

~~SECRET/NODIS~~

~~(Draft prepared from notes taken by Mr. Sonnenfeldt but not yet reviewed by him.)~~

MEMORANDUM OF CONVERSATION

Date: July 30, 1975
Time: 8:05 a.m.
Place: Helsinki

PARTICIPANTS:

UK

Harold Wilson, Prime Minister
James Callaghan, Secretary of State for
Foreign & Commonwealth Affairs

US

Gerald F. Ford, President
Henry A. Kissinger, Secretary of State
Helmut Sonnenfeldt, Counselor

Ford: Congratulations on the Referendum vote.

Wilson: The timing was good. We couldn't have gotten that vote earlier. We played it cool, acted as though we had to be convinced and only pulled out the stops at the end.

Ford: The polls were accurate.

Callaghan: The next problem is unemployment.

Wilson: It now stands at one and a half million.

Ford: Our economists agree that American unemployment has peaked and will drop. The unemployment level is now pretty stable at 8.9-9%. Allowing, however, for seasonal adjustment, unemployment dropped between 400,000 to 600,000, a substantial drop.

Wilson: Your productivity indexes are up.

Ford: The combined index is up 1.7%. This is less than we would like but it is still up and encouraging.

Callaghan: How was your harvest?

Ford: We expect 200 million tons of wheat and 61 or 62 million tons of corn. The growing season is still on but everything looks very good.

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Callaghan: The harvest is bad all over Europe.

Wilson: And Russia.

Ford: Another month of good weather and we will have the best harvest in history.

Callaghan: We will need it. We had a bad year for farmers.

Wilson: We changed over to the common market price system.

Ford: Flying over Poland and Germany I was impressed by the green fields.

Callaghan: Europe had had a lot of rain. We have had a draught.

Ford: The Soviet harvest problem creates very severe pressure on grain markets.

Wilson: Can you control it?

Ford: We have ways but we have to use them very subtly so as not to upset the farmers.

Wilson: Kosygin said ten years ago that they can't predict their harvest.

Kissinger: We have the market cornered vis-a-vis the Soviets. They have bought all they can find, now they have to come to us.

Callaghan: Now is the time for your talents.

Kissinger: The issue has to be handled globally. It is bad for the United States to be a reserve for the Soviets.

Callaghan: The Commonwealth is talking about a ten-million-ton reserve.

Kissinger: We are thinking of a 30-million-ton reserve globally.

Callaghan: What do you think of Gierek?

Ford: He was very impressive. We received a great reception, crowds were good and I liked the look in their faces.

Callaghan: I like Gierek too. Also Kadar. The Polish Foreign Minister is a fat fellow but pleasant.

Kissinger: Like me.

Ford: We have to watch Henry's weight.

Kissinger: What is the reaction to CSCE in the UK?

Wilson: Not much in the press. If there were a Conservative Prime Minister it would be a great success. There has been some serious comment.

Ford: We have had some criticism.

Kissinger: Time has a very good cover story.

Wilson: Thatcher suddenly burst forth.

Ford: We started concerted efforts to explain it.

Callaghan: I read it and I liked it.

Kissinger: Gierek made a good comment. He said implementation was critical now.

Wilson: He said that publicly?

Kissinger: In a toast.

Callaghan: Kadar told us yesterday that they regarded it as a moral and political commitment.

Kissinger: Even inviolability of frontiers has proved more helpful to others than to the Soviet Union.

Callaghan: No Soviet government can ever justify invasion again.

Kissinger: CSCE will/prevent it, but it can never be explained again.

Callaghan: Now we must turn to MBFR.

Ford: We should make a major effort on it.

Wilson: We'll say so today.

Kissinger: You and the Pope are in control. San Marino, Liechtenstein and Luxembourg are the last speakers.

Callaghan: The next six months are important. I think we have a bit of leverage on Portugal.

Ford: What is your impression now?

Wilson: Bad. Antunes is out. The EC Nine discussed it. It was a very good discussion. Strong views were expressed by Schmidt and Giscard. He's very good on it. We agreed that Giscard and I would talk to Brezhnev.

Kissinger: But we must not make a copout of it. It is not Russian controlled.

Ford: The situation in Portugal is a result of our own indecision.

Kissinger: And local conditions.

Wilson: Strange lot. You met them. Starts as Marxism but then gets involved with Mozambique and Angolan strands. They do not follow the straight Russian line although some of them do.

