

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Gerald R. Ford  
Dr. Henry A. Kissinger, Secretary of State  
and Assistant to the President  
for National Security Affairs  
Lt. Gen. Brent Scowcroft, Deputy Assistant  
to the President for National Security Affairs  
John O. Marsh, Counselor to the President  
Meeting with Democratic Freshman Congressmen

DATE AND TIME: Tuesday, March 4, 1975  
7:30 a.m. (90 minutes) - Breakfast Meeting

PLACE: The State Dining Room  
The White House

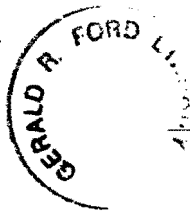
[Jack Marsh introduced the Congressional Staff. The Congressmen introduced themselves.]

[The President opened the meeting with a discussion of the need for a domestic energy program. He then introduced Secretary Kissinger.]

Secretary Kissinger: First let me say a word about energy. The President has explained the domestic aspect. It has an equally important international factor. The two aspects dovetail. In the international aspect we confront producers who can set prices at will, giving them political power far out of proportion to their size and importance. The industrial countries are looking more and more to the producers for political influence and the sense of importance of the industrial countries is growing.

If we don't take these steps that the President proposes, we will slide into a position like other consumers. We need to stabilize the prices, we need to conserve energy, and we need to tie together the consuming world. Our program would do this.

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~~TOP SECRET - XGDS (3)~~  
CLASSIFIED BY: HENRY A. KISSINGER

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E.O. 12958, SEC. 3.5  
NSC MEMO, MARSH, STATE DEPT. GUIDELINES, State Review 3/11/04  
BY: [Signature], NARA, DATE 5/12/04

It is asked, why the goal of reducing consumption by one million barrels a day? The reason is that, as the economy picks up, as we expect it will, imports will increase again unless we have a conservation program. It was to keep the import level constant. We also must have a program to develop alternative sources of energy. One of the worst things which could happen would be a break in oil prices which would break in oil prices which would break our program, increase our dependence, and make us more vulnerable to a subsequent embargo. This is the reason for the so-called floor price idea.

Our international program has been very successful. We now have an organization -- the IEA -- an emergency sharing program, a financial solidarity fund, and we are now working on an alternative sources program. This has been hard work, though, and the other industrial powers have come along slowly. Unless we lead the way, no one else will do anything.

Right now OPEC is under pressure. They have a 10 billion barrel surplus. Eventually we will break the prices. I supported the \$3.00 fee program because it was the toughest. But I think it is the most flexible program. We can apply it flexibly, differentially, etc. Rationing isn't so flexible, and it puts the burden on the United States, but the critical thing is to have an energy program and have it now. We need a good consumer program before we have a consumer-producer conference or else we will be divided and whipsawed in the conference. We need the flexibility, the cooperation and leverage which this program will give us. It is not just a domestic matter but a crucial international matter. If we don't, by the 80's a small group of producers can manipulate all the disunited consumers.

On the Middle East, I don't want to go into detail. Two questions are the most asked: Why not go to Geneva: Why not settle directly with the Soviet Union?

First, why don't we go to Geneva? The answer is that we will eventually go to Geneva and this has always been our expectation. But at the request of the parties we have been engaged in a series of specific negotiations which, if we succeed, will enable us to go to Geneva in the best conditions. If Geneva comes after an American success, we will be in the best possible position to control developments there and prevent it from getting out of hand.



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Secondly, why not settle it with the Soviet Union? As long as the Soviet Union position is the same as the maximum Arab position, they add nothing to the discussion and we are better off dealing with the Arabs directly. We have always told the Soviets that as soon as they show us how they differ in a moderate direction from the maximum Arab program, they will have something to contribute.

If it were only Israel and Egypt, we could have a better than 50% chance. But there is Syria, PLO, and the Soviet Union. Syria and the PLO are actively opposed to a separate move and we don't know about the Soviet Union. If we succeed, we think there is a possibility of a gradual managed progress toward peace.

To the extent the Arabs believe they can use oil as a weapon whenever it suits their purposes, to that extent the radicals will press for its use and will tend to dominate policy. So it is essential that we move to break the power of the producers to manipulate us.

[The President answered questions on offshore drilling and on the one-shot inflationary impact of the oil tariff increase.]

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Chairman  
B.O. (Frost)  
Kunz

P/Meeting with Demo  
Freshman Congressmen  
4 Mar 75  
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Jack Marsh introduces Cong. Staff  
Congressmen introduce themselves

- P - Discusses energy.
- K - First energy. P has explained domestic. It has an = important with future. The 2 distinct US export products who can set price at will giving them pol power for out of production. The industrial countries are taking exact match & producers for pol, inf., & sense of importance is growing.
- If we don't take these steps & proposals we will shift into position like other economies. We need to stabilize price, conserve, & tie together & conserving world.
- Our prog would do this. Why a goal of 1 unit? So that as economy picks up, it wouldn't P. It was to keep it constant. We also must have alt sources. One of worst things which could happen would be back in oil price which would break our prog, increase our dependence & make us more vulnerable to subsequent embargo.
- Our intl prog has been very successful. We have an agency, an emergency sharing, a financial solidarity fund, alt sources

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working on an alt source prog. This has been hard work, tho, & Fishers. powers move come along slowly. Unless we make way, no one else will do anything. Right now Opec is under pressure. 10 bil surplus. Eventually we will break a price. I supported \$3 per prog because it was a comfort. But ~~now~~ I think it's most flexible prog. We can apply it flexibly, differentially, etc. Rationing isn't, & puts a burden on US. Best & critical thing is to have an energy prog & have it now. We need a good consumer prog before we can do it. We will be divided & unhappy. We need a flexible, comp, & savings which this prog will give us. It's not just a domestic matter but a crucial intl matter. If we don't, by the 80's a small group of producers can manipulate disoriented consumers. OCEME - I don't want to go into detail. 2 questions most asked: why not go to Geneva? Why not settle directly w/ SC (Standard answers) If it's only I+E, we would have better than 50 to choose. But there is Syria, PLO, & SO. Syria & PLO actively opposed to separate work &

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P Questions -

(1) Offshore drilling

(2) One shot inflation impact of oil price ↑

