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*Last Updated: 07/12/2023*

THE WHITE HOUSE

WASHINGTON

October 1, 1986

MEMORANDUM FOR PETER J. WALLISON

FROM:

J. MICHAEL SHEPHERD *hus*

SUBJECT:

FOIA Litigation: Washington Post v.  
U.S. Department of Defense

Brenda Reger's attached memorandum requests our review of the attached draft Presidential speech for discretionary release under the Freedom of Information Act. The draft is one of the documents in the possession of the Defense Department that has been requested by the Washington Post. This office advised the National Security Council in the attached May 28, 1985 memorandum from Dick Hauser to Bob Kimmitt that the documents should be withheld, citing Russell v. Department of the Air Force, 682 F.2d 1045, 1048 (D.C. Cir. 1982) (Exemption 5 protects communications, including draft reports, which, if revealed, would expose the deliberative process of an agency); and Westmoreland v. CBS, Inc., 584 F. Supp. 1206, 1209-1210 (D.D.C. 1984) (material developed in connection with CIA Inspector General report subject to protective order).

In the attached opinion, Judge Johnson denied the government's motion for summary judgment with respect to the attached draft speech, finding that it "failed to provide the Court with the information necessary to make a determination of the Exemption 5 claim." Op. at p. 22. The Court stated that, to substantiate a (b)(5) claim, the government must show "what particular deliberative process is involved" and "what role the document played in the process."

The government subsequently filed a second motion for summary judgment, but did not reassert Exemption 5, 5 U.S.C. § 552(b)(5), even though I believe we could have provided the information required by the court. With respect to the draft speech, the NSC advised that the document should be withheld as a White House document not subject to the FOIA. Accordingly, the decision was made, apparently without the involvement of this office, not to provide information supplementing the Exemption 5 claim, but rather to rely solely on the White House exemption. I think that was a bad decision. I believe it resulted in part from a failure of communication between NSC, Defense, and Justice, and in part from NSC's apparent misunderstanding of the Hauser memorandum. Accordingly, I recommend that all of our responses to FOIA referrals cite the applicable exemptions, as well as the supporting authorities, to avoid confusion.

The law is not settled on how far the White House exemption extends into agency records. With the important Bevis case pending, and in view of the relatively non-sensitive information involved in this case, I recommend that we agree with the Defense Department, the NSC, and Felicia Chambers, the Civil Division lawyer responsible for this case, and not object to the release of the draft speech. I do not believe that the opinion denying summary judgment on the Exemption 5 claim creates an adverse precedent that must be appealed, and there will be better facts in other cases to determine the reach of the White House exemption to the FOIA.

Attached for your review and signature is a memorandum for Brenda Reger stating that this office has no objection to the release of the draft speech.

Attachments

THE WHITE HOUSE  
WASHINGTON

PJW/JMS:jck  
PJWallison  
JMShepherd  
Chron.

October 1, 1986

MEMORANDUM FOR BRENDA S. REGER  
DIRECTOR  
INFORMATION POLICY/SECURITY REVIEW

FROM: PETER J. WALLISON  
COUNSEL TO THE PRESIDENT **ORIGINAL SIGNED BY PJW**

SUBJECT: FOIA Litigation: Washington Post v. United  
States Department of Defense

As requested by your memorandum of September 11, 1986, this office has reviewed the attached draft speech prepared for the President by the Department of Defense. We continue to believe that draft speeches, especially those prepared for the President, are deliberative documents protected from release under 5 U.S.C. § 552(b)(5). In light of the Defense Department's recommendation that the draft be released and your memorandum stating that the National Security Council has no objection to its release from a national security point of view, however, we have no legal objection to its discretionary release.

Thank you for bringing this matter to our attention.

Attachments

THE WHITE HOUSE

WASHINGTON

September 16, 1986

MEMORANDUM FOR DIANNA G. HOLLAND

FROM:

J. MICHAEL SHEPHERD *JMS*

SUBJECT:

FOIA Litigation: Draft Presidential Speech

Donna Sirko of the National Security Council staff brought me the attached papers today. I am familiar with this matter, but I am sending the memorandum and attachments to you for your information and for staffing.

Attachments

THE WHITE HOUSE

WASHINGTON

May 28, 1985

MEMORANDUM FOR ROBERT M. KIMMITT  
DEPUTY ASSISTANT TO THE PRESIDENT  
FOR NATIONAL SECURITY AFFAIRS

FROM: RICHARD A. HAUSER  
DEPUTY COUNSEL TO THE PRESIDENT

SUBJECT: Freedom of Information Act Request  
FOIA Litigation

This is in response to your memorandum of May 23, 1985, seeking our views on the partial release of a draft presidential speech prepared by the Department of Defense. As a matter of law, we do not believe that the document is subject to production under FOIA, Russell v. Department of the Air Force, 682 F.2d 1045 (D.C. Cir. 1982), Westmoreland v. CBS Inc., 584 F. Supp.1206 (D.D.C. 1984), and recommend that it not be released absent compelling reasons to the contrary.

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

September 11, 1986

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MEMORANDUM FOR PETER WALLISON  
COUNSEL TO THE PRESIDENT

FROM: *Brenda* BRENDAN S. REGER

SUBJECT: FOIA Litigation - Draft Presidential Speech

Attached at Tab I is the draft Presidential speech, prepared by the Department of Defense, which is the subject of litigation (Washington Post v. DoD). Originally DoD denied the document under 5 U.S.C. 552(b)(5). After consultation, the document was denied as a Presidential document, not subject to the FOIA.

Attached at Tab II are two Presidential speeches/messages on the subject which were provided to us by DoD for background information.

At Tab III are two additional Presidential speeches/messages we found in published sources which provide further information on how the draft speech was utilized.

We have no objection to the release of the draft speech from a national security point of view. We have compared the draft with documents at Tab II-III and now believe justification is less compelling for continued withholding. Because of the passage of time since the earlier review and the additional background information on delivered speeches, we ask that you again review the draft speech for discretionary release.

Attachments

## CARIBBEAN BASIN SPEECH

The forces of Communist totalitarianism are threatening our neighbors in the Caribbean Basin -- and therefore the United States. Menaced by a deadly web of Cuban subversion, political violence, and economic disaster, our neighbors need our help -- to maintain their security, and to strengthen their development. Their needs are genuine and urgent. It is vital that we respond positively and quickly.

The threat is close to home (TURNS TO LARGE MAP OF NORTH AMERICA AND CARIBBEAN). The Caribbean is to us what the Mediterranean is to Europe. Its islands swing south from Florida to Barbados in an arc with Puerto Rico and the U.S. Virgin Islands. Its waters reach two thousand miles from the Eastern Caribbean to Central America; they wash the shores of some two dozen countries in the Caribbean and Central America. Central America, the Dominican Republic, and Cuba share their Spanish heritage with Florida and our South West; Haiti was once French like Louisiana; the West Indies, British like the 13 original American states. To this day, our human ties are so deep that



we have watched with anguish Caribbean people dying while attempting to reach our shores to escape misery or oppression. (RETURNS TO PODIUM)

In the great debate over the Panama Canal a few years ago, the one thing no one questioned was that the Canal had to be kept open. Yet the Canal itself is but one small fifty-mile span out of thousands of miles of Caribbean sea lanes. Nearly half our crude oil imports -- in fact, nearly half of all our exports and imports pass through Caribbean waters.

Since 1978, Cuba has secretly trained, supplied, and directed thousands of extremists in guerrilla warfare and economic sabotage as part of a campaign to establish Marxist-Leninist dictatorships in both Central America and the Caribbean. For more than two years, Nicaragua has been exploited as a platform for covert military action against its neighbors. Through Nicaragua, arms obtained with Soviet help from as far away as Vietnam have been smuggled to guerrillas in El Salvador. Mainly because of this outside intervention, the conflict in El Salvador has been sustained despite democratic reforms. Its outcome could prove decisive for Central America.

Cuba itself is increasingly militarized. The arrival last month of a second squadron of MiG-23/Floggers gives Cuba a huge arsenal of over 200 Soviet-supplied military jets. Should Cuba's Soviet MiGs be able to utilize airports now under construction in Grenada and Nicaragua, their range would cover the entire Caribbean (SHOW MAP OF CUBA'S MILITARY REACH). World War II made clear what this might mean. Nazi Germany had no bases in the Caribbean, but a handful of Hitler's subs sank hundreds of ships in the Caribbean and the Gulf of Mexico. Forty years ago this month (February 1942), one U-boat torpedoed two ships in Port of Spain harbor, Trinidad, then two more, including a Canadian passenger vessel, in Castries harbor, St. Lucia. That May, a Mexican tanker -- running with full lights as was the custom for neutrals -- was sunk off Miami. In June, a single submarine (U-159) sank 8 ships in 4 days, two of them just off the entrance to the Panama Canal.

