

B A C K G R O U N D B R I E F I N G

THIS BRIEFING MAY BE ATTRIBUTED
TO ADMINISTRATION OFFICIALS.

AT THE WHITE HOUSE

AT 2:15 P.M. EST

NOVEMBER 12, 1979

MONDAY

ADMINISTRATION OFFICIAL: Ladies and gentlemen, this briefing will be on background for attribution to Administration officials. I guess that is it. We will rotate questions among the officials, depending on the questions.

ADMINISTRATION OFFICIAL: I think perhaps the best way to proceed is for you to put your questions, and then we will answer them among us, each one taking whatever they can handle.

Q I would like to ask if we have made arrangements already to purchase oil from other countries that other nations have been purchasing, and they might then purchase from Iran what we have been purchasing, so as to not make a complete shortfall of the roughly four percent of our total daily consumption?

ADMINISTRATION OFFICIAL: We have not made those arrangements.

Q Do we have any hope that we can?

ADMINISTRATION OFFICIAL: Well, I think the thing that we would like to really strive for here is to achieve conservation. This is a challenge to the American people to use less. We have not made any such arrangements. To the extent that the market mechanism might adjust so that we don't realize the total impact of the Iranian supply, that may be one issue. But whatever happens, it is important that the American people use less. This is an opportunity to really emphasize the importance of conservation, and to emphasize the fact that it is important that we diminish our dependence on imported oil.

Q Can you explain under what authority the President took this action?

Q How do we know that doing this, cutting off purchases, will have any effect at all on the situation over there?

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Q Can you explain under what authority the President took his action today?

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ADMINISTRATION OFFICIAL: Under Section 232(b) of the Trade Expansion Act. The same section under which other reductions of oil imports have been imposed in the past.

Q Could I ask you, and I only ask you this because it is on background, the other side of the question? It goes this way: there have been appeals, both from you and from the President, to avoid provocative action in this situation. We are dealing with terrorists, where one fears that any precipitate move may produce an irrational response. Have you considered whether this action might produce an irrational response?

ADMINISTRATION OFFICIAL: We have indeed. We have considered that very very carefully. And there is unanimity among us that this should not produce any reaction on their part. It is merely an act of self discipline on our part.

Q The President suggested that this move he is taking today should be an American measure, that it must be part of an effective international effort. Is the President talking about calling on other nations to cut back Iranian oil imports?

ADMINISTRATION OFFICIAL: No, what we are talking about is the importance of other nations doing what they can to emphasize conservation, to import less. You recall, that was one of the initiatives talked about at the Tokyo summit. We talked about that at the energy ministers meeting in September in Paris. We have a continuing effort to get all of the OECD countries, the IEA countries, to adopt national programs to diminish their dependence on imported oil. It refers to the importance of multi-lateral cooperation, to having a multi-lateral effort to reduce our joint and collective dependence on imported oil.

Q What do you think will be the impact on price?

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Q Can you tell us, do you have any plans now being considered for proposal in the near future to help with the allocation to consumers of potential shortfalls up to 700,000 barrels? And do you have any plans under consideration for allocating the crude among refiners, under the assumption that some who are dealing directly with Iran will simply fall short, because their contracts would be void?

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Q Can you tell me, is there any plan to halt food shipments and other products to Iran, or to restrict the movements of the Iranian embassy here in Washington, embassy personnel?

ADMINISTRATION OFFICIAL: I don't want to comment generally about those kinds of things. We are devoting our efforts, day in and day out, 24 hours a day, to trying to get our hostages free. That is what we are addressing our efforts to.

Q Have ^{we} you informed Iranian authorities of this action?

ADMINISTRATION OFFICIAL: We have. We informed them about 15 minutes before the announcement was made.

Q How did ^{we} you inform them?

ADMINISTRATION OFFICIAL: By teletype to our charge who was in the Foreign Ministry in Tehran.

Q How long can this go on?

ADMINISTRATION OFFICIAL: Again, I don't think that is an issue that we ought to be devoting our time to at this time. What we should do is continue to work as we are, around the clock, to try and get our people free.

Q Is this a short term measure that could be reversed after the hostage situation is resolved, or is this something we may want to continue on a longer term?

ADMINISTRATION OFFICIAL: I think you should think in the -- I think the way to think about it is in In other words, I don't know when the situation in Iran that caused us to take this action might change.

But be that as it may, you know, I think there is only one way to think of it and that is that there is no time limit. It is an indefinite situation.

Q Are you urging the states to go back to an odd-even system at this time?

ADMINISTRATION OFFICIAL: We are not making any specific urgings but pursuant to Senate bill 1030 which was just enacted into law, pursuant to the importance of state initiatives, we are going to be asking the governors or their representatives to come into Washington for a series of meetings where we will be talking about state plans to achieve their specific conservation targets.

