

**FOREIGN
RELATIONS
OF THE
UNITED
STATES**

1969–1976

VOLUME E–15, Part 2

**DOCUMENTS ON
WESTERN EUROPE,
1973–1976**

**SECOND,
REVISED EDITION**



**DEPARTMENT
OF
STATE**

Washington



Foreign Relations of the United States, 1969–1976

Volume E–15, Part 2

Documents on Western Europe, 1973–1976

Second, Revised Edition

Editor Kathleen B. Rasmussen

General Editor Kathleen B. Rasmussen

Foreword

This revised edition of *Foreign Relations, 1969–1976*, volume E–15, Part 2, Documents on Western Europe, 1973–1976, incorporates a chapter on Italy that was not included in the first edition of the volume, which was published in May 2014. At that time, all of the chapters in the volume had been declassified except for the one on Italy. With no end to the interagency negotiations over the declassification of the Italy chapter in sight, the Office of the Historian decided to publish the rest of the volume in the interest of making it available to the public as soon as possible. With the publication of this chapter, *Foreign Relations, 1969–1976*, volume E–15, Part 2, Documents on Western Europe, 1973–1976, is now complete.

The newly added chapter focuses on U.S. concerns about Italian political and economic stability. Of particular concern was the Italian Communist Party's (PCI) rising influence and its 'historic compromise' proposal, which involved an accommodation with the Christian Democratic Party that would permit PCI participation in the Italian government. The chapter features memoranda of conversation documenting meetings between Presidents Richard Nixon and Gerald Ford and Italian political leaders; assessments of Italian political and economic developments prepared by U.S. officials in Washington and Rome; and documentation on overt and covert U.S. efforts to impede the 'historic compromise' before and after the June 1976 Italian general election.

The Office of the Historian extends its thanks to its interagency partners for resolving the declassification issues associated with the Italy chapter; special thanks go to Kathleen Allegrone for her dogged efforts in this regard.

Kathleen B. Rasmussen, Ph.D.
General Editor

Foreign Service Institute
2021

Preface

The *Foreign Relations of the United States* series presents the official documentary historical record of major foreign policy decisions and significant diplomatic activity of the United States Government. The Historian of the Department of State is charged with the responsibility for the preparation of the *Foreign Relations* series. The staff of the Office of the Historian, Foreign Service Institute, under the direction of the General Editor of the *Foreign Relations* series, plans, researches, compiles, and edits the volumes in the series. Secretary of State Frank B. Kellogg first promulgated official regulations codifying specific standards for the selection and editing of documents for the series on March 26, 1925. These regulations, with minor modifications, guided the series through 1991.

Public Law 102-138, the *Foreign Relations* Authorization Act, which was signed by President George H.W. Bush on October 28, 1991, established a new statutory charter for the preparation of the series. Section 198 of P.L. 102-138 added a new Title IV to the Department of State's Basic Authorities Act of 1956 (22 U.S.C. 4351, et seq.).

This statute requires that the *Foreign Relations* series be a thorough, accurate, and reliable record of major United States foreign policy decisions and significant United States diplomatic activity. The volumes of the series should include all records needed to provide comprehensive documentation of major foreign policy decisions and actions of the United States Government. The statute also confirms the editing principles established by Secretary Kellogg: the *Foreign Relations* series is guided by the principles of historical objectivity and accuracy; records should not be altered or deletions made without indicating in the published text that a deletion has been made; the published record should omit no facts that were of major importance in reaching a decision; and nothing should be omitted for the purposes of concealing a defect in policy. The statute also requires that the *Foreign Relations* series be published not more than 30 years after the events recorded.

Structure and Scope of the Foreign Relations Series

This volume is part of a subseries of volumes of the *Foreign Relations* series that documents the most important issues in the foreign policy of the administrations of Presidents Richard M. Nixon and Gerald R. Ford. The volume documents U.S. relations with Western Europe from 1973 to 1976, complementing several other volumes in the *Foreign Relations* series.

Many of the most significant issues in U.S.-Western European relations during this period are covered elsewhere in the Nixon-Ford sub-series. For example, documents on the Conference on Security and Cooperation in Europe and the Mutual and Balanced Force Reductions talks are in *Foreign Relations*, 1969–1976, volume XXXIX, European Security. The effect of the 1973 October War in the Middle East on U.S.-Western European relations is covered in *Foreign Relations*, 1969–1976, volume XXV, Arab-Israeli Crisis and War, 1973, while U.S.-Western European energy relations are documented in *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974 and volume XXXVII, Energy Crisis, 1974–1980. The interplay between the United States and Western Europe on economic issues such as the evolution of the international monetary system and the origins of the Group of Seven summit are covered in *Foreign Relations*, 1969–1976, volume XXXI, Foreign Economic Policy, 1973–1976. Readers interested in how events in Southern Africa affected U.S. relations with Portugal and the United Kingdom should consult *Foreign Relations*, 1969–1976, volume XXVIII, Southern Africa. Finally, U.S. relations with Greece and Turkey, two of its North Atlantic Treaty Organization allies, are covered in *Foreign Relations*, 1969–1976, volume XXX, Greece; Cyprus; Turkey, 1973–1976. For the most comprehensive picture of U.S. relations with Western Europe from 1973 to 1976, readers should read this volume in conjunction with the volumes cited above.

Focus of Research and Principles of Selection for Foreign Relations, 1969–1976, Volume E-15, Part 2, Documents on Western Europe, 1973–1976

This volume documents the relationship between the United States and Western Europe from 1973 until 1976 during the Richard M. Nixon and Gerald R. Ford administrations. It begins with a chapter that examines the relationship from a regional perspective, focusing on the Nixon administration's Year of Europe initiative, U.S. policy towards the North Atlantic Treaty Organization (NATO) and the European Communities, and issues such as the rise of Eurocommunism. The volume then explores U.S. bilateral relations with nine countries: Canada, Portugal, Iceland and Norway (paired in a single Nordic countries chapter), Spain, the United Kingdom, the Federal Republic of Germany, France, and Italy. The focus of these chapters is on those countries and issues that commanded sustained attention at the highest policymaking levels in Washington. The chapter on Portugal, for example, includes documents on the renegotiation of U.S. base rights in the Azores and the use of Lajes Air Base during the 1973 October War, but is more heavily weighted towards documenting U.S. efforts to discern the nature of the Portuguese political situation after the April 1974 coup

that brought General António de Spínola to power and to find means, both overt and covert, to influence it.

Moreover, issues that were multilateral in nature are documented either in this volume's regional chapter or in other *Foreign Relations* volumes. For example, many of the most contentious issues in U.S.-French relations during this period—such as the Year of Europe, trade and international monetary policies, and energy—played out in multilateral fora and are thus documented either in the regional chapter or other volumes in the Nixon-Ford subseries. The chapter on France, therefore, focuses on topics not covered elsewhere, particularly defense and security issues such as U.S.-French missile cooperation and nuclear non-proliferation. The United Kingdom and Federal Republic of Germany chapters are structured along similar lines, leaving, for example, issues arising from Britain's links to the European Communities or its former colonies and the West German approach to European security or the global economy to be documented elsewhere. For a more thorough understanding of U.S. relations with a particular Western European country, therefore, readers are encouraged to consult not only this volume, but other complementary volumes in the Nixon-Ford subseries.

Like all recent *Foreign Relations* volumes, the emphasis of this volume is on policy formulation, rather than the implementation of policy or day-to-day diplomacy. As in other volumes in the Nixon-Ford subseries that document the period from 1973 to 1976, the White House and the Department of State were the primary players in the policy-making process. Presidents Nixon and Ford, along with Assistant to the President for National Security Affairs and Secretary of State Henry Kissinger, set the tone for U.S. relations with Western Europe. The documents chosen for this volume reflect this: National Security Council and Department of State memoranda, minutes of interagency and Department of State meetings, and high-level correspondence and memoranda of conversation recording discussions with Western European leaders form the bulk of the documents in the volume. Given the number of countries and the variety of issues covered in the volume, however, other policymakers also played key roles on certain issues and at certain times. Documents are thus included that speak to the involvement of, for example, Secretaries of Defense James Schlesinger and Donald Rumsfeld in issues such as NATO and missile cooperation with France; Secretary of the Treasury William Simon in the 1976 sterling crisis; and Ambassador Frank Carlucci in crafting policy towards Portugal after the April 1974 coup. Finally, the volume includes documents reflecting the Central Intelligence Agency's role in providing policymakers with analysis and options for covert action.

Editorial Methodology

The documents are presented chronologically according to Washington time. Memoranda of conversations are placed according to the date and time of the conversation, rather than the date a memorandum was drafted. Documents chosen for printing are authoritative or signed copies, unless otherwise noted.

Editorial treatment of the documents published in the *Foreign Relations* series follows Office style guidelines, supplemented by guidance from the General Editor and the Chief of the Declassification and Publishing Division. The documents are reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Texts are transcribed and printed according to accepted conventions for the publication of historical documents within the limitations of modern typography. A heading has been supplied by the editors for each document included in the volume. Spelling, capitalization, and punctuation are retained as found in the original text, except that obvious typographical errors are silently corrected. Other mistakes and omissions in the documents are corrected by bracketed insertions: a correction is set in italic type; an addition in roman type. Words or phrases underlined in the source text are printed in italics. Abbreviations and contractions are preserved as found in the original text, and a list of abbreviations is included in the front matter of each volume.

Bracketed insertions are also used to indicate omitted text that deals with an unrelated subject (in roman type) or that remains classified after declassification review (in italic type). The amount and, where possible, the nature of the material not declassified has been noted by indicating the number of lines or pages of text that were omitted. Entire documents withheld for declassification purposes have been accounted for and are listed with headings, source notes, and number of pages not declassified in their chronological place. All brackets that appear in the original text are so identified in footnotes. All ellipses are in the original documents.

The first footnote to each document indicates the document's source, original classification, distribution, and drafting information. This note also provided the background of important documents and policies and indicates whether the President or his major policy advisers read the document.

Editorial notes and additional annotation summarize pertinent material not printed in the volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and provide summaries of and citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and

other first-hand accounts has been used where appropriate to supplement or explicate the official record.

Advisory Committee on Historical Diplomatic Documentation

The Advisory Committee on Historical Diplomatic Documentation, established under the *Foreign Relations* statute, reviews records, advises, and makes recommendations concerning the *Foreign Relations* series. The Advisory Committee monitors the overall compilation and editorial process of the series and advises on all aspects of the preparation and declassification of the series. The Advisory Committee does not necessarily review the contents of individual volumes in the series, but it makes recommendations on issues that come to its attention and reviews volumes, as it deems necessary to fulfill its advisory and statutory obligations.

Presidential Recordings and Materials Preservation Act Review

Under the terms of the Presidential Recordings and Materials Preservation Act (PRMPA) of 1974 (44 U.S.C. 2111 note), the National Archives and Records Administration (NARA) has custody of the Nixon Presidential historical materials. The requirements of the PRMPA and implementing regulations govern access to the Nixon Presidential historical materials. The PRMPA and implementing public access regulations require NARA to review for additional restrictions in order to ensure the protection of the privacy rights of former Nixon White House officials, since these officials were not given the opportunity to separate their personal materials from public papers. Thus, the PRMPA and implementing public access regulations require NARA formally to notify the Nixon Estate and former Nixon White House staff members that the agency is scheduling for public release Nixon White House historical materials. The Nixon Estate and former White House staff members have 30 days to contest the release of Nixon historical materials in which they were a participant or are mentioned. Further, the PRMPA and implementing regulations require NARA to segregate and return to the creator of files private and personal materials. All *Foreign Relations* volumes that include materials from NARA's Nixon Presidential Materials Staff are processed and released in accordance with the PRMPA.

Nixon White House Tapes

Access to the Nixon White House tape recordings is governed by the terms of the PRMPA and an access agreement with the Office of Presidential Libraries of the National Archives and Records Administration and the Nixon Estate. In February 1971, President Nixon initiated a voice activated taping system in the Oval Office of the White House and, subsequently, in the President's Office in the Executive Of-

fice Building, Camp David, the Cabinet Room, and White House and Camp David telephones. The audiotapes include conversations of President Nixon with his Assistant for National Security Affairs, Henry Kissinger, other White House aides, Secretary of State Rogers, other Cabinet officers, members of Congress, and key foreign officials. Readers are advised that the tape recording is the official document; the transcript represents an interpretation of that document. The clarity of the voices on the tape recordings is often very poor, but the editor has made every effort to verify the accuracy of the transcripts included in this volume. Through the use of digital audio and other advances in technology, the Office of the Historian has been able to enhance the tape recordings and over time produce more accurate transcripts. The result is that some transcripts printed here may differ from transcripts of the same conversations printed in previous *Foreign Relations* volumes. The most accurate transcripts possible, however, cannot substitute for listening to the recordings. Readers are urged to consult the recordings themselves for a full appreciation of those aspects of the conversations that cannot be captured in a transcript, such as the speakers' inflections and emphases that may convey nuances of meaning, as well as the larger context of the discussion.

Declassification Review

The Office of Information Programs and Services, Bureau of Administration, conducted the declassification review for the Department of State of the documents published in this volume. The review was conducted in accordance with the standards set forth in Executive Order 12958, as amended, on Classified National Security Information and other applicable laws.

The principle guiding declassification review is to release all information, subject only to the current requirements of national security, as embodied in law and regulation. Declassification decisions entailed concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and the appropriate foreign governments regarding specific documents of those governments. The declassification review of this volume, which began in 2007 and was completed in 2018, resulted in the decision to withhold 7 documents in full, excise a paragraph or more in 9 documents, and make minor excisions of less than a paragraph in 31 documents.

The Office of the Historian is confident, on the basis of the research conducted in preparing this volume and as a result of the declassification review process described above, that the documentation and editorial notes presented here provide a thorough, accurate, and reliable—given the limitations of space—record of the policy of the Nixon and Ford administrations toward Western Europe.

Acknowledgements

The editor wishes to acknowledge the assistance of officials at the Nixon Presidential Materials Project at the National Archives and Records Administration at College Park, Maryland. The editor also wishes to acknowledge the Richard Nixon Estate for allowing access to the Nixon Presidential recordings and the Richard Nixon Library and Birthplace for facilitating that access. Thanks are due to the Historical Staff of the Central Intelligence Agency, who were helpful in arranging full access to the files of the Central Intelligence Agency. John Earl Haynes of the Library of Congress was responsible for expending access to the Kissinger Papers. The editor was able to use the Kissinger Papers, including the transcripts of telephone conversations, with the kind permission of Dr. Henry Kissinger. The editor would also like to thank Sandy Meagher for her valuable assistance in expediting the use of Department of Defense files. Finally, the editor wishes to thank the staff of the Gerald R. Ford Presidential Library, particularly Geir Gundersen, Karen Holzhausen, Donna Lehman, and Helmi Raaska, for their valuable and tireless assistance.

Kathleen B. Rasmussen collected and selected documentation and edited the volume under the supervision of, successively, Louis J. Smith, former Chief of the Europe and General Division, and Erin R. Mahan, former Chief of the Asia, Africa, and Arms Control Division, as well as Edward C. Keefer, former General Editor of the *Foreign Relations* series. Chris Tudda coordinated the declassification review under the supervision of Susan C. Weetman and Carl Ashley, successive Chiefs of the Declassification and Publishing Division. Thomas I. Faith and Matthew Regan performed the copy and technical editing.

Kathleen B. Rasmussen
General Editor

Adam M. Howard
The Historian

Foreign Service Institute
February 2021

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Sources

The Presidential papers of the Nixon and Ford administrations are the best source of high-level decision-making documentation for U.S. relations with Western Europe from 1973 to 1976. At the Nixon Library, a number of collections from the National Security Council (NSC) files are relevant to research on U.S.-West European relations. A number of NSC collections proved particularly helpful: Agency Files (especially on NATO); Backchannel Messages; Country Files, Europe; Henry A. Kissinger Office Files (especially the Country Files, Europe, General series, as well as the HAK Trip Files); Presidential Correspondence; Presidential/HAK Memcons; and Subject Files (especially on the Year of Europe). The NSC Institutional Files (H-Files) contain records on high-level meetings, requests for studies, and Presidential decisions, and provided crucial documentation on the National Security Study Memoranda and National Security Decision Memoranda published in this volume. The White House Special Files, Staff Member & Office Files, President's Office Files, Memoranda for the President, yielded memoranda of conversation for Nixon's May 1973 meetings with West German Chancellor Willy Brandt in Washington and French President Georges Pompidou and Icelandic President Kristjan Eldjarn in Reykjavik. The White House Tapes offered, as did the transcripts of Kissinger's telephone conversations, a unique window into the thinking of Nixon and Kissinger.

The National Security Council material at the Ford Library is organized into collections similar to those found at the Nixon Library. Within the Ford Library's National Security Adviser Files, a number of collections are essential for understanding U.S.-West European relations: Kissinger-Scowcroft West Wing Office Files (which also contains material on the Nixon administration); Memoranda of Conversation (which too contains material from the Nixon administration); NSC Europe, Canada, and Ocean Affairs Staff Files; Presidential Agency Files (particularly on NATO); and Presidential Country Files for Europe and Canada. Like its counterpart at the Nixon Library, the NSC Institutional Files (H-Files) collection at the Ford Library is critical to documenting the National Security Study Memoranda and National Security Decision Memoranda on Western Europe issued during this period.

At the National Archives and Records Administration facility at College Park, Maryland, the Department of State Central Files, 1970-1973, contains useful material on U.S. relations with the Federal

Republic of Germany, Iceland, and the United Kingdom, while the Central Foreign Policy Files covering the period from 1973 onwards yielded important telegrams and memoranda of conversation. Two Department of State lot files proved to be a particularly rich source of documentation for this volume: Records of Secretary of State Henry Kissinger, 1973–1977, and Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977. Other useful lot files include Transcripts of Secretary of State Kissinger's Staff Meetings, 1973–1977, and Policy Planning Staff, Director's Files (Winston Lord), 1969–1977.

Although largely duplicative of material found in other repositories, the Kissinger Papers at the Library of Congress do contain some material not found elsewhere. At the Department of Defense, the Official Records of the Secretary of Defense, the Deputy Secretary of Defense, and the Special Assistant to the Secretary and Deputy Secretary of Defense, and the files of the Office of the Assistant Secretary of Defense for International Security Affairs contained useful documents on NATO and on U.S. defense relations with Canada, the Federal Republic of Germany, Iceland, and the United Kingdom. Finally, both the records of the Central Intelligence Agency and the Intelligence Files housed at the National Security Council yielded important documentation for this volume.

Unpublished Sources

National Archives and Records Administration, College Park, Maryland

RG 56, Records of the Department of Treasury

Records of Secretary of the Treasury George Shultz

General Subject Files of Paul Volcker, Under Secretary of the Treasury for Monetary Affairs

RG 59, Records of the Department of State

Central Files, 1970–1973

DEF 1 EUR W: defense policy, plans, readiness, Western Europe

DEF 1 NATO: defense policy, plans, readiness, NATO

DEF 4 EUR: collective defense pacts and alliances, Europe

DEF 4 NATO: collective defense pacts & alliances, NATO

DEF 6 NATO: armed forces, NATO

DEF 6–12 NATO: exercises & maneuvers, NATO

DEF 12 NATO: armaments, NATO

DEF 13 FR: logistical matters, France

DEF FR: defense affairs, France

DEF FR-US: defense affairs, France-US

POL 1 FR-US: general policy, France-US

POL 1 GER W-US: general policy, FRG-US

POL 1 PORT-US: general policy, Portugal-US

POL 2 GER W: general reports and statistics, FRG
 POL 7 GER W: visits, meetings, FRG
 POL 7 ICE: visits, meetings, Iceland
 POL 7 SP: visits, meetings, Spain
 POL 7 UK: visits, meetings, UK
 POL 12-1 ICE: political parties, policy, plans, ideology, Iceland
 POL 12-3 GER W: political parties meetings, FRG
 POL 14 FR: elections, France
 POL 15 SP: government, Spain
 POL 15 UK: government, UK
 POL 15-1 FR: heads of state, executive branch, France
 POL 15-1 PORT: heads of state, executive branch, Portugal
 POL 15-1 SP: heads of state, executive branch, Spain
 POL 15-2 FR: legislature, France
 POL 17 FR-US: diplomatic/consular representation, France-US
 POL 17 GER W-US: diplomatic/consular representation, FRG-US
 POL 17 SP-US: diplomatic/consular representation, Spain-US
 POL 23-9 UK: rebellion, coups, UK
 POL 27-14 VIET: truce, ceasefire, armistice, Vietnam
 POL 33-4 ICE: territorial waters, Iceland
 POL 33-4 ICE-UK: territorial waters, Iceland-UK
 POL CAN-US: political affairs & relations, Canada-US
 POL EUR-US: political affairs & relations, Europe-US
 POL EUR E-EUR W: political affairs & relations, East/West Europe
 POL EUR W: political affairs & relations, Western Europe
 POL FR-US: political affairs & relations, France-US
 POL GER: political affairs & relations, Germany
 POL GER E-GER W: political affairs & relations, GDR/FRG
 POL GER W-US: political affairs & relations, FRG-US
 POL ICE-US: political affairs & relations, Iceland-US
 POL SP-US: political affairs & relations, Spain-US
 POL UK: political affairs & relations, UK
 POL UK-US: political affairs & relations, UK-US

Top Secret Files, 1970-1973

Central Foreign Policy Files, 1973-

Lot Files

S/P Files, Entry 5207 (Lots 77 D 112 and 77 D 114)
 Policy Planning Staff, Director's Files (Winston Lord), 1969-1977
 S/S Files, Entry 5177 (Lot 78 D 443)
 Transcripts of Secretary of State Kissinger's Staff Meetings, 1973-1977
 S/S Files, Entry 5339 (Lot 81 D 286)
 Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955-1977
 S/S Files, Entry 5403
 Records of Secretary of State Henry Kissinger, 1973-1977

S/S Files, Entry 5439 (Lot 73 D 443)
Office Files of William Rogers, 1969–1973

RG 429, Records of Organizations in the Executive Office of the President
Records of the Council on International Economic Policy
Records of Executive Committee Meetings
Records of Senior Review Group Meetings
Study Memoranda

Nixon Presidential Materials Project

Kissinger Telephone Conversation Transcripts

NSC Files

Agency Files
Alexander Haig Chronological Files
Backchannel Messages
Country Files, Europe
Institutional Materials
Name Files
NSC Unfiled Material
Presidential Correspondence
Presidential/HAK Memcons
Richard M. Nixon Cables/Contingency Plans
Subject Files
VIP Visits

NSC Files, Henry A. Kissinger Office Files

Agency and Congressional Files
Country Files, Europe, General
Country Files, Middle East, President's Visit to the Azores
HAK Administrative and Staff Files
HAK Trip Files

NSC Files, NSC Institutional Files (H-Files)

Intelligence Files
Meeting Files, Senior Review Group Meetings
Minutes of Meetings, NSC Meeting Minutes
Minutes of Meetings, Senior Review Group
Miscellaneous Institutional Files of the Nixon Administration
Policy Papers, National Security Decision Memorandums
Records of the Staff Secretary
Study Memorandums, National Security Study Memorandums
Under Secretaries Committee Memorandum Files

White House Central Files

President's Daily Diary

White House Special Files, Staff Member & Office Files

- President's Personal File
 - Memoranda from the President
 - Name/Subject File
- President's Office Files
 - Memoranda for the President
 - President's Handwriting

White House Tapes

Gerald R. Ford Presidential Library, Ann Arbor, Michigan

L. William Seidman Files

- Economic Policy Board Subject Files
- Seidman Subject File
- Foreign Trips Files

National Security Adviser Files

- Institutional Files, NSC "NS" Originals File
- Kissinger-Scowcroft West Wing Office Files
- Memoranda of Conversation
- National Security Decision Memoranda and National Security Study Memoranda
- NSC Europe, Canada, and Ocean Affairs Staff Files
- NSC International Economic Affairs Staff Files
- NSC Meeting Minutes
- NSC Planning and Coordination Staff Files
- Outside the System Chronological Files
- Presidential Agency Files
- Presidential Country Files for Europe and Canada
- Presidential Name File
- Presidential Subject File
- Scowcroft Daily Work Files
- Trip Briefing Books and Cables of President Ford

National Security Council Institutional/Historical Records (H-Files)

President's Daily Diary

President's Handwriting File

U.S. Council of Economic Advisors Records

- Alan Greenspan Files
- Federal Agency Correspondence

Library of Congress, Washington, D.C.

