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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/NODIS/XGDS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Gerald R. Ford
 Chancellor Helmut Schmidt, Federal Republic of Germany
 Ambassador Berndt von Staden, FRG Ambassador to the U. S.
 Dr. Dieter Hiss, Assistant Secretary, Federal Chancellery
 Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs
 Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

DATE AND TIME: Friday, October 3, 1975
 12:00 - 1:15 p. m.

PLACE: The Oval Office

SUBJECTS: Economic Summit; Spain; Arms Sales Policy; SALT II and the USSR

[The press was admitted. The President and Chancellor discussed the Japanese Emperor's visit.]

President: When did you arrive?

Schmidt: Yesterday. I gave a speech to the International Chamber of Commerce.

[The press was dismissed.]

ECONOMIC SUMMIT

Schmidt: George Shultz has reported to you?

President: Yes. I am glad you have such a good rapport.

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 DATE 10/11/04
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Schmidt: We all used to be finance ministers together.

[There was some discussion about George Shultz's personality.]

President: You look fine.

Schmidt: Thank you. I am still concerned about developments. I told the press yesterday there is "cautious optimism," but it could easily have been the other way around.

President: When we returned from Helsinki, I called the Economic Policy Board together and told them of our discussion and the political ramifications. It was encouraging that at the end they recognized the situation and that steps had to be taken.

Schmidt: On the Economic Summit, I think we should invite Canada since Italy has practically been invited. I think we should have our assistants work hard on the public results -- on more than one issue which can be presented as having been agreed. One has to be from the economy field, but not the only one. The private meetings are the most important, but there will be expectations raised and we must deal with them.

President: I agree Canada should be invited. I think the psychological benefits of a summit are very important, but we will need to show results. I hadn't really thought about specific issues.

Schmidt: No, I haven't either.

I think the meeting should be held outside Paris so we don't attract crowds and make a show of it.

[Secretary Kissinger arrives.]

[There was some discussion of the Senate Foreign Relations Committee situation and the Israeli situation in the United States.]

President: Now that we have the Turkish aid vote, we must work on the Turks.

Schmidt: Yes, but we are going to have to work on Ecevit. He is the threat. We will have to pressure him.

Kissinger: Ecevit is playing a complicated game. He won't come out until the government has a negotiating position -- he thinks Erbakan will leave the government if any negotiating position is put forth and he then won't ever have to take a position.

Schmidt: It will be a tough job. Karamanlis is the most reasonable. I will go to Greece right after Christmas.

President: [Summarized the conversation for Secretary Kissinger.]

Kissinger: Is it your idea to invite the Canadians to the working group?

Schmidt: Yes, [humorously] without telling the Italians too soon. Why don't you call Rumor and tell him?

Kissinger: We thought we would have the meeting and decide then to invite the Italians and Canadians.

Schmidt: This meeting has gotten an enormous amount of publicity. I think it would be good if the Canadians and Italians could be invited.

Kissinger: How about a date?

Schmidt: My only problem is my China trip and party conference.

Kissinger: The Japanese can't do it before the end of November and the President can't before December.

Schmidt: I am free in December, but it must not be postponed until next year. It would look like a political ploy, and won't give the psychological boost to the world economy.

Kissinger: We had wanted 15 November. Would you be free?

Schmidt: I'll be back from my trip, but the party conference follows and I must go to that.

President: Can we work out a date in December?

Schmidt: I think the meeting should be an evening, one full day, and a morning, then lunch.



The problem will be to exclude the experts. There will be 21 people. I would say each should be allowed one notetaker in the senior meetings.

I think we should give Valery the honor, on the condition it is at a site where there aren't reporters and guards swarming around. Some chateau somewhere -- he has lots of them. It should not be like Helsinki and Brussels; otherwise it will be limited to public pronouncements and posturing for the press.

I still feel American interest rates are too high. You are attracting short term capital you don't need and which is not then available for long term investment which we need.

I am also worried about Simon's attitude toward New York. If New York shouldn't pay on the bonds, it could be looked on outside the United States as kind of a Black Friday. There are other cities, not like New York, but that are under some suspicion, and if New York collapsed they perhaps couldn't sell bonds. I am sympathetic to the problem of New York's mismanagement but there is a psychological problem involved.

President: New York has been mismanaged for ten years.

[General Scowcroft stepped out for a minute.]

I think most people know the New York problem and have discounted it. New York State is a much more serious problem. That we are following closely.

SPAIN

Schmidt: I have three more points. First, Spain. The shooting of these five people has had severe psychological repercussions in Europe. I want to draw your attention to possible additional repercussions if your base agreement is concluded too early and in too dramatic a way. If you could pause a few weeks, it could save some anti-Americanism in Europe.

