty provided we had the right after the year 2000 to defend the Canal and provided during the rest of this century, for the next 20 years, we had the right both to defend and operate the Canal.

We gave estimates of the cost of workers' benefits and defense primarily to the Senate in the early stages of the canal debate last year, as \$350 million over the next 20 years, roughly 10 years. We didn't know what premises would be finally written into the implementing legislation after the final ratification. Of course, we didn't have time to do accurate projections not knowing the final terms of the legislation.

Our latest estimates by the Defense Department are \$870 million. The Office of Management and Budget have fairly well confirmed these figures. Their figures came out on the same premises to amount to about \$850 million, only \$20 million difference.

MORE

I would say over the next 20, 21 years, the average cost per year will be about \$42 million. As you know, payments to Panama come out of toll fees and I believe that I can assure you that these figures are accurate to the best of our ability to estimate.

There have been wild exaggerations of cost, including all the toll fees and so forth, much higher than this. If we take a period, say, ten years before the termination of our responsibility, the year 1990, and begin to phase down the cost of maintaining our troops at a rate of about three percent per year, which is a reasonable assumption, but it is one we have not yet assumed, then the total cost would be about \$350 million.

But our presumption in reaching the \$870 million figure is that we would sustain the present level of American troops adequately deployed and adequately equipped right up to the last day we are responsible for the defense of the Canal.

These terms, I think, are fair to our country. I think there are great benefits to be derived from the Treaties themselves. We are obligated, I think, to act in good faith with Panama. I would say that there has been some expression of concern in the House, to answer the last question that I know about, concerning the human rights status as it exists in Panama.

I think Ambassador Moss would agree and General McAuliffe would agree -- they live there -- that there have been dramatic improvements in Panama in the last year and a half. General Torrijos has stepped down; a genuine civilian government has been chosen. Panama has signed the Inter-American Human Rights Convention.

We have seen Panama move toward freedom of the press. The political exiles from Panama have been invited to return and there has been a general improvement there all around.

It is not perfect. They don't measure up yet to American standards, but the objective analysts who have been in Panama would agree, I think, with what I have just described to you.

MORE

I, as President, want to ask you, without any timidity, to help us evolve within the House an acceptable implementation bill to carry out the terms and the spirit of the treaties that we have negotiated and which the Senate has confirmed and which are now U.S. law and international law.

I think Jack Murphy, Ed Derwinski, David Bowen represent three Members of the House who have shown tremendous courage, as have the numerous groups in the Senate. All three of these men, as you know, were opposed to the treaty. They did not want to see the Panama Canal Treaties signed. But I think they have studied the issue and now see that legislation is necessary to carry out the commitment that our Nation has made and to fulfill an oath that you and I both took that we would uphold the U.S. law.

I have to say that there are some elements within the bill which Jack Murphy is sponsoring that I don't agree with completely. But I think it is an excellent effort and shows great courage on his part, and I want to thank him for it.

I think now I will call on the Secretary of the Army to say a few words and then our Ambassador and then General McAuliffe and then we will open the session for questions.

Secretary Alexander.

I might say, if I made any mistakes in the presentation, don't hesitate to correct them.

SECRETARY ALEXANDER: If I may speak as the sole stockholder of the Panama Canal Company and as Chairman of the Board of Directors, and not as Secretary of the Army.

For the last two years, the company has been run and run quite well, under the able leadership of General Parfitt who has been the President of the company. The same people who are running this company would be subject to significant and undue hardship if there were no legislation as of October 1 of 1979, because as of that date, the Panama Canal Company goes out of existence. And unless there is significant enabling legislation, there will not be a Panama Canal Commission to go into existence.

It will also mean that some 3,000 employees that need to be transferred from the company in its activities to the Defense Department, so that there can be health services and education for the people who are now in the Zone, would not take place.

It also means that we would be unable to set tolls for international shipping which would have the necessary and unfortunate chaotic effect on international shipping.

It also means that the people in the Zone would have had representation subject to the actions of the House of Representatives and the Senate, that they would have fair and equitable legislation to benefit them in terms of their retirement rights -- what happens to them if they are forced

to leave employment, they would have no such rights, and the chaos that would flow from this.

All of these results would take place if there is no legislation. If there is no enabling legislation, it means that the Panama Canal Commission would not go into existence as of October 1st of 1979.

The people who have worked during the discussion and the debate that has taken place in this country have often expressed themselves, many of them have been against the treaty. But they have continued to work and work effectively within the zone. These are people who would be hurt if there were not legislation to carry out the treaties that have been passed by the Senate of the United States.

Most significantly, the commitments that we have made, as the President indicated, would not be carried out, our commitments to work in partnership with Panama to see to it that an international waterway stays open and is capable of taking care of the important continued supplies in international shipping.

So as the person who has been Chairman of the Board and is the stockholder, I would like to see that company continue to function. And in order for it to continue to function effectively, we do need effective implementing legislation.

GENERAL MCAULIFFE: Since treaty ratification, an excellent relationship has existed between the military forces of Panama and those of the United States. In fact, it is the best that I have seen in my four years in command there. For the first time in five years, the Army Brigade was permitted to use Panama's training base at Rio Hato, some 70 miles West of the Canal Zone, early this year for an extensive readiness exercise that lasted about a month.

There was real cooperation from Panama, both before and during that exercise. Just last month, the command conducted the first major force augmentation exercise in five years, involving army and air force units deployed from the United States. The exercise was invaluable in proving the readiness of my own forces and the augmentation forces to defend the canal.

We were, of course, prepared to reinforce my command throughout the previous several years of uncertainty and turbulence. Cooperation in police and intelligence matters also serves us well. Within the command now, we are preparing for the relocation of certain military units from areas to be released to Panama in October, and for the assumption of certain functions from the Canal Zone Government such as the hospital, the postal system, and dependent schools.

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These unit relations -- in fact, there are three battalion size elements involved, require military construction funds now being addressed in conjunction with the FY 1980 defense budget. The functional transfers require that the appropriate military services budget for that, although there will be some compensation of reimbursements to the U.S. Treasury from those agencies utilizing those functions.

Concerning combined defense, the main objective of the treaty is to provide Panama with an active role in the operation and defense of the canal, and through that partnership, to enhance the security and our continued use of the canal.

We are, however, the senior partner. The United States will retain primary responsibility for defense of the canal to the year 2000 just as we shall continue to be responsible for its operation.

Panama's small military establishment, primarily a police force, can assist the United States from the outset with its capability to neutralize civil disturbances and disorders, a threat that is never far removed in Panama. We do want and expect Panama to enlarge and restructure its force so as to be able to contribute some tactical units to our combined defense of the canal.

Ultimately, Panamanian units should replace ours, after they have been fully equipped and trained to take over major defense tasks.

To accomplish even the modest force development that Panama now contemplates will require security assistance funding support from the United States.

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That funding support should commence with FY 1980 to encourage the partnership that we seek. The Treaty implementation legislation is important to us from a military viewpoint as well as Canal operating viewpoint in that it is designed to enable us to fulfill our mission in an atmosphere of cooperation and efficiency.

From that legislation we seek provisions that will benefit our military personnel and civilian employees as well as those that would provide a framework for a cooperative and helpful partnership from Panama.

To the contrary, if there should be provisions in the legislation that serve to curtail employee benefits or should be abrasive to Panama, then I think we risk a return to the adversary type of relationship that we have had over my time in Panama, a relationship that could jeopardize our future use of the Panama Canal.

THE PRESIDENT: Ambassador Moss?

AMBASSADOR MOSS: Thank you, Mr. President. I want to add a few brief remarks on the several areas of the civilian side of what is going on down in Panama, following very much General McAuliffe's remarks.