The Soviet Union knows the costs of having hundreds of thousands of its soldiers manning borders of fear and hatred. We do not. But if Soviet MiG's or submarines were to be based in the Caribbean area, we would be forced either to divert American defensive strength from Europe and Asia or to develop a costly new military shield.

If we act wisely and rapidly, we can still keep our southern borders unfortified. But unless we act decisively now, we face the prospect of more Cubas: totalitarian regimes so linked to the Soviet Union that they become factors in the military balance, and so incompetent economically that their citizens' only hope becomes that of one day migrating to the United States.

Over the past several months, we have developed a balanced and comprehensive response that addresses all aspects of the crisis: security, political and developmental. The key is to help the countries of the Caribbean Basin keep their independence by advancing their people's freedom, dignity and well-being.

The Caribbean Basin is vulnerable partly because its countries are smaller and poorer than we are. When things are tough for us, they are usually even tougher for them. When economic conditions are bad -- and they are bad now, thousands of people try to migrate from the Caribbean to the United States. The region's small and vulnerable economies have felt the shock of the world recession very hard. Coffee and sugar -- their main exports -- now sell for a

third of what they did a few years ago, but prices for oil and other essential imports have risen again and again. In Central America, this economic disaster endangers political stability. In the Caribbean, the smallest islands are now as exposed to political violence as they have long been to the sudden violence of tropical storms.

Where the threat has already taken armed form, our response must be to help our neighbors defend themselves. We have already urgently increased our security assistance -- in both equipment and training -- to El Salvador. We will assist other countries in the region now coming under increasing pressure from Cuba and Nicaragua. And the United States will meet its commitments under the Rio Treaty and other Inter-American agreements to respond collectively to threats to the national sovereignty of our friends and neighbors.

At the same time, we will place our support squarely behind those who share our values and principles. Representative and democratic governments are vital to our own traditions and to the very existence of the Inter-American System. In January, the Central

American Democratic Community was formed by Costa Rica and Honduras with a government struggling to evolve toward democracy -- El Salvador. With two other major democracies of the region -- Venezuela and Colombia -- the United States will work in every way to help them defend themselves from external pressures and to promote the well-being of their peoples.

In Philadelphia last October I mentioned that the United States had joined with Mexico, Venezuela and Canada to develop ways to help the nations of the Caribbean Basin help themselves. Today I want to tell you what we have done and are planning to do to help our neighbors find the means for sustained self-improvement.

The concept of a Caribbean Basin Initiative began to take shape in my conversations with Mexico's President Lopez Portillo at Camp David last June. The following month, Secretary Haig and Special Trade Representative Brock met in Nassau with the foreign ministers of Canada, Mexico, and Venezuela. Representing what has since been called the "Nassau Four", they agreed to examine what more we could do to help our common neighbors. Their starting point was shared

objectives. We seek independence, not domination. We support self-determination and democracy, not intervention or dictatorship. And we want peaceful development, not terrorism and violence.

The "Nassau Four" agreed that our individual programs would support these common goals, and that to support them we must overcome the developmental problems and the acute economic emergency that are making the situation so critical. If we do not act now, the costs of protecting our vital interests in the future will be much greater.

I am therefore announcing a five-point development program to help our neighbors help themselves. Here is how it will work.

First, I am asking Congress for the authority to eliminate tariffs on all Caribbean Basin products. The only exception to this move toward free trade is textiles: there we will make sure that our immediate neighbors have quickly expanding quotas, even if some of our other suppliers have to have less. To enable Basin countries to expand their productive base and merchandising links effectively, this duty-free program should be for a significant period -- say 12 years.

Increased exports will help the Caribbean Basin earn its own way without aid. But the impact on the U.S. economy will be proportionate to the economies being helped: small. All the protections now available to U.S. industry and labor against disruptive imports will remain; special safeguards to prevent abuse of these new opportunities will be requested.

Second, to deal with the immediate financial crisis, I am asking for an emergency FY 82 appropriation of \$300 million to channel scarce foreign exchange to the private sector. I am also asking Congress for a significant increase in the 1983 foreign assistance budget for the region. This too will be a short-term measure to foster entrepreneurial activity and ease the burden on those least able to withstand the economic adjustment until the trade and investment measures enable them to earn their own way. To ease the acute private sector liquidity crisis in Central America, I am also asking for authority to provide U.S. government guarantees to U.S. private sector commercial lines of credit to finance imports of raw materials for agriculture and industry.

Third, I am asking Congress to extend to the Caribbean Basin our ten percent domestic investment

tax credit. To help attract needed capital for development we are also ready to negotiate bilateral investment treaties with interested Basin countries.

Fourth, we will support international efforts to coordinate trade, aid, and other development measures. Supplementing the vital contributions of Mexico, Canada and Venezuela, coordination through Caribbean and Central American consultative groups will make assistance go further and attract additional support from Europe and others outside the area.

Fifth, we will support training and vocational education in agriculture, industry and marketing to facilitate adjustments to more competitive and productive systems. Comprehensive investment promotion and marketing development efforts will include technical assistance for marketing, transportation, customs and agricultural inspection.

These five steps -- trade, investment, aid, cooperation, and training -- will give our neighbors in the Caribbean Basin a badly needed boost to overcome their current crisis. The long-term opportunities and incentives of this program will help those willing



to help themselves. Our main offer is simply to buy goods at market prices. The short term economic assistance will give them a realistic chance to take advantage of the new opportunities to build stable growth.

One early sign is positive. After a decade of falling income and exceptionally high unemployment, Jamaica's new leadership is reducing bureaucracy, dismantling unworkable controls, and attracting new investment. Extraordinary external assistance will still be needed to tide Jamaica over until market forces generate large increases in output and employment -- but the lesson is clear.

At Cancun, Mexico, last fall, I met with leaders of 21 industrialized and developing countries. I said that we believe expanded opportunities for private initiative through free markets would increase productivity and raise living standards in the developing world. Private initiative and free markets are basic to what we as a nation stand for. The program I have just outlined will help to make that happen, strengthening security and freedom in an area whose closeness makes it critical to us.

Finally, we must not forget that violence is a product of man, not of hunger or disease. The challenge of the Caribbean Basin cannot be met with food and medicines alone any more than it would be met if we turned our back and walked away. Security assistance will be essential while the emergency economic program takes hold:

- to help our neighbors develop defenses that will protect their citizens' rights from abuse at home and abroad; and

- to demonstrate to the Soviets and their various allies the futility of aggression.

Fellow citizens of the Americas: I believe the program we have developed is balanced and that it can work. What I cannot tell you tonight is precisely how we will achieve particular goals. But I can assure you that we will do everything that is prudent and necessary to keep our adversaries at bay and to secure the future for freedom.

by released by the Office of the Press Secretary  
on February 24.

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### Caribbean Basin Initiative

*Address Before the Permanent Council of  
the Organization of American States.  
February 24, 1982*

*Mr. Chairman, distinguished permanent  
representatives, Mr. Secretary General, dis-  
tinguished members of the diplomatic  
corps, ladies and gentlemen:*

It's a great honor for me to stand before  
you today. The principles which the Orga-  
nization of American States embodies—de-  
mocracy, self-determination, economic de-  
velopment, and collective security—are at  
the heart of U.S. foreign policy. The United  
States of America is a proud member of this  
organization. What happens anywhere in  
the Americas affects us in this country. In

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that very real sense, we share a common destiny.

We, the peoples of the Americas, have much more in common than geographical proximity. For over 400 years our peoples have shared the dangers and dreams of building a new world. From colonialism to nationhood, our common quest has been for freedom.

Most of our forebears came to this hemisphere seeking a better life for themselves. They came in search of opportunity and, yes, in search of God. Virtually all descendants of the land and immigrants alike have had to fight for independence. Having gained it, they've had to fight to retain it. There were times when we even fought each other.

Gradually, however, the nations of this hemisphere developed a set of common principles and institutions that provided the basis for mutual protection. Some 20 years ago, John F. Kennedy caught the essence of our unique mission when he said it was up to the New World "to demonstrate that man's unsatisfied aspiration for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions."

