

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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By dal NARA, Date 12/17/10

SECRET/SENSITIVE

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Valery Giscard d'Estaing, President of the French Republic
Jean Sauvagnargues, Minister of Foreign Affairs
Jean-Pierre Fourcade, Minister of Economy and Finance (Second Half)
President Gerald R. Ford
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs
William Simon, Secretary of the Treasury (Second Half)
Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

DATE & TIME: Sunday - December 15, 1974
4:30 - 6:30 p.m.

PLACE: Hotel Meridien
Martinique

SUBJECTS: Defense Cooperation; CSCE; F-104 Replacement;
Monetary Issues

DEFENSE COOPERATION

Giscard: Should we discuss security matters?

[General Scowcroft left the room for about one minute and then returned.]

President: There are other issues, not always directly involving you -- MBFR, F-104 replacement, logistics through France. Anything else?

Kissinger: NATO military cooperation, nuclear cooperation, a possible nuclear suppliers conference to prevent proliferation. This is the general area related to military matters.

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CLASSIFIED BY: HENRY A. KISSINGER



President: Then there is the FRELOC settlement issue. Then I could give you my appraisal of Valdivostok. We hope an agreement would be ready for signing next June. There must be additional give by both sides in units and numbers in MBFR. We think there must be percentages, not equality in numbers. You are not directly involved.

On F-104 replacement, we don't think the decision should be political, but rather a technical military one. You have yours, we have ours. We will decide on ours after the first of the year. The arrangement with our NATO allies on maintenance, supply and part of the assembly process. It is a major procurement of approximately 2,000 aircraft for replacement of our obsolescent aircraft and should be made on a military basis.

The overall strength of NATO has to be maintained, in equipment also. There is pressure from the Congress to withdraw 50-100,000 people. I am strongly opposed to this, as I was when I was in the Congress. It will be a tough fight, but I will vigorously oppose it. But it does provide the impetus for MBFR because that would relieve some of the pressure. The new Congress looks like it will be more difficult to get through the military appropriation.

I am now making decisions for our Defense budget. On research and development (R&D) and long-range weapon development we must be prepared for the present and get ready for the future.

We made progress in Vladivostok in putting a cap on the strategic arms race. We omitted forward-based systems and the British and French nuclear forces from the calculation. There was some disagreement on counting long-range air-to-surface missiles. But I want to assure you I will make sure our budget provides for adequate strategic forces.

Giscard: How do you explain Soviet agreement not to include forward-based systems?

President: We were very firm.

Kissinger: They had to deal with President Ford as the new President. He has a reputation for favoring a high defense budget. They had to plan on maybe six years and with a President maybe not committed to detente. The President told them he hadn't made his decisions yet on the defense budget. They were



concerned at the prospect of Senator Jackson having a radical anti-Soviet position, and they wanted to defend against it. If there is not an agreement in '75, '76 was an election year and the interim agreement lapsed in '77.

At one meeting in June with President Nixon in the Crimea, they had two generals who kept jumping up behind Brezhnev whenever he seemed to be making a concession. They always jumped up at precisely the point when our generals would have jumped up if they had been there.

I think these were the major reasons. Our worry now is our domestic debate, with Jackson now on the side of a low defense budget. It was helpful to have him on the right, but it is worrisome now.

President: Jackson is critical of SALT I because the Soviets had more launchers and we had more MIRVs. Now we have equality of both, so now they are alleging the numbers are too high. It's pure demagoguery.

Kissinger: At the level of [REDACTED] for MIRVs, it leaves us in a better situation anyway. The Soviets have to decide how to allocate their missiles, between land and sea. The land ones will be more vulnerable.

Giscard: How many warheads are there?

Kissinger: [REDACTED]

President: Our critics argue because they have more throw weight, its a bad deal. But we can increase it if needed.

Kissinger: Don't believe the Herald Tribune -- it publishes all the demagogic articles. The agreement shows the value the Soviets put on detente.