Really, on the civilian side, cooperation with Panama has been excellent. We work with them in a number of ways, a number of new ways, and the enthusiasm that Panama and the Panamanian Government and its people have for the new partnership, new relationship with the United States, has been certainly evident in a number of fields. I will just mention a few of them.

As you know, President Royo of Panama is going to be coming here tomorrow to meet with President Carter to give him a firsthand report. He feels at that level the heads of government ought to get together from time to time to review progress that has been made. Down on the Isthmus we are meeting with Panamanians in 26 different subcommittees on the civilian side, numerous military subcommittees, where technicians are getting down and working out the practical details, the practical problems, all the nuts and bolts that have to go into making the treaties work, having everything in place on Treaty day, making sure the job gets done on a professional level. No negotiating across the table, no waving of fists, no hard bargaining, but simply professionals and technicians sitting down at the table working out problems.

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This year we were able to dispatch a good bit of business, I'd say, well within our time frame -- even ahead of time -- by the signature of three new agreements with Panama called for under the new treaty relationship. A civil air agreement which will phase over to Panama our FAA operations at a savings of several million dollars a year once the Panamanians are trained for it; a cemetery agreement which will establish a permanent United States cemetery at the present Corozal cemetery in the Canal Zone; and a prisoner exchange treaty which will be submitted to the Senate which will provide that our citizens, judged by a Panamanian court, will be able to elect to serve their sentence in the United States and the Panamanians sentenced here will be able to serve their sentences in their homeland.

These three agreements were negotiated quickly without any particular difficulty and are evidence, I think, of the good will that exists on all sides.

One of the gratifying things, too, Mr. President, has been the attitude of the Panamanian Government toward the U.S. civilians who live on the Isthmus. We see that in a number of ways. President Royo personally made trips along the Atlantic side of the Canal, the Pacific side of the Canal, accompanied by the Governor, General McAuliffe and myself; talked to workers, talked to people who lived in the housing areas there, assured them of his good will when the treaties come into effect.

He recorded in English a little presentation shown on our Armed Forces television on New Years Day during the half time of football games to make sure it got maximum coverage -- (Laughter) -- and assured our U.S. population in the Canal Zone that they would be welcome in Panama, that Panama respected them, understood their concerns and wanted to work with them.

Lately, in our working out of all these little details, I mentioned with the Panamanian representatives down there, they have shown a willingness to give our nonprofiting organizations down there -- I am talking about people like the Lions Club and Elks Club, the Boy Scouts, Knights of Columbus, people like this, even perhaps a few special advantages and a few special privileges and treatment beyond that which the treaty has even accorded them.

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We think this is a very positive step, one very much in the right direction.

So we are very, very gratified with the signs that we have seen so far developing as to the attitude of the Panamanian Government, the people, their desire to be a good partner with us.

The second point I think is there is great expectation down in Panama now that the economic stagnation which has, unfortunately, characterized the country for a number of years will be broken with the advent of the treaties. There is a tremendous drive on the part of this new, young civilian government to bring in additional capital. They welcome in private foreign investment. It is refreshing to see a Latin American country, frankly, in which private foreign capital is welcomed in with open arms and every facility made available.

President Royo, undoubtedly, will have a few things to say about that when he comes here, as he did in Europe, that they genuinely welcome private capital to come in and do the job. There has been a tremendous emphasis during his Administration which dates from October 11 of last year toward developing the private sector. American business is beginning to feel this change. In fact, right now the American businessmen down there are organizing an American Chamber of Commerce which up until now has not existed in Panama. But they feel the time is right so they are busy organizing one now.

I think these are encouraging signs for the future.

The third point, as the President mentioned, is we certainly have seen a dramatic political evolution in Panama over the last year. The government has moved to a civilian government as of last October. The President is an energetic young lawyer, 38 years old. I think the average Cabinet age is 37, something like that, all of them civilians. Measures have been put in motion for direct popular election of the President by 1984, with some interim Parliamentary elections by 1980. Political parties are beginning to organize and develop and go out and sign up adherents. This is a good development, one we are pleased to see.

The political exiles, as the President mentioned, have all been invited to return to Panama. Most, in fact, have done so. Some of them are down there, in fact, campaigning against the government with impunity. I know former President Arias, the leading exile who had spent a number of years in Florida, is issuing manifestoes right and left and even having them printed and is able to go about carrying out an effective opposition of the government in this way.

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Certainly on the core elements of human rights, absence of torture, of arbitrary arrest, abuse of the person, that kind of thing, Panama has had a very good record for a number of years. It is not even mentioned in Amnesty International reports over the last few years. It has been given progressively higher marks each year by human rights organizations.

I think in the political areas, in the freedom of expression area, we are very pleased to see that opening up as well, as the President has said. I would certainly have to describe the situation as being precisely the way he said it. Panama is not a full blown participatory democracy yet. It is not exactly like the United States. But certainly in the greater Latin American spectrum, it comes off looking pretty good. It is a good example of the program and I think a policy, with the trend in exactly all the right directions.

Let me stop there, Mr. President. I think that is probably enough. I must say from our standpoint down there, civilians as well as military, we are very full of enthusiasm about the prospects of a very successful implementation of the treaties. We think they are going to work. There is every reason why they should.

Of course, we, down on the spot, as the Panamanians, are very aware of the crucial role of implementing legislation and fostering that process and making things work out according to plan.

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QUESTION: Mr. President, I believe you mentioned in your remarks that the \$870 million that you estimate it will cost us now, I believe you said all that would come out in toll fees. Is that correct?

THE PRESIDENT: No. Any payments to Panama will come out of toll fees. The \$870 million is designed basically for workers benefits, retirement benefits for our workers, payments to them of an increased nature and the sustaining of our military presence to defend the Canal.

The original estimate that was made to the Senate during the early days of the debate was \$350 million, before we knew the terms of the legislation and how long all our personnel would stay there and so forth. We have assumed in the \$870 million figure that we will maintain the present level of military personnel up to the last day we are in Panama. If we are getting along well with Panama under the military leadership, which will be General McAuliffe's successor, and, say, in 1990 we start phasing down costs at three percent a year, letting Panama join with us on a cooperative basis, then it will work out to about \$350 million.

But we are talking about sustaining our military presence up to the last day of 1999. Under those circumstances, we would pay about \$42 million a year, which works out roughly to \$870 million. That is for our workers and for our defense capability.

QUESTION: Do they make a contributing factor out of the Canal tolls also? Do they pay anything?

THE PRESIDENT: Panama?

QUESTION: Yes.

THE PRESIDENT: Panama has the smallest military force in Central America except Costa Rica, which doesn't have any military force. And as General McAuliffe said, it is primarily a police force. They have a very tiny National Guard. They are cooperating -- and one of the setbacks that we have had was action taken by the House to wipe out a \$5 million loan to Panama to let them improve their military, a tiny amount, as you know, to let them join in with the defense. But in kind of a lashing out at Panama to show something, we eliminated that FMS loan to Panama.

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But we would expect over the next 20 years, slowly but surely Panama will build up their military capability. But in this century, we are directly charged with the primary defense of the Canal. And following the year 2000, we have the right to defend the Canal if in the President's judgment, as Commander-in-Chief, the Panamanians are not defending it adequately.

QUESTION: Mr. President, Bill Green of New York.

If I could follow on, on the question of how much the increased tolls are going to cost us for the payments to Panama, I have had some expression of concern by shipping people in New York City that the increases in the tolls that are contemplated in essence are going to make competitive trans-continental land shipments and, thus, hurt the ports initially in the Gulf and later on, as the tolls go up, along the East Coast, including New York City. I was wondering if you could tell me what increases in the tolls are contemplated and whether your Administration has done any analysis of what the effects of these will be on the Atlantic and Gulf ports?

