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SALT

Tad Szulc Article on SALT

Q: Tad Szulc, in a recent New Republic article, says we were "had" on the SALT agreements, that the Russians are violating the agreement widely, and that many "loopholes" were left in the agreements. Can you comment?

A: We know of no Soviet violation of existing agreements, and we have found no "loophole." Of course, in agreements this complicated, ambiguities arise. This was foreseen at the time the agreements were signed, and the Standing Consultative Commission (SCC) was set up to deal with such situations. To date, the SCC has been very successful. Most of the issues raised by either side have been resolved, and we are continuing our discussions on the remainder.

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SALT

Q: What are the issues which are holding up completion of a SALT agreement?

A: The unresolved issues are highly technical in nature, dealing with verification, what weapons are to be counted in totals, and similar issues.

SALT

Q: What is the status of the SALT negotiations? Are you still optimistic about conclusion of a new SALT agreement?

A: The formal SALT negotiations are currently in recess.
They will be reconvening in Geneva on June 23.

We are making progress toward a new SALT agreement based on the outlines agreed at Vladivostok in December. There are a number of technical problems which remain to be resolved.

As you know, SALT was one of the topics which Secretary Kissinger discussed with Soviet Foreign Minister Gromyko during their meeting in Vienna. There was a thorough discussion of the outstanding issues, and both sides are now reviewing their positions in light of these exchanges. I am confident we will be able to find solutions to the outstanding problems.

CSCE

Q: Mr. President, do you conclude from your talks with European leaders during the past week that it will be possible to have a summit-level meeting this summer to conclude the Conference on Security and Cooperation in Europe?

A: We are, of course, following the negotiations at the European Security Conference very closely. While there are still unresolved issues in several areas, the negotiations seem to be reaching a point where there is reason to be optimistic. If the Conference is concluded along the lines that are now foreseeable and if early progress is realized, then I think the time schedule for a concluding phase sometime this summer could materialize. However, we still need first to see the results of the negotiations now underway.

Q: Mr. President, there have been criticisms over the United States agreeing to legitimize the Soviet Union's World War II territorial acquisitions in this European Security Conference. Why are we taking this action?

A: First, I do not wish to prejudge the outcome of the current negotiations. Second, however, I would note that these negotiations do not involve the preparation of a peace treaty.

The European Security talks are aimed at producing declarations that should assist in the process now underway of reducing tensions and increasing contacts and cooperation between East and West. The CSCE documents will not alter the legal position of any participating state on European territorial questions. They will specifically reaffirm the principle of peaceful change.

June 12, 1975

EUROPEAN SUMMIT

Henry Trewitt of the Baltimore Sun reports today that U.S. diplomats are saying the Soviet Union still must make substantial political concessions if the 35 nation European Security Conference is to end with a summit meeting.

Q. Can you comment on reports that plans for an eventual European summit meeting are in doubt because of unresolved issues?

A. In his last press conference, the President expressed his hope that there will be sufficient understanding on both sides to bring about an end to the negotiations and to have a summit in the near future. (President's CSCE guidance attached for reference).

BREZHNEV COMMENTS ON CSCE, FORD MEETING

Over the weekend General Secretary Brezhnev indicated that he might defer his visit to the U. S. until late this year. *(The Ford-Brezhnev meeting depends on SALT II progress and the conclusion of the CSCE in a summit meeting.)* *(It is generally understood that)*

Q. Does the President see any change in the Soviet position or willingness to pursue detente in view of the General Secretary's remarks over the weekend? Is the President still hopeful about progress for a summit on the CSCE this summer?

A. In his last press conference, the President expressed his hope that ~~there will be sufficient understanding on both sides to bring about an end to the negotiations and to have a summit in the near future.~~

As for the meeting with Secretary Brezhnev, no date has been set, but here again, I would refer you to the President's remarks during his press conference: "I would hope if negotiations go the way they are, some time in the fall of 1975."

(Remaining issues will be resolved which would permit)

MBFR PROGRESS

Q: The MBFR negotiations have been going on for over a year and a half now and appear to be stalemated. Is there any reason to think the talks will produce results? Could some reductions be made while the talks continue?

A: We have known from the start that these negotiations would be very complex and difficult, and that we should not expect quick results. The issues being addressed in the MBFR talks go to the very heart of the structure of European security and affect the vital interests of some 19 participating countries.

The discussions have been treated seriously so far and neither side has used them as a propaganda forum. If they continue in this spirit, meaningful results will eventually be achieved. The sixth session of the talks has just begun in Vienna. We do not consider the talks to be stalemated and are hopeful about the eventual outcome. As I said at the recent NATO summit "NATO should be prepared to take appropriate initiatives in these negotiations if that will help us meet our objectives. But the Soviet Union and its allies should also be prepared to respond in good faith on the common objectives both sides should be working toward -- undiminished security for all but at a lower level of forces."

There will be no US withdrawals while the talks continue.

US forces are in Europe for very good reasons and the level of those forces should be no lower given the threat posed by the other side.

CARLSON GUIDANCE

Housing

Question

How can the President justify release of \$2 billion under the Emergency Home Purchase Assistance Act, and request an additional \$7.75 billion, after vetoing H.R. 4485 on the grounds that its \$2 billion cost was excessive and inflationary?

Answer

The reason is this: The cost of H.R. 4485 would have increased the Federal deficit on a dollar-for-dollar basis--\$1 billion in FY 1976, and another \$1 billion thereafter. Assistance provided under the Emergency Home Purchase Assistance Act, on the other hand, does not increase the deficit on a dollar-for-dollar basis. This is because of the unique way in which the program works.

Impact of H.R. 4485. The bill vetoed by the President on Wednesday would have increased Federal expenditures by \$1 billion in the fiscal year beginning next Tuesday--\$750 million via the housing construction subsidies and \$250 million under the foreclosure relief provisions. Since there would be no offsets to this spending in 1976, the already swollen deficit would increase by the full \$1 billion.

Impact of the President's Proposal. The President's program to speed the recovery of the housing industry and put construction workers back to work has two parts:

- . First, release of \$2 billion in mortgage purchase authority already available under the Emergency Home Purchase Assistance Act, which the Congress provided at the President's request last October.
- . Second, authorization of an additional \$7.75 billion in mortgage purchase funds which would then be available for release, should additional Federal aid be necessary to sustain the recovery of the housing industry.

