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ITEM TRANSFER REFERENCE FORM

The item described below has been removed to: Audiovisual Collection

New File Location:

Document Description:

- 6 5" x 7" black and white photos of Frank Zarb during his trip to Japan in June 1976
- tape cassette of Zarb speaking to the Foreign Correspondents' Club in Tokyo, Japan June 1976

Old File Location: Frank Zarb Collection; Subject File; Tokyo Trip

By LET Date 1/29/82



NLFP - 11/4/77

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EMBASSY OF THE
UNITED STATES OF AMERICA

Tokyo, Japan

July 9, 1976

The Honorable Frank G. Zarb
Administrator
Federal Energy Administration
Washington, D. C.

Dear Mr. Zarb:

Enclosed is a representative sampling of translations from Japanese press accounts of your visit to Tokyo. You will also find a somewhat confusing letter from Tokyo Gas President Murakami and some lovely pictures courtesy of Keidanren.

By the way, I inadvertently omitted a name from the thank you letter list: Toshio Doko, President, Keidanren, 9-4, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100, Japan.

We all thought your stay here was not only a great success from a professional point of view, but very enjoyable as well. Please come again!

Sincerely,

A handwritten signature in dark ink, appearing to read "Don".

Donald B. Westmore
First Secretary

aea

Enclosures

UNCLASSIFIED



UNITED STATES DEPARTMENT OF ENERGY
WASHINGTON, D. C.
20585

July 2, 1976

The Honorable Frank P. Bass
Administrator
Federal Energy Administration
Washington, D. C.

Dear Mr. Bass:

I am a representative member of the American people and I am writing to you to express my appreciation for the excellent service you and your staff have provided in the past. I am sure that you will find it a pleasure to hear from me again.

By the way, I have recently visited a new area from the State of California. I found it very beautiful and very enjoyable. I hope you will find it as enjoyable as I did.

I am sure you will find it very enjoyable as well. I am sure you will find it very enjoyable as well.

Sincerely,


Donald H. Ruckelshaus
Director

FEDERAL ENERGY OFFICE
OFFICE OF THE
ADMINISTRATOR

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ENCLOSURE



YOMIURI (Page 9) (Full)

June 24, 1976

International Supervision Necessary as to Whether or Not Atomic Power Generation Is Being Used for Initial Purposes: US Energy Administration Administrator

US Federal Energy Administration Administrator ZARB, now on a visit to Japan, clarified his ideas at a luncheon meeting sponsored by the Japan Press Club on the 23th, on a series of energy policies including nuclear fuel re-processing in the US, atomic power generation, and the plan for oil stockpiles amounting to one billion barrels. On that occasion, the Administrator said, "The US has already established a structure to make it possible to supply uranium to atomic power plants to be constructed during the next 10 years. If the fast breeder program is completed, the fuel situation will be improved further."

In reply to the indication that there is the fear that reactor exports from advanced industrial nations will lead to spread of nuclear weapons, he said, "As long as atomic power generation is used for the original purposes, I do not think that it will be directly connected with the spread of nuclear weapons. However, international supervision is probably necessary as to whether or not atomic power generation is being used for the initial purposes." His statements are briefly as follows:

1. The US is planning to raise the rate of atomic power generation in the total amount of power generation to 26 percent in 1985, and various problems, such as re-processing of fuel and disposal of radioactive waste, are now being checked into under the lead of a group of scientists. I think these problems will be settled soon. I take the rejection of the "Atomic Power Generation Safety Act Bill" in California as showing that the significance of atomic power generation has been recognized as to the over-all energy policy.

2. The "Measures Division Act Bill" is non-productive, and it will make the situation still worse. However, it is practically improbable that it will be legislated, because this, even if passed by the Congress, will be rejected by the President.

3. The plan for one billion barrels of stockpiles has been drawn up, not with the change in the Middle East in the background but from the basic standpoint that we must arrange to be able to cope with every state of affairs that can occur. On this point, Japan should have the same circumstances.

RA

NIHON KEIZAI (Page 3) (Full)

June 24, 1976

US Energy Administration Administrator ZARB Emphasizes Need to Strengthen Stockpiles; OPEC Will Not Raise Crude Oil Price within This Year

US Federal Energy Administration Administrator F. ZARB, now on a visit to Japan, met a Nihon Keizai Shimbun reporter in Tokyo on the 23rd and said, "There is little possibility that various OPEC nations will hold an extraordinary general meeting before the regular general meeting in December." Thus, he clarified the prospect that the price of crude oil will be left as it is at present (\$11.51 per barrel), at least till the end of this year. Also, Administrator ZARB emphasized the following points: (1) From a long-range point of view, the direction of raising the crude oil price will be unavoidable, and it cannot be said that there is no possibility of a second embargo by oil-producing countries and temporary ripples of crude oil supply; and (2) it is necessary to tackle seriously the strengthening of oil stockpiling to provide against an emergency.



This time, Administrator ZARB made a round of visits to such oil-producing countries as Saudi Arabia, Kuwait, and Iraq and exchanged opinions with the Oil Ministers of these countries, and stopped over in Japan on his way home. Interviewed by the reporter of this newspaper company, he repeated the judgement, on the oil situation, that "It warrants optimism at present but requires caution, from a long-range point of view." At the same time, he clarified the policy that to provide against an emergency, the US Government will (1) push forward Project Independence (energy self-support plan) as initially planned, and lower the degree of dependence upon oil imports from 41.2 percent at present to 25 percent in 1985; and (2) aim at stockpiling one billion barrels of oil in 1985, which will be equivalent to a half-year volume of imports.

Even at the time of his talks with ITI Minister KOMOTO and Resources and Energy Agency Director General MASUDA on the 21st, Administrator ZARB stressed the necessity of strengthening stockpiling. In response to this, ITI Minister KOMOTO said, "The target to date -- achieving stockpiles good for 90 days in fiscal 1979, centering on private circles -- is not sufficient." Thus he showed the idea that it is necessary to strengthen the stockpiling policy further.

Contents of Interview with Administrator ZARB

Question: It is said that OPEC is scheduled to re-examine the problem of raising the price at the next general meeting. What is your outlook on the price raise?

Answer: Oil-producing countries are taking the posture of maintaining the "real" price in 1975 at any cost, as far as demand-supply relations on the market permit. They are hoping for a price raise counter-balancing the inflation in the world. The timing to decide the price policy will be at the OPEC General Meeting in December, after all. Before coming to Japan I made a round of visits to oil-producing countries and met Government leaders connected with oil, but there is little possibility that the General Meeting will be held earlier than December.

Question: Will indexation (a formula of sliding the crude oil price with commodity prices) be taken up as a subject of discussion at the December General Meeting, after all?

Answer: From a long-range point of view, it is realistic to think that the price of crude oil will continue to show a trend to rise. As long as there is the OPEC organization, this direction will be unavoidable. But I cannot say easily whether a mechanical indexation formula will be successful or not. The price is swayed by the trends of the market, after all. How much the consumer countries will economize in the future, how far the development of substitute energies will progress, and such factors as the business trend, on a short-range basis, will become important.

Question: In Chicago in April, the Administrator said that oil-producing countries will possibly carry out an oil embargo again. How do you view the possibility of a second oil crisis, taking the subsequent situation in the Middle East into consideration?

Answer: My remark in Chicago was purely based on "realism," saying, "Since there is no guarantee that a new oil crisis absolutely will not occur, it is necessary to provide against this possibility." Under such an international situation as at present, there is no guarantee that oil-producing countries will not use oil again as a means of settling a political problem. Even if there is no dispute in the Middle East, there is also the possibility that oil supply will be disturbed for another cause. An accident may occur in the open sea during transportation by tanker. Such problems are grave for Japan, which depends upon imports for most crude oil it needs, but they are serious problems for the US too, because the degree of its dependence upon imports is as high as 40 percent. Also, if a problem arises as to oil supply, the effects will be more serious than in the case of the oil crisis last time.