THE PRESIDENT: We made projections during the Senate debate but let me refer to the Ambassador and Secretary to give you a more accurate answer because I have not kept up with it that much.

AMBASSADOR MOSS: Perhaps Secretary Alexander can elaborate on this, too, but under the Administration bill, I understand the Canal company would only be required to raise tolls by 11 percent. This is better than our estimates last year and in fact in 1977 when the treaties were concluded, when sensitivity studies indicated that Canal traffic could reasonably bear an increase of anywhere up to, let's say, 30 percent. Now, there is the question, of course, of how much the traffic should bear, how much the total traffic should bear, and how much the taxpayers should bear additionally to that.

For instance, in Chairman Murphy's bill, the interest payments which are presently made to the U.S. Treasury, which have been made for the past 30 years to the U.S. Treasury, would be continued, and that would require a total increase of slightly over 21 percent. Again, well below the figures that we talked about during the negotiations.

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There have been, of course, other proposals to add in other treaty costs, or extra treaty costs -- for instance, some of the early retirement benefits that can be given to our workers -- and they were put under the tolls rather than borne by direct appropriations, that would rise a little further.

So you start off with kind of a floor, basic treaty, direct treaty related costs, which would cause a toll rise of 14 percent, but then there are, of course, a certain number of add-ons which would represent other funding which could be taken out of the total revenues, if that were the decision of Congress in the implementing legislation.

THE PRESIDENT: That toll fee setting would remain with us.

SECRETARY ALEXANDER: There have only been two recent increases in the tolls in the entire history of the canal. They were 19 and 20 percent.

Actually, business has continued to rise, the feasibility studies were, as indicated by Ambler Moss, that you could go in the range of the 30 percent area without having a substantial effect on traffic. When you get too much beyond that, it could be --

QUESTION: Mr. President, Harold Walker from Missouri. I would like to know, is there any provision for repayment to this country for transfer of property such as the railroad or buildings that will eventually take place in Panama, presently owned by the canal company?

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SECRETARY ALEXANDER: There is no provision for payment by Panama for the transfer of the railroad, which will take place on treaty day.

The provision within the treaty is that the railroad will be transferred without change. It does not at any point establish a certain dollar value for any of the lines or any of the property transferred. For a property not specifically covered by the treaty, if the Panamanians want to have it, they pay the fair market value for it; for example, typewriters.

QUESTION: Anything basically attached to the land will remain?

SECRETARY ALEXANDER: That is correct.

THE PRESIDENT: Will remain there, in Panama.

Yes?

QUESTION: Bill Alexander, from Arkansas. Mr. President, prior to the ratification of the treaty, the anti-American forces within Latin America, especially Central America, use the presence of the United States in order to inflame the anti-American sentiment.

What has been the impact of the signing and ratification of the treaty on the anti-American movement, especially in Central America and in the Caribbean?

THE PRESIDENT: I have been to a number of Latin American countries, Bill, and my wife has visited seven of them -- seven different countries. I have met in Panama with the leaders of some of the key nations -- Venezuela, Mexico, Costa Rica, Colombia. There has been an outpouring of appreciation and an easing of tension and animosity against our country that has been truly remarkable.

It is hard for us as Americans to understand the deep sense that existed in many very friendly Latin American countries that we were still a colonial power. I think that all of the military even agreed, the Joint Chiefs of Staff were unanimous -- I won't try to speak for General McAuliffe. He is here to speak for himself.

But we all felt that the Panamanian government, their limited national guard in spite of extremely inflammatory statements made during the Senate debate -- Torrijos was their chosen leader -- was frequently referred to as a tinhorn dictator; racist statements were made against the Panamanians themselves,

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allegations that they were sub-human or were literally incapable of learning how to operate a valve on the canal or repair the canal.

The Panamanians listened to these debates with the same degree of intensity that we watched and listened to the Watergate hearings during their most interesting moments.

But in spite of all that, the Panamanian government acted with great sensitivity and the people of Panama showed great restraint.

I am not going to get into the argument that we suffered through for six or eight months last year about whether or not we could have defended the Panama Canal if there was an outpouring among the Panamanian people to try to damage it or sabotage it.

The Joint Chiefs thought we would have had a very serious problem of defending it and would have required perhaps several hundred thousand more troops to enter into combat to do so. But I think there has been a remarkable change in attitude toward the United States of both friendly and previously unfriendly nations because we signed these treaties and we have carried out our agreements under the treaties as best we could, with the exchange of documents and the attitude we have assumed.

If there has been any sense of animosity since then, I have not heard about it. Maybe Ambassador Moss or General McAuliffe, who live there, could correct me if I am wrong.

GENERAL MCAULIFFE: No, you are absolutely correct, Mr. President. I would like to say something with respect to these elements in Central America.

I do have occasion to visit those countries primarily, of course, to talk to the military leaders. But I do keep track of it.

I will say briefly that the United States' action in ratifying the treaty has taken the wind out of the sails of a lot of those anti-U.S. elements. They don't love us for that. But nevertheless, it has denied them a weapon that they had previously.

Let me just say categorically to another comment, Mr. President, that I have supported the treaties and the concept of the treaties since I first assumed that command.

I was appointed to the command by President Ford. My first tour as a Unified Commander was up about two years ago. President Carter reappointed me. If I didn't agree with the treaties that would have been an ideal time for me to retire. But I chose to stay on.

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THE PRESIDENT: I think the military, so far as I know, the military was unanimous in believing this was a good move.

I never heard any adverse reaction among active military persons.

QUESTION: Dan Glickman from Kansas. I would like to follow up again on the scenario, if Congress does not approve implementing legislation -- what would the direct result be in Panama and what would the indirect result be in terms of our relationship with Latin American countries?

THE PRESIDENT: Let me repeat what I said earlier, and then let the Secretary and the Ambassador respond more fully.

The treaty instruments were exchanged, went into effect the first day of April. The Panama Canal Zone comes under Panamanian jurisdiction on the first day of October, no matter what action the House or Senate might take now.

The treaty, as you know, under our Constitution is, the supreme law of the land just like a bill that is passed.

The Secretary has outlined things that could not happen if we did not pass implementing legislation. There is some doubt about whether we could operate the Canal at all. We would have not authority, for instance, to take care of personnel problems, to continue to employ them, to pay retirement benefits.

It would be doubtful unless the Congress would pass some kind of legislation that we could continue to operate military installations there. And the adverse effect on Panama, I think, would be profoundly damaging.

But let me turn to, the specific answer, over to the Secretary and then to the Ambassador and let General McAuliffe follow up because I want this to be very accurate. In fact, any time I make a statement because I haven't been involved in it for six or eight months that is incorrect, I hope you will all feel free to correct me. Is that clear?

SECRETARY ALEXANDER: Certainly, what you stated is completely accurate about all the personnel problems that would flow. Another set of problems is related to the transfer of people to run the hospitals, and run the schools. This could not take place. The setting of tolls could not take place. An increase in tolls would be necessary under any conditions, some have estimated 14 -- whatever percent, whatever one wants to put on the top. That could not take place.

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It is questionable what authority the people who are working there would have because the entity known as the Panama Canal Company cannot operate in Panama as of October 1st. That is a fact.

So how something could continue to function as the operating entity for the canal is a very serious question. Now what would continue, there are some elements of the Panama Canal Government that continue for a 30-month transitional period, like the police and so forth, but they, too, must be placed within a new organizational entity. But many activities would just plain stop.

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THE PRESIDENT: We have about 3,000 employees there who are presently U.S. citizens living under U.S. jurisdiction. And what their rights would be, absent implementing legislation, would be very doubtful. I don't think the courts have ruled on it yet, but they might become U.S. Government employees without rights. These matters have not been addressed, and the subsequences are so profound, it is almost impossible to assess how serious those consequences would be.

