

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

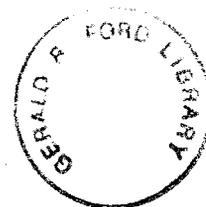
SECRET/SENSITIVE

MEMORANDUM OF CONVERSATION

PARTICIPANTS: The President  
Secretary of the Treasury William Simon  
Major General Brent Scowcroft

DATE AND TIME: Tuesday, July 9, 1974  
10:00 a.m.

PLACE: The Oval Office  
The White House



The President: When will you be leaving?

Secretary Simon: Thursday morning at 8:00 a.m. I will be visiting Egypt, Saudia Arabia, Israel and Kuwait. The State Department has just asked that I go to Abu Dhabi also. Then I plan to go to Paris, Bonn and London to discuss the oil price situation.

The President: I want you to be very hardline in Israel. The train has now left the station. Listen carefully but make no commitments at all. I don't want any pandering to the Israelis. With Egypt, I want you to be forthcoming without raising their expectations. Explore what they want and need and how to assist them in implementing their economic programs. Be forthcoming within our very limited means. Tell Sadat we want to be as helpful as possible. I have already raised with King Faisal privately, and you can do the same, that current oil prices cannot go on. This, of course, will have to be done very privately. I doubt that you can do very much as long as the Shah holds up the prices, but we want to explore whatever might be possible. In Kuwait, you can do the same. With the Europeans, you should be cordial. We certainly want economic cooperation, but if we do not get economic cooperation, it will jeopardize our military security programs. Find out from the Arabs what they want. They will figure you are coming with a bagful of money, which you are not. Speak glowingly to Sadat of our reception -- you know I have invited him to come here this fall. With the Israelis, be firm.

**DECLASSIFIED**  
E.O. 12958 SEC. 3.6

*MPO5-16 #14 Trans Atr 9/29/06*  
*State Dept Review 3/9/04*  
**BY** *HR* **NARA DATE** *5/9/07*

SECRET/SENSITIVE

Secretary Simon: I had thought of discussing with the Finance Ministers and with Schmidt...

The President: You should try to see Giscard also. After all, he was a Finance Minister. You also ought to see Wilson.

Secretary Simon: Those three are tentatively on my schedule. Schmidt, of course, is a very good friend. I want to try to elicit from them some cooperation -- and from the oil companies -- with respect to oil option prices. This must be done very quietly and low-key, but it is one approach to try to beat the price problem. There are other more stringent things we could do.

The President: We usually have trouble getting specifics from these people. They will all want to know what we have to offer.

Secretary Simon: From all conceivable sources, I can total out aid to about \$1.25 billion, provided there is adequate restructuring which takes place.

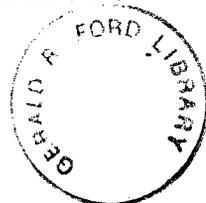
The President: The new tone with the Arabs is Arab/American friendship. We want to follow through with action programs. We haven't promised the moon, but we want to show movement.

Secretary Simon: Yamani recently spent the weekend with me. I told him that the high prices were strengthening their potential opposition -- that the current high prices help others, not the Saudis.

The President: Sure. It gives us an incentive as well to develop alternatives. Tell them our efforts for self-sufficiency do not mean we do not care about them. The important thing now is to get prices under some control.

Secretary Simon: I would like to get some commitment from them to purchase of long- and short-term securities. That would be very helpful for our money markets.

The President: When discussing long-term Israeli assistance, fuzz it up. It is ridiculous to give \$6 billion to them and only a dribble to the Arabs, especially with the current Israeli attitude on negotiations. You, though, should stay out of this. Just reiterate that we have a



special relationship with Israel. But stay away from any figures and hardline any commitments. You can say that, of course, we are talking with the Arabs and that is also in the Israeli interest. You can tell the Arabs we are interested in the whole Arab world and are not tied solely to Israel. This oil thing is very touchy. Trying to get prices down must be done very, very privately. Do it quietly, explain our situation and the attitudes in this country. Tell them we need to move to a more healthy situation.