Giscard: And the desire to limit military expenditures.

Kissinger: Yes. With fixed numbers you can't demonstrate strategic superiority. And we have a much more versatile force: [REDACTED]

President: Brezhnev, I think, came with a desire to stabilize the military balance in a worldwide context. If SALT I had expired in '77 and both had gone on without limitation, the financial burden would have been staggering -- at least \$2-5 billion a year.



Kissinger: Probably more for them. We estimate their MIRV force will cost \$35 billion.

President: By any standards it was successful. It was not a victory for either but an advantage for the world as a whole. We hope then to move into MBFR.

Giscard: Brezhnev reported to us. He was pleased but without any impression of a victory over you. [REDACTED]

Kissinger: It is [REDACTED] below the present and way below what they planned.

Giscard: He looked pleased but not victorious.

We are not a military member of NATO. We have a national military nuclear force. It was looked at skeptically for years. I was impressed by our ability. Our submarines are of the same class of yours -- though not your latest. Each one has [REDACTED] launchers. We are giving them longer range [REDACTED] We are working on [REDACTED] We just started. It will also be [REDACTED] We stopped our land-based force at [REDACTED] We will have [REDACTED]

The British will have submarines with American launchers. For our force it would be useful to have American cooperation. Under your predecessor there were contacts. The difficulty is on your side because of your laws. It was interrupted last fall. There have been some technical contacts recently. [REDACTED]

Kissinger: That we gave you.

Giscard: Some.

Kissinger: The ABM locations.

Giscard: We know it is a problem with the Congress, and it is one-way cooperation because we have nothing in return.



President: I believe some of the discussions over the past several months are aimed at the possibility of that cooperation. I suggest they proceed.

Kissinger: May I raise one point? On the sensitive or policy aspects of any nuclear cooperation, it should go through the White House. Otherwise we lose control and it ends up in Aviation Week. In the field of strategic forces, the first approach is through...

Giscard: Currie and Barse were the ones.

Kissinger: Yes. Routine matters like safety can continue.

But let me review what happened last year. President Nixon held the view, which I share, that a strong Europe and a strong France are in our interest. He told President Pompidou we didn't exclude nuclear cooperation. He sent Galley to meet me out to San Clemente. Now this gives us two problems: Congress and our other allies. France sometimes is our most fractious ally; it could look like we were rewarding recalcitrance. Also there is a small Soviet problem, but that is manageable. Negative guidance was an important aspect of what we were doing.

Then came the October war and Jobert made a number of inflammatory statements -- about condominium and so on. In November there was a series of unremitting differences. France was telling our allies, "You cooperate and you are taken for granted; we don't and we are rewarded." We were ready to go ahead in December but the energy imbroglio started and Jobert went on a trip through the Middle East criticizing us. That is the history. We never asked for a quid pro quo for our cooperation, but we couldn't move under such constant criticism.

We believe that as long as France has a nuclear force it should be a good one, and it is senseless for you to have to spend billions learning what the Soviets already know. President Nixon didn't ask for total agreement.

Giscard: It will not change our program but it will save money and time. Some will be ready in 1981, 1985, and will make a contribution to the West.

Kissinger: [REDACTED]

Giscard: I didn't ask why Brezhnev didn't count us.



Kissinger: He gave up on FBS in October but wanted to count you. We said since they are not MIRVed, why should we? He gave up about midnight, and we don't know why. We gave no quid pro quo.

President: Not on MBFR or any other.

Giscard: [REDACTED]

Kissinger: [REDACTED]

Giscard: [REDACTED]

Kissinger: What yield?

Giscard: I don't know off-hand.

You mentioned cooperation with NATO on technical cooperation. Pipeline sharing has been solved. Logistical supplies and air defense are close to agreement. On FRELOC we suggested \$100 million. If you agree, we are ready to start payment.

President: We agree.

