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THE WHITE HOUSE  
WASHINGTON

Date

12/14

TO:

Ron

FROM: John G. Carlson

Frank Zarb would  
like to talk w/ you  
& Brent J. ASAP,  
possibly tomorrow  
morning.

**DRAFT**

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

No Increase

I am most encouraged by the OPEC oil cartel's decision announced today in Doha not to increase the international price of oil.

The decision shows recognition of the fragile nature of the world's economic recovery from recession and adjustment to the existing level of oil prices. I hope this action will be a positive step in further improving the relationships between the oil producing and consuming countries.

Notwithstanding this welcome news, we in the United States will continue to be vulnerable to future OPEC price increases unless we renew our efforts to reduce our dependence on foreign energy sources. We have made progress over the last year and have implemented about half of the energy programs proposed by this Administration. We still have a considerable distance to go, however.

I urge the new Congress and incoming Administration to address with urgency the matter of energy.

ZARB LINKS OPEC PRICE RISE TO  
NEED FOR ACCELERATED NATIONAL ENERGY EFFORT

"Consuming countries -- whether industrial or developing -- cannot be complacent in the face of the \_\_\_ percent price increase imposed by the OPEC nations on the price of oil," Frank G. Zarb, Federal Energy Administrator, said today.

This ~~move~~ <sup>price hike.</sup> by OPEC underscores the need for more rapid progress toward lessening our dependence on foreign energy sources. We must reduce our rate of energy growth through more effective conservation; we must produce more American energy with American workers for the benefit of American consumers. It is only then that we can insure ample supplies of secure energy at acceptable prices.

Zarb said the move will cost American consumers an additional \$\_\_\_ billion next year. It will result in about an \_\_\_ cent-a-gallon increase at the gasoline pump and another \_\_\_ per gallon in the average price in heating oil. With this country's large dependence on imported oil -- currently about 40 percent of our petroleum demand -- annual oil import costs will rise from about \$35 billion this year to \$\_\_\_ billion next year.

The Energy Administrator predicted that the new increase, which goes into effect January 1, will reduce the real Gross National Product by \_\_\_ percent by the end of 1977 and about \_\_\_ percent by the end of 1978. It will also increase the Consumer Price Index about \_\_\_ percent by the end of 1977 and \_\_\_ percent by the end of 1978.

NATIONAL SECURITY COUNCIL

December 17, 1976

TO:           RON NESSEN

FROM:        CATHIE DESIBOUR

Attached is the transcript of today's State Department Briefing. State is planning to use this transcript as guidance on OPEC.

DEPARTMENT OF STATE

DPC 236

TRANSCRIPT OF DAILY NEWS BRIEFING  
FRIDAY, DECEMBER 17, 1976, 12:35 P. M.

(ON THE RECORD UNLESS OTHERWISE NOTED)

MR. FUNSETH: Good afternoon. I have no announcements. Questions?

Q I was wondering if you could bring me up to date. What are the State Department's rules for travel to Cuba? There's a restriction on this; isn't there, Bob?

A The restriction is on the validating of U. S. passports for travel to Cuba, and American citizens may apply to have their passport validated. These have been generally granted for educational or humanitarian reasons as well as for members of Congress or Congressional staff. \*

Q That brings me to the question: Do members of Congress have to have educational or humanitarian reasons, or can they just go at will?

A No. I added that as a third category.

Q In other words, they can go for any reason they want; is that right?

\*also journalists

A In the interest of their responsibilities as members of Congress -- which we don't challenge if they request permission -- if they request to have their passport validated.

Q Well, Senator Haskell's office this morning said that he and Senator Abourezk went to Cuba only on an unofficial trip for purposes of vacation, and I'm wondering: What is the justification -- if you could explain it to me -- whereby the State Department denies the rest, the ordinary mortals, the right to go to Cuba for a vacation and allows two Senators. Could you explain that?

A I was not aware that the two Senators had gone. Let me look into that.

Q Would you take the question?

A I think, normally, when members of Congress request to have their passports validated, that they are validated.

Q Bob, do you want to go through your drill on OPEC there that you have so we can --

A The White House issued a statement today which reflected the Administration's position of regret over the oil price rise.

I will try to answer any questions you might have.

Q Yamani apparently indicated that he considers the Saudi action as kind of a lever or a trade or something on which he would expect some consideration in Middle East negotiations and with the CIEC situation. Do you have any reaction to that kind of linkage?

A First, I do not know that he established any direct linkage. In any case, each problem stands on its own. There is not any linkage.

First though, I would like to say that the decision by Saudi Arabia and the United Arab Emirates to limit the increase in the price of their oil to five percent reflects, we think, a statesmanlike recognition by them of the critical relationship between the level of oil prices <sup>and</sup> ~~is~~ the world economy. But even this increase is more than we believe was warranted. At the same time, these two countries have shown a laudable willingness to accept their share of responsibility for world growth and stability.

As far as the U. S. commitment to seeking peace in the Middle East, as well as our attempt primarily through CIEC to work out problems affecting the development

prospects of the developing countries, we remain committed on both --as I think we have consistently. And I think both of these initiatives have generally enjoyed broad bipartisan support.

