The original documents are located in Box C27, folder "Presidential Handwriting 9/4/1975" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

BI-PARTISAN LEADERSHIP MEETING

Thursday, September 4, 1975

8:00 A. M.

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE
WASHINGTON

Jim -

Please note handwriting on the cover --- Is there any action for us to take --- NO

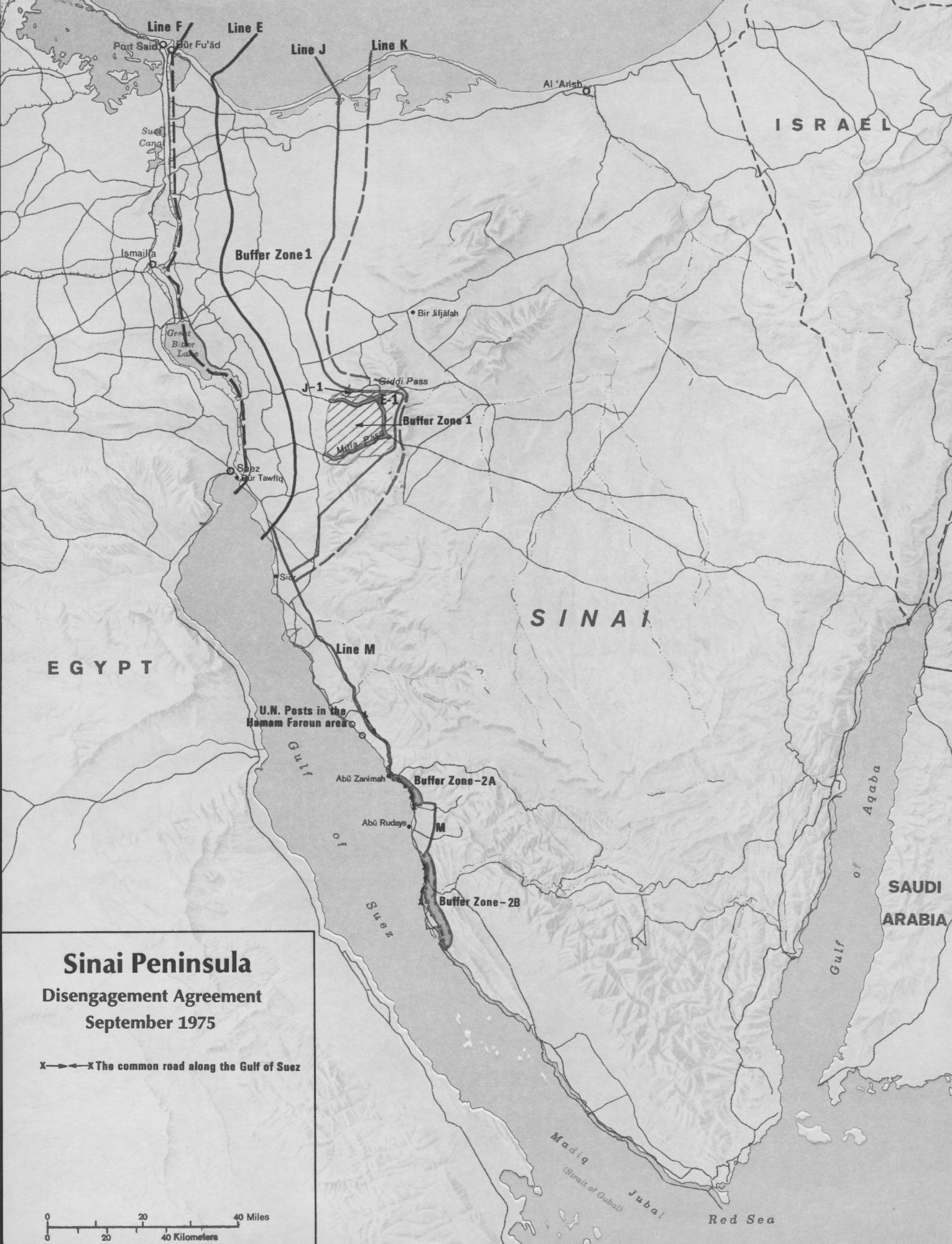
Also see notes on some of the material.

Trudy

Sadat / Rabin

J. C. S.

2 weeks


Line F
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Port Said
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Al 'Arish
ISRAEL
Suez Canal
Ismailia
Buffer Zone 1
Bir Jifjāfah
Great Bitter Lake
Giddi Pass
J-1
E-1
Buffer Zone 1
Mitla Pass
Suez
Ras Tawfiq
Sidi
SINAI
Line M
EGYPT
U.N. Posts in the Hamam Faroun area
Gulf of Suez
Abū Zanimah
Buffer Zone–2A
Abū Rudays
M
Buffer Zone–2B
Gulf of Aqaba
SAUDI ARABIA
Madiq (Strait of Gubal)
Jubal
Red Sea
Sinai Peninsula
Disengagement Agreement
September 1975
The common road along the Gulf of Suez
0 20 40 Miles
0 20 40 Kilometers

THE PRESIDENT HAS SEEN...

THE WHITE HOUSE

WASHINGTON

September 3, 1975

MEETING WITH BIPARTISAN CONGRESSIONAL LEADERSHIP
Thursday, September 4, 1975
7:45-9:20 a.m. (95 minutes)
The Cabinet Room

From: Max L. Friedersdorf MLF

I. PURPOSE

To discuss energy and the Mid-East settlement with the leaders.

To receive briefings on the various leaders who travelled abroad during the August recess.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. Congress reconvened yesterday (Wednesday, September 3), after the August recess.

2. In the interim, an Egypt-Israeli settlement has been achieved in the Middle East, and controls on domestic oil expired Sunday, August 31, 1975.

3. During the recess, the Speaker and Bob Michel led a 20 Member delegation to the Soviet Union, Romania and Yugoslavia where the Congressional delegation met with all three heads of State. Phil Burton and Mel Price were also on this trip.

4. John Anderson and Senator Robert Byrd led another Congressional delegation, appointed by the President, to the People's Republic of China.

5. Senator Mansfield took a trip around the world, including a stop in Portugal. He sent along a report, a copy of which is in Tab A, on Portugal and Saudi Arabia.

B. PARTICIPANTS: See Tab B

C. Press Plan - The Press Office has announced the meeting. Press and White House photographers.

III. TALKING POINTS

A. Middle East

1. We have achieved a significant peace settlement in the Middle East which could result in stabilizing a dangerous situation.

2. Congressional approval will be required on the technician feature. Copies of this proposal have been sent to the Speaker and the President of the Senate.

3. Henry returned from the Middle East last night and is here to give us a first hand report on the settlement.

B. Energy (See Tab C)

1. Controls expired on oil last Sunday night.

2. I intend to veto the six month allocation extension bill after Senator Mansfield has the opportunity to hold a conference later today.

3. I have indicated my willingness to continue efforts to seek a gradual decontrol during a meeting here last Friday with the Speaker and the Senate Majority Leader.

4. Frank Zarb is here to give us a brief report on the current situation regarding energy.

C. Congressional Travel

1. There were a number of highly interesting and important trips overseas during the recess and I thought it would be helpful if we could receive reports from the leaders today.

2. The Speaker led a large bipartisan delegation of senior Members to the Soviet Union, Yugoslavia and Romania where they met with all three heads of State, as well as holding three lengthy sessions with deputies of the Supreme Soviet.

3. Mr. Speaker, perhaps we could now hear from you, Bob Michel, Phil Burton and Mel Price on this trip.

4. Senator Mansfield went around the world and visited such trouble spots as Portugal. Senator, would you care to brief us?

5. John Anderson and Bob Byrd led another delegation to the People's Republic of China and perhaps we could hear from John and Bob.