Question: If there is an embargo, under what conditions do you think it will occur?

Answer: I think that oil-producing countries do not have a common standard for judgment, as a whole group, that they will "carry out an embargo under such and such conditions." Since it cannot be said definitely that there is no possibility of an embargo or disturbance of supply, the core of the problem lies in how to provide against this possibility. Counter-measures are to strengthen stockpiling, from a short-range point of view, and to reduce imports (lower the rate of dependence upon imports), from a long-range point of view.

Question: I want to hear about your concrete stockpiling plan.

Answer: We are planning to have in 1985, 10 years hence, stockpiles equal to a half-year's crude oil imports at that time. As the daily crude oil imports at that time will amount to six million barrels, the stockpiling target will be about one billion barrels (159 million kiloliters) for a half year. Even if an incident occurs in the future, it will be possible to secure imports good for a half year. In other words, there will be a setup which will prevent the US economy from being shocked by an embargo, by stockpiling one billion barrels of crude oil.

Question: Who is to bear the cost for such stockpiles?

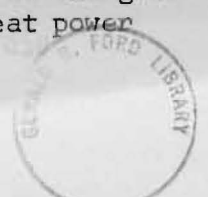
Answer: The expenses will be borne by the Government in the full amount. For stockpiles, we are planning to use rocksalt pits. These are less expensive than tanks on the ground.

Question: Can the US reduce crude oil imports so much? I hear voices saying that Project Independence (energy self-supply plan) has already been thrown into a waste-basket, but

Answer: It is a misunderstanding. Project Independence has begun to move, and the initial target has not been changed, either. The gist of the plan includes: (1) Reducing the growth of demand for all energies from the annual average of 3.5 percent during the past 10 years to 2.5 percent by raising the energy efficiency; (2) as to crude oil imports, reducing the degree of dependence upon imports, now 41.2 percent, to 25 percent by 1985; and (3) for this purpose, pushing oil and gas development in Alaska, etc., increasing coal production twofold to one billion tons annually, during 10 years, and raising the rate of atomic power generation to the total amount of power generation from 8 percent at present to 23 percent 10 years hence. Crude oil imports in question will increase during the next two years or so, no matter what measures may be taken, but the effects of Project Independence will gradually appear after that. Prospects for atomic power generation are not so dark as talked about. The opposition movement in the State of California has been defeated, after all, and the majority of the American people recognize the importance of atomic power generation under the over-all energy policy.

Question: If the target for Project Independence is attained, the US, roughly classified, will become an "oil-producing country," and it will become different in position from Japan and various European countries which are purely "consumer countries." I think this will affect also co-operation relations as to the energy problem between Japan and the US and among advanced nations, in the future, but

Answer: This point must be grasped from a long-range point of view, aside from short-range problems. Oil is limited, after all, and there will be no change at all in the necessity of pushing the development of substitute energies. Technical co-operation between Japan and the US must rather be deepened in economization on and efficient use of energies and development of substitute energies including geothermal-heat power generation.



Contents of Testimonies at Lower House Lockheed Question Special Committee, Afternoon Session, June 24

The contents of the testimonies given by ANA-related witnesses at the Lower House Lockheed Question Investigation Special Committee at the afternoon session on the 24th were as follows:

Witnesses WATANABE (ANA Vice President) and HASEMURA (Former ANA Advisor)

Mitsuo SETOYAMA (LDP): I wish to hear the circumstances of the day of former President OHBA's resignation.

Witness Naoji WATANABE: It was toward the evening of May 29, 1970. The stockholders' general meeting was slated for the next day, and as the morning edition of the Tokyo Shimbun carried a big story about ANA's loans, I was surprised. I had many conferences, and I had just returned from Haneda. Just a little before 5:00 p.m. I and the General Affairs Department Chief were summoned by Mr. OHBA. We went to the President's Office together.

Mr. OHBA said: "I have been having talks just until now with persons connected with the general meeting, about the general meeting tomorrow. They told me that 'if you attend the general meeting tomorrow, there is the danger of confusion arising, and it is better for you not to be present.' So, I would rather not attend." I replied that "I do not think that would be possible." However, Mr. OHBA said: "I saw Mr. MATSUO of JAL and consulted him. I intend to resign at the Board of Directors Meeting, after the general meeting." I suggested that it would be better to have talks with Vice President WAKASA, too. Mr. WAKASA was out, but we managed to contact him, and had him return to the office. We three had talks together.

Mr. OHBA said: "I have decided to resign. I want Mr. WAKASA to manage the general meeting tomorrow, in my place." At this, Vice President WAKASA said: "This is very sudden. Would it not be better if you were to give it further consideration?" However, Mr. OHBA replied that "I have already decided to resign, and I am confused ..." And, he went home.

SETOYAMA: Mr. OHBA testified that, at that time, he passed on the options on the DC-10's.

Witness WATANABE: I have been going over my recollections very carefully, but I do not remember it at all.

SETOYAMA: I wish to put a question to Mr. HASEMURA, who says that he heard about the circumstances from Mr. OHBA. The OHBA testimony says that "at the time of my resignation, I was asked by Mr. WAKASA and Mr. WATANABE 'what should be done about the options with Bussan.' I replied that 'you two discuss it together and handle it as you think fit'." Is this correct?

Witness Tasuku HASEMURA: That is correct. When I saw Mr. OHBA at his residence on March 7, and when I said that what he said (his saying that the passing on of the option had been brought up from his side, that is, Mr. OHBA's side) differed from what I heard from him at the time, Mr. OHBA replied that "that was the generosity of the samurai" and I remember him smiling grimly.

SETOYAMA: On the occasion of Mr. HASEMURA's recovering the OHBA memorandum in connection with the loans question, in which Akiyoshi SUZUKI was involved, what was the meaning of Mr. WATANABE's saying to you "don't interfere in my work"?

Efforts for Rationalization of Screening; Automobile Bureau Director General Holds Press Conference; International Co-operation in Administrative Field

Transportation Ministry Automobile Bureau Director General Shiro NAKAMURA, at a regular press conference held on the 21st, stated as follows: "I have keenly felt that it is becoming impossible for automobile administration to disregard international relations." Thus, he explained the impression he has gained during the period of three weeks after his assumption of his present post. He also said, "(In response to the desires of Europe and America) I intend to endeavor for the rationalization of model screening and the shortening of the period of time. However, the problem of to what extent the special characteristics of Japan can be understood by various other countries, will probably come to carry great weight (from the standpoint of international co-operation in automobile administration)."

The main points of the remarks, made by NAKAMURA, are as follows:

1. In regard to automobile administration in the past, international relations were not deep, and contacts were not active, either. Recently, however, I have come to feel keenly the need for internationalization in maintenance-connected fields. Various other countries are advancing in the direction of securing international co-operation and of establishing international standards, with the purpose of formulating safety measures and public nuisances countermeasures as to automobiles. We must also give consideration in that direction. However, Japanese automobiles are not automobiles which are traditionally integrated into the people's livelihood (unlike the case of Europe and America). Japan has its own background circumstances, such as the rapidly-developed motorization, a small national land, and over-population. The question of to what extent foreign countries can understand such Japanese problems, will probably come to carry great weight.

2. (Various European nations and America desire the rationalization of model screening), but even when consideration is given on the premise of future ordinary screening, with no consideration given to a special factor (congestion concerning exhaust-gas restriction car screening for 1975 and 1976), efforts should be made to rationalize such screening and to shorten [the period of time]. I have already told the Maintenance Department Director General to that effect.

3. With regard to the fiscal 1977 budget, our plan is scheduled to be formulated during July. However, measures toward transportation in local areas and the problem of buses will probably become focal points.

4. As for the strengthening of automobile noise restrictions, measures toward the sources of emission of such noise are being pushed at present. However, it is necessary for the various Ministries concerned to consider comprehensive measures, with regard to such problems as the road structure, traffic control, and the utilization of national land.

