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29088

THE WHITE HOUSE

WASHINGTON

May 3, 1975

Dear Mr. Chancellor:

The current balance of payments offset agreement between the Federal Republic of Germany and the United States of America will expire on June 30th of this year.

Recent years have brought major developments in the international economic arena, some of which have significance for our arrangements to offset the balance-of-payments cost the United States incurs through the deployment of American forces in the Federal Republic. However, while much has changed since our two countries concluded the first bilateral offset agreement in 1961, the most important considerations have remained constant:

-- Like my predecessors I remain committed to the maintenance of U.S. forces in Europe at present levels, subject only to such mutual and balanced reductions as may result from negotiations now underway between members of the Atlantic Alliance and the Warsaw Pact. Given the continuing buildup of Warsaw Pact forces and the grave uncertainties now confronting NATO throughout the Mediterranean region, I believe that the U.S. military presence in Europe is as vital today for the security of the Alliance as at any previous time. As you know, we are taking steps to render our commitment more effective through the substitution of additional combat forces for a certain number of supporting troops.

-- Through the years we have found burdensharing arrangements such as balance of payments offset effective and in fact essential to ensure sufficient political support in the United States for our policy to continue the American military presence in NATO Europe. The cost of maintaining this presence is substantial both in absolute terms and relative to the size of the U.S. economy.




An extensive and thoughtful review of all factors bearing on this subject has led me to conclude that a continuation of our bilateral offset arrangement serves the vital interest of both our countries and that such arrangements remain warranted by economic and political considerations. Hence I would like to propose to you that we appoint and instruct negotiators to meet as soon as practicable to discuss the parameters, time span and composition of a realistic new offset agreement which would take effect on July 1, 1975. It is my hope that negotiations leading to conclusion of such a new agreement could be completed prior to that date, but in any case well before the end of this year. I look forward to receiving your response to this proposal.

With best personal regards,

Gerald R. Ford

His Excellency
Helmut Schmidt
Chancellor of the Federal Republic of Germany
Bonn



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SEINER EXZELLENZ
DEM AUSSENMINISTER DER
VEREINIGTEN STAATEN VON AMERIKA
DR. HENRY A. KISSINGER
WASHINGTON, D.C.

BONN, DEN 9. MAI 1975

LIEBER HENRY,

SIE HABEN MIR IN EINEM BRIEF, DER AM 29. APRIL IM
BUNDESKANZLERAMT EINGING, UEBER IHRE BESORGNISSE WEGEN DER
FRANZOESISCHEN HALTUNG ZUR BETEILIGUNG AN DER NATO-
GIPFELKONFERENZ IN BRUESSEL GESCHRIEBEN.

ICH VERSTEHE UND TEILE IHRE BESORGNISSE. DER BUNDESMINISTER
DES AUSWAERTIGEN HAT SCHON AM 21. APRIL IN EINEM VIER-AUGEN-
GESPRAECH DEM FRANZOESISCHEN STAATSPRAESIDENTEN UNSERE
BESORGNISSE DARGELEGT UND EINE BETEILIGUNG FRANKREICHS AUF
HOECHSTER EBENE BEFUERWORTET.

DAS GLEICHE HABE ICH JETZT IN EINEM TELEFONGESPRAECH MIT
GISCARD D'ESTAING GETAN. ICH HABE IHM FUER DEN FALL, DASS ER
SELBST NICHT NACH BRUESSEL REISEN KOENNE, DRINGEND GERATEN,
PREMIERMINISTER CHIRAC MIT SEINER VERTRETUNG ZU BEAUFTRAGEN.

DER PRAESIDENT HAT SICH IN BEIDEN FAELLEN AUSWEICHEND GEAEUSSERT.
ER SAGTE, ER NEHME UNSERE BEDENKEN ERNST, MUESSE ABER NOCH
UEBERLEGEN UND WERDE UNS SO BALD WIE MOEGLICH SEINE
ENTSCHEIDUNG MITTEILEN.

BEI MEINEM GESPRAECH HATTE ICH DEN EINDRUCK, DASS LEIDER EINE
GEWISSE VERHAERTUNG IM FRANZOESISCH-AMERIKANISCHEN VERHAELTNIS
EINGETRETEN IST UND DASS DAS RELATIV GUENSTIGE KLIMA NACH
MARTINIQUE UNTER DEM MISSERFOLG DER PARISER VORKONFERENZ
GELITTEN HAT.

ICH HOFFE SEHR, DASS ES GELINGT, WENIGSTENS EINE VERTRETUNG
FRANKREICHS DURCH HERRN CHIRAC IN BRUESSEL ZU ERREICHEN. DAFUER
WERDE ICH MICH WEITER EINSETZEN.

MIT DEN BESTEN GRUESSEN
IHR
HELMUT SCHMIDT

BUNDESREPUBLIK DEUTSCHLAND
DER BUNDESKANZLER
OUNQUOTE.
XGDS1
BT

~~SECRET~~IMDIS

DECLASSIFIED
E.O. 12958, SEC. 3.5
STATE DEPT, GUIDELINES, State review 9/16/03
BY hls NARA DATE 3/5/04

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1. PLS PASS FOLLOWING TO WHITE HOUSE DUTY OFFICER:

THIS IS TO CONFIRM TELCON BETWEEN WHITE HOUSE DUTY OFFICER AND CAPT WEISHAR, 1345Z 7 JUN. CHANCELLOR SCHMIDT, MINISTER APEL, AND PRESIDENT KLASSEN ARE ALL AT THEIR RESPECTIVE HOMES IN HAMBURG. THE LETTER FROM PRES FORD WAS DELIVERED TO DR LEISTER (LEITER DES BUREAUS DES BUNDESKANZLERS) WHO, EXCEPT FOR THE CHANCELLOR'S PRIVATE SECY, IS MY ONLY AUTHORIZED CONTACT. I WAS INFORMED THAT THE CHANCELLOR HAD SCHEDULED A SPECIAL CABINET MEETING AT GYMNIICH (NEAR BONN) FOR 1000 ON MON 9 JUN TO DISCUSS PETROLEUM AND OTHER COMMODITIES AS WELL AS CERTAIN EFFECTS ON THIRD WORLD COUNTRIES. THE CHANCELLOR WAS SCHEDULED TO DEPART HAMBURG AT 0815 MONDAY ARRIVING BONN AT 0915 AND DEPARTING FOR THE CABINET MEETING AT 0930. UPON BEING NOTIFIED OF PRES FORD'S INVITATION TO HAVE SECY SIMON TRAVEL TO BONN, THE CHANCELLOR MOVED UP HIS DEPARTURE FM HAMBURG AS WELL AS POSTPONED THE HOUR FOR THE CABINET MEETING IN ORDER TO HAVE AN HOUR FREE TO MEET WITH SECY SIMON ON MONDAY MORNING. THE MEETING IS SCHEDULED FOR 0900 TO 1000 AT THE PALAIS SCHAUMBURG. MINISTER APEL WILL BE IN ATTENDANCE AT THE 0900 MEETING. MINISTER APEL IS NOT EXPECTED TO ATTEND THE SPECIAL CABINET MEETING SO HE WILL BE FREE TO CONTINUE BEYOND 1000 IN DISCUSSION WITH SECY SIMON AND WILL THEN ACCOMPANY SECY SIMON TO PARIS.

WE HAVE NOT YET BEEN ABLE TO CONTACT PRES KLASSEN IN HAMBURG. AS SOON AS HE IS CONTACTED, DR LEISTER WILL PHONE ME IN FRANKFURT AND I SHALL PASS THE WORD TO THE DUTY OFFICER AT THE WHITE HOUSE. WE EXPECT TO BE IN CONTACT WITH PRES KLASSEN SOMETIME THIS EVENING.

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BY 141 NARA DATE 3/5/04

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THE WHITE HOUSE
WASHINGTON

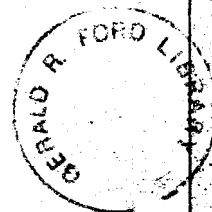
June 6, 1975

Dear Mr. Chancellor:

The Ministerial Meeting of the IMF Interim Committee next week presents an important opportunity to move the international monetary system forward. At the same time it is an opportunity for a responsible reaction to the current needs of a number of seriously affected less developed countries. It is my understanding that our Ministers of Finance may be close to agreement on a comprehensive package achieving these ends, but I am informed that disagreement on one aspect of future rules concerning gold could stand in the way of such an agreement.

For our part we have tried very hard to modify our position so as to facilitate an agreement. In recognition of possible political concerns of the French government we have this week reluctantly indicated that we will withdraw our previous insistence that no individual government in the future should increase its holdings of gold if that concession will suffice to reach an over-all agreement. On the other hand, we--and I believe a number of other countries--do feel strongly that some safeguards are necessary to ensure that a tendency does not develop to place gold back in the center of the system. We must ensure that there is no opportunity for governments to begin active trading in gold among themselves with the purpose of creating a gold bloc or reinstating reliance on gold as the principal international monetary medium. In view of the world-wide inflation problem, we must also guard against any further large increase of international liquidity. If governments were entirely free to trade with one another at market-related prices, we would add to our own common inflation problem.

Of course, we must ensure at the same time that gold is not immobilized. Any government faced with an extreme financial need must be able to sell its gold to another government. We propose, therefore, that the 10 major countries



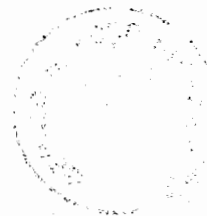
agree that no one of them will purchase gold from another government unless the selling government is faced with needs arising from an extreme financial position. In my judgment that rule would give ample flexibility for all legitimate future trading of gold, while giving a reasonable protection against abuse of the newly established freedom for governments to buy gold.