IV. AGENDA

7:45-8:00 a.m. (15 minutes)	The President welcomes the Leaders back and gives a report on developments in the Middle East.
8:00-8:30 a.m. (30 minutes)	The President calls on Secretary Kissinger for a briefing on the Middle East settlement.
8:30-8:45 a.m. (15 minutes)	The President and Dr. Kissinger respond to questions on the Middle East settlement.
8:45-8:50 a.m. (5 minutes)	The President reviews the energy situation.
8:50-8:55 a.m. (5 minutes)	The President calls on Frank Zarb for energy comments.
8:55-9:00 a.m. (5 minutes)	The President and Zarb respond to questions on energy.
9:00-9:20 a.m. (20 minutes)	The President calls on the Speaker, Bob Michel, Phil Burton, Mel Price, Senator Mansfield, John Anderson and Senator Robert Byrd for trip reports.
9:20 a.m.	The President concludes the meeting.

MIKE MANSFIELD
MONTANA

5815

United States Senate
Office of the Majority Leader
Washington, D.C. 20510

August 22, 1975

TO : The President

FROM : Mike Mansfield

SUBJECT: Observations on the Portuguese Situation--Estimate of the Military-Political Situation.

The first point to underscore in the Portuguese situation is that the people have only recently emerged from 40-odd years of political repression and authoritarian military rule. Any expectation of a facile transition to representative civilian political practices, given the best of circumstances and the most dispassionate of peoples, would be unrealistic. In Portugal, the national condition is not the best and the people are far from dispassionate.

When the lid blew on the Salazar structure, as it passed to General Caetano, an immense amount of political debris was released. The complex effort to sort out this debris and to form it into a new viable political pattern is what is going on in Portugal today. That is a far cry from the simplistic Communist-Freedom juxtaposition which is being set forth in some quarters as a basis for coping with the situation. There are many facets to the situation and if we seek to reduce them only to two--Communist and anti-Communist--we are going to see not with clarity but with detriment to our own interests.

The ultimate authority in the process of developing a new viable political structure remains the military. It, too, is divided into various segments. Nevertheless, as a group, it has the experience of working in a disciplined fashion. Elements of the military other than those which have

heretofore exercised authority in Portugal are in the driver's seat at the present time. The new leadership consists of younger officers who until very recently were in the middle and even lower grades. As such they shared few of the privileges enjoyed by their superiors in the Salazar-Caetano period. Yet, they bore the brunt of the anguish and attrition which resulted from the political bumbling and the catastrophic delay of the Salazar government in facing up to the transition in the Portuguese African colonies. It is 30 years since the British resolved a similar problem and about 20 since the French did so. Not until Salazar's death did the Portuguese even recognize the inevitable. The cost in lives and resources was enormous.

The stagnation of a long-entrenched military-political system pursuing a hopeless colonial war would have been enough to produce upheaval in Portugal. Add to this factor, an atrophied rural life heavily weighted by one of the most conservative wings of the Catholic church. Add to it, too, the indignation of an emotional people on discovering at long last, with the passing of Salazar, that the absence of a political life for so many years was not preordained. In these circumstances, a period of widespread political turbulance was to be expected. Nor is it likely that a new political order will be established very quickly. Indeed, the Portuguese will be very lucky if they avoid in the interim a full-scale civil war. If there is any universal Western concern with this situation, it should be to try to minimize the likelihood of such a disastrous conflict.

The Portuguese military leadership, which has been at the center of the storm, has not sought to monopolize the upheaval. Perhaps that is because it could not do otherwise. Some might also say it is due to political naivite.

However that may be, from the point of view of freedom, it is to the military's credit that they have encouraged the participation of political elements in the groping for a new sense of political direction. Indeed, "a hundred flowers have bloomed" in Portuguese political life.

Among these flowers there are some bizarre varieties. There are some strong-armers notably in the North and probably in the Azores, reminiscent of Mussolini's early cohorts. Among them, too, there are militant Communists. There is no doubt, moreover, that the Communists are exerting an influence disproportionate to their numbers in the evolution of the new order in Portugal by placement inside the government and in other strategic spots. That is unfortunate but it ought not to be surprising. Communists tend to work harder at the business and to maintain a tighter discipline. That might make them seem attractive allies to some military leaders. The Communists may also be receiving financial contributions from outside, although the Embassy has very little of a specific nature on these reports. What they have suggests that the amounts that have been supplied to date are nowhere near as large as some of the publicly reported figures which run as high as $10 million.

To reiterate, however, Communist activity or, for that matter that of any political group, is dependent on the tolerance of the military leaders. That point cannot be stressed too strongly. The revolution began as a revolt within the military. The revolution remains under the control of the military. Barring large scale intervention from outside, it will evolve only in ways which are tolerable to the military. In this connection, it would be wise to refrain from labeling any of the leading figures in the military hierarchy as left, right, pro-Communist or anti-. The reasonably safe assumption for all of the

military leaders is that they are going to be pro-military. They will work with those civilians whom they regard, as they regard themselves, as working for the well-being and honor of Portugal. Whatever emerges in the end from the present situation, whatever the government, it is going to be one which is in accord with what the military believes is acceptable and is best for Portugal.

It is also reasonable to expect that unless the various political factions can resolve their struggles for factional power into a viable civilian political structure in the not too distant future, the Portuguese people will lose patience with the "new politics," and its various civilian protogonists. The initial signs, in this connection, are beginning to appear. It may well be that the people will yearn, again, for order and welcome a far more direct assertion of power by the military. The military authorities may then settle on one among themselves to be the personification of that authority. If that happens, with or without civil war, Portugal is likely to witness the emergence of a new military authoritarianism. It would not equate with the Salazar-Caetano period. There can be no turning back the clock. Real economic and social problems exist in Portugal, especially in the wake of the dissolution of the colonial empire. Any governing authority must deal with these problems or face national chaos and disenchantment.

A new military authority is likely to be young, vigorous, business-like and passionately nationalist in its dedication--at least at first. It may even, with the aid of civilian technicians and infusions of aid from outside, provide tolerably good public administration. Regrettably, it will also mean the end of the bright promise of a free and responsive political system in this small

piece of the Iberian Peninsula. That is a setback for freedom, no matter how it may seem at the outset.

U. S. Policies

Our policies in the Portuguese situation should derive from our national interests, not our ideological predilections, except to the extent that we refrain from impeding the emergence of free civilian institutions anywhere. On close examination, then, our interests are not as extensive as one would be led to expect from the amount of press coverage which has been given to the minutiae of Portuguese political developments.

To provide some sense of proportion, it would be well to bear in mind that Portugal is of considerably greater significance to Western Europe than it is to this nation. In an economic sense, our investments in Portugal and even our trade are but a fraction of those of the Western Europeans. If we find it abhorrent to contemplate the appearance of a Communist regime across the ocean, what of Spain and the other Europeans to whom it would be a next door neighbor? As for NATO one must assume that the organization is at least as important to the Europeans as it is to us although their indifference to its needs suggests, sometimes, the contrary. To be sure, a "Communist enemy" nation in the ranks of NATO is an appalling thought. But even if Portugal "went Communist," and that required the withdrawal or ejection of Portugal, would that necessarily mean the demise of NATO? After all, NATO has weathered the far more significant deactivation of French participation. NATO has also seen, without falling apart, the Eastern line of defense reduced to something approaching irrelevance

because of the Cyprus dispute. It has also managed to function without Spanish membership since the outset. There are some who are aghast at the administrative nightmare of trying to operate NATO with a member state in which Communists hold some positions in a coalition government. That may be a bureaucratic embarrassment but it hardly constitutes a cause for panic. Indeed, a modus vivendi has already been found for that contingency in the case of Portugal.

