The original documents are located in Box 117, folder "Cargo Preference" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

April 22, 1975

SUBJECT: ADMINISTRATION'S POSITION ON CARGO PREFERENCE BEING REASSESSED

According to Mel Conant, FEA's Chief of International Affairs, the White House is reassessing its position on the issue of cargo preference, that is, requiring that American ships carry a certain percentage of oil imports.

Is the Administration reassessing this position and is it now prepared to support a cargo preference bill?

GUIDANCE: The President has ordered a complete review of U.S. Maritime policy and programs. As you know, the President met with the maritime industry leaders and union officials on March 7 and following that meeting, ordered this review. The review is under the direction of the Economic Policy Board with the direct supervision being handled by the Acting Secretary of Commerce.

Will the Administration submit its own legislation or support legislation now pending before the Congress?

GUIDANCE: I believe it would be premature to speculate until the policy review is completed.

Why is the President reassessing his position so soon after vetoing the cargo preference bill passed by Congress?

GUIDANCE: As I recall, there were several problems with that bill, including the fact that it was inflationary and imposed a threat to international relations.

JGC

September 23, 1974

SUBJECT: CARGO PREFERENCE

Pending oil cargo preference legislation would require a fixed percentage of all petroleum and petroleum products imported into the U.S. to be carried on U.S. flag vessels. This legislation is now in Conference.

<u>What is the President's position on the cargo preference legislation?</u>

GUIDANCE: The cargo preference legislation has several undesirable impacts, and the President has met with his advisors and asked them to work with the Conferees to see if there are some areas of compromise.

<u>What are some of the undesirable impacts?</u>

GUIDANCE: The legislation is inflationary. Because of the higher construction and operating costs for the U.S. flag tankers, it will increase the price of oil to the U.S. consumer. This, of course, is undesirable at a time when we are trying to curb inflation.

This legislation would also violate the treaties of Friendship, Commerce, and Navigation, with more than 30 countries. This legislation would also invite foreign retailation and could result in OPEC nations demanding carriage of an equal share of the oil imported by the U.S. Cargo preference would run counter to the U.S. policy of encouraging a freer international economic system.

FYI: It appears that at this time we will seek a provision which would allow the President wide discretion in the implementing and enforcement of the cargo preference requirement. In other words, the President would sign this legislation if it contained the provision that the President could waive the cargo preference requirement if there were certain factors, i.e., high inflation. Alternatively, the bill could be amended to allow its suspension whenever the President believes it would be in the national interest to do so. Either of these factors would make the bill much more signable. As you can imagine, this legislation is backed by Labor and would be very difficult to veto. END FYI.

CARGO PREFERENCE

Q: Did the President agree to sign the Cargo Preference Bill in exchange for Senator Long's support for the Trade Bill?

A: I understand that Senator Long was assured only that the Administration would not try to prevent any up or down vote on the Cargo Preference conference report. We have taken no position on the bill itself. (Bill Eberle says this.)