MEMORANDUM OF CONVERSATION

PARTICIPANTS:

President Ford
Urho Kekkonen, President of Finland
Kalevi Sorsa, Deputy Prime Minister and
Minister of Foreign Affairs
Amb. Leo Tuominen, Finnish Ambassador
Klaus Tornudd, Deputy Director for Political
Affairs, Ministry of Foreign Affairs
Dr. Henry A. Kissinger, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Amb. Mark Evans Austad, US Ambassador
to Finland

DATE & TIME: Tuesday, August 3, 1976
10:57 a.m. - 12:03 p.m.

PLACE: The Oval Office

The President: We are greatly honored to have you here on our
Bicentennial. It is especially nice for Mrs. Ford and me to be able
to reciprocate the hospitality you gave us just a year ago.

Kekkonen: I have had many invitations to come. I'm glad I waited until
now.

The President: I am very pleased you got to Michigan also. Do some of
them still speak Finnish?

Kekkonen: I have a relative there who still doesn't speak English --
after 50 years!
I have two prepared statements to make: one on international relations and one on our bilateral relations. I would like to read them if I may.

The President: Please go ahead.

Kekkonen: [Reads from text at Tab A] "In our opinion the development of international relations in recent years has been characterized by an overall reduction of international tension and an improvement in relations between East and West. It seems that policies aiming at relaxation of tension have been chosen by political leaders in almost all countries as the only realistic alternative.

"We are convinced that a continuation of this process is in the long-term interest of Finland. We hope to see a strengthening of the international network of co-operation, contacts and exchanges at all levels between nations. We believe in the usefulness of a durable organized and institutionalized process to concretize such policies. In this respect, SALT, CSCE and the talks in Vienna on force reduction in Central Europe are good examples, however slowly the results emerge from them.

"The Finnish Government is optimistic about the prospects for the immediate future. But we think -- and this is something that we want to stress -- that a positive outcome of the current SALT talks and some tangible results in Vienna would be of great importance. We hope to hear more about their prospects from you. We also hope that the CSCE follow-up meetings in Belgrade next year will further help to improve the present warm climate.

"As regards the implementation of the provisions of the Final Act of the CSCE, the results so far appear to be somewhat uneven, but in any case not far from what could be expected. Many measures require time, money, and patience. Some measures that have been carried out would hardly have been possible without the CSCE.

"The Finnish Government is greatly interested in the follow-up to the Conference, not for its own sake, but in order to promote the continued process of improving East-West relations in Europe."

Now to our bilateral relations.

The President: Why don't I comment on that one first? Our view coincides with what you have said. Our efforts..."
of course, began before I came into office, but I have continued them and broadened them. We are pressing forward with the Soviet Union on SALT. There has been a slowdown since Vladivostok. Then the troublesome issues of Backfire and cruise missiles. We will continue our efforts despite the political situation here. We have to move so as to get an agreement the American people will support. I feel that General Secretary Brezhnev is proceeding sincerely also. I think that there is enough flexibility that we can eventually get an agreement. I can't set a date, but we are hopeful.

On CSCE, your description of progress being uneven is accurate. Some people here are complaining, especially about the issues in Basket III. There has been progress on the military aspects. Some people here didn't want it to start with. We would be happier if the progress were not uneven, but we hope the Belgrade conference will register more progress.

On MBFR, it has to move along slowly. We would like to move more rapidly there also.

You saw General Secretary Brezhnev recently. How is he?

Kekkonen: He was ill earlier, but I saw him a couple of weeks ago and his health seems good now. Earlier some Soviet leaders said he was so ill he might have to leave his post, but he is better now.

The President: Give him my best.

Kekkonen: The Soviets use the same words that you do on SALT, that the differences are not very great and can be bridged.

The President: That is our sense.

Kekkonen: [Reads the statement at Tab B on bilateral relations:] "Traditionally the political relations between Finland and the United States are good. There are no problems. We appreciate the understanding that the United States has expressed towards our approach to foreign policy, and we have noted with satisfaction that the United States has expressed her recognition of our role.

"Instead, I feel it necessary to pay attention to our economic relations."
"To begin with, I would give some background information on the Finnish balance-of-payments situation.

"The return in major OECD countries to more normal levels of economic activity is gradually having an effect on the demand for Finnish export products and will, if sustained, facilitate an eventual recovery of the economy from the recent recession, which was extremely adversely reflected in the balance of payments situation. Given current prospects in the OECD area there are indications of substantial improvement in the Finnish trade account for 1976, and a reduction of the current account deficit to perhaps half of that in 1975. The major objective of external economic policies is to achieve a permanently stronger current position and thus a permanent reduction in the need for external borrowing. The strength and stability of the current international recovery will to an important extent determine the success of these policies.

"In spite of the improved general outlook our trade balance situation still is precarious and far from satisfactory. This applies to the situation in the trade between our two countries where Finland has had a deep deficit since 1973. In 1975 it amounted to some 230 million dollars, and was about 12 per cent of our total balance-of-payments deficit for 1975.