In other words, the President is releasing \$2 billion in mortgage purchase authority now, and requesting an additional \$7.75 billion in authority to have on hand in the event it is needed. (The \$7.75 billion would replenish what was originally authorized under the 1974 Act, last fall.)

Why the release of \$2 billion in mortgage purchase authority would not have the same impact on the Federal deficit as the \$2 billion which would have been spent under H.R. 4485.

Under authority of the Emergency Home Purchase Assistance Act, HUD's Government National Mortgage Association will commit to purchase \$2 billion in mortgages with interest rates fixed below those rates prevailing in the private mortgage market. If GNMA held these mortgages, the program would indeed increase the deficit on a dollar-for-dollar basis. However, the Act authorizes GNMA to resell the mortgages, thus offsetting most of the expenditures made to acquire them, and thereby insulating the budget deficit from increases of the magnitude which H.R. 4485 would have produced. There will, of course, be some cost to the Government of providing this assistance: GNMA will have to take less than face value for the mortgages--that is, "discount" them--so as to make the yield on these mortgages competitive with other investments in the private market. We estimate that the discount on mortgages purchased in 1976 will amount to only \$60 million--perhaps less if interest rates continue to fall.

Even if the full \$7.75 billion requested by the President was released, the impact on the 1976 deficit would still be far short of the \$1 billion increase which H.R. 4485 would have produced.

In summary:

- . Assistance provided under H.R. 4485 would not be offset in 1976 and would increase the deficit accordingly.
- . Assistance provided under the Emergency Home Purchase Assistance Act would be offset in large part by receipts from the sale of mortgages minimizing the impact of the deficit.

$\$2 B = 65,000 \text{ units}$
 $130,000 \text{ jobs}$

Velocity bill = 400,000 units "preposterous"
 $150,000 \text{ units}$
 $200,000 \text{ jobs}$

We had hoped one of the other, acceptable bills would pass.

$\$7.5 B = 200,000 \text{ units (approx)}$

June 26, 1975

June 26, 1975

SUBJECT:

HOUSE PASSES LABOR-HEW
APPROPRIATIONS BILL

The House yesterday passed a \$45 billion appropriations bill for Labor and HEW programs. This exceeds the President's budget request by \$871 million. The bill now must go to the Senate.

Will the President veto the Labor-HEW appropriation bill since it exceeds his request by almost \$1 billion?

GUIDANCE: We are very concerned about the huge increases provided in the House-passed Labor-HEW appropriation bill. In addition to the increases, the House completely ignored the cost-saving items the President proposed last February totaling over \$3 billion.

The combined effect of the increases and the disregard of the cost-savings brings the bill to nearly \$4 billion over the President's budget proposal.

Therefore, we strongly urge the Senate to produce a responsible bill that the President can sign.

Are you inferring that the President will veto this appropriation bill?

GUIDANCE: We will be working with the Senate to produce a responsible appropriation bill, and believe it would be premature to comment on what the President will or will not do.

JGC

June 20, 1975

SUBJECT:

SENATE PASSES \$2.4 BILLION JOBS BILL

The Senate yesterday passed a \$2.4 billion job-creating bill. This includes \$1.6 billion to provide 310,000 public service jobs, \$375 million to fund a job opportunities program and the remainder to fund older Americans, college work study, youth conservation, and rural water and sewer grant projects to create jobs. The bill now goes to a Conference Committee.

Will the President veto the \$2.4 billion jobs program passed by the Senate?

GUIDANCE: There is a provision in the Senate-passed bill which provides for \$375 million for Title X of the Economic Development Administration. This is a public works program, which, though designed to create jobs, requires long lead times and the main effect of this portion of the bill would be to stimulate the economy 12 to 18 months down the road when the stimulant would not longer be quired. Therefore, we strongly urge the Conferees to take out this provision of \$375 million for Title X.

Of the remaining \$2.1 billion, all but \$82 million is covered by requests that the President has made in his fiscal year '76 budget. Therefore, we are assuming that the Congress is simply accelerating the funding for these programs which have already been requested by the President.

JGC

June 19, 1975

SUBJECT:

NATIONAL SMALL BUSINESS ASSOCIATION
CRITICIZES THE PRESIDENT

The National Small Business Association says that while the President promises he will help small business owners his Administration has attacked small businesses by calling for repeal of two laws permitting states to adopt fair trade regulations and one law forbidding wholesalers to give arbitrary discounts to large retailers.

What's your reaction to the charges by the National Small Business Association?

GUIDANCE: On January 29th, the President did endorse repeal of Federal legislation which ~~was~~^{new} enabled states to enact fair trade laws. (There are the Miller-Tidings Act and the McGuire Act.)

As of December 1974, 36 states still had fair trade laws, but since that time several of those have repealed those laws. The Department of Commerce data shows that in those states which have repealed fair trade laws, there has been a net increase rather than decrease in the numbers of small businesses. Also, comparisons between those states which have never had fair trade laws and those which have, show that these retailers most affected by fair trade laws have grown in numbers as fast in those states without as those with fair trade laws.

JGC

June 18, 1975

SUBJECT:

TAX REFORM

The House Ways and Means Committee will attempt passage this year of a major tax bill which could include tax breaks to stimulate new capital investment funds for business. The agenda for the first bill includes capital investment formation, tax treatment of capital gains and losses, strengthening the minimum tax, tax shelters, changes in various individual tax deductions, and changes in foreign taxes.

Does the Administration favor a new tax treatment of capital gains and losses, strengthening the minimum tax, and removing tax shelters?

GUIDANCE: The Administration will be testifying before the House Ways and Means Committee on July 8 on the provisions discussed and adopted by the Ways and Means Committee last year. There are many provisions adopted by the House Ways and Means Committee last year that the Administration can support and will favor, but I think it would be premature at this time to go into specifics.

The Administration's position on various tax measures will be put forth in testimony before the Committee after the July 4th break.

