

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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DECLASSIFIED
E.O. 12958, SEC. 3.5
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES
BY U NARA DATE 11/24/06

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Gerald R. Ford
Dr. Henry A. Kissinger, Secretary of State and
Assistant to the President for National
Security Affairs
William E. Simon, Secretary of the Treasury
Alan Greenspan, Chairman, Council of
Economic Advisers
Roy Ash, Director, Office of Management and
Budget
William D. Eberle, Special Representative for
Trade Negotiations, Council of International
Economic Policy
L. William Seidman, Assistant to the President
Dr. Arthur Burns, Chairman, Federal Reserve
Board
Lt. General Brent Scowcroft, Deputy Assistant
to the President for National Security Affairs

DATE AND TIME: Saturday, October 5, 1974
10:00 a.m.

PLACE: The Oval Office
The White House

SUBJECT: Soviet Grain Purchase

Kissinger: There are three interpretations of the Soviet actions: (1) They are trying to disrupt the market; (2) they misunderstood the signals we gave, or (3) they see the prices going up and want to beat the increase. Dobrynin proposes to know nothing about this.

President: What is the Soviet situation?

Simon: Pretty good. They are down a bit in feed but they are okay in feed. So this is something of a surprise.

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

Downgraded 5/11/04 U

Kissinger: Dobrynin said they were told they could have 1 million tons. I told him they could have 500,000 tons of corn and 1 million tons of wheat but after November and spread over a long period. We would announce it but say we would hold it in abeyance.

President: How about licensing?

Simon: It still would cut off PL 480 for those crops, and it just shifts the demand. So you would have to impose export controls and ask Congress for an exemption for PL 480.

Kissinger: Ohira said that Butz told him there would be absolutely no export controls.

Simon: We could put in licensing, tell Japan it is an anti-Soviet move and they would get what they need and ask Congress for the PL 480 authority.

President: What would this do for PL 480?

Kissinger: It would create disquiet. We have been using PL 480 in lieu of aid to Egypt.

Simon: We would even have a helluva job selling it to the Congress -- even 500,000 tons of corn and 1 million tons of wheat.

Kissinger: Why would that push the price up if it was held in abeyance?

Burns: Because it means the Soviet Union is in the market. That is a new factor in a skittish market.

[There was a brief discussion of the 25 September Food Committee Meeting and its sequel]

President: We have two options: One is to impose licensing with prior notification. The second is to get the Soviet Union to back off -- either back off or slow delivery.

Simon: I think we have to announce the cancellation by Monday if the market is not to go wild.

Kissinger: We may be able to work out a lower sum with the Soviet Union, but it puts us in a dangerous situation. No MFN, no EXIM credits, and now licensing against them. This is economic warfare and they haven't done a thing.



President: Did we notify the companies that we wanted to approve these purchases?

Eberle: Butz said so.

Greenspan: Licensing will create a two-tiered pricing system in the world, with drastic price increases in Europe and Japan.

President: But I suspect we would face dramatic action in the Congress for licensing to stop deals like this.

Simon: I recognize the two-tier problem. It's a mess. But if we move to licensing ourselves, we have a chance to save PL 480.

Ash: But Congress may impose a whole new series of restrictions in the PL 480 option.

Kissinger: It could push Sadat over the edge.

Simon: That is why I would tell the Soviet Union to cancel.

Kissinger: It's easier for the Soviet Union to have the contract cancelled through our licensing than for them to voluntarily cancel.

President: I think we must find out whether Butz or the companies did the wrong thing here.

Eberle: We have no legal lever over the companies.

Seidman: Can we avoid an announcement today?

Simon: We will be accused of being devious.

Kissinger: But for a good purpose.

Eberle: From the market point of view we have until Saturday afternoon, but we have a credibility problem.

President: We have to make the announcement, as Henry has indicated. Get Butz back here.

Kissinger: I think the Soviet Union will consent to things imposed on them better than to take initiatives themselves.



President: We should be tough on the companies. Get them and Butz in a room and sort this out.

Kissinger: But the contracts have to be cancelled -- by the companies, the Soviet Union, or by us through licensing.

Eberle: Getting the companies in should be part of the press release.

Kissinger: If we publicize getting companies in and we cancel the contracts, that should help.

President: We should also say that the companies must get prior approval in the future for contracts of an unusual size.

Kissinger: We had better get some cables drafted to the affected countries.

P/K/Senior/Unspan/Berens/Ash
Ethel/Sirhan 5 Oct 74

K There are 3 ~~see~~ interpretations of low actions: ✓

1. Trying to disrupt a market
2. Unintentional - signals we gave
3. See prices going up want to break market.

Dobyns proposes to have meeting about this.

P What is a low intention

S Pretty good. Down a bit in fuel but if in fuel. So this is something of a surprise.

K Dobyns said they were told they could have 1 mil. I told him 500,000 + 1 mil wheat but after war + spread over long period. We would announce but only held in abeyance

P How about licensing

S Still would cut off PL480 for those crops, and it's just things changed. So you would have to propose X controls + ask Cong for exemption for PL480.

K Others said Barty told him absolutely no X controls

S We could put in licensing, tell Japan it is anti-Soviet + they would get what they need + ask Congress for PL480 authority

P What would this do for PL480?

K It would create disquiet. We have been using PL480 in lieu of aid to E.

S We would even have a helluva job selling to Cong even 500,000 + 1 mil.

K Why would that put price up if held in abeyance?

Berens Cause it means a \$1.00 in a market. That is a new factor in a sketched market.

(Discussion of 25 Sept Food with mtg + separate)

P We have 2 options - (1) longer licensing w/ prior notification (2) Get a \$1 to take off + either back off or show delivery.

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E.O. 12958, SEC. 3.3

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES

BY WJ, NARA, DATE 5/5/04



S I think we have to announce event by Monday if market is not to go wild.

K We may be able to work out a lower sum w/ the SU but we are in dangerous site. No KFC, X-M and want licensing against them. This is our warfare & they haven't done a thing.

P Did we notify companies we wanted to approve these purchases?

Edwin Barty said so.

Gregory Licensing will create a wild pricing system in a world w/ dramatic price increases in Euro & Japan

P But I suspect dramatic action in Congo for licensing to stop deals like this.

S I recognize a 2-tier system. It's a mess. But if we move to licensing ourselves we have a chance to save the 450.

Ask But Congo may impose a whole new series of restrictions in a PCUFO system.

K It could push Sadat over the edge

S That's why I would tell the SU to come.

K It's easier for SU to have contract cases than our licensing them then to voluntarily come.

P I think we must find out whether Barty or companies did wrong here.

Edwin We have no legal ~~rights~~ lines to our companies.

Sebastian Can we avoid announcement today?

S We will be accused of being obvious

K But for a good purpose.

Edwin From market point of view we have until Saturday pm, but we have a liquidity problem.

P We have to make a commitment, as K has indicated. Get Barty back here

R I think the SU will consent to things imposed on them better

Don't take initiative themselves.

P We should be looking for companies. Get them & Barty in a room & set this out.

P But contracts have to be done - by a company, a S.D. or via other licensing.

Elmer Getting companies in should be part of the press release.

R If we put licensing getting companies in & use every contract that should help.

P We should also say that a company must get prior approval for unusual size contracts.

XX R Better get some cards dropped to appointed committees

