The Phyllis Schlafly Report

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Gasoline Shortage Blame

Are the long lines of impatient motorists waiting for gasoline a sign of what will plague all Americans for months or years to come? In the wake of predictions that the gasoline supply this summer may be 15 to 20 percent less than last summer, thousands of people have changed their vacation touring plans. The inconvenience is in addition to the additional cost of gasoline. Who is to blame?

It is true that some Iranian oil is no longer flowing to our country. But far more oil than Iran could produce has been discovered in recent years in North America. Most of this new North American oil is not even being produced.

Engineers of Dome Petroleum, Ltd., of Alberta, Canada, reported in the *Northern Miner* published in Toronto, a leading Canadian oil publication, that "over 45 excellent geological structures have been outlined, many of which are individually large enough to contain a Prudhoe Bay oilfield where in excess of 14 billion barrels of oil and OEG (oil equivalent of natural gas) have been proven to date."

These 45 oil-bearing geological structures are in the Beaufort Sea -- one-third in Canadian waters and two-thirds in Alaskan waters. Oil-bearing formations there are reported to be of world record thickness. One exploratory well in Prudhoe Bay produced 40,000 barrels of oil a day. The well was almost immediately capped and is not producing today.

In addition, Mexico has discovered immense oil and gas fields in the Gulf, rivaling those in the Middle East. Only about one-tenth of Mexico's potential oil territory has been explored, so it is possible that Mexico may have more oil and gas than the Middle East.

President Jose Lopez Portillo described these oil reserves at a minimum of 37 billion barrels and possibly as much as 200 billion barrels. This immense wealth lies along Mexico's shoreline and in the Gulf of Mexico. By contrast, Saudi Arabia, the world leader in oil reserves, has 170 billion barrels.

Since North America has more than enough oil and gas to supply our needs for the rest of this century, who is to blame for our current shortages, which are predicted to get worse all the time? The blame belongs on our Federal Government which for four years has blocked efforts to build pipelines from the West Coast to the many refineries in the Middle West.

Most of the problem rests with the Department of Energy headed by Secretary James R. Schlesinger. It has 20,000 employees and costs the taxpayers each year more than the net annual profits from oil in the United States.

Unlike Europe and Japan, the United States is surrounded by immense reserves of oil and gas. Yet our misnamed Department of Energy has blocked most of the United States from access to these large reserves by prohibiting or delaying the building of pipelines from the West Coast to the interior of our country.

Mr. Schlesinger rejected the offer of the Mexican President to sell us surplus Mexican gas and oil. When President Carter visited Mexico this year, he managed to irritate the Mexican President even further by making a public reference to Montezuma's Revenge.

President Carter's plan to cope with the gasoline shortage is basically a plan to share the shortage rather than to promote production of more gasoline. That's what rationing and closing stations at nights and on weekends means. The governmental confusion is indicated by the rule in some parts of California that individuals cannot buy gasoline unless their tank is half empty, and the rule in some parts of Florida that individuals can only buy $2 worth of gasoline at a time.

It is estimated that the oil industry needs $25 billion a year to finance projected drilling requirements. That sum will never be available if Carter succeeds in his plan to impose higher taxes on oil companies.

Money has to go down in the ground in order for oil to come up; money that goes into the U.S. Treasury can never pump oil. The longer we delay the essential task of producing more American oil, the more dangerously dependent we remain on foreign imports.

This summer when gasoline is short and expensive, remember that those responsible are the Washington bureaucrats who are using our tax dollars to block the production and distribution of the oil energy we so badly need.

Energy Dept. Curtails Energy

The price of a gallon of leaded regular gasoline has climbed from 40c in 1973 to nearly $1 today. Oil prices are a key factor in consumer prices, now rising at 15 percent on an annual basis.

We would probably all be better off if we had no Department of Energy. With its $10 billion budget, 20,000 employees, and 17 separate offices in

Washington, D.C., it isn't discovering or developing any new energy sources or facilitating distribution, and it is tying the hands of those who are.

The Department of Energy poured 80 million barrels of crude oil underground in empty salt caverns on the Gulf Coast. This was supposedly designed as a cache of oil which would be available to tide us over a national oil emergency. But the Department now can't get the oil out of the caverns because it forgot to install any pumps.

Schlesinger's experts had it all figured out that an oil emergency couldn't happen before 1980. So our emergency reserve can't be used during the present emergency caused by the loss of Iran. Yet the U.S. shortage of oil because of Iran now comes to 500,000 barrels a day and is expected to rise to 750,000.

In 1977 Energy Secretary James Schlesinger vetoed a good deal between six U.S. gas companies and Mexico to import natural gas to the United States at $2.60 per thousand cubic feet, rising with OPEC prices. Schlesinger said the price was too high. All he did was to prevent Americans from getting the gas, while he alienated the Mexicans who have the largest oil reserves in the world next to Saudi Arabia.