I would urge you to give this important matter your personal attention in the hope that your representative at these meetings could be in a position to agree to arrangements along this line. If you are available to meet with Secretary Simon on Monday morning, June 9, I would be glad to have him visit you and Minister Apel at that time for further discussion of the matter. If you would like to have President Klasen present, Chairman Burns would also be prepared to fly up from Basle to join the meeting. They would, however, have to leave Bonn in time to reach the scheduled meeting of the G 5 Ministers in Paris at 1:00 p.m. Secretary Simon would, of course, be delighted to have Minister Apel, President Klasen and other members of the German delegation join him for the flight to Paris.

Sincerely,

Gerald R. Ford

His Excellency
Helmut Schmidt
Chancellor of the Federal Republic of Germany
Bonn



THE WHITE HOUSE
WASHINGTON

LDX

~~CONFIDENTIAL~~

EYES ONLY

June 6, 1975

FOR: LARRY EAGLEBURGER

FROM: BRENT SCOWCROFT

The attached is a draft outcome of the Gold Meeting yesterday for the President's approval.

HAK should see it right away!

Attachment

DECLASSIFIED

E.O. 12958, SEC. 3.5

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

BY MA, NARA, DATE 3/5/04

~~CONFIDENTIAL~~/EYES ONLY

THE WHITE HOUSE

WASHINGTON

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Sincerely,

His Excellency
Helmut Schmidt
Chancellor of the Federal Republic of Germany
Bonn



THE WHITE HOUSE SITUATION ROOM

TIME SENT:

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PAGES: 3

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DESCRIPTION/COMMENT

Eyes Only

FROM: Gen. Seowcroft

TO: Larry Eagleburger

*sent to Lewis Coughlin
Staffing
Copy to HAK*

EMBASSY
OF THE
FEDERAL REPUBLIC OF GERMANY
WASHINGTON, D.C.

May 13, 1975

My dear Mr. President,

Chancellor Helmut Schmidt has asked me to transmit to you the following telegram:

"
Bundesrepublik Deutschland Bonn, den 12.Mai 1975
Der Bundeskanzler


Seiner Exzellenz
dem Präsidenten der Vereinigten
Staaten von Amerika
Herrn Gerald Ford
W a s h i n g t o n

Sehr geehrter Herr Präsident,

ich danke Ihnen für Ihre schnelle und positive Antwort auf mein Schreiben vom 21. April zur Frage der privaten Treffen von Sachverständigen für Erdöl -und Finanzierungsfragen. Mir scheint es in unserem gemeinsamen Interesse zu liegen, wenn wir möglichst bald ein Treffen von privaten Experten aus Produzenten -und Verbraucherländern zustandebringen. Da sich unsere Experten bereits zweimal getroffen haben, zweifle ich nicht, dass diese Gruppe die Gespräche mit Experten aus den Produzentenländern von einer gemeinsamen Basis aus führen wird. Andererseits halte ich es für wichtig, dass jeder Teilnehmer die ihn interessierenden Themen zur Diskussion stellen kann. Gerade darin besteht ja der Unterschied zu Konferenzen offizieller Regierungsvertreter, bei denen schon die Eini-gung über die Tagesordnung ein erhebliches Problem dar-stellt.

The President
The White House
Washington, D.C.

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E.O. 12958, SEC. 3.5
STATE DEPT. GUIDELINES, State Review 9/16/03
BY 100 NARA DATE 3/5/04



In zwei Gesprächen, die ich inzwischen mit dem Iranischen Wirtschaftsminister geführt habe, habe ich ihm erklärt, dass die Schwierigkeiten, die einem gemischten Expertentreffen auf unserer Seite bisher entgegenstanden, jetzt überwunden sind. Bisher hätten zwei Treffen von Experten aus fünf Verbraucherländern stattgefunden. Die Regierungen dieser Länder hätten sich von der Nützlichkeit solcher Treffen überzeugt. Die Zeit sei jetzt reif, um ein Treffen mit Experten aus dem Iran, Saudi Arabien, Algerien und Venezuela zu arrangieren.

Herr Ansary hat mir mitgeteilt, dass der Schah private Expertentreffen noch immer für nützlich hält. Er möchte aber, anders als im März, nicht selbst die Initiative gegenüber den Produzentenländern ergreifen. Offenbar will er sich nicht dem Vorwurf aussetzen, er breche die Solidarität der Produzentenländer nach der Pariser Vorkonferenz. Aus dem gleichen Grund ist er an strengste Vertraulichkeit interessiert.

Ich habe Herrn Ansary gesagt, dass ich Sie bitten werde, sich an Präsident Perez von Venezuela zu wenden und ihn aufzufordern, einen Sachverständigen seines Landes zu benennen. Der Schah hat in Caracas -wie Herr Ansary mir sagte- nur in allgemeiner Form sein Interesse bekundet, alle Möglichkeiten zu nutzen, um eine Annäherung zwischen den Auffassungen der Erzeuger -und der Verbraucherländer zu erreichen.

Zunächst muss aber wohl sichergestellt werden, dass auch Algerien sich an einem Expertentreffen beteiligt. Ich habe Präsident Giscard d'Estaing gebeten, die Initiative gegenüber Algerien zu übernehmen. Er hat Zweifel, ob Präsident Boumedienne zustimmen wird. Das Ergebnis seiner Bemühungen bleibt abzuwarten.

Wenn die Beteiligung Venezuelas und Algeriens gesichert ist, werden wir unseren Botschafter anweisen, mit dem Kronprinzen

von Saudi Arabien Verbindung aufzunehmen. Er wird ihn unter Bezug auf das von Minister Genscher in Djidda geführte Gespräch um die Benennung eines saudischen Experten bitten.

Der wichtigste Punkt für Herrn Ansary war, dass jeder Teilnehmer an dem Treffen jedes Thema zur Diskussion stellen kann. Die Experten sollen weder Auflagen ihrer Regierungen haben, noch ihre Regierungen binden können. Ich habe ihm bestätigt, dass dieses Prinzip auch für die bisherigen Treffen gegolten und sich bewährt hat.

Das erste Treffen der gemischten Gruppe könnte auf Einladung des deutschen Teilnehmers in der Nähe von Frankfurt stattfinden und ein bis zwei Tage dauern. Verhandlungssprache würde Englisch sein. Danach berichten die Experten an die Regierungen ihrer Länder, eventuell verbunden mit dem Vorschlag, weitere Treffen abzuhalten.

Ich werde Sie unterrichten, ob Präsident Boumedienne auf die französische Anfrage positiv reagiert. Ihnen wäre ich dankbar, wenn Sie dann möglichst bald an Präsident Perez herantreten wollten.

Mit freundlichen Grüßen

Ihr

" Helmut Schmidt "

A courtesy translation reads as follows:

" Federal Republic of Germany Bonn, May 12, 1975
The Chancellor

His Excellency
the President of the United States
of America
Mr. Gerald Ford
W a s h i n g t o n

Dear Mr. President,


thank you for your early and favourable reply to my
letter of 21 April concerning a private meeting of

experts on oil and financing questions. It would seem to be in our mutual interest for a private meeting of experts from producer and consumer countries to be held as soon as possible. As our experts have already met twice, I have no doubt that this group will conduct their talks with experts from the producer countries on a common basis. On the other hand, I think it is important that each participant should be able to put forward for discussions the points that are of interest to him. This is precisely where such a meeting differs from conferences of official government representatives where even reaching agreement on the agenda is a considerable problem.

In two discussions I have meanwhile had with the Iranian Minister of Economics, I told him that the problems that had from our point of view stood in the way of a mixed meeting of experts had been overcome, that up to then two meetings had taken place between experts from five consumer countries, and that the governments of those countries were convinced of the value of such meetings. I informed him that the time was now ripe for a meeting with experts from Iran, Saudi Arabia, Algeria and Venezuela.

Mr. Ansary informed me that the Shah still felt private meetings of experts were valuable but did not wish, as in March, himself to take the initiative vis-a-vis the producer countries. Apparently he is anxious not to leave himself open to the charge of breaking the solidarity of the producer countries following the preparatory conference in Paris. For the same reason he wants the matter to be kept strictly confidential.

I told Mr. Ansary that I would request you to approach President Perez of Venezuela with a view to his naming a venezuelan expert. According to Mr. Ansary, the Shah, whilst in Caracas, spoke in only general terms about wanting to use all possible means of approximating the views of producer and consumer countries.



It seems, however, that the first step should be to make sure that Algeria will also participate in the meeting of experts. I have asked President Giscard d'Estaing to take the initiative with Algeria, but he doubts whether President Boumedienne will agree, so we shall have to await the outcome of his efforts.

Once we can be certain that Venezuela and Algeria will be represented we shall advise our Ambassador to make contact with the Crown Prince of Saudi Arabia. He will refer to Foreign Minister Genscher's talks in Jidda and ask him to nominate a Saudi expert.

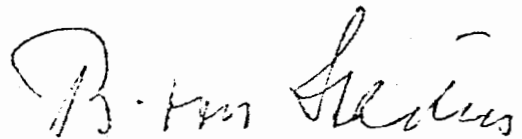
The most important point in Mr. Ansary's view was that each participant should have the right to raise any matter for discussion. He wants the experts to be neither under instructions from their governments nor to be able to enter into binding commitments on their behalf. I confirmed that this principle has been observed in previous meetings and has proved to be a good one.