NMi

US Will Stockpile Half the Amount of Oil Imports; Difficult to Export Alaska Crude Oil to Japan: US Energy Administration Administrator to ITI Minister

US Federal Energy Administration Administrator ZARB, now on a visit to Japan, held talks with ITI Minister KOMOTO and Resources and Energy Agency Director General MASUDA at MITI on the 21st, and exchanged opinions on such matters as the oil situation and the energy policies of the two countries. At these talks, Administrator ZARB clarified the prospect that "Even in 1985, US oil imports will amount to 6 million barrels a day, showing no great decrease from those at present." He said, "To provide against an oil embargo by oil-producing countries, the US is planning to stockpile about 1 billion barrels of oil, half the amount of annual imports, with the full amount of expense borne by the Government." On the possibility of exports of Alaska crude oil to Japan, he said, "The US makes it a supreme order to decrease its dependence upon oil imports, and it has no intention to export it to Japan." Thus, he clarified that prospects for exports to Japan are dark.

At the talks held that day, Administrator ZARB made the following explanations on his statement in Chicago that "There is fear of an oil embargo": "It is not that there was special information. However, the situation in the Middle East is always unstable, and even at present, the situation is not different from that in 1973, when there was the oil crisis. Therefore, it is necessary to reduce the degree of our dependence upon oil imports and make efforts for oil stockpiling."

As to oil imports, he said, "In 1978, they will increase to 8 million barrels a day, but they will decrease after that, amounting to 6 million barrels a day."

According to the said Administrator, the US is planning to stockpile about 1 billions of oil, half the annual amount of imports in 1985. It is planning to stockpile it in rock-salt pits, with rock-salt dug out. This will entail an expense of about \$1 per barrel, but it will be fully borne by the Government.

In regard to domestic energy development, the said Administrator clarified that the US is planning the following items as targets for 1985: (1) Domestic crude oil output will be increased from a little more than 8 million barrels a day at present to 12 million barrels by such means as developing the Alaska Oil Fields; (2) coal output will be doubled from 600 million tons to 1,200 million tons annually; and (3) the rate of atomic energy to energy supply will be raised to 26 percent. As to Alaska crude oil, he declared that there is little possibility of its being exported to Japan, from the idea of giving priority to domestic supply.

RA

US to Strengthen Oil Stockpiling; Half the Amount of Imports in 1985; Energy Administration Administrator ZARB to ITI Minister KOMOTO

US Energy Administration Administrator ZARB, now on a visit to Japan, held separate talks with ITI Minister KOMOTO and Resources and Energy Agency Director General MASUDA on the 21st, and exchanged opinions on the energy situation, centering on oil and and future policies. In these talks, Administrator ZARB clarified the following ideas as to the energy policy of the US:



(1) The US will hold the amount of oil imports in 1985 down to 6 million barrels a day (imports this year are estimated at 6,600,000 to 6,700,000 barrels) by such means as promoting domestic crude oil development, expanding utilization of coal, developing atomic energy, and economizing on consumption.

(2) The amount of oil stockpiles in the same year will be increased to one billion barrels [6 million barrels a day multiplied by 180 (days)], half the amount of imports.

(3) This stockpiling will be effected with Government funds, and rock-salt pits, which require less cost, will be utilized.

This is the first time that a US Government official in charge has made a detailed explanation of the contents of the energy independence plan of the US. The strengthening of oil stockpiling by the US, based on the said plan, is to be noted because there is the fear that it will not only tighten crude oil demand and supply in the world for the present and readily cause a price rise, but also cast "dark clouds" over the LNG which our country is importing from Alaska, and over the future of Alaska oil development.

This energy policy of the US is based on the following basic views: (1) The situation in the Middle East is still fluid, and there is no guarantee anywhere that various countries in the Middle East will not adopt an oil embargo policy in the future; (2) therefore, it is necessary in the future for advanced oil-consuming countries to reduce the degree of their dependence upon oil imports by such means as developing substitute energies and economizing on consumption; (3) it is also necessary to increase stockpiles to provide against emergency; and (4) on the other hand, it is also important to continue dialogues with oil-producing countries and prevent the price of crude oil from rising very high. At the two rounds of talks that day, too, Administrator ZARB emphasized these ideas of the US.

Administrator ZARB is a central figure for the US energy policy, assuming office as Administrator immediately after the oil crisis. In April this year, he caused ripples by making a speech in Chicago, saying that "There is the fear that various countries in the Middle East will adopt an oil embargo policy." Thus, he is always noted as to his words and deeds, as a person having effects on the energy situation in the world.

In the two rounds of talks that day, too, the said Administrator's "Chicago statement" came up in conversation. ITI Minister KOMOTO asked: "On what judgment did you say that there is fear of an embargo?" In reply, the Administrator said, "It is not that there is information that the situation is especially tense. Generally speaking, however, there is no basic change in the situation between 1973, when the oil embargo was carried out, and the present. Therefore, it must always be borne in mind that such a situation as an embargo will also occur, as a possibility." Thus, he emphasized the necessity of developing, saving, and stockpiling substitute energies.

The contents of Administrator ZARB's statements are as follows:

1. (In reply to a question to the effect that the amount of oil imports by the US in March showed a sharp increase, exceeding the amount of domestic production) It increased only temporarily on account of the problem of customs clearance. The amount of imports this year will be 6,600,000 to 6,700,000 barrels a day. By about 1978, the amount of imports will increase to 8 million barrels a day, but it will gradually decrease after that. Our policy is to decrease it to 6 million barrels in 1985.



2. However, various efforts are necessary for this purpose. The US Government intends to (1) increase domestic oil output, now about 8 million barrels a day, to 12 million barrels by such means as oil development in Alaska, development of continental shelves, and secondary and tertiary recovery of existing oil fields; (2) increase annual coal output from 600 million tons at present to 1,200 million tons; (3) raise the rate of atomic power generation in the total amount of power generation from 9 percent at present to 26 percent; and (4) lower the rate of growth in oil consumption, which has been 3.5 annually, to 2.5 percent through economization.

3. I want stockpiles to be increased to one billion barrels (good for 180 days) in 1985, half the annual amount of imports.

4. (In reply to a question as to the possibility of exporting Alaska oil to Japan) There is little hope, in view of the domestic political situation.

RA

YOMIURI (Page 2) (Full)

June 19, 1976

Results of Seven-Nation Summit Conference Will Be Published in Form of Communique, Instead of Declaration: Foreign Ministry Councillor YOSHINO

Foreign Ministry Councillor YOSHINO, who attended the Seven Advanced-Nation Summit Conference's preparatory meeting, which was held in Washington, returned home on the 18th. At a press conference after having given a report to Foreign Minister MIYAZAWA, he clarified the character and agenda items of the Summit Conference. According thereto, the Summit Conference will discuss such matters as (1) stable development of the world economy without inflation is the biggest theme. Besides, the North-South problem will become a main subject for discussion; (2) the Conference will take the form of free discussions and will not stick to the implementation of the keynote speeches to be delivered by various countries' leaders; and (3) there is a strong possibility that the results of the Conference will be published in the form of a communique, instead of a declaration.

Foreign Ministry Councillor YOSHINO will report on the progress of the preparatory meeting to Prime Minister MIKI on the morning of the 19th. At the same time, the Government will hold a liaison conference by the bureaus directors general of the Ministries and Agencies concerned from 11:00 a.m. on the same day and study our country's policy for measures to face the Summit Conference.