Papers of Henry A. Kissinger

- Geopolitical File
- Record of Schedule
- Subject File

Central Intelligence Agency, Virginia

Office of the Director of Central Intelligence

Job 79M00467A

Job 80M01048A

Office of the Deputy Director for Intelligence

Job 78B02822A

Directorate of Intelligence Files

Job 79T00863A

Job 85T00353R

History Staff Files

Washington National Record Center, Suitland, Maryland

OASD/ISA Files: FRC 330-76-117

Office of the Assistant Secretary of Defense for International Security Affairs, Subject
Decimal Files, Secret, 1973

OASD/ISA Files: FRC 330-77-0054

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OASD/ISA Files: FRC 330-78-0038

Office of the Assistant Secretary of Defense for International Security Affairs, Subject
Decimal Files, Secret, 1974-1975

OASD/ISA Files: FRC 330-79-0037

Office of the Assistant Secretary of Defense for International Security Affairs, Subject
Decimal Files, Secret, 1976

OSD Files: FRC 330-78-0001

Official Records of the Secretary of Defense, the Deputy Secretary of Defense, and
the Special Assistant to the Secretary and Deputy Secretary of Defense, Secret,
1973

OSD Files: FRC 330-78-0010

Official Records of the Secretary of Defense, the Deputy Secretary of Defense, and
the Special Assistant to the Secretary and Deputy Secretary of Defense, Top
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1974

OSD Files: FRC 330-78-0058

Official Records of the Secretary of Defense, the Deputy Secretary of Defense, and
the Special Assistant to the Secretary and Deputy Secretary of Defense, Secret,
1975

OSD Files: FRC 330-78-0059

Official Records of the Secretary of Defense, the Deputy Secretary of Defense, and the Special Assistant to the Secretary and Deputy Secretary of Defense, Top Secret, 1975

OSD Files: FRC 330-79-0049

Official Records of the Secretary of Defense, the Deputy Secretary of Defense, and the Special Assistant to the Secretary and Deputy Secretary of Defense, Secret, 1976

OSD Files: FRC 330-79-0050

Official Records of the Secretary of Defense, the Deputy Secretary of Defense, and the Special Assistant to the Secretary and Deputy Secretary of Defense, Top Secret, 1976

National Security Council, Washington, D.C.

Ford Intelligence Files

40 Committee Meetings, Minutes/Approvals, 1975 GRF

40 Committee/OAG Meetings, Minutes/Approvals, 1976 GRF

Portugal—GRF

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U.S. National Archives and Records Administration, *Public Papers of the Presidents of the United States: Gerald R. Ford, 1974, 1975, 1976-1977* (Washington, D.C.: Government Printing Office, 1975, 1977, 1979).

Abbreviations and Terms

113 Committee, a committee of EC member state representatives who advise the Community on trade negotiations

ABM, anti-ballistic missile; anti-ballistic missile defense system

ACDA, Arms Control and Disarmament Agency

ACLANT, Allied Command, Atlantic

AD 70, Alliance Defense Problems for the 1970s (NATO study)

AFM, Armed Forces Movement (Movimento das Forças Armadas) (Portugal)

AID, Agency for International Development

ASAP, as soon as possible

ASD, Assistant Secretary of Defense

ASD/I&L, Assistant Secretary of Defense, Installation and Logistics

ASD/ISA, Assistant Secretary of Defense, International Security Affairs

ASW, anti-submarine warfare

ATAF, Allied Tactical Air Force

ATSD/AE, Assistant to the Secretary of Defense, Atomic Energy

B, billion

Benelux, Belgium, Netherlands, and Luxembourg

BIS, Bank for International Settlements

BOAC, British Overseas Airways Corporation

BOP, balance of payments

Counselor, Department of State

C³, command, control, and communications

CAP, Common Agricultural Policy

CDC, Control Data Corporation

CDS, Partido do Centro Democrático e Social (Democratic Social Center Party) (Portugal)

CDU, Christlich Demokratische Union (Christian Democratic Union) (Federal Republic of Germany)

CEA, Council of Economic Advisers

Cherokee, a telegraphic channel for the exchange of eyes only messages between the Secretary of State and an Ambassador

CIA, Central Intelligence Agency

CIAO, Civil International Aviation Organization

CIEC, Conference on International Economic Cooperation

CIEP, Council on International Economic Policy

CIEPDM, Council on International Economic Policy Decision Memorandum

CIEPSM, Council on International Economic Policy Study Memorandum

CINCEUR, Commander-in-Chief, European Command

CINCLANT, Commander-in-Chief, Atlantic Command; Commander-in-Chief, Atlantic Forces

CINCUSAFE, Commander-in-Chief, United States Air Force, Europe

CINCUSAREUR, Commander-in-Chief, United States Army, Europe

CINCUSNAVEUR, Commander-in-Chief, United States Navy, Europe

COCOM, Coordinating Committee on Export Controls

COMICEDEFOR, Commander, United States Forces, Iceland; Commander, Iceland Defense Force
CRTC, Canadian Radio-television and Telecommunications Commission
CSCE, Conference for Security and Cooperation in Europe

D, Democrat; Democratic
DCI, Director of Central Intelligence
DCM, Deputy Chief of Mission
DDI, Deputy Director of Intelligence
DDO, Deputy Director of Operations
DDR&E, Directorate of Defense Research and Engineering, Department of Defense
DIA, Defense Intelligence Agency
DOD, Department of Defense
DOT, Department of Transportation
DPC, Defense Planning Committee
DPQ, Defense Planning Questionnaire
DPRC, Defense Program Review Committee
DRP, Defense Review Panel

EA, Bureau of East Asian and Pacific Affairs, Department of State
EB, Bureau of Economic and Business Affairs, Department of State
EB/IFD/OMA, Office of Monetary Affairs, Bureau of Economic and Business Affairs, Department of State
EB/ITP, International Trade Policy, Bureau of Economic and Business Affairs, Department of State
EB/ITP/OT, Office of International Trade, Bureau of Economic and Business Affairs, Department of State
EC, European Communities
EDIP, European Defense Improvement Program
EEC, European Economic Community
EFTA, European Free Trade Association
EOB, Old Executive Office Building
EPA, Environmental Protection Agency
EPB, Economic Policy Board
ERDA, Energy Research and Development Administration
ESF, Exchange Stabilization Fund
EUCOM, European Command
EUR, Bureau of European Affairs, Department of State
EUR/CAN, Office of Canadian Affairs, Bureau of European Affairs, Department of State
EUR/CE, Office of Central European Affairs, Bureau of European Affairs, Department of State
EUR/IB, Office of Iberian Affairs, Bureau of European Affairs, Department of State
EUR/NE, Office of Northern European Affairs, Bureau of European Affairs, Department of State
EUR/P, Public Affairs Adviser, Bureau of European Affairs, Department of State
EUR/RPE, Office of OECD, European Community, and Atlantic Political-Economic Affairs, Bureau of European Affairs, Department of State
EUR/RPM, Office of NATO and Atlantic Political-Military Affairs, Bureau of European Affairs, Department of State
EUR/SE, Office of Southern European Affairs, Bureau of European Affairs, Department of State
EUR/WE, Office of Western European Affairs, Bureau of European Affairs, Department of State
EXIM, **EX-IM**, Export-Import Bank

FCO, Foreign and Commonwealth Office (United Kingdom)
FEA, Federal Energy Administration
FONMIN, Foreign Minister
FRELOC, Fast Relocation from France
FRG, Federal Republic of Germany
FY, fiscal year

G-5, Group of Five (Federal Republic of Germany, France, Japan, United Kingdom, United States)
G-10, Group of Ten (Belgium, Canada, Federal Republic of Germany, France, Italy, Japan, Netherlands, Sweden, United Kingdom, United States)
G-77, Group of 77 (group of developing countries established at the conclusion of the first United National Conference on Trade and Development in 1964)
GATT, General Agreement on Tariffs and Trade
GE, General Electric
GOI, Government of Iceland
GOP, Government of Portugal
GOVT, government
GSP, Generalized System of Preferences

H, Bureau of Congressional Relations, Department of State
HAK, Henry Alfred Kissinger
HAKTO, designation for a message sent from Kissinger

IAEA, International Atomic Energy Agency
IBM, International Business Machines
ICBM, intercontinental ballistic missile
ICCS, International Commission of Control and Supervision
ICNAF, International Commission for the Northwest Atlantic Fisheries
ICSC, International Commission for Supervision and Control
IDF, Icelandic Defense Force
IEA, International Energy Agency
IMF, International Monetary Fund
INAC, Irish Northern Aid Committee
INR, Bureau of Intelligence and Research, Department of State
INR/DDC/OIL, Office of Intelligence Liaison, Bureau of Intelligence and Research, Department of State
INR/RES, Office of Research and Analysis for Europe and the Soviet Union, Bureau of Intelligence and Research, Department of State
IO, Bureau of International Organization Affairs, Department of State
IRA, Irish Republican Army
ISA, International Security Affairs
ITC, International Trade Commission

JCS, Joint Chiefs of Staff

L, Legal Adviser, Department of State
LDC, less developed country
LOC, line of communication

M, Deputy Under Secretary of State for Management
MAC, Military Airlift Command
MBFR, Mutual and Balanced Force Reductions

MC-14/3, Overall Strategic Concept for the Defense of the North Atlantic Treaty Organization (NATO document)

MC-161, General Intelligence Estimate (NATO document)

Memcon, memorandum of conversation

MFA, Movimento das Forças Armadas (Armed Forces Movement) (Portugal)

MIRV, multiple independently targeted reentry vehicle

MOD, Minister of Defense; Ministry of Defence (United Kingdom)

MPLA, Movimento Popular de Libertação de Angola (Popular Movement for the Liberation of Angola)

MRV, multiple reentry vehicle

MTN, multilateral trade negotiations

NAC, North Atlantic Council

NASA, National Aeronautics and Space Administration

NATO, North Atlantic Treaty Organization

NEA, Bureau of Near Eastern and South Asian Affairs, Department of State

NEA/IAI, Office of Israel and Arab-Israel Affairs, Bureau of Near Eastern Affairs, Department of State

NEA/PAB, Pakistan, Afghanistan, and Bangladesh, Bureau of Near Eastern and South Asian Affairs, Department of State

NIACT, needs immediate action

Nodis, no distribution

Noform, no foreigners

NORAD, North American Aerospace Defense Command

NORAID, Irish Northern Aid Committee

NORTHAG, Northern Army Group, Central Europe

NPG, Nuclear Planning Group

NPT, Non-Proliferation Treaty

NSAM, National Security Action Memorandum

NSC, National Security Council

NSDM, National Security Decision Memorandum

NSSM, National Security Study Memorandum

OAG, Operations Advisory Group

OASD/ISA, Office of the Assistant Secretary of Defense, International Security Affairs

OBE, overtaken by events

OECD, Organization for Economic Cooperation and Development

OMB, Office of Management and Budget

OPEC, Organization of Petroleum Exporting Countries

OSD, Office of the Secretary of Defense

OSD/PA&E, Office of the Secretary of Defense, Program Analysis and Evaluation

Para, paragraph

PCP, Partido Comunista Português (Portuguese Communist Party)

Permrep, permanent representative

PM, Bureau of Politico-Military Affairs, Department of State

PM, Prime Minister

PM/AE, Office of Atomic Energy and Aerospace, Bureau of Politico-Military Affairs, Department of State

PM/ISP, Office of International Security Policy, Bureau of Politico-Military Affairs, Department of State

PM/NPO, Office of Nuclear Policy and Operations, Bureau of Politico-Military Affairs, Department of State

POW, prisoner of war

PPD, Partido Popular Democrático (People's Democratic Party) (Portugal)
PQ, Parti Québécois (Quebec Party) (Canada)
PRC, People's Republic of China
PSBR, public sector borrowing requirement
PSI, Partito Socialista Italiano (Italian Socialist Party)
PSP, Partido Socialista Português (Portuguese Socialist Party)

QTE, quote

R, Republican
R&D, research and development
Reftel, reference telegram
Rep, representative
RPT, repeat
RV, reentry vehicle

SACEUR, Supreme Allied Commander Europe
SACLANT, Supreme Allied Commander Atlantic
SALT, Strategic Arms Limitation Talks
SDLP, Social Democratic and Labour Party (Northern Ireland)
SECDEF, Secretary of Defense
SECSTATE, Secretary of State
SECTO, designation for a message sent from the Secretary of State
Septel, separate telegram
SIOP, Single Integrated Operations Plan
SLBM, submarine-launched ballistic missile
SNECMA, Société Nationale d'Étude de Construction de Moteurs d'Aviation (National Company for the Design and Construction of Aviation Engines) (France)
SOSUS, sound surveillance system
S/PC, Planning and Coordination Staff, Department of State
SPD, Sozialdemokratische Partei Deutschlands (Social Democratic Party) (Federal Republic of Germany)
SRG, Senior Review Group
S/S, Executive Secretariat, Department of State
SST, supersonic transport
STR, Office of the Special Trade Representative
SYG, Secretary General

Telcon, telephone conversation
TOHAK, designation for a message sent to Kissinger
TOSEC, designation for a message sent to the Secretary of State

UK, United Kingdom
UNCTAD, United Nations Conference on Trade and Development
UNGA, United Nations General Assembly
UNQTE, unquote
US, United States
USAF, United States Air Force
USCINCEUR, United States Commander-in-Chief, European Command
USCINCLANT, United States Commander-in-Chief, Atlantic Command
USDA, United States Department of Agriculture
USDEL, United States Delegation
USDELMC, United States Delegation to the North Atlantic Treaty Organization Military Committee

XXVIII Abbreviations and Terms

USG, United States Government

USLO SACLANT, United States Liaison Officer, Supreme Allied Commander Atlantic

USNATO, United States Mission to the North Atlantic Treaty Organization

USNMR SHAPE, United States National Military Representative, Supreme Headquarters Allied Powers, Europe

USSR, Union of Soviet Socialist Republics

USUN, United States Mission to the United Nations

WINTEX, winter exercise

WSAG, Washington Special Actions Group

Persons

- Ágústsson, Einar**, Icelandic Foreign Minister from 1971 until 1978
- Alba, Jaime**, Spanish Ambassador to the United States from 1974 until 1976
- Andersen, Knud Borge**, Danish Foreign Minister from 1971 until 1973 and 1975 until 1978
- Andreotti, Giulio**, Italian Prime Minister from February 1972 until July 1973 and July 1976 until August 1979
- Antunes, Ernesto de Melo**, Portuguese Minister of Foreign Affairs from March 1975 until August 1975 and September 1975 until July 1976
- Apel, Hans**, West German Minister of Finance from 1974 until 1978
- Areilza, José María de**, Spanish Foreign Minister from 1975 until 1976
- Arias Navarro, Carlos**, Spanish Prime Minister from December 1973 until July 1976
- Ash, Roy**, Assistant to the President and Director, Office of Management and Budget from February 1973 until February 1975
- Azevedo, José Baptista Pinheiro de**, Portuguese Prime Minister from September 1975 until July 1976
- Bahr, Egon**, West German Minister for Special Affairs from 1972 until 1974; West German Minister of Economic Cooperation from 1974 until 1976
- Barbour, Robert**, Director of the Office of Western European Affairs, Bureau of European and Canadian Affairs, Department of State from 1975 until 1977
- Bartholomew, Reginald**, Deputy Director of the Policy Planning Staff, Office of the Assistant Secretary of Defense, International Security Affairs from 1969 until 1973; Director of the Policy Planning Staff, Office of the Assistant Secretary of Defense, International Security Affairs from 1973 until 1974; Deputy Director of the Policy Planning Staff, Department of State from 1974 until 1977
- Barse, George**, Staff member, Office of the Director of Defense Research and Engineering, Department of Defense
- Berlinguer, Enrico**, National Secretary of the Italian Communist Party from 1972 until 1984
- Boverie, General Richard**, Staff member, National Security Council from August 1974 until April 1976
- Brandt, Willy**, Leader of the Social Democratic Party of Germany from 1964 until 1987; West German Chancellor from October 1969 until May 1974
- Bratteli, Trygve**, Norwegian Prime Minister from October 1973 until January 1976
- Brezhnev, Leonid**, General Secretary of the Communist Party from 1964 until 1982
- Brimelow, Sir Thomas**, Permanent Under-Secretary of State, British Foreign Office from 1973 until 1975
- Brown, General George**, Chairman of the Joint Chiefs of Staff from July 1974 until June 1978
- Bruce, David**, Permanent Representative on the Council of the North Atlantic Treaty Organization from October 1974 until February 1976
- Burns, Arthur**, Chairman, Board of Governors, Federal Reserve System from 1970 until 1978
- Bush, George H.W.**, Representative to the United Nations from February 1971 until January 1973; Head of the U.S. Liaison Office in Beijing, China from October 1974 until December 1975; Director of Central Intelligence from January 1976 until January 1977

Butz, Earl, Secretary of Agriculture from 1971 until 1976

Byrne, Thomas, Ambassador to Norway from August 1973 until April 1976

Cadieux, Marcel, Canadian Ambassador to the United States from 1970 until 1975

Caetano, Marcelo, Portuguese Prime Minister from September 1968 until April 1974

Callaghan, James, British Secretary of State for Foreign and Commonwealth Affairs from March 1974 until April 1976; British Prime Minister from April 1976 until May 1979

Carli, Guido, Governor, Bank of Italy from August 1960 until July 1975

Carlucci, Frank, Ambassador to Portugal from January 1975 until February 1978

Carrero Blanco, Luis, Spanish Prime Minister from June 1973 until December 1973

Carrington, Lord (Peter), British Secretary of State for Defence from June 1970 until January 1974

Carter, James, President from January 1977 until January 1981

Casey, William, Under Secretary of State for Economic and Agricultural Affairs from February 1973 until March 1974; President and Chairman, Export-Import Bank from 1974 until 1976

Cheney, Richard, Deputy Assistant to the President from 1974 until 1975; Assistant to the President and White House Chief of Staff from 1975 until 1977

Clark, Keith, National Intelligence Officer for Western Europe, Central Intelligence Agency

Clements, William, Jr., Deputy Secretary of Defense from January 1973 until January 1977

Cline, Ray, Director of the Bureau of Intelligence and Research from October 1969 until November 1973

Colby, William, Deputy Director of Operations, Central Intelligence Agency from March 1973 until August 1973; Director of Central Intelligence from September 1973 until January 1976

Coleman, William, Secretary of Transportation from March 1975 until January 1977

Colombo, Emilio, Italian Minister of Finance from July 1973 until March 1974; Italian Minister of the Treasury from March 1974 until July 1976

Connally, John, Secretary of the Treasury from February 1971 until May 1972

Connor, James, Secretary to the Cabinet from January 1975 until January 1977; White House Staff Secretary from June 1975 until January 1977

Cooper, Charles, Staff member, National Security Council from 1973 until 1974; Assistant Secretary of the Treasury for International Affairs from 1974 until 1975

Cortina Mauri, Pedro, Spanish Foreign Minister from 1974 until 1975

Costa Gomes, Francisco da, Chief of the Portuguese Armed Forces from September 1972 until March 1974; Portuguese President from September 1974 until July 1976

Cromer, Earl of, British Ambassador to the United States from 1971 until 1974

Crosland, Anthony, British Secretary of State for Foreign and Commonwealth Affairs from April 1976 until February 1977

Currie, Malcolm, Director of Defense Research and Engineering from June 1973 until January 1977

Davis, Jeanne, Staff Secretary, National Security Council from 1972 until 1977

De Poix, Vice Admiral Vincent, Director of the Defense Intelligence Agency from August 1972 until September 1974

Delpech, Jean-Laurens, French Ministerial Delegate for Armaments

Dent, Frederick, Secretary of Commerce from 1973 until 1974; Special Representative for Trade Negotiations from 1975 until 1977

DePorte, Anton, Staff member, Policy Planning Staff, Department of State from 1973 until 1979

Douglas-Home, Sir Alec, British Secretary of State for Foreign and Commonwealth Affairs from June 1970 until March 1974

- Eagleburger, Lawrence**, Executive Assistant to the Secretary of State from 1973 until 1977; Deputy Under Secretary of State for Management from 1975 until 1977
- Eanes, António Ramalho**, Portuguese President from July 1976 until March 1986
- Eberle, William**, Special Representative for Trade Negotiations from 1971 until 1975; Executive Director, Council on International Economic Policy from 1974 until 1975
- Eldjárn, Kristján**, Icelandic President from August 1968 until July 1980
- Ellsworth, Robert**, Assistant Secretary of Defense for International Security Affairs from June 1974 until December 1975; Deputy Secretary of Defense from December 1975 until January 1977
- Enders, Thomas**, Assistant Secretary of State for Economic and Business Affairs from July 1974 until December 1975; Ambassador to Canada from December 1975 until September 1979
- Erlichman, John**, Assistant to the President for Domestic Affairs from November 1969 until April 1973
- Ferreira, Antonio Medeiros**, Portuguese Foreign Minister from July 1976 until October 1977
- Flanigan, Peter**, Assistant to the President from 1969 until 1974; Executive Director, Council on International Economic Policy from 1972 until 1974
- Ford, Gerald**, Minority Leader, House of Representatives from 1965 until 1973; Vice President from December 1973 until August 9, 1974; President from August 9, 1974 until January 1977
- Foster, John, Jr.**, Director of Defense Research and Engineering from October 1965 until June 1973
- Franco, Generalissimo Francisco**, Spanish Prime Minister from January 1938 until June 1973; Spanish Head of State from April 1939 until November 1975
- Frydenlund, Knut**, Norwegian Foreign Minister from 1973 until 1981
- Fulbright, James**, Senator (D-Arkansas) from 1945 until 1974
- Galley, Robert**, French Minister of National Defense from April 1973 until May 1974
- Genscher, Hans-Dietrich**, West German Minister of Foreign Affairs and Vice-Chancellor from May 1974 until September 1982
- Giscard d'Estaing, Valery**, French Minister of Economy and Finance from June 1969 until May 1974; French President from May 1974 until May 1981
- Gonçalves, Vasco**, Portuguese Prime Minister from July 1974 until September 1975
- Goodpaster, General Andrew**, Commander-in-Chief, United States European Command from May 1969 until December 1974; Supreme Allied Commander, Europe from July 1969 until December 1974
- Greenspan, Alan**, Chairman, Council of Economic Advisers from 1974 until 1977
- Greenwald, Joseph**, Representative to the European Communities from October 1972 until January 1976; Assistant Secretary of State for Economic and Business Affairs from February 1976 until September 1976
- Haig, Alexander**, Deputy Assistant to the President for National Security Affairs from 1970 until 1973; Army Vice-Chief of Staff, 1973; Assistant to the President and White House Chief of Staff from May 1973 until September 1974; Commander-in-Chief, European Command, and Supreme Allied Commander, Europe from December 1974 until July 1979
- Haldeman, H. R.**, Assistant to the President and White House Chief of Staff from 1969 until 1973
- Hallgrímsson, Geir**, Icelandic Prime Minister from August 1974 until September 1978
- Hartman, Arthur**, Assistant Secretary of State for European and Canadian Affairs from January 1974 until June 1977
- Head, Ivan**, Special Assistant to the Prime Minister of Canada from 1970 until 1978

- Healey, Denis**, British Chancellor of the Exchequer from 1974 until 1979
- Heath, Edward**, British Prime Minister from June 1970 until March 1974
- Hill, Robert**, Assistant Secretary of Defense for International Security Affairs from May 1973 until January 1974
- Hillenbrand, Martin**, Ambassador to the Federal Republic of Germany from May 1972 until October 1976
- Holcomb, Rear Admiral M. Staser**, Military Assistant to the Secretary of Defense, 1976
- Hormats, Robert**, International Economic Affairs staff member, National Security Council from 1969 until 1973; International Economic Affairs senior staff member, National Security Council from 1974 until 1977
- Hunt, Sir John**, British Secretary of the Cabinet from 1973 until 1979
- Hyland, William**, Director, Bureau of Intelligence and Research, Department of State from January 1974 until November 1975; Deputy Assistant to the President for National Security Affairs from November 1975 until January 1977
- Ingersoll, Robert**, Ambassador to Japan from February 1972 until November 1973; Assistant Secretary of State for East Asian Affairs from January 1974 until July 1974; Deputy Secretary of State from July 1974 until March 1976
- Irving, Frederick**, Ambassador to Iceland from September 1972 until April 1976
- Irwin, John**, Ambassador to France from February 1973 until October 1974
- Jackson, Henry**, Senator (D-Washington) from 1953 until 1982
- Jamieson, Donald**, Canadian Secretary of State for External Affairs from September 1976 until June 1979
- Javits, Jacob**, Senator (R-New York) from 1957 until 1980
- Jobert, Michel**, French Minister of Foreign Affairs from April 1973 until May 1974
- Jóhannesson, Ólafur**, Icelandic Prime Minister from July 1971 until August 1974
- Jones, Jerry**, White House Staff Secretary from April 1974 until June 1975
- Jordan, Amos**, Acting Assistant Secretary of Defense, International Security Affairs from April 1974 until June 1974 and December 1975 until May 1976
- Jørgensen, Anker**, Danish Prime Minister from October 1972 until December 1973 and February 1975 until September 1982
- Juan Carlos I**, King of Spain from November 1975
- Katz, Julius**, Deputy Assistant Secretary of State for International Resources and Food Policy from 1968 until 1974; Deputy Assistant Secretary of State for Economic and Business Affairs from 1974 until September 1976; Assistant Secretary of State for Economic and Business Affairs from September 1976 until November 1979
- Kennedy, David**, Permanent Representative on the Council of the North Atlantic Treaty Organization from March 1972 until February 1973
- Kissinger, Henry**, Assistant to the President for National Security Affairs from January 1969 until November 1975; Secretary of State from September 1973 until January 1977
- Kosciusko-Morizet, Jacques**, French Ambassador to the United States from 1972 until 1977
- Laird, Melvin**, Secretary of Defense from January 1969 until January 1973
- Leber, Georg**, West German Minister of Defense from 1972 until 1978
- Leigh, Monroe**, Legal Adviser, Department of State from December 1974 until January 1977
- Leone, Giovanni**, President of the Italian Republic from December 1971 until June 1978
- Lever, Harold**, Chancellor of the Duchy of Lancaster from 1974 until 1979
- Livingston, Robert**, Staff member, National Security Council