Ambassador, add anything you want.

AMBASSADOR MOSS: I want to add one more point to that. I think certainly the Secretary has addressed very fully the organizational problems we have had. General McAuliffe and I live down there and spent an awful lot of time talking to the U.S. citizens. I can tell you, too, we have a very severe morale problem. In fact, I think we have one already because the U.S. citizens who work down there really expect certain things to happen under the treaty, not only their status in a foreign country, but also the conditions of their employment, their labor organization, this kind of thing. And I can honestly report to you that the U.S. citizens in the Canal Zone almost unanimously ~~opposed~~ the treaties, there is no doubt about that. But they are almost equally unanimously in favor of this implementing legislation.

They want to stay there, they love their work, have a high esprit de corps, want to live in Panama. But they want promises fulfilled, want their status defined, want their way of life to continue, want the quality of life to continue as much in the same way as it is now as humanly possible. And sometimes psychologically, they have a tendency to feel Washington -- and they don't distinguish much between the Legislative and Executive Branches -- is out to undercut them or take away the things they were promised.

This affects the morale very deeply. Their morale normally on the job is very high. We would like to see it stay that way because it is a very direct factor in how well the canal operates in adverse circumstances.

Mr. Glickman raised the point, too, about how the Latin American countries would see the implementing legislation. I want to point out the canal is terribly important to us because about 7 percent of our international maritime commerce flows through the canal. But it is even more important to some Latin American countries. The West Coast countries of Latin America -- Chile, Ecuador, Peru -- in each of those cases, over 35 percent of their goods flow through the canal, 25 percent of Columbia, even though it is on two oceans.

One of the reasons these countries were outspokenly in support of the treaties was not to be so much anti-American and beat up on the United States, but in their own economic interests, because they felt this was the best way to see their interests preserved. I think a lot of them would view the failure of implementing legislation, or for that matter anything which threatened to disturb the perfect functioning of the canal, as being something which hit them very hard economically and would make a great impact on Latin America, great negative impact,

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not simply in political ways, but economically it is their lifes' blood and they would depend very much on that. I think that is something we have to bear in mind.

QUESTION: Mr. President, Frank Guarini, New Jersey. I understand that over 60 years ago, we were charging for passage through the canal \$1.25 a ton. And now, four wars and 60-some odd years later, we are only charging pennies more. I am troubled if these figures are correct, as to why we can't make the canal pay for itself and why we can't raise those \$42 million a year out of tolls so it doesn't cost the American taxpayer.

We know that it is a 9,000-mile trek to go around South America, and with fuel costs and crude costs and shipping costs, certainly there is still a great saving on the part of our country as well as other nations of the world if we charged just a fair rate.

SECRETARY ALEXANDER: You are certainly accurate in your statements about the dollars per ton that are charged. The only two raises in tolls have come within the last four or five years, and they have been 19 to 20 percent. One could question whether the canal was run like a good business for many years, there is no question about that. But some facts should be pointed out. Since 1951, the U.S. Treasury has received \$317 million in interest payments. And that is out of international toll payments. Since 1951, the capital improvements have been some \$377 million, again out of tolls.

Our feasibility studies indicate that there might be a search for alternate routes for the transportation of goods if one went beyond the raising of tolls in and around -- I am not precise on this; somebody can correct me -- around thirtyish percent. And as you raise it even higher, you eventually reach the point where you lose traffic faster than you gain revenue. We would not want to have a toll, obviously, that is any more than the traffic can bear. But the assumption is that with inflation and running it more as a business should be run, that in the future, you are going to have to raise tolls some more.

Therefore, that potential way of transporting goods has to stay competitive. So we don't want to see tolls go so high that you eliminate the capacity to provide coming revenue.

QUESTION: But in terms of world inflation, the tolls are a pittance in terms of what they should be. We have no money for countercyclical funds, urban aid and other programs, yet we spend millions of dollars down in Panama. It is hard to explain to my people back home why we can't have some urban help for the needy, handicapped, senior citizens, underprivileged, yet we are spending \$42 million helping the manufacturers of the world.

These tolls are very low and certainly from an admitted business viewpoint, an abomination.

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SECRETARY ALEXANDER: The \$42 million are not going to the people of Panama. The payments to Panama all come from international shipping. \$42 million, which is, again a high side estimate -- it is \$277 million for five years, that is the best we can get a handle on -- go to many of our defense needs, which we would construe to be in our national interests. Obviously there are other defense needs that are made around the world.

The rest of the estimates, to make it 870 million, are out-years after the year 1984 that may or may not come to pass, depending on what assumptions you make on force levels. But those \$42 million aren't being transferred from the American taxpayer to the Panamanian government, not at all.

QUESTION: I realize that. I just wonder if they can defray our costs.

THE PRESIDENT: When you look at the size of the defense budget, \$42 million sounds like a lot of money, perhaps to a peanut farmer, perhaps to someone in New Jersey. But compared to the total defense budget, it is a relatively small amount. And, of course, one of the insistent demands on the part of the American people, the Senate and myself, was that we retain the right to defend the canal.

I think the Panamanians would have been very eager to take over the canal earlier, without giving us a permanent right to defend it and therefore to arrange to pay for the defense of it themselves, as they will be after the year 2000. But I think that was not only a right but a duty and a privilege, in a way, for us to maintain a military presence in Panama.

We not only keep the canal open and secure during this 20-year transition period, but we have a military presence there in the central part of Latin America which can be also beneficial to us.

The payments, retirement benefits and pay scales and so forth, of our workers, were negotiated with equal difficulty as we experienced in negotiating with the Panamanians in turning over the canal and the operation of it. Our same negotiators, some of who are here tonight, met with the labor leaders and met with individual American citizens to make sure that after the canal did go over to Panama, that their rights for retirement benefits and so forth were not interrupted. That is where some of that money goes out to. It is a little more expensive to phase out with early retirement and so forth. That is where some of it comes from.

I can't deny there could be an approach which was not written into the treaty and so forth that we would take all the canal tolls and pay for our military presence there. I don't think that would be fair and it would be in violation of international practice.

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QUESTION: Mr. President, Gunn McKay, from Utah. General McAuliffe talked about the gradual transition to build up the Panamanian forces to where they would be able to protect or defend the canal.

In light of the fact -- what is the population of Panama, a million and a quarter?

GENERAL MCAULIFFE: About 1.7 million.

QUESTION: So that is about the size of the State of Utah, as far as population is concerned.

THE PRESIDENT: A very fine size.

QUESTION: A very fine size, yes. (Laughter)

I won't argue that point, Mr. President. But to support on their economy and through that time, do you really believe that you are going to get an adequate force, considering as a military man, what military presence will be necessary there as an adequate force for whatever eventuality, that the Panamanians will, in fact, be able -- through their economy and their numbers -- to come up with an adequate force by the year 2000 or will they, in fact, at that point do somewhat as the Philippines and suggest maybe they would like to have us stay on?

Would you like to respond to that?

GENERAL MCAULIFFE: First of all, I did say, and I do believe that Panama should and does intend to restructure its forces. It is now three-quarters police and about one-quarter a tactical type of force.

QUESTION: It is not even equivalent of what we would have as a national guard, though, is it?

GENERAL MCAULIFFE: No. It has very, very minimal military or defense capabilities. But I see them restructuring this force and I see them making a very modest enlargement of the force in order to create, perhaps a couple of battalions, by when is anyone's guess, 1990 -- you know, quite a bit down the road.

They certainly are not in a position now economically to do any expansion. They are in the position to do a little bit of restructuring so as to dedicate perhaps some symbolic units to canal defense, starting this October, and then gradually to enlarge upon that.