Beyond limited economic interests and a possible concern for NATO embarrassment, what else is there of fundamental interest to this nation? As a practical matter, there is only the U. S. base in the Azores at Lajes. As of now, there has been no interference with U. S. operations there, notwithstanding the fact that the lease has expired. Nor is there any indication of a determination in Lisbon to ask us to leave as is legally within Portugal's right. In short, either because of pre-occupation with other questions or because the present authorities in Lisbon have no objection to our remaining, there is no immediate need to deal with the base problem. Certainly there is no need to contemplate supporting an Azores "separatist movement" of obscure origin as a way of preserving our occupancy. If such a movement were to succeed and if by chance it happened to be pro-American and disposed to ask us to stay at the base in return for help, all we would gain by it over what we now have would be one more expensive dependent "independent nation" since the islands are in no way self-supporting.

The fact that there is no immediate challenge to the Azores base affords us a good opportunity for a prompt examination of the purported "vital necessity" of this installation. It is not cheap to operate in the Azores in any event and all overseas bases are not, ipso facto, "vital" or even necessary

to U. S. interests. Indeed, it would seem to me most desirable to examine very closely the cost-effectiveness of any overseas installation, especially one which may be conceivably jeopardized by political developments before rather than after the fact. Moreover, in particular need of examination at this time, in my judgment, are those bases which are justified preponderantly in terms of relevance to the supply of Israel. That is a chief justification which I found to be advanced not only in regard to the Azores base but, also, with regard to bases in Thailand and the Philippines and wherever else in the world I made inquiry. If all these bases were used simultaneously for this purpose, Israel might well collapse of the weight of materiel which could pour into that country. "Israel-supply" seems to have become something of a bureaucratic gimmick with regard to base-justification abroad. There are many routes to Israel and the costs of alternatives should be measured against the cost of maintaining a base such as that in the Azores "at all costs."

To sum up, the need in Portugal, as I see it, is to keep a very cool approach in a situation whose alarmist aspects could well be over-stated. One cannot be sure what will emerge in the end. One can be sure, however, that if Portugal collapses in a civil war in the Spanish pattern, it will split the politics of every Western European country wide-open in ideological division. What then of NATO's fate?

It is well to note that the Soviet Union has not been ostentatiously conspicuous in the Portuguese situation and that the Chinese are steering clear of it entirely. We would be well-advised to follow suit. Indeed, we should restrain any tendency to label personages and developments in the glib and

confusing shorthand of ideological confrontation. "Lefist," "rightist," "Maoist," "to the left of the Communists" are inexact and migratory terms at best. In a situation such as exists in Portugal, where they are freely used, they may be subject to sudden and unexpected twists and turns which could lead to our entrapment in rigid and undesirable commitments.

As for situations such as Portugal in which our own national concerns, whether economic or defensive, are less than those of the Western Europeans, we would be well-advised to let the latter take the lead. Their stake in Portugal, as noted, is far greater than our own.

Insofar as the Azores military base is concerned, we ought now to have an impartial evaluation made of its cost-effectiveness in comparison with other available bases and techniques for fulfilling identical missions. The Azores installation may well prove to be more costly and even redundant. Certainly, it seems to me eminently desirable in our national interests to avoid involvement in separatist developments anywhere in Portugal, including the Azores. In the latter case, we could wind up with one more costly, continuing direct military responsibility. We are already extended in that fashion more than 3,500 miles across the Pacific from Hawaii. It is difficult to see in what way a new direct commitment 2,500 miles out into the Atlantic from the East coast will serve the interests of the people of the United States.

00507

MIKE MANSFIELD
MONTANA

United States Senate
Office of the Majority Leader
Washington, D.C. 20510

August 23, 1975

TO: The President

~~CONFIDENTIAL~~

FROM: Mike Mansfield

SUBJECT: Saudi Arabia

No country in the world has assumed such importance to the United States in such a short time as Saudi Arabia. For the foreseeable future its significance will continue to grow. Oil today is money and power and Saudi Arabia sits atop perhaps 50% of the world's known and most easily retrievable oil reserves. More than four times as much new oil is being discovered each day than is taken out of the ground. With as much as 460 billion barrels in reserves, Saudi Arabia now produces some 7 million barrels a day. Actually, productive capacity is 11 million barrels a day and can be expended to as much as 20 million barrels a day by 1980.

A brief visit to Saudi Arabia tends to confirm the accuracy of press reports on recent developments in that country. Jeddah is a boom town in a booming country. A short time ago it was a hot and dusty place in the desert. In less than a dozen years it could well become one of the most spectacular of modern cities. Every day, more and more automobiles clog the streets. Some 50 freighters await unloading on any given time and the delay may be as long as a month. A vast array of capital and consumer goods of the most advanced design is pouring into the country. On the other side of the Arabian Peninsula an unending river of petroleum flows into tankers which carry the

precious commodity to all parts of the non-communist world. Each barrel carries a price tag dictated by O.P.E.C. As the prices have been fixed higher and higher total Saudi royalties have risen to fantastic levels. Estimates indicate that they may already be as much as $10,000 per capita.

The Saudi government anticipates that during the next five years about $150 billion of these royalties will be put into modernization. For the first time, perhaps, an economically backward country has all the financial resources it requires to pay for all of the technology, goods and services for which it can find use.

In short, Saudi Arabia gives the impression that some sort of Aladdin's lamp has been rubbed and an unlimited future has opened up for the Kingdom. Yet that impression must be hedged with reservations. Two questions, in particular, loom large in these reservations. In the first place, can the Saudis, numbering probably no more than 5 million with a way of life akin to the 14th Century make an almost overnight transition to full participation in international life without destructive internal schisms? Will the outside forces which surround this parched and empty land permit them to do so?

The Internal Prospects

In seeking answers to these questions, it should be noted at the outset that the Saudi government is administered by men of intelligence and competence with considerable knowledge of the world. They are a unique group in that, for the most part, they are members of the royal family. They are inbued with a deep sense of Islam and with a strong desire to serve the Kingdom. Except for this relative handfull, however, those able to comprehend the modern world, much less deal with it on equal terms are few. Notable efforts are being made to

remedy the shortage. Younger men are being dispatched for schooling and training to the Western countries. In addition, the Kingdom is using its bulging purse to provide for the importation of large quantities of high-priced skills as well as labor from neighboring states.

Expanding contacts bring modern techniques into Saudi Arabia but they also infuse the country with new ideas, social practices, and cultural concepts. These additions are the inevitable riders on economic development. They are in many ways hostile to the intensely conservative Islam which characterizes the religious-dominated country. Heretofore, the government has functioned as a closely-knit unit in harmony with Islamic principles.

The possibilities of internal social schisms, however, have to be anticipated as economic development proceeds. There are likely to be, for example, beginning demands for women's rights, for broader popular participation in government and for many other changes in the customary way of life. Quite apart from communism which the royal family already regards with fear, other outside influences will press in on the Kingdom. These influences are likely to be upsetting, to say the least, in a nation which has only very reluctantly and very recently permitted T.V. and where women are scarcely ever seen on the streets.

The royal family apparently intends to make a huge imput of oil revenues into social welfare. In theory, this approach might serve to keep the people contented and thereby minimize the pressure for change while assuring the stability of the government and the internal unity of the country. Universal education and free medical and hospital care for all, for example, have already been decreed. Substantial subsidies are also going into housing and into the development of Saudi business. Much more is yet to come.

Maintaining stability, however, is a much more complex process than merely providing liberally for material well-being. In Saudi-Arabia, it is likely to involve problems of cultural adaptation and change which as yet are scarcely perceived. Nor is it clear how effectively these problems can be handled by the existing family political structure. Notwithstanding the fact that the Saudi regime, then, has all the money needed to deal with inner material problems, the pursuit of rapid economic development does produce internal uncertainties as to the Kingdom's future.

