

# EXHIBIT C



THE WHITE HOUSE  
PRESIDENT  
GEORGE W. BUSH



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For Immediate Release  
Office of the Press Secretary  
April 28, 2005

## Press Conference of the President

The East Room

[en Español](#)

8:01 P.M. EDT

THE PRESIDENT: Good evening. Tonight I will discuss two vital priorities for the American people, and then I'd be glad to answer some of your questions.



**VIDEO** Multimedia

President's Remarks

[view](#)

Millions of American families and small businesses are hurting because of higher gasoline prices. My administration is doing everything we can to make gasoline more affordable. In the near-term, we will continue to encourage oil producing nations to maximize their production. Here at home, we'll protect consumers. There will be no price gouging at gas pumps in America.

We must address the root causes that are driving up gas prices. Over the past decade, America's energy consumption has been growing about 40 times faster than our energy production. That means we're relying more on energy produced abroad. To reduce our dependence on foreign sources of energy, we must take four key steps. First, we must better use technology to become better conservers of energy. Secondly, we must find innovative and environmentally sensitive ways to make the most of our existing energy resources, including oil, natural gas, coal and safe, clean nuclear power.



Third, we must develop promising new sources of energy, such as hydrogen, ethanol or biodiesel. Fourth, we must help growing energy consumers overseas, like China and India, apply new technologies to use energy more efficiently, and reduce global demand of fossil fuels. I applaud the House for passing a good energy bill. Now the Senate needs to act on this urgent priority. American consumers have waited long enough. To help reduce our dependence on foreign sources of energy, Congress needs to get an energy bill to my desk by this summer so I can sign it into law.

Congress also needs to address the challenges facing Social Security. I've traveled the country to talk with the American people. They understand that Social Security is headed for serious financial trouble, and they expect their leaders in Washington to address the problem.

Social Security worked fine during the last century, but the math has changed. A generation of baby boomers is getting ready to retire. I happen to be one of them. Today there are about 40 million retirees receiving benefits; by the time all the baby boomers have retired, there will be more than 72 million retirees drawing Social Security benefits. Baby boomers will be living longer and collecting benefits over long retirements than previous generations. And Congress has ensured that their benefits will rise faster than the rate of inflation.

In other words, there's a lot of us getting ready to retire who will be living longer and receiving greater benefits than the previous generation. And to compound the problem, there are fewer people paying into the system. In 1950, there were 16 workers for every beneficiary; today there are 3.3 workers for every beneficiary; soon there will be two workers for every beneficiary.

These changes have put Social Security on the path to bankruptcy. When the baby boomers start retiring in three years, Social Security



will start heading toward the red. In 2017, the system will start paying out more in benefits than it collects in payroll taxes. Every year after that the shortfall will get worse, and by 2041, Social Security will be bankrupt.

Franklin Roosevelt did a wonderful thing when he created Social Security. The system has meant a lot for a lot of people. Social Security has provided a safety net that has provided dignity and peace of mind for millions of Americans in their retirement. Yet there's a hole in the safety net because Congresses have made promises it cannot keep for a younger generation.

As we fix Social Security, some things won't change: Seniors and people with disabilities will get their checks; all Americans born before 1950 will receive the full benefits.

Our duty to save Social Security begins with making the system permanently solvent, but our duty does not end there. We also have a responsibility to improve Social Security, by directing extra help to those most in need and by making it a better deal for younger workers. Now, as Congress begins work on legislation, we must be guided by three goals. First, millions of Americans depend on Social Security checks as a primary source of retirement income, so we must keep this promise to future retirees, as well. As a matter of fairness, I propose that future generations receive benefits equal to or greater than the benefits today's seniors get.

Secondly, I believe a reform system should protect those who depend on Social Security the most. So I propose a Social Security system in the future where benefits for low-income workers will grow faster than benefits for people who are better off. By providing more generous benefits for low-income retirees, we'll make this commitment: If you work hard and pay into Social Security your entire life, you will not retire into poverty. This reform would solve most of the funding challenges facing Social Security. A variety of options are available to solve the rest of the problem, and I will work with Congress on any good-faith proposal that does not raise the payroll tax rate or harm our economy. I know we can find a solution to the financial problems of Social Security that is sensible, permanent, and fair.

Third, any reform of Social Security must replace the empty promises being made to younger workers with real assets, real money. I believe the best way to achieve this goal is to give younger workers the option, the opportunity if they so choose, of putting a portion of their payroll taxes into a voluntary personal retirement account. Because this money is saved and invested, younger workers would have the opportunity to receive a higher rate of return on their money than the current Social Security system can provide.



The money from a voluntary personal retirement account would supplement the check one receives from Social Security. In a reformed Social Security system, voluntary personal retirement accounts would offer workers a number of investment options that are simple and easy to understand. I know some Americans have reservations about investing in the stock market, so I propose that one investment option consist entirely of Treasury bonds, which are backed by the full faith and credit of the United States government.

Options like this will make voluntary personal retirement accounts a safer investment that will allow an American to build a nest egg that he or she can pass on to whomever he or she chooses. Americans who would choose not to save in a personal account would still be able to count on a Social Security check equal to or higher than the benefits of today's seniors.

In the coming days and weeks, I will work with both the House and the Senate as they take the next steps in the legislative process. I'm willing to listen to any good idea from either party.

