

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/NODIS/XGDS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Edward Heath, former Prime Minister of Great Britain
 Sir Peter Ramsbotham, British Ambassador to the United States
 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 & TIME: Tuesday - September 10, 1974
 11:04 a.m. - 12:09 p.m.

PLACE: The Oval Office
 The White House

President: I was sorry to hear about the tragedy on your boat.

[The press enters for photographs.]

Heath: It was unlucky. It was a bad storm. The terrible thing was we weren't expecting rain. They were hit by the first wave. We lost two overboard and had to go about and the second wave hit.

[The press left the room.]

Five of them were in a life raft for nine hours.

President: I was in a Pacific typhoon in World War II. We lost two destroyers which rolled over and sank. We were dead in the water for six hours on a carrier. A fire started and we almost had to abandon ship. It's a demonstration of the real power of water.

Heath: They were just seven miles from the coast.

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E.O. 12958, SEC. 1.6

NBC MEMO, 11/19/88, STATE DEPT. GUIDELINES, State Dep. memo 3/19/04
 BY DA, NARA, DATE 3/30/04

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



President: It is very nice to see you. I have watched the political situation in Britain, as a politician's interest.

Heath: It was a nice thing for you to do, with your burdens of the moment.

President: I think I did the right thing [with the pardon of President Nixon on September 9]. At first the phone calls were heavy against, but now it is 500 to 5000.

Heath: Edmund Burke said that magnanimity in politicians is not the greatest virtue.

President: When is the election?

Heath: Probably the 10th of October. He thinks he has the advantage but he also did in 1970 and was wrong. I did the same in 1974.

President: One advantage you have is your short campaign, unlike ours which goes for six months.

Heath: To have it on the third he would have to announce on Thursday. He won't do that because he has many white papers to get out and the civil service won't let them do it during a campaign.

President: I wish our civil service wouldn't leak.

Kissinger: The British civil service is magnificent.

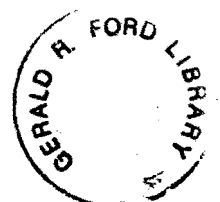
Ramsbotham: We have a group which starts transition planning as soon as a campaign starts.

Kissinger: There is no transition period after the elections.

Heath: [Tells a story about Sir Alec Douglas-Home and himself.]

President: We want you to know we will continue our policy. Dr. Kissinger is the best Secretary of State I have seen in my lifetime. I enjoy our relationship, though we had some good battles when I was on the Hill. He was the most popular one in the Administration -- and I was told by everybody.

Heath: We have the greatest admiration for what Dr. Kissinger has done. The most disappointing thing in Europe is the lack of leadership. Pompidou lost his grip a long time ago. Brandt was getting more and more moody.



Now Giscard and Schmidt have taken it up. The British are sitting on the sidelines doing nothing. We should be in the thick of it.

President: The Congress is putting pressure on all Presidents on withdrawal of forces. We have been successful thus far in holding it off, and it was better this year than last year.

Kissinger: McClellan though said this last year.

President: We would oppose it until we got an agreement in MBFR. We will vigorously oppose unilateral withdrawal, but it is a strong force in the Congress.

Heath: We have on the other side of the coin to get the Europeans to make their proper contribution. We have not much pressure on defense but we are giving five percent, and look at the FRG. It is a problem of comparison. We make the biggest contribution as a percentage of GNP.

President: I appreciated your position on Diego Garcia. I was asked a question on that three weeks ago at a press conference. The Soviet Union denied they have the three bases in the area.

Kissinger: They use Somalia and the others.

Heath: We were able to get agreement in a week or ten days.

President: The same sort of people are opposing it.

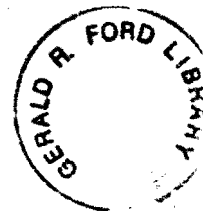
Ramsbotham: We were surprised at the reaction of Pell against it.

President: He is reasonable on most things but not this.

We recognize the great problem we have on energy and with finance, as well as the military problem. We support Dr. Kissinger's efforts to get the consumers together; otherwise we could be in trouble.

Kissinger: We are planning a restricted meeting at the end of the month. Just the four Foreign Ministers and Finance Ministers.

President: When will that be?



Kissinger: We haven't set a date because of the British elections and Genscher has a meeting of his party conference. We may have to push it into October. Callaghan said 13th, the first day he would be free [Laughter]

Heath: There is recycling, but that just increases everyone's debts. The third world has such debts already that recycling just pays the interest. That could spread to the developed countries. By 1980 we would have a debt of \$15 billion. We must convince the producers to take up more of the deficit burden themselves.

Ramsbotham: There are so few in the Arab countries who understand the problem. It is an educative process.

President: In the long term they are better off reducing prices and keeping the world economy healthy.