JGC

June 17, 1975

SUBJECT:

HOUSE REJECTS PROPOSED
DEBT LIMIT INCREASE

The House yesterday rejected a proposed increase in the national debt ceiling of \$599.99 billion. At midnight on June 30th, the current \$531 billion ceiling will expire. Unless it is renewed or raised, the Government will run out of borrowing authority to pay its bills. The House Ways and Means Committee had recommended a new ceiling of \$616.1 billion, but this was reduced by the full House to \$599.99 billion, prior to being killed.

Do you expect the debt limit to be increased prior to the June 30th deadline?

GUIDANCE: If the debt limit is not increased by June 30th, the Treasury will be able to operate on cash for a few days. Following a few short days, the Treasury will run out of borrowing authority to pay its bills. This means that the Federal Government will be unable to meet the Federal payroll, refund the maturing debt, issue revenue sharing checks, G.I. bill benefit checks, food stamps, etc.; the Government could not sell savings bonds, etc. Therefore, we are confident that the Congress will increase the ceiling on the national debt prior to the June 30th deadline.

Is the proposed ceiling of \$599.99 billion acceptable to the Administration?

GUIDANCE: Secretary Simon has testified that we could live with the House proposal at one time of \$613 billion. As I understand it, \$599.99 billion would be acceptable.

(The current ceiling of \$531 billion would expire at midnight on June 30. It is our expectation that the new debt limit will be somewhat less than the proposed \$600 billion ceiling, but will be continued on through December 31, 1975, rather than June 30, 1976.)

JGC

June 11, 1975

SUBJECT:

SENATE VOTES TO EASE
FOOD STAMP RULES

The Senate yesterday passed legislation allowing persons to self-certify that they qualify for food stamps. Present law requires an applicant for food stamps to be investigated and certified eligible before an "authorization to purchase" card is issued, a process that often takes six weeks or more.

Under the Senate proposal, applicants would be authorized to purchase food stamps right away, if they promised to repay the government if a subsequent investigation showed ineligibility.

What is your reaction to the Senate passed bill allowing self-certification for food stamps?

GUIDANCE: We oppose this proposal; we prefer not to implement a "self-declaration" system for food stamp recipients because we fear it would lead to a major increase in the number of people taking part in the program who were ineligible.

We feel that self-certification would be extremely difficult to administer, and trying to get people to repay the Government if a subsequent investigation showed ineligibility would probably be almost impossible.

JGC

CONSUMER PROTECTION

Question:

Congress is once again discussing the issue of a Consumer Protection Agency. You say you oppose such an agency. What do you propose instead?

Answer:

I propose that we reform our existing institutions of Government rather than set up new ones. Bigger Government is not better Government.

In the Executive branch I have told each of the Cabinet members to work with Mrs. Knauer in seeing that consumer representation in decision making is improved.

And with respect to the independent regulatory agencies, I have submitted several reform measures to Congress already. More will be coming soon.

Also, I will be meeting with the members of these agencies and relevant members of Congress to discuss with them ways they can improve consideration of consumer views in their decisions.

PGN
5/2/75



May 14, 1975

SUBJECT:

SENATE ENDS DEBATE ON CREATION
OF CONSUMER PROTECTION AGENCY

The Senate yesterday voted to end debate on the creation of a new Federal Consumer Protection Agency. The Senate is still working on the agency's exact powers, but the bill is expected to pass the Senate in the near future.

Will the President veto a bill creating an agency for consumer advocacy?

GUIDANCE: That legislation is still in the legislative process, so I think it would be premature to speculate on what the President might do if it should arrive at his desk.

As you know, the President is opposed to the creation of another new federal agency for consumer advocacy. In his April 28 remarks to the 63rd annual meeting of the Chamber of Commerce, the President stated that he had ordered action by the executive departments and agencies to make major improvements in the quality of service to the consumer, and he also reiterated that he had asked Congress to postpone action on legislation which would create a new federal agency for consumer advocacy.

At that time, the President also said that he did not believe that we need another federal bureaucracy in Washington with its intended cost of about \$60 million over the next three years and hundreds of additional federal employees. At a time when we are trying to cut down both the size and the cost of government, it would be unsound to add still another layer of bureaucracy. A bigger government is not necessarily a better government.



FORD VETOES

10 June 1975

1974 8/12	Upgrading of Deputy U.S. Marshals --Upgrades nonsupervisory deputy U.S. Marshal positions by one, two and three grades.	H.R.5094
8/14	Animal Health Research --Authorizes and directs Secretary of Agriculture to provide up to \$47 million annually in categorical grants to State educational institutions for animal health research programs & facilities.	H.R.11873
9/30	Directs the Secretary of the Interior to convey all --phosphate interests of the U.S. in approximately 40 acres in Polk Co., Florida to John & Martha Carter.	H.R.10626
10/12	Railroad Retirement System --Finance a long-standing deficit in the retirement system <u>(OVERRIDDEN 10/16/74)</u>	H.R.15301
10/12	Amend the Atomic Energy Act --Revise the method of providing public remuneration in the event of a nuclear incident, and other purposes.	H.R.15323
10/14	Continuing Resolution --Amends the Continuing Resolution to cut off military aid to Turkey.	H.J.Res.113
10/17	Continuing Resolution (second veto)	H.J.Res.1163
10/17	Amend public access to documents provisions of the --Administrative Procedures Act (Freedom of Info.) <u>(OVERRIDDEN 11/21/74)</u>	H.R.12471
10/22	Amends the National Wildlife Refuge System Adm. --Act of 1966	H.R.11541
10/29	Farm Labor Contractor Registration Act Amendments	H.R.11342
10/29	Rehabilitation Act and Randolph-Sheppard Act Amendments of 1974 & W.H. Conference on Handicapped Individuals Act <u>(OVERRIDDEN 11/21/74)</u> *	H.R.14225
10/29	Relief of Mr. Nolan Sharp	H.R.7768
10/29	Relief of Alvin V. Burt, Jr., Eileen Wallace --Kennedy Pope, and David Douglas Kennedy	H.R.6624
11/25	Vietnam Era Veterans' Readjustment Assistance --Act of 1974 <u>(OVERRIDDEN 12/3/74)</u>	H.R.12628
11/26	Duty Suspension on Certain Forms of Zinc	H.R.6191

*The Administration feels that this bill was pocket vetoed and therefore not subject to being overridden. An identical Voc-Rehab bill was passed and sent to the White House.