In the commitment to freedom and independence, the peoples of this hemisphere are one. In this profound sense, we are all Americans. Our principles are rooted in self-government and nonintervention. We believe in the rule of law. We know that a nation cannot be liberated by depriving its people of liberty. We know that a state cannot be free when its independence is subordinated to a foreign power. And we know that a government cannot be democratic if it refuses to take the test of a free election.

We have not always lived up to these ideals. All of us at one time or another in our history have been politically weak, economically backward, socially unjust, or unable to solve our problems through peaceful means. My own country, too, has suffered internal strife, including a tragic civil war. We have known economic misery, and once tolerated racial and social injustice. And, yes, at times we have behaved arrogantly and impatiently toward our neighbors. These experiences have left their scars, but they also help us today to identify

with the struggle for political and economic development in the other countries of this hemisphere.

Out of the crucible of our common past, the Americas have emerged as more equal and more understanding partners. Our hemisphere has an unlimited potential for economic development and human fulfillment. We have a combined population of more than 600 million people; our continents and our islands boast vast reservoirs of food and raw materials; and the markets of the Americas have already produced the highest standard of living among the advanced as well as the developing countries of the world. The example that we could offer to the world would not only discourage foes; it would project like a beacon of hope to all of the oppressed and impoverished nations of the world. We are the New World, a world of sovereign and independent states that today stand shoulder to shoulder with a common respect for one another and a greater tolerance of one another's shortcomings.

Some 2 years ago, when I announced as a candidate for the Presidency, I spoke of an ambition I had to bring about an accord with our two neighbors here on the North American continent. Now, I was not suggesting a common market or any kind of formal arrangement. "Accord" was the only word that seemed to fit what I had in mind.

I was aware that the United States has long enjoyed friendly relations with Mexico and Canada, that our borders have no fortifications. Yet it seemed to me that there was a potential for a closer relationship than had yet been achieved. Three great nations share the North American continent with all its human and natural resources. Have we done all we can to create a relationship in which each country can realize its potential to the fullest?

Now, I know in the past the United States has proposed policies that we declared would be mutually beneficial not only for North America but also for the nations of the Caribbean and Central and South America. But there was often a problem. No matter how good our intentions were, our very size may have made it seem that we were exercising a kind of paternalism. At the time I suggested a new North

American accord, I said I wanted to approach our neighbors not as someone with yet another plan, but as a friend seeking their ideas, their suggestions as to how we could become better neighbors.

I met with President López Portillo in Mexico before my inauguration and with Prime Minister Trudeau in Canada shortly after I had taken office. We have all met several times since—in the United States, in Mexico and Canada—and I believe that we have established a relationship better than any our three countries have ever known before.

Today I would like to talk about our other neighbors—neighbors by the sea—some two dozen countries of the Caribbean and Central America. These countries are not unfamiliar names from some isolated corner of the world far from home. They're very close to home. The country of El Salvador, for example, is nearer to Texas than Texas is to Massachusetts. The Caribbean region is a vital strategic and commercial artery for the United States. Nearly half of our trade, two-thirds of our imported oil, and over half of our imported strategic minerals pass through the Panama Canal or the Gulf of Mexico. Make no mistake: The well-being and security of our neighbors in this region are in our own vital interest.

Economic health is one of the keys to a secure future for our Caribbean Basin and to the neighbors there. I'm happy to say that Mexico, Canada, and Venezuela have joined in this search for ways to help these countries realize their economic potential.

Each of our four nations has its own unique position and approach. Mexico and Venezuela are helping to offset energy costs to Caribbean Basin countries by means of an oil facility that is already in operation. Canada is doubling its already significant economic assistance. We all seek to ensure that the people of this area have the right to preserve their own national identities, to improve their economic lot, and to develop their political institutions to suit their own unique social and historical needs. The Central American and Caribbean countries differ widely in culture, personality, and needs. Like America itself, the Caribbean Basin is an extraordinary mosaic of Hispanics, Africans, Asians, and Europeans, as well as native Americans.

At the moment, however, these countries are under economic siege. In 1977, 1 barrel of oil was worth 5 pounds of coffee or 155 pounds of sugar. Well, to buy that same barrel of oil today, these small countries must provide 5 times as much coffee—nearly 26 pounds—or almost twice as much sugar—283 pounds. This economic disaster is consuming our neighbors' money, reserves, and credit, forcing thousands of people to leave for other countries, for the United States, often illegally, and shaking even the most established democracies. And economic disaster has provided a fresh opening to the enemies of freedom, national independence, and peaceful development.

We've taken the time to consult closely with other governments in the region, both sponsors and beneficiaries, to ask them what they need and what they think will work. And we've labored long to develop an economic program that integrates trade, aid, and investment—a program that represents a long-term commitment to the countries of the Caribbean and Central America to make use of the magic of the marketplace, the market of the Americas, to earn their own way toward self-sustaining growth.

At the Cancún Summit last October, I presented a fresh view of a development which stressed more than aid and government intervention. As I pointed out then, nearly all of the countries that have succeeded in their development over the past 30 years have done so on the strength of market-oriented policies and vigorous participation in the international economy. Aid must be complemented by trade and investment.

The program I'm proposing today puts these principles into practice. It is an integrated program that helps our neighbors help themselves, a program that will create conditions under which creativity and private entrepreneurship and self-help can flourish. Aid is an important part of this program, because many of our neighbors need it to put themselves in a starting position from which they can begin to earn their own way. But this aid will encourage private-sector activities, not displace them.

The centerpiece of the program that I am sending to the Congress is free trade for Caribbean Basin products exported to the United States. Currently some 87 percent of Caribbean exports already enter U.S. markets duty free under the Generalized System of Preferences. These exports, however, cover only the limited range of existing products—not the wide variety of potential products these talented and industrious peoples are capable of producing under the free-trade arrangement that I am proposing.

Exports from the area will receive duty-free treatment for 12 years. Thus, new investors will be able to enter the market knowing that their products will receive duty-free treatment for at least the pay-off lifetime of their investments. Before granting duty-free treatment, we will discuss with each country its own self-help measures.

The only exception to the free trade concept will be textile and apparel products, because these products are covered now by other international agreements. However, we will make sure that our immediate neighbors have more liberal quota arrangements.

This economic proposal is as unprecedented as today's crisis in the Caribbean. Never before has the United States offered a preferential trading arrangement to any region. This commitment makes unmistakably clear our determination to help our neighbors grow strong.

The impact of this free-trade approach will develop slowly. The economies that we seek to help are small. Even as they grow, all the protections now available to U.S. industry, agriculture, and labor against disruptive imports will remain. And growth in the Caribbean will benefit everyone with American exports finding new markets.

Secondly, to further attract investment, I will ask the Congress to provide significant tax incentives for investment in the Caribbean Basin. We also stand ready to negotiate bilateral investment treaties with interested Basin countries.

Third, I'm asking for a supplemental fiscal year 1982 appropriation of \$350 million to assist those countries which are particularly hard hit economically. Much of this aid will be concentrated on the private

sector. These steps will help foster the spirit of enterprise necessary to take advantage of the trade and investment portions of the program.

Fourth, we will offer technical assistance and training to assist the private sector in the Basin countries to benefit from the opportunities of this program. This will include investment promotion, export marketing, and technology transfer efforts, as well as programs to facilitate adjustments to greater competition and production in agriculture and industry. I intend to seek the active participation of the business community in this joint undertaking. The Peace Corps already has 861 volunteers in Caribbean Basin countries and will give special emphasis to recruiting volunteers with skills in developing local enterprise.

Fifth, we will work closely with Mexico, Canada, and Venezuela, all of whom have already begun substantial and innovative programs of their own, to encourage stronger international efforts to coordinate our own development measures with their vital contributions, and with those of other potential donors like Colombia. We will also encourage our European, Japanese, and other Asian allies, as well as multilateral development institutions, to increase their assistance in the region.

Sixth, given our special valued relationship with Puerto Rico and the United States Virgin Islands, we will propose special measures to ensure that they also will benefit and prosper from this program. With their strong traditions of democracy and free enterprise, they can play leading roles in the development of the area.

This program has been carefully prepared. It represents a farsighted act by our own people at a time of considerable economic difficulty at home. I wouldn't propose it if I were not convinced that it is vital to the security interests of this Nation and of this hemisphere. The energy, the time, and the treasure we dedicate to assisting the development of our neighbors now can help to prevent the much larger expenditures of treasure as well as human lives which would flow from their collapse.