Kissinger: They are really Bedouins and don't really understand the world economy.

Ramsbotham: Their sophistication is just a veneer. When they get back to their roles, they are Bedouins.

Heath: I told them how could they keep getting votes for their policies when all the third world is going broke? The Shah is the big problem. He despises the Arabs and wants to get what he can.

Ramsbotham: The Shah wants to tie it to industrial prices.

Kissinger: The Shah thinks the Saudis are trying to make him the villain. I don't believe the Saudis are the key. We have to tackle the Algerians to get at the Saudis. Faisal won't get out ahead.

Heath: At least the Shah spends his money in the West.

President: He has used his money in a fairly big way. I have seen no action from the Saudis that way.

Kissinger: They have no concept of how to spend so much money. We need more activity in the Joint Commissions we've set up with them.

Ramsbotham: Are there consumer pressures which can be applied?

Kissinger: If we can stick together.



President: Will Japan go along?

Kissinger: We could do it without one country. Japan would welcome it but probably not participate in it.

President: Your North Sea development will start in 1980, I understand.

Heath: It should start in 1976. We object to the Labour Government's insistence on 51 percent Government participation, which has only slowed things. They would get it through taxes anyway. By the 1980's we should be suppliers.

President: Do you have refineries?

Heath: We have enormous refining capacity.

President: What about the other Europeans?

Heath: The Norwegians. They are very canny. They want it to last centuries and so they are doing little with it now.

President: When were the lines drawn?

Heath: It was done in the north in the 1960's. In the south it is still not settled. We are sparring with the French on that. Also there is a remote rock in the Atlantic that we put a flag on.

Kissinger: You will probably get the Greeks and Turks, too, fighting over offshore oil.

Heath: I had a good trip to China. Interesting how they see the stability of U.S.-Chinese relationship.

President: I had a good visit there in '72 with Hale Boggs. We think our relationship is on schedule and we want to keep it so.

Kissinger: The Chinese wanted Heath to go for a long time. But he didn't make it until after he left office.

Heath: Mao said we just sent 104 Soviet spies home and that was the way to deal with them.



President: When we met with the Chinese in 1972, we talked about SALT, which we supported. The question was asked if we reduced our appropriations because of SALT, would the Soviets do the same? Chou said never, never -- without even waiting for the interpreter.

Ramsbotham: Will this antagonism be sustained, do you think, after the succession?

Kissinger: I know only a few of them. You met the younger one.

Heath: This is such an emotional issue because they think the Soviet Union is pulled out its engineers at the critical state of Chinese development. They want a stable relationship with the United States and Europe and won't ever go back to dependence on the Soviet Union.

Kissinger: They are lecturing Fulbright and Humphrey on the Soviet Union.

Heath: I am interested in your thoughts on the economy.

President: It was a gamble getting all the experts together under Klieg lights, but it turned out the difficulties were minimal. They wanted Burns to be more flexible on the monetary side, but that we had to keep the fiscal situation where it is -- keeping the budget under \$300 billion. It will be difficult to do so. There was a feeling we needed adequate contingency plans to meet the crises with public service employment. This was generally agreed. There were some who wanted a tax increase and some who wanted a decrease. The next meeting is with Labor. We don't know how that will work. Then a regional meeting with business and agriculture people, then a repeat with the economists and then the Summit.

There was agreement on where we are. I wanted the American people to know the cold hard facts. If we can get some degree of unanimity we can work with Burns, keep our fiscal policy in control, and prepare contingency plans. Then I think we can weather the storm. If we don't resort to expediency we will be okay.

Heath: I tried a series of meetings with labor leaders in 1972. We have a mental block between labor and industry. But we did get general agreement on priorities. And we got massive support for the freeze until the miners broke. Getting it to the public I find fascinating. It makes the economists more responsible.

President: The reports I got were very good. Even the skeptics were favorable.



Kissinger: Including me. I thought that getting 23 intellectuals together would be a disaster.

President: I thought this was a way for us to force the Congress (which proposed the idea) and the economists to share the responsibility.

Heath: I didn't realize it was the Senate's idea.

President: I thought I should bring them in. We have to get any public support. I don't know how it will stick when we make proposals, but it is okay now.

Heath: You are holding the line on the budget.

President: Yes, I will have to do some vetoing, but if I can keep it under \$300 billion it would have a good psychological impact.

Heath: To keep it low in inflation times would be remarkable. That would let Burns ease up?

President: Yes. He took some action last week and the market had one good day.

Heath: My brokers said they decided an easement wasn't really coming and that is why the response failed.

President: The problem is the lag in reaction time. It takes the wisdom of Solomon to see what's happening.

Heath: They always know afterwards.

President: Burns is independent. How do you do it?

Heath: We have no Burns. But the Governor of the Bank of England has an impact on money supply.