1974

6.	12/17	Willow Creek, Oregon, Water Resources Project	S.3537
7.	12/21	Health Revenue Sharing & Health Services Act of 74	H.R.14214
8.	12/21	Financing of TVA Pollution Control Expenses	H.R.11929
9.	12/30	Energy Transportation Security Act of 74	H.R.8193
0.	12/30	Surface Mining Control & Reclamation Act of 74	S.425
1.	12/31	Travel Expenses Amendments Act of 1974	S.3341

2. 1975

2.	1/3	Milk Price Support Sponsor	S.4206
3.	1/3	Import Restrictions on Filberts	H.R.2933
4.	1/3	Agriculture Conservation Programs	S.3943
5.	1/3	Nurse Training Act of 1974	H.R.17085
6.	1/4	Maritime Authorization Sponsor (Dept. of Commerce)	H.R.13296
7.	1/4	Pres. G.R.Ford Federal Office Building	H.R.11897
		NEW CONGRESSIONAL SESSION	
8.	3/4	Suspension of Oil Import Tariff Authority	H.R.1767
9.	5/1	Emergency Agricultural Act of 1975	H.R.4296
0.	5/20	Surface Mining Control & Reclamation Act of 1975	H.R.25
1.	5/28	U.S.Travel Service Authorization	H.R.5357
2.	5/29	Emergency Employment Appropriation Act, 1975	H.R.4481

Q. Was the Attorney General speaking for the Administration when he said the no fault auto insurance bill under consideration by the Senate was unconstitutional?

A. No, the Attorney General was giving his own views on the bill.

The President's position is that while he strongly favors the concept of no fault insurance, he believes it is a matter that should be handled by the states and not the federal government. The President believes that to force a federal standard on the states would be an unwarranted intrusion on the traditional sovereignty of the states and the President has not seen any compelling arguments which would make him change his mind. (FYI ONLY: This information came from Rod Hills who says he does not understand why Levi continues to talk about the unconstitutionality of the pending legislation because with only slight modifications, the bill would be constitutional.)

JWH

" NON-LEGISLATIVE PERIODS " — SENATE

3

FROM THE WIRES

Senate 1975 Holidays Announced

Washington (AP) -- With time running out on the present Congress, the Senate's Democratic majority listed today a vacation schedule for the new Congress convening in January. Majority Leader Mike Mansfield said the start of the 94th Congress will be delayed from Jan. 3 to Jan. 14. Then, in observance of Lincoln's birthday, the Senate will recess from Feb. 7 and Feb. 17. The Senate's Easter holiday will run from March 21 to April 7. The next month, in observance of Memorial (24th) Day, the Senate will be in a "non-legislative period" from May 23 to June 2. For the July 4th ^{fixed} Independence Day holiday, the Senate will be off from June 27 to July 7. Then, in line with recent practice in nonelection years, the Senate will shut down Aug. 1 until Sept. 3 so that members and their families can have summer vacations together. In October, the Senate will take a 10-day recess -- from the 10th to the 20th of the month. But only one day will be taken off for Veterans Day. The schedule of "nonlegislative periods" ended with Thanksgiving of next year. For that, the Senate will recess from November 21 to Dec. 1.

	<u>TOTAL DAYS</u>	<u>WORK DAYS</u>
Delay from Jan. 3 to Jan 14	12 days	6
Lincoln's Birthday (Feb.)	9 days	5
Easter recess (March-April)	16 days	10
Memorial day (May)	9 days	5
Fourth of July (July)	9 days	5
August recess (August)	32 days	21
October recess (October)	9 days	5
Veterans day (November)	1 day	
Thanksgiving Day (November)	9 days	4
		61 days (2 mos.)
	108 days =	(includes
	(3 1/2 months)	Saturday +
		Sundays)

ECONOMY

June 26, 1975

SUBJECT: ECONOMIC INDICATORS RISE FOR
THIRD STRAIGHT MONTH

The Government's index of leading economic indicators released today rose in May 2.1%. This is the third consecutive month that there has been an increase, following April's 3% increase, and March's 1.1% increase. The last monthly increase compared to May's 2.1% increase was in December 1970, also 2.1%.

Any reaction to the economic indicators?

GUIDANCE: This is in line with our general expectations.

FYI ONLY: Alan Greenspan says we should not
have any further comment. END
FYI ONLY.

JGC

June 24, 1975

Question

A number of actions have been taken that raise the budget deficit over the amount in your budget. What is the current estimate of the deficit?

Answer

The current estimate of the fiscal year 1976 deficit is about \$60 billion compared with \$52 billion in the budget. (See attached table.)

OMB/McOmber/Walker

CHANGES IN 1976 DEFICIT
(In billions)

February estimate of deficit..... 51.9

Congressional action or inaction:

Appropriations enacted.....	.1	
Overturn of rescissions and deferrals....	1.2	
Rejection of proposed legislation		
to reduce spending:		
Social security "Cap".....	2.2	
Other3	
Further reduction in taxes.....	.6	
Other (outlay changes).....	<u>1.2</u>	
 Total, Congressional action or		
Inaction.....		5.6

Other changes:

Public service jobs, summer youth and pro-		
posed extended unemployment benefits....	3.0	
Food stamp program.....	2.3	
Energy tax equalization payments.....	-1.2	
Petrodollar facility.....	-1.0	
Reestimate of unemployment benefits.....	-3.0	
Veterans programs.....	1.5	
Release of highway funds.....	1.0	
Reestimate of revenue (increase).....	-2.0	
All other changes.....	<u>1.9</u>	
 Current estimate of deficit.....		60.0

R A

ECONOMY 6-23

NIGHT GENERAL LD

BY RICHARD HUGHES

UPI BUSINESS WRITER

SEVERAL PRIVATE ECONOMISTS MONDAY AGREED WITH THE WHITE HOUSE THAT THE RECESSION HAS BOTTOMED OUT. BUT, SAID AFL-CIO PRESIDENT GEORGE MEANY, "IT WON'T BE OVER 'TIL PEOPLE GO BACK TO WORK."

FOLLOWING A MEETING AT THE WHITE HOUSE WITH PRESIDENT FORD AND SECRETARY OF LABOR JOHN T. DUNLAP, MEANY SAID "NO, SIR" WHEN ASKED IF HE FELT THE RECESSION HAD ENDED.

