

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/NODIS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Hans-Dietrich Genscher, Federal Vice Chancellor and Minister of Foreign Affairs, FRG
Guenther Van Well, Political Director, MFA
Berndt Von Staden, Ambassador of FRG

President Gerald 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 AND TIME: Thursday, September 26, 1974
5:35 - 6:38 p.m.

PLACE: The Oval Office
The White House

[Press and photographers were admitted briefly at the beginning.]

Kissinger: Mr. Van Well was a student of mine.

Genscher: I am the only German who wasn't!

President: I keep running into all sorts of people who were his students.

Kissinger: I don't brag about the one who was hanged in Burundi.

President: How long will you be here?

Genscher: I'll be going back Saturday. Forgive me for speaking German, but it is serious business.

Kissinger: The Foreign Minister made a special effort to stay over.

~~SECRET/NODIS~~

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



DECLASSIFIED
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NSC MEMO, 11/24/99, STATE DEPT. GUIDELINES, STATE REVIEW 3/9/04
BY [signature], HARA, DATE 5/5/04

Genscher: The Chancellor asked me to express appreciation for your statement of support for us, Europe, or the Alliance. It came at a time of difficulty on Berlin, and it is comforting to know we have your support in need. I have used this to good effect with public opinion and the Bundestag.

President: I am looking forward to meeting the Chancellor. I want you to know I continue to rely on Secretary Kissinger. I have an excellent working relationship with Secretary Kissinger. We are working together on problems around the globe.

The Camp David meeting is very important. I am very pleased that you and the others are coming for this. We must find a way to implement what we have said in speeches and solve the terrible economic problems created by the oil prices.

Genscher: I heard Dr. Kissinger's speech and read yours. I said parallel things in New York. A German paper said that compared to you I had silk gloves. We see the problems like you have expressed. We hope to solve them by cooperation, not confrontation. It is serious for the industrialized countries, but more so for the Third World who have not the resources to cope. To us, this is a question not only of a shifting of economic power to the oil producers, but how the oil dollars will be recycled. We are concerned about the effect this will have on the world economic system. In our view it is not that they have ill will, but they may not understand the effect it could have on the world economic and political system. It is not a matter for central banks -- not ours, Europe's, or yours. We must find a joint solution to cope with this urgently.

President: In the meantime the energy sharing program will make a contribution.

Genscher: I am happy that the French will take part in the Saturday meeting.

President: As we move ahead to develop alternatives in the energy field, with coal and other resources, we want to work together with others who might be affected. The sharing is very important.

Kissinger: We have looked at this closely and will have preliminary ideas to advance. Later we will have ideas for dealing with the massive recycling problem, which hurts Italy, for example, and also for dealing with the producers.



President: If our economies collapse, the money doesn't do the producers much good.

Genscher: You are about to make important economic decisions. For our progress, economic stability is an important pillar. We are embedded in the Common Market so we can affect things only to a limited extent. We hope to hold inflation in 7-1/2% and wages to 2-1/2% in 1974. Germans view with concern the matters of inflation. Ten percent is the magic number. We have 2-1/2% now. The programs we have now are limited and goal oriented. 900 million marks. To go farther would undermine stability. We have a round table for discussion between government, industry and labor.

President: We have had several summit meetings, and tomorrow is the big one. I want the facts to be brought out and the recommendations of the best brains. In opening the conference I will say that we will work with our allies on a worldwide basis. Please tell the Chancellor that we will do nothing that is harmful, and hopefully things that are only helpful. We anticipate inflation of about 8-1/2 to 9 percent by year end. We had some setbacks in industrial production; unemployment is at 5.5%, and it is going up gradually. Probably it will be close to 6% at year's end. By our standards that is not good, but it is not a catastrophe. We have had it at 8%. If we can get a handle on it all, 1975 will be a good year. There is hope for a tax adjustment, and a good farm year. If we can get hold of oil prices, that would be the best shot in the arm. By any fair standards the U.S. economy is strong. We take strong action not to go into a slump, but not to let things get out of hand. It is a fine line to walk.

Genscher: We think the problems confronting you you can manage more easily than some have claimed. We are together with the others in the EC and this poses a problem. In Italy, for example, we have the potential not only of economic but of political instability. You will be able to manage and find the narrow path between inflation and recession. We are worried about the potential effect of the economic situation on political stability. That is why we give aid to Italy. The government is trying hard to restore stability. They have a strong Communist Party waiting to take over, God forbid. That would draw a cloud over other European countries. We don't want to see what NATO has prevented come about by the internal route.