Q Will you be announcing the targets soon? Under the law, the first thing that happens is the President announces state targets. Will you be doing that soon?

ADMINISTRATION OFFICIAL: We will be moving to do that -- we will probably have such a conference established. Hopefully we can do that sometime this week. Certainly no later than next week.

Q How long will it be before you expect there to be gas lines as there were last summer when there was a three percent shortage?

ADMINISTRATION OFFICIAL: That depends, again, on the amount of conservation success that we have.

Q Yes, but these measures aren't immediate.

ADMINISTRATION OFFICIAL: But we have a very good inventory situation, specifically worldwide inventories of petroleum products, all petroleum products, crude and refined, are at almost historical highs. We project that December 31 of this year there will be -- they will be at a level of 5 billion and 20 million barrels.

If you look at the United States, on crude oil, on middle distillate, on motor gasoline and all categories of inventory we are up, and if you look at the four weeks ended November 2nd and what our consumption was compared to the four weeks ended November 3rd of 1978, you will see the consumption is down eight percent. There should be no cause for concern. There should be no cause for panic. Hopefully the American people will conduct themselves in such a way that we don't have an immediate return to gasoline lines. We have product in the pipeline of at least 45 to 60 days, not even considering what is in the continental United States in the pipeline.

So there ought to be some period of time before we have any adverse impact and hopefully the people will see that.

Q There are ways in which crude oil can be shifted around from country to country in such fashion that we should be able to continue to import as much crude oil as we have in the past, as I understand it. What is to prevent the American people from thinking that this is just some sort of publicity ploy to get them, in some fashion, to conserve oil?

ADMINISTRATION OFFICIAL: The need to conserve oil is, of course, an overriding consideration here is not the conservation of oil. We have a situation where economic policy seems to be being effected by political considerations. In other words, we have hostages in the embassy in Tehran.

To the extent it might be a consideration that some perceive that we are dependent on their oil, that becomes a non-issue. We are not buying their oil as of the President's announcement. So our procurement of Iranian oil is not an issue.

In the short term it is the right thing to do. In the long term it is the right thing to do. In other words, if we have to constrain our consumption because the system doesn't readjust to reallocate that quantity of crude, that is still in our interest. It is of overriding importance that we constrain our importation of crude.

Q Do you anticipate that this will have any economic effect on Iran?

ADMINISTRATION OFFICIAL: That depends on Iranian policies. Now, if Iran chooses to go ahead and make -- you know, to go ahead and produce the same quantity, they will probably find buyers elsewhere in the world. I think they announced this week that they would be constraining their production by five percent, and so I don't know what Iran will be doing. I don't know what the reactions of other consuming countries will be. We will be encouraging them to adopt tough conservation targets, though, to join us.

Q Are you really saying that this action will not have any impact on the typical American?

ADMINISTRATION OFFICIAL: I am not saying that because that depends on how Americans conduct themselves in the future. In other words, we have a good inventory situation. We are now using eight percent less in the last four weeks than we used in the corresponding four weeks of 1978. We are talking about something approximating a four percent shortfall in the total more or less 19 million barrels of daily use that we have of liquid petroleum products.

So it ought to be manageable if the American people choose to manage it in the right way, and hopefully they will.

Q You seem to me to be saying that you really don't give a damn whether this has an impact on the Iranian government or Iran.

ADMINISTRATION OFFICIAL: We are taking an action in what the President has announced which we believe is in the interests of the United States and particularly of the hostages who are our greatest concern. We are also saying that we believe that it will have no adverse effect upon the Iranian government, unless the Iranian government chooses to change whatever plans it may have.

Q Would it help free the hostages, on the other side of this?

ADMINISTRATION OFFICIAL: I think it will make it very clear

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that the hostages are not going to be effect^{ed} in any way whatsoever by ✓
wh^{atever} cause of any economic pressures that they might try to put
on us.

Q If I may, you have said repeatedly and the President has said that we are exercising great restraint. There is no thought of physical force, out of the safety of the hostages, a concern for that. By removing what you say is any thought that the reason we are exercising restraint is because of a fear of economic reprisal, would that change our policy or their policy in the sense of freeing the hostages? It is not any easier to use force, is it?

ADMINISTRATION OFFICIAL: I think it would ^{just} make this very clear to them that this is not a bargaining tool that anybody is going to use in connection with dealing with the hostage question.

Q Did anybody try to use that as a bargaining tool? Has that been brought up? Also, why the timing on this? Why doing it now? What in the circumstances led you to take this action at this point?

ADMINISTRATION OFFICIAL: We have been considering this action for some days and have concluded that the time has come that this action should be taken. It is an appropriate time now to take it and we decided to go forward.