The first meeting of the mixed group could take place at the invitation of the German participant somewhere near Frankfurt and last one or two days. The experts would hold their discussions in English and afterwards report back to their governments and possibly suggest further meetings.

I shall inform you whether President Boumedienne has replied favourably to the French inquiry. I would be grateful if you would then approach President Perez as soon as possible.

With warm regards,
Sincerely,
sgd. Helmut Schmidt"


Respectfully yours

A handwritten signature in dark ink, appearing to read "R. von Steiner". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

VIA SPECIAL NAVY CHANNEL

~~SECRET~~/EYES ONLY

May 23, 1975

FOR: Chancellor Helmut Schmidt
FROM: Secretary Henry A. Kissinger 

1. As you will recall, on the occasion of our breakfast on Wednesday, we discussed the nature of your remarks and those of President Ford at the NATO summit.
 2. I am pleased to enclose the current draft of the President's speech, which, of course, remains subject to revision. As I know you will appreciate, this is being sent solely for your personal information. With regard to your own remarks to the NATO summit, I would hope you will, indeed, address the economic issues facing all of us.
- Warm regards. Text of Speech follows:

BEGIN TEXT - QUOTE

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E.O. 12958, SEC. 3.5
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES
BY 168, NARA, DATE 2/5/04



QUOTE

DRAFT PRESIDENTIAL STATEMENT

In 1949, President Truman transmitted the text of the North Atlantic Treaty to the Congress of the United States with his assessment of its importance. "Events of this century," he wrote, "have taught us that we cannot achieve peace independently. The world has grown too small." He described the interdependence of the North Atlantic nations in a way that is as accurate today as it was then: "The security and welfare of each member of this community depends on the security and welfare of all. None of us alone can achieve economic prosperity or military security. None of us alone can assure the continuance of freedom."

A year ago, on the 25th anniversary of the signing of the North Atlantic Treaty, NATO leaders met here in Brussels to celebrate an Alliance that had fulfilled its promise by providing for the security, promoting the welfare and maintaining the freedom of its members.

We are here today to renew our commitment to the Alliance, to remind our citizens in the fifteen

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member nations by our presence of the strength and stability of the transatlantic ties that bind us, and to restate our pledge to collective self-defense. We are also here to address the serious problems we face in this complex and volatile world, and to review the steps we must take to deal with them.

Since a renewal of our commitment to the Alliance is the most important of these purposes, let me begin by stating unconditionally and unequivocally that the United States will remain true to the commitments undertaken when we signed the North Atlantic Treaty, including the obligation in Article 5 to come to the assistance of any NATO nation subjected to armed attack. As treaties are the supreme law of our land, these commitments are juridically binding in the United States. I consider them also to be strategically and politically essential and morally justified. They enjoy broad Congressional and popular support in America as well. They thus remain a firm foundation, as they have been for twenty-six years, on which our relationship can rest -- a foundation that has served the purposes for which it was created and that can continue to serve these purposes in the face of new difficulties as long as we who built it wish it to do so.

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In the treaty we signed twenty-six years ago, and from which we drew confidence and courage, we pledged:

-- To live in peace with all peoples and all governments.

-- To safeguard the freedom, common heritage and civilization of our peoples founded on the principles of democracy, individual liberty and the rule of law.

-- To promote stability and well-being in the North Atlantic area.

-- To settle any international dispute in which any of us may be involved by peaceful means.

-- To eliminate conflict in international economic policies and encourage economic collaboration.

-- To maintain and develop our individual and collective capacity to resist armed attack, by means of continuous and effective self-help and mutual aid.

-- To consult together when any one of us is threatened.

-- To consider an armed attack against one as an armed attack against all.

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I doubt that any of us could improve on that statement of principles and purposes which is as valid today as it was then. It is, however, worth reminding ourselves of these pledges as we turn our attention and energies to the problems we face today both outside and within the Alliance -- problems very different from those we faced twenty-six years ago. No purpose would be served by not acknowledging the problems confronting us. Had we not done so twenty-six years ago, had we hidden our heads in the sand of oblivion, we obviously would not have succeeded in achieving the purposes of this Alliance. We have a duty to ourselves to be equally frank today, and so I will cite a number of problems that concern me:

-- In the Middle East, there remains a possibility of a new war, a war that could not only involve the countries in the area but also sow seeds of discord beyond the Middle East itself, perhaps even within our Alliance.

-- In Indochina, the events of recent months have resulted in enormous human suffering for the people of Cambodia and Viet-Nam, suffering that

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touches all our hearts. Because of our long involvement in Indochina, these events have led some to question our strength and reliability. I believe that our strength speaks for itself -- our economy is recovering rapidly from last year's recession, our military power remains -- and will continue to remain -- second to none, and our political system has, I believe, emerged from the shocks of the past year stronger for the way in which it met the severe tests it has undergone. I trust that my statement earlier in these remarks will erase some of the doubts about our reliability. I am confident that our actions in the future will surely erase the remainder.

-- In the field of energy, we are still not immune from the political pressures that could result from a heavy dependence on foreign sources of energy, although we have made considerable progress in offsetting the effect of the action taken last year by the major oil producing countries. We have far more to do, however.

-- Within the Alliance, two of our Allies have clashed in the past year and one of them has been cut off by another from an established source of

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military support; one Ally has qualified its military relationship with NATO; and in another there has been talk of nonalignment. Finally, there are problems that relate directly to our defense capabilities. Some Allies have felt compelled to reduce their military commitments to NATO despite the fact that the forces potentially hostile to us have grown stronger in quantity and quality. We also face basic problems of effectiveness. A generation after its creation, our Alliance loses billions of dollars each year and pays a high price in military effectiveness because, in some cases, we have not standardized weapons and, in other cases, we have not agreed among ourselves on a division of responsibility regarding equipment development or production.

This is a formidable array of problems. But they are no more serious than those we have faced before, and some of them are the same. Let us address them with all the courage, conviction and cohesion of which the members of this Alliance are capable.

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I propose that we pledge ourselves to six tasks in the year ahead:

-- First, let us maintain a strong and credible defense. This must be the first task of the Alliance, for if we fail in this task, the others will be irrelevant. A society that does not have the vigor and dedication necessary to defend itself cannot, by definition, survive. Neither can an Alliance. For my part, as President, I will not engage in any unilateral reduction of US forces committed to NATO. We must take steps toward a more effective use of our defense resources. Let us strive for common procedures and equipment. We should make our research and development efforts much more than the sum of individual parts. Let us move in the direction of being truly one Alliance in our defense efforts. Reductions in defense budgets cannot be turned to our advantage. But efficiency can be.

-- Second, let us preserve the quality and integrity of this Alliance on the basis of unqualified participation, not on the basis of partial membership or special arrangements. The

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commitment to collective defense must be complete if it is to be credible. It must be reciprocal if it is to be reliable.

-- Third, let us improve the process of political consultation. We have done well but there is room for improvement by all parties if we are to maintain our solidarity as we seek to reduce the tensions that have existed with the Soviet Union and its allies for more than a quarter of a century. More than simply informing one another of our views and intentions, we should cultivate the habit of discussing our approaches to those matters which touch the interests of us all so that we can develop common policies to deal with common problems.

-- Fourth, let us cooperate in developing an imaginative, productive and realistic agenda for detente -- an agenda that serves our interests and not just those of others who do not share our values and who may seek to exploit any weakness they perceive among us. One item on that agenda should be to insure that the promises made in the Conference on Security and Cooperation in Europe are translated into action to advance freedom and human dignity

~~SECRET~~

~~SECRET~~

-9-

for all Europeans. Only by such realistic steps can we keep CSCE in perspective, whatever euphoric or inflated emphasis the USSR or other participants may wish to give it. Another item on that agenda should be the negotiations on mutual and balanced force reductions in Europe. We in NATO should be prepared to make new proposals in these negotiations. But the Soviet Union and its allies should also be prepared to respond in good faith for the common objectives surely both sides should want -- undiminished security -- for all but at a lower level of forces. What better way could there be to commemorate the thirtieth anniversary year of the end of World War II.

-- Fifth, let us look to the future of the West itself. We must strengthen our own democratic institutions, not by yielding to slogans or the temptations of collaboration with totalitarian parties, but by encouraging the growth of democratic institutions. Let us also look beyond our Alliance as it stands today. I believe we should begin now to consider how to integrate Spain more fully into Western society and how to associate it more closely

~~SECRET~~



with Western defense. Spain has already made, and continues to make, an important contribution to Western military security as a result of its bilateral relationship with the United States. The Alliance could provide a framework for an even more effective Spanish military contribution and closer political ties.

-- Sixth, let us rededicate ourselves to the Alliance as a joint great enterprise, as a commitment to follow common approaches to shared aspirations covering a broad range of human activity. We must build on the valuable contribution our Alliance already makes in helping to cope with the environmental problems that afflict industrialized societies. We should address the problems of population, food and raw materials. We must find ways to strengthen the world trading and monetary system, and to meet the imperatives of energy development and conservation. With our wealth and technological skills, we can make a valuable contribution towards solving these problems and thus improving the standard of life in all of our countries. But we can do so most effectively only if we work together.

