MEMORANDUM
THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

PARTICIPANTS:
President Gerald R. Ford
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs
William E. Simon, Secretary of the Treasury
Alan Greenspan, Chairman, Council of Economic Advisers
Roy Ash, Director, Office of Management and Budget
William D. Eberle, Special Representative for Trade Negotiations, Council of International Economic Policy
L. William Seidman, Assistant to the President
Dr. Arthur Burns, Chairman, Federal Reserve Board
Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

DATE AND TIME:
Saturday, October 5, 1974
10:00 a.m.

PLACE:
The Oval Office
The White House

SUBJECT:
Soviet Grain Purchase

Kissinger: There are three interpretations of the Soviet actions: (1) They are trying to disrupt the market; (2) they misunderstood the signals we gave, or (3) they see the prices going up and want to beat the increase. Dobrynin proposes to know nothing about this.

President: What is the Soviet situation?

Simon: Pretty good. They are down a bit in feed but they are okay in feed. So this is something of a surprise.
Kissinger: Dobrynin said they were told they could have 1 million tons. I told him they could have 500,000 tons of corn and 1 million tons of wheat but after November and spread over a long period. We would announce it but say we would hold it in abeyance.

President: How about licensing?

Simon: It still would cut off PL 480 for those crops, and it just shifts the demand. So you would have to impose export controls and ask Congress for an exemption for PL 480.

Kissinger: Ohira said that Butz told him there would be absolutely no export controls.

Simon: We could put in licensing, tell Japan it is an anti-Soviet move and they would get what they need and ask Congress for the PL 480 authority.

President: What would this do for PL 480?

Kissinger: It would create disquiet. We have been using PL 480 in lieu of aid to Egypt.

Simon: We would even have a helluva job selling it to the Congress -- even 500,000 tons of corn and 1 million tons of wheat.

Kissinger: Why would that push the price up if it was held in abeyance?

Burns: Because it means the Soviet Union is in the market. That is a new factor in a skittish market.

[There was a brief discussion of the 25 September Food Committee Meeting and its sequel]

President: We have two options: One is to impose licensing with prior notification. The second is to get the Soviet Union to back off -- either back off or slow delivery.

Simon: I think we have to announce the cancellation by Monday if the market is not to go wild.

Kissinger: We may be able to work out a lower sum with the Soviet Union, but it puts us in a dangerous situation. No MFN, no EXIM credits, and now licensing against them. This is economic warfare and they haven't done a thing.
President: Did we notify the companies that we wanted to approve these purchases?

Eberle: Butz said so.

Greenspan: Licensing will create a two-tiered pricing system in the world, with drastic price increases in Europe and Japan.

President: But I suspect we would face dramatic action in the Congress for licensing to stop deals like this.

Simon: I recognize the two-tier problem. It's a mess. But if we move to licensing ourselves, we have a chance to save PL 480.

Ash: But Congress may impose a whole new series of restrictions in the PL 480 option.

Kissinger: It could push Sadat over the edge.

Simon: That is why I would tell the Soviet Union to cancel.

Kissinger: It's easier for the Soviet Union to have the contract cancelled through our licensing than for them to voluntarily cancel.

President: I think we must find out whether Butz or the companies did the wrong thing here.

Eberle: We have no legal lever over the companies.

Seidman: Can we avoid an announcement today?

Simon: We will be accused of being devious.

Kissinger: But for a good purpose.

Eberle: From the market point of view we have until Saturday afternoon, but we have a credibility problem.

President: We have to make the announcement, as Henry has indicated. Get Butz back here.

Kissinger: I think the Soviet Union will consent to things imposed on them better than to take initiatives themselves.
President: We should be tough on the companies. Get them and Butz in a room and sort this out.

Kissinger: But the contracts have to be cancelled -- by the companies, the Soviet Union, or by us through licensing.

Eberle: Getting the companies in should be part of the press release.

Kissinger: If we publicize getting companies in and we cancel the contracts, that should help.

President: We should also say that the companies must get prior approval in the future for contracts of an unusual size.

Kissinger: We had better get some cables drafted to the affected countries.
E.O. 12968. SEC. 3.1

HSC

STATE REPORT

BY...

DISCLAIMED

E.O. 12968, SEC. 3.5

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES

BY: NA, DATE: 11/24/98
I think we have to commence next by Thursday if
we want to get it go well.

K. We may have to work out a better plan if SU does't
not improve on the line of, X, Y, and we

are discussing against them. This lines warfare, the

improvement of.

P. Did we notify the companies we were about to appear

there further?

[Incorporated notes]

Gromapte. Heating will take 2 yields in the

Yield of the quantity remains in E and I.

P. But 2 require characteristics in X and in

Yield to the collectors like this.

S. Recognize c 2 Yen. A letter. Have 2. But it is

necessary to determine something we have a chance.

Not the Cen. had no right to whether or a company

determined how:

And we have no legal boundaries to our company.

Send your Cen. to avoid monasteries today?

S. We will be accused of being obvious

K. Best for agreed proposal.

End. Even though you have come, we have agreed Saturday,

from but we have a beautiful problem.

P. We have to make a announcement, so I know

And Best. Not here.

I think SU will consent to ship repaired in their letter.
Dear [John],

I'm hoping to have our companies start their own
in-house software development.

1. We could consider licensing
   proprietary software.

2. Cutting companies in should be part of our strategy.

3. If we put things together, companies
   might see value

4. We should also say that we must get
   approval for licensing contracts.

5. We must get some creative input in developing
   strategies.

Best regards,

[Signature]