Q Have we strengthened our security of our embassy in Beirut?

ADMINISTRATION OFFICIAL: The embassy in Beirut has had its security strengthened.

Q Can you give us an update on our diplomatic efforts?

ADMINISTRATION OFFICIAL: We have still a number of diplomatic efforts going in various channels. I do not want to go into what those specific channels are. I do not think it would help to disclose what those various channels are. Indeed, I think it would be harmful if I did so. But I can assure you that a number of activities are going forward. I can add one bit of encouraging news but -- and that is that the prisoners, that the hostages are having more access to people from the outside who can come in as observers. I think this is important that the ambassadors in the area and others have been in to see the hostages and to report upon their condition and to see that ✓ the outside world, their country, is following the situation and is doing everything that they can to have them released.

Q Anyone since the Vatican representative?

ADMINISTRATION OFFICIAL: There may have been one other person that went in today. I do not have sufficient confirmation to say firmly that that is the case.

Q These diplomatic channels which you can't disclose, are they being received by members of the Iranian government?

ADMINISTRATION OFFICIAL: Yes, but just leave it at that.

Q Could you please identify what companies or what areas of the United States would be most directly affected by this cut-off of Iranian oil?

ADMINISTRATOR: The companies that are involved -- is it all right to name the companies?

ADMINISTRATION OFFICIAL: I believe they are public facts.

ADMINISTRATION OFFICIAL: I would say that the two largest ones would be Amerada Hess and Ashland, would be the two largest companies. I might also say that we have contacted a lot of people on the Hill and we have contacted a large number of oil companies today, specifically including those two companies. And they are supportive of the action that we have just taken.

Q Have you contacted any foreign governments and specifically asked about the possibility of getting some supplies shared?

ADMINISTRATION OFFICIAL: No, but we have informed a large number of foreign governments, including our allies, including the OPEC nations, and others, of the action that we have announced.

Q Was there a feeling on your part that if we did not take this action today that the Iranian government would have cut off this oil anyway? Were we trying to do it before they did?

ADMINISTRATION OFFICIAL: No, that was not the reason for it. Whether they might act at some point or not, I don't know. There have been rumors to that effect but I simply don't know.

Q Will the Administration impose export embargoes against Iran for agriculture products in particular?

ADMINISTRATION OFFICIAL: We don't want to comment any further than we have on what we have announced today.

Q Do you support the international longshoremens' boycott against Iran? ✓

ADMINISTRATION OFFICIAL: Excuse me?

Q Does the Administration support the longshoremens' boycott?

ADMINISTRATION OFFICIAL: Again, I am concentrating my efforts at this point on getting our hostages free.

Q Can you give us a little more on the law and what it is going to take to prevent the oil from coming in? Is it a customs thing or a commerce, or how does that work?

ADMINISTRATION OFFICIAL: Every cargo that leaves Iran, of course, has got papers that travel with it. What we are talking about is crude oil that originates in Iran and is coming to the United States. That is specifically what we are talking about. When the vessel arrives, you can look at the documents on the vessel and determine the source of the oil.

Q When does that become effective, as of today?

ADMINISTRATION OFFICIAL: That is as of today.

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Q So oil on the water that has already cleared Iran can come in?

ADMINISTRATION OFFICIAL: That still will come in. In other words, everything loaded today, fine.

Q Since you all seem to agree this isn't going to have any huge effect currently one way or another, is this something for the American people who are getting a little antsy over all of this, is this showing that the Administration is doing something? Is that part of the reason why you are doing this?

ADMINISTRATION OFFICIAL: The basic reason for it is the reason which has already been given. We think that this clears the air and makes it very clear that the question of oil being supplied to the United States from Iran is not going to be a factor which is going to effect the decision with respect to the release of hostages, which is a question of principle.

Q There is nothing in this order which prevents an American company from buying oil in Iran and shipping that, say, to Western Europe, is there, and then using oil from another supplier, another country, bringing that to the United States to make up the shortfall?

ADMINISTRATION OFFICIAL: No, there is not.

Q With regard to Amerada's big plant in the Virgin Islands where they apparently make an awful lot of fuel oil, will this affect fuel oil to the East Coast?

ADMINISTRATION OFFICIAL: No, it will not. The total Iranian -- our total imports from Iran approximate 700,000 barrels per day on the average. Now, a large quantity of that, several hundred thousand barrels, will go to the Virgin Islands where it is refined and that part that comes to the United States is included within that 700,000 figure.

With this allocation process that I mentioned earlier, what we will be doing is insuring that those companies such as Amerada Hess that are important -- are very important suppliers of heating oil to the Northeast, that they will continue to get necessary supplies.