Kissinger: Aside from the merits -- and we think it is a political mistake to have gone on with the executions -- the agreement ran out on 25 September. We should have started evacuating them. They have delayed that evacuation. We have a basic agreement and some

protocols. If we don't initial the basic agreement, we would have to break off the negotiation. We would not sign the protocols.

Schmidt: I understand your problem. I just say delay and maneuver as long as you can.

Kissinger: We have designed the agreement to ease the transition from Franco.

Schmidt: What is the moderate opposition view?

Kissinger: Juan Carlos is in favor.

Schmidt: I think he has lost his chance. I think there will be bloodshed next year and Arias will pay for it. The European governments won't protest what you do, but the press, labor, etc. may.

ARMS SALES POLICY

My next point is arms sales outside of NATO. We have been very cautious in this kind of sales and now we see you and France are selling to almost anyone. Now we are under pressure, with our unemployment, and we may now change our policy to sell some things like tanks to Iran and the Saudis. But I think the political directors should get together -- the U. S., Britain, France -- to give us advice. We would postpone a decision until we get this advice. We don't want to sell to Israel, Egypt, Syria, and all of them.

Kissinger: Egypt is a problem we must consider.

Schmidt: I plead for such talks, at not too high a level or too low a level.

Kissinger: We would propose Joe Sisco. Will you take the initiative?

SALT II and the USSR

Schmidt: My last point. Could you tell us about SALT II? I have an uneasy feeling.

President: I fear we are on dead center. Henry, will you describe where we are?



Kissinger: I will be very frank. The Soviets think they made an enormous concession at Vladivostok in agreeing to equal aggregates and dropping FBS, and last May on verification. We raised the issues of cruise missiles and Backfire bombers. This gives the Soviets tremendous problems with the potential of our having 11,000 warheads, but conversely our military are obsessed with them. We have made some concessions on cruise missiles -- like a range limit of 2500 kilometers.

Schmidt: You need not tell me the details.

Kissinger: The Soviets were shaken, I think, by the American reaction to Vladivostok.

Schmidt: So they are afraid you won't get anything through the Senate? On the other hand, I think the political situation in the Soviet Union is now very uncertain.

Kissinger: Yes. Gromyko is playing much more of an active role. I am not sure they want an agreement now.

Schmidt: Who are "they"? At our talk in Helsinki, Gromyko interrupted Brezhnev six times. I have noticed a definite deterioration in Brezhnev's ability to manage.

President: In Helsinki, there were more people involved than at Vladivostok.

Schmidt: I heard from Brezhnev a few days ago with the comment that we had to take account of the foreign ministries.

Kissinger: Very interesting.

Schmidt: I don't think there will be a change of strategic direction, but that Gromyko -- who was a student of Molotov -- may play a bigger bureaucratic role. We have heard that Brezhnev will not be replaced in February. I was uneasy about all this and I wondered if it was affecting SALT.

Kissinger: We should think through the implications of what might be going on in the Soviet leadership and how we should respond.

President: Shall we continue on the way to lunch?



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*Scowcroft file 2
(No discuss except
Goinenfeldt
"Eyes Only")*

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BY lab, NARA. DATE 4/2/04
State Review 3/1/04



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Our studies
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Very Sensitive
No distribution
without my OK

Pres in

Discussion of Jap visit

P When did you arrive

S Yesterday, I gave a speech to I.C.C.
Pres at

S George Shultz has reported to you?

P Yes, I am glad you have such support.

S We all used to be finance ministers
together.

(Discussion about George Shultz's personality)

P You look fine

S Thank you, I am still concerned about
differences. I told a press yesterday "cautious
optimism" but it could easily have been a
other way around.

P When we returned from Helsinki I called ERB
together & told them of our discussion & the
political ramifications. It was encouraging
that at the end they enjoyed it & that
steps had to be taken

S Once Ecom is over, I think we should
invite Canada since they have practically
been invited. I think we should have
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I will have to be from emergency field,
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expectations ~~exists~~ we must deal w/ them

P Jay's Committee should be invited. I ~~don't~~ think a pay benefits of a summit are why ~~negotiate~~, but we will need a show results. Should ~~not~~ talk that about specific issues.

S I think the ^{to summit letter} ~~meeting~~ should be held outside Paris so we don't attract a crowd & make a show of it.

(K arrives)

(Some discussion of a SFRC situation & the Israeli situation in the US)

P Now we have Turk vote we must work on C Turks.

S Yes, but we are going to have to work on E event. He is a threat. We will have to pressure him.

K E event playing a ~~game~~ game. He won't come out until Govt has a report position - he thinks E ~~chance~~ will leave Govt if any negotiable position is put forth & he then won't ever have to take a position.

S It would be a tough job. Karameh is ^{the} most ~~important~~ ~~important~~. I will go to Geneva right after Xmas.

P ~~is~~ (Summarized conversation for K).

K Is it your idea to invite Committee to working group?

S Yes, ~~is~~ (humorously) w/o telling it to him. Why don't you call Rumsfeld & tell him.