As far as what might happen out at the end of the treaty period, many of us have speculated that depending on the attitudes of the United States Government, the Panamanian government, and the situation in Central America on or about the year 2000, I think it is entirely possible that the Panamanian government at that time, might

ask the United States to retain a small military presence there after the year 2000.

But that is sheer speculation. We have to plan on what is said in the treaty, and that is, that by the year 2000 we will turn over the last remaining military bases and other property that we would have in that canal area and withdraw our forces.

Then the full impact of the neutrality treaty comes to bear, as the President indicated, wherein we would perhaps not have forces there but would be permitted to take such actions as would be necessary to maintain neutrality and our continued use of the canal thereafter.

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QUESTION: But would that preclude a United States military presence thereafter?

GENERAL MCAULIFFE: The treaty, as it is written now, would preclude it. In order for forces to stay after the year 2000, some other type of bilateral agreement would have to be reached.

QUESTION: We would have to negotiate similar as we have done with the NATO powers to come in or with the Philippines or whatever --

GENERAL MCAULIFFE: Yes, sir.

QUESTION: -- under that mutual bilateral agreement and do you feel then on top of that, that is wise for our national security or the relationships in the western hemisphere that the United States have a military presence in Panama thereafter?

GENERAL MCAULIFFE: I think it is very important for the United States to have military forces in Panama, not only for canal defense but as a deterrent to perhaps possible or potential hostile actions or elements in that area. They do provide an element of stability within the country of Panama and within the region. I think that so long as we have forces in Panama, they serve as a deterrent to a possible predatory nation thinking about coming in and taking advantage of the situation in Panama.

That is down to the year 2000. As I said, it is very difficult to predict what would be the requirement of the situation beyond that. And I think we just have to -- our successors will have to see.

QUESTION: But my question was related as to whether we feel our position was to try to negotiate at that point a bilateral agreement for presence.

THE PRESIDENT: I will say this: In the latter part of the Senate debate on the treaty, I would have stolen \$10 from Amy's piggy bank and paid the Panamanians to say you could stay after the year 2000 with just one batallion of American troops. I don't know what is going to happen. I think it primarily depends on our relationship with Panama. If you don't mind my being critical, you know, Panama is our friend. They are our neighbor. They are symbolic in many ways to the other Latin American countries the Caribbean countries, as a test of how the United States is going to implement our professed commitment to basic human rights, a powerful nation in every sense of the word, how do we deal with a small nation that has been heavily dependent upon us and which has negotiated in good faith under the most difficult of circumstances to work out an agreement that is mutually satisfactory.

We send billions of dollars to Israel, to Egypt, tens of millions of dollars to countries like Jordan, Syria, Thailand and so forth. Here is Panama, you know, a neighbor, friend, a partner alongside of us in the wars; they never have abandoned us. It has been difficult for them. And just a few weeks ago when we had proposed, I think a \$5 million FMS credit so Panama could borrow some money -- it was not a grant -- to

build up their national guard so they could be more capable, the House cut it off, just wiped out \$5 million, a drop in the bucket for you, but symbolically it was a slap in the face to Panama.

You know, we have proven that we are powerful enough to do it. Maybe it helped politically back home to say, "I showed the Panamanians." But you know, we have got to work with Panama and I don't believe it is good for us to show that we are powerful enough to punish a little nation just because we disagree with the negotiated treaty that was signed by me and ratified by two-thirds of the Senate.

I would hope that you would take that into consideration.

One of the best ways to defend the Panama Canal is not for us to send 100,000 more troops down there, but to have a friendly relationship with Panama so they will join in with us in a cooperative and friendly spirit to help defend the canal that we and they both want to be kept open.

I know it is a difficult vote. If I was in the House, I would be going through the same difficult decision-making that you are. But I hope that you will recognize that generosity or fairness is a crucial element in foreign diplomacy and help us not to try to punish Panama even though you decide not to vote with implementing legislation. Let's don't turn those people against us and make it almost impossible for General McAuliffe and our military troops to defend it.

QUESTION: Mr. President, I certainly support the treaty, but on a certain matter here, for example, it says, "The Panama Canal Treaties provide the United States with the necessary authority at the time of war to defend and secure the canal." I wonder if you could tell us a little bit about who decides whether it is a war and whether it is the kind of war in which we would move? Suppose it were one of these wars which is kind of hard to decide whether it is a war or revolution?

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THE PRESIDENT: The President of the United States decides. If, in his judgment -- or perhaps her judgment -- at that time the Panama Canal is in danger, if the security is in danger, the United States has a right to take such action as it deems necessary to defend the Panama Canal.

QUESTION: They don't regard this as an invasion of their sovereignty?

THE PRESIDENT: Not only has Panama agreed with this provision -- that was the most difficult single negotiating point -- but other nations in that region have also endorsed that principle. And the treaty that is continues after the year 2000 has a multinational protocol throughout which countries like Venezuela, Colombia, Mexico can join with us as signatories to make sure that not only does Panama agree we have a right to defend, but we have a duty to defend. But other nations who would be sensitive also agree to respect the neutrality of the canal; it will be a written, signed international document. And Panama, if they disagree with a judgment made by the President, as Commander-in-Chief, they have to refer to the agreement that the Panama Canal is kept open by unilateral action, if necessary, on the part of the United States.

QUESTION: Millicent Fenwick, New Jersey. I support the implementation of the treaty, Mr. President. Even more do I support your conception of what the honor of a great country is in dealing with a smaller country. I think those are words that we must remember.

I would like to ask you about how this new President is installed, if not by election. What is going on by way of their electoral process and governmental change?

THE PRESIDENT: Let me tell you what I recollect, which is kind of short, and let the Ambassador correct me.

Last August they had an election to choose a General Assembly -- I think about 500 members. And then those 500 members chose the President. And I understand that in 1984 there will be direct elections of the President, similar to what we have.

AMBASSADOR MOSS: That is absolutely right.

QUESTION: Sam Stratton, New York. Mr. President, I have two questions. First of all, with respect to the cost of the military construction activities that will be involved, it is my understanding that we have to give up the 10 bases that we have there and consolidate on three bases. It is my understanding that we are having to pay to dismantle those bases. We have to pay to construct the new bases, and we also have to pay, as I understand it, to construct bases for the Panamanians themselves.

I haven't looked at the military construction budget, so I don't know how much is involved there, but I would like to know if there isn't some way that we could retain the bases that we now have rather than having to pay to tear them down and build them up somewhere else.

The second question is what is the total cost of the bill? You have indicated \$870 million for meeting our own

American commitments to our own personnel. But is there no other cost in addition to the military construction costs? Because, as you indicate, we get figures in the \$2 billion or \$3 billion range, and I would like to try to get the full picture on the financial costs.

THE PRESIDENT: Those are all the costs. The other revenues derived from tolls are used to maintain the canal and for other purposes. But that is all the cost from our government, roughly \$42 million a year, and the \$850 million, or \$870 million figure is assuming that we don't decrease our military presence there at all in the last 10 years or so of the treaty term; that is, after 1990.

The first part of your question is obviously an important one. We retain all the facilities we need and will have the unilateral right to decide if a particular military base or particular piece of territory in the canal area is crucial or necessary for the defense of the canal. That is a military judgment that has to be made by us unilaterally. But the phased turning over of these bases to the Panamanians has obviously been discussed.

General McAuliffe can give you a reason why we want to consolidate our military forces into fewer bases, and the costs that you have described are included in the roughly \$42 million a year that we have already mentioned. General McAuliffe can answer the question.

GENERAL MCAULIFFE: Thank you, Mr. President.

Concerning the number of bases, that is a rather elusive concept. The number of 10, 14, has been prominently displayed. Actually, there are 22 identifiable U.S. military installations in the canal zone reported in the Federal Register. Several of those are inactive. Some are very small parcels of land, but, nevertheless, there are 22.