One early sign is positive. After a decade of falling income and exceptionally high unemployment, Jamaica's new leadership is



reducing bureaucracy, dismantling unworkable controls, and attracting new investment. Continued outside assistance will be needed to tide Jamaica over until market forces generate large increases in output and employment—but Jamaica is making freedom work.

I've spoken up to now mainly of the economic and social challenges to development. But there are also other dangers. A new kind of colonialism stalks the world today and threatens our independence. It is brutal and totalitarian. It is not of our hemisphere, but it threatens our hemisphere and has established footholds on American soil for the expansion of its colonialist ambitions.

The events of the last several years dramatize two different futures which are possible for the Caribbean area: either the establishment or restoration of moderate, constitutional governments with economic growth and improved living standards, or further expansion of political violence from extreme left and the extreme right, resulting in the imposition of dictatorships and, inevitably, more economic decline and human suffering.

The positive opportunity is illustrated by the two-thirds of the nations in the area which have democratic governments. The dark future is foreshadowed by the poverty and repression of Castro's Cuba, the tightening grip of the totalitarian left in Grenada and Nicaragua, and the expansion of Soviet-backed, Cuban-managed support for violent revolution in Central America.

The record is clear. Nowhere in its whole sordid history have the promises of communism been redeemed. Everywhere it has exploited and aggravated temporary economic suffering to seize power and then to institutionalize economic deprivation and suppress human rights. Right now, 6 million people worldwide are refugees from Communist systems. Already, more than a million Cubans alone have fled Communist tyranny.

Our economic and social program cannot work if our neighbors cannot pursue their own economic and political future in peace, but must divert their resources, instead, to fight imported terrorism and armed attack. Economic progress cannot be made while guerrillas systematically burn, bomb, and destroy bridges, farms, and power and

transportation systems—all with the deliberate intention of worsening economic and social problems in hopes of radicalizing already suffering people.

Our Caribbean neighbors' peaceful attempts to develop are feared by the foes of freedom, because their success will make the radical message a hollow one. Cuba and its Soviet backers know this. Since 1978 Havana has trained, armed, and directed extremists in guerrilla warfare and economic sabotage as part of a campaign to exploit troubles in Central America and the Caribbean. Their goal is to establish Cuban-style, Marxist-Leninist dictatorships.

Last year, Cuba received 66,000 tons of war supplies from the Soviet Union—more than in any year since the 1962 missile crisis. Last month, the arrival of additional high performance MIG-23 Floggers gave Cuba an arsenal of more than 200 Soviet warplanes—far more than the military aircraft inventories of all other Caribbean Basin countries combined.

For almost 2 years, Nicaragua has served as a platform for covert military action. Through Nicaragua, arms are being smuggled to guerrillas in El Salvador and Guatemala. The Nicaraguan Government even admits the forced relocation of about 8,500 Miskito Indians. And we have clear evidence that since late 1981, many Indian communities have been burned to the ground and men, women, and children killed.

The Nicaraguan junta cabled written assurances to the OAS in 1979 that it intended to respect human rights and hold free elections. Two years later, these commitments can be measured by the postponement of elections until 1985, by repression against free trade unions, against the media, minorities, and in defiance of all international civility, by the continued export of arms and subversion to neighboring countries.

Two years ago, in contrast, the Government of El Salvador began an unprecedented land reform. It has repeatedly urged the guerrillas to renounce violence, to join in the democratic process, an election in which the people of El Salvador could determine the government they prefer. Our own country and other American nations

through the OAS have urged such a course. The guerrillas have refused. More than that, they now threaten violence and death to those who participate in such an election.

Can anything make more clear the nature of those who pretend to be supporters of so-called wars of liberation?

A determined propaganda campaign has sought to mislead many in Europe and certainly many in the United States as to the true nature of the conflict in El Salvador. Very simply, guerrillas, armed and supported by and through Cuba, are attempting to impose a Marxist-Leninist dictatorship on the people of El Salvador as part of a larger imperialistic plan. If we do not act promptly and decisively in defense of freedom, new Cubas will arise from the ruins of today's conflicts. We will face more totalitarian regimes tied militarily to the Soviet Union—more regimes exporting subversion, more regimes so incompetent yet so totalitarian that their citizens' only hope becomes that of one day migrating to other American nations, as in recent years they have come to the United States.

I believe free and peaceful development of our hemisphere requires us to help governments confronted with aggression from outside their borders to defend themselves. For this reason, I will ask the Congress to provide increased security assistance to help friendly countries hold off those who would destroy their chances for economic and social progress and political democracy. Since 1947 the Rio Treaty has established reciprocal defense responsibilities linked to our common democratic ideals. Meeting these responsibilities is all the more important when an outside power supports terrorism and insurgency to destroy any possibility of freedom and democracy. Let our friends and our adversaries understand that we will do whatever is prudent and necessary to ensure the peace and security of the Caribbean area.

In the face of outside threats, security for the countries of the Caribbean and Central American area is not an end in itself, but a means to an end. It is a means toward building representative and responsive institutions, toward strengthening pluralism and free private institutions—churches, free trade unions, and an independent press. It is a means to nurturing the basic human

rights freedom's foes would stamp out. In the Caribbean we above all seek to protect those values and principles that shape the proud heritage of this hemisphere.

I have already expressed our support for the coming election in El Salvador. We also strongly support the Central American Democratic Community formed this January by Costa Rica, Honduras, and El Salvador. The United States will work closely with other concerned democracies inside and outside the area to preserve and enhance our common democratic values.

We will not, however, follow Cuba's lead in attempting to resolve human problems by brute force. Our economic assistance, including the additions that are part of the program I've just outlined, is more than five times the amount of our security assistance. The thrust of our aid is to help our neighbors realize freedom, justice, and economic progress.

We seek to exclude no one. Some, however, have turned from their American neighbors and their heritage. Let them return to the traditions and common values of this hemisphere, and we all will welcome them. The choice is theirs.

As I have talked these problems over with friends and fellow citizens here in the United States, I'm often asked, "Well, why bother? Why should the problems of Central America or the Caribbean concern us? Why should we try to help?" Well, I tell them we must help, because the people of the Caribbean and Central America are in a fundamental sense fellow Americans. Freedom is our common destiny. And freedom cannot survive if our neighbors live in misery and oppression. In short, we must do it because we're doing it for each other.

Our neighbors' call for help is addressed to us all here in this country—to the administration, to the Congress, to millions of Americans from Miami to Chicago, from New York to Los Angeles. This is not Washington's problem; it is the problem of all the people of this great land and of all the other Americas—the great and sovereign republics of North America, the Caribbean Basin, and South America. The Western Hemisphere does not belong to any one of us; we belong to the Western Hemi-



*Admi*

sphere. We are brothers historically as well as geographically.

Now, I'm aware that the United States has pursued good neighbor policies in the past. These policies did some good, but they're inadequate for today. I believe that my country is now ready to go beyond being a good neighbor to being a true friend and brother in a community that belongs as much to others as to us. That, not guns, is the ultimate key to peace and security for us all.

We have to ask ourselves why has it taken so long for us to realize the God-given opportunity that is ours. These two great land masses north and south, so rich in virtually everything we need—together our more than 600 million people can develop what is undeveloped, can eliminate want and poverty, can show the world that our many nations can live in peace, each with its own customs and language and culture, but sharing a love for freedom and a determination to resist outside ideologies that would take us back to colonialism.

We return to a common vision. Nearly a century ago a great citizen of the Caribbean and the Americas, José Martí, warned that, "Mankind is composed of two sorts of men, those who love and create and those who hate and destroy." Today more than ever the compassionate, creative peoples of the Americas have an opportunity to stand together, to overcome injustice, hatred, and oppression, and to build a better life for all the Americas.

I have always believed that this hemisphere was a special place with a special destiny. I believe we are destined to be the beacon of hope for all mankind. With God's help, we can make it so. We can create a peaceful, free, and prospering hemisphere based on our shared ideals and reaching from pole to pole of what we proudly call the New World.

Thank you.

*Note: The President spoke at 12:37 p.m. in the Hall of the Americas at the Organization of American States Building. He was introduced by Ambassador Victor C. McIntyre of Trinidad and Tobago.*

*The address was broadcast live over the Voice of America system.*

United States will continue to be a constructive force in the world economy.