Secretary Simon: Is it possible to put pressure on the Shah?

The President: You are not going there.

Secretary Simon: No. We thought we would let them sweat a bit while we were discussing goodies with the Arabs.

The President: He is our best friend. Any pressure probably would have to come from me.

Secretary Simon: I wonder. He is the ringleader on oil prices, together with Venezuela. Without them, oil prices would be done.

The President: Let the Arabs know they have a friend here. The Kuwaitis, for example.

Secretary Simon: Should I informally extend to the Kuwaitis an invitation on your behalf to visit?

The President: Yes, you can do that. Say I would look forward to seeing him at a mutually convenient time.

Secretary Simon: That would be very helpful. Kuwait is a key country. If they cut production, it could be very tough. The Shah would probably follow right behind and the result could be the same as the embargo was, except that world storage is near capacity. The situation is troublesome -- there are a number of producers with a lot of money, nowhere to spend it, and the banks and financial markets are in trouble. Oil prices have created great instability in the international financial markets.

(The remainder of the discussion dealt with the stockmarket and Simon urging budget cuts as a means to fight inflation.)



*Scowcroft file*

## THE WHITE HOUSE

WASHINGTON

SECRET/NODIS

## MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Nixon  
 William Simon, Secretary of the Treasury  
 Major General Brent Scowcroft, Deputy Assistant  
 to the President for National Security Affairs

DATE AND TIME: Tuesday, July 9, 1974  
 10:00 a.m.

SUBJECT: Secretary Simon's Trip to the Middle East  
 and Europe

The President: When do you go?

Secretary Simon: Thursday morning. I am going to the principal countries. State now wants me to go to Abu Dhabi. Then I go to France, Germany, and London on oil prices.

The President: The NSC paper is wrong on Israel. Tell them the train has left the station. Be very hard line. Listen but do nothing. I don't want any pandering to the Israelis.

With Egypt we must be forthcoming without raising expectations too high. We must explore what they want and need and how to implement their economic programs. Be forthcoming within our limited means . . . PL-480.

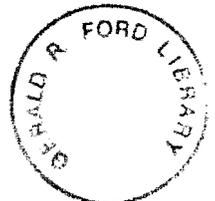
With Faisal, I have raised it privately, and you can, that the oil prices can't go on. We want to explore what might be done, but they can do little if the Shah holds up the prices. Kuwait the same.

With the Europeans, be cordial. We want economic cooperation, but we will jeopardize our military security program if we don't get economic cooperation. Find out what they want. They will figure you are coming with a bag full of money, which you aren't.

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SECRET/NODIS

*MROS-16 #15 Trans Rev 9/29/06*  
*NSC memo 11/24/98, State Dept. Guidelines*  
 BY HR NARA DATE 5/1/07



Speak glowingly to Sadat of our reception. He is coming here this fall. With Israel be firm.

Secretary Simon: I had thought of discussing this with the Finance Minister and Schmidt . . .

The President: Try to see D'Estaing. The Secretary of State is not the only one who should be able to see him. Also see Wilson.

Secretary Simon: Those three are tentatively on my schedule. Schmidt is a good friend. I wanted to elicit some cooperation from them and the companies with respect to the action. This is one approach -- there are other more stringent things we could do.

The President: Who are you taking?

Secretary Simon: An assistant for monetary matters. Another assistant I will leave in Saudi Arabia to work things out.

The President: We usually have trouble getting specifics from them.

Secretary Simon: I can total the aid to \$1.25 billion if they will restructure themselves adequately (from all sources).

The President: The new tune with the Arabs is Arab-American friendship. We haven't promised the moon but we want hard action.

Secretary Simon: Yamani spent the weekend with me. I told him they are strengthening their enemies -- the high price now helps the others, not them.