Q I have two questions. Is this perhaps kind of a precedent that the U.S. might cut off some other radical states such as Libya, and also, is there anything you can tell us about the PLO mission?

ADMINISTRATION OFFICIAL: I heard your second question. I didn't hear the first question.

Q Well, is this perhaps establishing a precedent that the U.S. might cut off oil from other radical countries such as Libya?

ADMINISTRATION OFFICIAL: No, this stands on its own feet.

Q Is there anything you can tell us at all about the PLO mission?

ADMINISTRATION OFFICIAL: No, I have nothing to add to what has already been said on that.

Q Sir, you are here for some reason. (Laughter.)

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ADMINISTRATION OFFICIAL: I am here because I am the Secretary of Treasury who makes the finding under the Trade Expansion Act, that makes this possible. These fellows are just my front men. (Laughter.)

Q Are you operating under the March finding, or have you cooked up a new one?

ADMINISTRATION OFFICIAL: Under the March findings, supplemented by a letter, which I have delivered to the President today, recommending this action.

Q How would you characterize the economic impact of this action?

ADMINISTRATION OFFICIAL: To the extent that the American people support the President and restrain their own demands and use of petroleum products, I would say this is not impairing our economic outlook. To the extent that we do not show some restraint, we would have to be concerned later about possible price actions. But my belief is that Americans are conducting themselves with dignity in this situation, and will look forward to the opportunity to make a contribution to our national effort here to deal with this hostage problem, by curtailing their own demands for petroleum products.

Answer Administration Official

As Secretary Duncan has pointed out, three miles per day less driving by every automobile means that we would completely offset this particular crude source. And that means we would have a favorable impact on our economy, because we would not affect output at all, and we would have reduced the cost and a fiscal drain.

Q It sounds as though this clearly is going to have much more adverse impact on the American people than on the people in Iran, or the Iranian authorities. How do you then see this as having some influence in freeing the hostages?

Answer Administration Official

ADMINISTRATION OFFICIAL: Well, I think Secretary Vance has already answered that. To the extent that a perceived leverage is removed, I think you free up and clarify what real positions are. A bargaining chip that is not a bargaining chip, and is clearly now identified as not a bargaining chip, I think begins to make the situation much clearer, and contributes to a solution.

Q I am unclear about something, because the big bargaining chip that those terrorists have been talking about is the Shah of Iran. How does cutting off -- they produce over three million barrels a day. We are not going to take 700,000. The Shah remains in New York. Could you explain the significance of bargaining chips unasked for versus those which are?

ADMINISTRATION OFFICIAL: Yes. I think that there has been a perception, and an incorrect one, that we had a dependence upon that oil, and therefore our actions were constrained by the prospect that oil supply might be interrupted from Iran. The President wants to make it absolutely clear that we are not constrained by the availability or lack of availability of that oil; that we are free to determine this issue upon principle; and that no one should be misguided to believe that that has a relevance.

Q Constrained to do what, though? We have showed such restraint that we have done ~~in~~ pursued diplomatic channels, which I am ~~not~~ ~~concerned~~ about, but constrained to do what?

ADMINISTRATION OFFICIAL: As you know Secretary Vance is better able than I to discuss the various options. He has pointed out, I think, that this is a delicate situation, in which it would be inappropriate to go beyond what is being said at the moment.

Q Do you think that the economic impact, if any, on the American people, would come no earlier than January?

ADMINISTRATION OFFICIAL: There is a lag of some six or seven weeks before there would be any effect from the importation of Iranian crude. To the extent that the American people send a message right now that they want to be a part of this action, and restrain their own demand, of course we have an immediate reduction of demand, and I think that we would not have any impact, either now or in the future. So we have that much time to bring our usage down by 700,000 barrels a day. If we did it promptly, then we would actually build up surplus availability.

Q That seven weeks, is that the length of the Iranian pipeline into --

ADMINISTRATION OFFICIAL: That is the transit time, so that oil in transit now will have worked its way through that supply system in six or seven weeks.

Q Could you tell us how this compares to the shortfall that we had earlier this year, when we had gas lines, when Iran first stopped deliveries?

ADMINISTRATION OFFICIAL: We have been receiving, as of the end of 1978 -- let me phrase it this way: they have been exporting in total about five and a half million barrels a day to all of their customers, all over the world. That has now dropped to something approximating three million barrels per day. So there has been a substantial drop in their world-wide exports.

Q How much was the U.S. market?

ADMINISTRATION OFFICIAL: I don't have precisely in my mind the then equivalent of the 700,000 barrels. It was about 800,000. Let's say just slightly more.

Q Have you confirmed through diplomatic channels interviews that came in over the weekend from the Saudis, that they now intent to keep the extra million barrels a day output going for the foreseeable future? Also, are we considering, the U.S. government, going and talking to any major oil suppliers, say, the Mexicans or the Canadians, about an extra supply, arranged at the government level?