### 1981: Building for the Future

In 1981 not only were the far-reaching policies needed for the remainder of the 1980s developed and put into place, their first positive results also began to be felt.

The most significant result was the contribution these policies made to a substantial reduction in inflation, bringing badly needed relief from inflationary pressures to every American. For example, in 1980 the consumer price index rose 13.5 percent for the year as a whole; in 1981 that rate of increase was reduced substantially, to 10.4 percent. This moderation in the rate of price increases meant that inflation, "the cruelest tax," was taking less away from individual savings and taking less out of every working American's paycheck.

There are other, more indirect but equally important benefits that flow from a reduction in inflation. The historically high level of interest rates of recent years was a direct reflection of high rates of actual and expected inflation. As the events of this past year suggested, only a reduction in inflationary pressures will lead to substantial, lasting reductions in interest rates.

In the 6 months preceding this Administration's taking office, interest rates had risen rapidly, reflecting excessively fast monetary growth. Since late last summer, however, short- and long-term interest rates have, on average, moved down somewhat in response to anti-inflationary economic policies.

Unfortunately, the high and volatile money growth of the past, and the high inflation and high interest rates which accompanied it, were instrumental in bringing about the poor and highly uneven economic performance of 1980 and 1981,

culminating in a sharp fall in output and a rise in unemployment in the latter months of 1981.

This Administration views the current recession with concern. I am convinced that our policies, now that they are in place, are the appropriate response to our current difficulties and will provide the basis for a vigorous economic recovery this year. It is of the greatest importance that we avoid a return to the stop-and-go policies of the past. The private sector works best when the Federal Government intervenes least. The Federal Government's task is to construct a sound, stable, long-term framework in which the private sector is the key engine to growth, employment, and rising living standards.

The policies of the past have failed. They failed because they did not provide the environment in which American energy, entrepreneurship, and talent can best be put to work. Instead of being a successful promoter of economic growth and individual freedom, government became the enemy of growth and an intruder on individual initiative and freedom. My program — a careful combination of reducing incentive-stifling taxes, slowing the growth of Federal spending and regulations, and a gradually slowing expansion of the money supply — seeks to create a new environment in which the strengths of America can be put to work for the benefit of us all. That environment will be an America in which honest work is no longer discouraged by ever-rising prices and tax rates, a country that looks forward to the future not with uncertainty but with the confidence that infused our forefathers.

RONALD REAGAN

February 10, 1982

saster is consuming our neighbors' money reserves and credit, forcing thousands of people to emigrate, and shaking even the most established democracies.

This is not a crisis we can afford to ignore. The people of the Caribbean Basin are our neighbors. Their well-being and security are in our own vital interest. Events occurring in the Caribbean Basin can affect our lives in profound and dramatic ways. The migrants in our midst are a vivid reminder of the closeness of this problem to all of us.

The program I am presenting to Congress today is integrated and designed to improve the lives of the peoples of the Caribbean Basin by enabling them to earn their own way to a better future. It builds on the principles of integrating aid, self-help and participation in trade and investment which I emphasized at the Cancún Summit last October. It is a different kind of assistance program for developing countries, based on principles and practices which are uniquely American and which we know have worked in the past. It will help revitalize the economies of this strategically critical region by attacking the underlying causes of economic stagnation. Most significantly, it helps expand economic opportunities for the people of the Caribbean Basin to make possible the achievement of a lasting political and social tranquility based on freedom and justice.

I want to emphasize that this program is not an end in itself. What we seek in the final analysis is to help the people in the Basin build for themselves a better life, not just economically but across the full spectrum of human needs and aspirations. History, and particularly the history of this Hemisphere, has shown that a pluralistic society with strong, free, private institutions — churches, free trade unions, businesses, professional and other voluntary associations, and an independent press — is our best hope in moving toward that ultimate goal.

Our development program takes this into account; it will encourage progress in the beneficiary countries toward reasonable workplace conditions and opportunities for workers to associate freely and bargain collectively.

The United States has been developing this program in close consultation with the countries of the region and with other donor countries. Last July, we joined with Canada, Mexico and Venezuela to launch a multilateral action program for the region. It was agreed that each country would develop its own program but within a multilateral consultative framework. Mexico and Venezuela are operating an oil facility for the Caribbean Basin. Canada is more than doubling its aid. The program I am presenting today is our contribution.

We have worked carefully with both government officials and the private sector in the Basin countries to assess their needs and their own priorities. We have also consulted with other potential donors, including Colombia, as well as multilateral devel-

## Message on Caribbean Basin

*Following is the Congressional Record text of President Reagan's March 17 message to Congress on economic cooperation for the Caribbean Basin.*

### TO THE CONGRESS OF THE UNITED STATES:

On February 24, before the Organization of American States, I outlined a major new program for economic cooperation for the Caribbean Basin. Today I am transmitting this plan to the Congress for its action.

The economic, political and security challenges in the Caribbean Basin are formidable. Our neighbors need time to develop representative and responsive institutions, which are the guarantors of the democracy and justice that freedom's foes seek to stamp out. They also need the opportunity to achieve economic progress and improve their standard of living. Finally,

they need the means to defend themselves against attempts by externally-supported minorities to impose an alien, hostile and unworkable system upon them by force. The alternative is further expansion of political violence from the extreme left and the extreme right, resulting in the imposition of dictatorships and — inevitably — more economic decline, and more human suffering and dislocation.

Today, I seek from the Congress the means to address the economic aspect of the challenge in the Caribbean Basin — the underlying economic crisis which provides the opportunities which extremist and violent minorities exploit.

The crisis facing most of the Basin countries is real and acute. Deteriorating trade opportunities, worldwide recession, mounting debt burdens, growing unemployment and deep-seated structural problems are having a catastrophic impact throughout the region. This economic di-

tries within and outside the region. Its structure will insure not only that our own actions will be effective, but that their impact will be multiplied by the efforts of many others.

The program is based on integrated and mutually-reinforcing measures in the fields of trade, investment and financial assistance:

- Its centerpiece is the offer of one-way free trade. I am requesting authority to eliminate duties on all imports from the Basin except textiles and apparel items subject to textile agreements. The only other limitation will be for sugar; as long as a sugar price support program is in effect, duty-free imports of sugar will be permitted only up to specified ceilings. Safeguards will be available to U.S. industries seriously injured by increased Basin imports. Rules of origin will be liberal to encourage investment but will require a minimum amount of local content (25 percent). I will designate beneficiary countries taking into account such factors as the countries' self-help policies.

- I am proposing an extension of the 10 percent tax credit that now applies only to domestic investment to new equity investments in qualifying Caribbean Basin countries. A country would qualify for the benefit for a period of five years by entering into a bilateral executive agreement with the U.S. to exchange information for tax administration purposes.

- I am requesting a supplemental appropriation for the FY 1982 foreign assistance program in the amount of \$350 million in emergency economic assistance. This assistance will help make possible financing of critical imports for the private sector in Basin countries experiencing a severe credit crunch. I expect to allocate the emergency supplemental in the region as follows:

*El Salvador:* \$128 million. El Salvador's economy is in desperate straits. The insurgents have used every tactic of terrorism to try to destroy it. El Salvador desperately needs as much assistance to stimulate production and employment as we can prudently provide while also helping other countries of the region.

*Costa Rica:* \$70 million. Costa Rica has a long tradition of democracy which is now being tested by the turmoil of its economy. Once Costa Rica has embarked on a recovery plan, it will need significant assistance to succeed in restoring investor confidence and credit to its hard-hit private sector.

*Honduras:* \$35 million. The poorest country in the Central American region, Honduras faces severe balance of payments constraints, spawned primarily from falling prices of major exports and rising import costs.

*Jamaica:* \$50 million. Jamaica's recovery is under way but continued success is still heavily dependent on further quick-disbursing assistance to overcome a shortage of foreign exchange for raw materials

*Dominican Republic:* \$100 million. Response is just to drastically-reduced economic activity brought on primarily by falling prices of its major export crop (sugar) and heavy dependence on imported oil. Critical economic reforms must take place in a difficult political climate as elections grow near. Once the free trade provisions go into effect, the Dominican Republic will also receive as a result of the duty-free quota for its sugar exports immediate benefits going beyond the \$40 million indicated here.

*Eastern Caribbean:* \$10 million. Economic stagnation has dried up investment and strangled development in these island mini-states where unemployment is a particular problem, especially among youths.