PRESIDENT FORD'S TOP ECONOMIC ADVISER, ALAN GREENSPAN, CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS, SAID SUNDAY THE "RECESSION FOR ALL PRACTICAL PURPOSES IS OVER." THE NATION'S ECONOMY, HE SAID, WAS MOVING INTO AN UPSWING AFTER THE 18-MONTH SLUMP. FOUR INDEPENDENT ECONOMISTS, REPRESENTING DIVERSE INTERESTS AND INTERVIEWED BY UPI, GENERALLY AGREED.

"I THINK THE RECESSION HAS ENDED AND THAT THE RECOVERY WILL GET UNDER WAY IN THE THIRD QUARTER," SAID BANKING ECONOMIST IRWIN KELLNER OF MANUFACTURERS HANOVER TRUST.

DOUGLAS GREENWALD, CHIEF ECONOMIST OF MCGRAW HILL PUBLICATIONS, SAID THE STATISTICAL BOTTOM WAS REACHED SOMETIME IN APRIL AND MAY AND THAT A RECOVERY ALREADY MAY BE UNDER WAY.

EDWARD GREEN, DEPUTY DIRECTOR OF DATA RESOURCES, ONE OF THE NATION'S THREE MAJOR COMPUTERIZED ECONOMIC FORECASTING CENTERS, SAID "ALL THE EVIDENCE IS ON THE SIDE OF AN ECONOMIC TURNAROUND."

AND CHARLES SCHULTZ, BUDGET DIRECTOR IN THE JOHNSON ADMINISTRATION AND NOW AT THE BROOKINGS INSTITUTE, SAID THE RECESSION PROBABLY BOTTOMED OUT IN A "MEANINGFUL SENSE."

BUT, HE SAID, "IT IS A LITTLE BIT MISLEADING TO SAY THE RECESSION IS OVER ONCE IT HAS BOTTOMED OUT BECAUSE BY USING THAT DEFINITION, THE GREAT DEPRESSION WOULD HAVE BEEN OVER IN 1933. THAT'S WHEN IT BOTTOMED OUT." (EXTREMELY HIGH UNEMPLOYMENT LASTED UNTIL WORLD WAR II.)

"YES, PRODUCTION HAS STOPPED GOING DOWN AND, YES, IT WILL BEGIN TO INCREASE. BUT WE WILL BE A LONG TIME WITH HIGH UNEMPLOYMENT, IDLE CAPACITY, IDLE PLANTS AND LOW INCOME," SCHULTZ SAID.

MOST ECONOMISTS BELIEVE UNEMPLOYMENT COULD GO HIGHER THAN THE 9.2 PER CENT RATE RECORDED IN MAY, ALTHOUGH THE RATE IS EXPECTED TO BE LOWER IN JUNE BECAUSE OF STATISTICAL QUIRK THAT OVERCOMPENSATES FOR STUDENTS TEMPORARILY ENTERING THE LABOR FORCE.

"WE SEE A PEAK OF ABOUT 9.3 PER CENT FOR THE THIRD QUARTER," SAID GREEN OF DATA RESOURCES. "THAT COULD MEAN A MONTH OF 9.5 PER CENT BUT WE DON'T SEE IT GOING TO 10."

THE GENERAL CONSENSUS IS FOR A SLOW RECOVERY BECAUSE OF CONTINUED SLACK IN THE HOUSING AND AUTO INDUSTRIES, WHICH IN THE PAST PROVIDED STRENGTH IN AN UPSWING.

"THE RECOVERY WILL BE SLOW BECAUSE IT IS BEING POWERED ON A WIDE RANGE OF SMALL TICKET ITEMS, AND IT WILL TAKE A WHILE FOR THE RIPPLE EFFECT TO WORK ITS WAY THROUGH THE ECONOMY TO BIGGER TICKET ITEMS" SAID KELLNER. BUT, SAID SCHULTZ, "IT IS NOT A LAW THAT YOU CAN'T HAVE A RECOVERY WITHOUT AUTOS -- AT LEAST FOR SIX OR SEVEN MONTHS. TOASTERS AND VACATIONS AND ANYTHING ELSE CAN GENERATE EMPLOYMENT AND INCOME. WE STILL CAN HAVE A RECOVERY WITHOUT A BIG SURGE. IT DOES MAKE IT CHANCIER, HOWEVER."

UPI 06-23 02:34 PED



Jobs. =

Demo Congress passed budget bill, based on assumption of something like 7.9% unemployment. We want meaningful permanent jobs in put economy



ENERGY

June 22, 1975

PROSPECTS FOR AN OIL PRICE INCREASE

Q: What is the US reaction to the expressed intention of some oil producers to increase the price of oil?

A: We believe that an increase in the price of oil would be highly inappropriate, and extremely disruptive to all countries.

① It would hit countries just as they are coming out of a major recession. ② It would diminish employment prospects and reduce the demand for the exports of developing countries. ③ And it would be particularly disruptive to the poorest countries who are still suffering the adverse effects of the last price increase.

The US has put forward a number of proposals to improve the dialogue between producers and consumers. Our objective is to construct a world energy system capable of providing the fuel needed to continue and to extend the progress of producers and consumers, developed and developing countries alike. Nothing could be more disruptive to political understanding of the producers' objectives or detrimental to the spirit of a constructive dialogue than a new price increase.

June 20, 1975

SUBJECT:

EFFECT OF THE ULLMAN
ENERGY BILL ON IMPORTS

In thousands of barrels per day

	<u>1975</u>	<u>1977</u>	<u>1985</u>
<u>Import Requirements</u>			
If No Action	6,343	7,523	11,859
President's Program	5,636	5,494	4,629
HR 6860 (as passed)	6,211	7,153	10,412
 <u>Import Savings</u>			
President's Program	707	2,029	7,230
HR 6860 (as passed)	132	370	1,447

JGC

JUNE 24, 1975

F E A INVESTIGATION OF THE CAREY OIL DEAL

Q--What is the Administration doing about the charges of political influence in getting federal licenses which helped Edward Carey make millions by shipping cheap oil out of the U.S. and back in with inflated prices, during the Arab oil embargo in 1973.