SO

MAINICHI (Page 1) (Full)

June 19, 1976

Business Recovery and North-South Problems Will Probably Become Focal Points at Seven-Nation Summit Conference: Foreign Ministry Councillor YOSHINO

Foreign Ministry Councillor YOSHINO, who attended the Seven Advanced-Nation Summit Conference's preparatory meeting, which was held in Washington in the middle of this month, returned home on the afternoon of the 18th. He held a press conference at the Foreign Ministry from after 6:00 p.m. on the same day, and stated that, "The main themes at the San Juan Summit Conference will probably become two -- business recovery and the long-term continuation thereof, and the North-South problem," and stated as follows:

(1) Various countries' delegates assembled at the preparatory meeting and prepared a tentative draft of a communique or declaration. However, the draft has taken the form of listing together various opinions, and an agreed-upon draft has not been prepared.

(2) The big themes at the Summit Conference will probably become two -- the duration of prosperity without inflation and the North-South problem.

SO

June 20, 1976

Yokohama Customs House Sends to Prosecutor Three Persons, Including US Servicemen, on Charges of Smuggling Narcotics into Japan by Concealing It in Tooth-Paste Tube

The Yokohama Customs House and the Kanto-Shinetsu Regional Narcotics Control Official's Office Yokohama Branch Office have sent to the Yokohama District Public Prosecutor's Office as of the 19th three persons, including Senior Chief Petty Officer James E. TAILOR (25 years old) at the US Navy Japan Yokosuka Navy Base, who were selling US servicemen and others heroin, which they had smuggled into Japan from Hongkong by concealing it in tubes of tooth-paste, on charges of violation of the Narcotics Control Law.

Persons, who have been sent to the said Prosecutor's Office, are three -- James and his wife Sohua B. TAILOR (24 years old), whose nationality is Chinese, plus Seaman Recruit Rolland A. SLAUGHTER (21 years old), who is a crewman of a US destroyer.

According to the investigation, Sohua purchased about 150 grams of heroin (¥45 million at terminal prices) for about ¥600,000 from a narcotics smuggler in Hongkong during the period from last September to this March, and smuggled heroin into Japan five times by concealing a vinyl bag, which contained 30 grams of heroin per one time, in a tube of tooth-paste.

Sohua carried this heroin into her residence in Isshiki, Hayama-machi, Miura-gun, Kanagawa Prefecture and James, through SLAUGHTER, was selling the heroin at ¥15,000 per 0.05 grams to US servicemen at the said Navy Base and to ten some-odd persons, including hostesses at bars and cabarets in the vicinity of the Navy Base.

SO

ASAHI (Page 9) (Fu-1)

June 24, 1976

Oil Should Be Reserved against Visitation of Second Oil Crisis; Visiting Federal Energy Administrator ZARB Emphasizes

At a press conference held at the Imperial Hotel, Chiyoda-ku, Tokyo on the 23rd, US Federal Energy Administrator ZARB, who came to Japan to hold consultations on energy policy, gave a severe warning, saying, "There is no guarantee that oil-producing nations will not carry out the policy of placing a ban on oil exports again. However, if the oil crisis rekindles, the world will probably be dealt a severer economic blow than before." Thus, he repeatedly emphasized the importance of an oil reserves policy against it.

Administrator ZARB has so far emphasized in the US that there is a danger of the "rekindling of the oil crisis." On this day, he answered a question, asking, "What is the concrete ground for that?" The Administrator stated, "Considered realistically, it is possible that oil-producing nations will carry out the policy of prohibiting oil exports in various forms henceforth. There is no guarantee that oil will not be used as a political tool. Not only a war, but also countless cases are believed to become a cause."

SA



June 24, 1976

Surplus of Exports to US Continues; Friction May Be Expected in Future:
Keidanren President DOKO

At a press conference held on the 23rd, Keidanren (Federation of Economic Organizations) President Toshio DOKO, referring to Japan-US trade, which is marked with our country's surplus of exports, expressed the following cautious view about the future: "If this (Japan's black-ink balance) increases, as it is, it will gradually cause problems on the US side." He emphasized that it is necessary to promote the recovery of business, in order to increase imports. Furthermore, referring to medium-term policy matters, he feared that the present stagnation of investments in facilities may invite inflation through the shortage of production in several years, and stated, "Now is the time to shift the emphasis of the economic policy from the demand control to a supply control."

With regard to the imbalance in Japan-US trade, Keidanren considers that there will be no new tensions born between Japan and the US for the time being from the following viewpoint: (1) Even in such industries, as automobiles and household electric appliances, no specific friction has been caused in the US, though their exports to the US have suddenly increased; and (2) in autumn and after, when the operation rate of Japanese enterprises rises and consumes the stockpiled materials and raw materials to some extent, raw material imports will increase.

As a result, no special request has been made of Prime Minister MIKI, when he is about to attend the San Juan Conference and Japan-US Summit Talks. Keidanren considers that depending on the moves of domestic business conditions, there is a probability that instead of an increase in imports, the surplus of exports will further expand. That day, President DOKO, quoting the US side at the recent Japan-US Businessmen Conference as saying, "If Japan's black-ink balance in trade with the US becomes about six billion dollars within this year, it will cause a problem within the US. As his judgment, President DOKO expressed a more prudent view that "even if the surplus may be less than six billion dollars, frictions are likely to be born."

Furthermore, the President stated as follows:

1. The Lockheed Case is unpleasant. Now that it has come to the present stage, it is better to press out the pus thoroughgoingly. After that, the extraordinary Diet session will be open as soon as possible, and we hope that the important bills, such as the Financial Law Special Exceptions Law Bill and the National Railways Fare-Raising Bill, will be approved. Under the present situation where the Government and the Diet are not properly functioning as to economic policy matters, we have no intention to make investments.

2. In case investments in facilities remain as stagnant as at present, in two years, there will be not a few industries, the production of which will become insufficient. In the iron and steel industry, even if the construction of a plant starts right now, it will take three to four years to start production. If this time lag is taken into consideration, now is the time for us to study measures for promotion of investments in facilities in real earnest. It is necessary to shift the demand-control-type economic policy to a supply-control-type policy.

June 25, 1976

EXCERPTS FROM NEWS CONFERENCE
 BY FEA ADMINISTRATOR FRANK ZARB
 AT FOREIGN CORRESPONDENTS' CLUB OF JAPAN
 TOKYO, JUNE 23, 1976

Q: It seems that American oil imports have gone up by three million barrels in the last 18 months and are still increasing. Where do you think it will stop and what year will there be a turn-around?

Mr. Zarb: First, let me disagree just slightly with your numbers -- you said 3 million barrels of oil a day in 18 months. Not quite accurate. Through 1975, imports were equal to 1974, adjusted for the embargo period. They averaged about 6.2 million barrels a day. I expect we will end this year with an average of 6.7 to 7 million barrels a day, primarily due to the economic recovery.

In 1975 we consumed as a nation 3 million barrels a day less than were projected pre-1973. About two thirds of that was due to the recession and one third was due to conservation that's coming by virtue of higher prices primarily and mostly from the industrial sector.

So, while you're right in that oil imports are going up in the face of economic recovery, they're going up less than they would have if things were the same as pre-1973, and will probably continue to go up on average for the next two years. There's nothing we can do to stem that tide in the next two year period. We've always said that in explaining our program for self-sufficiency.

Now, the rate at which we top that off and drive it downward depends on the rate at which we get the necessary legislation to implement our program. Of the 13 measures the President sent to the Congress a year and a half ago we have five and I'm hopeful that the remainder will come within the next year. If they are all implemented and we're moderately successful in a number of assumptions as to what's in the outer continental shelf and what the reserves look like in Alaska, how much we think we're going to get from tertiary reserves, and if we get all the necessary authorities, our imports in 1985 will be about 6 million barrels a day. We would have in storage, if our storage program is completed, a billion barrels which would give us 3 million barrels a day for a period of a year, or total imports for a period of six months.

Now, that is a mid-point case for self-sufficiency and indeed it makes us embargo-proof and gives us a great deal more leverage in the marketplace, rendering a much bigger economy in buying a much smaller percent of our oil abroad.