*Belize:* \$10 million. Newly-independent Belize faces a perilous economic situation brought on by falling sugar prices and stagnant growth. Belize needs short-term assistance as a bridge to the development of its own considerable natural resources.

*Haiti:* \$5 million. Illegal immigration from Haiti is spurred by stagnant economic activity and a credit-starved private sector in a country already desperately poor.

*Latin American Regional/American Institute for Labor Development (AIFLD):* \$2 million. Free labor movements, assisted by our small AIFLD programs, can be the underpinning of a healthy private sector and its ability to expand and grow, leading the region to stable social and economic progress.

In a separate action I am also requesting action on the economic assistance program for FY 1983. This includes \$664 million in economic assistance for the Caribbean Basin. This program will be directed largely into longer-term programs aimed at removing basic impediments to growth. Although not a part of the legislation which I am transmitting today, the FY 1983 aid request is an integral part of our overall program for the Caribbean Basin. We cannot think of this program as a one-time injection of U.S. interest and effort. If it is to succeed it must be a sustained commitment over a number of years. I strongly urge the Congress to approve this request in full.

In addition to these legislative requests, I am directing the following actions, which are within the discretion of the Executive Branch:

- We will extend more favorable treatment to Caribbean Basin textile and apparel exports within the context of our overall textile policy.

- We will seek to negotiate bilateral investment treaties with interested countries.

- We will work with multilateral development banks and the private sector to develop insurance facilities to supplement OPIC's political risk insurance coverage for U.S. investors.

- The U.S. Export-Import Bank will expand protection, where its lending criteria allow, for short-term credit from U.S. banks, as well as local commercial banks, to

tors of interested countries, we will develop private sector strategies for each country. These strategies will coordinate and focus development efforts of local business, U.S. firms, private voluntary organizations, the U.S. Government, and Puerto Rico and the Virgin Islands. The strategies will seek new investment and employment opportunities and will also seek to remove impediments to growth including lack of marketing skills, trained manpower, poor regional transport, and inadequate infrastructure.

Puerto Rico and the U.S. Virgin Islands have a long-standing special relationship with the United States. Their development must be enhanced by our policy toward the rest of the region. We have consulted closely with Puerto Rico and the Virgin Islands about the Caribbean Basin Initiative and the legislation I am requesting today will reflect Puerto Rican and Virgin Island interests in many important ways.

- The Accelerated Cost Recovery System (ACRS) and the Investment Tax Credit (ITC) will be extended to property used by companies operating in Puerto Rico and the U.S. Virgin Islands. Similar benefits will be available to other U.S. possessions.

- Excise taxes on all imported rum will be transferred to Puerto Rico and the Virgin Islands.

- Inputs into Caribbean Basin production from Puerto Rico and the U.S. Virgin Islands will be considered domestic inputs from Caribbean Basin countries for purposes of the rules of origin.

- Industries in Puerto Rico and the Virgin Islands will have access to the same safeguards provisions as mainland industries.

In addition, we will support proposed legislation which will permit products from the Virgin Islands whose foreign content does not exceed 70 percent to receive duty-free treatment. At present the maximum foreign content permitted is 50 percent.

To further the integrated agricultural development of the Caribbean Basin, we will make greater use of the agricultural and forestry research, extension and training facilities of the Federal Government and those of Puerto Rico and the United States Virgin Islands, especially the tropical agricultural research facility at Mayaguez, Puerto Rico.

All these elements in the Caribbean Basin program are inextricably linked together, and to the fundamental objective of helping our neighbors help themselves. A key principle of the program is to encourage a more productive, competitive and dynamic private sector, and thereby provide the jobs, goods and services which the people of the Basin need for a better life for themselves and their children. All the elements of this program are designed to help establish the conditions under which a free and competitive private sector can flourish.

Most countries in the Basin already recognize that they must reform many of their economic policies and structures in profound and sometimes painful ways in order to take advantage of the new opportunities of this program. We United States and other outside donors — can offer assistance and support, but only the people in the Basin themselves can make this program work.

Some of the benefits of this program will take considerable time to mature; others are designed to have an immediate effect. But the challenge is already upon us; the time to begin is now. I urge the Congress to act with maximum speed.

## Petroleum Allocation Veto

*Following is the White House text of President Reagan's March 20 message accompanying his veto of S 1503, authorizing the president to allocate petroleum supplies in a severe shortage. It was Reagan's third veto of a public bill during the 97th Congress.*

### TO THE HOUSE OF REPRESENTATIVES:

Although I appreciate the good faith efforts of the sponsors of this legislation, I am returning without my approval S. 1503, the "Standby Petroleum Allocation Act of 1982."

I am sympathetic to the assertion that this bill responds to an understandable concern that our nation must prepare against the possible disruption of energy supplies; this legislation grew from an assumption, which has been demonstrated to be invalid, that giving the Federal Government the power to allocate and set prices will result in an equitable and orderly response to a supply interruption. We can all still recall that sincere efforts to allow bureaucratic allocation of fuel supplies actually harmed our citizens and economy, adding to inequity and turmoil. Further, the threat of such controls will discourage the very steps that are needed to provide real protection against such emergencies.

I also urge the Congress to consider very carefully any changes in this program. The actions in trade, aid and investment are inter-related. Each supports the other, so that together they comprise a real spur toward the entrepreneurial dynamism which the area so badly needs. A significant weakening in any of them could undermine the whole program. In the Caribbean Basin, we seek above all to support those values and principles that shape the proud heritage of this Nation and this Hemisphere. With the help of this Congress, we shall see these values not only survive but triumph in a Caribbean Basin which is a community of peace, freedom and prosperity. ■

The Act would require the promulgation of standby petroleum allocation and price controls, including a specific program for the sharing of crude oil among refiners at controlled prices. Those controls could be imposed in the event of future petroleum supply shortages, subject to Congressional approval. The Act would also require the Federal Government to continue extensive and burdensome data collection even when the regulations were not in effect.

Today I have ample powers to take the steps necessary to protect national security, meet our treaty obligations and assure essential public health and safety functions. The supplies in the Strategic Petroleum Reserve and significant production in the National Petroleum Reserve also ensure that petroleum for truly essential needs will be available. What I do not have, do not want and do not need is general power to reimpose on all Americans another web of price controls and mandatory allocations.

We must recognize that an interruption of a significant portion of foreign energy supplies, whether because of armed strife, human choice or natural disaster, will involve real costs to the United States and the world. Proper preparation beforehand, and free trade among our citizens afterward, can mitigate these costs, but no magic federal plan can simply make them go away. Controls can only shift losses from one set of Americans to others, with vast

dislocation and loss of efficiency along the way. This was very amply demonstrated during the supply interruptions of 1973-74 and 1978-79. Those interruptions precipitated much higher oil prices, but they did not cause gas lines and shortages. It took government to do that.

The bill could be counterproductive to our preparedness efforts. In the event of a supply interruption, the best protection will be stockpiling and plans for switching to less costly ways to achieve our goals. This bill would discourage self-protective measures, because it tells the public that those measures will be nullified by government allocations and controls or that such measures are unnecessary because the government will guarantee them low-priced energy in the event of any disruption.

The current world oil situation, with declining prices and ample supplies, provides the best opportunity for future preparedness. This is why the Administration continues to add to the Strategic Petroleum Reserve as fast as permanent storage becomes available. By the end of this year we will have nearly tripled the size of the Reserve in two years. All citizens who are concerned about the possibility of shortages and higher prices in the future should use the current opportunity to prepare in ways that are appropriate to their situation.

This legislation does contain one important feature, which should be adopted immediately as a separate Act. Since 1974 the United States has participated with other countries in the International Energy Agency, in an effort to improve our effectiveness in combatting international energy problems. A coordinated response to any international oil supply disruption through the IEA requires cooperation by private American oil companies in ways that are not possible absent statutory authorization. This authorization, contained in Section 252 of the Energy Policy and Conservation Act, has been extended routinely since its enactment in 1975. The most recent extension expires on April 1st of this year. This authority should again be extended, and H.R. 5789 and S. 1937 are now pending in Congress for this purpose.

RONALD REAGAN

The White House  
March 20, 1982 ■

## Message to Congress on Enterprise Zones

*Following is the Congressional Record text of President Reagan's March 23 message to Congress on enterprise zones.*

### TO THE CONGRESS OF THE UNITED STATES:

I am transmitting to the Congress today a message entitled, "The Enterprise

Zone Tax Act of 1982." This legislation authorizes the establishment of an Enterprise Zone program, which is an experimental, free market-oriented program for dealing with the severe problems of our Nation's economically-depressed areas.