Too often, the temptation in Washington is to look at a major issue only in terms of whether it gives one political party an advantage over the other. Social Security is too important for "politics as usual." We have a shared responsibility to fix Social Security and make the system better; to keep seniors out of poverty and expand ownership for people of every background. And when we do, Republicans and Democrats will be able to stand together and take credit for doing what is right for our children and our grandchildren.

And now I'll be glad to answer some questions, starting with Terry Hunt.

Q Mr. President, a majority of Americans disapprove of your handling of Social Security, rising gas prices and the economy. Are you frustrated by that and by the fact that you're having trouble gaining traction on your agenda in a Republican-controlled Congress?

THE PRESIDENT: Look, we're asking people to do things that haven't been done for 20 years. We haven't addressed the Social Security problem since 1983. We haven't had an energy strategy in our country for decades. And so I'm not surprised that some are balking at doing hard work. But I have a duty as the President to define problems facing our nation and to call upon people to act. And we're just really getting started in the process.



You asked about Social Security. For the past 60 days, I've traveled our country making it clear to people we have a problem. That's the first step of any legislative process; is to explain to people the nature of the problem, and the American people understand we have a problem.

I've also spent time assuring seniors they'll get their check. That's a very important part of making sure we end up with a Social Security reform. I think if seniors feel like they're not going to get their check, obviously nothing is going to happen.

And we're making progress there, too, Terry, as well. See, once the American people realize there's a problem, then they're going to start asking members of Congress from both parties, why aren't you doing something to fix it? And I am more than willing to sit down with people of both parties to listen to their ideas. Today, I advanced some ideas of moving the process along. And the legislative process is just getting started, and I'm optimistic we'll get something done.

Q Is the poll troubling?

THE PRESIDENT: Polls? You know, if a President tries to govern based upon polls, you're kind of like a dog chasing your tail. I don't think you can make good, sound decisions based upon polls. And I don't think the American people want a President who relies upon polls and focus groups to make decisions for the American people.

Social Security is a big issue, and it's an issue that we must address now. You see, the longer we wait, the more expensive the solution is going to be for a younger generation of Americans. The Social Security trustees have estimated that every year we wait to solve the problem, to fix the hole in the safety net for younger Americans costs about \$600 billion. And so my message to Congress is -- to Congress is, let's do our duty. Let's come together to get this issue solved.

Steve.

Q Your top military officer, General Richard Myers, says the Iraqi insurgency is as strong now as it was a year ago. Why is that the case? And why haven't we been more successful in limiting the violence?

THE PRESIDENT: I think he went on to say we're winning, if I recall. But nevertheless, there are still some in Iraq who aren't happy with democracy. They want to go back to the old days of tyranny and darkness, torture chambers and mass graves. I believe we're making really good progress in Iraq, because the Iraqi people are beginning to see the benefits of a free society. They're beginning -- they saw a government formed today.



The Iraqi military is being trained by our military, and they're

performing much better than the past. The more secure Iraq becomes, as a result of the hard work of Iraqi security forces, the more confident the people will have in the process, and the more isolated the terrorists will become.

But Iraq has -- have got people there that are willing to kill, and they're hard-nosed killers. And we will work with the Iraqis to secure their future. A free Iraq in the midst of the Middle East is an important part of spreading peace. It's a region of the world where a lot of folks in the past never thought democracy could take hold. Democracy is taking hold. And as democracy takes hold, peace will more likely be the norm.

In order to defeat the terrorists, in order to defeat their ideology of hate, in the long run, we must spread freedom and hope. Today I talked to the Prime Minister of Iraq. I had a great conversation with him. I told him I was proud of the fact that he was willing to stand up and lead. I told him I appreciated his courage and the courage of those who are willing to serve the Iraqi people in government. I told him, I said, when America makes a commitment, we'll stand by you. I said, I hope you get your constitution written on time, and he agreed. He recognizes it's very important for the Transitional National Assembly to get the constitution written so it can be submitted to the people on time. He understands the need for a timely write of the constitution.

And I also encouraged him to continue to reaching out to disaffected groups in Iraq, and he agreed. I'm really happy to talk to him; I invited him to come to America, I hope he comes soon. There are a lot of courageous people in Iraq, Steve, that are making a big difference in the lives of that country.

I also want to caution you all that it's not easy to go from a tyranny to a democracy. We didn't pass sovereignty but about 10 months ago, and since that time a lot of progress has been made and we'll continue to make progress for the good of the region and for the good of our country.

Gregory. David Gregory.

Q Thank you, sir. Mr. President, recently the head of the Family Research Council said that judicial filibusters are an attack against people of faith. And I wonder whether you believe that, in fact, that is what is nominating [sic] Democrats who oppose your judicial choices? And I wonder what you think generally about the role that faith is playing, how it's being used in our political debates right now?

THE PRESIDENT: I think people are opposing my nominees because they don't like the judicial philosophy of the people I've nominated. Some would like to see judges legislate from the bench. That's not my view of the proper role of a judge.

Speaking about judges, I certainly hope my nominees get an up or down vote on the floor of the Senate. They deserve an up or down vote. I think for the sake of fairness, these good people I've nominated should get a vote. And I'm hoping that will be the case as time goes on.

The role of religion in our society? I view religion as a personal matter. I think a person ought to be judged on how he or she lives his life, or lives her life. And that's how I've tried to live my life, through example. Faith-based is an important part of my life, individually, but I don't -- I don't ascribe a person's opposing my nominations to an issue of faith.

Q Do you think that's an inappropriate statement? And what I asked is --

THE PRESIDENT: No, I just don't agree with it.