Giscard: [REDACTED]

Kissinger: We understand there is some chance of coordinating your First Army plans with NATO. We would propose Haig as the contact with your Chief of Staff as a technical, not a legal problem. Haig understands the political context better than Goodpaster.

President: He is an outstanding person with hard understanding. He will do an outstanding job in NATO as he did in the White House during a terrible time. To have come out of that with an impeccable reputation is terrific.

Giscard: [REDACTED]

[REDACTED] I don't know the form the agreement will take but probably we'll move forward.



Next, the environment is not as secure as it was 5 years ago. Portugal, for example, is confused and unstable. I am convinced we will have problems in Spain and Spain is much more violent. Italy is unpredictable -- there is no authority of any kind. We are in an unstable environment, so we have to give more value to defense -- not for strategic purposes but for social stability. So we will try to improve our own forces. We should enhance our mobility. This should help the West have part of a navy from the Atlantic to the Mediterranean: It adds two aircraft carriers and others to the Western Mediterranean.

President: We are concerned about the northern Mediterranean also. I am encouraged by what you say. We are in touch with Spain and if they had competent military leaders, but they don't... I am not confident Juan Carlos has the ability or the strength. Franco's successor has only a limited chance to survive.

Kissinger: You would find in Spain like in Portugal that the Communist Party is the best organized force except for the Army.

Giscard: They don't have a colonial problem, but the upper classes have taken advantage of the situation.

CSCE

Giscard: Let me turn to CSCE for a moment. I had a long talk with Brezhnev on this. I studied it before, and was not confident about our claims that the Basket III problems -- education, information -- I am not sure the thing can be solved this way. The same practical technical solution can be made without having to have the principle of free access. What irritates Brezhnev is the linking of inviolability of borders with peaceful change.

Kissinger: As I understand the German position, the sentence as written is okay if it follows the inviolability of frontiers. If it is in the section on security, then they want a change. I think it is absurd. No frontier will change on the basis of a sentence in a document.

Giscard: We did not commit ourselves to a summit meeting, but I said we would try to find a solution to the several problems. I don't know why Brezhnev would like a summit in April...

Kissinger: He wants it before the anniversary of the end of the Second World War.



President: We had a 45-minute presentation by Gromyko on CSCE. We feel strongly about SALT. He went into great detail. On CSCE we think we must move in conjunction with our allies. We told them June-July.

Kissinger: We would prefer after the anniversary; they want a joint celebration. They want to reenact the meeting of American and Soviet troops on the Elbe. We have refused a celebration on German soil.

On the whole, we think it is better to end in May or June rather than April, but not to say that -- just to conduct the negotiation so it works out that way.

Giscard: They think this is the final price of the war, and that is why they want it before May. It is for him the last price of detente also.

Kissinger: We could finish Phase II in April and announce it for June.

Giscard: We need to work it out with the allies...

Sauvagnargues: We did not enter into specific drafting on peaceful change.

Kissinger: The Soviets say you did. This is a case where consultation would help.

Sauvagnargues: We will give you the notes of the meeting.

Kissinger: If we just move so that Phase II ends in April.

Giscard: Yes, it would take at least a month to set it up. I asked Brezhnev how he envisaged the signature. He said he would speak five minutes. He is afraid of reopening the negotiations so he wants just a formal meeting.

[General Scowcroft left the room for a minute, and then returned together with Secretary Simon and Minister Fourcade.]

F-104 REPLACEMENT

Giscard: It is difficult to resolve this question [F-104 replacement] on technical grounds. There are areas where there is no edge of one over another. There will be resentment in Europe that it doesn't have its own aircraft. There is pressure by American companies. If there was some



possibility of some kind of cooperation. Market sharing is difficult and I have nothing specific to suggest. It is difficult for American companies not to compete because on two out of four points the American planes are ahead.

President: I agree that market sharing is not practical for your reasons, as well as deciding who would get the inferior plane. Let's see what can be done as things go on.