The President: It gives us incentive to develop alternatives. Tell them Project Independence doesn't mean we don't care about them, but it is important now to get prices under some control.

Secretary Simon: I will try to get a commitment from them to put their funds in long and short term securities.

The President: When you talk about long term Israeli assistance, fuzz it up. It is ridiculous to give \$6 billion to them and then a little dribble more to the Arabs, especially with the Israeli attitude on negotiations.



You stay out of this, say we have a special relationship, but stay hard line and stay away from figures. Say that, of course, we are talking with the Arabs, but that is better for Israel too.

You are not going to Syria?

General Scowcroft: No.

The President: Tell the Arabs we are interested in the whole Arab world -- we're not just tied to the Israelis. This oil thing is very touchy -- getting prices down must be done very privately. Do it quietly, explain our situation and attitudes. Tell them we need a more healthy situation.

Secretary Simon: Is it possible to put pressure on the Shah?

The President: You're not going there?

Secretary Simon: No. We thought we would let them sweat a bit while the others get the goodies.

The President: He is our best friend.

Secretary Simon: He is the ringleader on oil -- with Venezuela. Otherwise the prices would be down.

The President: Let them know they have a friend here. The Kuwaitis, for example, would be welcome.

Secretary Simon: Should I informally extend an invitation on your behalf?

The President: Yes, say I would look forward to seeing them at a mutually convenient time.

Secretary Simon: Kuwait is large. If they cut production it could be tough. The Shah could be right behind. It could be the same as an embargo except that storage is full. With all the states with money and nowhere to spend it, the banks and financial markets are in trouble.

Oil prices have created great instability in the international financial markets.

The President: How about the stock market?



Secretary Simon: There is fear borrowing going on.

The President: Why?

Secretary Simon: They are afraid of future inconvertibility moves and interest hikes. I talked to Lasker last night. The financial markets are close to panic. There are major corporations which are unable to borrow.

The President: What's the answer?

Secretary Simon: Mine is the same -- fiscal policy. Demand restraint. Taxes cut.

The President: You shouldn't even talk taxes.

Secretary Simon: I am sure the budget is a fight. Social Security is growing at a horrendous rate. With this size budget we can find swings. Take \$5 billion out of Social Security. Send a bill up, say government spending has gone on long enough. Send up five bills like that. The slippage in the budget is about \$10 billion, so we may be looking at \$315 rather than \$305. It is getting very serious and now is the time to say this is it. And it is popular -- it helped Giscard and Schmidt to win.

The President: I don't mind sending up cuts.

Secretary Simon: If you sent up nine or eleven cuts and let us go up to fight for them, at least you will have tried. The alternative is inflation -- a tax on us all. In the last five years 65% of the budget is welfare. And the benefits compound each year. It wouldn't be easy.



Pres/Simon  
9 July 74 1000

✓

P - When go  
S - Thrus AM, 2 go to - - - - - State wants  
wants Am Dhaka, then to Fe, Ge, London on  
oil prices

P - NSC paper is wrong on fuel, I want has  
left station. Be very hard line, better but  
do nothing. Don't want any parking to  
Israelis.

W/E be parthuring w/ raising expectations  
to explain what they want & need & how to  
implement their own props. Be parthuring  
w/ in our limited means. Ph 480. Tell  
Salat

W/I - said, I have raised priority & you can  
that oil prices cut go on. We want to  
explain what might be done, but they can  
do little if Shah holds up price  
knowing & - - - - -

W/E - now, be cautious, we want a  
copy, but we will give our military  
security prog if we don't get a  
copy. Find out what they want.

They will physical you carrying w/ a  
bag full of money, which you want  
Speak gloriously to Salat from 11 after  
he coming back this fall.

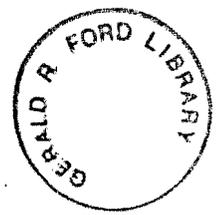
W/I be firm.