GUIDANCE

I understand the Federal Energy Administration is undertaking an investigation of these charges. I think Bob Nipp, the Director of Communications and Public Affairs for the F E A can give you more details on that. He can be reached at 961-6003. It is my understanding that the F E A hopes ~~to~~ to have a preliminary report within the next two weeks or so, ~~and then~~ but again, Bob Nipp can tell you about that.

Q--What about the charges that Nixon Administration aides may have played a part in the deal?

GUIDANCE

I think it would be well to ~~see what results from~~ see what results from ~~the~~ the F E A investigation..

FYI ONLY: We are trying to get copied of two letters Sparkman wrote to Pat O'Donnell--one urging approval of the licenses (apparently written in 1973), and the other, March 20, 1975 in which he took exception to changes in FEA rules ~~which~~ which were designed to curb the cheap-oil-out, expensive-oil-in operations.

Just

June 23, 1975

SUBJECT:

REP. MIKVA ACCUSES FEA OF
OIL COMPANY COVERUP

Rep. Mikva charged that FEA is covering up attempts by major oil companies to pressure service station operators into selling more gasoline and oil products.

Why isn't FEA preventing the oil companies from pressuring service station operators into selling more gasoline?

GUIDANCE: Frank Zarb, in a letter to the oil companies several weeks ago, communicated FEA's concern about any pressure they may put on service stations to sell gasoline above that called for in their lease agreement. Mr. Zarb stated that he considered any such pressure to be counter to the conservation ethic we are trying to instill. In his letter, Mr. Zarb stated that any activities of this sort would be looked upon with great disfavor and that FEA would be following this very closely and would take appropriate action to eliminate this should they find any company pursuing this policy.

I should point out, however, that the FEA has no legal authority to interfere in the terms of leases between an oil company and its dealers. FEA would only get involved when an oil company was attempting to pressure a gas station to sell more than that required in the lease agreement.

In addition, we feel that normal competition should be permitted. However, give-away programs to sell more gasoline are contrary to the conservation ethic and FEA will take steps to eliminate this practice.

So, in summary, FEA is aware of the problem, and is following it closely, and will take appropriate actions to eliminate this wherever it is found to occur.

JGC

June 20, 1975

SUBJECT:

PRESIDENT OPPOSED TO IMPORT QUOTAS

Why can't the President use the import quota this year or next to achieve conservation?

GUIDANCE: First, the import quotas are set loosely enough in 1975 and 1976 to not result in any conservation.

Secondly, the import quotas cannot be adjusted except to take account of temporary circumstances such as changing weather or economic phenomenon.

Most importantly, import quotas do not lessen demand or increase supply, but merely restrict supply, and therefore, will either have no effect or cause a supply shortage.

JGC

June 19, 1975

SUBJECT:

FEA NOT ENFORCING PRICE REGULATIONS

Is the President concerned that internal FEA memos show that the FEA has not vigorously pursued charges of price fraud made against the oil companies during the Arab embargo?

GUIDANCE: It is my understanding that FEA and Mr. Hill are testifying on the Hill this morning on this subject, so I probably could not add very much to what they will be saying.

I believe that the internal memos that are cited in some articles do not state that they are not enforcing price regulations, etc., but that because of manpower and so forth, this in some cases does not have the highest priority. FEA tells me that in some cases they underestimated the manpower required and needed for this job. As you know, the price regulations and all the other many regulations are very comprehensive and very complex, and because of the lack of staff and the lack of trained people who were on the staff, there is the possibility that a more complete job could have been done. However, I am assured that there was never a lack of commitment or desire to enforce these regulations, but more of a lack of trained staff and lack of a large enough staff to enforce the program.

FEA tells me they are still moving toward perfecting this program and because of more people and better training, they are in a better position to enforce these regulations at this time.

JGC

June 19, 1975

SUBJECT: GASOLINE SHORTAGES THIS SUMMER?

Does the Administration expect gasoline shortages this summer?

GUIDANCE: There is no reason to have any gasoline shortages this summer. There is plenty of crude oil available and there is plenty of refining capacity. In FEA's latest checks with the refining operations, FEA is told that refiners are going to run full tilt through the summer months on gasoline production. There should be no shortages.

Why are some people predicting gasoline shortages then this summer?

GUIDANCE: The latest trends of gasoline stocks for the past four months at refiners levels have shown that their inventories are going down. However, it is clear that people have not checked with refiners to see what their plans are for the next four months. FEA's checks indicate that they will be increasing their gasoline production.

However, I would like to point out that we are hopeful and confident that the American people will continue to conserve gasoline this summer and that even though there is ample supply, people will use it wisely.

Also, I think it should be pointed out that there could be spot shortages in certain parts of the country, but we do not expect any widespread gasoline shortages.

Some are predicting big price increases of 3¢ to 5¢ per gallon for gasoline by July 4th. Is this your expectation?

GUIDANCE: There is a possibility that gasoline will increase somewhat in the weeks ahead. The second dollar of import fee will only add about 1-1/2¢, but there could be an increase above that since most of the refiners in the country are operating below their allowed margins under FEA's price control rules. The refiners are allowed a margin of roughly 10¢ a gallon and most are operating at about 5¢ and they will be increasing their margins as the market permits. The reason for this increase is to cover their increases in operating costs.

JGC

June 18, 1975

SUBJECT:

GAO REPORT CRITICIZES USE OF ELK HILLS

Any reaction to the GAO report citing a lack of funding for developing Elk Hills?

GUIDANCE: As you are aware, the President in his State of the Union Address on January 15, urged quick action on legislation to allow commercial production at Elk Hills, California. In addition, the President took a trip to Elk Hills on March 31, 1975.

In his budget, the President stated that a more effective use of naval petroleum reserve is planned to reduce U.S. dependence on imports of petroleum products and help preclude political and economic disruption of supplies. Legislation was requested to increase production from the N.P.R. 1, with proceeds from the sale of that oil to be used to finance further exploration of reserves in Alaska, and the initial cost of establishing a national strategic petroleum reserve.

The budget for fiscal year '75 for N.P.R. development is \$69.4 million. In his fiscal year '76 budget, the President requested \$117.7 million to explore, produce, and use the N.P.R. as provided in the law. As you know, we requested legislation changing that law and asking the Congress to permit production from Elk Hills.