The Department of Energy blocked for four years the plan by Standard Oil of Ohio (Sohio) to build a marine terminal at Long Beach, California and a 1,000-mile pipeline from there to Midland, Texas to connect with existing oil lines into the midwest and Gulf Coast. Sohio agreed to install $80 million worth of anti-pollution equipment, but even that didn't appease DOE's anti-growth mentality. Sohio finally abandoned the project in the face of the red tape and obstacles put in its path by the energy bureaucracy.

Another proposed pipeline that hasn't been built is planned by Northern Tier Pipeline Co., a consortium including U.S. Steel, Burlington Northern Railroad and Milwaukee Railroad. It would run 1,550 miles from Port Angeles, Washington to Clearbrook, Minnesota, and serve 66 refineries in the northern and midwestern states. These refineries will be short nearly a million barrels a day when Canadian oil is cut off in 1982, as scheduled.

The National Environmental Agency says that Northern Tier must file detailed studies on the biological, geological, and archeological effect of the pipeline, describing in detail the trees to be cut down, the streams to be tunneled under, the wild life that would be inconvenienced, and the alternatives to building the pipeline. This elaborate study must then be reviewed by the Departments of Energy, Commerce, Labor, Defense and Transportation, plus all the states through which the pipeline would pass. The minimum time required for this paperwork is estimated at two years, not to speak of the expense.

A third proposed pipeline, planned by Northwest Energy Co., would run from the port of Skagway, Alaska to Alberta, where it would connect with existing pipelines to Chicago. The Energy Department has failed to approve this pipeline, too.

By making it as difficult as possible for private citizens to solve the shortage of oil in the east and midwest, the Washington bureaucrats can then argue that federal controls, rationing, and additional taxes are the solutions for a coming oil shortage. They argue that the Administration's energy bill is the only solution to the energy crisis and the decline of the dollar.

What Could Have Been

The prevailing federal ideology for years has been to assume continuing oil shortages and dependency because we are importing about half of our oil from foreign countries. Closing our eyes to other sources gives the federal government the opportunity to impose controls, rationing, and price fixing, and to hire an army of federal employees to check up on all gasoline stations.

The Energy Department's ideas on what to do about energy all run to reducing consumption, imposing new taxes, expanding the bureaucracy, and harassing the public with petty controls. Energy Department bureaucrats devise such "solutions" as closing gasoline stations on weekends, forcing corporations to cut the sizes of their parking lots, imposing jail sentences for setting thermostats higher than 65° in the winter or lower than 80° in the summer, and of course gasoline rationing.

The Energy Department's policy is to continue to subsidize OPEC oil production at $18.00 a barrel or higher, while discouraging domestic production and efficient distribution. The Energy Department seems determined to make sure that there is no incentive to discover and tap new U.S. oil reserves. The Energy Department seems to have a mind-set against any idea for private enterprise production or distribution.

Polls say that 68 percent of Americans believe the oil shortage is a hoax. Their intuitive feeling is correct; the shortage is largely created by the Department of Energy.

Twenty-four years ago, the Senate Subcommittee on Minerals, Materials and Fuels, under the direction of one of the few engineers ever to serve in the U.S. Senate, reported on the "Accessibility of Strategic and Critical Materials to the United States in Time of War and for our Expanding Economy." Chairman George W. Malone accurately forecast the importance of "eliminating our nation's present dependency upon remote and possibly unfriendly or neutral areas of the world for the critical materials."

After an exhaustive study of the sources of the 77 strategic materials, the Malone Subcommittee concluded that "the Western Hemisphere can be made self-sufficient in the production of critical materials." The Subcommittee recommended "the closest cooperation among the nations of the Western Hemisphere, which is the only dependable source of the necessary critical materials in time of war."

The Malone Report was written years before the discoveries of immense oil supplies in Alaska and off the coast of Mexico. Those discoveries provide spectacular corroboration of the accuracy and prophetic nature of the 1954 Malone Report. But instead of using our intelligence and resources to make our nation self-sufficient in critical materials, our government has allowed us to become dependent on unfriendly foreign sources.

The task now won't be as easy or as inexpensive as it could have been, but it's still not too late to start. Our economic survival depends on it.

Fallout From The Loss of Iran

Iran and Human Rights

There is a deafening silence from all those student and street demonstrators who agitated so noisily against the Shah of Iran last year. There are no organized protests against the hundreds of secret trials and summary executions taking place under the reign of the so-called "holy man," Ayatollah Ruhollah Khomeini.

The Carter Administration is no longer demanding that political prisoners be released from Iranian jails. Yet many Iranian observers say that Khomeini now has more political prisoners in jail than the Shah had two years ago when he was still at the height of his power.

