MEMORANDUM OF CONVERSATION

PARTICIPANTS:  
President Nixon  
Vice President Agnew  
Christopher Soames, EC Commissioner  
William P. Rogers, Secretary of State  
George P. Shultz, Secretary of the Treasury  
Roy L. Ash, Director, Office of Management and Budget  
Elliot L. Richardson, Secretary of Defense  
James T. Lynn, Secretary of Housing and Urban Development  
Peter M. Flanigan, Assistant to the President  
Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

DATE AND TIME:  
Friday, February 16, 1973  
9:30 a.m.

PLACE:  
Cabinet Room  
The White House

SUBJECT:  
Cabinet Meeting: Vice President's Briefing; Trade Relations; Aid to North Vietnam and Amnesty

The President:  Ted?

Agnew: Thank you, Mr. President.

Thieu will probably have to cut his military in half and find employment for them. They're about 500,000.

I think President Thieu should address the American people when he is here, just as the President did in Russia.

Brent Scowcroft

SECRET/NODIS/XGDS
In Thailand, Thanat has left the government. He likes to consort with the Communists and is writing criticizing Thamom for his affinity and ties with us. General Prapat -- the number two man -- is being positioned as a neutralist between the two, so he could go in either direction.

In Indonesia, Suharto seems to be in a tug of war with Malik. It's the military versus the civilian. We must continue our efforts in Indonesia, but they will never be as supportive of us as Thailand.

There are bad frictions between Malaysia and the Philippines -- over Sabah and the Sulu Islands.

We should continue to aid these countries and exert our presence. Helping them help themselves will reduce the possibility of insurrections, etc.

The ceasefire saves us $2 billion a year. Investing that in the area is the best investment possible for those funds.

**Rogers:** We must recognize that these people tell American visitors their problems, not their successes. Their interest is in frightening us.

Everything is relative. A few years ago Indonesia was thought to be going Communist forever.

Note that when things are best -- Singapore and Malaysia -- that is where the Chinese are many things. Damn clever, these Chinese.

**Richardson:** Will we get an aid program?

**Rogers:** Yes.

**Richardson:** Isn't it true that if Indochina stabilizes, the Thai might not want us to reduce our presence in Thailand?

**Agnew:** Yes, but the Thai don't count on that very heavily.

**Richardson:** From our standpoint, we don't want to reduce until we see how things go.
Asnew: B-52D can't fly from Guam, so we really need the Thai bases.

[President returns with Soames.]

Soames: The upcoming negotiations are enormously important, especially from the political standpoint.

The important thing is if this leads to a political confrontation, no trade gains can counterbalance the damage that is done.

Here I have the impression the United States expects unrequited concessions because of its adverse trade balance. The British had an adverse balance for a long time. We didn't take this position, but we got on our hind legs and fought for markets.

It would be a great pity if the undoubted difficulties with Japan -- and we have them also; they are moving into Europe -- continue. They take sections of the market in different countries. We can't let this go on, but we can't gang up on Japan -- but we have to open up the Japanese market. That is the only solution.

In presentation of your trade bill --

-- I hope it is a trade liberalization bill. Of course you need safeguards, but the bill should be liberal with safeguards, not vice versa.

-- With respect to Europe, look for doors which could be opened; don't think of locking doors.

The President: It is important for all to know that there is a strong isolationist sentiment both here and in Europe. We will not give in to that, and we don't want a confrontation -- with Europe or Japan.

As world tensions abate, we must realize this couldn't have happened if US-European relationship had not been strong.

Nothing could be more harmful than if we let economic competition offset our political and security relationships.

[Soames and the President left at 10:44. *The President returned at 10:45.]
Rogers: I think the Thais know we are going to stay.

The President: What did you think of Soames?

Rogers: He's good, but I told him if we call a bill a liberalization measure, it will never get through Congress.

The President: Yes, I told him that Agriculture would dominate Congressional action, and if they don't give on agriculture, there'll be no bill.

Rogers: Soames is a good man and it's good to have a single voice for Europe to speak with.