ADMINISTRATION OFFICIAL: We, of course, are in contact with the IEA, as I indicated earlier. The IEA countries, as you know, they number 17; that is essentially the developed countries, and if you add France, you have the Tokyo summit, the OECD, and so forth. We have had a continuing dialogue with them, since the Tokyo summit it has been

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especially to try to get them to impose import targets for these nations; to impose conservation targets and individual conservation targets. And we were successful in the month of September in getting the European community in total, as well as individual countries within the European community, to adopt specific targets on their imports for 1985.

We are now very close to achieving such targets for 1980. So I think it is an important multi-lateral initiative, to cause these countries to adopt specific import targets; to cause them to adopt some specific conservation targets; and to move aggressively to achieve these objectives. To the extent that happens, that takes demand out of the market. That takes pressure out of the spot market. That accomplishes the thing that we can accomplish if our citizens are successful in using less oil here.

Q But with suppliers you have nothing cooking at the moment, in terms of going and asking the Canadians or the Mexicans --

ADMINISTRATION OFFICIAL: No, we have nothing specific cooking with suppliers. But the major producing countries of the world, you know, are sympathetic with these initiatives.

Q What steps have you taken to assure our friends that the big oil companies aren't going to step in and rip off the American public with price increases at this juncture?

ADMINISTRATION OFFICIAL: As we move down the road toward the decontrol of crude oil, of course, prices are likely to continue to move up. I met with the oil companies last week, and I think that the oil companies talked to me in a very responsible way about all of these kinds of issues. When I met with the oil company executives on the issue of heating oil prices, we contacted in excess of two dozen companies in that effort, and they indicated that they would be responsible in any further price increases. We got, without exception, I think, some form of statement from all of those companies. In the case of one of those companies, they actually rolled back prices by three cents per gallon.

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.Q Are you closer to getting the hostages out today than we were last

ADMINISTRATION OFFICIAL: I will take this. This is the last question. The answer is no, I don't think we are any closer than we were before, but we are going to continue to pursue all of these different avenues which we are exploring at this point.

END

(AT 2:46 P.M. EST)

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Q How did ^{we} you inform them?

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Q How long can this go on?

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urgings but pursuant to Senate bill 1030 which was just enacted into
law, pursuant to the importance of state initiatives, we are going to
be asking the governors or their representatives to come into
Washington for a series of meetings where we will be talking about
state plans to achieve their specific conservation targets.

Q Will you be announcing the targets soon? Under the
law, the first thing that happens is the President announces state
targets. Will you be doing that soon?

ADMINISTRATION OFFICIAL: We will be moving to do that --
we will probably have such a conference established. Hopefully we can
do that sometime this week. Certainly no later than next week.

Q How long will it be before you expect there to be
gas lines as there were last summer when there was a three percent
shortage?

ADMINISTRATION OFFICIAL: That depends, again, on the
amount of conservation success that we have.

Q Yes, but these measures aren't immediate.

ADMINISTRATION OFFICIAL: But we have a very good
inventory situation, specifically worldwide inventories of petroleum
products, all petroleum products, crude and refined, are at almost
historical highs. We project that December 31 of this year there will
be -- they will be at a level of 5 billion and 20 million barrels.

If you look at the United States, on crude oil, on middle
distillate, on motor gasoline and all categories of inventory we are up,
and if you look at the four weeks ended November 2nd and what our
consumption was compared to the four weeks ended November 3rd of
1978, you will see the consumption is down eight percent. There should
be no cause for concern. There should be no cause for panic.
Hopefully the American people will conduct themselves in such a way
that we don't have an immediate return to gasoline lines. We have
product in the pipeline of at least 45 to 60 days, not even
considering what is in the continental United States in the pipeline.

So there ought to be some period of time before we have
any adverse impact and hopefully the people will see that.

Q There are ways in which crude oil can be shifted
around from country to country in such fashion that we should be able
to continue to import as much crude oil as we have in the past, as I
understand it. What is to prevent the American people from thinking
that this is just some sort of publicity ploy to get them, in some
fashion, to conserve oil?

ADMINISTRATION OFFICIAL: The need to conserve oil is, of course, important. The overriding consideration here is not the conservation of oil. We have a situation where economic policy seems to be being effected by political considerations. In other words, we have hostages in the embassy in Tehran.

To the extent it might be a consideration that some perceive that we are dependent on their oil, that becomes a non-issue. We are not buying their oil as of the President's announcement. So our procurement of Iranian oil is not an issue.

In the short term it is the right thing to do. In the long term it is the right thing to do. In other words, if we have to constrain our consumption because the system doesn't readjust to reallocate that quantity of crude, that is still in our interest. It is of overriding importance that we constrain our importation of crude.