Why have all those once-talkative sources become mute? Are they glad that the most progressive ruler in Iran's history, who was pro-American, pro-Western, and a military ally of tremendous strategic importance and economic necessity, has been replaced with a gang of fanatics who are virulently anti-American, anti-Semitic, who have doubled in spades the alleged sins of the Shah?

The Shah's police arrested and imprisoned for the sake of preventing the overthrow of the government by force and violence, especially after the Communist coup in Afghanistan started a massive infiltration of Soviet K.G.B. agents, spies, and troublemakers across their common border. Today under Khomeini's kangaroo-court rule, according to an Iranian journalist interviewed by the *Washington Post*, "there are no criteria for justice retribution, arrest or detention. There are no criteria for punishment, which is purely arbitrary. It's straw-vote justice and straw-vote punishment."

Under Khomeini, the "Khomitehs," or committees, round up defendants for the secret revolutionary courts which then make decisions capriciously, without any standards. For example, a 72-year-old colonel, retired for 20 years, was arrested "by mistake" and found not guilty, but then the authorities demanded the equivalent of $71,000 in "bail" to release him.

The Khomeini courts follow the systematic Marxist practice of liquidating the leadership class. Khomeini's prisoner director admits to holding 1,700 political prisoners who were connected with the previous government. Informed observers believe the number is far higher. Red Cross interviews have uncovered arbitrary arrests, confiscation of property, refusal to allow defense lawyers, and demands for large bribes.

In reciting the offenses against human rights by the new Iranian rulers, we cannot shrug our shoulders with the old French saying, the more things change the more they remain the same. The cost to Americans is fundamentally, expensively, and tragically different.

Under the Shah, Iran was a tremendous military asset. It provided military stability to the Middle East and was a bulwark against Soviet expansionism. Iran gave the United States indispensable bases near the Soviet Union to monitor its missile launches. Iran sold oil to us, Israel, and Western Europe.

That's all gone under Khomeini. Today Iran is a mass of political, military and economic instability. It is an invitation to Soviet expansionism. We are already paying part of the cost by gasoline lines in the United States and in our pledge to make up for Egypt and Israel's loss of Iranian oil.

To partially replace our missile monitoring bases in Iran, we must now ask Turkey to loan us bases for U-2 intelligence flights. But Turkey, realizing what a bind we are in, has decided to hold our feet to the fire and make us pay and pay. Turkey's price is $1 billion a year for at least five years.

Who is to blame for the conversion of Iran from a pro-American military ally and economic partner into an anti-American dictatorship which has many more faults than the Shah and none of his assets?

President Carter invited the Shah to Washington for a state visit in November 1977 and allowed him to be insulted and tear-gassed in front of the White House by thousands of the terrorist demonstrators. This public offense to a visiting head of state was accompanied by private demands that the Shah abandon his internal security against Marxist agitators, open Iranian jails, and allow terrorists and subversives to agitate freely. When the Shah was overthrown in February, only a few dozen political prisoners were in jail.

Even the Communist coup in Afghanistan in April 1978 brought no change in Carter's demands on the Shah. The Carter Administration simply closed its eyes to the massive evidence of Soviet K.G.B. agents moving across the Afghan border into Iran, the propaganda and espionage coming out of the Soviet Embassy in Teheran, and the Communist Party's support of Khomeini.

The loss of Iran could not have happened without the active complicity of the Carter Administration. It was a deliberate policy that resulted in no gains, but incalculable costs.

Iran's Vulnerability Was Obvious

If, before the collapse of Iran, the Carter Administration did not understand its unique importance on the one hand and its unique vulnerability on the other, such ignorance can only be described as culpable. It was all so obvious beforehand.

The geography of Iran provides the Soviets with a maximum of motivation on the one side and a maximum of opportunity on the other. On the southern side is the Persian Gulf and the warm water ports which have been a centuries-old goal of both the czars and the Communists. Now that the Russians have the largest navy in the world, they lust for warm water ports more than ever before.

What goes through these ports is more important than trade in any previous era. Western Europe gets 70 percent of its oil through the Persian Gulf, Japan 90 percent, and Israel and South Africa get almost all of theirs by that route. It was easy to predict that, if our friends were cut off from their oil, we would be asked to tighten our belts and share ours, no matter what the cost; and we are doing this for Israel and Egypt today.

On the other side of the country, Iran shares a 1,000-mile border with the Soviet Union and a 500-mile border with Afghanistan, a Soviet puppet since the coup of April 1978. The infiltration of Soviet agents into Iran and the directing of riots and anti-Shah agitation is one of the easiest assignments ever undertaken by the Soviet K.G.B. and G.R.U.

There are now about 500,000 Afghans living in

Iran. That makes a tremendous pool of availables for the K.G.B.-controlled Afghan secret service. Last year the Afghan foreign minister visited Cuba and met with Iranian guerrillas being trained there.

