



OFFICE OF THE VICE PRESIDENT

WASHINGTON

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Memo ✓

MEMORANDUM FOR: THE VICE PRESIDENT

FROM: GAIL HARRISON

SUBJECT: BRIEFINGS FOR MEMBERS OF CONGRESS ON THE
TOKYO SUMMIT

The attached talking points were prepared by Rudd Poats, Henry Owen's Deputy at the NSC. Stu has not yet had a chance to review them, but will have a copy first thing in the morning.

There are two questions that will obviously be on everyone's mind during these meetings:

1. With gasoline lines, shootings on the highways and the crisis we have at home, what is the President doing in Tokyo?
2. With OPEC devastating us on prices, what will the summit do to help?

Unless we can lead with good responses to those questions, I think the meetings could be counter-productive. Based on further consultation with Rudd, who understands the problem, and Bert Carp, the following is what I suggest:

Importance of the Summit

- Energy crisis is global. Need cooperation of all countries to bring world supply and demand into balance.
- U.S. is taking strong action through decontrol, mandatory conservation, and investment in new technologies. We are meeting our commitments in Bonn and three months ago at a meeting of the International Energy Agency.

- But if we are to break the OPEC hammerlock on world supplies and prices and alleviate the problems facing American consumers, other countries must do their part.
- Every barrel of oil saved in Europe or Japan eases the problem for the United States. Every barrel they produce benefits our country.
- Short of a concerted global effort, the United States will bear a disproportionate share of the cost for dealing with the world supply-demand problem.
- Unless we come to grips with the global nature of the crisis, we will simply be managing -- rather than solving -- the shortage.

What Will the U.S. Gain from the Summit

- If we succeed in getting specific country-by-country import ceilings, we can:
 - send a strong message to OPEC: that the big oil consumers are determined to restore balance to the world oil market,
 - ease pressures on the spot market,
 - prevent a situation as we saw in the first quarter of 1979 where West Germany's imports were soaring at a 20% annual rate, while our oil imports were increasing at a 5% rate,
 - gain concrete assurance that if we do our part, other countries will do theirs.
- If we succeed with our initiatives on the supply side, we can:
 - correct an imbalance whereby the United States has been carrying the lion's share of the load on research development and demonstration of new technologies;
 - move toward a regime where other countries step up their efforts and move toward a more equitable system of cost sharing in development and production of new energy sources.

The points beginning on Page 3 of Rudd's memo provide a good rundown of the specific Tokyo energy initiatives.



OFFICE OF THE VICE PRESIDENT

WASHINGTON
June 26, 1979

MEMORANDUM FOR: THE VICE PRESIDENT
FROM: GAIL HARRISON
SUBJECT: TOKYO SUMMIT BRIEFINGS

NSC has just provided an important addendum to the briefing materials for the meeting with House and Senate Members on the Tokyo Summit. It is as follows:

Refugees. Joint action to reduce the tide of Indochinese refugees and to assure more equitable sharing of the burden of assistance to them has been added to the Economic Summit agenda. Originally the President had planned to initiate this discussion briefly at a luncheon and have the seven foreign ministers pursue it separately. Now we are making soundings that may lead to more immediate action at the Summit. A U.N. Conference designed to put pressure on Hanoi to stop exploiting and expelling these people is a possibility.

Briefing Notes

Economic Summit

- Economic summitry among the seven biggest industrial democracies began four years ago at Rambouillet, France. The objective was to achieve greater mutual reinforcement and to reduce contradictions in the economic policies of these countries that so heavily determine the world economy's fate.
 - At Bonn last year, economic summitry moved on to the striking of specific bargains: Germany and Japan would stimulate their economies so as to reduce their balance of payments surpluses; the United States would begin a serious program of curbing its appetite for imported oil, including a commitment to bring domestic oil prices to the world level by the end 1980.
 - At Tokyo, on Thursday and Friday, the fifth Economic Summit will strike a bargain not only among the seven governments but, implicitly, with the world.
 - Far more sharply than last year, economic policy will largely mean energy policy.
 - Look at the four basic fields regularly treated at Economic Summits:
 - o macroeconomic policy
 - o trade policy
 - o monetary policy
 - o north-south relations
- The oil supply-demand squeeze and price explosion overcast every subject.
- Macroeconomics. OPEC's exploitation of the Iranian revolution and our hard-to-kick dependence on oil threatens to turn weak growth and high inflation in all the industrial countries into recession and to deeply ingrain inflationary expectations. Can we find the right economic policy measures to deal jointly with this threat without compounding it? How can we act jointly to limit the damage? This is the central macroeconomic policy issue at the Summit.