Therefore, the GAO is correct in stating that there has not been a great deal of production from the Reserves, but it has not been a funding problem. The Administration has requested the authority to permit the production from Elk Hills and the fiscal year '76 budget has requested sufficient funds to handle this production.

JGC

Status of Energy Independence Act as of
June 3, 1975

Title I: Naval Petroleum Reserves

Senate: Armed Services and Interior Committees held joint hearings in March. Armed Services Committee action not scheduled (possibly awaiting final House action).

House: Competing bills - Interior Committee's H. R. 49 and Armed Services Committee's H. R. 5919 - withdrawn from Floor consideration. Not rescheduled.

Title II: Strategic Reserves (Civilian)

Senate: Interior Committee Print markup scheduled for Thursday, June 5.

House: Provisions in Commerce Subcommittee (Dingell) bill, awaiting full Committee action.

Title III: Natural Gas Derégulation

Senate: Commerce Committee ordered S. 692 reported with amendments.

House: Referred to Dingell subcommittee. No action anticipated prior to completion of their omnibus energy bill.

Title IV. ESECA Amendments

author's
(Coal Conversion)
Expires end of June

Senate: Administration to testify before Public Works Committee and National Fuels and Energy Policy Study Group (S. Res. 45 - Interior Committee).

House: Administration provisions in Dingell bill, awaiting full Committee action.

Titles V and VI: Clean Air Act Amendments

Senate: Hearings held by Public Works Subcommittee; markup possible for mid-June.

House: Commerce Subcommittee on Health and the Environment (Rogers) held hearings and made tentative decisions. Committee Print scheduled for markup.

Title VII: Utilities

Senate: Hearings held by Government Operations Committee which is drafting legislation (probably contrary to Administration's).

House: Referred to Dingell subcommittee. No action anticipated prior to completion of their omnibus energy bill.

Title VIII: Energy Facility Siting

Senate: Interior Committee held hearings in context of land-use. FEA/Committee staff meeting scheduled.

House: Commerce Committee indicates hearings will be held following completion of omnibus energy bill.

Title IX: Energy Development Security (*Floor price*)

Senate: Passed S. 621 and S. 622, each prohibiting use of certain authorities by the President for the purposes of establishing a floor price for imported petroleum.

House: Commerce Subcommittee (Dingell) bill (HR 7014) has similar prohibitions; awaiting full Committee action.

Title X. Thermal Efficiency Standards *Changes in building codes. For more efficient use of energy.*

Struck from S. 1483 (Emergency Housing Legislation, opposed by Administration) in Conference.

House: Housing and Community Development Subcommittee (Barrett) of Banking, Currency and Housing Committee (Reuss) planning June hearings.

Title XI. Winterization *- give insulation to poor.*

Senate: No immediate action planned (possibly awaiting final House action).

House: Housing and Community Development Subcommittee (Barrett) of Banking, Currency and Housing Committee (Reuss) held heartings; further hearings scheduled for week of June 9.

Title XII: Appliance and Motor Vehicle Labelling

Senate: Commerce Committee held hearings. Several bills under consideration.

House: Included in Dingell Bill, awaiting full Committee action.

Title XIII: Standby Authorities

Senate Passed Interior Committee's S. 622 including objectionable mandatory conservation authorities.

House: Included in Dingellbill, awaiting full Committee action.

- * Dingell Bill (H.R. 7014) subject to further negotiations to remove objectionable provisions,

POSITION ON NAVAL PETROLEUM RESERVE BILLS

Question

The House Armed Services Committee has attacked the Melcher bill (H.R. 49) for risking another Teapot Dome scandal because it would transfer the Naval Petroleum Reserves to the Interior Department. It has been reported that you earlier favored the Melcher bill but that you now support the Hebert bill (H.R. 5919). Did you switch your support because of the attack on the Melcher bill?

Answer

In view of the difficulties and delays expected in the Congress with the Melcher bill, I have agreed to support the Hebert bill if it authorizes up to 300,000 bbls per day production from Elk Hills, if it provides for production of NPR-4 in Alaska, and if it allows revenues from Government sales of NPR oil to be used for a strategic storage program as well as for further work on the NPR's.

Speed is of paramount importance. The national interest requires rapid opening of the Naval Petroleum Reserves to get this domestic oil flowing into our economy and into a strategic storage program to lessen our dependence upon foreign oil. Support for a perfected Hebert bill seems to me to be the fastest way to achieve the necessary congressional action.

Roy Niemela/OMB/5-5-75

INTERNATIONAL/OPEC \$4 PER BARREL PRICE INCREASE

- Q. Recent press statements indicate that OPEC may raise prices by \$4 per barrel on October 1. What do you envision as the consequences from such an act?
- A. Such an unilateral action could have very serious consequences. It would constitute a radical increase of more than 35 percent in the price of oil and would administer a severe shock to the world's economy. This is of particular concern because we are just now beginning to recover from the recession which was substantially deepened by the radical price increases of the OPEC countries since October 1973.

I hope that the statement of Saudi Arabian Minister for Petroleum Yamani in Zurich some two weeks ago was correct when he said that there would be no sudden and dramatic increases such as there were in 1973 and 1974.

A price increase of \$4 per barrel would be utterly without economic justification. The price of oil was relentlessly driven up on a quarterly basis from October 1973 until January 1974 when a moratorium on increases was declared by OPEC until October 1, 1975. Even if we were to agree that prices should be adjusted to reflect inflation, and we do not agree, the rate of adjustment would be far less than the 38 percent currently being talked about. Prices within the OECD countries will have increased in the first three quarters of 1975 by approximately seven to eight percent. That would therefore be the maximum which could be justified on the criterion of price parity.

But I do not agree that each price should rise and fall in proportion to all other prices. There is no acceptable economic theory which bears out such a thesis. In fact, the OPEC countries are currently producing one-third less petroleum than they have capacity. The economics of that condition suggest a price reduction -- not a price increase.

I hope that the statesmen within OPEC will prevail with their colleagues and convince them that a radical increase in the price of oil at this time would be an extremely serious act which would not be in their interest.

OPEC PRICE INCREASE (cont.)

The very fact such an increase could be contemplated
reaffirms the absolute need for us to have a national
energy program of maximum effectiveness; it is essential
we end our Nation's vulnerability to such a price
possibility just as we must end our vulnerability to
a cut-off of imported supply.