Q You don't agree with it.

THE PRESIDENT: No, I think people oppose my nominees because -- because of judicial philosophy.

Q Sorry, I asked you what you think of the ways faith is being used in our political debates, not just in society --

THE PRESIDENT: No, I know you asked me that. Well, I can only speak to myself, and I am mindful that people in political office should not say to somebody, you're not equally American if you don't happen to agree with my

view of religion. As I said, I think faith is a personal issue, and I get great strength from my faith. But I don't condemn somebody in the political process because they may not agree with me on religion.

The great thing about America, David, is that you should be allowed to worship any way you want, and if you choose not to worship, you're equally as patriotic as somebody who does worship. And if you choose to worship, you're equally American if you're a Christian, a Jew, a Muslim. That's the wonderful thing about our country, and that's the way it should be.

John.

Q Good evening, Mr. President. Several times we've asked you or your aides what you could do about the high price of gasoline, and very often the answer has come back, Congress needs to pass the energy bill. Can you explain for us how, if it were passed, soon after it were introduced, the energy bill would have an effect on the current record price of oil that we're seeing out there?

THE PRESIDENT: John, actually I said in my opening statement that the best way to affect the current price of gasoline is to encourage producing nations to put more crude oil on the market. That's the most effective way, because the price of crude oil determines, in large measure, the price of gasoline. The feed stock for gasoline is crude oil, and when crude oil goes up the price of gasoline goes up. There are other factors, by the way, that cause the price of gasoline to go up, but the main factor is the price of crude oil. And if we can get nations that have got some excess capacity to put crude on the market, the increased supply, hopefully, will meet increased demand, and therefore, take the pressure off price.

Listen, the energy bill is certainly no quick fix. You can't wave a magic wand. I wish I could. It's like that soldier at Fort Hood that said, how come you're not lowering the price of gasoline? I was having lunch with the fellow, and he said, go lower the price of gasoline, President. I said, I wish I could. It just doesn't work that way.

This is a problem that's been a long time in coming. We haven't had an energy policy in this country. And it's going to take us a while to become less dependent on foreign sources of energy. What I've laid out for the Congress to consider is a comprehensive energy strategy that recognizes we need to be better conservers of energy, that recognizes that we can find more energy at home in environmentally friendly ways.

And obviously a contentious issue in front of the Congress is the issue over the ANWR, which is a part of Alaska. ANWR is 19 million acres of land. Technology now enables us to use just 2,000 of that 19 million to be able to explore for oil and gas so we can have oil and gas produced here domestically.

One of the great sources of energy for the future is liquefied natural gas. There's a lot of gas reserves around the world. Gas is -- can only be transported by ship, though, when you liquefy it, when you put it in solid form. We've only got five terminals that are able to receive liquefied natural gas so it can get into our markets. We need more terminals to receive liquefied natural gas from around the world.

We should have a active energy -- nuclear energy policy in America. We've got abundant resources of coal, and we're spending money for clean-coal technology. So these are longer term projects all aimed at making us become less dependent on foreign sources of energy.

Terry.

Q So am I reading correctly that the energy bill would not have had an effect on today's high gasoline --

THE PRESIDENT: Well, it would have 10 years ago. That's exactly what I've been saying to the American people -- 10 years ago if we'd had an energy strategy, we would be able to diversify away from foreign dependence. And -- but we haven't done that. And now we find ourselves in the fix we're in. It's taken us a while to get there, and it's going to take us a while to get out. Hopefully, additional crude oil on the market from countries with some spare capacity will help relieve the price for the American consumers.

Terry.



Q Mr. President, your State Department has reported that terrorist attacks around the world are at an all-time high. If we're winning the war on terrorism, as you say, how do you explain that more people are dying in terrorist attacks on your watch than ever before?

THE PRESIDENT: Well, we've made the decision to defeat the terrorists abroad so we don't have to face them here at home. And when you engage the terrorists abroad, it causes activity and action. And we're relentless. We, the -- America and our coalition partners. We understand the stakes, and they're very high because there are people still out there that would like to do harm to the American people.

But our strategy is to stay on the offense, is to keep the pressure on these people, is to cut off their money and to share intelligence and to find them where they hide. And we are making good progress. The al Qaeda network that attacked the United States has been severely diminished. We are slowly but surely dismantling that organization.

In the long run, Terry -- like I said earlier -- the way to defeat terror, though, is to spread freedom and democracy. It's really the only way in the long-term. In the short-term, we'll use our troops and assets and agents to find these people and to protect America. But in the long-term, we must defeat the hopelessness that allows them to recruit by spreading freedom and democracy. But we're making progress.

Q So in the near-term you think there will be more attacks and more people dying?

THE PRESIDENT: I'm not going to predict that. In the near-term I can only tell you one thing: we will stay on the offense; we'll be relentless; we'll be smart about how we go after the terrorists; we'll use our friends and allies to go after the terrorists; we will find them where they hide and bring them to justice.

Let me finish with the TV people first. Suzanne. You're not a TV person, Ed -- I know you'd like to be, but -- (laughter.)

Q You'd be surprised. (Laughter.)

THE PRESIDENT: It's a tough industry to get into.

Q Mr. President, it was four years ago when you first met with Russian President Vladimir Putin. You said you looked into his eyes and you saw his soul. You'll also be meeting with the Russian leader in about a week or so. What do you think of Putin now that he has expressed a willingness to supply weapons to outlaw regimes, specifically his recent comments that he said he would provide short-range missiles to Syria and nuclear components to Iran?