The treaty speaks to five bases, one of which is, you might say, partially military, so let's say four bases. And the fact is that when you look at each of the four, they may contain five or six of the identifiable military installations that are referred to under the twenty-two.

The actual fact is that we retain substantially those military bases that we occupy and use now and will retain throughout the treaty.

We turn over on the first of October of this year portions of two bases, both on the Pacific side. Regrettably, those portions contain these three command elements that are very important to us. These are command control elements, brigade headquarters, and a military intelligence group, the very heart of our operation, and the heart of our tactical mobility in the aviation battalion. These are not units that a command can get rid of and still function. So we must find a place for them.

And, yes, there are construction requests under consideration now by the Congress to rehabilitate facilities

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or enlarge upon them, as the case may be, to accommodate these three military units that will be dislocated in October of this year.

THE PRESIDENT: How many people are involved in those?

GENERAL MCAULIFFE: There are approximately from 900 to 1000 personnel, military personnel.

Now, for the portions that we are turning over to Panama, we do not have to pay for any dismantling of those bases. We turn them over intact. We remove what is movable, and we turn over, then, the buildings and the grounds that are in that area. There are some hangars, for example, at Albrook Field, which will be turned over as we release part of that area. We do not pay for the rehabilitation of those areas that Panama may move into. They will take them as they are, as they exist on the ground.

QUESTION: General, as long as we are moving out at the end of the year 2000, as you indicated, is there any reason why we can't maintain the bases that are most important to us rather than having to turn them over and then reconstruct them somewhere else? Isn't there enough real estate so that the relatively small Panamanian force which was discussed with Mr. McKay could be located there and we could retain Albrook and some of these other important bases for the remaining 20 years and save a little military construction money?

GENERAL MCAULIFFE: I suppose in the best of all worlds, one could do it that way. But Panama did wish these areas. They will figure prominently in their plans, I am sure, starting later this year.

From a military defense point of view, I can assure you, Mr. Stratton, that we are retaining those areas that my successors will need to defend that canal out to the year 2000, areas that are astride the most vital installations of the canal and in the right places.

These two areas, Albrook and Amador, are really areas where we have had these special units. But they are areas that are really on the periphery of the canal zone and ones which I can see would be high priority objectives for Panama.

THE PRESIDENT: Sam, I think the essence of it, the real estate, the land, is not strategically important to us as is judged by the military. They just happened to own these lands that have important civilian uses for Panama. We happen to have buildings that house the headquarters of these units. And I think that is the essence of it. So we agreed -- the military approved every transfer, based on strategic and tactical need for defense. They did not need this particular area of land. It just happens that we had fairly expensive buildings there for the intelligence and the command headquarters, and they have to be transferred to land that will be under control of U.S. forces.

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QUESTION: Mr. President, Jim Madison from Texas. I think that probably the most serious question we are going to have to answer during these entire debates is the question of how much our property is worth there, just as you are talking about, and why we are not going to take that portion of the operation of the canal that is for our additional personnel costs, excluding our military, out of the tolls that Panama is going to get, why we are not going to get them to pay us back for the equipment, for anything that we are leaving for them, to acquire all the properties and pay for our additional costs.

I recognize that would be a very substantial burden to ask them to do, but that is the issue that we are really going to be facing. All these other things we can talk about, but the real issue is whether we are going to, in effect, require that the tolls from Panama to require for the \$4 billion worth of whatever our inventory is there.

I think that is the real issue, and I think it is going to be a difficult issue for us to face, because I think the people back home are from concerned about us turning that over without requiring them to pay us for it and at the same time increase their toll payments so substantially.

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THE PRESIDENT: Let me give you two quick answers and let the Ambassador follow up. In the first place, we have never claimed sovereignty over the Panama Canal Zone, neither Teddy Roosevelt nor the Supreme Court in, I think, five different rulings, nor anyone else in a position of authority, including no Presidents have ever claimed we had sovereignty over the Canal Zone during the 75 years or so we have used it. It has been Panamanian territory. We have not paid them much rent on it, but we have used it.

As the Secretary pointed out, we have derived since 1957, as so-called interest payments on our original investment, over \$317 million which has come up here and gone into the United States Treasury. I think that was fair. I think that we benefited, I think that Panama benefited. It was not a favor done by either person, by either nation.

To answer your question, if we could have written the treaty unilaterally without negotiating it with Panama, a sovereign nation, we could have made any demand we chose. We could have confiscated all the tolls, figured out how much all of our buildings cost, made Panama pay for it and not given them anything.

But we negotiated with them over 14 years, beginning with Lyndon Johnson -- I am the fourth President -- in a quid pro quo relationship, where both countries ostensibly, and I think actually, derived benefit. The treaty does not call for Panama to pay us for those facilities out of tolls. It specifically prescribes what we have outlined to you tonight. And we are now living under an agreement signed by me, ratified by the Senate, which does not call for Panama to pay for those facilities that we are turning over to them.

We can't renegotiate the treaty. We can't reject it under international law or under United States law. I am sworn to uphold the U.S. law, U.S. Constitution, just like you are. And there is no way for us to undo the treaty that we have ratified.

If we discovered at this point that we had made a serious mistake, because of a major oversight, or if the Panama Government had been overthrown by a radical communist dictator, instead of being taken over by a democratically-chosen, friendly President, we still are bound to carry out the terms of the treaty.

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We can't undo the treaty. It has already gone into effect. So to raise this question now, why don't they pay us for it, that was not the agreement we reached. We signed the agreement just like a contract to sell land.

If you bought a piece of farmland for \$400 an acre and you discovered oil on it, the former owner couldn't come back and say, "It is worth \$100,000 an acre. I want my land back." The same thing is basically the question you are asking. You have to be fair with the people once you traded with them. That is what we did. We traded with them, signed the document. I think it was fair and is fair the way it has been worked out.

AMBASSADOR MOSS: Let me add that on the Panamanian side, of course, there was tremendous opposition to the treaties for almost the equal and opposite reason there was opposition here. The Panamanian people, many of them, through their country had given away too much and in fact they should have gotten a better economic bargain.

They pointed out over the years we paid \$2.3 million for the use of about 600 square miles of territory, some of their best real estate, and it works out to about \$6.00 an acre a year. And at the present, we are paying ourselves \$20 million a year interest payment and they are only getting 2.3 million. Their economy benefits enormously from the canal, but still when they consider that they look around the world and see what we pay for military base rights in Spain, Turkey, Philippines, and we are keeping our bases for the next 20 years without any quid pro quo for the bases, a lot of Panamanians have criticized their own government for not driving a harder bargain.

These negotiations were genuine arms length negotiations, tough negotiations, and as the President said, it is the way the bargain finally came out. I think the proof of the fact it is a fair bargain is the fact it did generate so much heat in both countries for the equal and opposite reasons.

QUESTION: Mr. President, what you are saying, as I understand it, is we can't re-open the treaty negotiations, which I think we all understand, that we either have got to take and accept one way or the other, or reject, what you have proposed here as far as what you have already obligated to the President as soon as it is ratified. Is that about it?

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THE PRESIDENT: Yes, except I would say that Jack Murphy's bill, which we are supporting and hope will not be modified, is not exactly what we want. If I were writing the bill myself, I would write it differently. I think that Jack's bill is not quite fair enough to Panama, and I think it borders on violating the spirit of the agreement that I negotiated.

But we are supporting it, and I think that Jack and Ed Derwinski and others are very courageously supporting it. But we can't violate our word of honor, we can't violate the law of the land, which is the treaty. And I would hope you all would support the implementing legislation, including the spirit in which the treaty was negotiated, although you might find some loophole in the treaty that you could take advantage of if you wanted to abuse Panama.