Lodge, Henry Cabot, President's Personal Representative to the Holy See from June 1970 until July 1977

López Bravo, Gregorio, Spanish Foreign Minister from 1969 until 1973

López Rodó, Laureano, Spanish Foreign Minister from 1973 until 1974

Lord, Winston, Staff member, National Security Council from 1969 until 1973; Special Assistant to the Assistant to the President for National Security Affairs from 1970 until 1973; Director, Policy Planning Staff, Department of State from 1973 until 1977

Lowenstein, James, Deputy Assistant Secretary of State for European Affairs from April 1974 until May 1977

Lukens, Alan, Director of the Office of Iberian Affairs, Bureau of European and Canadian Affairs, Department of State from 1974 until 1975

Luns, Joseph, Secretary General of the North Atlantic Treaty Organization from October 1971 until May 1984

Lynn, James, Assistant to the President and Director, Office of Management and Budget from February 1975 until January 1977

MacEachen, Allan, Canadian Secretary of State for External Affairs from August 1974 until September 1976

Malmgren, Harald, Deputy Special Representative for Trade Negotiations from 1972 until 1975

Mansfield, Michael, Senator (D-Montana) from 1953 until 1976

Mason, Roy, British Secretary of State for Defence from March 1974 until September 1976

Maw, Carlyle, Legal Adviser, Department of State from November 1973 until July 1974; Under Secretary of State for Arms Control and International Security Affairs from July 1974 until September 1976

McCloskey, Robert, Ambassador at Large from December 1973 until February 1975; Assistant Secretary of State for Congressional Relations from February 1975 until September 1976

McFarlane, Robert "Bud", Military Assistant to the Assistant to the President for National Security Affairs from 1973 until 1975; Executive Assistant to the Assistant to the President for National Security Affairs from 1975 until 1976; Special Assistant to the President for National Security Affairs from 1976 until 1977

Moorer, Admiral Thomas, Chairman of the Joint Chiefs of Staff from July 1970 until June 1974

Moro, Aldo, Italian Minister of Foreign Affairs from July 1973 until November 1974; Italian Prime Minister from November 1974 until July 1976

Murray, Robert, Staff member, Office of the Secretary of Defense

Nixon, Richard, President from January 1969 until August 9, 1974

Odeen, Philip, Staff member, National Security Council from 1971 until 1973

Ortoli, François-Xavier, President of the European Commission from 1973 until 1977

Palme, Olof, Swedish Prime Minister from October 1969 until October 1976

Parsky, Gerald, Special Assistant to the Under Secretary of the Treasury from 1971 until 1973; Executive Assistant to the Deputy Secretary of the Treasury and the Administrator, Federal Energy Office from 1973 until 1974; Assistant Secretary of the Treasury from 1974 until 1977

Passman, Otto, Member, U.S. House of Representatives (D-Louisiana) from 1947 until 1976

Patrício, Rui d'Espiney, Portuguese Minister of Foreign Affairs from 1970 until 1974

Pickering, Thomas, Special Assistant to the Secretary of State and Executive Secretary, Department of State from 1973 until 1974

Pierre-Brossolette, Claude, French Director of the Treasury from 1971 until 1974; Assistant to the French President from 1974 until 1976

Pohl, Karl-Otto, State Secretary, West German Federal Ministry of Finance from 1972 until 1977

Pompidou, Georges, French President from June 1969 until April 1974

Porter, William, Under Secretary of State for Political Affairs from February 1973 until February 1974; Ambassador to Canada from February 1974 until December 1975

Prado y Colón de Carvajal, Manuel de, adviser to Juan Carlos I of Spain

Ramsbotham, Peter, British Ambassador to the United States from 1974 until 1977

Ratliff, Rob Roy, Staff member, National Security Council, and Executive Secretary of the 40 Committee

Ray, Dixy Lee, Chairperson, Atomic Energy Commission from February 1973 until January 1975; Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs from January 1975 until June 1975

Richardson, Elliot, Secretary of Defense, 1973; Attorney General, May 1973 until October 1973; Ambassador to the United Kingdom from February 1975 until January 1976; Secretary of Commerce from February 1976 until January 1977

Rivero, Horacio, Ambassador to Spain from September 1972 until November 1974

Robinson, Charles, Under Secretary of State for Economic and Agricultural Affairs from December 1974 until April 1976; Deputy Secretary of State from April 1976 until January 1977

Rockefeller, Nelson, Vice President from December 1974 until January 1977

Rodman, Peter, Staff member, National Security Council, and Special Assistant to Henry Kissinger from 1969 until 1977

Rogers, William D., Assistant Secretary of State for Inter-American Affairs from October 1974 until June 1976; Under Secretary of State for Economic and Agricultural Affairs from June 1976 until December 1976

Rogers, William P., Secretary of State from January 1969 until September 1973

Rose, François de, French Ambassador to the North Atlantic Council from 1970 until 1975

Rumor, Mariano, Italian Prime Minister from July 1973 until November 1974; Italian Minister of Foreign Affairs from November 1974 until July 1976

Rumsfeld, Donald, Permanent Representative on the Council of the North Atlantic Treaty Organization from February 1973 until December 1974; Assistant to the President and White House Chief of Staff from September 1974 until November 1975; Secretary of Defense from November 1975 until January 1977

Rush, Kenneth, Deputy Secretary of State from February 1973 until May 1974; Counselor to the President for Economic Policy from May 1974 until September 1974; Ambassador to France from September 1974 until March 1977

Sagaz, Angel, Spanish Ambassador to the United States from 1972 until 1974

Sauvagnargues, Jean, French Minister of Foreign Affairs from May 1974 until August 1976

Scheel, Walter, West German Minister of Foreign Affairs from October 1969 until May 1974; West German Federal President from July 1974 until June 1979

Schlesinger, James, Director of Central Intelligence from February 1973 until July 1973; Secretary of Defense from July 1973 until November 1975

Schmidt, Helmut, West German Minister of Finance from December 1972 until May 1974; West German Chancellor from May 1974 until October 1982

Scott, Stuart Nash, Ambassador to Portugal from December 1973 until January 1975

Scowcroft, Brent, Deputy Assistant to the President for National Security Affairs from April 1973 until November 1975; Assistant to the President for National Security Affairs from November 1975 until January 1977

- Scranton, William**, Representative to the United Nations from March 1976 until January 1977
- Seidman, L. William**, Assistant to the President for Economic Affairs from 1974 until 1977
- Sharp, Mitchel**, Canadian Secretary of State for External Affairs from April 1968 until August 1974
- Shultz, George**, Secretary of the Treasury from January 1972 until May 1974
- Simon, William**, Deputy Secretary of the Treasury from February 1973 until May 1974; Administrator, Federal Energy Office from December 1973 until April 1974; Secretary of the Treasury from May 1974 until January 1977
- Sisco, Joseph**, Assistant Secretary of State for Near Eastern and South Asian Affairs from February 1969 until February 1974; Undersecretary of State for Political Affairs from February 1974 until June 1976
- Sloss, Leon**, Deputy Director of the Bureau of Politico-Military Affairs from 1973 until 1975
- Soames, Sir Christopher**, Commissioner for External Affairs, European Economic Community from 1973 until 1977
- Soares, Mário**, Portuguese Minister of Foreign Affairs from May 1974 until March 1975; Portuguese Prime Minister from July 1976 until August 1978
- Sonnenfeldt, Helmut**, Senior staff member, National Security Council from 1969 until 1974; Counselor, Department of State from 1974 until 1977
- Spínola, António de**, Portuguese President from May 1974 until September 1974
- Springsteen, George**, Deputy Assistant Secretary of State for European Affairs from 1966 until 1974; Special Assistant to the Secretary of State and Executive Secretary, Department of State from 1974 until 1976
- Stabler, Wells**, Deputy Assistant Secretary of State for European Affairs from February 1973 until February 1975; Ambassador to Spain from February 1975 until May 1978
- Stoessel, Walter**, Assistant Secretary of State for European and Canadian Affairs from August 1972 until January 1974; Ambassador to the Union of Soviet Socialist Republics from December 1973 until September 1976; Ambassador to the Federal Republic of Germany from September 1976 until January 1981
- Strausz-Hupe, Robert**, Ambassador to Belgium from February 1972 until May 1974; Ambassador to Sweden from April 1974 until March 1976; Permanent Representative on the Council of the North Atlantic Treaty Organization from March 1976 until April 1977
- Sykes, Richard**, Deputy Chief of Mission, British Embassy from 1972 until 1975
- Themido, João Hall**, Portuguese Ambassador to the United States from 1971 until 1981
- Tindemans, Leo**, Prime Minister of Belgium from April 1974 until October 1978
- Trend, Sir Burke**, British Secretary of the Cabinet from 1963 until 1973
- Trudeau, Pierre Elliott**, Canadian Prime Minister from April 1968 until June 1979
- Vest, George**, Special Assistant to the Secretary of State for Press Relations from October 1973 until April 1974; Director of the Bureau of Politico-Military Affairs from April 1974 until March 1977
- Volcker, Paul**, Under Secretary of the Treasury for Monetary Affairs from 1969 until 1974; President, Federal Reserve Bank of New York from August 1975 until August 1979
- Von Staden, Berndt**, West German Ambassador to the United States from 1973 until 1979
- Walsh, John**, Deputy Director of the Office of Strategic and Space Systems, Department of Defense

Walters, Lieutenant General Vernon, Deputy Director of Central Intelligence from May 1972 until July 1976; Acting Director of Central Intelligence from July 1973 until September 1973

Warren, Jake, Canadian Ambassador to the United States from 1975 until 1977

Weiss, Seymour, Assistant Secretary of State for Politico-Military Affairs from August 1973 until January 1974

Wickham, Major General John, Jr., Senior Military Assistant to the Secretary of Defense from 1973 until 1976

Wilson, Harold, British Prime Minister from March 1974 until April 1976

Yeo, Edwin, Under Secretary of the Treasury for Monetary Affairs from 1975 until 1977

Zenha, Francisco Salgado, Portuguese Minister of Finance from September 1975 until July 1976

Note on U.S. Covert Actions

In compliance with the *Foreign Relations of the United States* statute that requires inclusion in the *Foreign Relations* series of comprehensive documentation on major foreign policy decisions and actions, the editors have identified key documents regarding major covert actions and intelligence activities. The following note will provide readers with some organizational context on how covert actions and special intelligence operations in support of U.S. foreign policy were planned and approved within the U.S. Government. It describes, on the basis of declassified documents, the changing and developing procedures during the Truman, Eisenhower, Kennedy, Johnson, Nixon, and Ford Presidencies.

Management of Covert Actions in the Truman Presidency

The Truman administration's concern over Soviet "psychological warfare" prompted the new National Security Council to authorize, in NSC 4-A of December 1947, the launching of peacetime covert action operations. NSC 4-A made the Director of Central Intelligence responsible for psychological warfare, establishing at the same time the principle that covert action was an exclusively Executive Branch function. The Central Intelligence Agency (CIA) certainly was a natural choice but it was assigned this function at least in part because the Agency controlled unvouchered funds, by which operations could be funded with minimal risk of exposure in Washington.¹

The CIA's early use of its new covert action mandate dissatisfied officials at the Departments of State and Defense. The Department of State, believing this role too important to be left to the CIA alone and concerned that the military might create a new rival covert action office in the Pentagon, pressed to reopen the issue of where responsibility for covert action activities should reside. Consequently, on June 18, 1948, a new NSC directive, NSC 10/2, superseded NSC 4-A.

NSC 10/2 directed the CIA to conduct "covert" rather than merely "psychological" operations, defining them as all activities "which are conducted or sponsored by this Government against hostile foreign states or groups or in support of friendly foreign states or groups but which are so planned and executed that any US Government responsibility for them is not evident to unauthorized persons and that if un-

¹ NSC 4-A, December 17, 1947, is printed in *Foreign Relations, 1945-1950, Emergence of the Intelligence Establishment*, Document 257.

covered the US Government can plausibly disclaim any responsibility for them.”

The type of clandestine activities enumerated under the new directive included: “propaganda; economic warfare; preventive direct action, including sabotage, demolition and evacuation measures; subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberations [*sic*] groups, and support of indigenous anti-Communist elements in threatened countries of the free world. Such operations should not include armed conflict by recognized military forces, espionage, counter-espionage, and cover and deception for military operations.”²

The Office of Policy Coordination (OPC), newly established in the CIA on September 1, 1948, in accordance with NSC 10/2, assumed responsibility for organizing and managing covert actions. The OPC, which was to take its guidance from the Department of State in peacetime and from the military in wartime, initially had direct access to the State Department and to the military without having to proceed through the CIA’s administrative hierarchy, provided the Director of Central Intelligence (DCI) was informed of all important projects and decisions.³ In 1950 this arrangement was modified to ensure that policy guidance came to the OPC through the DCI.

During the Korean conflict the OPC grew quickly. Wartime commitments and other missions soon made covert action the most expensive and bureaucratically prominent of the CIA’s activities. Concerned about this situation, DCI Walter Bedell Smith in early 1951 asked the NSC for enhanced policy guidance and a ruling on the proper “scope and magnitude” of CIA operations. The White House responded with two initiatives. In April 1951 President Truman created the Psychological Strategy Board (PSB) under the NSC to coordinate government-wide psychological warfare strategy. NSC 10/5, issued in October 1951, reaffirmed the covert action mandate given in NSC 10/2 and expanded the CIA’s authority over guerrilla warfare.⁴ The PSB was soon abolished by the incoming Eisenhower administration, but the expansion of the CIA’s covert action writ in NSC 10/5 helped ensure that covert action would remain a major function of the Agency.

As the Truman administration ended, the CIA was near the peak of its independence and authority in the field of covert action. Although the CIA continued to seek and receive advice on specific projects from the NSC, the PSB, and the departmental representatives origi-

² NSC 10/2, June 18, 1948, is printed *ibid.*, Document 292.

³ Memorandum of conversation by Frank G. Wisner, “Implementation of NSC-10/2,” August 12, 1948, is printed *ibid.*, Document 298.

⁴ NSC 10/5, “Scope and Pace of Covert Operations,” October 23, 1951, is printed in *Foreign Relations, 1950–1955, The Intelligence Community*, Document 90.

nally delegated to advise the OPC, no group or officer outside of the DCI and the President himself had authority to order, approve, manage, or curtail operations.

NSC 5412 Special Group; 5412/2 Special Group; 303 Committee

The Eisenhower administration began narrowing the CIA's latitude in 1954. In accordance with a series of National Security Council directives, the responsibility of the Director of Central Intelligence for the conduct of covert operations was further clarified. President Eisenhower approved NSC 5412 on March 15, 1954, reaffirming the Central Intelligence Agency's responsibility for conducting covert actions abroad. A definition of covert actions was set forth; the DCI was made responsible for coordinating with designated representatives of the Secretary of State and the Secretary of Defense to ensure that covert operations were planned and conducted in a manner consistent with U.S. foreign and military policies; and the Operations Coordinating Board was designated the normal channel for coordinating support for covert operations among State, Defense, and the CIA. Representatives of the Secretary of State, the Secretary of Defense, and the President were to be advised in advance of major covert action programs initiated by the CIA under this policy and were to give policy approval for such programs and secure coordination of support among the Departments of State and Defense and the CIA.⁵

A year later, on March 12, 1955, NSC 5412/1 was issued, identical to NSC 5412 except for designating the Planning Coordination Group as the body responsible for coordinating covert operations. NSC 5412/2 of December 28, 1955, assigned to representatives (of the rank of assistant secretary) of the Secretary of State, the Secretary of Defense, and the President responsibility for coordinating covert actions. By the end of the Eisenhower administration, this group, which became known as the "NSC 5412/2 Special Group" or simply "Special Group," emerged as the executive body to review and approve covert action programs initiated by the CIA.⁶ The membership of the Special Group varied depending upon the situation faced. Meetings were infrequent until 1959 when weekly meetings began to be held. Neither the CIA nor the Special Group adopted fixed criteria for bringing projects before the group; initiative remained with the CIA, as members representing

⁵ William M. Leary, editor, *The Central Intelligence Agency: History and Documents* (The University of Alabama Press, 1984), p. 63; for text of NSC 5412, see *Foreign Relations, 1950–1955, The Intelligence Community*, Document 171.

⁶ Leary, *The Central Intelligence Agency: History and Documents*, pp. 63, 147–148; *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate*, Book I, *Foreign and Military Intelligence* (1976), pp. 50–51. For texts of NSC 5412/1 and NSC 5412/2, see *Foreign Relations, 1950–1955, The Intelligence Community*, Documents 212 and 250.

other agencies frequently were unable to judge the feasibility of particular projects.⁷

After the Bay of Pigs failure in April 1961, General Maxwell Taylor reviewed U.S. paramilitary capabilities at President Kennedy's request and submitted a report in June that recommended strengthening high-level direction of covert operations. As a result of the Taylor Report, the Special Group, chaired by the President's Special Assistant for National Security Affairs McGeorge Bundy, and including Deputy Under Secretary of State U. Alexis Johnson, Deputy Secretary of Defense Roswell Gilpatric, Director of Central Intelligence Allen Dulles, and Chairman of the Joint Chiefs of Staff General Lyman Lemnitzer, assumed greater responsibility for planning and reviewing covert operations. Until 1963 the DCI determined whether a CIA-originated project was submitted to the Special Group. In 1963 the Special Group developed general but informal criteria, including risk, possibility of success, potential for exposure, political sensitivity, and cost (a threshold of \$25,000 was adopted by the CIA), for determining whether covert action projects were submitted to the Special Group.⁸

From November 1961 to October 1962 a Special Group (Augmented), whose membership was the same as the Special Group plus Attorney General Robert Kennedy and General Taylor (as Chairman), exercised responsibility for Operation Mongoose, a major covert action program aimed at overthrowing the Castro regime in Cuba. When President Kennedy authorized the program in November, he designated Brigadier General Edward G. Lansdale, Assistant for Special Operations to the Secretary of Defense, to act as chief of operations, and Lansdale coordinated the Mongoose activities among the CIA and the Departments of State and Defense. The CIA units in Washington and Miami had primary responsibility for implementing Mongoose operations, which included military, sabotage, and political propaganda programs.⁹

President Kennedy also established a Special Group (Counter-Insurgency) on January 18, 1962, when he signed NSAM No. 124. The Special Group (CI), set up to coordinate counter-insurgency activities separate from the mechanism for implementing NSC 5412/2, was to confine itself to establishing broad policies aimed at preventing and resisting subversive insurgency and other forms of indirect aggression in friendly countries. In early 1966, in NSAM No. 341, President Johnson assigned responsibility for the direction and coordination of counter-insurgency activities overseas to the Secretary of State, who established

⁷ Leary, *The Central Intelligence Agency: History and Documents*, p. 63.

⁸ *Ibid.*, p. 82.

⁹ See *Foreign Relations*, 1961–1963, vol. X, Cuba, 1961–1962, Documents 270 and 278.

a Senior Interdepartmental Group to assist in discharging these responsibilities.¹⁰

NSAM No. 303, June 2, 1964, from Bundy to the Secretaries of State and Defense and the DCI, changed the name of "Special Group 5412" to "303 Committee" but did not alter its composition, functions, or responsibility. Bundy was the chairman of the 303 Committee.¹¹

The Special Group and the 303 Committee approved 163 covert actions during the Kennedy administration and 142 during the Johnson administration through February 1967. The 1976 Final Report of the Church Committee, however, estimated that of the several thousand projects undertaken by the CIA since 1961, only 14 percent were considered on a case-by-case basis by the 303 Committee and its predecessors (and successors). Those not reviewed by the 303 Committee were low-risk and low-cost operations. The Final Report also cited a February 1967 CIA memorandum that included a description of the mode of policy arbitration of decisions on covert actions within the 303 Committee system. The CIA presentations were questioned, amended, and even on occasion denied, despite protests from the DCI. Department of State objections modified or nullified proposed operations, and the 303 Committee sometimes decided that some agency other than the CIA should undertake an operation or that CIA actions requested by Ambassadors on the scene should be rejected.¹²

The effectiveness of covert action has always been difficult for any administration to gauge, given concerns about security and the difficulty of judging the impact of U.S. initiatives on events. In October 1969 the new Nixon administration required annual 303 Committee reviews for all covert actions that the Committee had approved and automatic termination of any operation not reviewed after 12 months. On February 17, 1970, President Nixon signed National Security Decision Memorandum 40,¹³ which superseded NSC 5412/2 and changed the name of the covert action approval group to the 40 Committee, in part because the 303 Committee had been named in the media. The Attorney General was also added to the membership of the Committee. NSDM 40 reaffirmed the DCI's responsibility for the coordination, control, and conduct of covert operations and directed him to obtain policy approval from the 40 Committee for all major and "politically sensitive"

¹⁰ For text of NSAM No. 124, see *ibid.*, vol. VIII, National Security Policy, Document 68. NSAM No. 341, March 2, 1966, is printed *ibid.*, 1964–1968, vol. XXXIII, Organization and Management of U.S. Foreign Policy; United Nations, Document 56.

¹¹ For text of NSAM No. 303, see *ibid.*, Document 204.

¹² *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate, Book I, Foreign and Military Intelligence*, pp. 56–57.

¹³ For text of NSDM 40, see *Foreign Relations, 1969–1976*, vol. II, Organization and Management of U.S. Foreign Policy, 1969–1972, Document 203.

covert operations. He was also made responsible for ensuring an annual review by the 40 Committee of all approved covert operations.

The 40 Committee met regularly early in the Nixon administration, but over time the number of formal meetings declined and business came to be conducted via couriers and telephone votes. The Committee actually met only for major new proposals. As required, the DCI submitted annual status reports to the 40 Committee for each approved operation. According to the 1976 Church Committee Final Report, the 40 Committee considered only about 25 percent of the CIA's individual covert action projects, concentrating on major projects that provided broad policy guidelines for all covert actions. Congress received briefings on only a few proposed projects. Not all major operations, moreover, were brought before the 40 Committee: President Nixon in 1970 instructed the DCI to promote a coup d'etat against Chilean President Salvador Allende without Committee coordination or approval.¹⁴

Presidential Findings Since 1974 and the Operations Advisory Group

The Hughes-Ryan amendment to the Foreign Assistance Act of 1974 brought about a major change in the way the U.S. Government approved covert actions, requiring explicit approval by the President for each action and expanding Congressional oversight and control of the CIA. The CIA was authorized to spend appropriated funds on covert actions only after the President had signed a "finding" and informed Congress that the proposed operation was important to national security.¹⁵

Executive Order 11905, issued by President Ford on February 18, 1976, in the wake of major Congressional investigations of CIA activities by the Church and Pike Committees, replaced the 40 Committee with the Operations Advisory Group, composed of the President's Assistant for National Security Affairs, the Secretaries of State and Defense, the Chairman of the Joint Chiefs of Staff, and the DCI, who retained responsibility for the planning and implementation of covert operations. The OAG was required to hold formal meetings to develop recommendations for the President regarding a covert action and to conduct periodic reviews of previously-approved operations. EO 11905 also banned all U.S. Government employees from involvement in political assassinations, a prohibition that was retained in succeeding executive orders, and prohibited involvement in domestic intelligence activities.¹⁶

¹⁴ *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities*, United States Senate, Book I, Foreign and Military Intelligence, pp. 54-55, 57.

¹⁵ Public Law 93-559.

¹⁶ Executive Order 11905, "United States Foreign Intelligence Activities," *Weekly Compilation of Presidential Documents*, Vol. 12, No. 8, February 23, 1976.

Documents on Western Europe, 1973–1976

Western Europe Regional, 1973–1976

1. Memorandum From the President's Assistant for International Economic Affairs (Flanigan) to President Nixon¹

Washington, January 4, 1973.

SUBJECT

The Concorde

President Pompidou and Prime Minister Heath have written to you asking for support with respect to various U.S. regulatory hurdles which the Concorde must cross in order to be legally flown into this country. These letters and proposed responses are attached at Tabs 1 and 2 respectively.

The Concorde has been in development for ten years at a cost of about \$4.5 Billion to the British and French Governments. U.S. Government experts believe that the airplane will be so expensive as to require premium ticket prices or cross-subsidization. They also express the general conclusion that the Concorde is a technological failure which will be economically unsuccessful and environmentally (principally noise) unsatisfactory. Thus far there are no firm orders for Concorde except those of BOAC and Air France. Iran and PRC have given highly qualified orders and a number of U.S. and other airlines hold options to

¹ Summary: Flanigan sought Nixon's approval of U.S. policy toward Concorde.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 752, Presidential Correspondence, France, Pompidou, 1972 (1 of 2). Confidential. Shultz and Colson concurred. Attached but not published is Tab 1, a December 11, 1972 letter from Kosciusko-Morizet to Nixon; Tab 2, a December 11 letter from Cromer to Nixon; and Tab 3, minutes of a December 11, 1972 Interagency Review Group discussion of Concorde. Nixon did not indicate his preferences regarding Flanigan's recommendations; however, he did sign the attached letters to Heath and Pompidou, both of which are dated January 19. (Ibid.)

buy Concorde. The Pan American and TWA options expire at the end of January, and both airlines have indicated that they will not exercise their options (however, the British and French Governments have not yet been informed of this).

Because the Concorde's principal asset is its supersonic speed, its natural markets are Transoceanic (because of the sonic boom problem over land) routes to and from the United States (because of the heavy traffic on those routes). If U.S. environmental, safety or other regulations were to keep U.S. airlines from buying the Concorde or to prohibit the Concorde from landing in the U.S., its potential for sufficient sales to be economically viable (approximately 400 planes) would be destroyed.