~~SECRET~~

-11-

These six tasks of the Alliance illustrate how complex the world has become and how much more difficult it is to manage the Alliance than was the case a generation ago. Then, our problems were relatively simple to define, and it was consequently easier to agree on common solutions behind which to unite. Today the problem of definition is more complicated, and in many of our countries there has been a fragmentation of public and parliamentary opinion which has made it more difficult for governments to mobilize support for courses of action they wish to follow. Then, there was a certain common appreciation among our citizens as to their goals as individuals and the goals they wished for their nations. Today, there is less certainty and greater diversity within our bodies politic.

But there are constants as well, and they are -- in the final analysis -- more important than the variables. Together we constitute the greatest reservoir of economic and military strength in the world. Let us use that strength to attack the grave problems that confront us

~~SECRET~~



~~SECRET~~
~~-12-~~

now. Together we share and represent the same common traditions, purposes and values. Let us use these common bonds to mobilize our energies and will at this difficult time.

We have every reason to be proud of NATO's past. We have every reason to be confident of the Alliance's future. END. END QUOTE

NATO
May 1975

~~SECRET~~

NATIONAL SECURITY COUNCIL

ACTION

July 7, 1975

OBE

MEMORANDUM FOR: GENERAL SCOWCROFT

FROM: ROBERT HORMATS *RH*

SUBJECT: Letter from West German Chancellor Schmidt

Chancellor Schmidt's letter (Tab A) thanks the President for sending Simon and Burns to meet with him in Bonn in early June and, among other things, expresses appreciation for the close cooperation he and the President enjoy in the field of economic policy. Further, Schmidt expresses satisfaction at the growing confidence in the US that the American economy has already reached its low point, and indicates that he would be relieved if there were an economic upswing in the US in the second half of 1975.

Your memorandum for the President (Tab 1) summarizes Schmidt's letter and gives a brief synopsis of Schmidt's latest press conference, concluding that Schmidt's major objective is to point out the adverse impact of international developments on the German economy to convince Germans that he should not be blamed for the country's economic problems.

RECOMMENDATION:

That you sign the memorandum for the President at Tab I. Denis Clift concurs.



THE WHITE HOUSE
WASHINGTON~~CONFIDENTIAL~~INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: West German Chancellor Schmidt's
Economic Views

Chancellor Schmidt's letter (Tab A) thanks you for sending Simon and Burns to meet with him in Bonn early in June, expresses his satisfaction at the growing confidence in the US that the American economy has already reached its low point, indicates that it would be a relief to him if there were an upswing in the US in the second half of 1975, and expresses appreciation for the close cooperation you and he enjoy in the field of economic policy and the spirit of confidence, which also characterizes contacts between German and US central banks and their presidents.

Schmidt, as you know, sees the current world recession (which has contributed to historically high levels of unemployment in post-war Germany) as the major danger for the West. In a June 24 press interview he said that synchronized inflationary and deflationary pressures will be a permanent characteristic of the world economic future. In the present cycle, Schmidt says that the quadrupling oil prices, inflation, and the destabilizing effect on trade of discontinuing fixed exchange rates have been mutually intensified by their coincidence. This analysis leads him to emphasize international cooperation and coordination of economic policies as the key to overcoming problems. He feels cooperation and coordination with the US has been sufficient but criticizes Japan, Italy, and the UK. He regards recovery in the US, because of its economic effects, as well as its psychological and political impact in dispelling pessimism, as a key factor in stimulating recovery in Germany and elsewhere.

In a subsequent press conference on June 25, Schmidt stated that the pronounced downswing of a world recession is likely to be followed by a "mutually propellant" upswing, suggesting that he foresees the danger of possible excesses and an attendant increase in inflation. He concluded that both the US and FRG governments are aware that an upturn in the world economy is hardly conceivable without a strong economic recovery in the US.

~~CONFIDENTIAL - GDS~~

3/5/04

The sum of Schmidt's remarks pointing out the adverse impact of international developments on the German economy--which Schmidt had predicted would turn upward by early summer but which shows no signs of doing so--is to make Germans aware that external forces have worked against Germany and that he should not be blamed for the country's economic problems.

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4453

EMBASSY
OF THE
FEDERAL REPUBLIC OF GERMANY
WASHINGTON, D.C.
June 26, 1975

My dear Mr. President:

The Chancellor of the Federal Republic of Germany has asked me to transmit to you the following telegram:

"Sehr geehrter Herr Präsident,

Es war mir ein grosses Vergnügen, am Montag, den 9. Juni, Gelegenheit zu einer Unterhaltung mit Herrn William Simon, Secretary of the Treasury, und Herrn Arthur Burns, Chairman of the Federal Reserve Board, zu haben.

Ich bedanke mich sehr für Ihre Botschaft vom 6. Juni, mit der Sie diese Begegnung veranlaßt haben.

Leider war die Zeit für eine vertiefte Erörterung aller angeschnittenen Fragen wegen einer seit längerem anberaumten Kabinettsitzung außerhalb Bonns etwas knapp. Ich habe jedoch mit großer Befriedigung vernommen, wie sehr die Zuversicht in Ihrem Lande gewachsen ist, dass die amerikanische Wirtschaft den konjunkturellen Tiefpunkt erreicht oder schon durchschritten hat. Ich wäre sehr erleichtert, wenn sich die Annahme eines im zweiten Halbjahr 1975 beginnenden Aufschwungs demnächst bestätigen würde. Mit höchster Aufmerksamkeit verfolge ich alle aus den USA eintreffenden Wirtschaftsnachrichten und -daten. Die weitere Entwicklung der amerikanischen Wirtschaft ist aufgrund ihres großen tatsächlichen und psychologischen Einflusses entscheidend für das weltweite Konjunkturklima.

- 2 -

His Excellency
the President of the
United States of America
Mr. Gerald R. Ford
The White House
Washington, D.C.

Ich freue mich, daß die wirtschaftspolitische Kooperation zwischen uns eng und vertrauensvoll ist und dass dies auch für den engen Kontakt zwischen unseren Notenbanken und besonders deren Präsidenten gilt.

Mit freundlichen Grüßen
stets Ihr
gez. Helmut Schmidt

"

A translation reads as follows:

"Dear Mr. President,

I was very pleased to meet Mr. William Simon, Secretary of the Treasury, and Mr. Arthur Burns, Chairman of the Federal Reserve Board, for talks on 9 June in Bonn.

I should like to thank you for your message of 6 June in which you proposed that meeting.

Unfortunately, time was somewhat short for a discussion in depth of all the problems we touched on, due to a cabinet meeting outside Bonn which has been scheduled for some time. However, I learnt with great satisfaction of the growing confidence in your country that the American economy has now reached the lowest point of the down-turn or is, indeed, already past it. It would be a considerable relief to me if the up-swing expected in the second half of 1975 is confirmed in the near future. I am following closely all the economic news and information from the United States. The continued development of the American economy is, in view of its great material and psychological influence, decisive for a healthy world-wide economic climate.

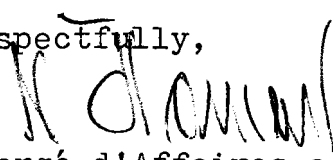
I greatly appreciate the close cooperation we enjoy in the field of economic policy and the spirit of confidence, which also characterizes the close contacts between our central banks and their presidents.

With kind regards,
yours sincerely,

sgd. Helmut Schmidt

"

Respectfully,


Chargé d'Affaires a.i.

NSC CORRESPONDENCE PROFILE

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SUBJECT:

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DUE DATE:

COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

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SUBSEQUENT ACTION REQUIRED (OR TAKEN):

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OBE for Schmidt

(7/14)

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CY RQMTS: SEE ABOVE PLUS:

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THE WHITE HOUSE
WASHINGTON

August 31, 1975

Dear Mr. Chancellor:

Our representatives are meeting this weekend in Washington, along with those of other countries, to discuss some crucial issues in the international monetary area. Resolution of these questions will help assure the continued viability of the liberal trade and payments system which is so essential to world prosperity in the coming years. Sound agreements on gold and exchange rates are clearly important to every country. In addition, less developed nations will particularly benefit from the planned IMF quota increase and measures to mobilize IMF gold.

For these reasons, I place great importance on progress at the upcoming meetings of the Bank and the Fund. I am, therefore, authorizing Secretary Simon to exercise further flexibility on the gold issue.

I hope this flexibility from the United States on gold will pave the way for agreement on a full package of amendments to the IMF Articles as well as the quota increase. Obviously, the French approach to the exchange regime issue will be critical to working out a package. I have, therefore, written to President Giscard d'Estaing to urge reconsideration of the French position.



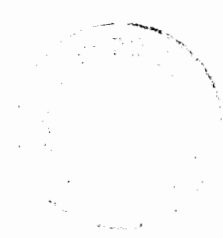
- 2 -

Your influence will be critical in finding a common ground on which we can all agree. I would appreciate any efforts you feel you can appropriately make to this end.

Sincerely,

Richard R. Ford

His Excellency
Helmut Schmidt
Chancellor of the Federal
Republic of Germany
Bonn



to Sen. Schweigert, 9:00 p.m., 4 Sept. 1975

8A

EMBASSY
OF THE
FEDERAL REPUBLIC OF GERMANY
WASHINGTON, D.C.

September 4th, 1975

~~Confidential~~

My dear Mr. President,

Federal Chancellor Helmut Schmidt has asked me to transmit to you the following telegram:

" Lieber Herr Präsident;
herzlichen Dank für Ihre beiden Botschaften vom 29. August und 1. September 1975.

