

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/NODIS/XGDS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Ford  
 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

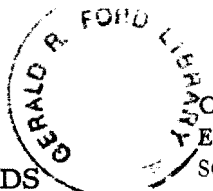
DATE AND TIME: Saturday, August 17, 1974

PLACE: The Oval Office

Kissinger: On the energy situation, we have to find a way to break the cartel. We can't do it without cooperation with the other consumers. It is intolerable that countries of 40 million can blackmail 800 million people in the industrial world.

We have to get into position carefully so we don't get out ahead and our allies don't move in to pick up the pieces and get an economic advantage. That was the purpose of the Washington Energy Conference. We are getting the IEP by the end of September. It is effective only against a selective embargo and it creates a framework for communication. The Europeans probably think we should use it only passively.

Simon wants a confrontation with the Shah. He thinks the Saudis would reduce prices if the Shah would go along. I doubt the Saudis want to get out in front. Also the Saudis belong to the most feckless and gutless of the Arabs. They have maneuvered skillfully. I think they are trying to tell us -- they said they would have an auction -- it will never come off. They won't tell us they can live with lower prices but they won't fight for them. They would be jumped on by the radicals if they got in front.



CLASSIFIED BY HENRY A. KISSINGER

EXEMPT FROM GENERAL DECLASSIFICATION

SCHEDULE OF EXECUTIVE ORDER 11652

EXEMPTION CATEGORY 5 (b) (1, 3)

AUTOMATICALLY DECLASSIFIED ON Imp. to det.

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DECLASSIFIED  
 E.O. 13526, SEC. 1.5  
 NSC MEMO, HIRANO, STATE DEPT. GUIDELINES FOR REVIEW 3/19/04  
 BY MA, NARA, DATE 2/25/04

The Shah is a tough, mean guy. But he is our real friend. He is the only one who would stand up to the Soviet Union. We need him for balance against India. We can't tackle him without breaking him. We can get to him by cutting military supplies, and the French would be delighted to replace them.

President: He didn't join the embargo.

Kissinger: Right. Simon agrees now, though. The strategy of tackling the Shah won't work. We are now thinking of other ways. First, we have to get the IEP going. Second, we have to use the Library Group, an informal finance group which is meeting on 7 September to raise the problem of oil prices and work for a coherent structure to deal with it. Third, there is a meeting of the IMF board at the end of September, and the UN Foreign Ministers will be here. We thought of assembling the Finance and Foreign Ministers then and put a more daring action program to them. It will be refused -- like the February Energy Conference. France won't go along. That is okay, because in six months they will be eager to join. If there is a crisis, we will be out in front and can organize it. We will get some cooperation, though.

But as a precondition, we need to get our own energy program in hand. Conservation has gone by the board. If we don't show a shrinkage; our allies won't. There is a forty percent chance of a Middle East blowup.

President: There is no problem getting conservation started again, but the coal moratorium is a problem. Maybe that gives us a lever to get conservation going again.

Kissinger: If the public focuses on the fact this is not just a coal strike but an energy crisis.

President: We don't have to attack the workers but show it as an illustration of the energy problems.

Kissinger: Everyone now agrees on the necessity of what we proposed at the Washington Energy Conference.

President: The conservationists are launching an offensive and this would give us a chance to fight against it on grounds the crisis continues.



When the consumers get organized and we start dealing with the producers -- if it worked as you wish -- what would you do?

Kissinger: We are organizing the consumers. Then we are organizing bilateral commissions to tie their economies as closely to us as possible. So we have leverage and the Europeans can't just move in in a crisis. We want to tie up their capital.

When the Shah sees us organizing the consumers -- he will see, if we don't do it in a way appearing threatening to him.

I perhaps should visit him in October, in connection with the Soviet trip, and talk about bilateral arrangements.

President: Does he want higher prices?

Kissinger: Yes. He has limited supplies. He knows the profit is higher on petrochemicals and that the Saudis get more from the companies in everything.

We won't be in a position to confront the producers before the middle of 1975. We have got to get rolling.

President: We have the Alaskan pipeline, and ERDA. I'm glad Scoop moved.

Kissinger: We called him yesterday and he was conciliatory. You might consider talking to him again next week. I told Dinitz he had to help us here and that Rabin had to come in early September.

President: We have to give Scoop his amendment.

Kissinger: If you get waiver authority, that Congress would have to veto, it's okay.

President: What he wants is his amendment. The supporters don't understand the waiver authority.

Kissinger: The Soviet Union won't buy going in every year for legislation. They will complain about this, but will go along with it.

A Member of Congress last night said they want a compromise.



President: If we can pull it off and get the bill, it is the best thing we can do.

Kissinger: Next week you will be hit with a recommendation for export controls. I would like a chance to comment.