In my January 26 State of the Union message, I indicated that we would propose legislation for a new effort to review the decaying areas of America's inner cities

and rural towns. We have now completed work on this new effort and it is embodied in the proposed "Enterprise Zone Tax Act." Therefore, I am requesting today that the bill be referred to the appropriate committees and I urge its early enactment.

The Enterprise Zone concept is based on utilizing the market to solve urban problems, relying primarily on private sector institutions. The idea is to create a



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## Caribbean Basin Initiative

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*Remarks on Signing a Message to the Congress Transmitting the Proposed Legislation. March 17, 1982*

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Ladies and gentlemen, I have a statement with regard to this signing here, and for the sound press I shall read it.

Three weeks ago, in an address to the Organization of American States I presented a comprehensive proposal designed to help the peoples of the Caribbean Basin cope with a crisis of unprecedented proportions. Today, I am transmitting this plan to Congress.

The well-being and security of our Caribbean Basin neighbors are in our own vital interests. Today, both their economic well-being and security are threatened. Economic disaster is consuming our neighbors'

money reserves and credit, it's forcing thousands of people to immigrate, and threatening even the most established democracies. Extremist groups and violent minorities are exploiting this economic misery to gain new footholds in this hemisphere. If we don't act now, the dangers will grow. New Cubas will arise, and the cost of ensuring our security to the south will escalate.

The plan I'm offering today addresses the underlying economic crisis that offers opportunities to the foes of freedom. Our program, like the crisis itself, is unprecedented and consists of mutually reinforcing measures in the fields of trade, investment, and financial assistance. The package is a balanced one, and every component is essential. It's not foreign aid as usual, but a program that is based on unique American practices that we know work.

It will support our neighbors' efforts to achieve economic progress, political democracy, social justice, and freedom from outside intervention. By encouraging a more productive and dynamic private sector, it will develop the jobs, goods, and services which the people of the Basin need for a better life. This is our contribution. Others in this hemisphere are also increasing theirs. Our willingness to act boldly has been a catalyst.

Earlier this week, Al Haig and Bill Brock met with ministers of Colombia, Mexico, Venezuela, and Canada to discuss programs. These countries are making substantial contributions.

Colombia, which is itself a developing country, is increasing trade credits, balance of payment swaps, and technical assistance, and will extend trade preferences. Canada will more than double its assistance. Mexico and Venezuela, in addition to the \$700 million a year oil facility, are increasing other programs including trade preferences. Our countries agreed jointly to ask the Europeans and Japan to pitch in, too, and we'll be meeting with them soon.

I'm acutely conscious that we ourselves are going through a period of economic difficulty. I wouldn't propose this program if I were not convinced that it is in our vital national interest. The economies of these countries are small, the impact of the trade measures will develop slowly. Every protec-

tion available to U.S. industry and labor against disruptive imports will remain.

The crisis in the Caribbean Basin is not a partisan issue. I urge the Congress to move with maximum speed. Congress' leadership will be crucial. Our security cannot wait.

[At this point, the President signed the message.]

The deed is done. [Referring to the Members of Congress:] Now it's in your hands.

*Note: The President spoke at 10:35 a.m. in the Roosevelt Room at the White House. Reporters were present for the signing ceremony which was attended by several Members of the Congress.*

#### Caribbean Basin Initiative

*Message to the Congress Transmitting the Proposed Caribbean Basin Economic Recovery Act. March 17, 1982*

#### To the Congress of the United States:

On February 24, before the Organization of American States, I outlined a major new program for economic cooperation for the Caribbean Basin. Today I am transmitting this plan to the Congress for its action.

The economic, political and security challenges in the Caribbean Basin are formidable. Our neighbors need time to develop representative and responsive institutions, which are the guarantors of the democracy and justice that freedom's foes seek to stamp out. They also need the opportunity to achieve economic progress and improve their standard of living. Finally, they need the means to defend themselves against attempts by externally-supported minorities to impose an alien, hostile and unworkable system upon them by force. The alternative is further expansion of political violence from the extreme left and the extreme right, resulting in the imposition of dictatorships and—invariably—more economic decline, and more human suffering and dislocation.

Today, I seek from the Congress the means to address the economic aspect of

Apr. 27 / Administration of Ronald Reagan, 1982

all Federal Government buildings, and I urge all citizens to display the flag at their homes and other suitable places on that day.

In Witness Whereof, I have hereunto set my hand this 27th day of April, in the year of our Lord nineteen hundred and eighty-two, and of the Independence of the United States of America the two hundred and sixth.

Ronald Reagan

[Filed with the Office of the Federal Register, 4:35 p.m., April 27, 1982]

### Multinational Force and Observers Reports

*Executive Order 12361. April 27, 1982*

By the authority vested in me as President of the United States of America by the Multinational Force and Observers Participation Resolution (Public Law 97-132, 95 Stat. 1693) and Section 301 of Title 3 of the United States Code, it is hereby ordered as follows:

**Section 1. Delegation of Functions.** The reporting function conferred upon the President by Section 6 of the Multinational Force and Observers Participation Resolution (422 U.S.C. 3425) is delegated to the Secretary of State.

**Sec. 2. Interagency Coordination.** In the exercise of the function conferred on the Secretary of State by Section 1 of this Order, the Secretary of State shall consult with the Director of the Office of Management and Budget, the Secretary of Defense, the Director of the United States Arms Control and Disarmament Agency, the Assistant to the President for National Security Affairs, and the heads of other Executive agencies as appropriate.

Ronald Reagan

The White House,  
April 27, 1982.

[Filed with the Office of the Federal Register, 4:36 p.m., April 27, 1982]

### Caribbean Basin Initiative

*Remarks at a White House Briefing for Chief Executive Officers of U.S. Corporations. April 28, 1982*

Well, anyone still drinking coffee and doing things like that, go right ahead. And welcome to the White House.

I can't tell you how much I appreciate—I know how busy your lives all are and that you're willing to come here and spend this time with us. But I think the subject is an important one, one that can help to shape the history of our hemisphere in a positive way for many generations to come. The magic of the marketplace, as all of us know, has made the United States the economic wonder of the world. And I'm convinced it can be used to bring a freer, more abundant life to our neighbors in the Caribbean Basin region.

Now, I know that you'll be meeting this afternoon with Al Haig and Don Regan. Bill Brock, Peter McPherson, and other senior administrative officials, so I will try not to steal any of their lines, use any of their material. But I can't stress enough how strongly I feel the potential for good, for human betterment, and for our own national interest is tied to what we've called the Caribbean Initiative.

More than 2 years ago, when I announced my candidacy for President, I spoke of an ambition to bring about an accord with our two neighbors of the North American continent. And I used the word "accord" deliberately. I wasn't thinking of any rigid, new arrangement, but rather of strengthening and renewing the natural ties that unite the freedom-loving peoples of the Americas. And this past February I carried this concept a step farther in announcing our Caribbean Basin Initiative, a comprehensive program to enhance security and cooperation with our Caribbean neighbors.

I realize that some of our citizens may have been a little skeptical at first—why us? and why now, with all our troubles? and why the Caribbean Basin? Well, the answer, it seems to me, is as clear as it is urgent. Our neighbors in the region, some two dozen countries of the Caribbean and Cen-



tral America, are not unfamiliar names from some isolated corner of the world far from home. The country of El Salvador is closer to Texas than Texas is to Massachusetts. I mean that geographically, not necessarily ideologically. [Laughter]

The Caribbean region is a vital strategic and commercial artery for the United States. It's literally our third border. Almost half of our trade—our import and export trade and two-thirds of our imported oil—over half of our strategic materials pass through the Panama Canal or the Gulf of Mexico. It's in our own vital interest to help our Caribbean friends to protect themselves from hostile, foreign-inspired forces that would impose an alien ideology through the use of violence and terrorism. One of those islands has already been influenced and pretty much guided by Cuba, and lately the reports that we get are of military buildup beginning on that island. It certainly can't be for defense against its neighbors.

Elements of our assistance program address this problem, I think, and they are crucial to the success of our broader hopes for peaceful economic development. But security assistance alone is only part of the picture. To me the most exciting and promising aspect of the Initiative is our economic program, a program that can plant the seeds of prosperity, freedom, and stability for the average citizens of the region by fostering the free flow of goods, ideas, and technology in a free-market setting.