Shultz: It isn't true that our problem is just with Japan, our balance of trade with Europe has deteriorated more recently than with Japan.

He says we shouldn't lock doors. Most of the locked doors are theirs -- in agriculture, computers, etc. They have to unlock the doors.

Economic factors mean a relentless push, and unless they are handled they will push everything aside. We're reaching the point where aid recipients won't take aid in US dollars anymore. Rich as we are, if we don't have foreign exchange, we can't give it away, so there is a big stake for us in the economic and trade aspects.

The President: Soames has a point. Because the American market is so rich, our companies have not pushed foreign trade adequately.

American companies set up too many multinational companies, instead of manufacturing in the US and exporting, so we don't export jobs.

In the end, the fundamental issue is whether or not we have competitive companies and costs in the world. Devaluation, etc. are symptoms, not the cause. This is the cause and we must get at it.

The Japanese have controlled the economy and they can pick off various markets with loss leaders.

We will probably have Tanaka here, and the Emperor, but Japan is not being a good partner. And Europe. We must find a way to get at this.
Ash: There are things we can do, but it will be a tough fight.

The President: George is the biggest free trader but for me, but we have to make our economy competitive.

Rogers: How do we give the American industry incentive to export, when the market here is so easy?

Ash: That's a good point, and it's especially difficult with smaller companies.

Rogers: Labor says the multinational companies export jobs and the product still comes into the US.

Ash: That's true, but the alternative is to have foreign-owned companies send those same products into the US. This way, we at least have the investment, if not the labor. If we are to lose markets, it's better to retain half.

Technology is no longer exclusive to the US. It's knowledge, and it's equalizing around the world.

The President: While our exports are only 4% of our GNP, that can be the cream of our profits.

Flanigan: Over 19% of our production is for export and that is large.

The President: I want DOD to look hard at this. Where small countries are going to buy arms anyway, let's not let them be French, British, etc., but American.

What tipped the balance in Indonesia was the Indonesian military. We had resisted stopping military aid in Indonesia just because of Sukarno, and this was important.

When people like Peru want an aircraft, they want the most sophisticated. Smaller countries need different arms programs from what we need ourselves.

Even for us, but mostly for allies, we are pushing too exotic weapons. I applaud the development of AX, for example.
Richardson: I am investigating Congressional restrictions on these sales. We should approach the Congress on a balance of payment basis. These countries will buy anyway, and they should be ours.

The President: Have the Navy look into the Styx missile and its little boat. Why sell battleships when this would do?

The highest priority for CIEP is to find how to make American industry be competitive in the world. If the US turns inward, the world will be in a mess, because the Soviets and Chinese still look outward.

George, go ahead.

Shultz: We have had a basic plan for revising the system.

We closed the gold window last August. We then achieved the Smithsonian agreement.

We must talk not only about deficits, but also surpluses. We must talk not only of the monetary system, but security, aid, and everything. The monetary system can't carry the load by itself.

We should try to get away from controls on capital.

We tried to put our philosophy into operation to meet this crisis. We had a group -- Roy, Schlesinger, Flanigan, Burns. These are the possibilities:

-- A joint float by Europe.

-- Unilateral action by US. We preferred this but would accept either.

We couldn't be hurt because the gold window was closed. Europe and Japan had to bite the bullet. With Japan it was a 35-40% change in exchange rates. With Europe it was a 20-25% change in exchange rates. The real change in the rate is not this big, but it is still substantial.

We have to worry now about domestic prices. Devaluation tends to raise the price level.
The President: What is a safeguard system?

Schultz: Protection against inundation by a particular product.

A natural increase is okay, but not a precipitate one. The Hill must have a procedure for determining when this is excessive and give the President authority to act swiftly. The President could declare an emergency and either apply a general surcharge or a particular one.

Also, we may change the present authority to retaliate -- to broaden it.

The President: We want bargaining chips to help us in our negotiations. These negotiations differ from the Kennedy Round in that this time we can go up as well as down on tariffs. We want freer trade, but we won't jeopardize American jobs and business.