Q Do you anticipate that this will have any economic effect on Iran?

ADMINISTRATION OFFICIAL: That depends on Iranian policies. Now, if Iran chooses to go ahead and make -- you know, to go ahead and produce the same quantity, they will probably find buyers elsewhere in the world. I think they announced this week that they would be constraining their production by five percent, and so I don't know what Iran will be doing. I don't know what the reactions of other consuming countries will be. We will be encouraging them to adopt tough conservation targets, though, to join us.

Q Are you really saying that this action will not have any impact on the typical American?

ADMINISTRATION OFFICIAL: I am not saying that because that depends on how Americans conduct themselves in the future. In other words, we have a good inventory situation. We are now using eight percent less in the last four weeks than we used in the corresponding four weeks of 1978. We are talking about something approximating a four percent shortfall in the total more or less 19 million barrels of daily use that we have of liquid petroleum products.

So it ought to be manageable if the American people choose to manage it in the right way, and hopefully they will.

Q You seem to me to be saying that you really don't give a damn whether this has an impact on the Iranian government or Iran.

ADMINISTRATION OFFICIAL: We are taking an action in what the President has announced which we believe is in the interests of the United States and particularly of the hostages who are our greatest concern. We are also saying that we believe that it will have no adverse effect upon the Iranian government, unless the Iranian government chooses to change whatever plans it may have.

Q Would it help free the hostages, on the other side of this?

ADMINISTRATION OFFICIAL: I think it will make it very clear

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that the ^{is} ~~are~~ are not going to be effect^{ed} in any way whatsoever by [✓] who ~~because~~ of any economic pressures that they might try to put on us.

Q If I may, you have said repeatedly and the President has said that we are exercising great restraint. There is no thought of physical force, out of the safety of the hostages, a concern for that. By removing what you say is any thought that the reason we are exercising restraint is because of a fear of economic reprisal, would that change our policy or their policy in the sense of freeing the hostages? It is not any easier to use force, is it?

ADMINISTRATION OFFICIAL: I think it would ^{just} make ^{this} very clear to them that this is not a bargaining tool that anybody is going to use in connection with dealing with the hostage question.

Q Did anybody try to use that as a bargaining tool? Has that been brought up? Also, why the timing on this? Why doing it now? What in the circumstances led you to take this action at this point?

ADMINISTRATION OFFICIAL: We have been considering this action for some days and have concluded that the time has come that this action should be taken. It is an appropriate time now to take it and we decided to go forward.

Q Have we strengthened our security of our embassy in Beirut?

ADMINISTRATION OFFICIAL: The embassy in Beirut has had its security strengthened.

Q Can you give us an update on our diplomatic efforts?

ADMINISTRATION OFFICIAL: We have still a number of diplomatic efforts going in various channels. I do not want to go into what those specific channels are. I do not think it would help to disclose what those various channels are. Indeed, I think it would be harmful if I did so. But I can assure you that a number of activities are going forward. I can add one bit of encouraging news but -- and that is that the prisoners, that the hostages are having more access to people from the outside who can come in as observers. I think this is [✓] important that the ambassadors in the area and others have been in to see the hostages and to report upon their condition and to see that [✓] the outside world[✓] their country[✓] is following the situation and is doing everything that they can to have them released.

Q Anyone since the Vatican representative?

ADMINISTRATION OFFICIAL: There may have been one other person that went in today. I do not have sufficient confirmation to say firmly that that is the case.

Q These diplomatic channels which you can't disclose, are they being received by members of the Iranian government?

ADMINISTRATION OFFICIAL: Yes, but just leave it at that.

Q Could you please identify what companies or what areas of the United States would be most directly affected by this cut-off of Iranian oil?

ADMINISTRATOR: The companies that are involved -- is it all right to name the companies?

ADMINISTRATION OFFICIAL: I believe they are public facts.

ADMINISTRATION OFFICIAL: I would say that the two largest ones would be Amerada Hess and Ashland, would be the two largest companies. I might also say that we have contacted a lot of people on the Hill and we have contacted a large number of oil companies today, specifically including those two companies. And they are supportive of the action that we have just taken.

Q Have you contacted any foreign governments and specifically asked about the possibility of getting some supplies shared?

ADMINISTRATION OFFICIAL: No, but we have informed a large number of foreign governments, including our allies, including the OPEC nations, and others, of the action that we have announced.

Q Was there a feeling on your part that if we did not take this action today that the Iranian government would have cut off this oil anyway? Were we trying to do it before they did?

ADMINISTRATION OFFICIAL: No, that was not the reason for it. Whether they might act at some point or not, I don't know. There have been rumors to that effect but I simply don't know.