The many facets of civil aviation regulation in this country require that any new airplane which is to be flown here be subjected to close scrutiny on all aspects of its construction, maintenance and operation. As development of the Concorde has proceeded in tandem with increasing environmental protection regulations here, it has become increasingly clear that if all relevant agencies are left on their own the Concorde will never be allowed into the U.S. Warned of this possibility and suspicious that these actions had been designed by the Administration as non-tariff barriers to destroy competition for our own aircraft industry, the British and French have steadily escalated their cries of alarm, including a recent meeting with me by both Ambassadors and their technical experts stressing the danger on a broad economic front and culminating in the attached letters to you. This timing may have resulted in part from the approaching deadline on the American options. On the assumption that PAA and TWA do not exercise their options, we want to be sure that the blame for that decision rest solely on economic considerations, rather than on U.S. Government action.

At a recent meeting of cabinet and subcabinet representatives of the Departments of State, Treasury, Commerce and Transportation, the National Security Council, and the Council on International Economic Policy the various environmental concerns and safety and operating problems relating to the Concorde were reviewed and a plan of action was unanimously agreed upon. Minutes of that meeting are attached at Tab 3.

This recommended plan can be characterized as one of accommodation of the Concorde on issues of administrative discretion within our control (other than safety matters which would be left to the technical discretion of the FAA). Our private advice to the French and British would be to that effect, coupled with the advice that (a) EPA and FAA noise and emissions standards must be nondiscriminatory and (b) the CAB as an independent agency with authority for airline fares, the Congress as a co-equal branch of the Government, and local com-

munities may take actions which could harm the prospects of the Concorde and which would not be subject to the control of the White House.

In the first specific Executive Branch action, the FAA is about to issue an advance Notice of a Proposed Fleet Noise Rule which would require a reduction in the average noise levels of the fleets of U.S. airlines by the end of 1976. In accordance with the agreed plan of action, this rule will be drafted so as to be inapplicable to the Concorde.

In addition, it has been agreed that a proposed FAA rule which would apply subsonic noise standards to all supersonic airplanes will be delayed until comments have been received on the proposed fleet noise rule, on the basis that these two rules are related and should be made final jointly and in connection with a joint environmental impact statement.

Through these actions we will signal our intent not to impede the prospects of the Concorde to the extent that that result is within the control of the Administration. Furthermore, nothing in this proposal will provide anything solid upon which the environmentalists can mount an attack in Congress or the news media.

Recommendation:

1. That you approve the policy recommendations and course of action discussed in this memorandum. NSC, State, Treasury, Commerce and Transportation concur.

2. That you sign the attached letters (Tab 2) to President Pompidou and Prime Minister Heath responding to their letters to you on the subject of the Concorde. These letters have been cleared with NSC and approved in substance by State.

Discussion:

The letters to Pompidou and Heath are intended to assure them of our good faith in this matter while indicating that such good faith should not be repaid with any kind of governmental subsidy of the price of the Concorde which would allow it to compete with U.S. planes other than on its own economic merits. We also refer obliquely in the Pompidou letter to the undesirability of French pressure on the Swiss Government not to buy our A-7 military aircraft.

Approve*

Disapprove

See Me

*Secretary Schultz and Chuck Colson concur.

2. **Memorandum From Helmut Sonnenfeldt of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)**¹

Washington, January 17, 1973.

SUBJECT

French Fears of US-Soviet Collusion and "Neutralization" of Germany

Several recent reports relating to Pompidou's visit to Brezhnev highlight two current French concerns and Pompidou's efforts to deal with them. These concerns are:

—that the U.S. and the Soviet Union have been colluding against West European, specifically French, interests in MBFR, CSCE, and the German question; and

—that the end result of what the French conceive to be US-Soviet MBFR deals and of the implementation of the West German-East German treaty will be a neutralized Germany

The four reports (attached at Tabs A–D) deserve your attention, revealing as they do Pompidou's apprehensions and the stratagems with which we will have to deal.

Tab A

In [*less than 1 line not declassified*] mid-December, [*less than 1 line not declassified*] the well-connected [*less than 1 line not declassified*] in Paris, reports the French government fears that the bonds being established between the two Germanies and MBFR negotiations together may lead to a neutralized belt in Central Europe. This accounts for Pompidou's antipathy to arms reductions in this area, as expressed in his interview with Reston.

[*less than 1 line not declassified*] also comments that Pompidou thinks Europe may have to pay the price for the Soviet-American dialogue, with which it has not been associated. He sees the visit to Brezhnev as a way for Pompidou to keep in touch with Moscow in order to guard against such dangers.

Tab B

At the Franco-German Political Directors' consultations, (Von Staden on the German side, Arnaud on the French), the Germans tell

¹Summary: Sonnenfeldt discussed French fears of U.S.–USSR collusion and the "neutralization" of Germany.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 679, Country Files, Europe, France Vol. X (Aug 72–Apr 73). Top Secret; Codeword; Sensitive. Sent for information. Attached but not published are Tabs A through D. Kissinger initialed the memorandum.

us, the French hammered away on what they called the “Kissinger-Gromyko deal” on the MBFR/CSCE procedural scenario. They warned the Germans that US “insistence on restrictive formulations” for force reductions is part of this implicit deal, and will result in both bilateral super-power hegemony in Europe and neutralization of the FRG. They said that France would be vigilant during CSCE against US-Soviet dealing and would speak up to defend European interests.

Tab C

Much of this surfaced in a clearly backgrounded *Le Monde* story from Moscow published on the day before Pompidou’s visit. It complains that although the Russians had courteously kept France informed of the Summit talks in May, this had changed after your visit to Moscow in September, and the French are no longer being kept *au courant* on US-Soviet talks. The deal on scenarios and your “intervention” in the Four Power Berlin declaration in October is a triumph of bipolarity. The U.S. and the Soviet Union make all the key decisions and then invite the Europeans to sign.

But France can assert itself, since Pompidou remains the only possible European partner for Moscow and because there have been signs of recent troubles in the Soviet-US relationship (*Le Monde* cites: Vietnam, delays in the natural gas deal, and a SALT issue). Even so, Pompidou knows that the Soviets give priority to relations with Washington, not Paris.

Tab D

A Paris cable quotes Pompidou as saying at a January 12 press conference in Minsk that Brezhnev had asked France to participate in MBFR, that France could not change her position suddenly, but that he had “noted with interest” both the “detailed conception” of Soviet views on MBFR and Soviet reasons for wanting French participation. Tatu adds that this translates into an increase in flexibility in the French MBFR position. The Soviet Union’s pleas on MBFR had had some effect on Pompidou.

French Motivations

By putting out this line prior to his visit to Brezhnev, Pompidou was posturing again as Russia’s only European *intolocuteur valable*, the champion of Europe’s interest against the two superpowers, and as the only statesman capable of convincing Brezhnev that he should alter his deplorable propensity to bilateralism with Washington. Such a pose enhances Pompidou’s prospects with the electorate.

More important for us, he may be signalling a demand that we cut him into our decision-making on European security issues at an early stage if we want his support in CSCE and MBFR. The alternative is a

Franco-German alignment against us on some of them, something our Embassy in Bonn senses (last paragraph of Tab B) is already beginning. This comes through most clearly in his press conference remark that Brezhnev had provided him with a detailed explanation of the Soviet position—the implication evidently being that it was better than any we have given him. (This is disingenuous in view of your extensive talks on this matter with Debré, Schumann and him.)

3. Memorandum From the President's Assistant for International Economic Affairs (Flanigan) to the Under Secretary of State for Economic Growth, Energy, and the Environment (Casey)¹

Washington, January 26, 1973.

SUBJECT

US Position on GATT Negotiations Concerning EC Enlargement and EC–EFTA Agreements

As a result of the CIEP Senior Review Group meeting on January 25 concerning the position the US Government should take on the subject negotiations, the following decisions were reached:

1. Examination of EC Enlargement Under GATT Article XXIV:5

We will proceed with our own preparation and analysis of data concerning the general incidence of protection under the EC enlargement arrangements to be in a position to submit our data to the GATT EC enlargement working party. Our general position in the examination will be that until the parties concerned are able to agree on the effect which the adoption of variable levies by the acceding states will have on the general incidence of protection, we cannot reach a conclu-

¹Summary: Flanigan reported the decisions reached at a January 25 CIEP SRG meeting on the U.S. position on the GATT negotiations on EC enlargement and the EC–EFTA agreements.

Source: National Archives, RG 429, Records on the Council on International Economic Policy, 1971–1977, Records of Senior Review Group Meetings, 1971–1974, Box 254, SRG Meetings 1973, 1/25/73 SRG Meeting re GATT and EC Enlargement (51718). Confidential. Memorandum addressed to William Casey, Jack Bennett, William Eberle, Carroll Brunthaver, Lawrence Fox, Helmut Sonnenfeldt, and Geza Feketekuty. Copies were sent to Treasury, State, USDA, NSC, and STR. For memoranda of conversation recording Heath's February 1 to 2 official visit to Washington, see Documents 216, 217, and 218.

sion as to whether the general incidence of protection after enlargement will “on the whole, be higher or more restrictive” than the general incidence of protection before enlargement. We will advocate that the working party continue its examination and review when further progress can be made, and that the emphasis should now shift to the Article XXIV:6 negotiations.

2. Negotiations on Enlargement Under Article XXIV:6

We will table a list of products on which we have bindings (or enjoy similar rights) which have been impaired and which are of some consequence to our trade. We will state that we have a right to compensation on all items. However, we will agree eventually to accept, as satisfactory, compensation in items which are of significant importance to us, including some industrial and some agricultural products. (These will be identified after further interagency discussion.) We will inform the EC that we believe these negotiations should be conducted expeditiously and completed before next September. We will also inform the EC that, if we are unable to reach an agreement on satisfactory compensation, we would feel free to make compensatory concession withdrawals pursuant to the rights we have in GATT. However, we will not, at this time, indicate that we will in fact make such withdrawals, reserving that judgment to the President for a later date.

3. Examination of EC–EFTA Agreements and Related Action

We will state our view, in the GATT working parties, that we do not believe these agreements conform to GATT requirements regarding free trade areas (supporting that view with reasons to be developed by STR). However, we will not press the legal issues to a decision in GATT. Rather we will press the parties involved to undertake consultations bilaterally and/or under GATT Articles XXII or XXIII concerning impairment of our trade interests. We would state that we believe these consultations should proceed expeditiously and be concluded before next September. We will also state, that in the absence of a satisfactory agreement on adjustments or compensation in these consultations, we will feel free to exercise our rights under GATT. As with the Article XXIV:6 negotiations, we will not state that we will in fact exercise those rights, reserving such a decision for the President later. An interagency group under STR will propose appropriate positions to be taken in these consultations for approval.

The positions regarding our need for compensation and our freedom to withdraw concessions in its absence may be made known to Prime Minister Heath and Trade Minister Walker during their visits.

4. **Memorandum From Helmut Sonnenfeldt of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)**¹

Washington, January 29, 1973.

SUBJECT

Analytical Summary—NSSM 164, US Relations with Europe

The heart of the study is:

—The Conceptual Section on *Future US-Western European Relations* (pp. 9–23), which offers three options for our overall relationship. They are to (1) move toward closer more integrated relations; (2) attenuate relationships, with as a possible corollary the US moving toward closer bilateral cooperation with the USSR; and (3) follow the present policy of maintaining security arrangements while giving equal weight to improving the US economic position.

You should in any case read this part of the paper.

The second part worth reading, or at least skimming, is the section on *Issues and Goals* (pp. 30–53), which contains a *shopping list of issues* under economic, political, security, military, and science and technology headings. You might look at these headings as possible subjects for additional studies that may be needed to help us work out a comprehensive approach to US-West European relations.

Analysis of the two-part paper (I—Broad Policy Concepts;—Specific Issues and Goals) follows. A summary of agency views is at the end.

¹ Summary: Sonnenfeldt provided an analytical summary of the study prepared in response to NSSM 164, United States Relations with Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–66, Meeting Files, SRG Meeting—Europe (NSSM 164). Secret. An unknown hand initialed the memorandum on Sonnenfeldt's behalf. Attached but not published are Tabs A through F. Tab A is a January 4 memorandum from Acting Assistant Secretary of Commerce Lawrence Fox to Hyland; Tab B is a January 11 memorandum from Assistant Secretary of Agriculture Carroll Brunthaver to Sonnenfeldt; Tab C is a January 26 memorandum from Special Assistant to the Secretary of the Treasury John Hart to Kissinger; Tab D is a January 2 memorandum from Assistant Secretary of Defense John Morse to Sonnenfeldt; Tab E is a December 29, 1972 memorandum from Special Assistant to ACDA Director A. M. Christopher to Davis; and Tab F is a CIA memorandum. For NSSM 164, see Document 84, *Foreign Relations, 1969–1976*, vol. XLI, Western Europe; NATO, 1969–1972.

PART I

BROAD POLICY CONCEPTS

The US and Europe in Transition (pp. 2–4)

This introductory section deals with the interaction between our security policy toward Western Europe and the Soviet Union and the economic pressures on US-European, specifically US–EC, relations. The main point made is that uncertainties in Western Europe about the consequences of US–Soviet bilateralism and strategic equivalency plus economic problems on both sides of the Atlantic create a climate in which US-European tensions can become exacerbated.

The study at the outset sets the stage here for the probable US-European trade-off, in which we give assurances in the security field, while the Europeans try to alleviate our economic problems.

The US Role: Priorities, Interrelationships, etc. (pp. 5–8)

This section points out that Europe's integration is greatest in the economic area, where our interests are most often challenged, and least in the political and military sphere, where our interests would best be served by integration. The unevenness of development in the two spheres accounts for the ambivalence in our approach to European integration.

Stresses on US-European issues of economics and of technology export reinforce tendencies on both sides to take narrower positions, which undercut cooperation and cooperative arrangements in other fields. Moreover, we are pursuing different policies in different institutions, seemingly isolated from one another (e.g. NATO vs. the EC or the EC vs. OECD).

The chief contention of this section—hardly a startling one—is that there are many interrelationships in US–West European relations. What is more these interrelationships are “unbalanced,” (“asymmetrical” may be meant), the study says, with security and military elements binding us and many economic and some political elements dividing us. The study argues that overall relationships must be brought into a balance more favorable to the US.

After discussing how the Europeans' economic and technology policies are contributing to a deterioration in the climate of US–European relations, the section points up European concerns about US–Soviet bilateralism. It makes clear, while obviously reluctant to criticize our policies, that this bilateralism and our unilateral economic actions, such as that of August 15, 1971, constitute our contribution to this deterioration. This is further stage-setting for the potential trade-off mentioned above.

Concepts for Future US-Western European Relations (pp. 9–23)

This is the one section you must read. The predilection is for orderliness. The section asserts that we “cannot” pursue separate tracks in security, political, economic, etc. policies and that there “should be a synthesis” in making our policies and a coherence in carrying them out.

Comment: This is a highly desirable goal, in theory. The study hardly recognizes that in practice, however, the government has a far more difficult task imposing coherence on the pattern of our relations with such a complex and pluralistic societies as the Western European than it does with simpler but politically more centralized states such as the USSR and China. Our non-governmental and governmental affairs with Western Europe have become so intermeshed and transnational forces outside governments’ control so strong that even the USG is constrained.

This observation notwithstanding, you will want to consider the three options presented.

1. *To move towards closer more integrated relations* with Western Europe in all spheres, through enhanced cooperation and possibly through new treaty and institutional relationships.

2. *To attenuate relationships with Western Europe*, allowing institutional ties to deteriorate if necessary. Under this approach, the US would have more distant and less cooperative relations with the EC as an entity, and its members, and with the other Western European states.

—*As a corollary, the US could move, or not, toward closer bilateral cooperation with the USSR.*

3. *To pursue the present policy* of maintaining security arrangements, as well as giving equal weight and attention to improving the US economic position through reform of the world economic system.

Option 1: Closer Integration (pp. 10–15)

As developed in this study, this option is a reasonably respectable alternative to the status quo and one cherished by old time Atlanticists in State and outside it. It has the attraction of creating a US-European super-super power that, in theory at least, would overawe other power centers and could by pooling them rationalize the use of its tremendous economic and technological resources.

The study, focussed as it is on Western Europe, is understandably deficient in exploring the global ramifications of this Europe-first option. Such a policy would require or result in the alienation of Japan from us and in our retreat as a power in the Pacific, where the greatest strategic confrontation of the coming decade (Russia-China-Japan) may occur. It would also involve some reduction of our cooperation with

the USSR. Indeed a strong move in this direction would certainly be seen by the Soviets as posing a major threat to their ability to retain their position in Eastern Europe.

Consideration of this option, however, helps sharpen perception of the other two options—a distancing from Europe and preservation of the status quo—*but plus*.

Option 2: A More Distant Relationship (pp. 15–19)

This Option is not well developed since it runs against the ingrained predispositions of all who deal with Europe. Yet, it too, like the first Option, has some intellectual merit. A drift toward a looser relationship with competitive aspects remaining could well be the outcome of the present situation. Even if neither side deliberately sets out to divide themselves from their Atlantic partners, there are lines in the present policies of the US and the Europeans that can easily lead to an attenuation of relations.

The principal defect in the option is how to reconcile what seems to be a permanent US security interest in Western Europe with the concept of a more competitive relationship between less interdependent entities.

A) The study suggests that one corollary might be to draw closer to the USSR. This, of course, is the condominium thesis applied to Europe; the underlying idea would be that both the US and USSR would remain involved in Europe, on the understanding that spheres of influence would be respected. This is not totally inconceivable, or outrageous, as it may seem. The Europeans aspire to a position of greater independence, but want out [of] security guarantees. The principal problem might be one of credibility. How could the Europeans have any confidence, under this option, that we would retain our security interests and position in Western Europe as our relations with Moscow improved? The short term impact of this sub-option might be to precipitate a race to Moscow. The natural weight of the USSR in Europe might make it untenable in any case.

B) Mentioned (p. 16 and pp. 28–29) but not discussed much, is a second corollary—deliberate emphasis on our bilateral relationships with the individual European countries, perhaps particularly with the three majors, Britain, France, and West Germany. If bargaining on economic issues were carefully orchestrated and differences between EC members successfully exploited, this policy line might win substantial concessions for us in trade, agriculture, monetary rules and other issues of that kind. At a time when the locus of decision-making is moving only slowly from national capitals to Brussels a decision on our part to deal more with individual members rather than with the EC on these issues could affect the pace of movement toward European integration.

This sub-option is more than just intellectually conceivable. Some elements of our government were clearly tempted in this direction (toward the FRG) on monetary issues during the fall of 1971. Although it runs counter to quarter century's public support for European integration, it deserves consideration since it compels us to reflect whether encouraging Western Europe to create more collective authority, as we are always saying, is really advantageous to all our economic and political interests.

Also important is the problem of whether the distancing concept—and its implication of pentagonal balance, etc., permits us to pursue the general lines of China policy we seem to be developing. To the extent that the USSR relieved of its European concerns, through a deliberate US policy of disengagement, then China will become more concerned to find allies and counters to anticipated Soviet pressures in the Far East. We might find that as we loosened our relationship with Europe, we would have to draw closer to China, or we might find that the Chinese, viewing our policy with some dismay, would move to accommodation with the USSR. How Japan would find its place in this kind of maneuvering is anybody's guess.

In sum, while we may eventually find that a loosening of relations will come about, to adopt it as a deliberate policy holds many uncertainties and dangers.

Option 3. The Status Quo, Improved to Our Advantage (pp. 20–23)

This, of course, is where the drafters' heart is. If Option 1 and 3 seem too radical, we are back to the original issue of how to solve our current European problems. The study presents two sub-options:

—*Variant 1* is to seek improvements in the Western security structure, if necessary, at the expense of some US concessions in economic issues;

—*Variant 2* is to put greater emphasis on extracting concessions on trade and monetary issues, even at the risk of so serious a falling-out as to jeopardize our overall relations. The assumption here is that the Europeans have more to lose in both security and monetary fields than we do.

The favored middle ground (pp. 21–23) involves the following specifics:

—enhance political consultations, possibly including new institutional machinery;

—reaffirm military commitments, including “off-setting” concerns in MBFR and SALT (what this means is not clear);

—multilateralize offset of financial costs for troop deployments;

—reform of world economic system through multilateral monetary and trade negotiations (p. 22 for specifics).

—Allow more European access to US technology, through joint projects and programs in part.

Obviously, this is where the study winds up. *The problem, which is not thoroughly analyzed, is how to proceed.*

Comment: The paper correctly notes that Options 1 and 3 are not exclusive. We could improve on the status quo and if successful move on to even closer more integrated relationships. While the paper does not say so, it is also possible that if we fail to improve on the status quo (option 3), we could drift into option 2, the more distant relationship.

Institutions (pp. 24–29)

Here the study offers some rather routine suggestions on how to realize Options 1 and 3—new consultative institutions, summit meetings of various sorts, and an emphasis on bilateralism. This is not worth your going into now, until we have made decisions on the broad policy options. Then we will have to give institutional questions more thought.

PART II (pp. 30–53)

ISSUES AND GOALS

This gives a good catalogue of current issues between us and the West Europeans. It is all well and good to favor a better “balance” in our relations, as Part I of the study does, but what we need is a specific program of action (or deliberate inaction) on the issues discussed in this part of the paper.

A few of these issues seem key from a political point of view. A drawback of this part of the study is its failure to rank order the economic issues in terms of importance, or at least timing. It seems generally agreed within the government that certain trade issues, such as preferences, need to be addressed before monetary reform, for example.

It is also no great accomplishment to define, as the paper generally does, what we want. In dealing with the West Europeans, the problem—and one which you need to focus on (see the talker)—is to define

—those aspects of our economic relationships where we can afford to be forthcoming, making concessions in return for counterconcessions on other matters of greater interest;

—those aspects where we cannot afford to budge and must have European concessions.

It may be difficult to do this without laying down maximum and minimum demands, which of course the economic agencies do not want to do.

The following issues in Part II seem to warrant special attention:

Economics (pp. 30–37)

—In surveying the presentation in the paper, the EC preferences and our demands for compensation (p. 34a) seem to be the most illogical and contradictory area of our approach. We cannot really urge the Europeans into greater political responsibilities and support the concept of Europe, and at the same time, put a price on every aspect of expansion. Our political and security interests are well served, for example, by a strong European role in North Africa and the Middle East.

Politics (pp. 37–38)

The first issue is one of approach: do we want to deal with the major European powers bilaterally or move toward some institutionalized dialogue with the EC? This is not sufficiently analyzed in the paper.

—If we adopt the EC option, we will almost inevitably help encourage an EC bloc within NATO. We will have to resolve the conflict between our economic relations with the EC and our security relations with all the NATO countries.

—Because of French hesitations if nothing else, we will still be dealing largely bilaterally in practice for some time to come. But we should decide whether we should put forward an institutional arrangement as a *goal*.

—If we do, do we also want to consider some treaty relationship with the EC countries collectively? What would this do to NATO flank countries that are excluded?

Security East-West (pp. 3a–42)

We could probably engineer a small US-Soviet reduction in MBFR. Do we really want this, or should we go for a constraints freeze approach that leaves forces intact for now?

—Do we want to give priority to promoting East European independence through the CSCE or to get the conference over with? The latter course could be facilitated by changes in the US position.

—Do we want to allow the Europeans, East and West, some institutional links, for example, in a permanent CSCE secretariat or other machinery?

Military (pp. 43–49)

Despite all its faults, there is much to be said for not tinkering with the status quo in NATO force deployments, doctrine, etc. To reopen basic issues is hazardous, especially for a second term American Administration.

—It might be preferable to devote the next year to improving the NPG as the start of a more rational consideration of tactical nuclear doctrine, which is the area of greatest disarray.

—Do the Europeans seem to be moving toward a European Defense Community?

—If so, are we contemplating withdrawal as it comes into being?

—How are we to deal with the probability that the UK will want the Poseidon, and that even the French may anticipate using the Poseidon in their sixth SLBM. (They have asked about design compatibility.)

Technology (pp. 50–53)

Do we want and are we able to preserve our advanced technology for ourselves or do we want to export it?

—What room is there for closer cooperation in common projects with the Europeans in outer space, etc.?

Agency Views

Because of the short original deadline for preparing this response, a larger share than usual of drafting initiative was left in the hands of State. The other agencies have sent us subsequent memoranda giving their views, which some of them complain were unsufficiently taken into account in the response.

Commerce (memo at Tab A), *Agriculture* (Tab B), and *Treasury* (Tab C) insist that the options are cooked so as to make only option 3 (“present policies”) sensible. They argue further that this option does not provide for vigorous enough pursuit of our monetary and trade objectives. *Commerce* and *Agriculture* virtually deny the NSSM’s basic thesis that there is an important interrelationship between political/security policies and economic ones. They insist that at a minimum the US can successfully pursue our objectives in both areas in a parallel fashion. *Treasury* acknowledges that there may be an interrelationship but maintains that global monetary and trade reforms beneficial to us should be determining.

Commerce wants to adopt an option that would, like option 3, provide for parallel attention to security/political arrangements and to improving our economic position but wants to do the latter “vigorously”.

Agriculture, little concerned with broad policy options, objects to option 3’s implicit proposal that solution of our short-term economic problems with the Europeans be delayed until the GATT trade negotiations next September; it wants to push hard now, with the EC, with threats of retaliation, on grain rights and export subsidies.