Giscard: Keep in mind the usefulness for Europe to have an aircraft industry. The American share is now very high.

President: Your Concorde is the only SST available. I bled for our SST in the Congress.

Giscard: We should keep in touch on this question. We think our aircraft industry is entitled to have some independent development and market.

President: As the decision gets closer, let's keep in contact. I am not in a position now to see how we could mollify any adverse reaction.

Giscard: Perhaps some could do helicopters, some the "air bus"... I would prefer to push the aircraft industry to sell its products. On the military side, I am trying to moderate the export sale of military aircraft.

President: Generally I think the Concorde created a favorable impression except for those who are opposed to any SST at all. The Federal Government doesn't control noise, etc., but I think the SST has a future.

MONETARY ISSUES

Giscard: [To the Finance Ministers] Did you make economic progress?

Fourcade: We made progress on gold, and on IMF we have a friendly agreement and disagreement. [He hands over a paper.]

Giscard: On gold, I decided to change the calculation of our reserves to give them the face value. We will have a deficit of \$7 billion because of oil. Against this deficit, we have one half gold and one half other currencies. If we value it at the market value, the gold will become \$12 billion and the



total will be \$15 billion. We have delayed it only to get an understanding with the major countries. Schmidt said go ahead. But I thought we would meet and wanted to wait for that.

The monetary question has been one of deep disagreement between the United States and France. There is still American hostility from the '65 period. I am not a supporter of the gold standard. I tried to achieve some new kind of system, and we were close to it before the oil crisis. The practical point for us is to do it in a way which doesn't look like we are undermining the foundation of the monetary system. I would like to put out our balance of payments in January and resolve the gold question. Would that be a problem?

President: There has been recent pressure to authorize American citizens to hold gold and for the Government to sell some gold. The legislation early this year was forced on us as part of an IDA bill.

Simon: They passed it over our objections.

President: They pinned us down to December 31, 1974. The result is the authority is mandatory, so we didn't want to wait until December 31.

Simon: We will auction two million ounces.

Giscard: To whom?

Simon: It is an auction to citizens.

Giscard: With the objective to sell all your stocks?

Simon: Not at all. We just wanted to supply at least partially some of the demand to ease the balance of payments problem.

Giscard: One of the motives in France for holding gold is the inheritance tax. It is small and can be hidden to escape taxes.

President: My instinct is that we would have no objection to your proceeding.

Giscard: We will let you know two days ahead.

Your people in Treasury are violently opposed to monetizing gold. Why? Five years ago it was protecting the dollar, but now it is floating.



Simon: The concern is that if everyone raised the price and kept it at the center of the system, it would make the system more vulnerable.

President: What would you say in the communique?

Simon: We would leave it out and handle it in the January meeting of the Five. We have no disagreement with you about the ultimate role of gold. The disagreement is how we get there.

Giscard: How will we deal with the questions and answers?

Simon: We can say we agreed on the destinations but in getting there we wanted safeguards. We would prohibit or restrict central bank system purchase of gold. We would not want gold support but would treat it as a commodity.

Giscard: We could mention closer cooperation to reestablish control of the general economic development. If the situation developed in dangerous ways, we would meet in the Five, or at Presidential level, if necessary, to deal with it. We must find a way to avoid offending our other EC partners. We need to have some new approach. The Group of 20 failed.

President: We agree. And a statement from this meeting would solidify what was done in our communique with Schmidt.

Kissinger: It would have a very positive effect. We don't have to describe the mechanism.

Giscard: "If needed, we could take the initiative for a meeting to organize cooperation for dealing with economic problems."

President: We would not go into details.

Simon: The Group of Five meeting would be secret. It would be just before the meeting of the 20.

Giscard: Twenty is perfectly useless except to permit a meeting of the Five.

[The meeting ended.]



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REASON FOR WITHDRAWAL National security restriction

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