Q Will the Administration impose export embargoes against Iran for agriculture products in particular?

ADMINISTRATION OFFICIAL: We don't want to comment any further than we have on what we have announced today.

Q Do you support the international longshoremen's boycott against Iran? ✓

ADMINISTRATION OFFICIAL: Excuse me?

Q Does the Administration support the longshoremen's boycott?

ADMINISTRATION OFFICIAL: Again, I am concentrating my efforts at this point on getting our hostages free.

Q Can you give us a little more on the law and what it is going to take to prevent the oil from coming in? Is it a customs thing or a commerce, or how does that work? ✓

ADMINISTRATION OFFICIAL: Every cargo that leaves Iran, of course, has got papers that travel with it. What we are talking about is crude oil that originates in Iran and is coming to the United States. That is specifically what we are talking about. When the vessel arrives, you can look at the documents on the vessel and determine the source of the oil.

Q When does that become effective, as of today?

ADMINISTRATION OFFICIAL: That is as of today.

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Q So oil on the water that has already cleared Iran can come in?

ADMINISTRATION OFFICIAL: That still will come in. In other words, everything loaded today, fine.

Q Since you all seem to agree this isn't going to have any huge effect currently one way or another, is this something for the American people who are getting a little antsy over all of this, is this showing that the Administration is doing something? Is that part of the reason why you are doing this?

ADMINISTRATION OFFICIAL: The basic reason for it is the reason which has already been given. We think that this clears the air and makes it very clear that the question of oil being supplied to the United States from Iran is not going to be a factor which is going to effect the decision with respect to the release of hostages, which is a question of principle.

Q There is nothing in this order which prevents an American company from buying oil in Iran and shipping that, say, to Western Europe, is there, and then using oil from another supplier, another country, bringing that to the United States to make up the shortfall?

ADMINISTRATION OFFICIAL: No, there is not.

Q With regard to Amerada's big plant in the Virgin Islands where they apparently make an awful lot of fuel oil, will this affect fuel oil to the East Coast?

ADMINISTRATION OFFICIAL: No, it will not. The total Iranian -- our total imports from Iran approximate 700,000 barrels per day on the average. Now, a large quantity of that, several hundred thousand barrels, will go to the Virgin Islands where it is refined and that part that comes to the United States is included within that 700,000 figure.

With this allocation process that I mentioned earlier, what we will be doing is insuring that those companies such as Amerada Hess that are important -- are very important suppliers of heating oil to the Northeast, that they will continue to get necessary supplies.

Q I have two questions. Is this perhaps kind of a precedent that the U.S. might cut off some other radical states such as Libya, and also, is there anything you can tell us about the PLO mission?

ADMINISTRATION OFFICIAL: I heard your second question. I didn't hear the first question.

Q Well, is this perhaps establishing a precedent that the U.S. might cut off oil from other radical countries such as Libya?

ADMINISTRATION OFFICIAL: No, this stands on its own feet.

Q Is there anything you can tell us at all about the PLO mission?

ADMINISTRATION OFFICIAL: No, I have nothing to add to what has already been said on that.

Q Sir, you are here for some reason. (Laughter.)

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ADMINISTRATION OFFICIAL: I am here because I am the Secretary of Treasury who makes the finding under the Trade Expansion Act, that makes this possible. These fellows are just my front men. (Laughter.)

Q Are you operating under the March finding, or have you cooked up a new one?

ADMINISTRATION OFFICIAL: Under the March findings, supplemented by a letter, which I have delivered to the President today, recommending this action.

Q How would you characterize the economic impact of this action?

ADMINISTRATION OFFICIAL: To the extent that the American people support the President and restrain their own demands and use of petroleum products, I would say this is not impairing our economic outlook. To the extent that we do not show some restraint, we would have to be concerned later about possible price actions. But my belief is that Americans are conducting themselves with dignity in this situation, and will look forward to the opportunity to make a contribution to our national effort here to deal with this hostage problem, by curtailing their own demands for petroleum products.

Another Administration Official

As Secretary Duncan has pointed out, three miles per day less driving by every automobile means that we would completely offset this particular crude source. And that means we would have a favorable impact on our economy, because we would not affect output at all, and we would have reduced the cost and a fiscal drain.

Q It sounds as though this clearly is going to have much more adverse impact on the American people than on the people in Iran, or the Iranian authorities. How do you then see this as having some influence in freeing the hostages?

Another Administration Official

ADMINISTRATION OFFICIAL: Well, I think Secretary Vance has already answered that. To the extent that a perceived leverage is removed, I think you free up and clarify what real positions are. A bargaining chip that is not a bargaining chip, and is clearly now identified as not a bargaining chip, I think begins to make the situation much clearer, and contributes to a solution.