President: I notice the Japanese are buying heavily.

Kissinger: That is the problem. It leads to scare buying -- like surpluses. Commodities are one of our big foreign policy tools.

President: Who is for it?

Kissinger: Not Butz. I think OMB and Treasury.

I will have a paper for you on Monday. I want to ensure it won't be decided on domestic grounds alone.

President: It won't be.



P/HAR 17 Aug 74 ✓

K On energy, etc, we have to find way to break control.  
Can't do it w/o coop w/ consensus Intels that would  
blackmail FD mil indus world.

We have to get into position carefully so we don't get out  
ahead & our allies don't move in to pick up pieces &  
get econ. advantage. That was purpose of Work E.C.

We getting IEP by end Sept. Effects only against  
selective embargos & create framework for common action  
E was probably think we should use it only passively.

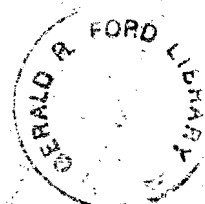
Sumner wants cooperation w/ Shah. He thinks Somali  
would reduce prices if Shah would <sup>do</sup> IEP. I doubt Somali  
want to get out in front - also Somali plan to use  
the effort flexibles & gattos of Arabs. They have maneuvered  
shrewdly. I think they trying to tell us - said they  
would have an action - it will come off - but  
won't tell us they can live w/ higher prices. They  
can live w/ lower prices but they want profit for them.  
They would be punished by a reversal if they get in  
front.

The Shah is tough, mean guy. <sup>own self interest</sup> Only one who  
would stand up to S.C. kill him for balance against  
Iran. ~~It's~~ We can't touch him w/o backing him.  
We can get to him off by cutting oil supplies &  
Fu be delighted to replace

P He don't join embargos.

K Sumner agrees new <sup>think</sup> strategy of talking Shah want  
work. We now thinking others:

- (1) cut IEP going
- (2) use Library Group (an informal business group)



mtg 7 Sept to raise - problem of oil prices & need  
for relevant structure to deal w/it.

(3) Mtg of ICAE board end Sept & UK F.M. to be held.

We thought of assembling F.M. & F.M. then & put  
a more ~~clear~~ closing action prog & then. It will  
be refused - like F.M. Energy Corp. F.M. would go  
along. That it could be <sup>in</sup> something will be required  
for. If there is a crisis we will be out in  
front & can organize it. We will get some  
energy tho.

But as present we need to get our own  
energy prog in hand. Conservation has gone  
by - board. If we don't show seriousness, all is  
wast. There 40% chance of UK E. blowing

P We just getting conservation started again, but  
coal matters a lot. Maybe that gives us  
a chance to get conservation prog again.

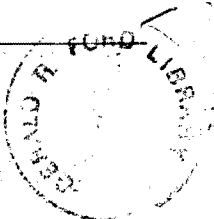
K If public pressure is fast this not just a coal  
strike but an energy crisis.

P Don't have to attack workers but show as  
abstraction of energy parts.

K Energy now agrees on necessity of what we proposed  
at Wash E.C.

P Conservation as a launching offensive & this  
would give us a chance to fight against it on  
grounds crisis constraints.

When consumers get organized & we start dealing  
w/ producers - if worked as you wish - what would  
you do.



K We are organizing consumers. Then organizing  
independent commissions to tie their accounts to  
clearly to us or perhaps, so we have leverage & Ennis  
can't just screw us in a crisis. We want to tie  
up their capital.

When Stark sees us organizing consumers - he will  
see if we don't do it in way to appearing threatening  
to him.

I perhaps should visit him in OJ (after in connection  
of SUT) and talk independent unions.

P Does he want higher prices?

K Yes. He has limited supplies. Knows profit higher  
on petrochemicals & that Jerry Sanchez get more  
from consumers in way they walk with their hands,  
Swiss think Stark only thing.

We want to be in position to export products before  
middle of 75. We get to get ready.

P Alaska pipeline, EADA (glad Jerry moved)

K We called him yesterday & he was enthusiastic. You  
might consider talking to him again next week.  
I think directly he had to help us here & that Robin had  
to come in early Sept.

P We have to give Jerry his commitment.

K If you get written commitment that they will have to  
meet, etc.

P What he needs in his commitment. Some supporters  
don't understand written commitment.

K SU won't be going in every year. They will  
complain, but will be going along w/



A member of Cong last night said they want a compromise

P If we can pull it off - get a trade bill, at least thing we can do.

R Next week you will be paper hit and see for X percent would like chance to comment.

P Article says buying heavily.

R That's prob. leads to severe buying - like depression.  
Something one of our big F P words.

P Who against for it?

R Not sure. I think OMB, Texas.

Have a paper for you on boundary. Want to know  
want to check on draw the game.

P Wait he.