The extent to which we reach those goals, or improve them indeed -- and there's a possibility we can do even better than that if certain things go our way in terms of reserves -- depends primarily on public policy making. And if necessary laws are passed those goals will be achieved....

Q: How will coal fit into the picture by the end of this decade?

Mr. Zarb: The program I just outlined to you and its objective requires five key measures. They're quite simple to state -- not so easy to implement. Our conservation program must continue on its current path and it is moving now to a point where we reduce our energy rate of growth from what was historically, three and a half percent a year, to something closer to two and a half percent a year.

Assuming that we will be able to eliminate controls from the oil industry, we estimate we can move oil production from current 8 million barrels a day to as high as 12 million barrels a day by 1985, and our gas production from current 20 trillion cubic feet to an estimated 22 or 23 trillion cubic feet -- not much of an increase, but keep in mind we have to also offset declining reserves. I'm including in that number the oil that will be coming down from Alaska. So that's tool number two.

Tool number three is coal. And it calls on a policy which would double production in the next ten years. We now produce 600 million tons a year. This plan calls for an excess of a billion tons a year production. Certainly achievable. The coal is there. We have more coal than the Midwest has oil in BTU equivalent.

And number four is nuclear power. Nine percent of U.S. electric comes from nuclear power. We must raise that to 26 percent. We have 57 plants operating, 47 plants under construction and some additional 50 plants in the process of licensing. They need to be completed.

The fifth is the stockpile program already approved by the Congress. If all four of those operate modestly and the assumptions are midpoint assumptions then we reach that 6 million barrel-a-day target.

If we find the outer continental shelf has more reserves than estimated or that our ability to explore (inaudible) slope of Alaska can go quicker than we estimated, then those numbers could be further improved. So it can go either way but my judgement is that if you calculate between four and eight million barrels a day imports in 1985 that's the framework that we will be working in.

Q: There is considerable public opposition to nuclear power plants and continental shelf exploration. Can you overcome it? And how?

Mr. Zarb: Yes. Because we also have opposition to unemployment...let me tell you what the numbers are going to look like. Our import bill in 1970 was \$3 billion. In 1975 it was \$27 billion. Our import bill this year is going to be close to \$35 billion. You can't have those kind of numbers roll up on a continuing basis without some real concern on a matter of public policy. Second, the drive toward self-sufficiency is sound economically. Forget about the national security issue for a moment. Just talk about basic economics. Every

barrel of imported oil, which is the highest price energy source in our country, that's replaced with either coal, nuclear, some other source or conserved saves money. So the economic drive toward these alternative sources will be mighty powerful.

Q: Do you think the public policy up to now has been adequate with regard to natural gas?

Mr. Zarb: Your real question is has public policy acted as a disincentive to development of domestic energy sources including domestic oil. If you took a look at domestic production and natural gas, public policy clearly is a disincentive to not only the major oil companies but the entire production network, and we have 19,000 independent producers in our country. They too are affected. The gas policy is simple. It says that if you produce gas and use it within a state you can sell it on the free market and it sells at a dollar fifty, a dollar sixty per mcf. If you move it across state lines you have to charge 52 cents. Now we're buying gas from the Canadians at presently a dollar sixty per mcf going to a dollar ninety-four January first.

That particular law has actually disincentivized those people who produce from going out and looking for gas wells because it shrinks the market and the size of the return on invested capital. Oil controls in general have been counter-productive. They were useful during the embargo, and essential during any embargo, but from the embargo forward have been a discouraging disincentive to industry to induce them to go out and find oil and produce it.

Now I don't know what the morality of this issue is. All I know are the mechanics and I say that if we provide the maximum inducement to find and deliver oil and then if we don't like the profitability, use an excess profits tax to even out the abuses, the American people are being best served.

If we continue to try to find governmental fine tuning that limits this revenue or that revenue we're going to continue to have the kinds of problems that we've had, so it's my hope and desire that we're going to eliminate many of these controls in the next three years and I believe that Congress has spoken to that point.

Q: Why not more emphasis on using the winds, waves and solar energy by 1985?

Mr. Zarb: It just isn't realistic. These technologies are way behind the power curve in terms of the state of the art and present-day use. We sold out ten years ago to cheap energy -- fifteen years ago. We built big chromium-plated gunboats and cars, we neglected our oil production and we neglected the nuclear cycle, we neglected solar energy research, all of those things went by the boards and that's why we have to play a game of catchup. We're not going to do all that in ten years.

To make solar and these other technologies effective you first have to have technological breakthroughs so that they become feasible and they become workable and they have some economic resemblance to reality. And then you've got the enormous lead times to make the hardware and construct the facilities. And you know what it takes in our country to do something like that. We're just kidding the American people



Now with respect to funding, put \$3 billion dollars a year into energy research and development more and more to these other sectors as compared to the nuclear cycle. That was why we put the Energy Research and Development Administration into being to begin with -- to balance that.

So far as I know solar energy is getting every buck it could absorb and if it isn't it ought to get more...

Q: Do you think the rest of the world is looking to the U.S. to make up its mind on nuclear power?

Mr. Zarb: I think it would be inappropriate for me to say that everybody's waiting for the U.S. and then everybody will follow that lead. I think it is important however that we resolve these many issues at home so that we can get on with our energy policy and begin to establish at least for the rest of the consuming world what ours is going to look like and they have to make their own decisions based upon their own factors...

Q: (Question inaudible)

Mr. Zarb: First of all on that quote, I pointed out time and time again the possibility of such an occurrence remains with us. I have not heard any oil producing state or group of states that participated in the last situation make a public statement that they will never again use oil as a political tool. I think such a statement would be useful. Beyond that so long as we move vast amounts of oil on the high seas and that oil is essential to the running of our economy we have to worry about the possibility of disruption from any source, and need not be simply an Arab embargo. It could be any number of other scenarios that you could construct as easily as I can. So it makes prudent good sense from a management standpoint to have adequate reserves.

Now from a standpoint of being able to cope with it, depending upon the size and longevity, we're in a better position in as much as we have a program that can be implemented immediately to take care of allocations and it runs all the way up to a ration program than has been completed in detail and rests on a shelf. We've had a good deal of experience in how to deal with it. So, from the administrative standpoint of reacting, we're in better condition.

I would expect we have something close to 50 to 75 days in terms of protection in the system. The Congress has mandated that we have 150 million barrels in storage three years from last December and I would expect that by 1980 we would be between 3-400 million barrels in the ground which obviously would give us substantially more protection than we had in 1973. At the time the first 150 million barrels are stored we'll have substantially more protection than we had at that time...

Q: Is Canada planning to stop its supply of oil to the U.S. and would you comment?

Mr. Zarb: Yes. The Canadian Government has said that by 1980 they will withdraw their supplies of oil because they will be importers and thereby need it for their domestic economy. Unless there are changes in their reserves I would expect that program will continue. I don't expect that in the upcoming meeting in Puerto Rico there would be a specific question raised vis-a-vis Canada and the United States. It's a topic that I steadily and continually review with Minister Gillespie. And I'm hoping that we can continue to work together so that as the

Canadian Government sees a need to change their exports that we can do it in such a way that it can be phased out and not be immediately disruptive...

Q: Do we have any way of protecting investments going into coal etc. should oil prices drop abruptly?

Mr. Zarb: There has been discussion of a minimum safeguard price. This notion actually came out of a discussion we had a year ago last November at Camp David when we were constructing the options for the President. One of the last questions we asked ourselves is what is likely to be the reaction of the producing countries, and one of the potential reactions was to break price temporarily and then have imports go up and come back down which is the worst kind of scenario to occur, and minimum safeguard price is the notion used. I hope we have to deal with that problem. It would be a delightful risk to deal with and I think, if it is, it will be dealt with...

Q: What do you think might be the specific energy issues to be taken up at San Juan?