Das Entgegenkommen Ihrer Regierung in der Goldfrage hat entscheidend dazu beigetragen, dass im Interimsausschuss erfreuliche Fortschritte bei der Verteilung der aufzustockenden IWF-Quoten, der Verwendung eines Teils des IWF-Goldes zugunsten der armen Entwicklungsländer und bei der vorgesehenen Übereinkunft über Goldtransaktionen zwischen den Zentralbanken erzielt werden konnten. Die baldige Umsetzung dieser weitgehenden Einigung in die währungspolitische Praxis sollte nicht dadurch gehemmt werden, dass zwischen einigen Staaten -erfreulicherweise kaum zwischen unseren beiden Regierungen- noch erhebliche Unterschiede in der Beurteilung des künftig anzustrebenden Wechselkurssystems bestehen. Mir erscheint der Meinungsstreit teilweise etwas zu theoretisch, um nicht zu sagen: dogmatisch. Deshalb erwarte ich eine Annäherung der bislang unterschiedlichen Standpunkte. Eine unnötig verhärtete Diskussion über das künftige Währungssystem könnte unseren gegenwärtigen Bemühungen um Wiederbelebung der wirtschaftlichen Aktivität, Abbau der Arbeitslosigkeit, Bekämpfung von Inflation und Zahlungsbilanzungleichgewichten leicht zuwiderlaufen.

The President
The White House
Washington, D.C.

DECLASSIFIED
E.O. 12958, SEC. 3.5
STATE DEPT. GUIDELINES
BY 11 NARA DATE 3/5/04



See Gold File for original

Darum werde ich alles in meinen Kräften stehende tun, um hier undogmatisch zu vermitteln. 812

Ich freue mich auf den Besuch von George Shultz in Bonn und schlage als Termin für das Gespräch den 13. September 1975, nachmittags, vor.

Mit herzlichen Grüßen

stets Ihr

Helmut Schmidt "

A courtesy translation reads as follows:

" Dear Mr. President,

thank you very much for your two messages on 28 August and 1 September 1975.

The accomodating approach shown by your government over the gold question was decisive in paving the way for the gratifying progress made in the Interim Committee on the distribution of the increase in IMF membership quotas, the use of part of the IMF gold to benefit the poor developing countries as well as the planned agreement concerning gold transactions between the central banks. The process of putting the large measure of agreement achieved into practice in terms of monetary policy should not be impaired by the fact that between some countries -happily hardly between our two governments- there are still considerable differences of opinion over the future change rate system. I feel that in a sense this conflict of views is rather too theoretical, one might almost say dogmatic. I expect therefore that the gap between the differing standpoints will be narrowed. An unnecessarily tough discussion on the future monetary system could easily damage our present efforts to stimulate economic activity, reduce unemployment, and fight inflation and payments imbalances. For this reason I will do all in my power in an undogmatic spirit to play a mediating role.

I am looking forward to the visit of George Shultz to Bonn and suggest the afternoon of 13 September 1975 as a date for our talks.

With warm regards

Helmut Schmidt"

Respectfully yours,

Helmut Schmidt

THE WHITE HOUSE

WASHINGTON

INFORMATION

October 13, 1975

SECRET

MEMORANDUM FOR: THE PRESIDENT

FROM: BRENT SCOWCROFT *BS*

SUBJECT: Responses from Wilson, Schmidt, and
Moro to your Letters on Gold *JKY*

Prime Minister Wilson, Chancellor Schmidt, and Prime Minister Moro have responded to your messages of September 1 conveying a more flexible US position on gold. In the Interim Committee, agreement was reached on new IMF quotas, on reducing the vote required for a veto from 20% to 15%, abolition of an official price for gold, elimination of the obligation to use gold in transactions with the IMF, sale of one-sixth of the Fund's gold (25 million ounces) for benefit of the developing countries, and restitution of the same amount to its original owners.

Wilson (Tab A) believes that your additional flexibility was an important element in the overall results of the meeting of the Interim Committee. He hopes and believes that it will now be possible to complete in coming months a comprehensive agreement covering, in particular, outstanding issues relating to exchange rates.

Schmidt (Tab B) also believes that US flexibility was a significant factor in paving the way for progress in the Interim Committee. He states that future progress toward broader agreement should not be impaired by differences of opinion over the future exchange rate system (viz. France vs. the US). He expects that the gap between the different views will be narrowed, and warns that an unnecessarily tough discussion could damage present efforts to stimulate economic activity, reduce inflation and fight inflation and payments imbalances. He indicates that he will do all in his power "in an undogmatic spirit" to play a mediating role.

Moro (Tab C) states that the positive results obtained in gold and IMF quotas were testimony of the goodwill of the US and the European Community in dealing with world monetary problems. He affirms that Italy intends to

SECRET/GDS*Ma 3/5/04*

pursue discussion concerning exchange rates in the same constructive spirit, with the goal of reaching a formula that will reconcile existing differences. He underlines the point, made to you in Helsinki, that Italy's ability to play a constructive role on these matters will be made more difficult if major financial issues are discussed in meetings limited to five countries, i. e., excluding Italy. Constructive action by Italy "presupposes Italy's participation in all of the forums in which international policies in the economic and monetary areas are elaborated and agreed upon."

I do not believe that replies to the three heads of government are required.



MEMORANDUM

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NATIONAL SECURITY COUNCIL

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SECRET

ACTION

October 7, 1975

MEMORANDUM FOR: GENERAL SCOWCROFT
FROM: ROBERT HORMATS *RH*
SUBJECT: Responses from Wilson, Schmidt
and Moro to President's Letters on Gold

The above noted leaders responded to the President's messages of September 1 conveying a more flexible US position on gold. All believe that this flexibility was an important element in the successful meeting of the IMF Interim Committee. Should you wish to send these to the President, a memorandum is attached at Tab 1.

RECOMMENDATION:

That you sign the memorandum to the President at Tab 1.

SECRET/GDS

40 3/5/04

— Ed - file
THE PRESIDENT HAS SEEN.....

THE WHITE HOUSE

WASHINGTON

September 24, 1975

Mr. President:

Chancellor Schmidt wishes to call you simply to express his feelings about the recent attacks on your life. It is a purely personal call.

He will try to place the call between 12:00 and 12:30 p.m.


Brent Scowcroft

RR-7
Express concern + gratitude
vis-a-vis call.





Department of State TELEGRAM

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PAGE 01 STATE 267049

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EXDIS

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: ECONOMIC SUMMIT
FOR THE AMBASSADOR

1. PLEASE DELIVER THE FOLLOWING LETTER FROM THE PRESIDENT
WITH APPROPRIATE SALUTATION TO CHANCELLOR SCHMIDT, AND
PRIME MINISTERS MIKI, MORO AND WILSON.

2. I AM WRITING TO SHARE MY THOUGHTS WITH YOU AS WE
PREPARE FOR THE MEETING AT RAMBOUILLET. ALTHOUGH WE HAVE
BEEN CAREFUL NOT TO LEAD PUBLIC OPINION TO EXPECT DRAMATIC
RESULTS, I AM CONVINCED THAT WE MUST USE THIS UNPRECEDENTED
OPPORTUNITY TO BEGIN TO LAY THE FOUNDATIONS FOR A PROLONGED

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3/5/04



Department of State **TELEGRAM**

~~CONFIDENTIAL~~

PAGE 02 STATE 267049

PERIOD OF SHARED PROSPERITY. ON REFLECTION, IT SEEMS TO ME THAT OUR PUBLICS AND OUR PARLIAMENTS WILL EXPECT NOTHING LESS AND THAT WE CAN, IN FACT, ACHIEVE SUBSTANTIAL PROGRESS.

3. OUR FIRST TASK AT RAMBOUILLET WILL BE TO BUILD CONFIDENCE IN THE ECONOMIC RECOVERY UNDERWAY IN THE UNITED STATES AND JAPAN AND WHICH IS BEGINNING IN EUROPE. HERE, I BELIEVE, A CAREFUL PRESENTATION OF THE MOST RECENT TRENDS WILL BE CONVINCING.

4. NEXT, WE NEED TO DEMONSTRATE TO OUR PUBLICS OUR INTENTION TO DIRECT THE COURSE OF THE RECOVERY SO AS TO MAINTAIN STABLE ECONOMIC GROWTH IN THE FUTURE. IN THIS

CONNECTION, WE MIGHT CONSIDER WHETHER CLOSER COOPERATION AMONG OUR OFFICIALS RESPONSIBLE FOR ECONOMIC POLICY, COUPLED WITH THE ARTICULATION OF JOINT GOALS FOR THE MAJOR INDUSTRIALIZED ECONOMIES, WOULD NOT BE DESIRABLE. THESE GOALS MIGHT BE:

--TO GENERALIZE THE RECOVERY DURING 1976 AMONG THE MAJOR INDUSTRIAL COUNTRIES.

--TO SEEK TO RESTORE SUSTAINED VIGOROUS ECONOMIC EXPANSION AND HIGH LEVELS OF EMPLOYMENT BY 1977.

--TO REDUCE INFLATION AND DISPARITIES AMONG NATIONAL INFLATION RATES.

--TO RESTORE VIGOROUS GROWTH IN TRADE.