Defense (memorandum at Tab D) believes that for policy-making purposes it is impossible to assign relative weights to political/security

elements and economic elements in the interrelationship. It sees nothing in the NSSM 164 response that would justify any significant departures from our present security and military policies. It thus favors option 3 but also stresses that bilateral defense links with the European countries are important.

ACDA (memorandum at Tab E) is concerned that the SALT non-transfer issue and the possibility that MBFR could have beneficial effects in our relationship with Western Europe are not given sufficient attention.

CIA (memorandum at Tab F) points out that the response fails to refer to our world view in its discussion. It would also like to see an Atlantic Union option considered.

Final Comment

A review of the individual security and military issues outlined in Part II of the paper again brings to the fore the basic question—*do we want to remain in a close security association with Western Europe and, additionally, to assist in its military protection?*

Assuming we do, then the key policy issue, as I see it, is simply whether we:

(a) *adopt an economics over politics approach for a finite period*, perhaps for the next year, during which we will be conducting important economic negotiations; or

(b) *put political security issues immediately first*, allay Europeans' apprehensions, and draw on the resultant political capital to help us through the economic problems and trade negotiations.

These issues are discussed in my memorandum to you on the meeting in this briefing book.

5. Minutes of Senior Review Group Meeting¹

Washington, January 31, 1973, 5:00–5:51 p.m.

SUBJECT

U.S. Relations with Western Europe (NSSM 164)

PARTICIPANTS

Chairman

Henry A. Kissinger

State

Kenneth Rush

William Casey

Walter Stoessel

Ralph McGuire

Defense

Lawrence Eagleburger

John H. Morse

JCS

Adm. Thomas Moorer

B/Gen. Keith Christensen

CIA

Richard Helms

[name not declassified]

Treasury

Paul Volcker

John Hennessy

John Hart

CIEP

Peter Flanigan

Deane Hinton

NSC

B/Gen. Brent Scowcroft

Helmut Sonnenfeldt

William Hyland

Robert Hormats

Robert Livingston

Jeanne W. Davis

SUMMARY OF CONCLUSIONS

It was agreed that:

—CIEP would prepare a list of economic negotiations with European countries and what we wish to accomplish in them.

—Defense would prepare a paper outlining what we want from the Europeans in the security field.

—State would prepare a paper on political issues with the European nations.

—The three papers will be considered at a later meeting and a summary consensus paper prepared.

Mr. Kissinger: Dick (Helms), do you have anything for us?

¹ Summary: The Senior Review Group considered the study prepared in response to NSSM 164, United States Relations with Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-113, SRG Minutes (Originals) 1972–1973 (3 of 4). Secret. The meeting took place in the White House Situation Room. Attached but not published is Helms' briefing, January 30. Flanigan sent the CIEP memorandum requested at this meeting to Kissinger under cover of a February 27 memorandum; the undated memorandum was entitled "US-European Relations: Economic Objectives." (Ibid., NSC Files, Box 1052, Institutional Materials, NSC Institutional Papers—March 1973)

Mr. Helms briefed from the attached text.

Mr. Kissinger: I wanted to have this meeting partly because of the Heath visit, although it's really too late to have any real input now. But we've been talking about the "year of Europe", and the President at his press conference indicated we would be paying increasing attention to Europe, but we haven't had any systematic discussion of what that means, of where we are going, what we are trying to accomplish, and the relationship between various elements of our policy. The State paper has given us three options, but they violated Kissinger's law by putting their preferred option last rather than in the middle. The three options are the present course, plus and minus. I don't necessarily have any better options. But, I think more integration is not likely, and that a conscious policy of attenuation is not likely either, although that may be the result. Moreover, I see some dilemmas in such things as SALT, MBFR and our trade negotiations. If the Europeans understood what we are doing in MBFR, they would see that it is overwhelmingly in their interest. We have avoided substantive discussions, first while Congress was in session and in a position to put pressure on us for US troop cuts in Europe, and now while neither the US or the Europeans really know what we are talking about. But the Europeans have interpreted this as evidence of a US-Soviet deal. On the question of forward-based systems in SALT, they apparently consider the central strategic balance of less concern to them than the weapons in Europe. Ken Rush made a good point at the Verification Panel meeting yesterday when he argued that any distinction between our treatment of a threat to the US as opposed to a threat to the European bases would make a bad impression on the Europeans. But we must also take into account the devastating impression made on the President by European behaviour during our bombing of North Vietnam. They argue about making our deterrent credible in Europe, but then are the most vicious and least understanding critics of our comparable actions in Indochina.

In the economic field, both sides have all the incentives to take maximum positions, but there are apparently no incentives to take reasonable positions. We've been talking in general about a global deal—the need for greater political unity, and defense and economic considerations all in one package—but I've seen nothing which puts this in concrete terms. What do we want from the Europeans? What are we willing to do? Maybe our best argument for economic concessions is that our military commitment depends on their showing some flexibility in economic matters. At least, this is something we should begin to discuss.

Another consideration is that Brezhnev will certainly be coming here and we will certainly be continuing intensive discussions with the Soviets.

How can we conduct these discussions without eliciting an unreasonable response from the Europeans?

Mr. Rush: I think it's important to separate the economic considerations from the political and military. The strength of our security system depends on people. If we have a major confrontation on agriculture, for example, with our labor unions involved, there will be great pressure to reduce our commitment to NATO with an inevitable effect on Congress. The national security aspect of these problems is one of mutual benefit. If it were not, neither the US nor the Europeans would stick with it. If we hold our security commitment as hostage to economic considerations, we will end up by carrying the load. From the economic and military standpoint we should take a stronger stand on the Europeans carrying a fair share of the load. This situation began when the US was the only strong partner. Now we're in a bad way both in trade and balance of payments. If the Europeans won't take on their share of the load, they're damn poor partners. But I think we can take a strong stand without needless confrontation.

Mr. Kissinger: But we don't know exactly what we want. I think we would find it a help in the timing of the various negotiations if we understood how they are related to each other and had some idea as to the various packages we would like to propose. Then we could make a reasonable decision as to strategy. What do you think, Peter (Flanigan)?

Mr. Flanigan: I think we're tending to overstate the scenario. On agricultural policy, we're annoyed because the European countries are subsidizing exports to third countries while placing restrictions on us. As long as they have these preferential agreements with the European countries, we want them to get their individual tariffs down to a level where the preferences won't hurt us. There aren't such enormous difficulties in our economic disagreements. The broader problem is what to do about relations with Japan in connection with the multilateral economic discussions. The Europeans say all countries have to respond in the same way. If we do that, we will push Japan away. We have to bring the Europeans to a more realistic position toward Japan. I think we can develop various positions, and then begin negotiations in March on some sensitive items and demand compensation on some of the tariffs set when the European Community was expanded. We should make it clear that we're considering retaliatory action—create a mind set.

Mr. Kissinger: What sort of a mind set?

Mr. Flanigan: Hopefully, that the US means business on this and that we will respond.

Mr. Kissinger: I have no view on this particular issue. I'm trying to get some game plan so that the issues don't come up one at a time. That way we will be in an endless war with the Europeans on economic issues and won't ever get around to the political and security issues.

Can't we get a list of issues? Everyone is saying we should tell Prime Minister Heath that he has to be a leader in this regard. If he says 'what do you want me to do?', what do we tell him?

Mr. Rush: I think a shotgun approach will accomplish nothing.

Mr. Kissinger: Some actions might be counterproductive.

Mr. Rush: On the question of preferences, take Spain. Those bases are important to us. If we fight them on the preferences, we might lose the bases. It would be counterproductive to go after their preferences if that should happen. Let's examine the facts and see how much these things would really hurt us.

Mr. Flanigan: We haven't had a position on some of these things—we have no position on Spain and Israel.

Mr. Kissinger: I see another problem on preferences. Could it be in our interest that some African countries might be influenced in the direction of political stability by reverse preferences? What would we gain by cutting them loose?

Mr. Flanigan: We're not cutting them loose. We are urging the developed countries to help the less-developed countries, but reverse preferences help the developed countries.

Mr. Kissinger: Is it possible to get a comprehensive balance sheet of what everyone wants from our relations with Europe which goes beyond general statements? Get a list of the economic negotiations and what we want to accomplish? Defense could outline what we want from the Europeans in the security field. State could cover the political field. How do we handle the détente problems—in MBFR and SALT? Let's try to get the Europeans away from the symbolic jousting and get them to the main issue. They should realize that a concrete discussion of MBFR is really their only salvation. The Europeans are still fighting the theory. After we get a look at the real issues, then we can decide our strategy—what we might trade off in the security field for some economic benefit. I have difficulty in forming any judgment without a clearer idea of the problems.

Mr. Casey: We need some way to relate them.

Mr. Volcker: The problem with our European relations is not particularly a bilateral US-European problem. Our relative external economic position is very weak. This leads to monetary upset and political frictions. These things are all related and we shouldn't talk about trade-offs. The Europeans would be the first to bitch if the dollar is weak. If we trade a weak dollar for security, that's no trade-off. We have a general US economic problem in the world which has its effect on Europe. There is one strand of opinion in Europe which is nationalistic and opportunistic and would pull the world apart. Another strand is Atlanticist and cooperative. Preferences in part are an example of the

expansionist trend with implications far beyond their economic impact with regard to dividing the world. There's no reason they should stop at Africa.

Mr. Kissinger: Unless the Japanese get there first.

Mr. Volcker: Yes. We want to counter this whenever it happens. We should look at preferences in this light. The economic and political issues are all tied up together but not in a way in which you can trade off easily. We should both support liberalizing forces in Europe and strengthen the US position internally or we won't accomplish either.

Mr. Kissinger: In the Azores agreement we got Pompidou to go higher not with an economic argument but with a political argument. We didn't want to settle the economic matters without French, but we made him aware that if he didn't cooperate France would be isolated.

Mr. Volcker: This was an example of European resistance to something that had to be done in both our interests. That was a good agreement.

Mr. Kissinger: Nothing will happen out of a consciousness of harmony. The best policies will run into objections. But we mustn't get adhoc-ed to death in a series of separate negotiations. Present day Europe is not distinguished by great statesmanship. It is being run by a series of party bosses obsessed with domestic politics.

Mr. Volcker: It's important to have an overall strategy and to look for something which is in our common interest. But we can take a tough position on specific issues.

Mr. Kissinger: If we can give the Europeans some theoretical rationale for what we're doing, they'll still resist even if it is in their long-term interests.

Mr. Flanigan: But if we don't make headway at home, we won't get anything from them.

Mr. Kissinger: (to Mr. Flanigan) Can you work out a paper on the economic issues? State and Defense should make their own inputs. We didn't discuss Japan. How do we handle that?

Mr. Flanigan: The Europeans are not looking at Japan realistically as it exists now. We should use the Europeans attitude to make Japan take some steps. We should be sure the Europeans don't tag us as pro-Japanese and vice versa, and should point out to the Europeans that Japanese economic policy is not as bad as they think.

Mr. Kissinger: What would be the practical consequences? What do we want the Europeans to do?

Mr. Flanigan: Not to design restrictions on Japan which pushes them out of their orbit and puts greater pressure on the US economy.

Adm. Moorer: I can see trade-offs within one category—Japanese versus European economic steps—but I don't see trading off economic issues for security.

Mr. Kissinger: We could agree to maintain certain troop levels for a certain time if they make concessions in the economic field.

Mr. Rush: That would be very dangerous. Each side should believe that any steps they take are in the interests of both. We want whole-hearted cooperation on the grounds that NATO is in Europe's best interests. If we make economic sacrifices for the sake of security, we will be undermining these policies.

Mr. Flanigan: But it would be easy to sell troop cuts to the American people if they felt they were being economically discriminated against.

Mr. Rush: That would be counterproductive. If NATO is not seen as indispensable, we would be conceding to the Russians. If we try to trade off economics for security, the Europeans would turn more to the USSR. A trade-off would weaken both economics and security.

Mr. Flanigan: We may not have the option of avoiding this, if Congress and the American people felt they're being had.

Mr. Kissinger: There is no inherent reason why an area with a population of 400 million with a GNP larger than the Soviet Union must be protected by the ground forces of a country 3000 miles away.

Mr. Rush: Unless we can persuade the American people that our troops in Europe are in their interest.

Mr. Kissinger: We're carrying 98% of the strategic load and a heavy load in conventional weapons. The most effective land force in Europe is American. With the strategic deterrent as a key element, you could make a good argument that the Europeans should take a far-sighted view. They cannot drive economic disparity to the point that our heavy defense commitment gives them a comparative advantage.

Mr. Rush: I understand the necessity to get a good economic deal. But it will do the reverse if we trade off NATO for economic advantage. It will undermine both.

Adm. Moorer: If they won't assist us on economic matters we can't maintain our military strength.

Mr. Rush: They should support both in their own interest.

Mr. Kissinger: Great! But it is a political fact that we will be under greater pressure on Europe. We had a majority against us even when the Vietnam groups were backing us in Europe.

Mr. Eagleburger: Is this a threat that we could ever perform on? If they don't perform economically, will we talk troop cuts?

Mr. Rush: The American people wouldn't sanction keeping military strength in Europe by economic concessions, and the Europeans wouldn't buy military strength by economic concessions.

Mr. Kissinger: That's not the way to do it. To maintain the proper psychological climate in the US we would have to keep in mind a broader perspective than immediate economic advantage.

Mr. Flanigan: Even on the economic front, they are not an ally for which we would make big sacrifices on the military front.

Mr. Kissinger: They cannot afford to maintain that we have to be hard as nails in Europe, while they have the right to go on moralistic binges when we take hard positions in other areas.

Mr. Volcker: We have a problem of semantics—we shouldn't talk about concessions.

Mr. Kissinger: Let's get the three papers I asked for and we'll have a meeting where we put them all together. We should be looking for some philosophy for the next three or four years which would encompass economic, defense and arms control policy rather than a series of ad hoc negotiations where we don't know where we're headed.

Mr. Flanigan: We have unity, purpose and thrust in the economic negotiations.

Mr. Volcker: Right. We just haven't articulated it properly.

Mr. Kissinger: We'll get a paper out summing up the consensus.

6. Conversation Between President Nixon and the President's Assistant for National Security Affairs (Kissinger)¹

Washington, February 3, 1973.

[Omitted here is discussion unrelated to Western Europe.]

Nixon: First—The second thing I want to ask you is that—You know, I am so glad that we got Heath over here . . .

Kissinger: Oh, that was a good meeting—

Nixon: . . . because we've got to have a friend in Europe . . .

Kissinger: That helps.

Nixon: . . . and he's the only solid one we've got.

Kissinger: Yeah.

Nixon: And, by golly, let's—let's play them.

¹ Summary: Nixon and Kissinger discussed Heath's recent visit to the United States and the state of Western Europe.

Source: National Archives, Nixon Presidential Materials, White House Tapes, Oval Office, Conversation No. 840–12. Secret. The editor transcribed the portion of the conversation published here specifically for this volume. The transcription is part of a larger conversation that lasted from 12:12 p.m. to 1:20 p.m. Memoranda of conversation on Nixon's meetings with Heath, during Heath's February 1 to 2 official visit to Washington, are published as Documents 216, 217, and 218.

Kissinger: Definitely—

Nixon: I mean, you've got a good relationship with him. I mean, as you know, when I need to talk to him, and I think that we—

Kissinger: You have a superb relationship with Heath.

Nixon: With Heath now we'll want to play to get him and we've got to play with him. See, what I think he appreciates, Henry, is that we didn't bug him on Northern Ireland.

Kissinger: No way.

Nixon: He knows that. He appreciates the fact that we didn't bug him on Rhodesia. He appreciates the fact that we didn't bug him on other things—

Kissinger: But then you did it in such a delicate way when you said, "All right, now, we've talked about Northern Ireland."

Nixon: Yeah. We're God, now, and—But now, therefore, on a much bigger thing he didn't give us hell, and as a matter of fact made all the right noises. But I really feel—the thing I want to say to you is that I know we've got some studies going on in view of the role of NATO and so forth and so on. What I was trying to do in talking to you was to push the British—

Kissinger: But they're doing it now.

Nixon: —into thinking about this.

Kissinger: No, no.

Nixon: And I actually think that our guys—I have the feeling about this being about the British. You may disagree. They're no longer a world power, but the British are bright and they think strategically. And I think the right British guy is better than the right guy in the State Department.

Kissinger: No question.

Nixon: Now, what I want you to do—

Kissinger: They're better trained.

Nixon: —what I want you to do—Take a fellow like [Sir Robert] Thompson. We haven't got anybody in our government that is as good as Thompson on that field. Take a fellow like that guy, that Alistair Buchan, I don't find many people around here in the State Department that think as, you know, in the broad terms. [Unclear], but what I think—I would like for you to take the best British brains and the best American brains and put them together in combine. The only question I ask is whether we are missing out on a good Frenchman. The French civil service, according to what I hear, and I think certainly on the economic side, is as good as any in the world—

Kissinger: No question—

Nixon: —on the foreign policy side are we missing some people? Now, you know, for example, we've got two or three French newsmen that you rate as well as the British. Right?

Kissinger: But the French are different. The French, in terms of intellect and maybe even education may be even superior to the British, but they don't have the—they don't—they are too doctrinaire.

Nixon: Yeah.

Kissinger: And they don't have the tradition of thinking in global terms. The French have always thought largely in European terms. But, I think it'd be too dangerous—

Nixon: Ok. All right. Fine.

Kissinger: —before March.

Nixon: Very well. What about?

Kissinger: After the election we should try.

Nixon: Oh, we will. Of course, of course. Nothing now. I was thinking of then, after the elections—

Kissinger: I think—

Nixon: —not the German one. Let me ask about that. Do you have anybody among the Germans that [unclear]. They say the Defense Minister's a pretty good man—

Kissinger: No, the old Defense Minister, Helmut Schmidt.

Nixon: They threw him out, huh?

Kissinger: No—

Nixon: Promote him?

Kissinger: They made him Finance Minister. They had a crisis with their Finance Minister leaving. Then, in order to—It was a complicated maneuver. In order to appoint a new minister they would have had to convene Parliament. They were afraid that if they convened Parliament, they might get a vote of no confidence, so they shifted . . .

Nixon: Yeah?

Kissinger: . . . they played around with the ministers that were already in office and then they didn't have to be confirmed by Parliament. This—this shifted Schmidt from Defense to Finance, which he wanted because Defense—Schmidt wants to become Chancellor. It's awfully tough to go from Defense to become Chancellor.

Nixon: What is the situation on Brandt's throat?

Kissinger: Unfortunately, it's not malignant. Now that's a terrible thing to say—

Nixon: I know what you mean.

Kissinger: What I mean—

Nixon: You mean, unfortunately, he's in very good health.

Kissinger: Unfortunately, he's likely to hang on in there, yeah.

Nixon: He is a dolt.

Kissinger: He is a dolt—

Nixon: He is a dolt—

Kissinger: —and he's dangerous.

Nixon: Well, I'm afraid he's dangerous. I really have to agree with you. I agree. God, you know, isn't a shame, though with the—? I was thinking of the German minds, of, well, basically, of the late 19th century. And frankly there were some pretty good—Well, I guess the Germans have had their problems, but the Germans, in terms of producing global thinkers—There's no Italians—

Kissinger: There was a curious—

Nixon: I had a curi[ous]—I had a very interesting talk with Heath in the car, you know. He was—we were talking about—there were lots of—I said: "Tell me, what men in Europe have you got?" As I said, we were talking about World War II and afterwards. I said, "What leaders in Europe have you got?" [unclear]. And you know his beautiful understanding, he said, "Well," he said, "I—I'm afraid I find it rather difficult to think about that at the moment." He said, "Pompidou." And he—Pompidou, this is my point, I said, "Pompidou has the brains and so forth to do it, but his interests are basically inward and parochial, and not outward and global."

Kissinger: No.

Nixon: He said, "Exactly." He said he had had the same experience with him. When he talked to Pompidou, they're always talking about tactical things for tomorrow, or economic things and so forth. Brandt he considers to be—He didn't say it quite as bluntly—He just considers to be dumb.

Kissinger: Well—

Nixon: And—But interestingly enough he picked the one guy—He likes the Italians that I have met. Andreotti—

Kissinger: Very good. Andreotti is very good—

Nixon: Yeah, but he picked the one—I said: "Now, look at the small countries. Who have you got?" He says: "None, yet there is one fellow that is quite good: Kreisky." He knew exactly where I was hitting. Down in that damn little country of Austria you've got one bright guy.

Kissinger: Yes.

Nixon: Kreisky.

Kissinger: Kreisky, he was impressive when you saw him—

Nixon: Remember?

Kissinger: In some—

Nixon: Well, the point about Kreisky is that. You see, I look back and I think what you and I've got to do is to think in terms of how we get the best brains in the world to work on some of these matters. And maybe we've just got to do it ourselves [unclear].

Kissinger: No, we can certainly do—

Nixon: But I—Do you remember after World War II, do you agree? I mean, not—Well, after World War I you had Smuts and people like that on the scene. After World War II, you can pick five or six leaders of Europe who were worth talking to. The Dutchman was very good. Do you remember his name? After World War II the—when he went to the World Court, you know, all that sort of thing? The Dutchman. There was a good Dane there. I remember, the—But at the present time, whether it's the diplomatic corps—

Kissinger: You see at that time the Europeans—Take Holland. It had an empire many times larger than itself, so it had to think in big terms—

Nixon: Yeah.

Kissinger: The Europeans have become provincial, and one thing you're doing by letting the British in on these things is you're really doing them a favor . . .

Nixon: Oh [unclear]—

Kissinger: . . . by enabling them to continue to think in big terms.

Nixon: Yeah. Did you notice, no interesting thing that, you know, we had all those briefing papers on the economics and the rest, and I did spend an hour-and-a-half with Shultz in which we ran it through, but the interesting thing was to me that Heath, instead of getting down—he got in serious on this side—but did you notice he wanted—he, himself, really wanted to talk about the big picture?

Kissinger: Oh, yeah.

Nixon: In other words, Heath has changed enormously since 1970. Remember our first meeting? He was talking in more minute terms . . .

Kissinger: Yeah.

Nixon: . . . and more immediate terms, but now Heath is thinking globally and the rest. And that's the reason why I wanted to talk to him yesterday to give him sort of—so he could start with—

Kissinger: Well, I thought—

Nixon: —his view of the world, and then to come in on this. And then—

Kissinger: Well, I thought—

Nixon: —he didn't say much, but he got—

Kissinger: Well—

Nixon: —the point.

Kissinger: Well, I thought—well, partly because even he cannot think in these big terms anymore. If you haven't got the power, then you haven't really got the incentive to think in those—

Nixon: Yeah, I know.

Kissinger: —terms.

Nixon: I know.

Kissinger: And—But I thought, as you were talking, that there's really no leader in the non-Communist world today who could make such a survey without notes. We—we didn't give you any talking points.

Nixon: No. We always don't. I've—Actually, the one guy that enjoyed it was Burke Trend.

Kissinger: Oh, yeah. Oh, he was—He's very impressed by you.

Nixon: He's just a great guy, too.

Kissinger: Yeah.

Nixon: It's a shame he's leaving, though, isn't it? What is it—his age?

Kissinger: 60. He's reaching retirement age, which is compulsory in Britain.

Nixon: Well, we do a lot of business [unclear]. What I have in mind is that the British could block for us in the Community.

Kissinger: That's right.

Nixon: Now, they won't want to waste it, but now that they're in, they can make the Community turn [unclear]—

Kissinger: And I think we should have—

Nixon: —and the British can also, in the NATO thing, force the Europeans to think a little more, you know, as to what their obligations are. They can help us. They can help reassure NATO, no doubt. [Unclear] Heath and Trend both asked a very perceptive question. They said, "How much of this can you tell to NATO?" Now, the point is you can tell them goddamn little.

Kissinger: That's right.

Nixon: But on the other hand, the British can, knowing what our thinking is, it occurs to me that Heath—add to it, and it occurs to them as well—can sort of lead the Europeans and reassure them, so that as we do. But, I'm keenly aware of the fact that as far as that FBS is a concern, like you talk in your briefing papers, it's a goddamn good tradeoff. But, as you know, we'll scare them to death.

Kissinger: Yeah.

Nixon: So, therefore, the thing to do is to prepare it so that they can see that the trade off is in their interest. I also realize that in terms of conventional forces and the rest that how much more we can do re-

mains—is problematical. And yet, we’ve got to—we’ve got to prepare the Europeans for the fact that they’re living now in a world so different from what it was when NATO was set up that we’ve just got to rethink it. What you said about 7,000 tactical weapons, now is—and that we found uses for a hundred in the last exercise. Now, what in the name of God have we got them there for, and why can’t we use nuclear tradeoffs? They’re getting [unclear]—

Kissinger: Exactly, Mr. President. This is a key point.

Nixon: [Unclear] But what we don’t hear any of this. It’s like when we have NSC meetings. You know, they sit there and you ask and then the Chiefs give their views, and Laird gives his—I think Richardson will be much better—

Kissinger: Much better.

Nixon: Don’t you think so?

Kissinger: Much better. I spent two hours with him—

Nixon: If we force him to think about it—

Kissinger: —this morning.

Nixon: Force him to think about it—

Kissinger: I spent two hours with him, and I said—I told him: “Look, Elliott, I give you two weeks. I won’t send out a directive for two weeks to you. Get some directive to the Chiefs along the lines of what the President has said to you. Establish yourself as the President’s man in the Pentagon.” Because I think it’s better anyway if he takes on the Chiefs.