President: Does the Government control him?

Heath: In the last resort he could be directed, but it never has been done and the Governor probably would resign.

President: Any direct effort to influence Burns would be strongly opposed.



Heath: In these talks has account been taken of the international ramifications?

President: I put into my speech that we would act in concert. Schmidt had been apprehensive on that point. We want to cooperate and will. But it bothers us when we try and don't get reciprocity.

Heath: You are right to want reciprocity. Schmidt is a tough one.

President: They have done well. I don't think we can get below 8 1/2 or 9 percent by the year end. A lot depends on the crop reports.

Ramsbotham: I was sorry to hear about Latin American sugar. That came at a bad time.

President: Fortunately the storm missed New Orleans and didn't live up to expectations.

Heath: We need America's cooperation. We are going to have tremendous problems and the need is to bring that home to the British people.

President: The British people have enormous strength.

Heath: We are a resilient people. And your people?

President: I am sure I made the right decision. They may flunk!

[The meeting ended.]



P/Heath/Ramobotham/K

10 Sept 74

P Say to him about a tragedy
(Press)

H It was windy, bad storm. Trouble thing was
car wasn't rainy. But by fresh wave, lost a
ambulance + had to go about + 2 red wave boat.

Pres left

5 of them in aircraft for 9 hours

P I was in a Pacific typhoon in WWII. We lost 2
destroyers which sunk and sank. We climb in
H2O to be on a carrier. Fire started + almost had
to abandon ship. Demonstration of what power of water.

H They were just 7 weeks from the coast

P Very nice to see you - I have watched political
act, as a politician's work without

H Nice of you, w/ your best moment of moment

P I think I did right thing. At first phone calls were
heavy against, but now it is over over

Edward Burke

Unagreement in politicians to not get that vision (?)

P when the election

H Put 100 out. He thinks a hand out - but also did in
70 to was very. I did 1 one on 24.

* One advantage to your short campaign rather
than ours 6 yrs

H To have it 3 14 announced on T-buss - would do that
because many articles papers to get out + air mail
service would let them do it during campaign

P Wish our civil service wouldn't leak.

R Be civil service is very important.

R We have a group which starts transition planning
as soon as campaign starts.

R There is no transition after election

H (Stay about Home + him)

P 62 Want you to know we will continue our
policy - K is best S of S in my lifetime. I enjoy



own relationship through we had some general battles
when I on Hill. He's most popular - I was to talk
Sunday.

H We have greatest administration for what K does.
Most disappointing thing in Ennis leadership.
People don't like his grip long time ago. Bennett
was getting more & more nervous - know G &
S have taken it up. Be sitting on sidelines
doing nothing. We should be in - think fit.

P ~~We~~ Very putting pressure on all sides on w/ demand
of funds. We have been successful thus far, & better than
last year.

K We believe the end this is last year.

P We would oppose it until we got MBE. We will
negotiate press unilateral w/ demand, but it's a strong
force.

H We have other side of coin to get Ennis & market
paper distribution. We're not under pressure on day but
we're giving 5% + look at F.R.G. It is problem of
congress. We have biggest GNP contribution.

P I appreciated your position on Drugs. I was asked
a question 3 weeks ago. I ~~denied~~ ^{denied} 3 loose projects.

K They use Somalia, etc.

H We're now able to get a government in week or 10 days.

P Some sort of people opposing.

K Supported at election of P. M. against it.

P He's reasonable meetings but not this.

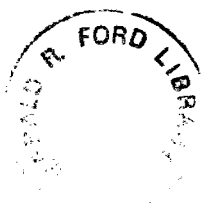
We're not just on a budget & with finance, as
well as military. We suggest & efforts to get
examines together; otherwise we could be in
trouble.

K We're planning a restrictive treaty end of month.

Just - 4 F.R. + F.R. in

P Action?

K Haven't set date because of Be elections for treaty
Genscher



of party conf. May have to push it into act. Callaghan
said 13th 1st day he he feel (laugh)

H There is very thing, but that just increases long term
debts. 3rd world has such debts already that requiring
just pay interest. That would go to spread to
developed countries. By 80 we have debt of 15 bil.
We must convince producers to take up more of
a debt burden themselves

slant R So far in Arab who understand job. It's an
educative process

P In long run they better off reducing price & keeping
energy low.

H They to Bedouins & don't really understand world
energy

R ~~There~~ There is just a revenue. When they get back
to their roles, they are Bedouins.

H I told them how could they keep getting worse for
their prices when 3rd world going broke.

The Shah is a big job. He despises Arabs & wants
to get what he can.

R Shah wants to tie it to industrial prices.

K Shah thinks Santos trying to make him a villain.
I don't believe Santos are buy - we have to
tackle Algerians to get at Santos. Fossil event
got out ahead.