The last point is if the House does not act favorably and pass legislation, then we are faced with a serious debacle the first of October, because the whole thing goes to Panama, they have jurisdiction over it, and we don't have any mechanism by which we can continue to operate.

QUESTION: Regardless of what we do. Right?

THE PRESIDENT: Regardless of what we do.

I want to thank you all for being so patient.

END (AT 9:05 P.M. EDT)

11:45 AM

THE WHITE HOUSE

WASHINGTON

May 17, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: SARAH WEDDINGTON *SW*
SUBJECT: Creation of a National Women's Business Enterprise Policy

I. BACKGROUND

The Task Force on Women Business Owners presented its final report, The Bottom Line: Unequal Enterprise in America, to you on June 28, 1978. The Task Force found that women entrepreneurs face a lack of adequate capital, lack of marketing opportunities and lack of management and technical skills. The Task Force also concluded that these problems exist, at least in part, because of discrimination against women.

II. EXECUTIVE ORDER

An Executive Order is prepared for the 11:45 Rose Garden signing ceremony tomorrow which:

- o States that, within the constraints of existing law, Federal agencies and departments should take affirmative action to increase the participation of women business owners in business assistance and procurement activities and programs.
- o Allows agencies to issue rules requiring those who receive Federal assistance to take affirmative action towards women business owners. The Order provides that the agencies should work with the Justice Department in carrying out these responsibilities.
- o Establishes the Interagency Committee on Women's Business Enterprise (which basically continues the existing Interagency Committee on Women's Business Enterprise).

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- o Defines the activities of the Committee to include: monitoring and guiding the actions of the agencies and promoting private and State support of women business owners.
- o States that agencies shall support the efforts of the Committee by designating a person in the agency to be responsible for women business-owner programs and by providing the Committee with relevant information.

III. MEMORANDUM TO THE HEADS OF ALL DEPARTMENTS AND AGENCIES

I am also asking that you agree to sign tomorrow the attached Memorandum which:

- o Reiterates the need for support of women's business enterprise identified by the Task Force on Women Business Owners.
- o Describes the actions which the Small Business Administration, the Office of Federal Procurement Policy, the Department of Commerce and the Department of Health, Education, and Welfare have agreed to take.
- o Asks those agencies which have not made a commitment to examine their programs and policies and to set goals.

(Slight revisions of the attached language are in process)

IV. ACTION REQUESTED

That tomorrow you sign the attached Executive Order and the Memorandum to the Heads of all Departments and Agencies.

All necessary clearances have been obtained. Wexler, Eizenstat, and Lipshutz concur. OMB and Justice have cleared.

Approve _____ Disapprove _____

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

The Task Force on Women Business Owners which began its work on August 4, 1977, presented me with its report, The Bottom Line: Unequal Enterprise in America, on June 28, 1978. I then directed the heads of all departments and agencies to analyze its recommendations and indicate what assistance they might provide women business owners.

The Task Force found many obstacles facing women entrepreneurs, including a lack of adequate capital, lack of marketing opportunities, and lack of management and technical skills. The Task Force concluded that these deficiencies result, at least in part, from discriminatory practices. The Task Force also recognized the significant contribution which small businesses and women entrepreneurs can make towards innovation, full employment and balanced growth in our economy.

To ensure that women can fully participate in our economic system I have today issued an Executive Order which establishes a national policy for expanding the opportunities for women's business enterprise. The Order creates an Interagency Committee on Women's Business Enterprise which will be the permanent structure for promoting, coordinating and monitoring greater efforts on behalf of women-owned businesses by the Federal government.

The Order also directs Federal departments and agencies to cooperate with the Committee and to develop affirmative action plans for a greater role for women business owners in their business assistance and procurement activities.

There are many actions that agencies and departments could take to implement this policy. For instance, the Task Force noted that since women face special barriers in

acquiring the capital necessary for creating or expanding their own businesses, they need greater access to Federal loan programs. As part of this new policy, the Small Business Administration (SBA) has agreed to take the following actions:

- o Establish a goal of \$50 million in FY 1980 for direct loans to women under Section 7(a) of the Small Business Act;
- o Initiate a pilot 7(a) "mini-loan" program in FY 1980 for women whose needs for starting or expanding a business are for amounts under \$20,000 and evaluate the usefulness of this pilot program in creating successful enterprises over a reasonable length of time.
- o Encourage full participation of women in procurement activities by instructing SBA's Procurement Center Representatives to locate and assist women-owned businesses;
- o Try to add 15,000 women-owned firms to SBA's new Procurement Automated Source System (PASS) by the end of FY 1980.

Recent data indicates that women-owned firms will receive only about \$63 million in Federal procurement dollars in FY 1979. The Task Force found that efforts to encourage full participation of women in Federal procurement activity have been less than adequate. Therefore, the Office of Federal Procurement Policy has agreed to:

- o Set the following overall goals for Federal prime contracts:
 - 1) An approximate doubling of the dollar amount of Federal prime contracts to women-owned firms in FY 1980 to at least \$150 million.
 - 2) A redoubling of this amount in FY 1981 to \$300 million.
- o Develop and implement a process for collecting data on the numbers and amounts of Federal prime contracts and subcontracts under Federal prime contracts awarded women-owned business;

- o Revise government-wide procurement regulations to assure that Federal prime contractors increase their use of women-owned firms as subcontractors. These revisions include:
 - 1) Developing clauses for inclusion in prime contract solicitations and in prime contracts which encourage the use of women-owned firms as subcontractors to the maximum degree feasible.
 - 2) Study the feasibility of developing an incentive clause for inclusion in appropriate prime contracts which offers a dollar award to a prime contractor for subcontracting with women-owned firms in excess of an agreed upon goal for such subcontracting.

The Task Force also found a serious lack of data about women entrepreneurs and the types of the businesses they own. In order to develop this needed information, the Department of Commerce has agreed to have the Census Bureau update its 1972 survey on women-owned businesses and conduct a special survey to gather additional essential demographic data on the woman business owner and her enterprise.

The Task Force stressed the importance of early education in encouraging women to have a free choice of all possible careers. Therefore, the Secretary of Health, Education, and Welfare has agreed to take the following actions:

- o Develop and promote educational and counseling programs emphasizing entrepreneurial skills and business enterprise as a career option for both males and females.
- o Develop such programs for use in the Nation's public and private secondary schools, institutions of higher education and vocational education programs.
- o Report to me at the end of FY 1980 on the progress of such efforts and on future plans.

This memo and the Executive Order express my personal commitment to a national women's business enterprise policy. I expect the heads of all departments and agencies with business assistance programs and activities such as those mentioned in Section 1 of the Executive Order, and those with procurement authority, to substantially improve the quality of this assistance and support to businesses owned by women. With your commitment and cooperation, we can greatly improve the opportunities for women who own businesses in our economic system.

EXECUTIVE ORDER

CREATING A NATIONAL WOMEN'S BUSINESS
ENTERPRISE POLICY AND PRESCRIBING ARRANGEMENTS
FOR DEVELOPING, COORDINATING AND IMPLEMENTING A
NATIONAL PROGRAM FOR WOMEN'S BUSINESS ENTERPRISE

In response to the findings of the Interagency Task Force on Women Business Owners and congressional findings that recognize:

1. the significant role which small business and women entrepreneurs can play in promoting full employment and balanced growth in our economy;
2. the many obstacles facing women entrepreneurs; and
3. the need to aid and stimulate women's business enterprise;

By the authority vested in me as President of the United States of America, in order to create a National Women's Business Enterprise Policy and to prescribe arrangements for developing, coordinating and implementing a national program for women's business enterprise, it is ordered as follows:

1-1. Responsibilities of the Federal Departments and Agencies.