External Factors

Similarly, a question mark arises regarding pressures which, it must be anticipated, will press in on the Kingdom from outside. When Saudi Arabia was little more than a by-way in the Middle East, eking out a subsistence income from Moslem pilgrims coming to visit the holy cities and from modest oil revenues, it was of little concern to the rest of the world. The situation has now changed drastically. Saudi Arabia is the focus of an energy-hungry world. At the same time, its government is developing into a major holder of the world's financial reserves. Access to the vast sea of petroleum on which the Kingdom floats and the financial power which it yields is sought by many nations and in many ways.

It must be assumed that the Saudi leaders are alert to the dangers which arise therefrom. Certainly, their policies appear to be designed to minimize these dangers. In the first place, the accent of these policies is placed on establishing conditions of stability, especially among Arab neighbors and in the Middle East. It is an appropriate accent. Without conditions of peace, along its borders, the very survival of Saudi Arabia could be in doubt.

Recent Saudi moves tend to defuse any envy which might lurk among its more powerful but impoverished Arab neighbors because of the great riches now showering the Kingdom. Generous aid programs are going into effect to benefit other Arab states. Arab workers are imported in large numbers to participate in the industrialization of the country. To date, these policies of "share the wealth" appear to be working. The borders of the country, notably to the south are now quieter than they have been for some time. There are no signs of hostility to Saudi Arabia within the Arab bloc.

A key element in Saudi policies is the readiness to follow the international lead of Egypt as the most powerful of the Arab states. The Saudis stand with the Egyptian approach in resolving the Arab-Israeli dispute. They appear almost eager that the main issues be negotiated at once. In conversations there are conciliatory references to the Jews as "our semitic cousins." Allusions are made to past peaceful and cooperative co-existence with Jews. Israel's right to exist and even to have its borders guaranteed are freely acknowledged. Contemporary leaders in the various Arab states are described as "a group of moderates" who offer perhaps the last best opportunity for compromise of the Arab-Israeli problem. As for the role of the United States in bringing about a settlement, the Saudi leaders do not question the good intentions of the Secretary of State and they have no desire to see the problem thrown into a Geneva meeting. Nevertheless, there are indications of anxiety and impatience.

The point which the Saudis emphasize is that the time is <u>now</u>, for an across-the-board settlement. They cite the long-standing issues--the Golan Heights, the 1957 border demarcation, the West Bank, Jerusalem and the Palestinia Refugees. In citing them, however, they leave the impression of flexibility and a readiness to come to grips with these issues on the basis of accommodation.

Communism is regarded by the Saudis as anathema to Islam and they have rejected repeated Soviet overtures for regular diplomatic relations. Anxieties are readily kindled, therefore, by any prospect of Soviet penetration in the Middle East. The Saudis are deeply disturbed, for example, by the U. S. antagonizing of Turkey over the Cyprus question apparently in fear that it would turn that country towards the Soviet Union. That kind of realinement could create precisely the sort of outside pressure on the Arabian peninsula which would be devastating to the hope for stability. They are also concerned over the Soviet military base at Berbera in Somalia.

Unfortunately, it must be added, some anxieties have also arisen regarding the intentions of the United States. The inappropriate statements of U. S. officials, for example, in regard to a "military solution" to the price-fixing by O.P.E.C. were badly received in Saudi Arabia. It is the height of folly for U. S. officials to continue to hold out any prospect of an invasion of the Saudi oil fields. Aside from the political and moral aspects of the question, any invading U. S. force would find the highly sophisticated technology of the oil fields damaged so badly that it would be a long, long time before the wells could be put back into operation.

What is needed, is not saber rattling but progress toward a Middle East settlement and policies geared to that goal. While the President's subsequent clarification was welcomed, the Saudi leaders remain on guard with reference to our intentions. In this connection, it should be noted that the Saudis do not approve of the development of Diego Garcia as a U. S. military base. They have also withdrawn their support of U. S. naval leasing at Bahrein. There are even suspicions of the possibility of joint Soviet-U. S. understandings regarding the Middle East.

It is against this background that the Saudis are seeking greater diversification in their relationships abroad. In this connection, there is, of course, their cooperation with other oil producing states in O.P.E.C. In addition, Western Europeans and Japanese are being involved in increasing numbers in development projects inside Saudi Arabia. Such a trend, in my judgment, is to be welcomed. In coming years Saudi Arabia's importance to the world will continue to grow. Even the most strenuous conservation efforts by the industrial nations cannot forestall an increasing dependency on the petroleum resources of the Arabian peninsula.

The reservoir of good feeling towards the United States in Saudi Arabia, in any event, is ample and our role is likely to remain very large in that nation's affairs. "The true wish of my country," Crown Prince Fahd said to me, "is to have the strongest and most cooperative relations with the United States in all fields and all matters." Nevertheless, a U. S. economic or political monopoly is neither possible nor desirable in the situation which is developing in Saudi Arabia. The heretofore top-heavy ties with the United States and, for all practical purposes, with a segment of one U. S. industry have become something of an anomaly. Their persistence could result in a U. S. involvement in a manner and to a degree unrelated to the fundamental interests of the nation. It should be noted, in this connection, that Aramco has relinquished without complaint and perhaps with approval all ownership rights in petroleum operations in Saudi Arabia to the Royal Government in return for operating contracts. The significance of this transaction is obscure and the U. S. Embassy in Saudi Arabia could offer no clarification, conceding that they have no knowledge of the relationship between the company and the Saudi government!

As for O.P.E.C., it is conceivable that the Saudi influence could be, as it is contended in Jeddah, a restraining one on the policies and practices of the cartel. The very magnitude of the Saudi petroleum reserves makes it possible for the Kingdom to afford a much broader and magnanimous approach than any of the other members. Moreover the reputed "brains" of O.P.E.C., Shaykh Ahmed Zaki Yamani of Saudi Arabia, is an extremely perspicacious man who has cultural ties with the United States and is even sending his daughter to school here. He knows the stakes in O.P.E.C. are more than oil revenues. He knows that for a small and weak nation sitting on an immense share of a universally coveted resources, the sky is not the limit.

To sum up, then, Saudi Arabia is riding a flood-tide of oil at high prices into a leading role in the Middle Eastern world and international financial circles. If the old roads still lead the Moslem pilgrims to Mecca and Medina, the new roads lead nations and businessmen to Jeddah and Ryadh. While the Kingdom is on the way to becoming a new promised land, however, the potential of being waylaid by internal and external pressures is such that a "zone of peace" in the Middle East may well be the sine-qua-non of its survival. Within the region, the Saudis appear ready to do what must be done in this respect by following enlightened policies in order to bring about stability in their relationship with the other Arab states and with Israel.

The future of the Kingdom is also dependent, however, on developments beyond the Middle East, on Soviet intentions, for example, and on the policies of the United States. The survival, stability and development of Saudi Arabia are clearly in the interests of this nation. It is also in our interests to participate, as our participation is sought, in the internal development of that country. We should, however, guard against any tendencies which originate either

within our own bureaucratic structure or in the interested oil companies or both to equate "participation" with exclusivity. Others have a vital stake in the situation in Saudi Arabia, in some respects larger than ours. This nation, for example, has a margin of time and the possibility of finding alternatives to Saudi petroleum; the nations of Western Europe do not. Their full participation, along with other oil-dependent nations, in the situation as it involves Saudi Arabia will serve to diversify the inherent risks. We should take whatever initiatives are possible, therefore, to try to keep the policies of Western Europe and others aligned with ours.