Nixon: Yeah. But coming into this, coming around to this, my view is that when you get back from China—First, you ought take off two or three days. Second . . .

[Omitted here is discussion of Kissinger’s return from China and the Middle East.]

Nixon: When do you—When will you meet again with the Russians over there in connection with [unclear]?

Kissinger: About the 1st of March.

Nixon: And then you’re going to have to have some positions? Well, that would be fair. You’ve always been able to handle the agreements—

Kissinger: Well, we don’t have to have a position on the Middle East, although it would help. We do have to have a position on that nuclear treaty.

Nixon: That’s right. We’ve got to have something to give them.

Kissinger: Yeah.

Nixon: Right?

Kissinger: Right. And we may have to go a little further than the British want us to go.

Nixon: That doesn't bother you?

Kissinger: But we may be able to use it—

Nixon: You've got to realize that in this instance, even though we reassure the British and the Europeans all the time, that the game is between the Russians and ourselves. You know it, I know it—

Kissinger: And we may use this Poseidon deal to keep the British quiet, and to keep the Russians quiet we just weasel the odds if we do do the Poseidon deal.

Nixon: Keep the Russians quiet?

Kissinger: Well, supposing we tell the Russians—

Nixon: Announce the Poseidon deal then?

Kissinger: Suppose—Well, because if we tell the Russians, "Look, we'll go half way towards you on this nuclear treaty but in order to keep our allies quiet we have to do . . ."

Nixon: Hmm.

Kissinger: Then they have to choose. Because I think it is in our interest to keep the British in the nuclear business. The pressure on us will become too great if we are the only nuclear power.

Nixon: Absolutely. Well, I am rather surprised that Heath is willing to state it. Aren't you?

Kissinger: He realizes they'll be a nothing-country if they're not in it.

Nixon: Is that it?

Kissinger: They've got no grounds for it. They haven't got the domestic structure for large armed forces.

Nixon: They've still got a fleet.

Kissinger: Yeah, but not . . .

Nixon: Not much?

Kissinger: Not much.

Nixon: Poseidon would really give them a psychological lift, wouldn't it?

Kissinger: Yeah. It'd give them another ten years lease on life. Of course, it's now clear that if we had given them the Skybolt, their airplanes would still be useful.

Nixon: That was a terrible mistake, Henry.

Kissinger: It was a disaster.

Nixon: What did he do that for?

Kissinger: Because we wanted to get the British out of the nuclear prison. Then he didn't have the guts to go through with it.

Nixon: Well, it was the McNamara decision wasn't it—?

Kissinger: Yes.

Nixon: Wasn't that the McNamara period?

Kissinger: Yep. And then Kennedy, as always, having taken the first step, then when he met Macmillan he caved and gave him Polarises. And they figured they'd screw them on the Polarises later.

Nixon: But Skybolt would have really have—What it would have done would have kept in being a very good British Air Force. Right?

Kissinger: It would have kept in being a hundred and fifty British airplanes, which would stand. [unclear] The first Skybolt only had 300-mile range, but if you had extended it, they could still be—they'd still be a major factor.

Nixon: Yeah. Yeah.

Kissinger: It was a disastrous decision.

Nixon: God, what we've done to the British is in this unconscionable. What we did to them in '56 was terrible.

Kissinger: It was a disaster.

Nixon: What we've did and done to them since then, unbelievable what we've done. And when you think of what the British have done for the world, you know? Goddamn it, without the British, Hitler would have Europe today.

Kissinger: No question.

Nixon: Hitler would have them.

Kissinger: Own them.

Nixon: The son-of-a-bitch would still be living.

Kissinger: No question.

Nixon: Right?

Kissinger: No question.

Nixon: Without the British—They were the only ones that had kept the line. We say it over and over again, but we talk about our sacrifice—

Kissinger: Of course.

Nixon: —and, sure, we did a hell of a lot, but the British stood there alone, they held the tide back, and, also, the psychological, too.

Kissinger: Trevor-Roper thinks we were a little too effective in World War II.

Nixon: Why?

Kissinger: That if we had made a partial settlement . . .

Nixon: With the Germans?

Kissinger: . . . with the Germans, I mean. He agrees that Hitler had to be defeated, but he . . .

Nixon: I agree. Oh, I always felt that.

Kissinger: But he doesn't think—He said the tragedy was—we were speculating what would have happened . . .

Nixon: That's right.

Kissinger: . . . if one of these plots on Hitler had succeeded.

Nixon: Yeah.

Kissinger: And he felt then we should have made peace quickly . . .

Nixon: Absolutely—

Kissinger: . . . but he felt that we shouldn't have.

Nixon: Absolutely. The unconditional surrender thing was wrong. I mean, I know how we all felt at that time, but we were totally wrong. And what would have happened, and it would have happened without a question, is that the Germans then would have been there as a—

Kissinger: As barrier—

Nixon: —shield against the damn Russians.

Kissinger: That's right.

Nixon: And, also, the tragedy is—The tragedy is that we threw it all away at a time that we were looking down the Russian throats. That's what burns me up.

Kissinger: That's right.

Nixon: Henry, for God's sakes, the United States had ground forces, we had a monopoly on the bomb, the British were still there—

Kissinger: Well, Mr. President—

Nixon: —we were looking down their throats and damn it, and the fact that Roosevelt was sick, probably, everything else, we just gave them everything.

Kissinger: Well, considering what you have done . . .

Nixon: That's right.

Kissinger: Uh—

Nixon: You wonder now, the point that I made to Heath and I really feel, I don't know if—I don't know whether we can make it. We now have parity. The only reason I don't think we can—we may be—there's a considerable doubt if we can make it—is because of the will of Europe, the will of America, and also—Now, the other side of the coin is—the other side is that the Russians have some problems, too.

Kissinger: Yeah.

Nixon: And that—That's why the theory that you expressed yesterday of assuming that they are—that some evil genius is directing all this, that may be true, but it could also be true that there is not an evil genius, that they're trying to—that it isn't a planned thing, that it's just a bureaucracy moving along, moving along—

Kissinger: That could be. That could be. That could very well be. But we have one practical matter on the SALT delegation.

[Omitted here is discussion of SALT.]

7. National Security Study Memorandum 168¹

Washington, February 13, 1973.

TO

The Secretary of State
The Secretary of Defense
The Director, Central Intelligence

SUBJECT

U.S. NATO Policies and Programs

The President has directed a comprehensive study of NATO strategy, U.S. policy choices and programs supporting the NATO Allies. He directs the study be given the highest priority.

The study will consider both political and military aspects of factors affecting the NATO Alliance in two parts:

—*Part I* should define NATO's strategy and focus on the near term issues facing the Alliance over the next couple of years in implementing this strategy. It should identify weaknesses in NATO's defense capabilities and develop alternative programs to correct these deficiencies. The study should consider, as a minimum:

—The structure, equipping, disposition, and readiness of in-place Allied and U.S. forces in Europe and known deficiencies in these forces. Our current capabilities and deployment plans should be assessed with regard to our capability to reinforce our NATO Allies. The impact of alternative programs designed to enhance our capabilities should be determined. Known deficiencies in Allied/U.S. planning should also be considered (e.g., Allied and U.S. logistics planning for ammunition stocks, etc.).

¹ Summary: The President requested a comprehensive study of NATO strategy, U.S. policy choices, and programs supporting the NATO allies.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-195, Study Memorandums, 1969–1974, NSSM-168 (2 of 2). Secret.

—The political issues affecting Alliance cohesion including among other factors the impact of MBFR and SALT negotiations and how current and future problems could be further aggravated or alleviated by alternative U.S. approaches to MBFR and SALT.

—The study should assess NATO's current nuclear doctrines, forces, and employment planning and evaluate alternative doctrines which could support our future planning. The relationship between these alternative doctrines and U.S. nuclear delivery systems, warhead stockpile and deployments should be defined. The future role and possible functions of the Nuclear Planning Group should be evaluated in coordinating Alliance nuclear policy also.

—Develop alternative approaches for correcting identified military and political problems in terms of the contribution the Allies could make and the steps the U.S. would be willing to undertake.

Part I of the study should be done by an ad hoc group composed of representatives of the addressees and NSC staff and chaired by a representative of the Secretary of Defense. It should be submitted for DPRC review by April 1, 1973.

—*Part II* should focus on fundamental long-range prospects for NATO. It should assess the direction in which the Allies are moving on security issues (both military and political). In particular, it should analyze various pressures in Europe for lower defense effort. It should examine the long-term U.S. role in the Alliance and especially alternative combinations of U.S. and European contributions. The study should relate east-west (including U.S.-Soviet) political developments to alternative U.S. strategies in Europe in the late 1970s; in particular, alternative force postures and political strategies for the U.S. and NATO.

Part II of the study should be prepared by an interdepartmental group consisting of the addressees and the NSC staff and chaired by a representative of the Secretary of State. It should be completed by May 1, 1973, for review by the Senior Review Group, before consideration by the President.

In view of the sensitive nature of this review and possible misinterpretation of its purposes, the President has directed that its existence be closely held and access to this NSSM and the study material closely controlled.

Henry A. Kissinger

8. National Security Study Memorandum 170¹

Washington, February 13, 1973.

TO

The Secretary of State
The Secretary of Treasury
The Secretary of Defense

SUBJECT

Offsetting the Costs of U.S. Forces in Europe

The President has directed that a study be conducted, on an urgent basis, of alternative arrangements which could ease the future balance of payments costs of keeping our troops in Europe and provide a firm economic foundation for preserving current levels of U.S. troop deployments in the future.

This should include consideration of:

- larger bilateral offset arrangements with the FRG;
- additional bilateral offset arrangements with other NATO countries;
- different models of multilateral offset and financial arrangements.

The analysis should be done in the total context of our balance of payments position with Europe. It should take into account other economic and financial measures which the USG already has or will initiate in order to correct our overall balance of payments position.

This study should examine our Allies' economic and financial ability to contribute offset arrangements and the impact, in specific terms, on Allied defense efforts. The costs of making further qualitative and quantitative improvements to European forces should be assessed and compared with the costs of increasing balance of payments support for U.S. forces. The consequences for the long-term U.S. balance of payments situation, in particular our military account, should also be assessed. Scenarios for pursuing these alternative measures should also be developed.

¹ Summary: The President requested a study of alternative arrangements that could ease the future balance of payments costs of keeping U.S. troops in Europe and provide a firm economic foundation for preserving current levels of U.S. troop deployments in the future.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-196, Study Memorandums, 1969–1974, NSSM-170. Secret. Copies were sent to the DCI and the President's Assistant for International Economic Affairs. Eliot sent Kissinger the requested position paper on U.S.–FRG bilateral offset on February 22. (Ibid.)

These scenarios should take into account the ways in which U.S. policies could be used to influence the Allies to increase their defense efforts. Alternatives involving reductions in U.S. force levels should not be considered. Steps such as depending to a larger extent on our Allies for direct support for our troops (e.g., in terms of food, labor, material, etc.) should be addressed.

In addition, the State Department should prepare a brief position paper on how we should deal with the FRG on this issue in a way that will keep our options open prior to the President's decisions. This paper should be forwarded to me by February 21, 1973.

The study will incorporate ongoing work being conducted within the Department of State and should be conducted by an ad hoc committee composed of representatives of the addressees and chaired by a representative of the NSC staff. A first draft of the study should be prepared by the ad hoc working group and submitted by March 8, 1973.

Henry A. Kissinger

9. Memorandum From President Nixon to the President's Assistant for National Security Affairs (Kissinger)¹

March 10, 1973.

After our discussion on the telephone today, I have come completely around to the view that Connally so eloquently expressed a year ago and which we rejected for what then appeared to be good reasons.

The way the Europeans are talking today, European unity will not be in our interest, certainly not from a political viewpoint or from an economic viewpoint. When we used to talk about European unity, we were thinking in terms of the men who would be at the top of Europe

¹ Summary: Nixon discussed the implications of Western European unity for the United States.

Source: National Archives, Nixon Presidential Materials, White House Special Files, Staff Member & Office Files, President's Personal Files, Memoranda from the President, Box 4, Memos—March 1973. No classification marking. The memorandum is marked "draft" and contains multiple minor handwritten revisions by Nixon. Nixon spent most of March 10 at Camp David, Maryland, returning to Washington that evening. (Ibid., White House Central Files, President's Daily Diary) He spoke to Kissinger by telephone from Camp David from 11:40 a.m. to 12:08 p.m. and from 5:36 p.m. to 5:43 p.m. (Ibid.) The transcript of the morning telephone conversation contains no mention of the monetary crisis. (Ibid., Nixon Presidential Materials, Kissinger Telephone Conversations, Box 19) No other record of the evening conversation has been found.

who would be in control. Those men were people that we could get along with. Today, however, when we talk of European unity, and when we look far ahead, we have to recognize the stark fact that a united Europe will be led primarily by Left-leaning or Socialist heads of government. I say this despite the fact that Heath is still in power in Britain and Pompidou probably will retain power by a narrow margin in France. Even in Britain and France we have situations where the media and the establishment pull strongly to the Left at this point, and also where the media and the establishment take an increasingly anti-U.S. attitude.

In other words, what we have here is a situation where the Germans are totally pulled to the Left because of a Socialist government being in power, and where the other leaders will be pulled in that direction by their internal political situation. This means that, whether it's in the economic field, the political field, or eventually even the military field, we will find that Europe will be in increasing confrontation with the United States rather than joining with us to present a united front against Soviet encroachment.

Under these circumstances, political considerations must completely override economic considerations in monetary trade talks. This is going to be a bitter pill for Shultz to swallow but he must swallow it.

Also, the Connally view with regard to building our own bloc which would be made up of the United States, Japan and the under-developed countries of Latin America, Asia and Africa to the extent that we can mobilize them, must now become our objective.

Needless to say, these thoughts must not get into the bureaucracy and must also not be discussed in any public forum. What matters now is what we do and we must act effectively and soon or we will create in Europe, a Frankenstein monster, which could prove to be highly detrimental to our interests in the years ahead.

10. Memorandum From the President's Assistant for National Security Affairs (Kissinger) and Secretary of the Treasury Shultz to President Nixon¹

Washington, April 18, 1973.

SUBJECT

European Community Preferential Arrangements with Spain and Israel

In October 1971 we informed the European Community, Spain, and Israel that we wanted to consult with them pursuant to GATT rules regarding the impairment of our trade inherent in the Community's preferential trade agreements with those countries. These consultations have still not been launched, in part because of persistent interagency disagreements over how to proceed.

Despite the problems and legitimate concerns, negotiating instructions were worked out with the concerned Departments. (Tab A)

The proposed line of action has risks, but they should be manageable.

The foreign risks are:

- (1) A probable adverse reaction in the EC which France in particular is likely to try to exploit to our disadvantage.
- (2) The possibility of a strongly negative reaction in Israel and Spain. The latter could increase our difficulties in getting better cooperation on our military base problems in Spain.

The main domestic risk arises from the possible reaction to an action which Israel might seek to interpret here as unfriendly to Israel's national interests.

While we recognize these potential risks, we believe we are justified in running them in the interests of the credibility of our international economic policy stance of firm opposition to illegal preferences and to show domestic and Congressional opinion that we are acting to defend our legitimate trade interests. The risks can be minimized by skillful negotiation. We intend, in close consultation, to guide the playing of the hand. Moreover, rather than move to retaliation, we will spin out the consultations.

¹ Summary: Kissinger and Shultz secured Nixon's approval of their strategy for addressing the issue of EC preferential agreements with Spain and Israel.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 322, Subject Files, European Common Market, Vol III Oct 72–Jun 73 (1 of 2). Confidential. Sent for action. Attached but not published is Tab A, an undated paper entitled "Negotiating Instructions on EC-Spain and EC-Israel Trade Agreements." A stamped notation on the memorandum indicates the President saw it. Nixon initialed his approval of the proposed strategy.

Pursuing a negotiating strategy of risk minimization, we propose to:

(a) Tell the three parties involved confidentially and in advance what we intend to do and why, so that they fully understand the economic problems that compel us to act. These discussions will help preserve the political context.

(b) Avoid, in these confidential discussions, putting forth any specific figure for compensation. We intend to seek compensation for trade with the three parties worth about \$750 million, most of it involving our exports to the EC. (The amount for Israel is about \$40 million.) However, unless fully explained to the parties beforehand a figure of this magnitude might impede a serious dialogue on the preference issue.

(c) Seek to establish in these discussions the principle that compensation is due us and then, in the ensuing formal consultations, come forth with specific figures, and negotiate over those.

(d) Conduct discussions without publicity.

If you approve, George Shultz will make the initial presentation to the parties involved. We will then monitor the consultations together, with Peter Flanigan providing appropriate guidance.

Recommendation:

That you approve the scenario concerning negotiations with the EC, Spain, and Israel.

Approve

Disapprove

See Me

11. Memorandum From Philip Odeen of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, April 19, 1973.

SUBJECT

Balance of Payments Offset Agreements with NATO

A SRG meeting on NSSM 170—Offsetting the Balance of Payments Costs of NATO Deployments—is scheduled for Friday, April 20, 1973.

The current offset agreement with the FRG expires this June and the purpose of the meeting is to address the major issues to be decided in seeking a new agreement. In particular:

—Should a quick renewal of the current bilateral arrangement with the FRG be pursued?

—Should a multilateral offset arrangement be proposed?

—Should we give priority to expansion of Allied offset efforts at the cost of force improvements programs?

Background

The need to compensate for the cost of our European troop deployments was first formally recognized by NATO in the early 1950s. Actual agreements have been limited to US–FRG bilateral arrangements that initially diverted military procurement to the U.S. In the late 1960s as the initial FRG effort to equip its forces was completed, other measures were introduced including (a) payment for civilian projects of joint benefit, and (b) loans to the U.S. Treasury.

Although offset considerations have also been briefly mentioned in discussions of military procurement with the UK and Italy, neither country has entered into a formal agreement. In 1970 an agreement was concluded between the UK and FRG offsetting some of the UK spending in the FRG.

¹ Summary: Odeen reviewed the issue of balance of payments offset agreements and summarized the interagency study prepared in response to NSSM 170, Offsetting the Costs of U.S. Forces in Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–67, Meeting Files, SRG Meeting—Cancelled 4/26/73. Confidential. Sent for action. Sonnenfeldt and NSC staff member John Lehman concurred. Attached but not published are the enclosures included in the briefing book. The 43-page study prepared in response to NSSM 170, dated April 1973, is *ibid.*

The Current BOP Situation

In FY 1972, the U.S. spent about \$2.1B in NATO Europe to support our military deployments. About 90 percent was concentrated in five countries: (the FRG (66%), the UK (14%), Italy (7%), and the Benelux (5%)). About half was spent directly by our military personnel stationed overseas with the remainder paying for foreign civilian personnel working on U.S. bases, utilities, other services and supplies.

In the same year, NATO countries spent about \$600M in the U.S. (mainly for military equipment) leaving a military deficit with NATO Europe of about \$1.5B distributed by country in roughly the same manner as our military spending.

U.S. Military Deficit with NATO Europe in FY 72

<u>Country</u>	<u>Millions of Dollars</u>	<u>Percent of Total</u>
FRG	\$1089	71%
UK	195	13%
Italy	71	5%
Benelux	90	6%
Other	90	6%
TOTAL	\$1535	100%

This \$1.5B deficit with NATO was about half our total military deficit in FY 72 and is about 20 percent of the overall U.S. BOP deficit. The military BOP deficit was not the major cause of the overall BOP problem, however. It was caused by a deterioration of the trade surplus that in the past has paid for military deficits. In fact, our trade balance passed for a surplus of \$1.0B in 1970 to a deficit of \$2.7B in 1972.

The importance of the military BOP deficit will probably increase in the future because:

—Military outlays have been pushed up by (a) depreciation of the exchange rate (it takes more dollars to pay troop costs); (b) U.S. military pay has increased; and, (c) increasing overseas prices.

—Military receipts have not offset the increased expenditures. Most of this spending is for military equipment and sales have not increased even though prices have decreased because of devaluation. The countries prefer to buy from European producers.

Types of Offsetting Actions

There are two types of BOP offsetting actions—those that have real economic value (known as “hard” offsets); and those of primarily cosmetic value (known as “soft” offsets).

Of the “hard” offset measures, some are more valuable than others because they reduce our defense costs in addition to reducing our BOP deficit.

—Those that *both* reduce our defense costs as well as our balance of payments deficits are known as “*burdensharing*” measures and have the highest value because they represent a shift in the economic burden (in addition to providing balance of payments relief). Examples are (a) direct takeover or reimbursement for costs of keeping our troops in Europe, and (b) FRG payment for barracks improvement and other capital improvements.

—*Those that reduce the BOP deficit, but not our defense budget do not constitute a shift in the real economic burden and are not “burdensharing” measures.* Examples include: (a) FRG procurement of military equipment in the U.S., and (b) FRG funding of civilian projects in the U.S.

Soft offsets include the FRG loans that have been part of past agreements. These “soft” offsets are of some value with Congress but have no real economic value because they do not permanently reduce our debt to the FRG. They were only included in past agreements because they had a temporary statistical effect on the BOP data. Due to changes in economic conditions (specifically the fact that the dollar is no longer convertible into gold), they no longer have even the statistical impact (although this may not be completely understood in Congress).

The Current Agreement

The current agreement with the FRG provided \$2,035 million over two fiscal years, FY 72–73, and consisted of

- military procurement totalling about \$1.2B,
- FRG paying for rehabilitation of barracks currently used by our troops (\$185M), and
- loans of about \$620M at lower than market interest rates with the FRG paying the interest (\$31M).

The study concludes *these measures covered in hard offsets about 50 percent of the \$3.0B we paid to keep our troops in the FRG over the two year period.* On the other hand, the Administration has argued in Congress that the current agreement is 90 percent effective. This 90 percent figure includes the FRG loans and other “soft” offsets that in fact have no economic value.

The most recent offset agreement included two new features:

- FRG direct payment* in support of our deployments (barracks rehabilitation); and,
- the FRG interest subsidy.*

The value of the agreement is somewhat tempered because a portion of the \$1.2B in FRG military procurement was paid for from funds paid to the Treasury by the FRG in previous years. Today, this “overhang” from previous years totals about \$500M and is due largely to FRG failure to meet procurement goals set under past agreements.

Broad Considerations

In developing a strategy for negotiating the next agreement, the study outlines several relevant broad considerations that should be addressed:

- Changes in the international economic environment.*
- The probable conflict between increased Allied burdensharing and force improvement efforts.*
- Congressional concern with our military BOP deficit and how an agreement should be structured to reduce it.*
- Allied views which will determine the acceptability of any plan.*

International Economic Factors

The major economic change which has occurred since 1971 is the *move towards a more flexible exchange rate system* between the dollar and other currencies. Some believe (CIEP, OMB and Treasury staff) *these changes will make it easier to attain BOP equilibrium and therefore BOP offset actions need not be pressed. Instead the focus of future efforts should be given to burdensharing.*

Force Improvement Trade-off

However, any increased burdensharing effort would involve direct payment of U.S. troop costs that could only be funded by adding to Allied budgets (defense or otherwise). This would obviously interfere with getting more funds for further force improvements. Moreover, current policy, established early in the Administration, encourages Allied force improvements rather than burdensharing. A major burdensharing effort would require that this policy be changed.

One intermediate position would be to encourage Allied spending for measures that contribute towards improvement of defense capabilities but also can be justified on burdensharing grounds. An example is FRG funding of aircraft shelters for U.S. aircraft.

A second would be for the Allies to assume certain combat functions that would make reductions in U.S. budgets possible. This would constitute real burdensharing at near zero costs to the Allies and may be worth further investigation.

Congressional Consideration

The study finds *Congressional concern* to be focused on two factors: (a) the belief that the economic burden of NATO's defense is unevenly distributed with the U.S. carrying too much of the cost; and, (b) a belief that BOP costs of our deployments generally weaken our external position. To meet both concerns, an agreement should include budgetary as well as BOP relief. *An interesting possibility would be to aim for FRG budgetary relief to cover the \$350–380M additional cost of keeping troops in Europe*

(compared with the U.S.). Success would mean a unilateral reduction by Congress would have no impact on the defense budget; thus, providing a good argument against unilateral reductions.

Finally, the study finds that Congress is not generally sensitive to the real economic value of various measures—the larger the total, the better, even if “soft” offsets are included.

Allied Views

The study finds that the FRG would resist subsidizing U.S. troop costs directly because they identify this politically with payments made during the occupation. However, if encouraged as part of a new NATO-wide policy, FRG acceptance is more likely. FRG willingness to fund capital improvements (e.g., barracks rehabilitation) is also greater because these measures make improvements that would revert to Germany if U.S. troops withdrew.

The other Allies generally view burdensharing as a means of gaining entrance to the FRG till. State asked embassy views on multilateral plans early in the spring and the response was directly related to whether or not the particular country could gain or lose under the plan.

Alternative Offset Approaches

There are two broad types of offset approaches we could pursue:

- a bilateral arrangement negotiated with the FRG; or,
- a multilateral arrangement which includes several other NATO countries.

Renewal of a *bilateral agreement with the FRG* could be pursued separately or as part of a multilateral effort.