5. THIRD, OUR MEETING MUST COME TO GRIPS WITH THE SPECIFIC PROBLEMS OF TRADE, MONEY AND ENERGY.

6. TRADE IS CLEARLY CRITICAL. WE SHOULD, I BELIEVE, PROVIDE NEEDED IMPETUS TO THE MULTILATERAL TRADE NEGOTIATIONS UNDERWAY IN GENEVA, SETTING 1977 AS THE DEADLINE FOR THEIR COMPLETION AND IDENTIFYING AS OUR GOALS:

--A MAJOR CUT IN TARIFFS (NO LESS THAN THAT ACHIEVED IN THE KENNEDY ROUND);

~~CONFIDENTIAL~~

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Department of State **TELEGRAM**

~~CONFIDENTIAL~~

PAGE 03 STATE 267049

--REDUCTION OF NON-TARIFF MEASURES BY NEGOTIATION OF CODES;

--SIGNIFICANT IMPROVEMENT IN AGRICULTURAL TRADE; AND

--ELIMINATION OF TARIFFS IN GIVEN COMMODITY AREAS.

7. WE SHOULD ALSO REAFFIRM OUR OECD PLEDGE NOT TO TAKE RESTRICTIVE ACTION.

8. ON MONETARY ISSUES, THE DIVERGENT POSITIONS OF A YEAR AGO HAVE NARROWED CONSIDERABLY. THESE PAST WEEKS OUR REPRESENTATIVE, TREASURY UNDER SECRETARY YEO, HAS BEEN MAKING AN INTENSIVE EFFORT TO RESOLVE REMAINING DIFFERENCES. IF THESE DISCUSSIONS SHOULD SUCCEED, CHANCES WILL BE GOOD OF GETTING THE WHOLE NEW MONETARY STRUCTURE IN PLACE BY THE JANUARY MEETING OF THE IMF. IN THIS AREA AS IN OTHERS, I DO NOT THINK THAT WE SHOULD OURSELVES ATTEMPT TO NEGOTIATE OUTSTANDING ISSUES AT THE SUMMIT. THE TIME IS TOO SHORT; THE ISSUES ARE OFTEN TECHNICAL; AND IT

WOULD BE WRONG TO DIVERT OUR EFFORTS FROM WHAT ONLY WE CAN DO -- SET FUNDAMENTAL POLICY DIRECTIONS -- TO WHAT MINISTERS CAN DO.

9. ON ENERGY, A FRANK DISCUSSION OF THE POSITION OF OUR COUNTRIES AS WE EMERGE FROM THE RECESSION AND ENTER THE ECONOMIC DIALOGUE WITH THE DEVELOPING COUNTRIES AND KEY OPEC MEMBERS IS CLEARLY IN ORDER. OUR VIEW WILL BE THAT THE IEA COUNTRIES MUST HOLD TO THEIR DECEMBER 1 DEADLINE IN THE LONG-TERM PROGRAM, INCLUDING THE MINIMUM SAFEGUARD PRICE. WE ALSO OUGHT TO ALLOW FOR SOME WAY FOR FRANCE TO ASSOCIATE INTO THAT PROGRAM ONCE IT IS COMPLETED. WE WILL WANT TO ADDRESS THE QUESTION OF ACCESS TO ENERGY SUPPLY AND INVESTMENT WITHIN THE IEA. AND WE SHOULD TALK ABOUT WHAT WE CAN AND CANNOT DO IN ENERGY IN THE DIALOGUE.

10. FINALLY, WITH THE DIALOGUE IMMINENT AND IN THE WAKE OF THE SEVENTH SPECIAL SESSION OF THE UNITED NATIONS, IT WOULD BE BOTH APPROPRIATE AND POLITICAL PUBLICLY TO

~~CONFIDENTIAL~~

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Department of State **TELEGRAM**

~~CONFIDENTIAL~~

PAGE 04 STATE 267049

ACKNOWLEDGE THE RELATIONSHIP OF OUR DELIBERATIONS TO THE ASPIRATIONS OF THE DEVELOPING WORLD AND TO RESTATE OUR COMMITMENT TO A TRANSFORMATION OF THE RELATIONS BETWEEN THE INDUSTRIALIZED AND DEVELOPING WORLD. --

11. AS I NOW SEE IT, IN ORDER FOR OUR MEETING TO HAVE THE DESIRED RESULTS, WE SHOULD PREPARE AND ISSUE A JOINT STATEMENT EMBODYING OUR CONCLUSIONS. WE ARE ALL FIRMLY IN AGREEMENT THAT OUR MEETING SHOULD NOT CONCERN ITSELF UNDULY WITH THE PREPARATION OF A TEXT. THAT TASK CAN BE LARGELY CONFIDED TO THE OFFICIALS THAT WILL ACCOMPANY US.

12. TO PROVIDE YOU AND YOUR ASSOCIATES WITH A FURTHER INDICATION -- AND SOME SPECIFICS -- OF WHAT WE BELIEVE WE MIGHT SAY IN SUCH A JOINT STATEMENT, GEORGE SHULTZ, OUR REPRESENTATIVE AT THE NOVEMBER 11 MEETING IN LONDON IS PROPOSING A TEXT WHICH EMBODIES OUR THINKING ON THE ISSUES TO BE ADDRESSED AND OUR SUGGESTIONS ON WHAT SHOULD BE SAID PUBLICLY ABOUT THEM.

13. I AM SENDING SIMILAR LETTERS TO EACH OF THE LEADERS WHO WILL JOIN US AT RAMBOUILLET. I LOOK FORWARD TO SEEING YOU THERE. GERALD R. FORD INGERSOLL

NOT TO BE REPRODUCED WITHOUT THE AUTHORIZATION OF THE EXECUTIVE SECRETARY

*Handled over to Amb
Von Stiller 3/27 11:00
am*

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

March 25, 1976

Dear Mr. Chancellor:

I very much welcomed your letter of February 11, 1976 addressing defense issues of importance not only to the Federal Republic and the United States but also to the entire North Atlantic Alliance. You have raised some very important questions, and I want to share with you my views and stay in close contact with you in the weeks preceding your visit.

On the relocation of a U.S. combat brigade to the NORTHAG area, I was pleased to note that you do not wish to delay preparations, and I wish to express my personal support for the proposed relocation. At the time the United States first suggested this relocation, we also agreed to increase our commitment of Army divisions to Europe by designating the NORTHAG brigade as the advance element of a three-division U.S. corps to be moved to Europe to reinforce NATO's northern defenses in the event of hostilities. It is my judgment that, taken together, these two initiatives will represent a significant improvement in NATO's military posture and offer fresh evidence of the firm U.S. commitment to the defense of Europe.

I know that discussions are now underway between our two governments concerning a successor arrangement to the expired offset agreement, including the financial aspects of the brigade's relocation. I would consider a significant one-time contribution by the Federal German Government to the restationing costs a major element in

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E.O. 12958, SEC. 3.5

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BY 12, NARA, DATE 3/5/04

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- 2 -

whatever arrangement can be worked out. Without such a German contribution, it is difficult for me to see how the U.S. could proceed with the movement of the new brigade into northern Germany. Solving the problem of the relocation costs in conjunction with the successor arrangement would be of advantage to both of us in presenting our common defense efforts to our respective publics in the best possible light. I am therefore hopeful that an early settlement of this particular problem can be reached.

You have raised a valid question about the defense efforts of our other NATO Allies. I feel strongly that the introduction of the U.S. brigade into the northern area must not be interpreted by our other Allies as meaning that the U.S. intends to take on responsibility with the Federal Republic of Germany for the defense of the north in such a way as to permit other Allies to reduce their contributions. I therefore propose that, as preparations for the brigade's relocation become more concrete, our respective representatives in NATO work out a joint approach to the North Atlantic Council. We would direct our representatives to state frankly that the brigade is designed to enhance the flexibility of our defenses in a critical area, that we expect our other Allies to keep up their own efforts in the northern area, and that all of the Allies should take the occasion of the relocation to consider ways in which their military presence in the area can be made more effective in the interests of our common defense. I believe that a firm exposition of our views will encourage our Allies to keep up their commitments.

Indeed, I am increasingly concerned about the steady increase in Soviet and Warsaw Pact military capabilities at the very time of growing political uncertainties in the West. We are studying whether this improvement should be considered a new trend or simply the continuation of an historic pattern. I have made a major effort with our Congress this year to impress on them the vital necessity

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- 3 -

of halting the erosion in our defense spending and adopting a long term strategy to meet our strategic as well as conventional force requirements. Without engaging in alarmism, I think it especially important in the Alliance that we consider how each of us individually, as well as collectively, intend to proceed over the next several years in the face of Soviet determination to maintain their own capabilities.

As far as I am concerned the U.S. and West Germany must remain in the closest contact on all subjects of mutual concern, including of course security issues. I hope we can go more deeply into these areas during your visit this July.

In this regard, I want to respond to your query about our coordination on the use of American FRG-based troops and equipment outside the NATO area. I cannot commit the U.S. Government never to use part of its forces in the FRG elsewhere in the world. The U.S. defense establishment is a unified one: there is not a separate force structure for NATO and another one for the rest of the world. The American public and Congress would simply and rightly not support two defense establishments. I am sure that you understand this point. But, having said that, I wish to assure you that I will make every effort to ensure that NATO and FRG interests are taken full account of in any contemplation by the U.S. of possible movements of U.S. troops or materiel out of the Federal Republic.

I fully understand, of course, the sensitivity of this particular issue for you and your Government. I will instruct the Secretaries of State and Defense to work out procedures for full and timely consultation with their West German counterparts to cover instances where substantial numbers of U.S. troops or amounts of equipment are to be deployed outside the NATO area. In cases of real emergency, where time is of the essence, I will endeavor myself to be in touch with you directly.