Lynn: We must reorganize that, once we have Presidential authority. The pressure from individual companies for increases will be tremendous.

The President: We can't save really non-competitive industries. Just those which are basically sound.

The next subject is aid to North Vietnam and amnesty.

Bill [Rogers]. Circulate your words on these subjects.

North Vietnam aid will be tough to sell. After World War II, the liberals supported aid to Germany and the conservatives opposed. Now, the liberals are opposing aid to North Vietnam with the same arguments that the conservatives used against Germany in 1947.

The old internationalists have become the new isolationists.

Aid to North Vietnam is not being done on a humanitarian basis but for pure national interest. Aid will draw them toward their own problems, have them turn inward, and will give us some measure of influence over their behavior.

We are also working on the Chinese and Soviets to pressure North Vietnam, but this must be done privately.
Rogers: Tell Congress to wait until they know what we want and why.

We have spent so much. Why let it all down the drain now?

The President: I would like every member of the Cabinet to take the Rogers line. Don't ask them to support it now, but just to keep quiet. Wait and see.

Multilateral aid gives no leverage.

Tell Congress that others will help, but bilateral aid is also important. Also, it's to maintain leverage.

Put it in terms of aid for all of Indochina, but for leverage with North Vietnam.

Rogers: Particularly say shut up until the prisoners are home. Aid was in the agreement.

The President: An excellent point. Also, the Johnson Administration began this. If everyone will wait until the prisoners get back, this will give us time to turn some people around.

Ash: People want to know where the money is to come from.

The President: Hold it close now, but I will say that aid will not come at the expense of domestic programs; it will have to come from the national security budget.
16 Feb 1973

Dear Mrs. Ford,

I am writing to express my concerns about the current situation in Indonesia. The recent events have led to a significant increase in the number of refugees seeking asylum in our country.

I believe it is crucial for us to take immediate action to provide support and assistance to these refugees. Their plight is heartbreaking, and we must do everything in our power to help them.

Please consider setting up a special fund to aid these refugees. We can also consider providing them with temporary housing and basic necessities.

Thank you for your attention to this matter.

Sincerely,

[Signature]
- 8:32:45 - Can't fly from resume & slot stuck
  Need this back

10:20 -Ľrenakwúz w/ Somers
  Somers - Open wire with 4 new wire in other
day political
  Important thing is if the crowd polarized
  Corporation, we have gains or counterbalances
  to damage

Here's how we're in major US defense procurement
  cutbacks through the end of the year
  But slow down in defense for long time. We
didn't take this position, but got one week
and forgot to mention
  Would be great if we could do something else in Japan
  but there's there already are many with ECO.
  They take decisions by countries, different countries.
  We can't let them away, but can't jump up on
  Japan - but we have to open up the Japan
  market, that's a very important

For presentation of your deal bill

- Japan is a big challenge. Big, of course,
  Japan need to work with. Bill should be handled
  with some work, not minor issues.
  Things in Europe, like some things could be
  offered, don't think of holding -

P. Important for it to show that will be a
  strong relationship with the United States in ECO.
  WILL not give in to that, a little want an
  cooperation - in ECO a few

As we said, this is bold, but it's not. This could
  have happened if US-ECA relationship and
  with better strong.
Nothing would be more damaging than if we let
our competition offset our political
and security relationships.
Sassoon - Aug 10, 44, Five Wives 10, 45

Ray: I think there's more we are going to stay.
Paul: What did you mean by Sassoon?
Ray: Good, but I told him if we don't still the diplomatic
reason, it will nudge them long.
P: Yes, I told him that if they again come now again, if they don't give us again, we will
Ray: Sassoon said we had no option to have a single voice
I spoke with.