S - I had thought of de using w/ previous  
ministers - + Schmidt - - - - -

P - Try to see D. Estey, Sec State not only one  
who should be able to see him. Also see  
US Gov.

S - These 3 are constantly on my schedule

DECLASSIFIED  
E.O. 12958 SEC. 3.6  
Same as MR 05-16 #15  
BY HR NARA DATE 5/9/07



S Schmidt a good friend. I wanted to  
elicit some info from them & copy ones  
w/ respect to a contract. This is one  
approach - there are other more stringent  
things we could do.

P who takes

S Cost for mounting. Cost for - I  
will leave in S.A. to work thing out.

P We usually have trouble getting supplies  
from them. They want

S I can total out \$ 1.25 bil if they will  
restructure adequately (from all sources)

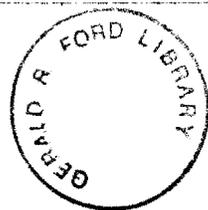
P The same time w/ Arabs is Arab - their  
purchasing. We haven't promised a move  
but we want hard action.

S Yammie spent weekend w/ me. I talked  
told him they are strengthening their memo -  
high price was help others, not them.

P Arabs is essential to keep attractive. I like  
them Proj. Just a decent man we don't  
care about them, but may want  
get price in some contract

S Will try to get contract to long & short  
term & credits

P When we talk about long term I  
ask, fujz it up. It indicates  
to give 6 bil to them & the little child  
wasn't the Arabs, esp w/ I talked on  
negotiations. You stay out of this,  
say we have special relationship,  
don't stay hand too away from  
figures. Say of course talking w/ Arabs,  
that is what for I too.



P You not going to Syria?  
S No.

P Tell Arabs we interested in whole Arab world - not just talk to I. Oil thing is very tough - getting prices lower must be done very privately. Don't publicly explain our situation, attitudes. Tell them we need a more healthy situation.

S Is it possible to put pressure on Shah

P You not going there?

S No. We thought we would let them sweat a bit until others get goods

P He our best friend.

S He is very flexible on oil - w/ vineyards. Otherwise price will be down.

P Let them know they have a friend here. Karamatis, for example, would be welcome

S Should I informally mention our position on your behalf

P Yes. Say I would look forward to seeing them <sup>at mutual conv</sup> too.

S Kuwait is huge. If they cut production it would be tough. Shah could be right behind. It could be same as embargo except storage is full. All states w/ money + nowhere to spend, banks + financial markets in trouble.

Oil prices have caused great instability in entire financial markets.

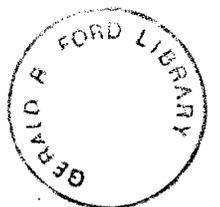
P How about stock market

S There no fear becoming going on

P Why

S They agreed <sup>factors</sup> flexibility + interest  $\uparrow$

Talked to hashem last night; financial markets



and close to prices. <sup>crisis</sup>  
There are major <sup>crisis</sup> ~~crisis~~ <sup>crisis</sup> which are much  
to be aware

P Answer?

S There is a tax - fiscal policy. Demand  
restraint. Taxes out

P Shouldn't have taken taxes

S Since a budget is a project. See Security is  
growing at tremendous rate. W/ this high budget  
we can find savings - Take 5 bil out of  
See Security - send a bill up, say this govt  
spending has gone on long enough. Send up  
5 bills like that.

The shippage in a budget is about 10 bil  
to us may be looking at 355 - 200 billion  
305. It is getting very serious + more times  
to say this is it. And it is popular - helped  
Giscard + Schmidt to win

P I don't mind sending up bills.

S If you sent up 9-10 bills + let no go up  
to fight for them, at least you would have  
them. Alternative is inflation - a tax on us all.  
In last 5 yrs 6% of budget is welfare.  
And the benefits compound each year. Wouldn't  
be easy.