There are many thousands of families living along the Soviet-Iranian border with relatives on both sides, especially along the border of the "captive nation" of Armenia. There is quite an Armenian minority in Iran. Iranian residents who want to visit their relatives in the U.S.S.R. must seek visas from Soviet consulates in Iran.

About 100 Soviet citizens are accredited as diplomats in Teheran and there are Soviet consulates in Mashhad, Istahan and Tabriz. About 4,000 Soviet "technicians" are employed in Iran, plus a similar number from East European satellites. Iran has an abundance of Soviet front organizations that serve as natural covers for Soviet K.G.B. operatives such as the Russian hospital in Teheran, the Soviet news agency and publications, the Soviet transport company, insurance company, and trade mission.

The Iranian Communist Party, Tudeh, distributes an underground publication called NAVID on the streets of Teheran which, unlike other left-wing bulletins, is attractively printed by offset. Western observers believe it is printed inside the Soviet embassy.

NAVID is the tipoff to how the Communists have forged a link with Muslim traditionalists for Marxist purposes. While following the Moscow party line, NAVID also preaches the need for "an antidictatorial broad front" with the Muslim clergy in leadership position, and offers "all our political propaganda and technical resources for the campaign against the Shah."

From the Soviet point of view, an alliance with the Muslims is very profitable. The Soviets can provide the financing and the cadre of organizers trained in riot and revolutionary techniques, and the Muslims can provide the people who go out and get roughed up or killed by the Shah's police. It takes a real ostrich mentality for Americans to believe that the Soviets do not finance demonstrations in Iran. Successful revolutionaries must be fed and armed.

Bad Loans to Iran

If your local banker loaned 10 percent of his bank's equity to a company against which there was absolutely no way to repossess anything if the company defaulted, and which might at any time change to hostile management and repudiate the loans, what would you think of your local banker's business judgment? Would you keep your money in his bank?

Don't worry; your local banker didn't do anything so foolish as that. He has too much regard for the safety of his depositors' and stockholders' money, and he is too sensitive to the task of maintaining their good will and esteem. Such mistakes as those are made only by the big banks which have so much money that they think they don't need to be concerned about what their depositors or stockholders think.

The nation's largest banks seem to believe they can loan hundreds of millions of dollars to foreign countries without requiring the security (collateral) demanded of American borrowers. And what if the loans go sour? That's easy. Just shift the loss onto the taxpayers.

The nation's largest banks have $3.3 billion now outstanding in Iran in loans, letters of credit, and other commitments. That's about 10 percent of the equity capital of the nation's ten largest banks. Their prospects of being paid back are bleak.

According to Middle East expert Professor Marvin Zonis, Chase Manhattan of New York, the largest lender, has 15 percent of its equity capital in Iranian loans. The other giants with 10 percent of their equity capital tied up in loans to Iran include Chemical, Manufacturers Hanover, Bank of America, and Crocker.

Zonis is director of the Center for Middle Eastern Studies at the University of Chicago and is a frequent visitor to Iran. The U.S. Comptroller of the Currency agrees that U.S. banks have $3.3 billion of "exposure" in Iran, but suggests that this sum is spread among more than ten banks. Not surprisingly, the banks themselves are keeping close-mouthed about the Iranian loans.

The loans to Iran by U.S. banks include $2.2 billion to the Iranian government, $945 million to Iranian banks, $856 million to public borrowers, and $456 to private borrowers. This doesn't count an additional $1 billion outstanding on other commitments and another $690 million owed by the private sector.

So why don't we attach Iranian assets in the United States as payment or security for their loans? Because they are only a pitiful percentage of the value of the loans. As Zonis commented, that option is purely "academic."

One wonders how men who are smart enough to be the heads of banks with billions of dollars of assets can make blunders of such magnitude. One possible explanation for their strange business judgment is their failure to understand that other people may have motives and values different from their own.

In the weeks before Iran fell, the attitude of most businessmen, bankers, and oil producers was that it didn't make much difference what happened to the Shah because any Iranian government would be glad to sell its great national product (oil) and business would go forward as usual. The typical businessman or banker simply doesn't understand people to whom ideology is more important than making money (like Ayatollah Khomeini, for example, or Brezhnev).

These giant banks are the same ones which extended at least $2 billion in uncollectible loans to Panama.

The same big banks that made bad loans to Panama and bad loans to Iran, and have extended billions of dollars in uncollectible loans to East European Communist countries, are now falling all over themselves in trying to be "firstest with the mostest" in extending loans to Red China.

Anyone who wants to lend his own money to Communist countries is welcome to do so. But the taxpayers should make it clear that our tax money will not be used to subsidize such bad business judgment or to save the lenders from their own folly. And bank depositors and stockholders should give the same message to their own banks' management.

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