"Against this background it is clear that remedies must be sought. I take up one major possibility - - icebreakers. Finland has over the years made continuous efforts to interest United States buyers in Finnish icebreakers. Now that we understand that the economic potential of the Great Lakes area has come under a new and close scrutiny, we naturally hope that there would be better prospects for bringing these efforts to concrete results. In this context I should like to remind that Finland on her part has completed and has pending purchases of passenger aircraft from the United States. Both of these cases are typical examples of a realistic development of international division of labour.

"Another question that has caused some concern to us is the specialty steel-products in which a Finnish state-owned company Outokumpu is interested to enter the United States market. We know that there is a global quota for new exporters but we hope that it will be applied in a manner that the interests of Outokumpu, which should be ready to export to the United States market by April 1977, could be taken care of. Outokumpu is already a commercial partner to United States firms and here I refer for instance to its deliveries of chrome to the United States."
We also hope you would look favorably on the expansion of Finnair routes. We have an application for landing rights on the West Coast.

The President: I recognize the imbalance in trade between us. I am aware of your proposals to remedy this through the icebreakers and specialty steel. Let me say we are recovering rapidly from our recession and as we do, the market for foreign goods will expand rapidly.

On icebreakers, Transportation Secretary Coleman has done a study. You are meeting with him tomorrow. I haven't seen the study, but we are hoping to keep the Lakes open all year. We have two there now, and I think we will need more. The real question is whether we need big ones like you build, or whether smaller ones will do.

On specialty steel, we did negotiate separately with three countries and are on worldwide quotas for the rest of the world. I hope the situation will improve so that we can end the quotas.

Kissinger: Finnish chrome would help greatly in our problems with Rhodesia and the Soviet Union.

The President: Is that new?

Kekkonen: We produce 10% of the world's chrome.

The President: Have you tried to sell in the US?

Kekkonen: Only recently.

The President: I hope you would push chrome sales vigorously.

On air routes, I understand that it is under review now.

[Some discussion of air routes, Finnair and Northwest.]

The President: I am sure Secretary Coleman can give you more in depth on the icebreakers.

Kissinger: I will talk to Coleman about the foreign policy aspects of it.
The President: Is your economy improving significantly?

Kekkonen: Not yet. We are a bit late.

The President: We had a meeting in Puerto Rico about six weeks ago. I was impressed with the rate of economic improvement in Germany and France. Of course Italy and Britain have their problems.

[More discussion of icebreakers in connection with Alaskan oil, the Northwest passage, and pipelines.]

Sorsa: Are you going to have good grain crops this year?

The President: Corn looks like an all-time high. Wheat is down a bit from the drought, but it is the second largest in history. Overall, our agricultural situation is in good shape in export products. Were you hit by the drought?

Kekkonen: No. It didn't hit us, just in Europe.

Tornudd: You asked if we were out of the recession. We aren't out of it yet, because we went into it later and we traditionally follow the West Europeans in recovery by 6-9 months.

The President: What are your principal exports?

Sorsa: Wood-based products, and some machinery.

Austad: They are an agricultural export country.

The President: Our principal wood consumer is homebuilding and that has not recovered too well. We need 1.8 or two million a year to have a strong industry.

Kekkonen: We have a lot of prefabricated housing.

The President: Our prefabricated housing has done well because it is cheaper. Home costs have increased so it's now priced out of the market. The average price of a new home is now $40,000.

Kekkonen: The same thing has happened in Finland over the last three years.
The President: Our autos are doing very well this year. The industry thought small cars would take over, but they have gone for the larger ones.

Austad: We hope they will go for a particular Ford. [Laughter]

Kekkonen: We wish you well.

The President: [Some discussion of the campaign.]
International Situation

In our opinion the development of international relations in recent years has been characterized by an overall reduction of international tension and an improvement in relations between East and West. It seems that policies aiming at relaxation of tension have been chosen by political leaders in almost all countries as the only realistic alternative.

We are convinced that a continuation of this process is in the long-term interest of Finland. We hope to see a strengthening of the international network of co-operation, contacts and exchanges at all levels between nations. We believe in the usefulness of a durable organized and institutionalized process to concretize such policies. In this respect, SALT, CSCE and the talks in Vienna on force reduction in Central Europe are good examples, however slowly the results emerge from them.

The Finnish Government is optimistic about the prospects for the immediate future. But we think - and this is something that we want to stress - that a positive outcome of the current SALT talks and some tangible results in Vienna would be of great importance. We hope to hear more about their prospects from you. We also hope that the CSCE follow-up meetings in Belgrade next year will further help to improve the present warm climate.
As regards the implementation of the provision of the Final Act of the CSCE, the results so far appear to be somewhat uneven, but in any case not far from what could be expected. Many measures require time, money, and patience. Some measures that have been carried out would hardly have been possible without the CSCE.

The Finnish Government is greatly interested in the follow-up to the Conference, not for its own sake, but in order to promote the continued process of improving East-West relations in Europe.
Bilateral relations between Finland and the United States

Traditionally the political relations between Finland and the United States are good. There are no problems. We appreciate the understanding that the United States has expressed towards our approach to foreign policy, and we have noted with satisfaction that the United States has expressed her recognition of our role.

