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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/NODIS~~ - XGDS

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Helmut Schmidt, Chancellor, Federal Republic of Germany  
 Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs  
 Guenther van Well, Director, Political Department, German Foreign Ministry

President Ford  
 Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs  
 Arthur A. Hartman, Assistant Secretary of State for European Affairs  
 Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

DATE & TIME: Friday, December 6, 1974  
 11:04 a. m. - 1:04 p. m.

PLACE: The Oval Office  
 The White House

SUBJECTS: Economic Policy; Energy Cooperation; CSCE; Poland; United Nations; Cyprus

Schmidt [pointing to painting on the wall of the Oval Office]: Is that an early picture of the White House?

President: It is a picture of what it looked like in the early days. You can see it was very much out in the open.

Kissinger: The Potomac used to come right by here.

President: In those days when the British burned it,

Schmidt: They did? It's nice to know there were other enemies. [Laughter]

~~SECRET/NODIS~~



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

DECLASSIFIED  
 E.O. 12958, SEC. 3.5  
 NSC MEMO, HR 4100, STATE DEPT. GUIDELINES state review 2/10/04  
 BY: Lab NARA, DATE 5/7/04

President: Of the present allies. The party seemed to go well.

Schmidt: As a guest, I agree.

[There was a brief discussion of the Turkish aid cutoff amendment in Congress.]

Economic Policy

Kissinger: I told the President something of your impression of the economic meeting. He was interested in hearing your impression.

Schmidt: I am concerned that you might do too little and do it too late. I listened carefully. The analysis is excellent, but I am not convinced of their tendency to hold back and wait. My impression is that you are prepared to step in if you see a deterioration.

President: That is correct. I didn't want to talk in front of all of them. I decided ten days ago that a reassessment is required -- and I asked Greenspan to do that. Yesterday I got the rough options. Today it is being announced that unemployment would go to 6.5%. It will go up farther next month because of the coal strike. The options are: First, a 20-25¢ gas tax, which would yield \$17-18 billion, tied in with a rebate or reduction for low income families. And we would go from \$340 billion to \$320 billion for the FY '76 budget. Second would be an import tax on oil. We would remove the price ceiling on domestic oil to let it rise to the imported oil price. And we would impose a windfall profits tax. That would get the same revenue, but spread the base at which you hit the consumer.

Kissinger: Also it hits at oil imports.

President: I told them to refine these ideas. We maybe could impose a tax at the refineries. But I doubt whether we can cut the budget so deeply. I think those ideas were along the lines you are thinking. It may not be this, but it won't be just resting on the October plan. We can probably do it in six weeks.

Schmidt: May I make a frank remark? It is a viable scheme for saving oil. The border or refinery tax is a technicality. But I am worried about the economic impact. It doesn't deal with the economic trend.



It will not enhance the demand for automobiles, and with all those consequences. In my view, you should plan on a deficit and step up the probable expenditure for real capital investment. It would be wrong to increase expenditures to go into private pockets. I think you will face unemployment of 7 to 8% by March. I was impressed by Burns, though he was vague in front of the other people.

President: Burns' problem is he is jealous of the independence of the Federal Reserve. To get a loosening of the monetary policy I had to tighten federal expenditures. To keep him on board we have to keep at least an appearance of fiscal restraint.

Schmidt: We kept the appearance only and our central banker went along. Burns said he would get the interest rates down.

President: An import tax would add 3 to 4¢ a gallon to gas prices. It would spread the burden to \_\_\_\_\_ and other industries.

Schmidt: That is good for that part, but now we face the prospect of a worldwide depression.

### Energy Cooperation

President: On oil prices -- there are three important principles of conservation, consumer unity, and non-confrontation. Within these principles I think we can move. On the private front, we can move right away. I would start right away. We could follow that with consumer cooperation, then preliminary work with the producers, with a consumer-producer meeting probably by late June.

Schmidt: I will buy it. The question is whether Giscard will. I will convey it privately to him. On the private meeting, I suggest we do it in two stages: First with the consumers only; then with a few intelligent producers. If you would give this task to Shultz, that would make Giscard happy.

Kissinger: The French must know that we cannot go to a consumer-producer meeting without consumer solidarity. Otherwise, there is nothing in a general conference for us. We can do better bilaterally.

Schmidt: I understand, but setting a date for a conference would put pressure on the consumers to cooperate.



Kissinger: As long as everyone knows we won't be there in the absence of consumer solidarity.

Schmidt: You should make that clear.

On the fund, I don't want to repeat my comments of yesterday. I will think it over and I hope you will. If our two countries shoulder the whole burden, that amount is something I can't stand.

