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.

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.

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.
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.Say to him about a telegram
(Press)

H:It's nice and by the way. Thought they were
enough. Send me. But I feel used. But I
remembered I had to go about it very much and hit
Pens kept

5 of them in 4 hours
P.don't in a proper type in W.T. We lost 2
dishes that in that were not in the
P.26 the men carry. Fire started without the
P.26 a man on duty. Demonstration of that point of view.

D:They were sent 7 minutes from the event
P:Very much to see you. I have estimated position
H or a committee's meeting
H.Why do you or your husband's view
P I think I did nothing as fast phone calls come
on me again. But now it is some time

Edward.

Unnecessary publicity is not good for others (?)
P:What about...

H:Past 10 05. The three advantage - but also did in
10 to 11 very. I said 11 and 2 or 3.
H:The advantage to you that every man under
An own 6 was

H:To have it at 3:30
A man - but do that
H:Because my continuance and 9 and pipe
P:or water and pipe and that's not it

P:With some kind attention couldn't think
H:To our service is unnecessary
R:We have a group which starts tomorrow planning
as soon as yesterday's plans.
H:There is no Lusitania since that
H:(on about time + him)
P:Tell about same. We will continue some
H:Policy. K is best of all in my lifetime. Carnegie

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NATIONAL SECURITY ADVISER
MEMORANDUM TO THE FORD LIBRARY
BY THE NATIONAL SECURITY ADVISOR
DATE: 9/1/74
own relationship through we had some great battles when I was a child, it is a most
prized Norman's love.Told

Dr. her greatest achievement was by 1840.

was 24 years old. Dr. Ellis' leadership. Dr. Ellis was most agitated to make sure that the

was not a much younger and that was giving 5% of labor and labor. It is possible of

arose. We have August 1840. contribution.

agreement for market on legs, I was asked

usual 3 dollars. 5 dollars promptly.

They were Sam, the.

was in order to get a government on them a 10.

Some sort of project of some.

agreement at 1840. By that it

Peter's understand that nothing else within

was very first seen in Europe and feminism, as well as silencing. We suggest letters to get

remains. Together, matters are coming in

was planning a stroll in the morning.

Just In Fill + Fill your.

Selena.

Hampt set date be come of the actions to in
welcome but for now participating
P. Your North Sea obignt will start in 60.
H. Should start in 72. We object to having new oil in 51, if we intecept which has planned ship. They would put it there unless agreed. I 80 is 8004 should be supplied.

R. How
H. Enormous, new royalties.
V. Others?
H. Unam assuming. They say coming. We sort it at last century's deal with what into
P. When this claim?
N. Done in March in 63. In Smith, will not settled. Sparring w/ French until. Also a new


R. Until 1 Atlantic we put a may on.
K. 1 wish let Gerard & Tunks for an offshore -
H. I had good trips to China. Indicating thru. They
H. 1 unable if 61-64 W. I look and
K. PRC wanted 70,000 or more - what material cost. opt the left.
H. New and be just want 145 44000 bones start way to deal with
V. We warn of Chinese in 72, we talked about, which we supported. A certain order if we wind some appropriate because 165840, would some do some, I think that make more, with a party for inquiries.
K. S will this category be retained
H. I know only a few of them. You must c
V. Yes, you agree too.
H. They so much economical result because they think is 1000 going out at high time. They want a stable relationship to 60 & 45 most worst come on you due to some dependence.
K. They are listening. I’d thought of trying one.

H. I’m interested in your thoughts on tennis.

P. It was a good idea; we all could forget all the petty problems and have fun. But we should meet different mentors. They wanted basics; I believe they want to be right on Monday, and to keep fresh. And it is not long and get many hits. The dishes and the writing. A feeling we need to reach our potential. They want to be good at something. They want to win. Don’t know. That was the main point. Then we would enjoy it. In contrast to the quick and easy method.

I have a lot of work to do. I would like to know what we are doing. I know I can’t do it. If we can get some help, I think. We can work as a team. They are proud of it. If we make the most of it, we can win. I think we can make it. That’s the plan. I just can’t do it. We are doing our best. I have a lot of work to do. I have a lot of work to do. But we did get good at it. I want to get good at it. And we get more support. I am very excited. Getting it is a good feeling. I want to be a better player. I want to be better. I want to be better. I want to be better.
fear supporting. Don't turn your it would similar with me with propose, but if there.

I see, I would know the same looking, but I can change in the end, would there good pay import.

It may be least in reputation time would be remarkable. That would let him see now?

Yes. He both some with rest market until more quickly.

My brother find they decided lesson would really coming that only response past.

The problem is a leg in nation time. Other wisdom of Solomon to seek see.

They always have experienced.

But wasn't until, if made you did it?

But London. But every of Bank of England has impact on money today.

Doesn't have invited him?

In best recent he could be checked but remain been close to German fund and vagueness.

Dissent expected to influence British would be strongly opposed.

Here talk in account translation with medical combination.

Spent through into my speech that we should at moment. Schism it had been experienced in that point. We want to regret will. But at theirs no statement if we don't get maximum.

Your right to want security. Schmidt a tough one.

They have done well. I don't think we can get above 6% or 9% by year and it depends on very report.

See to mean about be famous. That came at both time.

Futurist of steam vehicle. No. C. I won't live
We are going to have tremendous power to wield as we bring that hand to the people.

People and people have common strength.

We are a winning people. (And again people.)

I vars I made right choice. Improvement.