As for O.P.E.C., it would be wise to assume that it is here to stay and that Saudi Arabia will remain the lynch-pin of the cartel. Efforts to break O.P.E.C. are likely to prove fruitless. The best counter to O.P.E.C., in my judgment, is not military threat, economic embargo or political manipulation, but an intense effort at conservation of petroleum at home and the diversification of the sources of our energy supply.

PARTICIPANTS

The President
The Vice President

SENATE

Mike Mansfield
Bob Byrd
Hugh Scott
Bob Griffin
Carl Curtis
John Sparkman
John Stennis
Strom Thurmond

HOUSE

Carl Albert
Tip O'Neill
Jack McFall
John Rhodes
Bob Michel
John Anderson
Phil Burton
Tom Morgan
Bill Broomfield
Mel Price
Bob Wilson

STAFF

Secretary Kissinger
Under Secretary Sisco
Bob Hartmann
Jack Marsh
Max Friedersdorf
Alan Greenspan
Ron Nessen
Jim Cannon
Jim Lynn
Brent Scowcroft
Dick Cheney
Vern Loen
Bill Kendall
Charles Leppert
Tom Loeffler
Bob Wolthuis
Pat O'Donnell
Frank Zarb

REGRETS

Secretary Morton
Sen. Moss
Sen. Case
Don Rumsfeld
Phil Buchen
Bill Seidman

C

ENERGY TALKING POINTS FOR PRESIDENT
AT BI-PARTISAN LEADERSHIP MEETING

1. With regard to oil decontrol, I met with Speaker Albert and Senator Mansfield last week to discuss this issue.

2. I feel that the 39-month phased decontrol plan with the $11.50 cap on new oil I sent to the Congress in late July went more than half-way in meeting the concerns voiced by members of Congress. By increasing the quantity of oil decontrolled from 1 1/2% the first year to 2 1/2%, then 3 1/2% in the last 15 months and gradually increasing the cap by $.05 per month, it would have rolled back prices during the first year and assured that future OPEC price increases would not be mirrored in higher domestic oil prices. Unfortunately, it was rejected by the House of Representatives.

3. At Mike Mansfield's and Carl Albert's request, I indicated that I would be willing to sign a 30-45 day extension of the EPAA if I could be reasonably assured that the Congress would accept my 39 month decontrol plan. I believe such an approach is best, and a compromise would be in the nation's best interest.

4. While I would like to compromise, I have heard statements from some members of Congress who appear to be putting politics ahead of the development of a national energy policy. While I hope they don't prevail, if compromise is not possible, I will veto any extension of price controls. However, to ease the impacts of immediate decontrol, I will take several steps.

5. First, I will remove the supplemental fees on petroleum imports and again support a windfall profits tax and rebates to consumers of the tax revenues.

6. As part of the natural gas emergency legislation I will propose shortly, I will ask for authority to protect historical users of propane, such as farmers and rural homes.

7. Finally, I will submit legislative proposals to help independent refiners and marketers adjust to decontrol.

THE WHITE HOUSE
WASHINGTON

9/3/75

Mr. President:

The attached is Tab C of your talking points for the Bipartisan Leadership meeting Thursday morning.

Brent Scowcroft

CONFIDENTIAL THE PRESIDENT HAS SEEN....

TALKING POINTS ON THE SINAI AGREEMENT

1. Before I ask Henry to explain to you what is involved in the Egypt-Israel agreement, I want to say a few words about our Middle Eastern policy. I have felt strongly that there must be progress towards peace principally for two reasons. A war between the Arabs and the Israelis brings with it the risk of possible confrontation between ourselves and the Soviet Union. And secondly Arab frustration over the lack of progress, even without a war, was likely to lead to another embargo and a world-wide depression, including in our country.

2. That is why ever since I assumed the office of the Presidency I have involved myself in trying to find the most promising ways to make practical progress towards peace. When Henry's March mission was suspended I announced the reassessment of our policy.

3. We canvassed all the diplomatic alternatives including moving to a Geneva conference where an overall settlement would be considered. I met personally with Sadat in Salzburg and Prime Minister Rabin in Washington. I made clear that the United States would not tolerate stagnation or stalemate. It soon became clear that the parties were not ready to go to Geneva and they both asked us to renew our efforts to try to achieve the interim agreement between Egypt and Israel.

4. From March to about two weeks ago when Henry started his latest mission, we worked on the problem quietly through diplomatic channels. The basic elements of the agreement were clear: Israeli evacuation of the Sinai Passes and return of the oil fields in exchange for political commitments from Egypt. Shortly before Henry went to the area, the Israelis made it clear that they considered American participation in the early warning system in the strategic passes was a precondition to their agreement to pull out of the passes and the oil fields. I called a National Security Council meeting and we were unanimous in concluding that if this was an absolutely essential ingredient of any agreement we should be willing to participate.

5. This proved to be the case and there would not have been an agreement without our willingness to participate. These are civilian technicians we have in mind, not to exceed 200. I

want to emphasize we have the unilateral right without consulting anyone to pull out these civilian technicians if we feel they are endangered or are not serving a useful purpose. I believe the risk is minimal, and I believe the risk is worth taking in the cause of peace in the Middle East since a war there would undoubtedly affect our interests adversely.

6. I will seek Congressional approval for the proposal because I believe it is important that the country be together on this matter. If we are to succeed in our Middle Eastern policy it will require strong Congressional support not just acquiescence. Henry will be testifying before both Houses and will give the full details.

7. This is a good agreement for us. It reduces the risk of war in the Middle East. It keeps open the possibilities for future diplomacy, and I believe it will help avoid stagnation which would hurt our interests there.

Jim -

Frank Zarb is ahead of himself with this dated Sept. 5 ---

Is the Pr esident going to say something in his Seattle speech?

Trudy

THE PRESIDENT HAS SEEN

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

September 5, 1975

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK G. ZARB

SUBJECT: Announcement of Actions to Offset the Effects of Immediate Decontrol

We have completed work on a limited number of legislative proposals designed to deal with some of the micro impacts of immediate decontrol. These actions are viewed as necessary by your advisors not only to avoid unacceptable short term transitional problems in the market place as controls expire, but also to enhance our ability to sustain your veto of the six-month extension of the control program. The only issue at this point centers around the appropriate time for you to announce these initiatives.

I recommend that you announce your intentions to seek such legislation at the Bi-partisan Leadership Meeting this morning and that your announcement be followed up by Ron Nessen at his regular morning briefing and in your speech to the White House Conference in Seattle. The rationale for this recommendation is as follows:

- With the override vote on your veto scheduled next Tuesday or Wednesday in the Senate, an announcement today would give the proposals sufficient time to have their proper effect on the override vote. If we wait until your return, the proposals may not have any beneficial effect on the override vote.

- Announcement today would enable us to use the proposals to defuse Congressional hearings beginning today in the Senate (Jackson) and continuing through next Tuesday in the House (Dingell).

Talking points explaining the proposals are attached for your use at the Bi-partisan Leadership meeting if you agree with the recommendation. I will also work with the speechwriters to have appropriate remarks included in your Seattle speech.

Attachment

TALKING POINTS
PROPOSED MEASURES TO DEAL WITH IMPACT OF
IMMEDIATE DECONTROL

BI-PARTISAN LEADERSHIP MEETING

- As you know, I will veto the six-month extension of the Emergency Petroleum Allocation Act. This appears at the current time to be the only way to get this country moving on an effective path to energy independence.

- Although there are many views regarding the impact of decontrol on the economy, I am convinced that the macro impacts are containable, particularly with the elimination of the $2.00 import fee which I have promised to do if the veto is sustained.