Callaghan: How about the Camp David idea?

Kissinger: I discussed it with Genscher. His present idea is to discuss Southern Europe at Camp David during Special Session.

Callaghan: Sauvagnargues said he has to consult Giscard. Are you still interested?

Kissinger: Yes.

Callaghan: Italy is bad. The Communists can walk in.

Kissinger: We had a report that deMartino will pull the Socialists out unless there is cooperation with the Communists.

Callaghan: We had the same report.

Wilson: We have been approached to help as the Labor Party.

Callaghan: Moro is so weak. The Socialists are working in combination with the Communist Party and are not interested in any other way.

Wilson: On Portugal, the Socialists are meeting in Stockholm next week. Soares will be there. Palme wants to help him.

Ford: What kind of leader is he?

Callaghan: He has charisma but makes mistakes. But he is the only possible leader.

Ford: House action on Turkey was a real tragedy. Speaker Albert said it was the worst vote in his time. It resulted from lobbying by Greek Americans who don't realize it will not help Cyprus, Greece or Turkey while jeopardizing our defense installations. We are making a new effort in the House to get some action before it recesses. I won't know the Turkish reaction until I meet Demirel. The press is now turned towards us. I believe it is the most ill-advised action in the past quarter of a century.

Kissinger: A word on the Middle East. Did you get a message from the Israelis? The Italians did.

Wilson: Yes, we received a letter from Allon Monday. They sent us most detailed info on points on a map.

Callaghan: But no map. Their information was very detailed.

Kissinger: We are strongly opposed to any demarche to Egypt by Europe. We can move them to about 80% of the Israeli position but not if it looks like a US-European gang-up for 100% of the Israeli position. Rabin gave us a map. We told him we wouldn't accept it. The President wrote a letter on getting out of the passes and access to oil fields. Their reply was to take everything back from their June position in return for what they gave on the passes. Then they proposed six American posts as hostages. The Egyptians have now taken the June map of the Israelis and added the passes, but now the Israelis reject it. They are trying to put the passes in a bag -- like the map on the Economist.

Wilson: How about the road to Sharam-el-Sheik?

Kissinger: We can probably handle the Southern part. Goodwill is needed. How to move the road further apart than 100 yards is a problem.

I told the Israelis I would try to persuade the Egyptians on a line but that they have to stop haggling. I want to tell the Egyptians as a friend that they can't get much more on the line. The last Israeli proposal is less generous than the

previous one. If things are kept quiet, the Egyptians may take it.

On warning stations, we could man two on each side but are very reluctant to put six US stations on the road.

Ford: Very hard for us to sell, using Americans as hostages.

Kissinger: The US debate on this will hurt Israel. We really shouldn't now have any European pressure on Egypt. If everyone shuts up, we might get this thing settled in three weeks.

Callaghan: Will there be a shuttle?

Kissinger: Only to work out final details. Israel keeps saying there is no progress, but this is not true. There has been some slight movement and we should know in three weeks.

Callaghan: Don't worry too much. Everyone will go on vacation after July.

Wilson: Allon and Rabin are getting along better. Peres is very hard.

Ford: If there is no agreement by September we may have to go to comprehensive negotiations.

Kissinger: September is a bad month because of religious holidays.

Callaghan: The Italians want an initiative on Cyprus. They want Makarios to agree on a bizonal arrangement. They want agreement on the percentage of territory for each zone and on the US resumption of aid to Turkey.

Wilson: Both Greece and Turkey want something from the Nine.

Kissinger: Such an initiative can't do any damage.

Callaghan: Maybe it is okay for the Italians to be the interlocutors.

Kissinger: What about the percentages? Karamanlis said 25%. The Turks are down to 33%. The Greeks can go just to under 30%. I don't know about the Turks.

Callaghan: We might have a go at it.

On the subject of Israel and the UN. The Israelis are pressing us to walk out.

Kissinger: We are opposed to turning this into a monumental issue now before it is formally posed. We have options to discuss with you.

Callaghan: We have been sending ours around. In Kampala they are now talking about 1976 rather than 1975.

Kissinger: There are many options -- reduced participation rather than a walkout.

Callaghan: Can't the Nine and the US work on it?

Kissinger: Yes.

Wilson: What have you said publicly?

Kissinger: Well, we haven't said what we will do. We'll have a paper for the President next week--the options--then you could send someone over.

Callaghan: We have a good position after South Africa last year.