Mr. Zarb: I don't know because I haven't seen the final papers that are going to San Juan. Someone told me today Secy. Kissinger in a press conference in Washington in the last several days said that energy conservation and stockpiling might be issues that might be raised. I didn't see that in any of the press reports so I can't comment on that...

Q: What do you think might be the results if other countries initiate their own 'project independence', which might lead to takeovers of American companies etc.?

Mr. Zarb: First, there are a number of countries of the world that are dealing directly with independents in the United States and I ran into a number of independents this last trip in various countries, so it seems to me that there is more and more business being done with that group so I won't comment on that, but, it just seems to me that each country has to follow its own course and use the resources at its disposal and make its own judgment based upon its own needs and decisions of its own people.

I can only talk from the United States standpoint to the extent that alternative sources can be developed that are under domestic control or diversified sources that can be developed or increased storage can be developed. I think those are all positive elements of many nations' energy policies. But I don't try to persuade them on our point of view, I simply try to explain the nature of our policy and listen to the nature of theirs and where we can cooperate I urge cooperation.

Q: Do you think the (word inaudible) policies in Southeast Asia and Europe will affect U.S. investment in Northeast and Southeast Asia?

Mr. Zarb: I think U.S. policy will make it increasingly attractive to invest domestically. That should not preclude the capacity to invest abroad because in areas such as energy where demand is going to continue to grow capital is always available for certain kinds of investments. And in each case it will depend upon economics and security. If investments can be made that present a good return on invested dollar and those investments can be considered within reasonable degrees of risk to be secure from takeovers, then I think those investments will go forward. But you can't generalize even by areas of the world

You've got to look at each individual situation. But there are a number of American companies all around the world today that are interested in making different kinds of arrangements with different countries that have potential reserves.

Q: What is your evaluation of Japan's efforts to solve these problems of conservation and energy?

Mr. Zarb: I was impressed with both the level of concern and level of effort and the quality of people who are working on this problem. We spend many hours in talking about various programs. They are looking toward diversification of sources and fuels. They have fixed on expanding their nuclear capacity to the extent that that's achievable within local constraints. They have a 20-million-ton-a-year coal program now and they will take every step to make sure it stays at least that level and are looking at possibilities that coal will be used as an external fuel that might come into the country. They're interested in advanced technologies and we talked about advancing technologies such as solar where we might begin to combine our efforts to move those things along as quickly as possible...

Q: Do you see the Administration's approach as any different from, say, Mr. Carter's approach or Mr. Reagan's approach to the question of energy?

Mr. Zarb: I don't know what their total approach is to the energy program. The only program that I have seen that addresses the issue fully and says if you implement this plan we'll achieve our objectives. We've got a value assigned to each measure in barrels of oil -- barrels of oil saved, barrels of oil produced or its equivalent. If you take one out you have to put in an equal substitute. The only program that I've seen is the one the President sent to Congress a year ago January. Now I'm not insisting that that be the only one. If there's another way to do it we ought to look at other ways to do it. I haven't seen that comprehensive approach from anybody, and until I do I can't make a valid comparison.

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REMARKS PREPARED FOR DELIVERY BY
THE HONORABLE FRANK G. ZARB, FORMER ADMINISTRATOR,
THE UNITED STATES FEDERAL ENERGY ADMINISTRATION.

I appreciate this opportunity to meet with you to discuss U.S. energy policy. The United States has rarely seen a debate as intense, as comprehensive and as vital as our current deliberations on energy policy.

In the United States we hear a broad range of opinions, explanations, arguments and program proposals from all segments of society. We have reached a consensus on many of our basic energy objectives and have made some sound policy decisions.

The debate continues in many areas, but centers on the means to achieve our goals, rather than on the goals themselves. I would like to give you today a brief overview of the current U.S. energy problem and then discuss the evolution and future of U.S. thinking on energy.

Before World War II, energy consumption in the industrial countries was increasing dramatically. Coal, for years the major fuel in the world, was quickly taking second place to petroleum -- a cheaper, cleaner and more versatile fuel.

Between 1920 and 1940, U.S. coal consumption fell from the energy equivalent of 7.3 million barrels of oil per day to 5.9 million. Over the same



period petroleum consumption tripled from 1.2 million barrels per day to 3.5 million. Large petroleum and coal resources in the United States, combined with the technology and commercial skills of the U.S. oil companies, satisfied all U.S. domestic requirements with a substantial surplus for export.

The period after World War II witnessed two trends of importance. The world was experiencing a period of unprecedented prosperity. At the same time, domestic energy production in the industrial countries could not keep pace with energy requirements.

Western Europe in particular had virtually no domestic petroleum resources and began to satisfy a greater and greater percentage of its needs from the vast oil fields of the Middle East.

World oil production increased from 10 million barrels per day in 1950 to over 45 million barrels per day in 1973, an increase of 450 percent. Of that increase of 35 million barrels per day, 23 million -- or almost two-thirds -- came from the Middle East and North Africa. Saudi Arabian production alone increased from 500 thousand barrels per day in 1950 to 8.5 million in 1973.

Even the United States, once the world's largest exporter of petroleum, has experienced declining oil production in the 1970's and has developed a dependence on Middle East oil.



Total U.S. imports of petroleum increased from 2.5 million barrels per day in 1965 to 3.4 million in 1970 to more than 6 million in 1973. United States imports from the Middle East increased four-fold from less than 500 thousand barrels per day in 1970 to 2 million barrels per day in 1973. United States dependence on imports thus increased from almost zero in 1950 to 25% of petroleum consumption in 1970 and nearly 40% in 1973.

The year 1973 marked a turning point. Because a surge in world oil demand had temporarily outdistanced production and logistical capacities, the world petroleum market was in a period of temporary shortage. The October War temporarily overcame traditional mistrust among the Arab states and generated an effective consensus on the use of the "oil weapon".

The Arab states had developed the government capability and petroleum expertise necessary to make workable price and production decisions. The result was an embargo and a series of price advances resulting in a four-fold increase in the price of crude oil.

In the confusion of the embargo and price increases, fear, skepticism, accusations, and predictions of doom were rampant. Some vocal but misguided observers claimed that the crisis was artificial, manufactured by the oil companies for their own purposes. Others foresaw the demise of the industrial economies.



The debates within governments were as intense as the public debate. We had first of all to determine what the problem was and then to agree on what to do. We have had within the U.S. Government substantial success on the former objective, but unfortunately much less success on the latter.

We have reached a general consensus in the United States on several basic aspects of the nature of the problem. First of all, we have agreed that the United States must have adequate long-term supplies of energy at reasonable cost.

Energy is vital to every economic activity, and the continued and increasing prosperity is impossible without it. Our estimates show that the five-month oil embargo of 1973-1974 cost the United States \$10-\$20 billion in lost Gross National Product.

It is also of paramount importance that our energy supplies be secure. The United States and other industrial countries now face a situation in which they must rely for a substantial percentage of their energy on those same countries which applied the "oil weapon" to force concessions from the oil consuming countries. No nation can accept such a situation -- if it has any alternative course.

Until recently, the security of supply was considered primarily the responsibility of the private sector. The private international oil companies explored for, produced, transported, refined, and marketed at low cost the oil needed by the economies of the world.



With the recent emergence of the power of oil producing nations, however, it has become clear that the private sector alone cannot assure an adequate and secure supply of imported oil at a reasonable price. With their assets held hostage in the producer countries and with the governments of those countries making the major decisions on price, investment and output, the private companies no longer dominate the oil market.

In short, the United States, like other consumer governments, has had to reexamine the role of government in the international oil system.

Another point of consensus in the United States is that the vast energy resources of the United States should be tapped in an environmentally acceptable way, to increase our self-reliance in energy,

The U.S. has great potential in coal, nuclear power, and conventional oil and natural gas. The development of these resources, however, at acceptable commercial and environmental cost will require time -- on the order of ten years -- to have a substantial effect on our energy situation.