THE PRESIDENT: We have -- first, just on a broader -- kind of in a broader sense, I had a long talk with Vladimir there in Slovakia about democracy and about the importance of democracy. And as you remember, at the press conference -- or if you weren't there, somebody will remember -- he stood up and said he strongly supports democracy. I take him for his word.

I -- and we'll continue to work. Condi just -- Condi Rice, our Secretary of State, just came back and she briefed me that she had a very good discussion with Vladimir about the merits of democracy, about the need to listen to the people and have a government that's responsive.

We're working closely with the Russians on -- on the issue of vehicle-mounted weaponry to Syria. We didn't appreciate that, but we made ourselves clear. As to Iran, what Russia has agreed to do is to send highly enriched uranium to a nuclear civilian power plant, and then collect that uranium after it's used for electricity -- power purposes. That's what they've decided to do.

And I appreciate that gesture. See, what they recognize is that -- what America recognizes, and what Great Britain, France, and Germany recognize, is that we can't trust the Iranians when it comes to enriching uranium; that they should not be allowed to enrich uranium.

And what the Iranians have said was, don't we deserve to have a nuclear power industry just like you do? I've

kind of wondered why they need one since they've got all the oil, but nevertheless, others in the world say, well, maybe that's their right to have their own civilian nuclear power industry. And what Russia has said: Fine, we'll provide you the uranium, we'll enrich it for you and provide it to you, and then we'll collect it. And I appreciate that gesture. I think it's -- so I think Vladimir was trying to help there. I know Vladimir Putin understands the dangers of a Iran with a nuclear weapon. And most of the world understands that, as well.

Wendell.

Q Mr. President, have you asked your ambassador to the U.N., Ambassador John Bolton, about allegations that he acted improperly to subordinates? Do you feel that these allegations warrant your personal intervention? And if they're true, do you feel that they should disqualify him from holding the post, sir?

THE PRESIDENT: Well, John Bolton has been asked the questions about -- about how he handles his business by members of the United States Senate. He's been asked a lot of questions and he's given very good answers. John Bolton is a seasoned diplomat. He's been serving our country for, I think, 20 years. He has been confirmed by the United States Senate four times. In other words, he's been up before the Senate before and they've analyzed his talents and his capabilities and they've confirmed him.

John Bolton is a blunt guy. Sometimes people say I'm a little too blunt. John Bolton can get the job done at the United Nations. It seemed like to me it makes sense to put somebody who's capable, smart, served our country for 20 years, been confirmed by the United States Senate four times, and who isn't afraid to speak his mind in the post of the ambassador to the U.N.

See, the U.N. needs reform. If you're interested in reforming the U.N., like I'm interested in reforming the U.N., it makes sense to put somebody who's skilled and who is not afraid to speak his mind at the United Nations.

Now, I asked John during the interview process in the Oval Office, I said, before I send you up there to the Senate, let me ask you something: do you think the United Nations is important? See, I didn't want to send somebody up there who said, it's not -- it's not worth a darn; I don't think I need to go. He said, no, it's important. But it needs to be reformed.

And I think the United Nations is important. As a matter of fact, I'll give you an example. Today I met with the United Nations representative to Syria, Mr. Larsen. He's an impressive fellow. Now, he's delivered -- to Lebanon, excuse me -- he's delivered a very strong message to the Syrian leader, though, that the world expects President Assad to withdraw not only his military forces, but his intelligence services, completely from Lebanon.

And now he is in charge of following up to make sure it happens. I think that's a very important and useful role for the United Nations to play. We have played a role. France has played a role. A lot of nations have played roles. But the United Nations has done a very good job in Syria -- with Syria in Lebanon of making sure that the world expects the Lebanese elections to be free in May, without Syrian influence. He's an impressive fellow. I applaud him for his hard work.

But there's an example of why I think the United Nations is an important body. On the other hand, the United Nations has had some problems that we've all seen. And if we expect the United Nations to be effective, it needs to clean up its problems. And I think it makes sense to have somebody representing the United Nations who will -- who will be straightforward about the issues.

Stretch. You mind if I call you Stretch in front of --

Q I've been called worse.

THE PRESIDENT: Okay.

Q Getting back to Social Security for a moment, sir, would you consider it a success if Congress were to pass a piece of legislation that dealt with the long-term solvency problem, but did not include personal accounts?

THE PRESIDENT: I feel strongly that there needs to be voluntary personal savings accounts as a part of the



Social Security system. I mean, it's got to be a part of a comprehensive package. The reason I feel strongly about that is that we've got a lot of debt out there, a lot of unfunded liabilities, and our workers need to be able to earn a better rate of return on our money to help deal with that debt.

Secondly, I like the idea of giving someone ownership. I mean, why should ownership be confined only to rich people? Why should people not be allowed to own and manage their own assets who aren't the, you know, the so-called investor class? I think everybody ought to be given that right. As a matter of fact, Congress felt so strongly that people ought to be able to own and manage their own accounts, they set one up for themselves. You've heard me say, I like to say this, if it's good enough for the Congress, it is -- it ought to be good enough for the workers, to give them that option. The government is never saying, you have to set up a personal savings account. We're saying, you ought to have the right to set up a personal saving account so you can earn a better rate of return on your own money than the government can.

And it's that difference between the rate of return, between what the government gets on your money and what a conservative mix of bonds and stocks can get on your money that will make an enormous difference, and a person being able to build his or her own nest egg that the government cannot spend.