Q I am unclear about something, because the big bargaining chip that those terrorists have been talking about is the Shah of Iran. How does cutting off -- they produce over three million barrels a day. We are not going to take 700,000. The Shah remains in New York. Could you explain the significance of bargaining chips unasked for versus those which are?

ADMINISTRATION OFFICIAL: Yes. I think that there has been a perception, and an incorrect one, that we had a dependence upon that oil, and therefore our actions were constrained by the prospect that oil supply might be interrupted from Iran. The President wants to make it absolutely clear that we are not constrained by the availability or lack of availability of that oil; that we are free to determine this issue upon principle; and that no one should be misguided to believe that that has a relevance.

Q Constrained to do what, though? We have showed such restraint that we have done ~~it~~ through diplomatic channels, which I am not ~~concerned~~ about, but constrained to do what?

ADMINISTRATION OFFICIAL: As you know Secretary Vance is better able than I to discuss the various options. He has pointed out, I think, that this is a delicate situation, in which it would be inappropriate to go beyond what is being said at the moment.

Q Do you think that the economic impact, if any, on the American people, would come no earlier than January?

ADMINISTRATION OFFICIAL: There is a lag of some six or seven weeks before there would be any effect from the importation of Iranian crude. To the extent that the American people send a message right now that they want to be a part of this action, and restrain their own demand, of course we have an immediate reduction of demand, and I think that we would not have any impact, either now or in the future. So we have that much time to bring our usage down by 700,000 barrels a day. If we did it promptly, then we would actually build up surplus availability.

Q That seven weeks, is that the length of the Iranian pipeline into --

ADMINISTRATION OFFICIAL: That is the transit time, so that oil in transit now will have worked its way through that supply system in six or seven weeks.

Q Could you tell us how this compares to the shortfall that we had earlier this year, when we had gas lines, when Iran first stopped deliveries?

ADMINISTRATION OFFICIAL: We have been receiving, as of the end of 1978 -- let me phrase it this way: they have been exporting in total about five and a half million barrels a day to all of their customers, all over the world. That has now dropped to something approximating three million barrels per day. So there has been a substantial drop in their world-wide exports.

Q How much was the U.S. market?

ADMINISTRATION OFFICIAL: I don't have precisely in my mind the then equivalent of the 700,000 barrels. It was about 800,000. Let's say just slightly more.

Q Have you confirmed through diplomatic channels interviews that came in over the weekend from the Saudis, that they now intent to keep the extra million barrels a day output going for the foreseeable future? Also, are we considering, the U.S. government, going and talking to any major oil suppliers, say, the Mexicans or the Canadians, about an extra supply, arranged at the government level?

ADMINISTRATION OFFICIAL: We, of course, are in contact with the IEA, as I indicated earlier. The IEA countries, as you know, they number 17; that is essentially the developed countries, and if you add France, you have the Tokyo summit, the OECD, and so forth. We have had a continuing dialogue with them, since the Tokyo summit it has been

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especially to try to get them to impose import targets for these nations; to impose conservation targets, and individual conservation targets. And we were successful in the month of September in getting the European community in total, as well as individual countries within the European community, to adopt specific targets on their imports for 1985.

We are now very close to achieving such targets for 1980. So I think it is an important multi-lateral initiative, to cause these countries to adopt specific import targets; to cause them to adopt some specific conservation targets; and to move aggressively to achieve these objectives. To the extent that happens, that takes demand out of the market. That takes pressure out of the spot market. That accomplishes the thing that we can accomplish if our citizens are successful in using less oil here.

Q But with suppliers you have nothing cooking at the moment, in terms of going and asking the Canadians or the Mexicans --

ADMINISTRATION OFFICIAL: No, we have nothing specific cooking with suppliers. But the major producing countries of the world, you know, are sympathetic with these initiatives.

Q What steps have you taken to assure our friends that the big oil companies aren't going to step in and rip off the American public with price increases at this juncture?

ADMINISTRATION OFFICIAL: As we move down the road toward the decontrol of crude oil, of course, prices are likely to continue to move up. I met with the oil companies last week, and I think that the oil companies talked to me in a very responsible way about all of these kinds of issues. When I met with the oil company executives on the issue of heating oil prices, we contacted in excess of two dozen companies in that effort, and they indicated that they would be responsible in any further price increases. We got, without exception, I think, some form of statement from all of those companies. In the case of one of those companies, they actually rolled back prices by three cents per gallon.

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Q Are you going to get the hostages out today than we were last

ADMINISTRATION OFFICIAL: I will take this. This is the last question. The answer is no, I don't think we are any closer than we were before, but we are going to continue to pursue all of these different avenues which we are exploring at this point.

END

(AT 2:46 P.M. EST)