- Monetary. How do we sustain the recovery in the US balance of payments, which is critical to world monetary stability, in the face of sharply increased oil bills and the slump in import demand in all markets caused by a radical oil price rise?
- North-South. Are we doing enough to increase production of energy in the oil-importing developing nations, so as to limit their demands on a finite world oil supply and to soften the blow to their development prospects of soaring oil prices?
- Trade. Can we press, realistically, for movement by the middle-income countries such as Brazil to join the GATT system of reciprocal trade concessions with industrial countries this year, when the world economic outlook is so unsettled by the energy issue?
- Long-term economic adjustment. The Summit will concert policy on long-term approaches to productivity and economic efficiency. Preparatory discussions indicate agreement to basic macroeconomic action programs as advocated by our Congressional Joint Economic Committee, such as:
 - o more stimulus to capital formation in the lagging countries;
 - o more industrial R&D;
 - o more flexibility in labor markets;
 - o better balancing of the social goals of regulatory functions with the economic goal of productivity;
 - o reduction of public sector expenditures in the slow-growing economies, etc.
- In the north-south arena, we hope to get agreement to sharpen the focus of our aid programs and our international commodity negotiations on the problem of food security for developing nations. This means more agricultural R&D, a fresh try to create an international grain reserve, fulfillment by some of our allies of their promised shares of the world food aid convention, and so on.
- But the main tent is Energy.

- Here we are dealing with Topic A of each Summit nation's current political agenda: how to reduce our vulnerability to the oil cartel's supply and price actions and to political disruptions of oil productions anywhere.
- The Summit will deal with three energy subtopics: demand-restraint; increased supply; and relations with OPEC.
- President Carter has taken bold proposals to Tokyo on both supply and demand actions.
- On 1979 oil imports, he will press for more specific, country-by-country ceilings on oil imports by the seven Summit countries than the confusing 5% reduction goal the IEA adopted last March.
- For 1980, we want a tight and specific ceiling for each country that will send a message to OPEC: that the big oil consumers are determined to restore balance in the world oil market.
- Beyond 1980, the European Economic Community proposes a ceiling on the group's oil imports no higher than in 1978. This is easier for the Europeans than for us, and much easier for Europe than for Japan. But something along these lines would help to show Saudi Arabia and Kuwait that it may not pay them to hold back production in the expectation of much higher real prices later.
- There also may be a decision to take joint action to deal with a symptom of the oil shortage that is multiplying its price effects, that is, the so-called spot market. The European Community has adopted some of the French proposals on dampening the speculation in spot cargoes and we may join in requiring detailed reporting by oil traders and discouraging transactions at speculative prices.
- Coal. We have urged the creation of an International Coal Advisory Board to press governments to fulfill the commitments recently made in the International Energy Agency to unleash the potential of coal to ease the energy shortage.
- Nuclear. The EEC wants a fervent reaffirmation of the indispensable role of nuclear power in meeting immediate and medium-term energy requirements and preventing a deep recession. I expect President Carter to insist

on more restraint until we have received the findings of the Three Mile Island Commission report and determined what else we must do to assure the safety of nuclear power.

- New Technologies. We have taken the lead on proposals to increase international sharing of the burden of financing the big, risky projects that must demonstrate the commercial application of new energy technologies. Our basic proposal is to form an interim group that would evolve into either a permanent association to promote and facilitate demonstration projects or, if a study over the next three months so indicates, into a funded international energy technology corporation.
- Our domestic action on synthetic fuel development should be designed to take advantage of the opportunities for foreign financial and resource contributions to our projects.
- Relations with OPEC. These actions on basic oil demand -- increased production of oil and gas in developing nations, puncturing the spot market, increased production and use of coal, on the safety of nuclear power, creating a broad spectrum of new energy sources for the future -- are the keys to dealing with OPEC.
- We don't share the European enthusiasm for a renewed group "dialogue" between producers and consumers; this could become a rhetorical exercise in which we play the role of supplicant.
- We and the EEC and Japan will be separately exploring with some key OPEC countries and with Mexico the best approach to a broad international plan for stabilizing oil supply and demand. We don't have the mechanism or the formula yet, and we should not rush into it before our own actions have produced evidence that we are able to determine our own fate.



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