Just to give you an idea of the difficulties they face, in 1977 1 barrel of oil was worth 5 pounds of coffee or 155 pounds of sugar. To buy that same barrel of oil now these small countries must provide five times as much coffee or more than twice as much sugar. This is consuming their money reserves and credit, forcing thousands of people to leave for other countries—and a great many of them leave illegally for the United States. It's shaking even the most established democracies down there, and as always happens, economic disaster has provided fresh openings for the foes of freedom, national independence, and peaceful development. So, the economic threat to the region is also a political and a human one.

Now, last year I went to the Cancún summit of developed and developing coun-

tries and offered a fresh view of the development process. I recall that I was advertised in advance very widely throughout the country as going down where I would be burned in effigy—if not actually in person—and it didn't turn out that way. For the past 15 years the world has been led to believe that the road to development is paved with massive aid transfers and centralized international institutions. Well, the historical record shows that those countries that have succeeded have used chiefly their own resources and pursued policies which emphasize trade, investment, and the role of the private sector. And that is what I talked about at Cancún—the idea of our willingness to help them get on their feet and have the kind of economies that could provide jobs and a good living for their people and that they wouldn't have to become boat people, trying to find someplace where they could live.

Now, in consultation with other governments of the Americas and with leaders of the Basin region, we have come up with a balanced package of trade, investment, and foreign assistance, offering practical examples of the view that I presented there at Cancún. If our program works—and our own experience suggests that it can—the Caribbean Basin Initiative can change the course of development around the world. It can usher in a new era of more free-market policy in many countries which, since their recent independence, have often marched to a different drummer.

Your role—the private sector role—is critical. From the very outset we've stressed that to work, our initiatives aid package must be complemented by trade and investment to help the peoples of the Caribbean Basin region earn their own way to self-sustaining growth. Our aid will encourage private sector activities instead of displacing them.

The heart of the program is free trade for Caribbean Basin products exported to the United States. Currently some 87 percent of these exports already enter U.S. markets duty free, many under the Generalized System of Preferences. But these exports only cover a limited range of existing products, not the rich variety of potential products these talented and industrious people

are capable of producing under the free-trade arrangement that we've proposed.

Under our program, exports from the area will receive duty-free treatment for 12 years. Now, thus, new investors will be able to enter the market knowing that their products will receive duty-free treatment for at least the payoff lifetime of their investments. The only exception to the free-trade concept will be textiles and apparel and sugar. In these cases, our immediate neighbors will receive quotas as liberal as are consistent with our domestic and international obligations under law.

The impact of this free-trade approach will develop slowly. The economies we seek to help are small. Even as they grow, all the protections now available to U.S. industry, agriculture, and labor against disruptive imports will remain. And growth in the Caribbean will benefit everyone with American exports finding new markets.

The tax incentives we're asking the Congress to provide will further encourage investment in the Caribbean Basin. We're also prepared to negotiate bilateral investment treaties with individual Basin countries. And we're also asking for economic support funds to provide direct aid to these countries to help them overcome balance of payment problems and also to help those who cannot be really open to investment until there has been something done about their lack of infrastructure—power, sewage facilities, things of that kind.

Through your leadership and example, we can prove anew that economic freedom works and that it's still the best path to peace and prosperity. Government can't do it alone. You are indispensable.

What can you do specifically? Well, first, if I could, let me ask you to, if necessary, familiarize yourself with the various programs in AID, OPIC, the Department of Commerce, the Department of Labor, other Government agencies that support the Caribbean Basin Initiative.

Second, let me encourage you to make available to these agencies, should they request it, some of your highly qualified mid-career people who can bring a realistic perspective to these government programs. At AID, Peter McPherson is developing a new private enterprise bureau. That bureau needs investment specialists to advise on

making our aid programs more helpful in creating the infrastructure that is needed to support private investment.

Third, reconsider the prospects for your companies to invest in the Caribbean. Take another look at this region in light of the commitment which this government and other governments of Mexico, Canada, Venezuela, and Colombia have undertaken to encourage private sector development in the Caribbean.

And fourth, let us have your comments and advice, as you move into this region, about what we could do better.

Fifth, help us to secure passage of the Caribbean Basin legislation now pending before the Congress. And I have a hunch that you know somewhat how to contact your Congressmen with that regard.

I'm confident that a sustained, working relationship can grow out of the meetings that you'll have here today. As I said in my radio speech last Saturday, this could be the start of something big.

Nearly a century ago, a great citizen of the Caribbean and the Americas, the Cuban poet and statesman José Martí, wrote that "Mankind is composed of two sorts of men: those who love and create, and those who hate and destroy." Our own history proves that the forces of freedom and economic vitality can unlock what is best in human nature. In this country, we've made freedom work. And with your help, our friends in the Caribbean Basin can do the same thing for themselves.

Let me just say a word if I could, now, about—if you're not familiar with them—about the people down there.

I recently made a trip down there. It was widely heralded as a vacation. I did take a day and a half off to go swimming and then found out, the second day I went swimming, that even the natives didn't go in when the water was that rough—that I shouldn't have gone in. [Laughter] But I made it back to shore. So, I was told by officials I met down there with—and Prime Ministers of half a dozen of the Caribbean nations—met with Prime Minister Seaga on Jamaica, and we spent the rest of our time on Barbados there with their very fine Prime Minister, and the others came there for the meetings that we held. I was told,

by these officials, that I would find, there on those islands, that there was a great love for America. And, unlike some of the places where we've had to go and ignore the graffiti on the walls, it was true.

I never have felt such warmth on the part of just the rank-and-file citizenry. They went out of their way. They waited, sometimes hours, just for you to go by so they could yell, "We love you." And I am convinced—they're also—they haven't been spoiled by as much welfare as we have in our country.

I was talking to the Prime Minister in Barbados about how some of our people out in my own State who prefer surfboarding to working had worked out a system where unemployment insurance could be manipulated to make it possible for them to do that a great deal of the time. And the Prime Minister said, "Well, we have the kind of people—we have surfers and people that love the beach that way here too, but," he said, "they don't do it that way." He said, "For example, a German came here and brought the first surfboard that any of them had ever seen. And," he said, "within 2 weeks he had partners, and they were in the business of making surfboards." And it was these so-called beach bums—[laughter]—that he joined with him. So, I think that there's a great prospect, but I also think that it's very necessary.

There has evidently been a news story, which I haven't seen but which I've heard about a lot of this—critical also of the program in Jamaica. And I'm going back and reading the story, because I think it's time for a statement to be made and I want to make the statement. I conceived the idea of doing something for Jamaica when Seaga won the election and took that country back from Communist rule. But already under the Communist rule the economy had been virtually destroyed and devastated.

And I turned to the private sector and asked David Rockefeller to be chairman of a group—if they would, as a task force to go and see how we could use private enterprise to help restore the economy. I am sure that this course that had been set out by Prime Minister Seaga would work. And this they did. And al-

ready, the results—not completely home-free—but the results have been amazing.

A once great resort area which had dropped to 40-percent occupancy of its resort hotels saw in this last season a hundred-percent occupancy. And it was from this that I conceived the idea of the Caribbean Initiative. And once having named that, we found that in addition to helping with the original task force—Canada, Venezuela, other countries—that Mexico, Canada, Venezuela, Colombia have all said they want to be a part of the Caribbean Initiative.

This was started by this administration with the idea that it is for the good and the welfare of the United States as well as for those neighbors of ours and for that strategic area.

I think all of us here are old enough to remember World War II when down in that area tankers and freighters—the Wolf Pack submarines in World War II were destroying them within sight of land, and it brought Winston Churchill to the lowest point in his feeling about whether we could be successful in World War II. And then we found an answer to the Wolf Pack submarines. Well, I think right now that the same national security interest is a part of what we're talking about here.

And therefore I'm going to do what the little girl in her letter to me said when she told me all the advice she could give me about what to do as President and then added a p.s. and said, "Now get back to the Oval Office and get to work." [Laughter] I'll do that, and Elizabeth Dole<sup>1</sup> is going to come up here, and I know you have a program then that has been set for the afternoon.

But again, just a heartfelt thanks. God bless you for coming here and at least evidencing this for your willingness to do something in this regard.

Thanks very much.

*Note: The President spoke at 12:50 p.m. in the State Dining Room at the White House.*

<sup>1</sup> Assistant to the President for Public Liaison.