President: The important thing is the principle.

Schmidt: The conditions of the loans must be carefully worked out. But I want you to know I have not rejected it in principle.

Kissinger: If you could take the negative twist on it.

Schmidt: I will do that at the National Press Club. I understand our parties are working out an economic statement. [They read over the draft Joint Statement. Secretary Kissinger leaves the room momentarily.]

Schmidt: So the only point is on page 4. [See the sixth paragraph of the Joint Statement at Tab A.] What is our position? [Genscher and Schmidt converse in German.]

Schmidt: Let's delete the brackets and delete "urgent," "now," and "substantial." This is not as strong as you would like, but it retains the thought.

[Secretary Kissinger returns.]

Kissinger: We don't need "now" and "substantial," but we do need something in front of "consideration."

Hillenbrand: "Early?"

Schmidt: I accept. I think it is a good statement.

President: It is a good statement.

Schmidt: We normally are not fond of this sort of thing, but in this case the circumstances are unusual.

Kissinger: It also gets out the idea of close economic cooperation between us.



Schmidt: I asked for criticism yesterday of what we plan to do. I didn't get any. If there is, we would consider changes, but I gather you are satisfied.

Kissinger: Simon didn't have any problem.

We will use a private group as a think-tank group, but we won't wait for the results to begin consumer solidarity.

Schmidt: The private [group] should start right away.

Kissinger: We will push on consumer solidarity. We won't set a date for the consumer-producer conference but we will privately shoot for June.

Schmidt: The Foreign Ministers have met. How about a report?

CSCE

Kissinger: We talked about CSCE. We thought after February we should push for a conclusion. The trade-off could be a compromise on Basket III in return for movement on the two principles of major interest to you. A move on Basket III must be done with a unified Western position.

Poland

Kissinger: We told the Poles we would raise the indemnity.

Schmidt: We told them we could not agree to the principle. We are not satisfied with the number of Germans permitted to leave.

Kissinger: If the principle is corrected, the sum isn't the objection.

United Nations

Kissinger: On the United Nations. We both expressed our dissatisfaction. We are thinking of making a statement if the UN is turned into a club



which is congenitally anti-West.

President: It would turn the public away.

Schmidt: It is already happening with us.

President: The UN must understand that. It will be reflected in the Congress.

Kissinger: The Foreign Minister made a comment with which we agree. The UN Ambassadors tend to operate off by themselves. The West is in a position of reacting. The agenda is usually made by the non-aligned and the West abstains. We thought about a meeting to develop a positive role.

Schmidt: That's good. We might just leave our seats only.

Kissinger: To suspend a member and then to equate Arafat with the President of the United States!

### Cyprus

Schmidt: Did you talk about the trends on the Cyprus question?

Kissinger: I will hold a press conference tomorrow and I will open by saying that the cut of Turkish aid is a disaster for the West. Our assistance is not meant as a help to the Turks but because they are essential to Western defense.

Schmidt: And to the Greeks.

Kissinger: The Turks are the only ones who can give progress. Punishing the Turks doesn't help the Greeks. The Turks have to give concessions but they won't do it under the pressure of an aid cut-off. We had it practically all arranged for the Turks to make some unilateral gestures. Then the aid cut-off and the Turkish domestic situation blocked it. Now Karamanlis is imploring me to go to Ankara. I won't go under the conditions when the Congress has just cut off aid.

President: We had a big problem with the Greek constituents here. They are small in number but very vocal. The Greek-American Congressmen had been very anti-junta and are now making up for it.



They linked up with the Jewish Congressmen and made it tough. It was tough just before the elections. In retrospect we should have rejected the compromise we bought.

Kissinger: The problem now is there will be a hiatus because the House won't have acted.

Schmidt: We will continue aid to both.

To sum up: We are deeply satisfied that we are operating in accord and that we appear to be doing so.

President: I agree. It is deeply satisfying to me, and we must continue. Call me any time, and I will do likewise. Our cooperation is of major importance.

Schmidt: As I told the German press this morning, I noted a considerable favorable change of atmosphere in Washington.

I would be very pleased to have you come to Germany. And a quick trip to Berlin would be useful.