- There will be, however, some micro impacts associated with decontrol, at least during a short-term period of transition to the free market. Of particular concern are:

  1. Small, independent refiners who do not have access to low cost crude and who have remained competitive by virtue of the crude oil entitlements program;

  2. Users of propane (farmers, petrochemical manufacturers, etc.) who may either lose their propane to curtailed natural gas users or face dramatically higher prices; and,

  3. Independent marketers or retailers, primarily of gasoline and heating oil.

- To avoid transitional problems in these areas, I will propose legislation designed to deal with specific problems on a carefully targeted basis. These measures, which will be just as effective as the allocation program, but much more efficient, will include the following:

  1. A direct subsidy to small, independent refiners that will be equivalent in value during the first year to their subsidy from the entitlements program and will phase out to zero over three years.

  2. Allocation and price controls of liquified petroleum gases such as propane to assure a stable supply of these important fuels to farmers and curtailed natural gas users at reasonable prices.

  3. Specific authority for retail dealers to go into court regarding any possible unfair contract changes initiated by major oil companies -- authority such as provided to automobile dealers in 1956.

- I will also continue to work with the Congress to develop a windfall profits tax with appropriate plowback provisions and rebates to the American consumer.

- Frank Zarb is here to elaborate on these proposals if you so desire.

Jim -

I assume that this is a note from Lynn --

Trudy

The other point to be made is what we would have to appropriate to Israel if there were no agreement. Particularly if war likely.

Jim Lynn

To [redacted]

Jim -

This tells us what happened at the Mansfield/ Albert meeting

I still have not heard back from Mr. Marsh about acknowledging Senator Mansfield's latest letter --- I assume they are waiting to see what happens on the compromise phase-out program.

Trudy

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

August 29, 1975

The Honorable Mike Mansfield
Minority Leader
United States Senate
Washington, D. C.

The Honorable Carl Albert
Speaker of the House
House of Representatives
Washington, D. C.

Dear Senator Mansfield and Speaker Albert:

SUBJECT: Summary of our discussions with the President earlier today concerning oil decontrol

The following, I believe, represents a fair summary of our discussion with the President:

1) The President would not veto a 30-day extension of the Emergency Petroleum Allocation Act (Messrs. Mansfield and Albert suggested 45 days) if he is confident that the Congress will act favorably on a "phase-out" decontrol program.

2) The details of the compromise phase-out program would be as follows:

   a. Decontrol would take place over a 39-month period, at a monthly rate of; 1 1/2 percent first year, 2 1/2 percent second year, 3 1/2 percent last fifteen months. This program would not increase prices during the first year.

   b. A ceiling of $11.50 will be placed on new and released oil escalating at the rate of 5¢ per barrel per month during the 39-month period.

   c. Price control and allocation authorities required to support this program would be enacted for the 39-month period. An appropriate windfall tax program with plow back and consumer rebate provisions would also be enacted.

d. The 60¢ per barrel fee on imported products would be withdrawn by the President.

3) It was agreed that this compromise does not affect the President's authority to retain the existing $2 per barrel import fee on crude oil.

4) The President has indicated that he will veto the six-month extension, but withhold the actual veto message until after Thursday, September 4, 1975.

It is clear that it would be in the best interest to clarify whether or not this compromise will be accepted by the Congress at the earliest possible date.

Sincerely,

Frank G. Zarb, Administrator
Federal Energy Administration

FGZ:cb

THE WHITE HOUSE
WASHINGTON

SEPTEMBER 3, 1975

MR. PRESIDENT:

FOR YOUR INFORMATION.

MAX FRIEDERSDORF

9-3

THE PRESIDENT HAS SEEN...

The Speaker's Rooms
U. S. House of Representatives
Washington, D. C. 20515

September 3, 1975

The President
The White House
Washington, D. C.

Dear Mr. President:

This acknowledges your letter of September 2, 1975, in which you advise that you intend to request Congressional approval of the text of the proposal under which American civilian personnel could play a role in connection with an early warning system in the buffer zone between the Egyptian and Israeli forces in the Sinai. You also request my views on the form which this approval should take.

I will discuss this matter with the Chairman of the Committee on International Relations and other Members of the Congress and will be in touch with you as soon as possible concerning the form of the approval.