We have welcomed and we appreciate support Saudi Arabia has given American diplomatic efforts in the Middle East process and we hope it will continue. But I want to emphasize that we remain committed to helping in any way we can to achieve progress towards a negotiated settlement in the Arab-Israeli dispute as well as we would hope that progress would be made in the North/South dialogue.

I might add as for the Middle East question, we have been pleased that various parties to the dispute -- both Arab and Israeli leaders -- have been expressing the view that the time is propitious for progress.

I am not in a position to comment on any specific proposals that have been made or able to discuss what we might do but to reconfirm that the U. S. Government remains committed to doing what it can to promote a peaceful settlement in the Middle East.

Q Bob, if I could follow that up, I believe

it was Professor Adelman of MIT that made the suggestion sometime back that one way that might have an effect is if the United States were to require all of the OPEC countries to submit sealed bids and, therefore, give it to the lowest bidder.

Has the Secretary had any new thoughts on that, or what is his reaction to that?

A I do not know what the reaction has been.

Q You've never heard him talk about it or even think about it? I mean, this is a fairly --

A I have not discussed that particular proposal with the Secretary.

[Cont'd on pg. B-1.]

Q Bob, will the United States now continue -- will it pay only the price that the Saudis have set -- the Saudis and the Emirates?

A Well the problem --

Q Will they buy Venezuelan oil, for instance, at the new price?

A The problem -- I don't think anyone has really been able to analyze the economic impact in this because oil comes from various sources.

For example, I understand we get about a million and a half barrels per day from Saudi Arabia and the United Arab Emirates, which represents --

Q One and a half million, or billion, sir?

A One and a half million -- which represents about 30 percent of our imports from OPEC states and only 23 percent of our total imports.

I think I had better go ON BACKGROUND. My understanding of what will happen, Ken, is that as this sorts out, there will be a blend, because sources come from both Saudi Arabia and the United Arab Emirates, as well as the other oil producing countries -- so that there could be an increase between 5 and 10 percent.

Q Well my question really is: Will there be a major switch in American purchases from the eleven?

ON BACKGROUND

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Venezuela is one of the major ones we buy oil from. Will we buy much less now, of Venezuelan oil and turn more, and more, to the Saudis and the Emirates?

A Again ON BACKGROUND: I would expect the oil companies will clearly, want to buy as much of the less expensive, Saudi and UAE oil as possible. And I have also noted that the Saudis have said that they have unused capacity and that they are prepared to increase production.

But again, we will have to wait and see how that actually works out in the marketplace.

Q Do you have any figures about the increased cost, then, of refining Saudi oil -- that sort of thing we will be faced with since they don't refine it themselves, by and large?

Do we have refinery capacity here to accept it, for instance?

A Again ON BACKGROUND: I don't think that is a problem. But there will be a blend of the price because we will be using both the more expensive as well as the less expensive oil.

ON BACKGROUND

Our consumption is about seventeen million barrels a day, I think, and we have been importing about seven million barrels. So we are importing about 40 percent of our consumption -- and as I indicated, a million and a half of that comes from Saudi Arabia and the United Arab Emirates and the remainder of the imports from the rest of OPEC. So you see, there is a mix in our own imports.

Q Do you have the figures on imports from Venezuela, daily, there?

A No, I do not have it.

Q Bob, is there concern at all, in the State Department, that this split among the OPEC nations may spill over and disrupt some of the progress that has been made toward unity in the approach toward the Middle East settlement? The political settlement?

A ON BACKGROUND, I think it may be premature to talk about a "split" in OPEC. They certainly have had a difference of opinion on price -- but our immediate reaction really, is the economic impact of the action.

And I must say that even with the low price the overall economic effect is serious -- even at 5 percent.

But again, obviously, it could have been worse but it still remains serious.

Q. You are saying that you are not directly concerned right now about possible political implications?

A. No, I hadn't addressed that.

Q. - There is no feeling here, then, that this situation could be the beginning of the end for OPEC?

A. I am just not able to speculate on that.

Q. When you first went on background, you gave a figure of 5 to 10 percent increase in purchases from Saudi Arabia and UAE --

A. No. What I was saying ON BACKGROUND -- first the question was: How much will the increase be in our own cost?

And it is a complicated problem because you have some oil that will be presumably purchased at a 5 percent increase and other oil that is going to be purchased at a 10 percent increase -- and we are consuming both. So there will be some sort of blend, and I am sure the oil companies, themselves, have not sorted it out.

Q. You don't have an estimate at all -- even a

ballpark figure of what the blend will amount to?

A No. END BACKGROUND

Q Bob, if I could just go back to Professor Adelman's suggestion. Undoubtedly the Secretary is aware of it -- most people are.

A Yes.

Q And have looked at the situation.

A Yes.

Q Does the Secretary think that it is unimportant, or discredited, or something?

I mean, I don't understand -- it seems like a pretty reasonable, logical, intelligent proposal from a very distinguished scholar in this field. I am wondering why you appear to be dismissing it out of hand, because it might have brought this crack in the OPEC sooner.