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- 4 -

Let us, as close friends and Allies, continue to stay in touch on these most sensitive matters. Only by full and frank exchanges can we truly insure that we understand each other. After all, our purposes in this area are identical -- to preserve the security and viability of the Western Alliance.

Sincerely yours,

Gerald R. Ford

His Excellency
Helmut Schmidt
Chancellor of the Federal
Republic of Germany
Bonn

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~~Secret~~

*Handed to Henry Snowcroft by
Amb von Staden at 4¹⁰ pm, HC
Thurs, 2/18/76*

EMBASSY
OF THE
FEDERAL REPUBLIC OF GERMANY
WASHINGTON, D.C.

February 18 , 1976

My dear Mr. President,

The Chancellor of the Federal Republic of Germany
Helmut Schmidt has asked me to transmit to you
the following letter:

" Bundesrepublik Deutschland
Der Bundeskanzler

- Geheim-
Bonn, den 11. Februar 1976

Sehr geehrter Herr Präsident,

ich möchte zurückkommen auf unser Gespräch in Washington
am 3. Oktober 1975, in dem ich mich nach Ihrer Meinung er-
kundigte über die von Secretary Schlesinger verfolgten
Pläne für die Stationierung einer zusätzlichen US-Brigade
in der Bundesrepublik Deutschland. Am gleichen Tage hatte
ich ein Gespräch mit Schlesinger, das mir den Eindruck
vermittelte, als seien die diesbezüglichen Pläne inner-
halb der amerikanischen Regierung noch nicht voll abge-
stimmt.

Ich bin jetzt darüber informiert, dass Secretary Rumsfeld
die Pläne seines Vorgängers weiterverfolgt. Minister
Leber steht dem Vorhaben aufgeschlossen gegenüber. Die
finanziellen Aspekte sind bisher nicht geklärt, aber
darüber will ich jetzt nicht sprechen. Ich habe nicht die
Absicht, die vorbereitenden Arbeiten zu verzögern.

The President
The White House
Washington, D.C.

~~Secret~~

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E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/88, STATE DEPT. GUIDELINES, State Review 9/16/03
BY ad, NARA, DATE 3/5/04

~~Secret~~

Unabhängig von der Stationierung der zusätzlichen US-Brigade möchte ich zwei Fragen aufwerfen, über die ich mir seit einiger Zeit Gedanken mache:

- Wie können wir, die USA und die Bundesrepublik Deutschland, noch stärker als bisher darauf hinwirken, dass unsere übrigen Bündnispartner, insbesondere die europäischen, in ihren Verteidigungsanstrengungen nicht weiter nachlassen und vor allem ihre konventionellen Beiträge zur Abschreckung und zum Bündnis leisten?
- Wie können wir uns noch besser als bisher abstimmen, wenn die amerikanische Regierung beabsichtigt, in der Bundesrepublik Deutschland stationierte amerikanische Streitkräfte oder in der Bundesrepublik Deutschland gelagerte amerikanische Ausrüstung für Einsätze ausserhalb des NATO-Gebiets zu benutzen? Dabei geht es einmal um das Problem, dass die Kampfkraft der NATO nicht geschwächt werden darf, zum anderen darum, dass die aussenpolitischen Interessen der Bundesrepublik Deutschland ausreichend berücksichtigt werden. Auch unsere Innenpolitik darf dabei nicht ganz ausser acht gelassen werden.

Ich fände es gut, wenn wir hierzu ein Konsultationsverfahren entwickeln könnten.

Ich bin mir darüber im klaren, dass der zweite Punkt einen sehr sensitiven Bereich betrifft, der sich für eine Behandlung auf der Arbeitsebene kaum eignet.

Als Partner und Freund wäre ich Ihnen sehr dankbar, wenn wir über diese Thematik in einen Meinungsaustausch eintreten könnten.

Mit freundlichen Grüßen
stets Ihr ergebener
Helmut Schmidt "

A courtesy translation reads as follows:

"Federal Republic of Germany
The Federal Chancellor

Bonn, 11 February 1976
-Secret-

Mr. President,

I should like to refer to our discussion in Washington on 3 October 1975 when I asked your opinion on Secretary

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Schlesinger's plans for the stationing of an additional US-brigade in the Federal Republic of Germany. I met Mr. Schlesinger on the same day and gained the impression that the American Administration had not yet finally decided the matter.

I have now been informed that Secretary Rumsfeld is pursuing his predecessor's plans. Our Minister of Defense, Herr Leber, is favourably disposed to them. The financial aspects have not yet been clarified but I will not go into that just now. It is not my intention to delay the preparations.

Irrespective of the stationing of the additional brigade, there are two other questions which have been occupying my thoughts for some time:

- how can we, the United States and the Federal Republic of Germany, increase our efforts to ensure that our partners in the alliance, in particular the Europeans, do not relax their defence efforts any further, and above all continue to render their conventional contributions to deterrence and to the alliance?
- how can we improve our co-ordination whenever the United States Administration intends to use American Forces or equipment in the Federal Republic of Germany for assignments outside the NATO area? Here it is a case of not weakening the combat efficiency of NATO and of giving adequate consideration to the foreign policy interests of the Federal Republic of Germany. Nor must our domestic situation be entirely disregarded.

I think it would be a good thing if we could develop some kind of consultation procedure for this matter.

I realize that the second point touches a highly sensitive area which is hardly suitable for discussion at working level. As a partner and friend, therefore, I would greatly appreciate it if we could enter into an exchange of views on this subject.

Sincerely yours,
sgnd Helmut Schmidt"

Respectfully

B. van Alden

~~Secret~~



MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET~~/XGDS

ACTION

March 25, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: Brent Scowcroft *BS*

SUBJECT: Message from Chancellor Schmidt on NORTHAG
Brigade and Other Defense Issues

FRG Chancellor Helmut Schmidt has sent you the message at Tab B reviewing three defense issues of current importance to him:

- the relocation of a US brigade to northern Germany,
- the need to ensure that NATO members other than the United States and the Federal Republic do not relax their defense efforts, and
- his hope, for both domestic and foreign policy reasons, that it will be possible for you to develop an advance consultation procedure with him should the United States plan to use U.S. forces or equipment in Germany for assignments outside the NATO area.

Chancellor Schmidt's message comes at a time when, in addition to the brigade relocation issue, we are still in the process of negotiating successor arrangements to the Offset agreement with the FRG, when we are encouraging the FRG to buy the Airborne Warning and Control System (AWACS) aircraft, and when US and FRG tanks are about to enter into a stiff competition which will be instrumental in the awarding of the multi-billion-dollar US tank contract. Accordingly, I believe that Schmidt wants to ensure that he is aware of your personal views on the relative importance of the brigade as he sorts his several defense priorities. Of greater importance, Schmidt is very sensitive to the political implications of an additional U.S. brigade on German soil at a time when other members of the Alliance are looking for ways to quietly cut back on their conventional strength.

Addressing still another of his defense concerns (going back to the 1973 FRG domestic problems when the U.S. resupplied Israel with U.S. equipment from the FRG during the Yom Kippur war) Schmidt raises the issue of consultations. The prospect of the NORTHAG brigade renews his worries that the United States might at some point in the future draw on this manpower.

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BY *WJ*, NARA, DATE 3/5/04



and equipment for an out-of-theater mission. Accordingly, to enable him to deal as effectively as possible with his domestic and international situation should this need arise, he would like your assurances that you will consult in advance. Each of these issues is reviewed in greater detail below.

NORTHAG Brigade

For the past several months we have been exploring with the FRG the desirability and practicality of relocating to the Northern Army Group (NORTHAG) area of NATO one of the two new Army brigades resulting from the Nunn Amendment. Former Secretary Schlesinger proposed this to FRG Defense Minister Leber last September; Secretary Rumsfeld continued the discussions with Leber last December. General Haig strongly supports the proposal, part of a larger plan under which the United States would increase our overall commitment of divisions to Europe by designating the NORTHAG brigade as the advance element of a three-division U.S. corps to be moved to Europe to reinforce NATO's northern defenses in the event of hostilities.

The principal impediment to early relocation of the brigade has been that of obtaining a guarantee that the FRG would defray the initial construction and rehabilitation costs involved in relocation. We have been discussing NORTHAG in the context of US-FRG talks on a successor arrangement to Offset, suggesting that the NORTHAG costs be counted as part of the FRG offset expenditure. There would seem to be the possibility that Schmidt has concluded incorrectly that NORTHAG -- with the FRG offsetting funding -- is not high on the list of U.S. priorities. The proposed response to the Chancellor at Tab A informs him that the NORTHAG relocation proposal has your personal support and it encourages him to proceed with the offsetting relocation funding.

NATO Conventional Force Levels

Responding to the Chancellor's question on how the United States and the FRG can work to ensure that conventional force levels are maintained by the other members of the Alliance, your message would state your complete agreement that U.S. and FRG efforts should not be a substitute for responsible action by the rest of the Alliance. Your response advises that the United States will continue to take a strong stand on the need for adequate conventional force levels.

Consultations on Out-of-Theater Use of U.S. Forces

In response to what is, perhaps, Chancellor Schmidt's greatest concern, your reply would express understanding with the considerations which have

caused him to propose direct, advance consultations relating to the possibility that U.S. troops and equipment in the FRG might be required to be used outside the NATO area. Your reply explains the need for relying at times for NATO assigned troops for out-of-NATO contingencies and proposes the working out of procedures for full and timely consultation.