[The meeting ended]



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DECEMBER 6, 1974

Office of the White House Press Secretary

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THE WHITE HOUSE

**JOINT UNITED STATES-FEDERAL REPUBLIC OF GERMANY STATEMENT**

The President of the United States of America Gerald R. Ford and the Chancellor of the Federal Republic of Germany Helmut Schmidt met in Washington on December 5 and 6, 1974. They reaffirmed the relationship of friendship and trust and confidence between the United States and the Federal Republic of Germany, and they held wide-ranging talks embracing international and economic problems, security and defense policy, and current East-West discussions. Secretary of State and Assistant to the President for National Security Affairs Henry A. Kissinger and Foreign Minister Hans Dietrich Genscher participated in the discussions between the President and the Chancellor and held complementary talks. In the economic talks, the President was joined by members of his Economic Policy Board and the Chancellor was accompanied by representatives of labor and business.

The President and the Chancellor reviewed the world economic situation in depth and explored effective solutions for current economic problems. They were agreed that international energy problems, the sharp increases in world prices, the contraction of economic activities, and large-scale payments imbalance constitute a severe threat to political and social stability in many countries. A creative new effort to coordinate economic policies between the United States and the Federal Republic of Germany, together with its partners in the European Community, will be required to master these difficulties.

The United States of America and the Federal Republic of Germany recognize the responsibility which falls to them for ensuring a prosperous international economy and safeguarding world trade. In this context they attach great significance to the upcoming multilateral trade negotiations. They reaffirmed their international pledges to avoid trade and payments restrictions which adversely affect other countries.

The President and the Chancellor agreed that in current circumstances they both have a responsibility to manage their domestic economic policies so as simultaneously to strengthen output and employment and to avoid new inflationary impulses. They affirmed that both countries have a need to encourage investment, to combat rising unemployment, and to act to increase confidence in the financial and the economic outlook. They recognized that the two countries are at different points in their fight against inflation, and that policies will take that fact into account. They are determined not to permit a serious deterioration in their economies to occur. If necessary, they will step in with adequate measures to prevent it.

The United States and the Federal Republic of Germany agreed that determination and cooperation are also necessary in dealing with energy-related problems. They underlined the importance of the International Energy Agency set up within the framework of the Organization for Economic Cooperation and Development to coordinate the energy policies of the industrialized countries. They attach particular importance to measures to reduce dependence on imported energy through conservation, more economic use of energy, and opening up of alternative sources. They stressed the need for cooperation in the field of research, notably in relation to coal processing and gasification.

(MORE)



Despite cooperative efforts to reduce dependence on energy imports, the President and the Chancellor recognized that in the coming year there will continue to be large scale imbalances in trade among nations and a corresponding necessity for large international flows of funds. They recognized that these flows for the most part have been, and in all probability will continue to be, handled by existing private and official channels. At the same time they agreed on the necessity of close cooperation among the financial authorities to insure the continued safe and orderly functioning of financial institutions in their expanding international roles. They agreed on the importance of the International Monetary Fund and other multilateral financial agencies being in a position in 1975 to provide flexible responsive financial assistance to any member nation facing international payments difficulties arising from the rapidly changing world economic situation. In addition, to insure that industrial countries which follow prudent and cooperative economic and energy policies have access to adequate financial resources in case of need, the President and the Chancellor agreed that early consideration should be given by these nations to the establishment of a supplementary financial safety net in the framework of the OECD.

The President and the Chancellor also stressed their determination to improve cooperation with the oil-producing countries. They expressed the conviction that further economic progress in the world, both in the developing and the developed countries, can only be resolved by means of world-wide cooperation.

The United States and the Federal Republic of Germany recognize the necessity of international cooperation to improve the international food situation. They will undertake prompt discussions on an international system of nationally-held grain reserves, increased global food production and substantial growth in food output in developing countries in order to prevent the recurrence of major food problems in the future. Both recognize the need for cooperation between food producers and consumers to ensure equitable adjustment to shortages and deficits.

The discussions on political questions centered on the North Atlantic Alliance, the evolution of East-West relations, and the situation in the Mediterranean and in the Near East.

The President and the Chancellor reviewed the progress of matters before the Alliance on the eve of the NATO Ministerial meeting to be convened next week in Brussels. They agreed on the continuing importance to the Allies of maintaining their political cohesion and strong defenses as the indispensable prerequisites for continued efforts to advance the process of East-West detente. Against the background of current challenges to their strength and solidarity, they reaffirmed their support for the principles of the Declaration on Atlantic Relations signed by Allied Heads of Government in June 1974.

(MORE)



The President and the Chancellor reiterated their resolve to contribute to the process of detente and the growth of cooperation between East and West. President Ford reviewed the SALT negotiations in the light of his talks with General Secretary Brezhnev in Vladivostok. They noted with satisfaction that it has been agreed to aim for limitations on strategic nuclear weapons on the basis of equality. The Chancellor expressed his appreciation for the progress achieved in Vladivostok which he considered most important for the pursuit of the policy of detente and safeguarding peace. President Ford and Chancellor Schmidt agreed that the understandings of Vladivostok would have a salutary effect on the overall development of East-West relations.

