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APR 9 1975

THE PRESIDENT HAS SEEN ⁷68.

THE WHITE HOUSE

WASHINGTON

April 9, 1975

[Handwritten signature]

MEMORANDUM FOR:

DONALD RUMSFELD

FROM:

JERRY JONES *[Handwritten signature]*

The President asked on March 24th about an article on U.S. oil policy which was written by Edward Cowen and appeared in the New York Times on March 22nd. The article indicated that high ranking energy and defense officials are urging a strategy of directing United States interest in oil supplies away from the Persian Gulf and toward other parts of the world (See Tab A).

I asked Frank Zarb what the background of this was, if he knew who was discussing it and why. Frank tells me that a strategy paper on this topic was drafted by FEA sometime ago. This paper was staffed by FEA to State, DOD, and the NSC. The State Department did not like the idea, but DOD was interested in it because of the difficulty of conducting U.S. military operations in the Mideast.

Zarb indicates that he does not favor the idea and sees it simply as trading one set of cartel controls for another. He also feels that an attempt to implement the idea would cost the U.S. a great deal of money with no net improvement in the security of our petroleum supplies. Frank believes the article came from DOD and was floated in an effort to attract attention to it. He does not believe high level officials in the Department of State support it. He also mentioned that Joe Kraft had had an early interest in the idea and could well be pushing it now.

Frank considers the idea a dead issue but will develop a more detailed evaluation if the President is interested.

Attachment

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U.S. POLICY SHIFT ON OIL IS URGED

Some Energy and Pentagon
Officials Criticize Focus
on Mideast Supplies

By EDWARD COWAN
Special to The New York Times

WASHINGTON, March 22

Several high-ranking energy and defense officials have outlined an "alternate strategy" for directing United States interest in oil supplies away from the Persian Gulf and toward other parts of the world, chiefly Venezuela, Mexico, Nigeria, Indonesia and possibly Canada.

The new approach proposed by the dissident officials is an implicit criticism of Secretary of State Kissinger's policy of emphasizing strengthened United States relations with Iran and Saudi Arabia, the two major Persian Gulf oil producers.

The dissenting view contends that the Persian Gulf is inherently the least secure source of oil and that other sources are more reliable.

"Some of us have said for months that we should distinguish more secure and less secure sources and not treat all oil imports the same, but the State Department has stamped out that kind of heresy every time," one highly experienced energy policy analyst said.

Both official policy and the alternate approach are based on the assumption that the United States must import substantial quantities of oil for the indefinite future, even amid greater efforts to curtail consumption.

Studies Are Preliminary

The "alternate strategy" has been outlined by some energy and defense planners on the basis of military, political, geological and economic analyses. The exposition and analyses are preliminary, the officials say, because they have been unable to win from senior policy-makers the interest and resources necessary for a more comprehensive examination.

Several of the dissenters discussed their views on the condition that they not be identified. They hope that their ideas will find support in Congress and the executive branch.

"The problem," said one high-ranking official, "is that everything has to go through the head of Dr. Kissinger personally."

The new approach would supplement present policy by devoting additional diplomatic, political and economic attention to the non-Persian Gulf oil countries. The idea is that where relations are tense, such as between Washington and Ottawa or Caracas, they could be improved.

With better relations and with financial and technological help from the United States, it is said, Venezuela, Nigeria, Indonesia, Mexico and perhaps even Canada would sell more oil to this country, reducing American dependence on the Persian Gulf.

Attention on Tar Sands

With respect to Canada, which has said she will phase out all oil exports to this country by 1982, officials say that exports would depend on co-operative solution of tar-sands exploitation and financing problems, perhaps in conjunction with Venezuela, which also has a tar belt.

"If we devoted to Canada one-tenth of the attention we devote to Iran and Saudi Arabia, we might get somewhere," an Administration official said.

"In Venezuela, we have a real problem," he continued. "The Venezuelans have a tremendous oil income rolling in and they have a conscious policy of using that dough to gain influence in Latin America. What do we do? We just let Venezuela fall into the sink-hole of policy we call Latin America." President [Carlos Andres] Pérez is interested in the development of his country. We could be extremely helpful to him just as we are helping the Shah or Iran and the King of Saudi Arabia develop their countries."

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Some critics of Mr. Kissinger have objected to economic and military cooperation with Saudi Arabia and Iran as providing support for oil policies that the United States should oppose.

However, the proponents of a shift in oil-supply reliance do not call for an outright reversal of Persian Gulf policy. Rather, they would strengthen American relations with other oil exporters to create the conditions that would permit less support for Persian Gulf states.

Policy of Mutual Interests

"We need quiet, bilateral exploratory conversations with these other countries to find out what the mutualities of interest are," a diplomat said. "A sure way to poison this well is to try to sell them a United States program. This has to be on the basis of equals, not daddy and sonny."

Military and political analysts say that the Persian Gulf is the most indefensible and unstable oil region in the world because of the narrow ship passage at the Strait of Hormuz and because any political upheaval in the area is likely to spread.

The analysts say that the United States Navy is less able to protect an Indian Ocean "petroleum lifeline" than one across the Pacific from Indonesia or the Atlantic routes from Nigeria and Venezuela.



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