Sincerely,

Carl Albert

The Speaker

CA/mrp

Sinai Peninsula

Disengagement Agreement
September 1975

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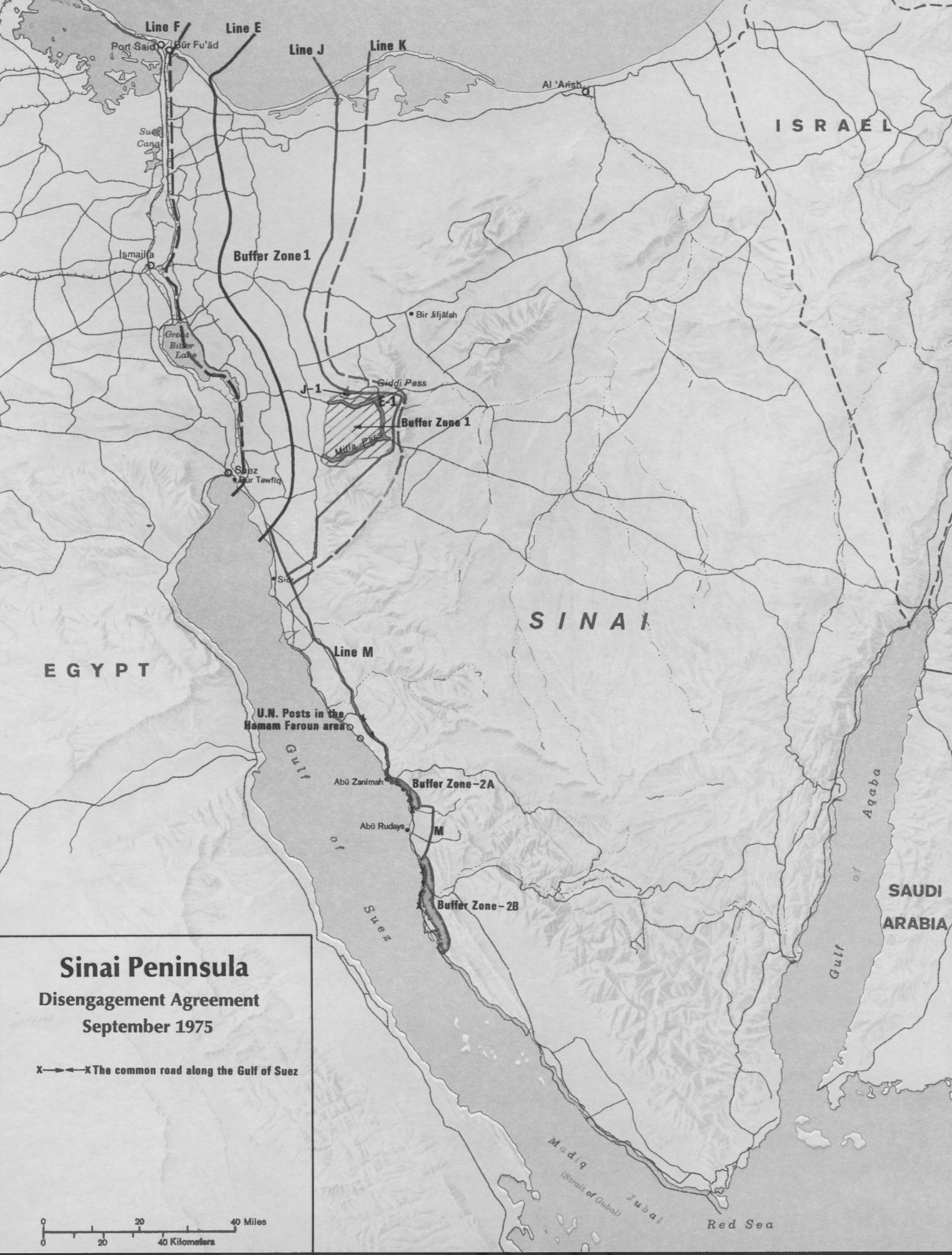
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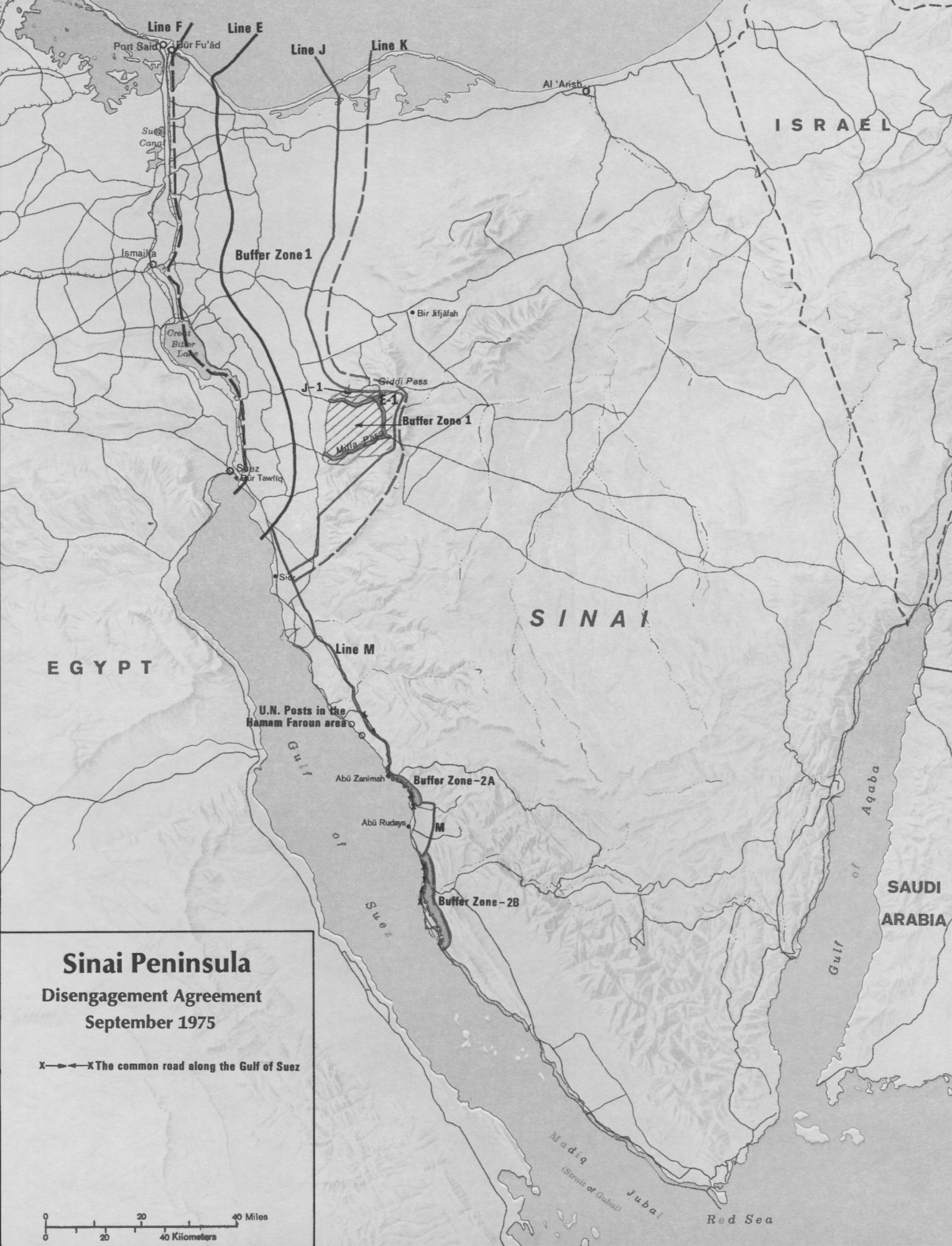
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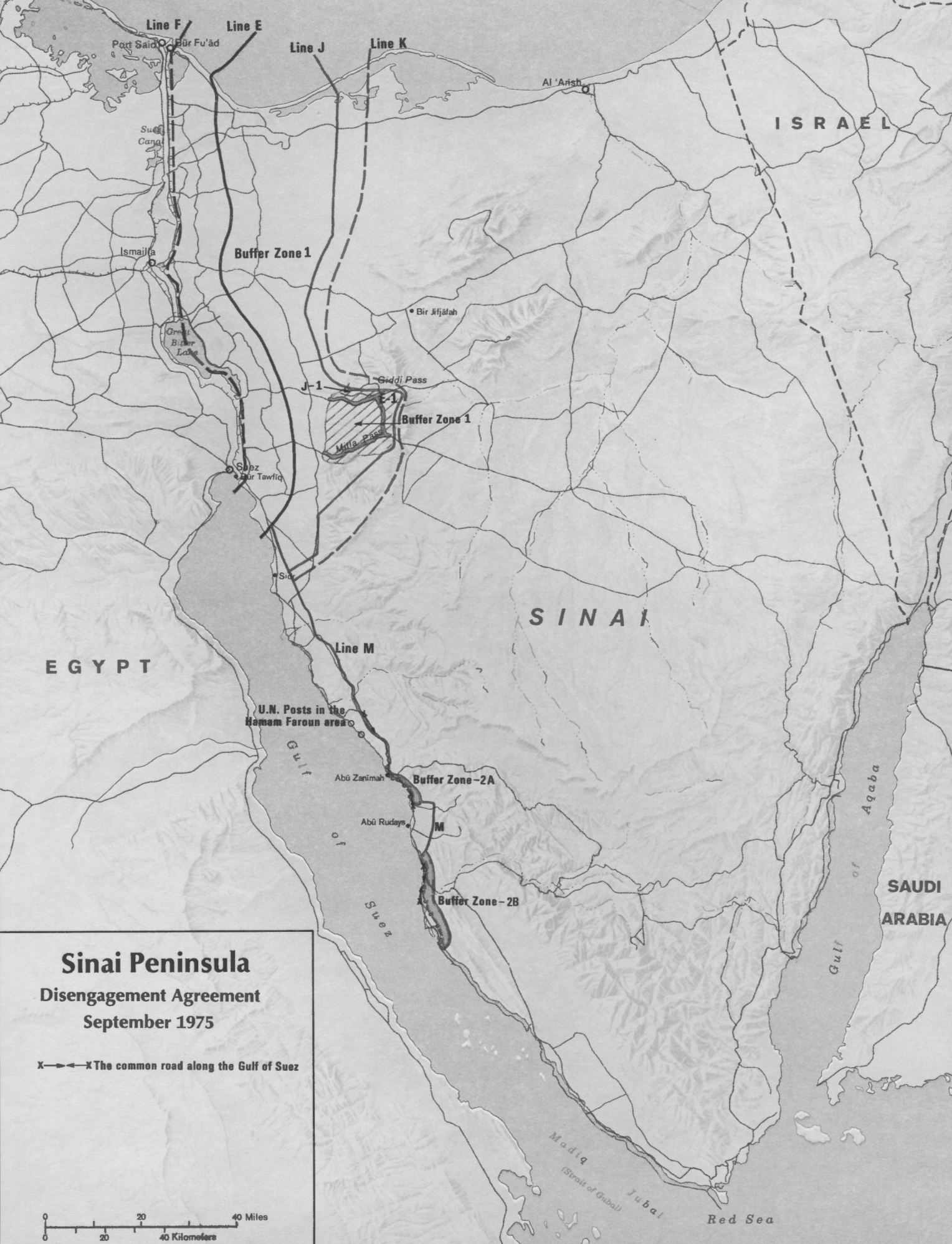