Now, it's very important for our fellow citizens to understand there is not a bank account here in Washington, D.C., where we take your payroll taxes and hold it for you and then give it back to you when you retire. Our system here is called pay-as-you-go. You pay into the system through your payroll taxes, and the government spends it. It spends the money on the current retirees, and with the money left over, it funds other government programs. And all that's left behind is file cabinets full of IOUs.

The reason I believe that this ought to work is not only should a worker get a better rate of return, not only should we encourage ownership, but I want people to have real assets in the system. I want people to be able to say, here's my mix of bonds and stocks that I own, and I can leave it to whomever I want. And I hear complaints saying, well, you know, there's going to be high -- Wall Street fees are going to fleece the people. There's ways to have fee structures that are fair. As a matter of fact, all you got to do is go to some of these states where they've got personal accounts available for their workers, and you'll find that the fees will be fair.

People say, well, I don't want to have -- take risks. Well, as I had a line in my opening statement, there are ways where you don't have to take risk. People say, I'm worried about the stock market going down right before I retire. You can manage your assets. You can go from bonds and stocks to only bonds as you get older. In other words, we're giving people flexibility to own their own asset. And I think that's a vital part of making sure America is a hopeful place in the future. So not only will these accounts make the system work better, but the accounts are a better deal. The accounts will mean something for a lot of workers that might not have assets they call their own.

David.

Q Mr. President, in your question -- your answer before about Iraq, you set no benchmarks for us to understand when it is the troops may be able to --

THE PRESIDENT: In Iraq?

Q In Iraq, yes -- about when troops may be able to come back.

THE PRESIDENT: Right.

Q Based on what you've learned now in two years of fighting the insurgency and trying to train the Iraqi security forces, can you say that within the next year you think you could have very substantial American withdrawal of troops?

THE PRESIDENT: David, I know there's a temptation to try to get me to lay out a timetable, and as you know, during the campaign and -- I'll reiterate it -- I don't think it's wise for me to set out a timetable. All that will do is cause an enemy to adjust. So my answer is, as soon as possible. And "as soon as possible" depends upon the Iraqis being able to fight and do the job.

I had a good video conference recently with General Casey and General Petraeus -- General Casey is in charge of the theater; General Petraeus, as you know, is in charge of training -- and they we're upbeat about what they're seeing with the Iraqi troops. One of the questions I like to ask is, are they able to recruit. In other words, you hear -- you see these killers will target recruiting stations, and I've always wondered whether or not that has had an effect on the ability for the Iraqis to draw their fellow citizens into the armed forces. Recruitment is high. It's amazing, isn't it, that people want to serve, they want their country to be free?

The other question that -- one of the other issues that is important is the equipping issue, and the equipment is now moving quite well. In other words, troops are becoming equipped.

Thirdly, a fundamental problem has been whether or not there's an established chain of command, whether or not a civilian government can say to the military, here's what you need to do -- and whether the command goes from top to bottom and the plans get executed. And General Petraeus was telling me he's pleased with the progress being made with setting up a command structure, but there's still more work to be done.

One of the real dangers, David, is that as politics takes hold in Iraq, whether or not the civilian government will keep intact the military structure that we're now helping them develop. And my message to the Prime Minister and our message throughout government to the Iraqis is, keep stability; don't disrupt the training that has gone on -- don't politicize your military -- in other words, have them there to help secure the people.

So we're making good progress. We've reduced our troops from 160,000 more or less to 139,000. As you know, I announced to the country that we would step up our deployments -- step up deployments and retain some troops for the elections. And then I said we'd get them out, and we've done that. In other words, the withdrawals that I said would happen, have happened.

Go ahead; I can see you've got a follow-up right there on the tip of your tongue.

Q Do you feel that the number of troops that you've kept there is limiting your options elsewhere in the world? Just today you had the head of the Defense Intelligence Agency say that he was now concerned that the North Koreans, for example, could put a weapon, a nuclear weapon on a missile that could reach Japan or beyond. Do you feel, as you are confronting these problems, the number of troops you've left tied up in Iraq is limiting your options to go beyond the diplomatic solutions that you described for North Korea and Iran?

THE PRESIDENT: No, I appreciate that question. The person to ask that to, the person I ask that to, at least, is to the Chairman of the Joint Chiefs, my top military advisor. I say, do you feel that we've limited our capacity to deal with other problems because of our troop levels in Iraq? And the answer is, no, he doesn't feel we're limited. He feels like we've got plenty of capacity.

You mentioned the Korean Peninsula. We've got good capacity in Korea. We traded troops for new equipment, as you know; we brought some troop -- our troop levels down in South Korea, but replaced those troops with more capacity. Let me talk about North Korea, if you don't mind. Is that your question?

Q Go right ahead. (Laughter.)

THE PRESIDENT: I'm surprised you didn't ask it. (Laughter.)

Look, Kim Jong-il is a dangerous person. He's a man who starves his people. He's got huge concentration camps. And, as David accurately noted, there is concern about his capacity to deliver a nuclear weapon. We don't know if he can or not, but I think it's best when you're dealing with a tyrant like Kim Jong-il to assume he can.

That's why I've decided that the best way to deal with this diplomatically is to bring more leverage to the situation by including other countries. It used to be that it was just America dealing with North Korea. And when Kim Jong-il would make a move that would scare people, everybody would say, America, go fix it. I felt it -- it didn't work. In other words, the bilateral approach didn't work. The man said he was going to do something and he didn't do it, for starters.