The development of new technologies such as synthetic fuels, shale, solar, and geothermal, involves even longer lead times. The next decade will probably be our most difficult one, and we must take measures to hold our dependence on oil imports to an acceptable level.



Finally, we agree that cooperation among the petroleum consuming countries can be effective and that the United States must take the lead in promoting such cooperation. The U.S. has indeed played an active role in the international arena. Initiatives in, and support for, the programs of the International Energy Agency in Paris have been a key element in our co-operative efforts with other consuming countries.

A constructive approach to the Producer/Consumer Dialogue is a second, equally important, element.

Although we have much to learn about the new international petroleum system, it is clear that an effective international program to reduce consumption and increase energy production in the consumer countries can limit the monopoly position of the producer countries and be a force for moderation in world energy markets.

It is clear that, only by working together within the same framework of objectives, can the industrialized countries bring about a sufficient shift in the world's supply/demand balance for oil to end the producers' unilateral control over oil price and supply.

We have achieved a broad consensus in the United States on these points. Although we have had difficulty translating this consensus into a comprehensive program of action, we should not minimize the importance of our successes so far.



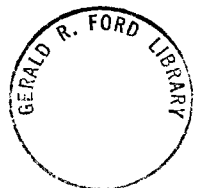
In addition to the development of U.S. resource potential and consumer country cooperation, an effective U.S. energy program must have two elements: the stabilization of domestic pricing policy and the removal of price controls from domestic petroleum are essential.

Secondly, the development of a strategic petroleum storage capability of up to one billion barrels must be undertaken. Such a capability would greatly improve the ability of the United States to resist the pressures of a supply curtailment.

The United States has embarked on a massive research and development effort, centered in the new Energy Research and Development Administration. This agency is responsible for U.S. Government programs designed to improve technology in both conventional and unconventional energy sources.

The United States as a whole -- and particularly the Congress and the Administration -- still have major unresolved differences. Our disagreements on energy policy reflect, not a lack of resolve, but an ongoing national debate on political and economic philosophy.

The resolution of our differences on energy policy hinges on questions of the basic role of government in the United States.



I raise this point this afternoon because virtually all industrial democracies in the world face the same questions: What is the proper balance between private sector and public sector activity, and what are the roles of price and profit? In short, our traditional approaches to national problems are being questioned. Energy is at the center of this debate.

On one extreme, we hear that the government should form a Federal Oil and Gas Company to produce domestic petroleum or purchase foreign oil. On the other extreme, we hear that the government should stay out of private sector activity. In between, we hear every shade of opinion.

The economic prosperity of the United States and most other industrial countries has been based on private sector activity. A cornerstone of U.S. economic theory is that the open market provides the best allocation of resources, reflecting the preferences of consumers and balancing a system of infinitely complex economic forces. Many of us believe that government involvement in the economy is an expensive, ponderous -- and often counterproductive -- activity.

In the world energy system, however, basic market forces are not allowed to work. A small number of oil producing countries have established an artificial price based on their almost monopolistic position. That price is determined as much by political as by economic considerations.



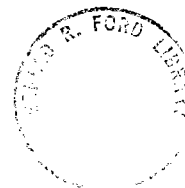
We can expect that, whether we like it or not the terms of trade for petroleum, and perhaps other commodities as well, will be determined by government-to-government relations as much as by market forces.

Domestically, we find a maze of government regulations and political uncertainties which, combined with the distortions of the international market, have magnified risks and complicated normal private sector decisions.

Although most of our historical energy development has been strictly in private hands we now find that a great deal of our undeveloped energy resources are on government land, in the far West, offshore areas and Alaska. The government thus finds itself the owner of much of our future energy potential. The political forces at work to influence government decisions on the disposition of those lands are naturally great.

The best solution would be one which would utilize the technical, managerial and commercial skills of the private sector, but reserve for the government the right and responsibility to define the national interest and to take steps to ensure that private sector activity is consistent with that national interest. In essence, the government must assure the security of U.S. energy supply and -- at the same time -- assure that a disruption of energy supplies cannot be used to bring political pressure on the United States.

Although we can expect the private international oil companies to play an important role in the world energy system, energy must continue to be a



basic component of foreign policy.

The domestic component of the government's responsibility should be to create the proper conditions and investment climate for the maximum efficient development of domestic energy resources and for the reduction of consumption. A stable, consistent and rational set of government regulations would be a step in this direction.

Government incentives for the development of new energy sources might include tax policy, loan guarantees or -- if necessary -- government financing. The thrust of such a program should be to encourage private sector activity wherever possible.

At the center of the public sector vs. private sector controversy is the question of price. Since World War II, the Middle East has been the major source of incremental energy in the world. The cost of production in the Middle East, often as low as a few cents per barrel, allowed the oil companies to land oil in the United States for about two dollars a barrel before 1973.

We became accustomed to this cheap energy. With the price increases of the last two years, it has become clear that this cheap energy is no longer available. Middle East oil landed in the United States is now over \$14 per barrel. Part of our price controversy hinges on our reluctance to accept this situation.



Another part centers on the fact that, even within the United States, the cost difference between the lowest cost oil and the highest cost oil can be as much as \$10/barrel. The distribution of this "economic rent" is a basic subject of contention. The cumbersome price control system employed in the United States was an attempt to redistribute this rent from producers to consumers.

Although we all understand and sympathize with the considerations involved in this debate, we have only a poor understanding of the operation of a complex industrial economy. The effects of attempts to "fine-tune" the economy are always unpredictable and often counter-productive.

Price controls are an example. Real cost, in economic terms, means the resources we must forego or exchange to obtain an additional unit of a good. We know both by theory and practice that the optimal balance of production, consumption and investment is maintained when prices reflect real costs.

Price controls generally distort -- not reduce -- costs, leading to a misallocation of resources which ultimately hurts the very consumers the controls were designed to protect.

The U.S. energy debate thus centers on means rather than ends. If we can reach agreement on the proper balance of private and public sector activity, we will have eliminated most of the obstacles to the completion of our task.



Although we have a long way to go in the process, we have reason for optimism. Each day, the pressures of our energy problems increase and, with them, public awareness of the seriousness and urgency of undertaking a comprehensive energy program.

We can expect to see in the near future not the adoption of one point of view or another, but a series of compromise decisions and policies.

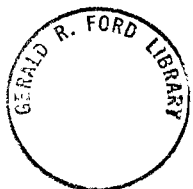
Regardless of how the details are finally determined, I can predict with some certainty that the United States will achieve the following results over the next ten (10) to twelve (12) years:

- 1) We will reduce our energy rate of consumption from a historical rate of 3 1/2% a year to 2 1/2% a year.
- 2) We will stabilize the decline of domestically produced oil and gas and probably increase oil production from eight (8) million barrels a day to close to eleven (11) barrels a day, and increase oil production from twenty (20) trillion to twenty-three (23) trillion cubic feet per year.
- 3) We will increase our domestic coal consumption from the poor level of 600 million tons per year to more than a billion tons per year.
- 4) We will increase our electrical generation of nuclear power from 9% to 20%.



- 5) We will complete a more than 500 million barrel oil stock program.
- 6) We will expedite research and development in all areas including advance nuclear power, breeder reactor, plutonium recycling, solar, coal gasification, coal liquifaction and shale.

I am convinced that the United States will finish the job it has started, to ensure the energy needed for our continued prosperity. Thank you.