Bilateral Agreements

The key question with respect to a *bilateral arrangement* with the FRG is the relative priority we should give to the several types of offsetting actions that could be included:

—*Direct FRG payment of certain categories of our troop costs* (e.g., Germans working on U.S. bases) which have high value since they reduce our defense budget costs and also provide BOP relief.

—*Allied funding of more barracks improvement and other “capital improvements.”* The FRG will probably offer to continue with the current barracks rehabilitation program but we could press for more efforts perhaps focused on action that directs improved NATO defenses (construction of aircraft shelters). A second alternative would be Allied assumption of certain support combat sales that could lead to reduction in the U.S. budget or deployments at near zero Allied cost. *The problem with these measures is that most do not reduce the recurring costs of our deployments since they represent new programs.*

—*Military sales* might be increased but the study finds that a successful effort to expand greatly the \$1.0B projected for FY 74–75 is unlikely because of a German desire to procure arms domestically.

—*A lengthy list of civilian projects of joint US–FRG interest that might be funded by the FRG in the U.S.* has been drawn up (e.g., sale of nuclear fuel manufacturing facilities). The total exceeds \$2.5–3.0B over the next five or six years but only \$70M in FY 74. OMB objects to many of these projects on grounds that they are additional to Agency budgets—further investigation of these possibilities would, however, be worthwhile.

—Finally, *we could continue (and perhaps expand, the FRG loans despite their lack of economic value.* The main purpose would be to provide “filler” to be used in presenting the agreement to Congress. *The danger is that U.S. acceptance of this “filler” may undercut efforts to get “hard” offsets of real economic value.* Treasury and the other government economists believe these loans should be left out of any agreement or included only as a backstop measure.

Multilateral Alternatives

A wide range of multilateral offset plans have been suggested ranging from a NATO-wide effort to compensate for every country's military BOP deficits to more limited approaches that include only three or four countries.

The principal value of these plans is that they would generate enhanced support in Congress because they are a clear demonstration of a NATO-wide concern plus the likelihood that higher payments would be forthcoming in a plan that included several countries.

Most of the plans involve the creation of some sort of payments fund which would receive contributions from various members to cover certain categories of stationing country troop costs. These plans differ according to:

—*The type of costs covered.* For example, the plan could cover troop costs of all countries with troops stationed outside its borders or only U.S. troop costs. Should the plan cover only basing costs or the full cost of all military related spending—including personnel spending?

—*The formula that determines contributions.* Some plans would base contributions on a certain percent of each country's military BOP surplus while others would simply divide total costs between participating countries on the basis of some measure of ability to pay. Other plans include a joint basing arrangement in which the stationing troops occupy a base as tenants with the host country assuming the costs.

The principle disadvantage of these plans that create a fund is that the FRG is likely to end up paying a greater amount than currently. It exposes the

FRG claims from other NATO countries who station troops in Germany but currently have no offset arrangement.

This accounts for the FRG's past unwillingness to consider multilateral plans since they could end up paying more than in the current bilateral arrangement with the U.S.

Thus a key consideration of any multilateral plan would be to insulate the FRG from the claims made by other NATO countries. This could perhaps be done by developing a plan in which only U.S. troop costs were covered but on a multilateral basis with several countries contributing according to some prearranged plan.

A second, less formal multilateral initiative would consist of a series of bilateral agreements between the U.S. and various NATO Allies pursued under a "multilateral umbrella" and based on a renewed NATO-wide commitment to cover U.S. troop costs—perhaps made at the coming June ministerial. The focus of these bilateral arrangements would be on the four or five major countries which absorb 95 percent of our spending (FRG, UK, Italy, Benelux).

Finally, a third multilateral initiative would involve expansion of the Eurogroups current European Defense Improvement Program in order to encourage expanded military procurement to the U.S., thus providing increased BOP relief.

Issues for Decision

With Brandt's visit scheduled for early May, broad decisions on our approach to the coming negotiation should be made by the end of this month.

Thus, the immediate decisions to be made concern:

—The type of plan we should pursue and, in particular, *whether a multilateral initiative should be attempted.*

—If a multilateral initiative is taken, *should it be combined with a parallel attempt to renew the FRG bilateral arrangement.*

—*The emphasis that should be placed on increasing Allied burden-sharing efforts at the possible expense of future force improvements. We should also consider ways of perhaps combining the two—for example, in FRG funding of aircraft shelters or enhanced European Defense Improvement Programs focused on procurement of weapons.*

Once these broad decisions have been made in the SRG meeting, we can refine our position further through investigation of the various possibilities for increasing military sales and U.S./FRG civilian projects of joint interest.

Agency Positions

State believes that we should press immediately for renewal of the bilateral agreement with the FRG along the lines of the current agreement with

little change. They do not believe any multilateral initiative would be acceptable to the FRG and hence favor continuation of the bilateral agreement. Their reasons have not been well defined and I believe their position represents previous momentum rather than a well thought out view of how we ought to proceed.

Defense believes a mixed strategy should be followed aimed at expansion of a multilateral payments fund to cover the additional costs of keeping U.S. troops in Europe (\$360–380 million annually), perhaps combined with a multilateral effort to expand the force improvement program. This would be combined with renewal of the bilateral arrangement with the FRG. They also believe we should accept FRG loans and other “filler” to make a high total for use in Congress.

Treasury objects to including FRG loans and stresses the need to get economically meaningful hard offsets on either a multilateral or bilateral basis even if this means a lower total is presented to Congress. They believe accepting loans degrades the agreement before Congress and results in fewer hard offsets because it weakens our negotiating position. The latter argument has some merit but I believe this view overestimates the economic sophistication of the Congress which tends to focus on the dollar total of the agreement rather than the economic value of each component.

My Recommendation

In my view, any approach to the FRG offset should acknowledge the many changes in the economic situation that have occurred since the last agreement was concluded. *Recent economic events have demonstrated our economic vulnerability clearly to the Alliance and Congress and increases the need for some new approach.* A multilateral initiative would, therefore, be particularly useful this year.

I, therefore, believe we should press for increased economic relief and direct NATO reimbursement for some of our troop costs on a *multilateral basis*. The objective would be to cover the full \$360–380M incremental annual cost associated with keeping our forces in Europe instead of the U.S. In addition to BOP and burdensharing relief, it would be very useful with the Congress. We could state that there would be *no* budgetary advantage to troop cuts.

The problem, of course, is that it may undercut efforts to get more force improvements over the next couple of years.

In addition, we should press to increase NATO military procurement in the U.S., but give it lower priority compared to direct takeover of budget costs.

Your Objectives at the Meeting

At the meeting, I suggest you discuss first the major background considerations that will influence our choice of a negotiating strategy such as:

- The burdensharing/force improvement tradeoff.
- Composition of Congressional opinion.
- Allied attitudes.

Second, you should press for agency comments on a negotiating plan that leads towards:

—Immediate renewal of the bilateral agreement with the FRG of one or two years with an emphasis on burdensharing measures (direct takeover of some U.S. troop costs). Loans and other “filler” would be accepted only as a last resort.

—Creation of a multilateral payments fund aimed at covering *incremental* U.S. troop costs of \$350–380[M]. This would take some time to create and could give credit for the bilateral agreement with the FRG. The multilateral initiative would be announced at the spring ministerial in time to have an impact on the troop debate in Congress.

Finally, you should discuss the various components of the bilateral agreement and establish the priority for burdensharing—especially those measures which improve allied defense capabilities (e.g., aircraft shelters construction).

Talking points are included in your book that follow this line.

Your book also contains:

—A brief analytical summary which describes in more detail the various type of multilateral agreements, gives more background and describes in more detail the various types of bilateral offsetting actions. It also includes the issues and alternatives section of the NSSM report. This is about 10 pages in length and should be read if possible.

—Parts, I, II and III of the NSSM report which describes the overall BOP situation and various multilateral and bilateral arrangements.

12. Paper Prepared in the Bureau of European and Canadian Affairs¹

Washington, undated.

NSSM-168—Part II

NATO's Long Range Prospects

I. Overview and Options

The fundamental East-West military relationship in Europe has remained essentially the same over the years, despite both political and military developments which have greatly changed operational contexts. The military forces on the ground still represent the basic differences between the blocs, and continue to be a necessary cover even though other factors help make détente possible. At the same time, the long-range stability of the military balance may be more uncertain.

Though there have so far been no major shifts in the military equilibrium, foreign policy has been affected by the economic resurgence of Western Europe and Japan, the transformation of Sino-Soviet relations from those of allies to adversaries, the movement of US relations with the PRC toward rapprochement, and a reordering of Moscow's foreign policy priorities toward closer links with the West.

Functionality, too, there are many new vectors of influence on the international scene. Among these are the increased importance of omnipresent multinational corporations. Additionally, as concerns mount over energy supplies and other resources, the dynamics of the relationships between the major industrial nations of the West (and Japan) and the oil-rich states of the Middle East and—more broadly—between the developed countries and the raw material-producing states of the Third World are assuming greater importance.

However, while in many spheres international relationships have become more complex, and while the centrality of military issues to decision-making by NATO governments has been somewhat reduced, the essential bipolarity of military power in East-West relations revolving around the US and the USSR makes NATO's traditional role as the instrument of European and Atlantic security as important as ever.

¹ Summary: The paper represents Part II of the study prepared in response to NSSM 168, U.S. NATO Policies and Programs.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-195, Study Memorandums, 1969–1974, NSSM-168 (1 of 2). Secret. Attached but not published is the remainder of the 76-page paper. Sent to Kissinger under cover of an April 30 memorandum from Stoessel. For the analytical summary of Part I of the study prepared in response to NSSM 168, see Document 16.

Continued support for NATO, however, requires a durable trans-Atlantic consensus.

Thus far, the basic community of politico-military interests between the US and its major Allies has remained relatively stable, despite far-reaching changes in US relationships with other areas of the world, and despite the resurgence of the economic power and self-assertiveness of these Allies. In the immediate future, however, Allied cohesion is likely to be threatened by increasing centrifugal forces, accentuated by pressures for détente. Segments of Western European and US opinion sense an adversary relationship between the United States and Europe in monetary, trade and investment matters, as well as in political issues relating to Alliance defense and East-West relations. The functioning of the nine-nation EC in some of these fields reinforces feelings of separateness. Moreover, in the economic field, some leaders question the adequacy of such economic organizations as IMF's Group of 20, the GATT and the OECD. And in the security area, as public opinion is increasingly influenced by a younger generation with no recollection of the early days of the cold war, the relevance of NATO's traditional role is being questioned. All this leads to increasing talk of the need for new institutions, and new roles for the old.

A. Assumptions

Trends and prospects, discussed in greater detail in ensuing sections of this paper, provide a basis for deriving certain general assumptions underlying alternative concepts for future US policies toward NATO that are described below.

A range of possible but unlikely contingencies is excluded, such as a drastic change in the nature of the Soviet state, a radical shift in the nuclear balance, a Sino-Soviet conflict, or a renewal of sharp East-West confrontations—as, for example, might arise from certain regional crises, such as upheaval in the Middle East or Eastern Europe. Nonetheless, it should be kept in mind that the Western European powers are even more critically dependent on Middle East oil supplies than is the United States, and that a grave rift could arise between the US and Western Europe if US support for Israel, and Arab-US enmity, threatened to jeopardize European energy supplies.

Finally, US policies, because of US economic, political and military weight, will have a strong bearing on developments. Particularly important, given the continuing potential sources of conflict in the monetary and trade spheres, will be the results of efforts to resolve these issues in a manner mutually satisfactory to the partners on both sides of the Atlantic.

The USSR. It is assumed, too, that throughout the decade the USSR will remain militarily powerful and, though possibly in diminishing

degree, hostile in ideological attitude toward the West. This does not imply that the détente course adopted as official Soviet policy at the 23rd CPSU Congress in 1966 is only a transitory phenomenon. On the contrary, there is evidence that the Soviet leadership is now carried along to a considerable extent by the political dynamic generated by its own détente initiatives.

Certainly Moscow would appear to have sound reasons for holding to its present policy. The resurgence of Western Europe as a major economic and political force accelerated the long-standing Soviet search for an East-West *modus vivendi* in Europe. The USSR's technological lag heightens the advantages Soviet planners see in broader intercourse with the West. Moscow undoubtedly also calculates that opportunities for stabilizing the Western front on acceptable terms should be seized in order to leave it greater flexibility in dealing with pressures in the Far East, before those pressures reduce Soviet bargaining leverage with the West. The re-emergence of active Chinese diplomacy, particularly the rapprochement with the US, also probably will discourage to some extent any latent tendency by the Soviets to revert to earlier patterns of international behavior.

This does not mean that Moscow will leave out of the calculation of its policies and tactics its evaluation of the military strength and political solidarity of the Western coalition. Certainly, Western weaknesses could tempt the USSR to exploit its strengths for political advantages. Whether the Soviet government moved in such a direction or refrained from such destabilizing acts would depend on how risky the moves seemed for Soviet interests, which in future years might involve quite extensive dependence on Western sources of food, capital, and technology.

Western Europe. In any event, it seems reasonable to suppose that, whatever Moscow's actual moves, Western European governments will continue to perceive Moscow's military power and unfriendly political orientation as a source of potential dangers, against which some prudent hedging is indispensable. From this perception will flow in turn a continued general recognition at the governmental level of the basic mutuality of Western European and US interests in maintaining a balance of power by preserving the security system that has served Allied interests so well over past decades. Nonetheless, the Western Europeans are now and will likely continue to be concerned about the impact of SALT, and the consequences of rough strategic parity, leading some to believe that the linkage between US strategic forces and the US commitment to NATO has been eroded. Differences in emphasis on issues of strategy, nuclear defense and burden-sharing also will continue to offer ground for misunderstanding.

EC members seem determined to press ahead with economic and monetary integration on a pragmatic basis—though progress will likely occur in a fitful and erratic manner, and serious setbacks may occur. Meaningful political integration, though proving much more difficult to realize, has begun in a few areas, such as coordination of EC Nine positions in CSCE and discussion of MBFR. However, integration excluding the US with respect to military and security issues and arrangements still appears to be well beyond the range of feasibility, except in certain production projects and financial undertakings—whatever the abstract attraction of cooperative European defense arrangements as a hedge against uncertainty in relationships with the US. It seems likely that the EC will become a more important forum for intra-European consultation on political issues—in time competing with NATO in this regard. For the foreseeable future, however, closer integration within the EC framework probably will not be regarded by the member states as a substitute for the military security which NATO provides. Some Allied governments will undoubtedly question the value of the Alliance during the decade ahead, but the paucity of reasonable alternatives makes them unlikely to do anything about it.

From behind the NATO shield, Western European governments and the US will pursue active and essentially independent policies toward the Soviet Union and the Eastern European countries, from which some inter-Allied tension will inevitably flow. Considerations of prestige will not be entirely absent, and the process will occasionally take on a competitive aspect, particularly among some of the Western European governments which feel that East-West détente is already too much a subject of private US-Soviet dealings.

At the same time, we would expect most Western European dealings with Moscow to be marked by caution, with careful testing of Soviet intentions. There will also be some underlying skepticism about the practical results likely to be obtainable from political efforts with the Warsaw Pact countries of Eastern Europe which will continue to take their cue from Moscow.

US-USSR Relations. US-Soviet relationships will likely remain very active, with both parties impelled in that direction by insistent national interests. This will have mixed effects upon the Alliance. On the one hand, some relaxation in US-Soviet relations is a pre-requisite to the more general East-West détente which most Allied governments prefer, for reasons of their own national interest, to an environment of confrontation and political conflict. The crude Gaullist imagery of a US-Soviet *diktat* has given place to more nuanced fears that deals between Washington and Moscow will limit European options. Thus, doubt and satisfaction will coexist uneasily in Western European minds, and net attitudes will depend on the speed, depth, and scope of

US-Soviet mutual involvements—an unpredictable matter. For its part, the US occasionally will have its own reservations, as in the past, about some aspects of our Allies' discussions and negotiations with Moscow.

Allied Cohesion. Although independent bilateral initiatives toward Moscow may at times have corrosive effects upon inter-Allied confidence, the very frequency and intensity of major power discussions with Moscow will probably enhance the value to Allied governments of NATO as a consultative forum, since it provides the most effective means available to governments to check-up on what is afoot, and, particularly for the smaller Allies, to gain access to the internal councils of the major Allied governments concerned.

However, the effect that frequent bilateral dealings with Moscow will have in public and parliamentary attitudes towards NATO and defense-related issues will be complex. On the one hand, an obvious NATO role in détente management and political consultations will give the Alliance an added relevance to important segments of public opinion. At the same time, however, the public will frequently have before its eyes the media images of friendly contacts between Allied and Soviet leaders and will increasingly question why the burdens of costly defense establishments and defense alliances have to be borne in the softer climate of East-West understanding. Misunderstanding will be greater among the younger generation which has no personal memories of Joseph Stalin and the cold war episodes that ushered in the present period of détente, and which has no serious understanding of military forces and realities.

Doubts about the need for maintaining defenses in an era of détente will be intertwined with resource-allocation debates, as national parliaments and governments wrestle with unfamiliar and vexing problems of advanced and post-industrial societies.

Moreover, since monetary and trade problems between the US and the EC will increasingly impinge on these debates, there may be some attendant damaging spill-over into the political-security areas. Vocal minority sectors of public and official opinion on both sides of the Atlantic increasingly may question more insistently whether the USSR—rather than the EC or the US, depending upon the circumstances—is in fact the major opponent on the bread and butter issues that dominate a democratic electorate's political interest in times of peace.

Finally, with regard to the US, it seems likely that domestic pressures for troop withdrawal will be a constant problem, fueled by a variety of questions regarding foreign commitments, domestic priorities, defense costs and the balance of payments.

Thus, popular pressures, largely economic in origin but augmented by the mood of détente between East and West, will operate to reduce the proportion of national resources allocated to defense and to

erode the underlying political trust and solidarity necessary to a healthy Alliance relationship.

One might also assume that the EC members of NATO will be intensely preoccupied with the further development of the EC and will have little surplus creative energy to spare for bold new departures in NATO. Counteracting this, however, the Western European defense and foreign policy establishments are not likely to remain entirely passive with respect to national and regional security problems—witness the past activity of the Eurogroup and the European Defense Improvement Program (EDIP) which it put together under UK-FRG-Dutch leadership.

Despite the foregoing inventory of problem areas, a close Alliance relationship will continue to correspond to the fundamental military/security interests of all Allied governments. The substantial presence of US forces in Europe and the availability to NATO of US nuclear power, which the Europeans are far from developing on their own, will remain essential to East-West political equilibrium. Neither the likely results of evolving US-Soviet and East-West relations, nor any foreseeable strengthening of EC cooperation, will permit a substantial reduction of the US military commitment in Europe without risking far-reaching and damaging political consequences.

The possibility remains, however, that the levels of US troops in Europe will be substantially reduced in the next few years. The issue then would be to limit the damage, and undertake new initiatives in order to find new formulas to preserve stability and promote European security interests. The framework of NATO could be more rather than less important in such circumstances. Similarly, divisive developments in trans-Atlantic economic relationships could impact on security relationships, and steps would need to be taken to offset adverse consequences.

The major Allied governments, too, will regard the Alliance as too important to be allowed to wither away. Significant changes in East-West relations may well evolve, but in the next five to ten years, nothing so fundamentally new, promising, and radically different is likely to emerge from East-West or US-Soviet initiatives that will alter the basic security perceptions described above that have induced the widely-felt need to preserve security links between North America and Western Europe. In particular, Western Europe's power, in military terms, will remain more latent than actual, in the absence of unified political institutions.

Thus, in the likely absence of a strong European lead (given the political, and especially the security policy fragmentation of the Western European Allies), a continuing firm but quiet assertion of American interest and leadership, consonant with the spirit of the Nixon doctrine,

will remain the basis for preserving the integrity of Atlantic security relationships and Western European regional stability.

Within the limits postulated, however, realistic and significant policy options remain.

B. Alternative Concepts for Future US Policies toward NATO

For the foreseeable future, US policies toward NATO will derive primarily from US objectives toward the USSR, on one hand, and Western Europe, on the other. Though the US shares common interests with both, in preserving world peace and stability and in coping with the burgeoning problems of industrialized states in the late 20th century, these interests are not at the same level of identity, since ties with Western Europe are far closer. Moreover, these interests cannot easily be used in a bargaining process entailing, say, trade-offs of closer cooperation with the USSR for diminished cooperation with Western Europe, or vice versa, without incurring serious disadvantages, including, in the case of Western Europe, the risk of attenuating ties of central importance to US security and economic interests. Nevertheless, the tacitly perceived linkage between these alternatives will remain an important background factor in US-Western European relations.

With respect to the USSR, it is generally accepted to be in the interest of the US and its Allies to seek to develop a more conciliatory relationship between East and West. Indeed, the ultimate purpose is to convince the Soviet leadership that, whatever its ideological predilections, its predominant interest is in accommodation with the West and in a joint pursuit of crisis management and of solutions to the problems of advanced societies, rather than in an ultimate goal of subverting and reordering the Western system. None among the Western European governments questions this objective; indeed, East-West détente is rooted in the evident readiness of the Soviets, at least as of the moment, to adopt a more conciliatory posture toward the US, as well as towards Western Europe, and the West's readiness to reciprocate. Objectively, it would not, then, serve US or Western interests for the US or the Allies to attempt to turn back the clock, barring an increasingly unlikely sudden shift by the Soviets to a policy overtly hostile to the West.

Specifically concerning US relations with the USSR, apart from issues that entail convergent Western European interests in security and other matters arising mainly in the SALT, MBFR and CSCE contexts, and lingering Western European concerns about the potential impact of an unanticipated reversal of "détentism," the evolution of US-USSR relations, while likely to be a principal element affecting US relations with Western Europe, is balanced by other considerations. Even while the Western Europeans may express concern that closer US-Soviet contacts will lead to dealings over their heads, they welcome im-

proved US–USSR relations, and their concerns about bilateralism can be dispelled to an important extent by balancing gestures toward Western Europe, including consultations on US intentions with respect to its relations with the USSR—providing, of course, the intentions themselves are not threatening.

Against this background, the choices for the US appear to lie not in reconciling competing American interests in Eastern and Western Europe, but rather in selecting a strategy for dealing with Western Europe and for encouraging it to join with the US in developing a common approach for the pursuit of enhanced and mutually beneficial relationships with the USSR. It should also be emphasized that many choices also lie with the Europeans. The US cannot maintain good relations singlehandedly.

Three concepts set forth below illustrate strategies the US could pursue toward NATO in serving its future relations with Western Europe. An attenuated relationship between Western Europe and the US is not included as an alternative. Briefly stated, they are:

1. *To continue present policies toward NATO.*
2. *To enhance NATO cooperation and consultation in all spheres.*
3. *To improve cooperation and consultation in NATO as feasible, but to attempt particularly to enhance the Western European role in security matters.*

These policy choices are described more fully below, together with advantages and disadvantages.

1. *Continuation of present policies toward Western Europe.* In this approach, the US would seek to preserve NATO's existing security structure and to manage as at present its relations with the Western Europeans, including the EC. Not excluded would be adjustments and improvements to existing arrangements, but new initiatives would not be stressed.

—In the political sphere, consultations at all levels would be continued as now on US policies toward the USSR, and no steps would be taken to attempt to broaden the framework of discussion of US and Allied concerns about issues not directly related to Europe.

—In the military security sphere, the US would retain the bulk of its European-based forces, stressing European force improvements, including correction of recognized deficiencies. Qualitative adjustments would be pursued as budgetary circumstances permitted. New measures for burden-sharing would be investigated, but far-reaching changes eschewed if political obstacles intervened.

—In dealings with the EC, the US would continue to encourage evolutionary development of Western European institutions, looking toward greater Western European support for common NATO objectives, but overt US intrusion in the process would be excluded, as would attempts to erect new institutional security links between the US and Western Europe.

Advantages.

—in general, would allow for continuity, without barring gradual favorable evolution.

—would not entail significant new efforts or commitments by the US at a time of budgetary stringency coinciding with balance of payments difficulties and Congressional pressures for US force reductions in Europe.

—would satisfy those Europeans concerned to avoid increased US involvement in evolving Western European institutions.

Disadvantages.

—would not do more than at present to meet concerns expressed on both sides of the Atlantic about the deterioration of US-Western European cooperation.

—in the absence of reassertion of a vigorous trans-Atlantic relationship, growing détente and other pressures could erode public support in the US and Western Europe for obtaining the resources and manpower needed to maintain defenses.

—by default, the US could deny itself whatever role might be feasible in shaping Western European institutions, so that they took account of legitimate US security, economic and other interests.

2. *To enhance NATO cooperation and consultation in all spheres.* This would entail a series of major actions. Included would be high-level attention to NATO, such as a Presidential visit to NATO Headquarters or a summit gathering of NATO chiefs of government. Involved, too, would be a more forthcoming US attitude toward consultations in NATO about our initiatives toward Moscow, and greater efforts to stimulate harmonization of Allied policies toward the USSR through intensive consultations. In the security sphere, the US would increase pressure for burden-sharing and for closer cooperation in concrete questions of force improvements, utilization of advanced weapons technology, deployments and reserve policies, and for a more solid Allied consensus on strategy for use of tactical and strategic weapons. An active US interest in the evolution of Western European institutions also would be entailed, with an eye toward encouraging Western European cooperation, particularly in the defense area, and to the extent possible, toward keeping stresses in trans-Atlantic economic relations from impinging on NATO. NATO initiatives beyond the political and security sphere would be envisaged, including attempts to harmonize policies toward non-European areas and possibly a NATO role in coordinating Allied approaches to dealing with energy and other resource problems.