The two delegations also discussed the state of negotiations in Vienna on mutual and balanced force reductions in Central Europe. They confirmed their shared view that the aim of MBFR should be to arrive at a common ceiling for forces of both alliance systems.

Both sides expressed the hope that the Conference on Security and Cooperation in Europe would soon complete its initial consideration of texts dealing with all items on the agenda. It would then be possible to enter into the final stage of the negotiations. They agreed that certain progress had recently been made in reaching agreement on such areas as family reunification and improved access to printed information. They noted, however, that important texts still remain to be agreed, especially with regard to the Declaration of Principles governing Relations between States.

The President and Secretary of State Kissinger reviewed the United States' efforts to contribute to progress toward the achievement of a just and lasting peace in the Middle East. Both sides emphasized the importance of the disengagement agreements and of further results in the negotiating process.

As to developments in the Eastern Mediterranean, both sides stressed the responsibility of the parties immediately concerned. They stated their readiness to encourage Greece, Turkey, and Cyprus in the search for a mutually acceptable settlement of the dispute on the basis of the independence and territorial integrity of the Republic of Cyprus.

The German side reviewed the state of the relations of the Federal Republic of Germany with the GDR and of the issue of foreign representation of West Berlin by the Federal Republic of Germany. Both sides were agreed on the importance of maintaining and developing the ties between the Federal Republic of Germany and West Berlin as well as full and complete implementation of all other parts of the Quadripartite Agreement.

The President and the Federal Chancellor reaffirmed the attachment of their Governments and peoples to the high purposes of the United Nations. They reviewed the proceedings of the current General Assembly and expressed their hope that the spirit of cooperation would prevail over divergences and divisions so that the cause of international harmony, cooperation and a sound and enduring peace would be furthered.

The President and the Chancellor agreed to remain in close touch with one another, and to consult on all matters of mutual interest as might be required in the future.

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~~withdrawing~~  
Receipt on WOMB on FBI ~~unauthorized~~ budget  
P/Schmidt/Cencher/Van Well  
K/Hartman 6 Dec 1974 ①  
✓transcribed

- S Is that an early picture of W H
- P It is a picture in a early day, very uncer-  
tain in a open.
- H The picture need to come by.
- P In the day when a be involved it
- S They did? Nice to know that early other  
enemies
- P Of present allies: Party should to go well.
- S As a guest, I agree
- \* (a bit on T. sub bill)
- K I told Pat <sup>you impression</sup> about it. Could you give your  
impression
- S I assumed you might do too little & too late.  
I looked carefully. Analysis excellent, but not  
convincing of their tendency to hold back wait.  
My impression is you are prepared to stay  
in if you see characteristic
- P Correct. I didn't want to take in part of all.  
I decided 10 days ago Messermet advised  
Grossman to do that. Yesterday I got a rough  
options. Today being unemployment  
would go to 6.5. Further next month because  
evolution strike. Options are (1) 20-25¢ gas tax, yield  
17-18 but, tied in w/ whatever <sup>credit</sup> low income families  
Go from 340 bil to 320 for FY 76 budget. (2) M tax  
on oil. Remove price ceiling on domestic oil to let  
it rise to M price. Impose windfall profit tax.  
Get a some revenue, but spread a loss at which  
you hit ensnare.
- K also hits oil M.
- P Told them to refine those. Unlikely impose tax  
at refinery.



I doubt whether we can cut a budget so deeply.  
I think those ideas were along a line you  
thinking. They not be this but won't be just  
using an Oct plan. We just do it on 4  
weeks.

S Why do we have frank work? It is a viable  
scheme for saving oil. Barbar offering tax  
is a technicality. I worried about a loan report.  
It doesn't deal w/c loan level. It will not  
enhance a demand for autos + w/ all  
those consequences. In my view, you should  
plan a deficit + step up prob + purchase for real  
capital investment. It be wrong to increase  
+ purchase ~~for~~ to go into private projects. I think  
you face unemployment of 7-8 % by March.  
I'm impressed by Burns, tho he was vague in  
front of the other people.

P Burns points to is frank of index of F.R.  
to get loosening of monetary policy I had to tighten  
fed. expenditures. To keep him on board we have  
to keep at least appearance of fiscal restraint

S We don't have a appearance only a our central  
banker want only. Burns said he would get  
interest rate down.