So I felt a better approach would be to include people in the neighborhood, into a consortium to deal with him.

And it's particularly important to have China involved. China has got a lot of influence in North Korea. We went down to Crawford with Jiang Zemin, and it was there that Jiang Zemin and I issued a statement saying that we would work for a nuclear weapons-free Korean Peninsula.

And so when Kim Jong-il announced the other day about his nuclear intentions and weapons, it certainly caught the attention of the Chinese because they had laid out a policy that was contradicted by Kim Jong-il, and it's helpful to have the Chinese leadership now involved with him. It's more -- it's better to have more than one voice sending the same message to Kim Jong-il. The best way to deal with this issue diplomatically is to have five other -- four other nations beside ourselves dealing with him. And we'll continue to do so.

Finally, as you know, I have instructed Secretary Rumsfeld -- and I work with Congress -- Secretary Rumsfeld has worked with Congress to set up a missile defense system. And we're in the process of getting that missile defense system up and running. One of the reasons why I thought it was important to have a missile defense system is for precisely the reason that you brought up, that perhaps Kim Jong-il has got the capacity to launch a weapon, and wouldn't it be nice to be able to shoot it down. And so we've got a comprehensive strategy in dealing with him.

Ed, yes.

Q Mr. President, good evening.

THE PRESIDENT: Yes.

Q Sir, you've talked all around the country about the poisonous partisan atmosphere here in Washington. I wonder why do you think that is? And do you personally bear any responsibility in having contributed to this atmosphere?

THE PRESIDENT: I'm sure there are some people that don't like me. You know, Ed, I don't know. I've thought long and hard about it. I was -- I've been disappointed. I felt that people could work -- work together in good faith. It's just a lot of politics in the town. It's kind of a zero-sum attitude. We can't -- we can't cooperate with so-and-so because it may make their party look good, and vice-versa.

Although having said that, we did have some success in the education bill. We certainly came together as a country after September the 11th. I appreciate the strong bipartisan support for supporting our troops in harm's way. There's been a lot of instances of bipartisanship, but when you bring a tough issue up like Social Security, it -- sometimes people divide into camps.

I'm proud of my party. Our party has been the party of ideas. We said, here's a problem, and here's some ideas as to how to fix it. And as I've explained to some people, I don't want to politicize this issue -- people say, you didn't need to bring this up, Mr. President, it may cost you politically. I don't think so. I think the American people appreciate somebody bringing up tough issues, particularly when they understand the stakes: the system goes broke in 2041.

In 2027, for those listening, we'll be obligated to pay \$200 billion more dollars a year than we take in, in order to make sure the baby boomers get the benefits they've been promised. In other words, this is a serious problem, and the American people expect us to put our politics aside and get it done.

You know, I can't answer your question as to why. I'll continue to do my best. I've tried to make sure the dialogue is elevated. I don't believe I've resorted to name-calling here in Washington, D.C. I find that to not be productive. But I also understand the mind of the American people. They're wondering what's going on. They're wondering why we can't come together and get an energy bill, for example. They're wondering why we can't get Social Security done. And my pledge to the American people is, I'll continue to work hard to -- with people of both parties and share credit, and give people the benefit of the credit when we get something done.

Yes, sir.

Q Thank you, Mr. President. Just to follow up on Ed's question, we like to remind you that you came to Washington hoping to change the tone, and yet, here we are, three months into your second term and you seem

deadlocked with Democrats on issues like Bolton, DeLay, judges. Is there any danger that the atmosphere is becoming so poisoned, or that you're spending so much political capital that it could imperil your agenda items like Social Security, energy?

THE PRESIDENT: I don't think so, Bill. I think when it's all said and done, we're going to get a lot done. I mean, after all, one of the issues that people have been working on for a long time is class-action lawsuit reform, and I signed that bill. An issue that people have been working on for a long time is bankruptcy law reform, and I signed that bill. And the House got an energy bill out recently, and I talked to Senator Domenici the other day and he's upbeat about getting a bill out pretty quickly and get it to conference and get the issues resolved.

I'm pretty aware of what the issues might be that will hang up a conference, and I think we can get those issues resolved. We're more than willing to help out. So I do believe I'll get an energy bill by August.

There's a budget agreement, and I'm grateful for that. In other words, we are making progress. No question the Social Security issue is a big issue, but it's -- as I said before, we hadn't talked about this issue for 20 years. And they thought we had it fixed 20 years -- 22 years ago, for 75 years, and here we are, 22 years later after the fix, talking about it again. And it's serious business. If you're a grandmother or a grandfather listening, you're going to get your check. But your grandchildren are going to have a heck of a price to bear if we don't get something done now.

You see, it's possible if nothing gets done that the payroll taxes will go up to some 18 percent. Imagine that for your children and grandchildren, living in a society where payroll taxes are up at 18 percent. Or there will be dramatic benefit cuts as time goes on. Now is the time to get it done. And my pledge to the American people is that I'm going to stay on this issue because I know it's important for you.

Fletcher.

Q Yes, Mr. President. You had talked about North Korea and you mentioned that the six-party talks allow you to bring extra leverage to the table. But do you think they're working, given North Korea's continued threats and the continuing growth of their nuclear stockpile?

Q And how long do you let it go before you go to the U.N.?