K We ~~can't~~ but we would have a meeting & discuss them to invite Perkins & Conradiers.

S This meeting has gotten an enormous amount of publicity.



I think it would be good if Curlew & Stokes could be invited.

K How about a date?

S My only job is China trip + party prep.

K Jobs can't do it before end Nov + no court before Dec.

S I feel in Dec, but it must not be postponed til next yr. It would look like a political play, + won't give a pay boost to a world economy.

K We had wanted 15 Nov. Would open be fixed

S I'll be back from trip, but ~~the~~ party prep follows + I must go to that.

P Can we work out a date in Dec?

S I think a party should be an evening, one full day, and a morning then lunch. The part will be to reproduce a report. There will be 21 people. I would say each be allowed 1 notetaker in a service mtg.

I think we should give Valley a house, on condition it is at a site where there aren't reporters + queues swimming around. I saw Chateau somewhere - he has lots of them. It should not be like Helsinki + Brussels, otherwise it will be limited to public pronouncements + posturing for a press.

~~to the end of meeting~~

I still feel US interest rates are too high. You are attracting short term capital you don't



used + which not then available for a long
time in contrast which we need.

I am worried about Simon attitudes toward
N.Y. If N.Y. should pay on bonds it
would be looked on outside U.S. as kind of
a black Friday. There are other cities
not like N.Y., but under severe suspicion
and if N.Y. collapsed they perhaps couldn't
sell bonds. I sympathize to a part of N.Y.
- was against but there is a very prob. drawback.

P N.Y. has ~~been~~ been mismanaged for 10 days.
(I left for a minute)

I think most people know @ N.Y. prob. & have
discussed it. N.Y. State is a much more
serious prob. than we are following closely.

S I have 3 main points. ^{First,} Spain. The starting
of these 5 people has been very expressions
in Europe. I want to draw your attention
to previous editorial expression if before
last agreement is concluded too early & in
the chaotic way. If you could pursue a few
weeks it could ~~be~~ sure ~~to~~ anti-Communism
in Europe.

K Decide from a minute - and we think it a political
mistake to have gone on w/ a resolution - the
agreement run out on 25 Sept. We should
have started evacuating them. They have
delayed that move. We have a basic agreement



Clear apto here

+ some protocols. ~~For~~ If we don't restrict a
basic agreement, we would have to break off
a negot. we would not sign a protocol.

S I understand your job. I just say delay &
transmission as long as you can.

K We have designed a agreement to ease transition
from France.

S What is moderate opposition now?

K I mean Carter is in power.

S I think he has lost this chance. I think
I should next year & areas will pay for it.
The Euro Group won't protect what you do, but
a press, labor, etc. may

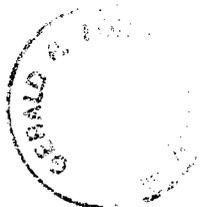
by next point is across substructure of NATO.

We have been very cautious in this kind of
sales + now we sell again + Fr. are selling
to almost anyone. Now we are under pressure,
w/our unemployment, & we may now change
our policy to sell some things like tanks to
Iran + Saudi. But I think a few countries
should get together (US, Fr, FRG) to give
us advice. We would postpone decision
until we get this advice. We don't want to
sell to Israel, E, Syria, etc.

K Egypt is a job we must finish

S I plead for such talks, at least to begin a trial
or two hours a trial.

K We would propose Joe Sirois. We'll get Taba
a meeting



S Last point. Could you tell us about SALT II? I have an uneasy feeling.

P I fear we are on dead center. Henry, will you describe where we are

K Don't be very frank. I don't think they make many concessions at Vlad on = aggr. + FBS, & last may on reciprocation. We raised a series of cruise missiles + Backfire bombers. This gives a series of thousands of potential of 11,000 warheads but essentially our capability are obsessed w/ them. We have made some concessions on cruise missiles - 2000 km

S You need not tell me details.

K Two Seas were planned I think by US reaction to Vlad.

S So they are afraid you won't get anything from a Senate? On other hand, I think a part of it, even so it is now very uncertain.

K Yes, Gromyko is playing much more active role. I don't sense they want agreement now.

S Who are "they"? At some talks in Helsinki Gromyko interrupted Brezhnev to say. I have noticed a def determination in Brezhnev's ability to manage.

P In Helsinki, there were more people involved than at Vlad.

S I heard from Brezhnev a few days ago w/c comment that our hand is into account of a foreign minister.

SECRET

K Very interesting

S I don't think there will be a change of strategic direction, but that Gromyko - who a student of Underhill - may play a bigger bureaucratic role. We have heard Bay will not be replaced in Feb. I am uneasy about all this and I wondered if it was affecting Salt.

K We should think through the implications of what might be going on in the Soviet leadership and how we should respond.

P Shall we continue on the way to lunch.