Instead, I feel it necessary to pay attention to our economic relations.

To begin with, I would give some background information on the Finnish balance-of-payments situation.

The return in major OECD countries to more normal levels of economic activity is gradually having an effect on the demand for Finnish export products and will, if sustained, facilitate an eventual recovery of the economy from the recent recession, which was extremely adversely reflected in the balance of payments situation. Given current prospects in the OECD area there are indications of substantial improvement in the Finnish trade account for 1976, and a reduction of the current account deficit to perhaps half of that in 1975. The major objective of external economic policies is to achieve a permanently stronger current position and thus a permanent reduction in the need for external borrowing. The strength and stability of the current international recovery will to an important extent determine the success of these policies.
In spite of the improved general outlook our trade balance situation still is precarious and far from satisfactory. This applies to the situation in the trade between our two countries where Finland has had a deep deficit since 1973. In 1975 it amounted to some 230 million dollars, and was about 12 per cent of our total balance-of-payments deficit for 1975.

Against this background it is clear that remedies must be sought. I take up one major possibility - icebreakers. Finland has over the years made continuous efforts to interest United States buyers in Finnish icebreakers. Now that we understand that the economic potential of the Great Lakes area has come under a new and close scrutiny, we naturally hope that there would be better prospects for bringing these efforts to concrete results. In this context I should like to remind that Finland on her part has completed and has pending purchases of passenger aircraft from the United States. Both of these cases are typical examples of a realistic development of international division of labour.

Another question that has caused some concern to us is the specialty steel-products in which a Finnish state-owned company Outokumpu is interested to enter the United States market. We know that there is a global quota for new exporters but we hope that it will be applied in a manner that the interests of Outokumpu, which should be ready to export to the United States market by April 1977, could be taken care of. Outokumpu is already a commercial partner to United States firms and here I refer for instance to its deliveries of chrome to the United States.
P: We are quite honored to have you known our  
meeting. It may mean much to you  
for you have just 
arrived.

K: I have had many meetings to come. I thought we expected.

P: I am pleased you got to Washington.  
I do not think we will speak.  

K: I have a relation that I will speak to  
Mr. Washington, after we have.  
I am just a relation to one superintend.  

P: (in English)  
(Radio) (English)  

K: (translated)  
We have been very busy.  
We have been very busy.  

P: Why don't I understand you?  

K: We have been very busy.  
We have been very busy.  

P: I don't understand

K: We have been very busy.  
We have been very busy.  

P: We have been very busy.  

K: We have been very busy.  
We have been very busy.

P: We have been very busy.  

K: We have been very busy.

P: (in English)  
(Radio) (English)  

K: (translated)  
We have been very busy.  
We have been very busy.  

P: We have been very busy.  

K: We have been very busy.

P: We have been very busy.

K: We have been very busy.

P: We have been very busy.  

K: We have been very busy.
will gr Fluid. We bring all your stuffs for you.

Our plan is that we will set up a shop in such a way as to help out. In that regard, we will try to improve life for the community. We also hope you would look

forward upon expensive, expensive wealth.

will take much longer. WE will be staying

prepared for anything. There will be a fire, but for me, we are receiving a lot from our

response to it already, a response to foreign goods

will i good quality.

Our neighbors, between us, have a study, but

not with them anymore. I haven't seen a

study, but we are trying to keep it healthy all year. We have three rooms. I think we will need more. The real question is whether we need houses. I think you could write

production will do.

On top of that, we did want separating of the countries. I mean a worldwide task for a rest of world. Things will improve so that we can end a process.

HX Forward links would help quickly. Let in

our jobs of production. 5.

So that now?

1. We produce 10% of world's demand. 2.

3. From the year to achieve 25%

4. Only recently

5. I hope you could just bring this letter

A6. And write, I understand that it is
Numbers of Inc. States

Some discussion of our vote, Dimont vs. WS.
P I assume Columbia can give you more in-depth
an explanation.

I will tell Columbia about the prospects of it.
P Is your run going well?

I feel well. We are a bit hot.

We had sixty or more last week, some
upcones at Tungsten in New York. Of course
they're still healthy.

Some discussion of Deadbolt's current
state, asbestos, new passage, pipelines.

Saw 60, all going to have good years, I hope.

Come back like this at all time highs. What is done
is done, a bit凤凰, but it is the largest in
history. Overall, one can see that it is in good
shape in X percent.

We have been hit by a drought.

The deficit hit was just in Em.

I see what if we were out of position. We aren't
because we want to be in better. I am told follow-
cu, E is necessary by 49 next.

What are your principal X products?

Some word brands, some something.

Orinda? They are on a high X something.

Our principal word consumer is fundamentally
hard to understand too well. We need it or 2 will
be to have a strong industry.

We have a lot of prefer.

Our fighter is one will because of its success,
will then indeed to it is pure enough to a
market. Average price is much lower.
K. Something has happened in England over the past three years.

P. One auto accident in all this year. The theory that small cars would help may not have been borne out.

K. Although, we hope they will get a particular kind (sports) by 70.

P. We wish you well.

K. (some discussion of company)