P All tax would add 3-4 % to gas prices. Spend  
time on a show as a other institutions.

S That good for that part, but now we face  
prospect of a world with depression

P On oil prices - there are 3 important principles  
emphasize unity, non-cooperation. w/in  
these principles I think we can move. On

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3rd?

private front, we can move right away, I would start right away. Fellows that with common coop, then private work w/ prod, w/a e-p unit, prob by late year.

S I will buy it. A question is whether Ascard will. I will convey privately to him.

On private unit, do in 2 stages. 1st w/ common only; then w/ a few intelligent prod. If you would give this task to Schultz that would make Gersund happy.

K French must know that we can not go to e-p unit w/o common solidarity. Otherwise, there is nothing in a good conf. for us - we can do better laborably.

S I understand, but setting a date for conf. would put pressure on common to coop.

K As long as we all know we want to there in absence of com. solidarity.

S You should note that <sup>I don't want to expect any</sup> ~~com~~ <sup>comments frequently</sup> ~~found~~ <sup>will</sup> ~~will~~ <sup>it over</sup> ~~it~~ <sup>xx</sup> ~~hope~~ <sup>you</sup> ~~will~~. But if one 2 countries shouldn't it, that isn't is something I can't stand.

P The important thing is a principle

S The ~~idea~~ conclusion of Paris must be carefully understand. But would you to know I have not rejected it in principle

K If you could take a negative trust on it.

S I will do that at press club. I understand our parties are working out an idea statement (Both real a statement) (K Means to call Rockefeller)

S So a only point is a p. 4. What is our position G & forest. (Common movement)

S Let's delete brackets + delete "urgent", "war", + "substantially". This is not as strong as you would like, but it stays a target.  
(K returns)

K We don't need "war" + "substantial" but something in front of "conclusion"

K Early?

S I accept. I think a good statement

P It is a good statement.

S We normally not fond of this sort of thing, but union are unusual

K It also gets onto issue of close economic links.

S I asked for criticism regarding of what we plan to do. I didn't get any, so if there is one would consider changes, but I gather you are satisfied.

K Benin didn't have any.

We will use ~~as~~ private group as think-tank group, but won't wait for results to req. com. solidarity

S ~~The~~ Private should start right away.

K We will push ~~for~~ on com. solidarity. Won't set a-p date, but private start for June.

S The F.M.'s unit. How about report?

K We talked S.E.F. We that after Feb we should push for conclusion. Trade off could be compromise on basket III in return for movement on a 2 principles of major interest to you. Draw on Basket III but low w/ unified Western position.

We told Pobs we would revisit reciprocity.

S We told them we could not agree to a principle, but we are border unsatisfied w/ # of concessions permitted to elaborate

W

R If principle accepted, a ~~some~~ some issue  
is rejected.

U.K. We both expressed our dissatisfaction  
w/ thinking of a statement if UK turned into  
a club essentially anti West.

P It would turn public opinion  
S Already happening here w/ us.

P UK must understand that. It will be  
reflected in Cong.

K G made comment w/ which we agreed. UK  
Arabs tend to operate off by themselves. The  
West is in position of reacting. A general  
usually made by over-idealized West  
~~abolition~~ - we that about meeting to deep positive  
role.

S Good. We might just have one sentence.

R To suspend a member & expel Arafat w/  
R of US.

S Did you talk on Cyprus? <sup>R</sup> Pass conf. tomorrow  
I will join by saying cut of Turk aid is  
disaster for West. And not a help to Turks but  
because they essential to w. def.

S And to Arabs.

K Turkey ones who can give prog. Promising T  
doesn't help G. Threat to give concessions, but  
not make aid cut off pressure.

(described sequence of concessions report)

Korea explaining me to go to Ankara. Don't  
make conditions when they has got cut off aid  
of all. had big prob w/ Greek credit. They small  
but very wreck. The Greek. An congressman  
had been very anti - junta & is now making



\* No Skills involved \*

(6)

very far it. They tried w/ Jewish Congress  
& made it tough. Tough just before elections -  
in retrospect we ~~had~~ should have rejected  
a compromise we had.

R But now is will be trials, cause House want  
have acted

S We will continue ~~to~~ to work.

To sum up. Deeply satisfied that we are  
operating in accord & appear so to any public.

P I agree. It is deeply satisfying to me &  
we must continue. Call me any time, & you  
do likewise. One copy is of major registers

S I told Mr. Jones this morning, I noted a  
considerable favorable change of attitude in  
London.

Very pleased to have you in <sup>Account</sup> ~~work~~  
& ~~with~~ a quick trip to Boston would  
be useful