Secretaries Kissinger and Rumsfeld concur in the proposed letter. Bob Hartmann's office has approved the draft.

RECOMMENDATION

That you sign the letter to Chancellor Schmidt at Tab A.





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THE WHITE HOUSE
WASHINGTON

Peter / - ?

Kathy - ?



1. This draft letter is a real disappointment. In the first place because it completely overlooks the big picture and Schmidt's key role in the big picture, and in the second place because the letter is actually off base on a couple of small but important technical points. ✓

2. Technically, there should be [REDACTED] reference to the Chancellor's forthcoming visit to Washington (scheduled for late July). This reference should include the proposition that the two men will at that time have an opportunity to explore in detail some of the wider implications of the specific matters raised in the Chancellor's letter. ✓

3. And, still on the technical level, the proposed treatment of the Chancellor's concern about the defense efforts of our other NATO allies is so narrowly linked to the effects of the NORTHAG brigade as to be seriously deficient in a [REDACTED] diplomatic sense.

This whole section of the President's letter should be placed unambiguously with the discussion of the NORTHAG brigade and a whole new section drafted which would address the serious issue of Western Europe's defense manpower and real budget spending trends (in comparison with Soviet or Warsaw Pact trends). ✓

4. In effect, Schmidt is telling us the West Europeans are gradually giving in to unilateral disarmament, parliamentary democracy is gradually losing its capability to cope with its own social and economic problems, West Germany seems to be a working exception to these trends, and the West Germans would be ready to work more closely with us against adverse trends -- assuming we are interested or concerned.

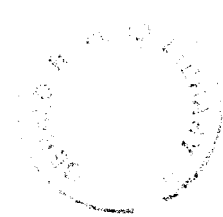


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But, he is telling us in his letter of February 18, we should work together more as allies and less as mercenary military guarantor and syco-phantic dependent.

5. The Presidential reply doesn't need to go into all these matters, but should convey a tone of alertness to the larger problems, of appreciation for the understanding displayed in the Schmidt letter, and of readiness to explore a changing distribution of responsibilities within the overall context of European-American relationships and directions.

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WORKING PAPERS

The letter raises three concrete problems, in the form of specific questions. But these matters arise, and can only be dealt with, in the context of several deeper and murkier problems.

The West Germans are very much beginning to feel (to an extent they have not felt since World War II) the pulls and tugs of the main currents of modern history. What is their role, their destiny, in Europe? Knowing they are deeply and integrally "of" the West, don't they still have both role and destiny to the East? Russia, primarily; but what of their brothers and cousins in the GDR?

And in the West: what shall be Germany's part from now on? Britain is down. France's currency is terribly weak, and France's communists are strong. Then there is Italy, and there is Spain. As for Germany: her gold and foreign exchange reserves are nearly three times those of the United States, and her society is coherent and ready for movement, if not presently imbued with a sense of purpose. The Federal Republic is not prepared to go on being "an economic giant and a political dwarf." She is fully ready, if not fully determined yet, to play a larger and more decisive role in the Western European Community.

And what of America? The American connection is key but what does it mean? Does it just mean a military guarantee (and presence) which is to continue to be mercenarized, bought and paid for?

These are the deeper and murkier matters from which spring Schmidt's more concrete and specific questions. ✓

Somewhat off to one side, but still in the picture, is the related question of the role of Helmut Schmidt himself. He is clearly a man of unusual perception and ability. I think his instincts and attitudes are constructive, but he is also a politician with an immediate political problem. That is to say, he has mastered his left wing in preparation for this autumn's elections, and probably has mastered his domestic economy too, but he has not mastered his coalition partner. Schmidt is strong in the SPD, and in the country; he himself is stronger than his party; the CDU/CSU is gaining strength in the country (i.e., in Land elections) but its leader, Kohl, is weak; the SPD under Schmidt will probably beat the CDU/CSU under Kohl this fall. But it is not at all clear whether the FDP will stay with the SPD as a governing coalition, or will switch to the CDU/CSU.

If Washington makes Schmidt look good over the summer, that would help Schmidt, but probably not decisively. On the other hand, if we don't find ways to make him look good, that in itself makes him look bad and could hurt him decisively.

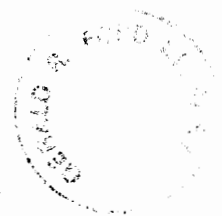
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WORKING PAPERS



WORKING PAPERS

I would hope that the reply to his letter would take all these factors fully into account. It is my judgment that the long term interests of our own nation should be the determining considerations in composing a response to Schmidt's letter. The collateral effects on the domestic West German political situation should be considered as strictly secondary.

| The bottom line is that I think a preliminary reply to the Schmidt letter should have a relatively favorable tone, and that concrete ideas should be ready for discussion between the President and the Chancellor when the Chancellor comes here later in the spring.

WORKING PAPERS

~~TOP SECRET~~
(attached)

THE WHITE HOUSE
WASHINGTON

March 20, 1976

MEMORANDUM FOR ADMIRAL HOLCOMBE

FROM: BILL HYLAND *WGH*

Attached is a draft Presidential reply to the letter of February 18, from Chancellor Schmidt. Would you please obtain Secretary Rumsfeld's comments and concurrence? We wish to send it to the President as soon as possible (by Monday COB). It has been agreed to by Secretary Kissinger

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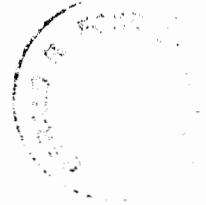
E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/90, STATE DEPT. GUIDELINES

BY lab, NARA, DATE 3/5/04

*SECDEF
Bob Ellsworth
has a copy and
will prepare reply.
Staver*

~~TOP SECRET~~
(attached)



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~~TOP SECRET/SENSITIVE~~

SUGGESTED REPLY

Dear Mr. Chancellor:

Let me thank you for your thoughtful letter of February 11 concerning certain questions related to US troops in Europe. I welcome the opportunity to exchange views on these sensitive subjects and hope that we can continue to keep in direct contact on them.

The stationing of a US combat brigade in northern Germany is, I know, one of great interest to your government, as it is to mine. Our respective defense authorities have been discussing aspects of the relocation for some months. Our aim in proposing the move of this brigade into the northern plain is to bolster NATO defensive forces in an area where, as Western defense experts have long agreed, the topography offers a ready-made invasion route to an aggressor. At the time the United States first suggested this relocation, we also agreed to increase our commitment of Army divisions to Europe by designating the NORTHAG brigade as the advance element of a three-division U. S. corps to be moved to Europe to reinforce NATO's northern defense in the event of hostilities. It is my judgment that, taken together, these two initiatives will represent a significant improvement in NATO's military posture and offer fresh evidence of the firm U. S. commitment to the defense of Europe

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BY DA, NARA, DATE 3/5/04

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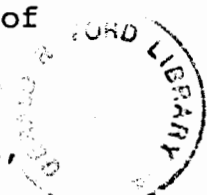
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I know that discussions are now underway between our two governments concerning a successor arrangement to the expired offset agreement, including the financial aspects of the brigade's relocation. I would consider a significant one-time contribution by the Federal German Government to the restationing costs a major element in whatever arrangement can be worked out. Without such a German contribution, it is difficult for me to see how the US could proceed with the movement of the new brigade into northern Germany. Solving the problem of the relocation costs in conjunction with the successor arrangement would be of advantage to both of us in presenting our common defense efforts to our respective publics in the best possible light. I am therefore hopeful that an early settlement of this particular problem can be reached.

You have raised a valid question about the defense efforts of our other NATO Allies. I feel strongly that the introduction of the US brigade into the northern area must not be interpreted by our other Allies as meaning that the US intends to take on responsibility with the Federal Republic of Germany for the defense of the north, in such a way as to permit other Allies to reduce their contributions. I therefore propose that,

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-3-

as preparations for the brigade's relocation become more concrete, our respective representatives in NATO work out a joint approach to the North Atlantic Council. We would direct our representatives to state frankly that the brigade is designed to enhance the flexibility of our defenses in a critical area, that we expect our other Allies to keep up their own efforts in the northern area, and that all of the Allies should take the occasion of the relocation to consider ways in which their military presence in the area can be made more effective in the interests of our common defense. I believe that a firm exposition of our views will help our Allies keep up their commitment.

Let me respond to your query about our coordination on the use of American FRG-based troops and equipment outside the NATO area. I cannot commit the US Government never to use part of its forces in the FRG elsewhere in the world. The US defense establishment is a unified one: there is not a separate force structure for NATO and another one for the rest of the world. The American public and congress would simply and rightly not support two defense establishments. I am sure that you understand this point. But, having said that, I wish to assure you that I will make every effort to ensure that NATO and FRG

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interests are taken full account of in any contemplation by the US of possible movements of US troops or materiel out of the Federal Republic.

I fully understand, of course, the sensitivity of this particular issue for you and your Government. I will instruct the Secretaries of State and Defense to work out procedures for full and timely consultation with their West German counterparts to cover instances where substantial numbers of US troops or amounts of equipment are to be deployed outside the NATO area. In cases of real emergency, where time is of the essence, I will endeavor myself to be in touch with you directly.

Let us, as close friends and allies, continue to stay in touch on these most sensitive matters. Only by full and frank exchanges can we avoid misunderstandings. After all, our purposes in this area are identical--to preserve the security and viability of the Western Alliance.

Sincerely yours,

Gerald Ford

His Excellency

Helmut Schmidt,

Chancellor of the Federal Republic

of Germany,

Bonn.