THE PRESIDENT: No, I appreciate that question. I do think it's making a difference to have China and Japan and South Korea and Russia and the United States working together with North Korea. In my judgment, that's the only way to get this issue solved diplomatically, is to bring more than one party to the table to convince Kim Jong-il to give up his nuclear ambitions. And how far we let it go on is dependent upon our consensus amongst ourselves. Condi, the other day, laid out a potential option of going to the United Nations Security Council. Obviously, that's going to require the parties agreeing. After all, some of the parties in the process have got the capacity to veto a U.N. Security Council resolution.

So this is an issue we need to continue to work with our friends and allies. And the more Kim Jong-il threatens and brags, the more isolated he becomes. And we'll continue to work with China on this issue. I spend a lot of time dealing with Chinese leaders on North Korea, as do people in my administration. And I'll continue to work with our friends in Japan and South Korea. And Vladimir Putin understands the stakes, as well.

Mark.

Q Mr. President, under the law, how would you justify the practice of renditioning, where U.S. agents who brought terror suspects abroad, taking them to a third country for interrogation? And would you stand for it if foreign agents did that to an American here?

THE PRESIDENT: That's a hypothetical, Mark. We operate within the law and we send people to countries where they say they're not going to torture the people.

But let me say something: the United States government has an obligation to protect the American people. It's in our country's interests to find those who would do harm to us and get them out of harm's way. And we will do so

within the law, and we will do so in honoring our commitment not to torture people. And we expect the countries where we send somebody to, not to torture, as well. But you bet, when we find somebody who might do harm to the American people, we will detain them and ask others from their country of origin to detain them. It makes sense. The American people expect us to do that. We -- we still at war.

One of my -- I've said this before to you, I'm going to say it again, one of my concerns after September the 11th is the farther away we got from September the 11th, the more relaxed we would all become and assume that there wasn't an enemy out there ready to hit us. And I just can't let the American people -- I'm not going to let them down by assuming that the enemy is not going to hit us again. We're going to do everything we can to protect us. And we've got guidelines. We've got law. But you bet, Mark, we're going to find people before they harm us.

John McKinnon.

Q Yes, sir. I'd just like to ask, simply, what's your view of the economy right now? First-quarter growth came in weaker than expected, there have been worries about inflation and lower spending by consumers. Are these basically just bumps in the road, in your opinion, or are they reasons for some real concern and could they affect your agenda on Social Security?

THE PRESIDENT: I appreciate that, John. I am concerned about the economy because our small business owners and families are paying higher prices at the gas pump. And that affects the lives of a lot of people. If you're a small business owner and you have to pay higher gas prices and you're -- likely you may not hire a new worker. In other words, higher gas prices, as I have said, is like a tax on the -- on the small business job creators. And it's a tax on families. And I do think this has affected consumer sentiment; I do think it's affected the economy.

On the other hand, the experts tell me that the forecast of economic growth in the coming months looks good. There's more to do to make sure that we don't slip back into slow growth or negative growth. One is to make sure taxes stay low; secondly, is to continue to pursue legal reform. I hope we can get an asbestos reform bill out of both the House and the Senate. There's some positive noises on Capitol Hill as to whether or not we can get an asbestos reform bill. That will be an important reform in order to make sure that our economy continues to grow.

We need to continue to open up markets for U.S. products. As you know, there will be a vote for the Central American Free Trade Agreement here, hopefully soon. I'm a strong believer that that's in the interest of American job creators and workers, that we open up those markets. I know it's important geopolitically to say to those Central American countries, you've got a friend in America. We said we'd have an agreement with you, and it's important to ratify it. It'll help strengthen the neighborhood.

We've also got to make sure that we continue to reduce regulation. I think an important -- I know an important initiative that we're going to be coming forth with here probably in the fall is tax reform. I was amazed by the report the other day that there is some \$330 billion a year that goes unpaid by American taxpayers. It's a phenomenal amount of money. To me, it screams for making the tax system easier to understand, more fair and to make sure that people pay their taxes -- "more fair" means pay what you owe.

And so there are a lot of things we can do, John, to make sure economic growth continues. But I'm an optimistic fellow -- based not upon my own economic forecast -- I'm not an economist -- but based upon the experts that I listen to.

Let's see here. Richard. (Laughter.) There is somebody with a bad throat back there. (Laughter.)

Q Mr. President, you've made No Child Left Behind a big part of your education agenda. The nation's largest teachers union has filed suit against it, saying it's woefully inadequately funded. What's your response to that? And do you think that No Child Left Behind is working?

THE PRESIDENT: Yes, I think it's working. And the reason why I think it's working is because we're measuring, and the measurement is showing progress toward teaching people how to read and write and add and subtract. Listen, the whole theory behind No Child Left Behind is this: if we're going to spend federal money, we expect the states to show us whether or not we're achieving simple objectives -- like literacy, literacy in math, the ability to read and write. And, yes, we're making progress. And I can say that with certainty because we're measuring,



Richard.

Look, I'm a former governor, I believe states ought to control their own destiny when it comes to schools. They are by far the biggest funder of education, and it should remain that way. But we spend a lot of money here at the federal level and have increased the money we spend here quite dramatically at the federal level. And we changed the policy: instead of just spending money and hope for the best, we're now spending money and saying, measure.

And some people don't like to measure. But if you don't measure, how do you know whether or not you've got a problem in a classroom? I believe it's best to measure early and correct problems early, before it's too late. That's why as a part of the No Child Left Behind Act we had money available for remedial education. In other words, we said we're going to measure, and when we detect someone who needs extra help, that person will get extra help.