President: We couldn't tolerate...we would oppose the Communist Party having any substantive participation in the Italian or any other government.



Kissinger: Any participation

President: That's right. I didn't say it accurately. We don't want any participation.

Genscher: I have often discussed this with Secretary Kissinger. The entire Mediterranean area is in danger and must be carefully looked at. I don't know about Portugal--the Communists there are the best organized. In Greece things are not assured. In Spain and Yugoslavia we don't know what would happen after their leaders pass. If Yugoslavia joined the Warsaw Pact, that would be destabilizing in itself. We can't let NATO be undermined--it is the alpha and omega of our and your security. I believe it is necessary that we look at detente in the proper light. There is no alternative to supporting it, but there is a danger of playing down the threat which exists. I speak frequently of "realistic" detente because the Communist threat must always be kept in mind. We must keep NATO functioning smoothly and strong. US troops are essential to that, and I keep pointing that out.

President: There are those here who think because of detente and 20 years of peace in Europe we can cut back our strength and pull back our troops. We got where we are through strength, not weakness. But we have had some tough times with Congress on the question of the troop cut. It is easier this year because we worked harder at it. The Alliance must know we want to stand strong, but we have a problem with Congress.

Kissinger: Also the Germans were great in helping with the offset problem, and also we solved the debate within the Alliance. The Foreign Minister has been very helpful in this.

Genscher: You are right about the period of peace, but we must watch that it is not endangered by unilateral actions of the West. I do not think unilateral military measures are useful, or in MBFR also--which is the purpose of it. We worried about a military statute coming out of MBFR. We are the strongest European member, and the East European one has reliable partners and an imbalance is possible. On Berlin the danger is not over. We made progress with the Quadripartite Agreement but must watch that the GDR might take measures affecting Berlin in the 25th anniversary. We are reassured by your strong support on Berlin.



Transcribed by PWR

P/Genscher/Vom Well/Von Steuben, K

26 Sept

(Pass Lines)

- K The Von Well was a student of mine.
- G I don't know who was
- P I keep running into odd sets of people who were his students.
- K I don't know about one who was hanged in Buchenwald. (Cold & Flu)
- P How long you be here?
- G I'll be going back Saturday - forgive me for speaking German, but it makes no sense (K - FBI make special effort to stay over) Chancellor asked me to express appreciation for your statement of support for us, Ecu, or otherwise. It came at kind of dip in Berlin & it's comforting to hear we have your support in mind. I have used this to good effect w/ pub opinion & Bundestag want you to know another to help out.
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- G I heard K speak & read yours. I found parallels thing in NY. German paper said very good to you & had talk place. We see a prob like you have expressed. We hope to solve by way not confrontation. It remains for industrialized but more so for 3rd world who have not resources. To do this a question not only of shifting of economic power to oil producers, but how oil dollars will be regulated. We concerned about a system & world even system. Not that they have ill will, but they may not understand effect it could have on world econ & pol system. Not a matter for central banks - not ones, F, nos, yours. We must find joint solution to cope w/ this disrupt
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Decisions for 502 of K to verify

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- K We have looked at this closely & will have preliminary ideas to advance. Like making w/ selling thing, which looks likely, for example, & also for creating w/ a producer.
- P If you have collapse, a money doesn't do a particular much good.
- G You are about to make very econ decisions. For our program economic stability is important pillar. We are imbedded in EC so we can affect things only limited extent. Hope to hold inflation in $2\frac{1}{2}\%$ & wages $2\frac{1}{2}\%$ ~~in $2\frac{1}{2}\%$~~ . German index w/ annual rates of inflation, 10% is a magic #. We have $2\frac{1}{2}\%$ goal. The props we have now are limited & goal oriented. Good will marks - to go further would undermine stability. We have a round table for business but govt, industry & labor.
- P We have had several prints & transcripts - big one. I want a facts be brought out & recon. of that basis. In giving conf I will say that we will work w/ our allies on world wide basis. Please tell Chancellor (we will do nothing harmful & hopefully only helpful). We anticipate inflation $5\frac{1}{2}\%$ - 7% by year end. It also some setbacks in index, production; unemployment at 5.5% , it going up gradually. But it will be close to 6% at year end. By our standards that not good but not catastrophic. We have had it at 7% , 8% . If we can get a handle on it all, 1975 will be good year. Hope for tax adjustment, good farm year. If we can get hold of oil prices would be best shot in our view. By any fair standards US economy is strong. We take strong action not to go into slump, but not to let things get out of hand. It a fine line to walk.

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