Speech made

Fix
Nancy is checking
this out

DATELINE: QUINCY, ILLINOIS, MAY 15, 1977

In this quiet Illinois town 48,000 Americans live among the dogwoods and next to the great Mississippi River. At Quincy College it was a graduation. Two hundred and fifty young men and women received their degrees from this pleasant school with a total enrollment of approximately 1,500. I was honored to deliver the commencement address, and as I did I looked out at the graduates, their mothers, father grandparents, friends and relatives, and couldn't help but be touched by their warmth and responsiveness. I had delivered a very similar speech some years back, but this time it was different, perhaps because I believe more firmly in the words I spoke now than I did before, and perhaps it was the typical American nature of a Midwestern audience. The speech went something like this:

Father Titus, members of the Quincy College Board of Trustees, distinguished honorees, members of the faculty, parents, friends, and graduates of the Class of 1977:

I have many reasons to thank you for inviting me to join you today. But I'm especially glad to be in Quincy, because frankly it refreshes my sense of values. I have lived and worked in Washington, D.C. for the past five years. Washington has been described as "an island, surrounded on all sides by reality." And there is some truth in that statement.

It's a city where words are sometimes chosen for what they don't mean as well as for what they say; where lines are written to be read between; and where the media scrutinizes and interprets every detail.

At times that atmosphere can distort perspective, and lead one to believe that the political intensity of Washington is also characteristic of the rest of the nation. Well, thankfully it isn't.



I want to congratulate everyone who received a degree this morning. And I also want to spend a few moments reflecting on the past, present and future of this country, and the government that tries to guide it.

I received my own MBA in 1961. Two decades earlier, the United States had played the major role in stemming the spread of fascism; had assumed the burden of free world leadership from older, less energetic nations; and proceeded on a course of international policy unheard of in history. Rather than plunder the defeated, we chose instead to make available to them the means of resurrecting themselves and seeking their own economic and political salvation.

Nations -- once defeated, powerless and vulnerable -- were lifted off their knees and given the means to survive in peace, and to compete, economically and politically, with the country that had conquered them. In doing that, the United States provided the world with a most extraordinary demonstration of reasoned compassion as a national characteristic.

By the time I came to receive my degree in 1961, that work of reconstruction had been completed, and the United States -- as well as the rest of the free world -- was entering the sixties with a surge of justifiable exuberance, and hope.

As a nation, we were the foremost among equals -- supreme among super-powers, envied for our economic and social vigor, proud of our institutions, and still willing to exert our power in the world -- and at home -- on behalf of those less fortunate than we.

In that same year -- 1961 -- John F. Kennedy could stand on the steps of the capital and say: "...ask not what your country can do for you. Ask what you can do for your country." How many people could say those words in 1977 without being accused of naivete. Moreover, how many among us this morning could hear those words without making the accusation.



Our national experience over the last fourteen years has led to a sense of skepticism that now defines altruism as arrogance, and seeks the mean and narrow comforts of cynicism. In less than two decades, the United States has undergone a transformation economically, institutionally, and socially that seems to have left us discontented with ourselves and with the world.

And it doesn't take a very close reading of the history of the last two decades to make that frame of mind understandable -- though hardly acceptable.

It is easy to see tragedy -- in the assassinations, in a fruitless and bitter war, in the real constitutional torment of a Presidential resignation, and in the economic tides that have brought cyclical inflation and recession.

As a nation, we seem to have gone from the robust vigor of youth, to a middle aged identity crisis -- in 16 short years, from the assumption that all things are possible to the feeling that perhaps nothing is attainable, and even if it is, it is probably not worth the attempt.

And we find ourselves in this situation precisely when the world is entering a new and possibly dangerous era. I am not speaking only of questions of war or peace, but of economic, social and political flux -- of different relationships among countries, and of new economic, and political arrangements.

Perhaps I can best illustrate the kinds of challenges we are facing by briefly describing the nature of the energy problem.

Anyone who deals with energy is struck by the complexity of its production and delivery system, and by its social, economic and political ramifications.

Its availability and price determine not only how a worker gets to work, but sometimes, whether he gets to work at all, or even whether he has a job. And the United States has lost control over both supply and price of its energy needs.

Economically, half way around the world, its availability and price affect the production of fertilizer, and, quite possibly, determine whether the future of several million human beings is one of an adequate standard of living or of starving to death.



On the grand stage of global politics and economics, energy can mean the survival or collapse of entire nations.

We do, in fact, face a situation which is ominous in political, economic -- and most important -- in human terms.

The last decade has seen significant changes in the world's oil distribution system. More and more, power over that system has shifted to the government of the producing countries.

Because of this we have witnessed an increasing mixture of politics and profit in determining oil prices, and it's difficult to tell at any given time which is the predominant element.

Those -- stated very simply -- are the political and economic factors in the energy situation. But the problem is much more complex.

The hose that goes into a gasoline tank here in Quincy doesn't stretch all the way to an oil field in Oklahoma or Saudi Arabia. Between the two is a host of interdependent producers, shippers, refiners, and marketers -- large and small, majors and independents. It's been estimated that at any given moment, there are more than 800 million barrels of crude oil and product in transit.

Moreover, the industrialized nations of the world -- and the United States in particular -- have become accustomed to fingertip availability of energy in all its forms. We don't work, play or even live without it. It permeates all of our lives in almost every aspect.

And in so far as it touches -- and intimately conditions -- the way we live, energy becomes an emotionally charged issue. The way we as a nation react to that issue -- and others -- will either manifest the fundamental political strength of our system -- of the way we govern ourselves; or it will constitute a prima facie case against the ability of a democracy in 1977 to meet a crisis.



And I'm not talking now about just the energy crisis, but about all of the problems that are bound to emerge in the future; nor am I speaking only of the way government handles the affairs of the nation. I mean the kind of civilized dialogue that must take place in any democratic society before we -- as a free people -- can produce any sort of unified response to public issues.

It concerns me -- and it should concern all of us here -- that so much public debate seems to be predicated on the assumed bad faith of the other side. There seems to be an instinctive suspicion of the motives of anyone whose position is contrary to ours -- an inclination to question the sincerity of a statement rather than its content.

There is in that tendency a disposition to believe only in the truth of our own pronouncements, only in the justice of our own cause, and only in the good will of those who think as we do -- in short to identify narrow concerns with the general good of the nation to the exclusion of other considerations.

The logical outgrowth of these trends is to distort the way we perceive public policy. The economy becomes all; or the environment becomes paramount -- or energy or politics. And the country is then viewed through the prism of polarity, with diatribe masquerading as debate and confrontation supplanting conciliation.

That kind of factionalism poisons the wellsprings of public debate and turns the common ground of compromise into a desert. It paralyzes the ability of government to act on behalf of clearly perceived and commonly held national goals because, in our free system, government can act to meet major challenges only if it is energized by public support for national objectives.

In that sense, the relationship between government and people is like a complete electrical circuit. Fully charged and grounded in popular support, it is capable of enormous productive effort for the common good; overloaded with invective and distrust, it shorts out.



Today, unfortunately, it is the latter which is true. The circuit breakers of public confidence have been tripped -- and not without some justification.

But I am convinced that they can -- and must -- be closed again if we as a nation are to respond creatively to the issues before us now, and those that lie in the future.

And we as citizens can contribute to repairing those circuits by insisting on courage in our leaders and honesty in our government, and by admitting that less government rather than more is probably required if we are to return to the free and determined American tradition of facing and overcoming threats to our national well-being. Perhaps most of all we must repair the frayed strands of confidence that bind all of us together as a people.

We owe ourselves, at least, the same generosity of spirit which we showed to our conquered former enemies after World War II. We owe ourselves the opportunity to rekindle that confidence which once marked us as a people. We owe ourselves a chance to restore the exuberance that once characterized our national life.

In short, we owe each other the trust that turns residents of the same country into fellow citizens. And that means a willingness to attribute decent motives to those who disagree with us.

As graduates you now go forth toward other plateaus in life. You will have a major role in shaping the future of our nation. You will, as you should, argue strongly for the principles that you believe in.

As you do, keep open your mind as well as your heart. Argue firmly for your beliefs but protect with even more vigor the right of others to firmly disagree.

There is an element of risk in that, but it is a risk well worth the taking.



The applause was warm and long. The comments afterward were generous and even a little emotional. You know, there really still is an America out there.