Sassoon said, that every part is just as good as one,
individually, if we were determined more equally than,
if we were
Furthermore, most for killed because they are again,
amongst them, they have to conclude.
Even if more relentless fresh and ruthless they are,
man, they will push everything aside.
When and again went to the and in US etc anyone. Now, we are, if we don't have exchange, we can't
give it away, so can't there is a big step in a
sense total export.
P: Sassoon is against. Because US market is so
rich, our companies need not push foreign
trade adequately.
US companies that say for much multination company,
insufficient only in a US + regulating, since
but support jobs.
Page 1:

1. The world view is whether or not we have competitive companies in the world. With the West, our strong base is at home. This is our strong point. We must find a way to get at them.

2. China and Japan are strong, but it will take time.

3. Europe supports us, but we must have a strong base at home.

4. How do we give US industry a competitive X when a market base is eroding?

5. Total point of view is difficult with small companies.

6. Japan companies support market and are ready to portray still versus US.

7. Time that all industries is to have foreign owned companies sending some products into US. This way, we at least have a market, if not a base.

8. More to see the market, but in certain levels, technology is no longer US. It is knowledge, and it is knowledge combined with.

Page 2:

1. While one or two are small, that can be a lesson of our projects.

2. China 17% of production is from 1 that is large.

3. Want 60% to look back at this - where small companies can go. They have many data that show that this is not the right step for us.

4. China trade balance in dollars is now India.

5. We had increased shipping costs and in goods just above surface of surface, & this was important.
- When people ask, they want a gift, they want something sophisticated. Smaller countries need different arms pacts from what we need ourselves.

- Even for us, but with, not like, not one pushing this system. I suppose that one of the changes in my thinking is that the whole issue of paralyzing arms pacts by making them so complicated is a moral one for us. You would say this was a systematic argument for CIEP to head down to and to make CIEP actually be competitive in a world.

- If US can win, then that would be an unanswerable argument.

George - go ahead.

We have had ideas about an international system.

- Need gold window.

- Somehow, some way.

- Must talk about deficits, but surplus of interesting, not monetary system, but the security, aid, etc.

- Confidence:

- Gold float by Europe

- Undercutting cuts by U.S., then prepared for cuts worldwide.

- The treaties are a part of this agreement.

- Would not have a gold window.

- Gold window need.

- European foreign aid to take a smaller.
What is a safeguard system?

Participation against vandalism by a particular product:

Natural resources, etc., but not precipitate. Take Lucian's view on this.

must have procedure for determining when the measure is good for authority to act properly.

We could then make emergency a criterion applicable to such exchange or in particular cases.

Also may change present authority to relative to lend it.

We want to examine whether to help us in our negotiations.

These negotiations differ from merely sound in that the two laws can go up as much as American trusts. We want from trade, but won't jeopardize US jobs or businesses.

Laws must recognize that once we have free country, empresario from abroad comes for winners will be predetermined.

We can't run really run competitive relations just like which we basically found.

New subject will be NMI and Transactions.

Laws were market laws made on their

NMI and will be tough to sell. For example, 일본.

supported our theory, conservation opposed.

Laws' shifts have opposing and NMI will win.

Argument that conservation as agent in 1941.

A lot纳ガモン have become re-insulted.

And it is not a human act but pure multi-element.

And will draw them toward their own path, hard.

Them then increased will give us some measure of influence another leadership.
P. We are also working on PRC ASR G to receive
new, but this must be you true priority.

P. Tell Congress until they know what we want
it.

P. We have agreed to match. Why let it all down.

P. Would likes every member of Cabinet to take responsibility.

P. Don't ask them to support now, just keep

P. Keep. Wait to see.

On multilateral aid, several countries have agreed to
help multilateral aid give me leverage.

Tell Congress. These will help, but bilateral is urgent,
above to maintain leverage.

But in terms of bilateral aid, but leverage in NFW.

P.- Particularly key to my schedule is pressure on time.

P.- Excellent point. Also, Johnson Adam began this.

P.- If it will work, let pressure get to it, this will give

P.- We have to have some people around.

P.- People want to know when they come from

P.- Hold that now, but I will try to get it. I will not

P.- Even if urging of domestic programs, it will

P.- Have to come from with security budget.