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THE WHITE HOUSE  
WASHINGTON

Brent S

Has this info been  
communicated to Alan G.  
& Frank J.

This is extremely serious.  
Let me know recommended  
strategy suggestions as soon  
as possible.

original to Brent Scowcroft

MEMORANDUM

THE PRESIDENT HAS SEEN....

4828

THE WHITE HOUSE

WASHINGTON

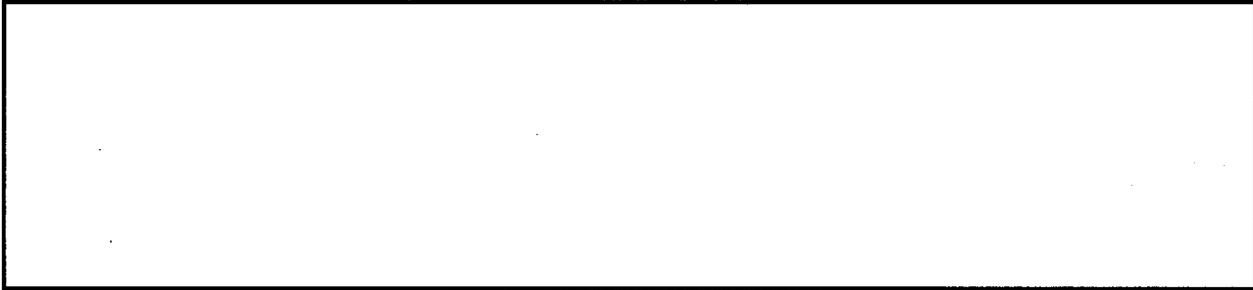
INFORMATION

September 3, 1976

TOP SECRET/CODEWORD

MEMORANDUM FOR: THE PRESIDENT  
 FROM: BRENT SCOWCROFT *BS*  
 SUBJECT: Impact of Possible Oil Price Increase

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(Although Saudi Petroleum Minister Yamani has indirectly implied that some price increase will probably take place next year, we have no independent confirmation of any such commitment.)

An increase of this magnitude would have a significant economic impact on the oil consuming nations:

-- For the United States, the 1977 oil bill would rise, beyond the \$5 billion increase which will result from increased imports in any case, by an additional \$5 billion (increasing the current \$30 billion total to \$40 billion).

-- Other developed countries would pay an additional \$11 billion, assuming their volume of imports does not change.

-- The less developed countries would pay an additional \$2 billion, also assuming no change in quantity.

The import bill for all consuming countries would rise from \$124 billion this year to \$147 billion in 1977, compared to \$25 billion for roughly the same amount of oil in 1973. Energy would account for 9-12% of industrial costs in most countries, compared to 8-10% today and 3-5% in 1973.

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 BY WJ NARA, DATE 5/12/10 MORI/CDF



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It is not clear why the Saudis would commit themselves to a price increase this far in advance and without any apparent quid pro quo from the other producers. It would certainly result in lost bargaining power [redacted]

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[redacted] they would run the risk of losing leverage with us as well. These negative considerations may cast some doubt on the information or at least indicate there are other parts of the picture which we have not seen.

It is clear, however, that we should inform the producing countries that we continue to strongly oppose any increase in oil prices. We should also explore an alternative strategy(ies) which would limit the price increase. We will report to you shortly on how we might most effectively do this.

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