But, absolutely, it's a good piece of legislation. I will do everything I can to prevent people from unwinding it, by the way.

Q What about the lawsuit? Which --

THE PRESIDENT: Well, I don't know about the lawsuit; I'm not a lawyer. But, you know, I'll ask my lawyers about the lawsuit. But I know some people are trying to unwind No Child Left Behind. I've heard some states say, well, we don't like it. Well, you know, my attitude about not liking it is this: If you teach a child to read and write, it shouldn't bother you whether you measure. That's all we're asking.

The system for too long had just shuffled children through and just hoped for the best. And guess what happened? We had people graduating from high school who were illiterate -- and that's just not right in America. It wasn't working. And so I came to Washington and worked with both Republicans and Democrats -- this is a case where bipartisanship was really working well. And we said, look, we're going to spend more money at the federal level. But the federal government, what, spends about 7 percent of the total education budgets around the country.

But we said, let's change the attitude. We ought to start with the presumption every child can learn, not just some; and, therefore, if you believe every child can learn, then you ought to expect every classroom to teach. I hear feedback from No Child Left Behind, by the way -- and, admittedly, I get the cook's tour, sometimes -- but I hear teachers talk to me about how thrilled they are with No Child Left Behind; they appreciate the fact that the system now shows deficiencies early so they can correct those problems. And it is working.

Okay. Mr. Knox.

Q Thank you, Mr. President. I want to make sure I understand your answer to Mike about North Korea. He asked you how long you were prepared to let the multiparty talks proceed, in the face of what might be a gathering threat from North Korea, and you said, how long -- I'm paraphrasing -- how long we let it go on is dependent on our consensus among ourselves --

THE PRESIDENT: Yes.

Q Did you mean to say that you will neither refer North Korea to the U.N. for sanctions, nor take military action unless you have the agreement of all the other partners abroad?

THE PRESIDENT: No, I didn't speak about military -- I'm speaking about diplomatically. And secondly, yes, we've got partners. This is a six-party talk; five of us on the side of convincing Kim Jong-il to get rid of his nuclear weapons, and obviously, Kim Jong-il believes he ought to have some. And my point was that it is best -- if you have a group of people trying to achieve the same objective, it's best to work with those people, it's best to consult.

His question was, are you going to -- when are you going to -- when will there be consequences. And what we want to do is to work with our allies on this issue and develop a consensus, a common approach to the consequences of Kim Jong-il. I mean, it seems counterproductive to have five of us working together, and all of a

sudden, one of us say, well, we're not going to work together.

Again, I repeat to you, our aim is to solve this problem diplomatically. And like I've said before, all options, of course, are on the table, but the best way to solve this problem diplomatically is to work with four other nations who have all agreed in achieving the same goal, and that is a nuclear-free Korean Peninsula.

Final question. Hutch. I don't want to cut into some of these TV shows that are getting ready to air. (Laughter.) For the sake of the economy. (Laughter.)

Q I wanted to ask you about your ideas --

THE PRESIDENT: Is that all right? Go ahead, Hutch. Sorry.

Q I wanted to ask you about your ideas on dealing with Social Security solvency problems. As I understand it -- I know you'll tell me if I'm wrong -- the benefits would be equal to what -- at least equal to what they are today, and then any increase in benefits would be indexed according to income, with lower-income people getting bigger increases. Two things on that: Today's benefits probably won't mean much somewhere down the road; and how far are you going to go with this means-based program? Are you talking about --

THE PRESIDENT: Yes, I appreciate that.

Q -- where a rich person, say, Dick Cheney, wouldn't get much out of it?

THE PRESIDENT: Now, wait a minute, don't get personal here, Hutch. You're on national TV; that's a cheap shot. First of all, in terms of the definition of who would get -- whose benefits would rise faster and whose wouldn't, that's going to be a part of the negotiation process with the United States Congress. There's a -- a Democrat economist had a very -- he put forth this idea and he had a level of -- I think 30 percent of the people would be considered to be in a lower-income scale.

But this is to be negotiated. This is a part of the negotiation process. My job is to lay out an idea that I think will make the system more fair.

And the second question -- or the first question --

Q It's a means-based program where the real wealthy people might not get very much out of it.

THE PRESIDENT: It is -- that's right. I mean, obviously, it is means base when you're talking about lower-income versus wealthier income. The lower-income people's benefits would rise faster. And the whole goal would be to see to it that nobody retired in poverty. Somebody who has worked all their life and paid in the Social Security system would not retire into poverty.

One other point on Social Security that people have got to understand is that it's -- the system of today is not fair for a person whose spouse has died early. In other words, if you're a two-working family like families are here in America, and -- two people working in your family, and the spouse dies early -- before 62, for example -- all of the money that the spouse has put into the system is held there, and then when the other spouse retires, he or she gets to choose the benefits from his or her own work, or the other spouse's benefits, which is ever higher but not both. See what I'm saying? Somebody has worked all their life, the money they put into the system just goes away. It seems unfair to me. I've talked to too many people whose lives were turned upside down when the spouse died early and all they got was a burial benefit.

If you have a personal savings account, a voluntary personal savings account, and your -- and you die early, that's an asset you can leave to your spouse or to your children. That's an important thing for our fellow citizens to understand. The system today is not fair, particularly if the spouse has died early, and this will help remedy that.

Listen, thank you all for your interest. God bless our country.

END 9:01 P.M. EDT

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