H at least Shah spends his money in a best

P He has used his money in a fairly big way - I
see no action from Santos that way.

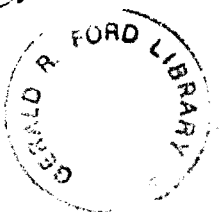
H They have no concept how to spend so much. He
will more activity in St. Cruzes.

R Are there enough processes which can be
applied

H If we can stick together

P Japan?

R We could do it with 1 country. Japan would



welcome but not participate -

P Your North Sea dyant will start in '80.

H Should start in '76. We object to have insurance on 51% participation which has slowed things. They would put it their taxes anyway. By '80? They should be suppliers.

P Refinancing?

H Enormous refinery capacity.

V Others?

H Unconquered. They very concerned. It's not at A last centuries & doing battle w/ it now.

P When does it come?

H Done in north in 60's. In south, still not settled. Sparring w/ F with out that. Also a remote rock sub ocean Atlantic was just a flag on.

K Felt bet Gork & Turks to an offshore -

H Had good trip to China. Interesting how they see stability of US-PRC relationship.

P Had good visit w/ Bopp. We think relationship is stable & want to buy it so.

K PRC wanted A with to go - didn't work at all after he left office.

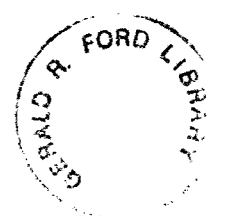
H Was said he just sent 54 SU spies home & that way to deal w/ him.

V when we visit w/ China in '72, we talked about which we supported. A question asked if we would own approp because of SANK, would we do some? China said never more, w/o writing for interference.

R Will this antagonism be sustained?

K I know only a few of them. You must engage one.

H This is such an emotional issue because they think US is pulling me out at initial stage. They want a stable relationship w/ US & E most of all and not bring back to Sov dependence.



K Tracy are lecturing F. Wright & H. Morgan on
SU

H I'm interested in your thoughts on economy

P I think it was a gamble getting all the experts together under the same lights, but turned out very well indeed. They wanted Brown to be more flex on monetary; had to keep fiscal set where it is - long budget under tax bill. He did to do so. A feeling we needed a definite contingency plan to meet crisis w/ public service employment. This was partly agreed. Then some who wanted tax > & some <. Dept wrote w/ labor. Don't know how that will work. Then agreed w/ w/ business & agric people, then report w/ labor & other front.

There was a question on where we are. I wanted our people to know what hard facts. If we can get some degree of ^{uniformity} uniformity, we can work w/ Brown, keep our fiscal point, policy in control, prepare contingency plans, I think we can weather the storm. If we don't have even expectations we be ok

H I tried a series of fronts w/ labor unions in 72. Was ^{home} ~~come~~ a mental block bet labor & industry. But we did get good agreement on priorities. And we got massive support for a freeze until a serious hole. Getting it to a point I find fascinating. Makes a economist more resp.

P Reports I got were very good. Even a skeptic were favorable.

K Including me. I think getting 23 intellectuals was also ok.

P I think this a way to face Congress & economists & share resp. (with pigskin)

H I admit realize Smith's idea

P I think should bring them in. Have to get any



put support. Don't know how it would stick
when we make proposals, but it does.

H You holding line on budget.

P Yes, I will have to do some talking, but if you
won't make any bid, would have good pay
input

H To keep it low in inflation times would be remarkable.
That would let Burns use up?

P Yes. It took some action last week market had
changed by.

H My bankers said they decided easement wasn't really
coming & that why response failed

P The problem is a lag in reaction time. Talked wisdom
of Solomon to ~~what~~ see

H They always know ~~spurred~~

P Burns would. It would you do it?

H No Burns. But Gov of Bank of England has input
on money supply.

P Does Gov have control then?

H In last resort he could be directed but never been
done & Govn prob would resign.

P Direct effort to influence Burns would be strongly
opposed.

H In that talks has account translation of will independence

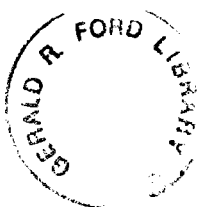
P I put ~~that~~ into my speech that we would act in
concert. I don't think been apprehensive on that point.
We want to cooperate with. But at times no when we try
& don't get reciprocity.

H You ought to want reciprocity. I know it a tough one

P They have done well. I don't think we can get below
4 1/2 or 9% by year end. Not depends on every
effort.

R Sorry to hear about his surgery. That could at least
wait.

V Fortunately a storm missed N. O. & didn't hit



ing & expectations

America say

H. We're going to have tremendous progress & need
is to bring that home to the people

P. The the people have enormous strength

H. We are a resilient people. (And you people?)

P. I sure I made right choice. Temporary
frank.