1-101. Within the constraints of statutory authority and as otherwise permitted by law:

(a) Each department and agency of the Executive Branch shall take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system.

(b) Each department and agency shall take affirmative action in support of women's business enterprise in appropriate programs and activities including, but not limited to:

(1) management, technical, financial and procurement assistance,

(2) business-related education, training, counseling and information dissemination, and

(3) procurement.

(c) Each department or agency empowered to extend Federal financial assistance to any program or activity shall issue regulations requiring the recipient of such assistance to take appropriate affirmative action in support of women's business enterprise and to prohibit actions or policies which discriminate against women's business enterprise on the ground of sex. For purposes of this subsection, Federal financial assistance means assistance extended by way of grant, cooperative agreement, loan or contract other than a contract of insurance or guaranty. These regulations shall prescribe sanctions for noncompliance. Unless otherwise specified by law, no agency sanctions shall be applied until the agency or department concerned has advised the appropriate person or persons of the failure to comply with its regulations and has determined that compliance cannot be secured by voluntary means.

1-102. For purposes of this Order, affirmative action may include, but is not limited to, creating or supporting new programs responsive to the special needs of women's business enterprise, establishing incentives to promote business or business-related opportunities for women's business enterprise, collecting and disseminating information in support of women's business enterprise, and insuring to women's business enterprise knowledge of and ready access to business-related services and resources. If, in implementing this Order, an agency undertakes to use or to require compliance with numerical set-asides, or similar measures, it shall state the purpose of such measure, and the measure shall be designed on the basis of pertinent factual findings of discrimination against women's business enterprise and the need for such measure.

1-103. In carrying out their responsibilities under Section 1-1, the departments and agencies shall consult the Department of Justice, and the Department of Justice shall provide legal guidance concerning these responsibilities.

1-2. Establishment of the Interagency Committee on Women's Business Enterprise.

1-201. To help insure that the actions ordered above are carried out in an effective manner, I hereby establish the Interagency Committee on Women's Business Enterprise (hereinafter called the Committee).

1-202. The Chairperson of the Committee (hereinafter called the Chairperson) shall be appointed by the President. The Chairperson shall be the presiding officer of the Committee and shall have such duties as prescribed in this Order or by the Committee in its rules of procedure. The Chairperson may also represent his or her department, agency or office on the Committee.

1-203. The Committee shall be composed of the Chairperson and other members appointed by the heads of departments and agencies from among high level policy-making officials. In making these appointments, the recommendations of the Chairperson shall be taken into consideration. The following departments and agencies and such other departments and agencies as the Chairperson shall select shall be members of the Committee: the Departments of Agriculture; Commerce; Defense; Energy; Health, Education, and Welfare; Housing and Urban Development; Interior; Justice; Labor; Transportation; Treasury; the Federal Trade Commission; General Services Administration; National Science Foundation; Office of Federal Procurement Policy; and the Small Business Administration. These members shall have a vote. Nonvoting members shall include the Executive Director of the Committee and at least one but no more than three representatives from the Executive Office of the President appointed by the President.

1-204. The Committee shall meet at least quarterly at the call of the Chairperson, and at such other times as may be determined to be useful according to the rules of procedure adopted by the Committee.

1-205. The Administrator of the Small Business Administration shall provide an Executive Director and adequate staff and administrative support for the Committee. The staff shall be located in the Office of the Chief Counsel for Advocacy of the Small Business Administration, or in such other office as may be established specifically to further the policies expressed herein. Nothing in this Section prohibits the use of other properly available funds and resources in support of the Committee.

1-3. Functions of the Committee. The Committee shall in a manner consistent with law:

1-301. Promote, coordinate and monitor the plans, programs and operations of the departments and agencies of the Executive Branch which may contribute to the establishment, preservation and strengthening of women's business enterprise. It may, as appropriate, develop comprehensive interagency plans and specific program goals for women's business enterprise with the cooperation of the departments and agencies.

1-302. Establish such policies, definitions, procedures and guidelines to govern the implementation, interpretation and application of this order, and generally perform such functions and take such steps as the Committee may deem to be necessary or appropriate to achieve the purposes and carry out the provisions hereof.

1-303. Promote the mobilization of activities and resources of State and local governments, business and trade associations, private industry, colleges and universities, foundations, professional organizations, and volunteer and other groups toward the growth of women's business enterprise, and facilitate the coordination of the efforts of these groups with those of the departments and agencies.

1-304. Make an annual assessment of the progress made in the Federal Government toward assisting women's business enterprise to enter the mainstream of business ownership and to provide recommendations for future actions to the President.

1-305. Convene and consult as necessary with persons inside and outside government to develop and promote new ideas concerning the development of women's business enterprise.

1-306. Consider the findings and recommendations of government and private sector investigations and studies of the problems of women entrepreneurs, and promote further research into such problems.

1-307. Design a comprehensive and innovative plan for a joint Federal and private sector effort to develop increased numbers of new women-owned businesses and larger and more successful women-owned businesses. The plan should set specific reasonable targets which can be achieved at reasonable and identifiable costs and should provide for the measurement of progress towards these targets at the end of two and five years. Related outcomes such as income and tax revenues generated, jobs created, new products and services introduced or new domestic or foreign markets created should also be projected and measured in relation to costs wherever possible. The Committee should submit the plan to the President for approval within six months of the effective date of this Order.

1-4. Other Responsibilities of the Federal Departments and Agencies.

1-401. The head of each department and agency shall designate a high level official to have the responsibility for the participation and cooperation of that department or agency in carrying out this Executive order. This person may be the same person who is the department or agency's representative to the Committee.

1-402. To the extent permitted by law, each department and agency upon request by the Chairperson shall furnish information, assistance and reports and otherwise cooperate with the Chairperson and the Committee in the performance of their functions hereunder. Each department or agency shall ensure that systematic data collection processes are capable of providing the Committee current data helpful in evaluating and promoting the efforts herein described.

1-403. The officials designated under Section 1-401, when so requested, shall review the policies and programs of the women's business enterprise program, and shall keep the Chairperson informed of proposed budget, plans and programs of their departments or agencies affecting women's business enterprise.

1-404. Each Federal department or agency, within constraints of law, shall continue current efforts to foster and promote women's business enterprise and to support the program herein set forth, and shall cooperate with the Chairperson and the Committee in increasing the total Federal effort.

1-5. Reports.

1-501. The Chairperson shall, promptly after the close of the fiscal year, submit to the President a full report of the activities of the Committee hereunder during the previous fiscal year. Further, the Chairperson shall, from time to time, submit to the President the Committee's recommendations for legislation or other action to promote the purposes of this Order.

1-502. Each Federal department and agency shall report to the Chairperson as hereinabove provided on a timely basis so that the Chairperson and the Committee can consider such reports for the Committee report to the President.

1-6. Definitions. For the purposes of this Order, the following definitions shall apply:

1-601. "Women-owned business" means a business that is at least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

1-602. "Women's business enterprise" means a woman-owned business or businesses or the efforts of a woman or women to establish, maintain or develop such a business or businesses.

1-603. Nothing in subsections 1-601 or 1-602 of this Section (1-6) should be construed to prohibit the use of other definitions of a woman-owned business or women's business enterprise by departments and agencies of the Executive Branch where other definitions are deemed reasonable and useful for any purpose not inconsistent with the purposes of this Order. Wherever feasible, departments and agencies should use the definition of a woman-owned business in subsection 1-601 above for monitoring performance with respect to women's business enterprise in order to assure comparability of data throughout the Federal Government.

1-7. Construction. Nothing in this Order shall be construed as limiting the meaning or effect of any existing Executive order.

THE WHITE HOUSE,