A I do not see how you can construe that I am "dismissing something out of hand" when I simply told you that I did not know. I said I had not asked that question. I do not know the reaction -- but I told you --

Q Right -- and all your time as representing the Secretary, you never heard him even discuss this proposal?

A I have never discussed that proposal with him.

Q Oh, I see.

Q Bob, I am a little puzzled about one thing:

A couple of days ago, when Sheik Yamani said, publicly, that Saudi Arabia opposes any price increase -- the State Department welcomed that, and said it was a "statesmanlike" attitude that it reflected.

A Yes.

Q Saudi Arabia is now imposing a 5 percent increase. And that, too, is "statesmanlike."

And so I am a little puzzled. As a matter of fact, I find your answers on Saudi Arabia ambivalent. You are praising them, and you are implying criticism. What are you really saying?

Are you disappointed that the price went up at all?

A Yes, that clearly comes out in the White House statement, Marvin.--

Q Right.

A -- that we do not believe there was any economic justification for any price increase. And we clearly would have preferred if they had not chosen to raise prices by any amount.

Q So that if they raised it by just 5 --  
that still reflects a statesmanlike recognition?

A I think in the context of the OPEC Conference  
and what was proposed, yes.

But I coupled this --

Q - That it could have been worse.

A Excuse me?

Q That it could have been worse.

[Continued on page C 1]

Q That it could have been worse?

A Excuse me.

Q That it could have been worse is what you are saying?

A Yes, and the fact that Saudi Arabia and the United Arab Emirates were alone in resisting an increase and that they have decided to raise 5 percent. But again I coupled my statement about Saudi Arabia by saying that we believe that any increase was unwarranted.

Q Would you say then, Bob, what you are actually saying is that it's less statesmanlike to suggest 5 percent than no percent.

In other words, you feel that Saudi Arabia is just a little less statesmanlike than it was the other day?

A That is not what I said, no.

Q I know it isn't. I am asking you is this what you mean.

A I mean what I said.

Q I don't understand. I think he has raised a very good question. How can they be statesmanlike if they ask for no increase and statesmanlike if they ask for 5 percent, which you say is unreasonable?

A I do not think it is unreasonable. I think you have to interpret the Saudi action in the context of the deliberations that were taking place.

Q Then it must be 5 percent less statesmanlike. Isn't that a logical conclusion, Bob?

A I will stand by what I said.

Q Which is puzzling.

Q On that point though, did the Saudis give us any indication why two days ago they were willing to hold it to nothing and yet find it necessary to move to 5 percent? If they are going to cut the OPEC cartel arrangement, why not just stay at zero? Why do you think they had to go to 5 percent?

A I don't know. I don't have that.

Q Well, you said that in the context that it was a reasonable thing for them to do. What led you to that conclusion?

A Well, our knowledge of what was going on in OPEC is based on the press reports which we have been receiving about public statements about the debate.

Q Bob, on that same point, do we accept as fact what Yamani is reported to have said today, that the

5 percent has already been in effect for some weeks or months as a result of the market movements?

A ON BACKGROUND I don't presume to be an expert on oil, but it is my understanding that the reason that purchasers were paying more than the landed price or more than 5 percent was in anticipation of an increase. So, I think this is the explanation of the 5 percent premium which people have been prepared to pay for Saudi oil.

Q In other words, hedging against a larger increase?

A Right. That is my understanding. END

BACKGROUND

Q Do you have anything on the Japanese fishery talks?

A They are still going on.

Q Will they conclude today?

A I don't know. I have not been told whether they will conclude today or not.

Les.

Q If we are through with this --

Q I have one more question on the subject.

Is this Administration aware of the content of

the discussions that took place between Mr. Vance and the Saudi Arabian ambassador?

A I believe Mr. Vance discussed that with the Secretary, yes.

Q So, it was a coordinated discussion?

A I would not describe it as coordinated, no, but I know that the subject of OPEC and I believe Mr. Vance's meeting with the Saudi Arabian Ambassador, that Mr. Vance discussed this with the Secretary. But, I would not describe it as coordinated.

Q Before or after or both?

Were the discussions between Vance and Kissinger before Vance saw the Saudis or after or both?

A Well, the general subject of a possible OPEC oil price rise I understand did come up in telephone conversations between the Secretary and Mr. Vance. You see, they had one --

Q With respect, that doesn't answer the question I asked.

Was it before or after or both?

A Before or after what?

Q Were the discussions between Vance and Kissinger on this subject before or after the time, which I believe was last Tuesday, when Vance saw the Saudi Arabian Ambassador? Did he report back to Kissinger after?

A I am not characterizing it as any question of coordination or reporting back. But I am confirming that the general subject of a possible oil price rise was discussed by the Secretary and Mr. Vance on the telephone before he met with the Saudi Arabia Ambassador. But, I do not know that there was any direct exchange regarding that meeting -- or how detailed it was.

Q Bob, there were no discussions between the U.S. and Saudi Arabia concerning what Saudi Arabia would or might do at the OPEC meeting before this was all announced? Your information comes just from the press?

A My statement, Marvin, referred to the deliberations that were going on at the OPEC conference.

We, as you know, have had rather extensive conversations and consultations with both oil consumers