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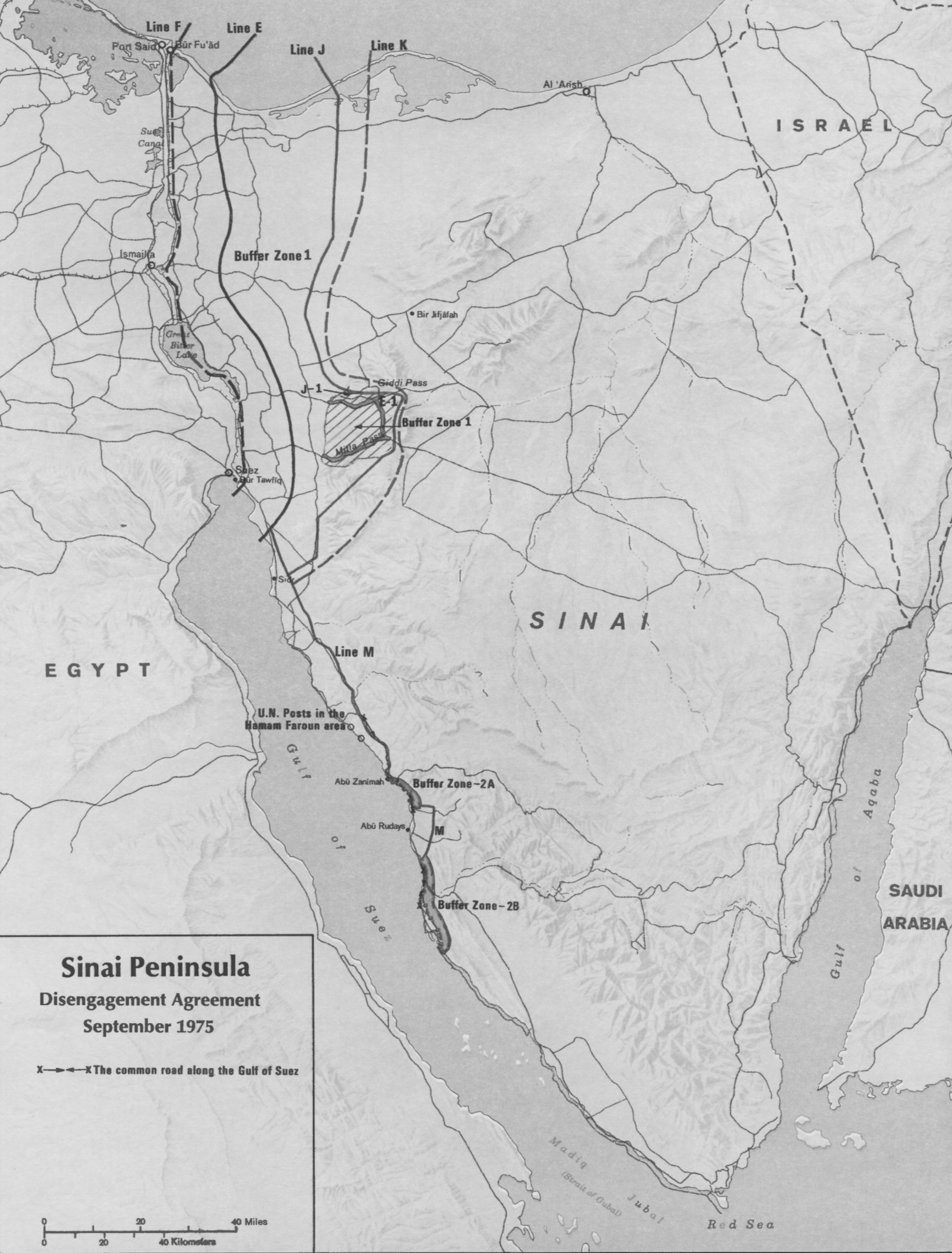
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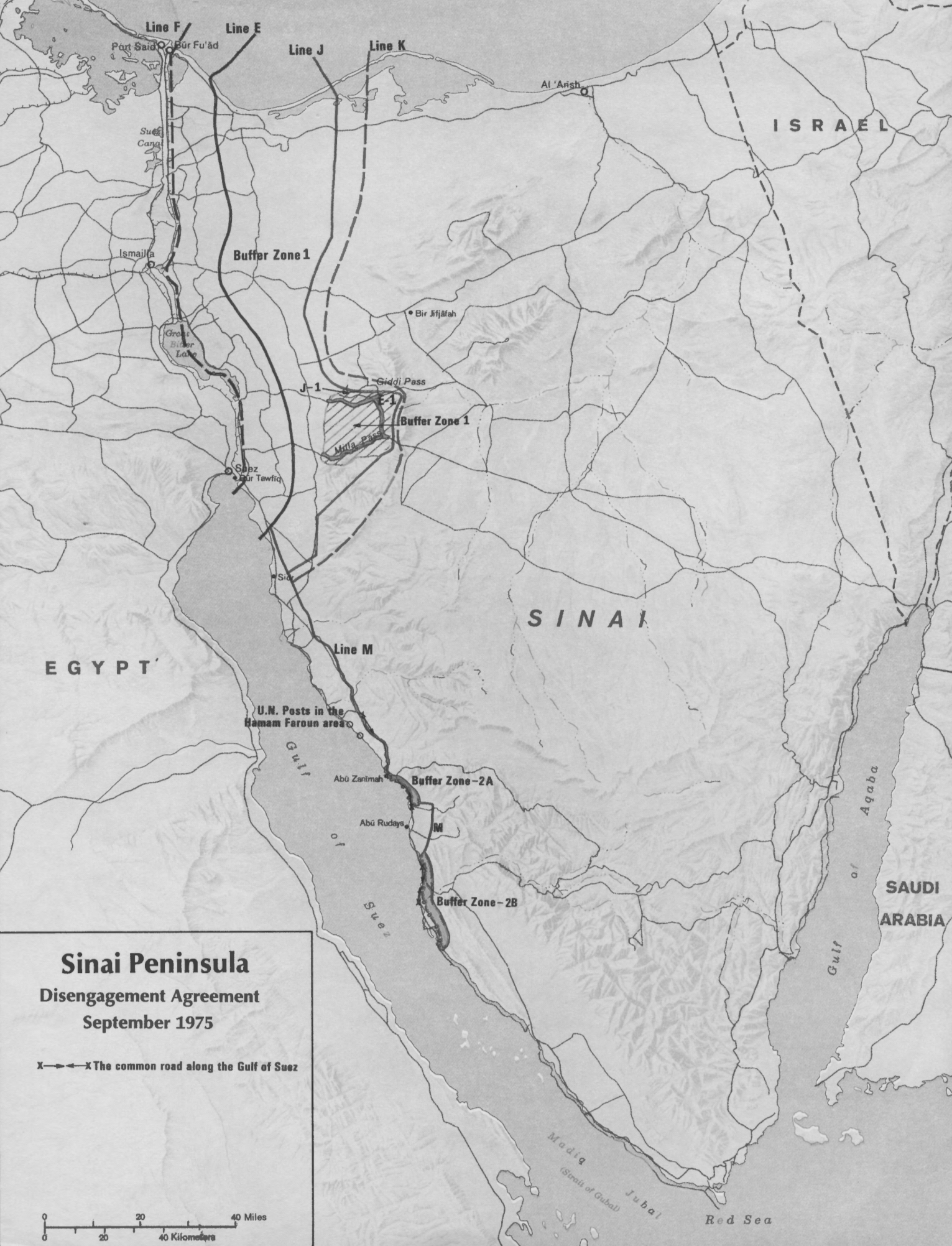

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