FEA/IEA
6/9/75

June 11, 1975

SUBJECT: STRIP MINE

Will the Administration resubmit its own strip mine legislation?

GUIDANCE: The Administration is currently reviewing this whole area, but I know of no decision to resubmit strip mine legislation at this time.

However, the President is still committed to the principles of reclamation and of preventing the abuses that have accompanied surface mining in the past.

Are you saying you have abandoned your own strip mine legislation submitted in February?

GUIDANCE: The President's strip mine bill would have resulted in some production losses (33-80 million tons) and this could have been acceptable if the Congress had enacted the comprehensive energy program. However, without an energy program, the losses from H.R. 25 are intolerable, and the losses from the President's original bill will have to be looked at very closely.

JGC

IMPACTS OF NEAR AND MID-TERM
ACTIONS ON PETROLEUM CONSUMPTION AND IMPORTS

NEAR TERM PROGRAM
(MMB/D)

	1975	1977
CONSUMPTION IF NO NEW ACTIONS	18.0	18.3
IMPORTS IF NO NEW ACTIONS	6.5	8.0
<hr/>		
	IMPORT SAVINGS	
Less Service Savings by Short-term Actions:	1975	1977
Production from Elk Hills	0.2	0.3
Coal Conversion	0.1	0.3
Tax Package + <i>decontrol</i>	0.9	1.6
TOTAL IMPORT SAVINGS	1.2	2.2
<hr/>		
REMAINING IMPORTS	5.3	5.8

MID-TERM PROGRAM

CONSUMPTION IF NO NEW ACTIONS	23.9 MMB/D
IMPORTS IF NO NEW ACTIONS	12.7 MMB/D

Less Savings Achieved by
Following Actions:

1985 IMPACT
ON IMPORTS

OCS Leasing	1.5
NPR-4 Development	2.0
Coal Conversion	0.4
Synthetic Fuel Commercialization	0.3
Auto Efficiency Standards	1.0
Continuation of Taxes	2.1
Appliance Efficiency Goals	0.1
Insulation Tax Credit	0.3
Thermal Standards	0.3

Total Import Savings by Actions 3.0

Remaining Imports 4.7

Less:

Emergency Storage	3.0
Standby Authorities	1.7

NET IMPORT VULNERABILITY

0

more

(OVER)



(B12)
announced today. Prior to taking this action, the President had:

1. announced, on March 4th, a 60 day delay of the 2nd and 3rd dollar import fee,
2. announced a further delay of the import fee on April 30th of up to 30 days.
3. directed FEA to take those administrative actions necessary to decontrol old oil in 2 years.

B. In the 4 months since the President submitted his comprehensive legislation on January 30, 1975, only two counter productive bills have reached his desk, and both of these were vetoed:

1. Suspension of Oil Import Tariff Authority (H.R. 1267). This would have restricted the President's authority to impose fees on imported oil.
2. Surface Mining Control and Reclamation Act (H.R. 25). This would have regulated surface mining and resulted in significant loss of coal production, increased oil imports, and increased unemployment.

II. IMPACT OF PRESIDENT'S ADMINISTRATIVE ACTIONS

The President's Administrative Actions are expected to have the following impact:

<u>ACTIONS</u>	<u>IMPORT SAVINGS</u> (BARRELS PER DAY)		<u>Impact on</u> <u>RETAIL PRICES</u> (¢ / gallon)
	1975	1977	
<u>2nd Dollar Imposed</u>	50,000	200,000	1.5
<u>TOTAL fee (\$1 and \$2)</u>	100,000	350,000	2.9



January 24, 1975

SUBJECT:

MISCELLANEOUS ENERGY

Once the President's ~~energy~~ program is in effect, how much will the price of gasoline increase? And what factors will cause the increase?

GUIDANCE: Gasoline will increase about 10¢ per gallon.

- 2¢ - import fee - crude oil
- 3¢ - excise tax - domestic crude oil
- 5¢ - decontrol of old oil

Without Congressional action on excise tax, how much will the President's program increase gasoline?

GUIDANCE: About the same - 10¢.

- 3-5¢ - \$3 increase in import fee
- 5¢ - decontrol of old oil

What amount of oil do we expect to be importing in 1985?

GUIDANCE: About 5 million barrels per day, out of 21 or 22 million barrels, or slightly over 20%.

1.3 Billion barrels.



January 24, 1975

SUBJECT:

FROM WHOM DO WE IMPORT PETROLEUM

TOTAL

6 Million *barrel per day*

OPEC Countries

3,760 Million (63%)

Arab 964,000 (16%)

Non-Arab 2,800,000 (47%)

Non-OPEC Countries

2,240 Million (37%)

This is November data and is the most recent and most
complete data available.

JGC

January 22, 1975

SUBJECT:

BREAKDOWN OF GASOLINE USAGE

	<u>Present Usage</u>	<u>Usage w/rationing</u>
Private	205*	169**
Business & Commercial	57	51
Government	<u>8</u>	<u>8</u>
TOTAL	270	228

*Fed govt limit
(25% below
1973 in 1974
Military big
cut.*

* 125 million licensed drivers

** 140 million licensed drivers

JGC

December 9, 1974

SUBJECT:

OIL - 1969-1974

Domestic Production
Domestic Consumption
Foreign Imports

The figures listed below are the average number of barrels per day, for the years 1969 through 1974. ~~The 1974 figures are the average, through August.~~ The import figures for 1974 will rise somewhat when final figures for 1974 are in.

The figures below are in thousands (add three zeros).

<u>Year</u>	<u>Domestic Production</u>	<u>Domestic Consumption</u>	<u>Foreign Imports</u>
1969	10,828	14,137	3,166
1970	11,297	14,697	3,419
1971	11,156	15,213	3,925
1972	11,185	16,367	4,741
1973	10,925	17,254	6,202
1974	10,375	16,546,000	6,458
(1975 est)		16,600,000 (with 6% increase) 17,600,000 (without conservation)	

As you can see by the above, domestic production peaked in 1970 and has essentially declined since then.

Domestic consumption peaked in 1973 and has appeared to subside somewhat in 1974.

Of course, the figures show a steady increase in import.

JGC