Advantages.

—would give public earnest to the importance attached by the US to NATO.

- would reassert a stronger US leadership role, offsetting doubts about US intentions toward Western Europe.

- would tend to reassure the Allies concerning our objectives towards Moscow, and thus offset unjustified European concerns about US-USSR bilateralism.

- would enable closer coordination of Alliance objectives.

- would encourage the strengthening of Allied machinery for possible further joint East-West initiatives.

- could stimulate Allied consideration of other common problem areas.

Disadvantages.

- could encounter resistance in some quarters of US and Western European public opinion favoring a lower US posture in Western Europe.

- could, to some extent, affect US relations with the USSR, since the steps foreseen would entail the strengthening of NATO both in a military sense and as an institution for reconciling Allied common interests.

- would reduce somewhat US flexibility in bilateral relations with the Allies.

- could, if trans-Atlantic trade and monetary problems do not proceed toward mutually satisfactory resolution, founder on antagonisms generated in the economic realm, affecting trans-Atlantic security ties.

- could have an inhibiting effect on the evolution of Western European political consultative machinery and defense cooperation.

- could increase public expectations for expanded cooperation in all areas beyond Alliance capabilities to deliver.

3. *To improve cooperation and consultation in NATO as feasible, but to attempt particularly to enhance the Western European role in military security matters.* This approach would attempt to expand NATO's role in other spheres as possible, but would place very strong stress on defense matters, looking toward the devolution to the Western Europeans of much greater responsibility for defense. Specifically, it would encourage enhanced Western European defense cooperation in support of general purpose forces and possibly of an Anglo-French (and eventually an EC) nuclear force. The rudimentary basis for such cooperation already exists in the Eurogroup of ten Allies responsible for recent significant increases in Western European contributions to the common defense. While France appears now to be seeking a role at least in Western European research, development and production cooperation, it does not envisage such cooperation in the Eurogroup, which is closely related to NATO. Barring a shift in French policy, therefore, Western European defense cooperation may require an aegis other than NATO to find scope for growth.

Given the relative satisfaction of most Allies with existing arrangements, and in the absence of a catalytic impulse such as a major US force reduction, early and broad Western European support for signifi-

cantly enhanced Western European defense cooperation is unlikely. Over the longer time-span of the next decade, however, provided Western European collaboration expands in the EC context, and US support persists—including sharing of technology—Western European defense cooperation on a far wider scale may be possible.

Until now, Western European nuclear defense collaboration has made no real progress toward realization, but attitudes could change within ten years. Thus, although the US would not have as its objective the creation of a new center of nuclear power, such an undertaking could not be ruled out in the late 1970's or early 1980's, and the nuclear issue may be on the active agenda in a five- to ten-year time span. (A fuller discussion of this is in Sections II and IV of this paper.)

Advantages.

In addition to the advantages outlined for the second alternative course, above, this approach

- could enable the US to maintain its essential security interests in Europe at a reduced level of US economic, military and political contributions.

- would enable the US to maintain its commitment to Western Europe, while moving the Allies toward the US goal of more equal partnership.

- would encourage Western Europe to attain a level of responsibility commensurate with its capabilities.

- would provide a tangible common goal for the Western Europeans that could offset the lethargy and apathy in the security field that may flow from a protracted period of détente.

- would establish the most favorable conditions for stability and continuity in Western European security relationships if the US should be compelled to withdraw substantial forces from Europe over a period of time.

Disadvantages.

In addition to those outlined for alternative 2, this approach would entail the following disadvantages:

- as military dependence on the US diminished, the Allies could become more assertive in their political independence of the US (though this could happen in any case).

- Soviet concerns could be aroused by a reduction in US leverage on the Western Europeans, particularly the FRG.

- it might provoke serious domestic quarrels over defense and budgetary issues in many Western European countries and cause additional antagonisms toward the US for forcing such issues to the forefront.

- it is basically a long-range program, whose success will not be possible unless there is first a greater degree of political cohesion in Western Europe.

—in the absence of clear US leadership, dormant Western European rivalries could be aroused.

[Omitted here is the remainder of the 76-page study.]

13. National Security Decision Memorandum 214¹

Washington, May 3, 1973.

TO

The Secretary of State
The Acting Secretary of Defense
The Secretary of Treasury

SUBJECT

Balance of Payments Offset and Burden-sharing Negotiations with NATO

The President has reviewed the study prepared in response to NSSM 170 and has directed that the following general guidelines should govern our negotiating approach to the coming balance of payments offset and burden-sharing negotiations:

(1) The negotiations should be pointed towards creating a new multilateral effort aimed at covering the additional budgetary cost of keeping U.S. troops deployed in Europe. The objective should be to create a payments fund or other multilateral mechanism that would cover these U.S. costs. The effort should be initiated this spring by asking for Alliance reaffirmation of the broad multilateral burden-sharing principles. Following this, the Eurogroup would be asked to consider the question and provide specific recommendations this fall on how this goal could best be realized. U.S. views and possible approaches to be outlined in the Eurogroup should be considered by the

¹ Summary: The President specified the guidelines that would govern the U.S. negotiating approach to the balance of payments offset and burden-sharing negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–239, Policy Papers, NSDM–214. Confidential. Copies were sent to the DCI, the Chairman of the JCS, and the President’s Assistant for International Economic Affairs. After reviewing a draft of this NSDM sent to him by Odeen on April 30, Kissinger directed: “Get something that authorizes deferral of actual negs [negotiations] till fall. Discussed with Brandt.” (Memorandum from Odeen to Kissinger, April 30; *ibid.*) For a memorandum of conversation recording Brandt’s May 1 discussion with Nixon and Kissinger in Washington, see Document 265. For a summary analysis of the study prepared in response to NSSM 170, see Document 11. For further documentation on the U.S.–FRG bilateral offset issue, see the West German compilation in this volume.

NSSM 170 Steering Group prior to their submission to the President for approval.

(2) Parallel to this multilateral effort, preparations should be undertaken to renew a bilateral offset agreement with the FRG. The broad objective should be to offset as much of the BOP costs of U.S. troops deployed in the FRG as possible and to cover the incremental costs associated with keeping U.S. troops in the FRG rather than in the U.S.

The President also has directed that in negotiating the agreement the following priorities should be followed:

(a) First priority should be given to those actions that involve burden-sharing. These would include direct FRG payment of some of the cost of keeping U.S. forces in Germany or FRG funding of capital improvements that either enhance Allied defense capabilities or improve facilities. These efforts might also include, but not be limited to, cost sharing which involves FRG assumption of some logistics, administrative and other functions on bases occupied by U.S. forces.

(b) Second priority should be given to actions that reduce U.S. military BOP deficits but have no impact on U.S. defense funding needs such as: 1) FRG military purchases in the U.S.; 2) FRG funding of military R & D projects in the U.S.; and 3) FRG payment for civilian projects carried out in the U.S.

(c) FRG loans should be included in the agreement as a last resort only if combined with a lower than market interest rate or if interest is paid by the FRG.

In negotiations with the FRG, it should be made clear that the bilateral agreement is a first step leading towards the objective of a multilateral arrangement. It should also be made clear to the FRG that commitment under a bilateral agreement would be taken fully into account in any multilateral arrangement subsequently negotiated.

The President has requested that a negotiating scenario be developed to guide the negotiations with the FRG. He reserves the decision concerning the timing of the negotiations pending review of this scenario.

Henry A. Kissinger

14. National Security Study Memorandum 183¹

Washington, May 10, 1973.

TO

Secretary of State
Secretary of Defense
Secretary of Treasury

SUBJECT

Principles for a Declaration on Atlantic Relations

The President has directed that a set of principles be prepared that will govern our relationship with our Atlantic partners. These principles should be designed to serve as the basis for a Declaration to which our NATO Allies—and eventually Japan in some form—might adhere.

The principles shall:

—Define and articulate the common principles of the Atlantic nations;

—Describe a comprehensive framework within which the members of the Alliance will pursue their economic, political, and security objectives; and indicate the basic principles in each element of the relationship—political, military, economic;

—Lay the basis for a new consensus on Alliance security requirements, as well as for a rational and intelligible strategy, and equitable and effective defense contributions to realize these objectives;

—Manifest continuing support for the cause of European unity;

—Invoke the concepts of a broad political approach, reciprocity, and the will to make mutual concessions in our economic relationship;

—Include specific U.S. commitments in principle (e.g. maintaining U.S. forces, etc.).

The President desires that these principles then be incorporated in a draft declaration which can be discussed with key European leaders and submitted to our Allies for their views and contributions with the objective that it shall be ready for signature and public disclosure at the time of his visit to Europe. A recommended timetable and scenario for preparation of this document and consultations with the NATO Allies

¹ Summary: The President directed that a set of principles be prepared to govern the U.S. relationship with its Atlantic partners.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1054, Institutional Materials, NSC Institutional Papers—May 1973 (2 of 2). Confidential. Copies were sent to the Chairman of the JCS and the DCI.

and, as appropriate, with the European community also should be prepared.

At the same time the foregoing statement of principles and the declaration should be considered in the light of possible adherence by Japan. Without sacrificing the essential character of the principles as they should apply within the NATO Alliance, the declaration should be so cast as to facilitate Japan's adherence in some form. Where Japanese adherence to a particular aspect of the declaration might compromise its essential Atlantic elements, alternate language should be submitted. A separate timetable and scenario should be prepared for handling the adherence of Japan.

This study should be prepared by the NSC Interdepartmental Group for Europe and should be submitted not later than May 24, 1973 for consideration by the NSC Senior Review Group.

Henry A. Kissinger

15. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, May 11, 1973.

SUBJECT

Next Steps in The Year of Europe

Following my talks with the British in London, I feel there is good reason to look forward to major progress in European-American relations by the end of the year. The British leaders are in strong sympathy with your initiative and are gearing up to support you in the effort to establish a new set of guidelines for Atlantic relations that would have

¹ Summary: Kissinger discussed the Western European response to the Year of Europe initiative and assessed the likelihood of its success.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 64, Country Files, Europe, General, Exchanges with the UK, Other, July 12, 1973 (2 of 3). Secret; Sensitive. Sent for information. Memoranda of conversation on Kissinger's May 10 discussions with British officials in London are *ibid.*, Box 62, Country Files, Europe, General, UK Memcons HAK London Trip (originals), May 1973. On April 23, Kissinger delivered a speech entitled "The Year of Europe" to the Associated Press editors' annual meeting in New York City in which he called for a reinvigoration of the Atlantic alliance. For the text of Kissinger's speech, see Department of State *Bulletin*, May 14, 1973, pp. 593–598.

significant political appeal on both sides of the ocean and would help override the tendency to haggle about technical issues. These guidelines would cover all aspects of our relations. The prospect thus is for a period of genuine creativity in adapting Atlantic relations to new conditions and setting all of us on a course that would be difficult to reverse by successor governments both here and in Europe.

At the same time, there are many problems to overcome, including the hesitant attitude of the French and the ever-present German temptations to be diverted by siren songs from the East. Above all, there will be need for managing our initiatives and policies with the utmost discipline within the Administration, both in preparing your European trip itself and in maintaining control over negotiations involving the Europeans that are already in progress (e.g., MBFR, European Security Conference, trade issues, monetary reform).

It is clear that there will have to be a high degree of American leadership, as regards both ideas for the content of Atlantic relations and the push needed to bring our efforts to fruition. Yet we must also enlist European initiative, so that political leaders over there acquire a major stake in this common endeavor. Our leadership must therefore be exercised with great restraint and delicacy and ways must be found to stimulate European initiatives.

The British had already done some thinking about this problem as a result of your meeting with Heath and of talks I had here just before the April 23 speech. In my latest talks in London, we were thus able to develop the elements of a concrete game plan leading up to your European trip.

Thus, the UK is very receptive to the idea that your visit to Europe next fall should culminate in new guiding statements that will give fresh momentum to trans-Atlantic policy. During my discussions in London we were able to go into considerable detail for a general plan of action for this summer.

The British feel—correctly—that the French are the key, and their attitude will determine to a large extent how far it will be possible to go in the economic, military and political field, and in establishing the machinery needed to move forward. There are Heath-Pompidou talks in Paris beginning on May 21 and the British will sound out the French. I will also talk to the new French Foreign Minister and possibly Pompidou while I am in Paris, and then we can concert with the UK on how to move ahead when you meet Pompidou in Iceland.

—The *general game plan* would be for you to initiate private discussions through letters to your counterparts in London, Paris, and Bonn, and perhaps the other Allies. Then, assuming French agreement, a sort of four power steering group would be quickly designated to decide on what questions ought to be addressed in which forums. The French

may find this appealing because it gives them a leading role from the outset. Over the course of the summer these private discussions would proceed; as general concepts are developed in economic, political and military aspects, more concrete tasks would be spun off to working groups. Such an overarching four power group will be delicate and will have to be deftly managed to avoid offending the other Allies.

—*On defense the MBFR* discussion would also be pressed in the regular NATO forum, which would force the Alliance to face up to the question of maintaining conventional defenses in an era of budgetary restrictions and détente. Simultaneously, the Defense Ministers would launch an analysis of such long-neglected issues as force deployments, equipment levels, role of tactical nuclear weapons, the Alliance command structure and burden sharing. The steering group would monitor these discussions and provide a forum for relating them. French participation in some form might be obtained as long as no pressure is put on them to rejoin the integrated NATO structure. If the French are unwilling to participate under NATO aegis, the four power steering mechanism could provide a means for their contribution.

—*In economics* we have the problem that our key difficulties are with the European Community, and the French may be highly reluctant to begin a US–EC dialogue. In this area the four power steering group, however, might hold some discussions before putting issues to the existing machinery in Brussels. This again will depend on the French reaction.

—*In the political* and international fields, especially East-West relations, the same pattern would apply, beginning with the four power group and then possibly using the NATO machinery.

—These various strands could be brought together at the Deputy Foreign and Defense Minister level and then firmed up by governments before your visit.

The fact that defense and diplomacy fall naturally in NATO's purview, while economics is within the EC is complicating. It could mean two separate summit meetings, and the interrelationship would have to be worked out.

That the discussions in London have passed to the stage of thinking about an actual game plan is an encouraging sign. There is no question the British take the European project seriously, and have, in fact, gone out on a limb in talking to us so frankly just after entering the Common Market. They agreed that what is needed is to accomplish something positive in trans-Atlantic relationships soon, so that the next American Administration will be operating in an established and an agreed framework. They appreciate that if we have a major achievement early in your term, you will be able to defend a strong Alliance policy.

The positive British attitude is also in large part due to your basic decision to continue defense cooperation bilaterally with the UK on their nuclear deterrent. We discussed this at some length in London and made clear that nothing would be done with the Soviets in SALT that would impede it.

In sum, given the new, perhaps more delicate, phase we are entering with the Soviets, and therefore also with the Chinese, the Year of Europe project has already matured into a major and essential component of your strategy. It will require careful cultivating and handling, firm White House control and total bureaucratic discipline to prevent it from falling into a meaningless set of generalities, or provoking new disputes. If this happens, a Western summit, or summits, perhaps in later October could have historic significance.

16. Paper Prepared in the National Security Council¹

Washington, undated.

ANALYTICAL SUMMARY

NSSM-168—NATO STRATEGY

BACKGROUND

NSSM-168 is the fourth in a series of major interagency studies dealing with NATO forces and strategy.

NSSM-3 considered the alternative strategies for our General Purpose Forces for NATO and resulted in NSDM-27 which chose the “fast buildup, forward defense” as opposed to the “slower buildup, regain lost territory” defense.

NSSM-84 examined the NATO problem in more detail and resulted in NSDM-95 which defined additional features of the strategy,

¹ Summary: The paper provided an analytical summary of Part I of the study prepared in response to NSSM 168, U.S. NATO Policies and Programs.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-67, Meeting Files, SRG/DPRC Meeting—NATO Security Issues 5/25/73. Secret. Sent to Kissinger under cover of a May 24 briefing memorandum from Odeen concerning a May 25 SRG/DPRC meeting on U.S.-West European relations. The 40-page paper representing Part I of the study prepared in response to NSSM 168 is *ibid.* For Part II of the study prepared in response to NSSM 168, see Document 12.

principally including increased emphasis on conventional defense. The primary aspects of NSDM-95 were:

- Strong and credible initial conventional defense against a full scale attack, assuming a period of warning and mobilization by both sides.

- Conventional defense for a period of 90 days.

- Enhance immediate combat capability.

- Identified following areas needing force improvements:

- NATO's armor and anti-armor capabilities.

- NATO aircraft and logistic system vulnerability.

- Allied war reserve stock levels.

- U.S. and Allied mobilization and reinforcement capabilities.

- Allied deployments.

The NSDM-95 follow-on studies considered how to implement both U.S. and Allied force improvements and resulted in NSDM-133 which reinforced the initial conventional strategy by giving priority to those forces which could be committed during the first 30 days of the war. It also directed stronger efforts to obtain Allied force improvements, asking that the Allies commit an additional \$2 billion over the next five years for force improvements.

As a result the study on Alliance Defense Problems for the 1970s (AD-70) was commissioned by the NATO Defense Planning Committee. The AD-70 efforts covered many areas and many improvements are being implemented. However, it is difficult to evaluate just how effective it has been because of the lack of focus and specific quantitative goals.

NSSM-168 was done to review the progress in implementing our NATO strategy and making the suggested force improvements, and to consider necessary additional actions. Part I was to consider issues facing the Alliance over the next few years. Part II was to focus on fundamental long-range prospects for NATO. The report submitted by DOD covers only Part I. The report covers the following topics:

- The political and economic context which bears on NATO strategy and forces.

- Delineates U.S. and Allied strategy for defending NATO.

- Assesses NATO's ability to implement its strategy.

- Assesses U.S. and Allied progress in correcting areas of weakness.

- Considers near and longer term actions for further improvement of NATO defenses.

- Examines theater nuclear doctrine and forces for NATO.

Political and Economic Context

The advent of near parity in U.S. and Soviet strategic forces makes a strong NATO conventional defense more important than ever. The increased costs of manpower and sophisticated weapons systems coupled with heavy pressures in all NATO countries to reduce defense budgets makes it increasingly difficult to provide adequate forces in a ready state.

Offset payments compete with Allied force improvements for the available European defense dollar. However in light of Congressional pressure to reduce the costs of U.S. forces in Europe it is necessary to press for significant burdensharing and offset arrangements.

MBFR will pose particular demands upon maintaining an adequate NATO conventional defense. Both the negotiating process and an actual agreement could increase pressure for reduced defense efforts.

U.S. NATO Strategy

The key element of U.S. strategy for meeting a conventional attack against NATO is meeting and stopping the attack with a rapid buildup of conventional forces. However this approach has not been accepted and supported by the JCS or our European Allies. The JCS emphasize the ability to reinforce and regain all lost NATO territory. This fits more closely with our present capability in that our forces are not structured for quick buildup of combat capability. The JCS have resisted restructuring the forces because they fear that many Army support and reserve forces and many Naval forces will not contribute to the stated strategy and be eliminated. They tie their case to NATO Military Committee Document 14/3 (MC 14/3) which calls for the restoration of all NATO territory. MC 14/3 is a broad ambiguous document designed to encompass the entire spectrum of possible strategies. It should not be used by the JCS to circumvent the President's directed strategy.

MC 14/3 and Allied Strategy and Force Planning Concepts

Neither MC 14/3 nor Allied interpretations of it accord the weight to conventional defense that U.S. strategy for NATO does and there are consequent differences between basic U.S. and Allied conventional defense concepts and force planning.

—MC 14/3 calls for a conventional defense against *limited* rather than full scale or major Pact conventional attack.

—The basic role of NATO conventional forces is to defeat a limited conventional attack and to drive the requirements for a successful Pact conventional attack to a scale where the threat of nuclear war is credible.

—Against a full scale Pact conventional attack, NATO forces are to be capable of a stiff initial resistance designed to establish NATO's will to resist and to allow time for the aggressor to reconsider and for NATO to consider the nuclear decision.

—The conventional war will be short—a matter of days—which, combined with the risk of little or no warning, dictates emphasis on forces designed for a defensive strategy and available in or near peace-time battle positions; forces which cannot be used in the first few days of hostilities have little warwaging value.

—Thus, 30 days of war reserve stocks are considered an ample hedge and allocating resources to M-day units is strongly emphasized, while capabilities of reserve units and creating a broader mobilization base are minimized.

In essence, the basic Allied conception of conventional defense is that the ability to fight a short, intense war with the spectre of early escalation to nuclear weapons is the best deterrent to the outbreak of war in the first place, and they have sized and structured their forces and logistics to that end. In this concept, conventional sustaining capability appears not only insufficient but counter-productive: it degrades the nuclear deterrent by indicating willingness to keep a war conventional it is less of a deterrent than ready forces with many weapons; and the large prepositioned stocks required may be viewed as representing an offensive posture and intent.

The roots of Allied strategy are in:

—Their overriding concern with the devastating consequences for them of either a long conventional war or a tactical nuclear war fought back and forth on the Continent;

—And their belief that NATO neither has nor can achieve a conventional forward defense against a full scale Pact attack given the size of Pact forces and the money and forces it would require to defeat them.

Can NATO Defend Against a Full Scale Warsaw Pact Conventional Attack?

There are substantially different views of our ability to execute a conventional defense.

—The Allied view is very pessimistic. In their view the Pact is capable of a quick, decisive victory unless tactical nuclear weapons are used very early in the war.

—The JCS consider the programmed NATO forces to entail serious risk. They feel that major increases in forces are required to reduce the risk to an acceptable level.

—The DOD civilian hierarchy feel the programmed NATO forces provide a credible defense for most of the range of possible Warsaw

Pact threats. Even against the higher Pact threats NATO forces are sufficient to make a quick Pact victory unlikely. This is based on the fact that both sides commit roughly equal resources and forces for Europe.

The DOD civilian hierarchy conclusion is supported by rather extensive analysis of the relative force balances in the Center Region of NATO and the highlights of this analysis are of some interest.

Land Forces—Center Region

The gross threat in the center region ranges from about 85 to 125 Pact divisions. The low number assumes Soviet divisions come from only the three Western Military Districts. The higher number requires divisions from other Military Districts including the far eastern ones bordering China.

In analyzing the relative strength OSD(SA) makes the following key assumptions:

—A defender/attacker ratio of 1/1.4 will yield a stalemate.

—The Pact divisions other than those in East Germany will take some time to reach full effectiveness:

CAT I — 30 days

CAT II — 50 days

CAT III — 84 days

These assumptions are similar to U.S. planning for our divisions but they are quite a departure from previous views of Pact mobilization.

—Pact will withhold a significant number of divisions to be used as unit replacements.

The effect of these assumptions is to significantly degrade the Pact threat. A back of the envelope calculation showed an 84 division threat becomes a 45 division threat at D-day. Are these assumptions bringing a realistic approach to the threat or are we assuming away the problem?

OSD(SA) estimates NATO needs 34 to 72 armored division equivalents by D+90 to handle the range of the Pact threat, and allowing for optimistic and pessimistic values for key assumptions NATO can provide 44. So they conclude we can handle the low to middle part of the threat and to generate the high threat the Pact would have to move troops from Eastern Russia which would require both time and a change in the political climate.

JCS says we need 19 U.S. divisions in Europe by D+90 to have reasonable confidence of stopping an attack. (We can provide about 16.) The U.S. has enough forces (active and reserve) to satisfy this requirement but they aren't ready for deployment (particularly reserve).

Therefore we need 3 more active Army divisions. Also they say we need 5 more Allied divisions—3 German, 1 Dutch, 1 Belgium.

All of these analyses are based on army to army encounters. The contribution of close air support is not taken into account.

Air Forces—Center Region

The analysis of the relative strengths of the Air Forces is not as comprehensive as that of the land forces. OASD(SA) evaluates three parameters; (1) total fighter/attack/medium bomber aircraft, (2) capability to deliver air to ground ordnance, and (3) average number of fighters airborne for combat.

Current plans would provide about 2,700 NATO aircraft in the center region on D-day versus between 2,600 to 3,300 for the Pact. This assumes a 23 day buildup period for the NATO. With another 30 days to deploy forces before fighting started NATO could match the Pact in total numbers of aircraft. This does not include any Navy or Marine Corps aircraft.

NATO countries stress air to ground capability more than the Pact. NATO aircraft can deliver 2-½ to 3 times the daily bomb tonnage against ground targets as can Pact aircraft. This is offset somewhat by the intense Pact air defense capability.

NATO allocates significantly fewer aircraft to the air to air role than the Pact but the large endurance advantage makes it possible for NATO to have more fighters airborne on the average than the Pact.

In summary there are enough positive indicators to suggest we could do very well with the Pact in the air battle. However there is so much uncertainty as to how the battle would unfold that we must be cautious in our optimism. The mobility of air power gives it a striking power which if fully exploited can upset steady state calculations. Further we devote ⅔ of our aircraft to the air to ground role but we do not factor that into our estimate of the outcome of the land battle. We have a long way to go to understand the air situation in NATO.

The JCS recommend an increase of about 30% in the size of the Air Force tactical air force primarily to provide aircraft for theaters other than Central Europe. In their view all programmed Air Force forces would be committed to Europe leaving no strategic reserve, or forces for the Pacific theater.

OASD(SA) claims that many of the statements alleging a 2 to 1 Pact superiority are caused by inconsistent treatment of the two sides. Examples of inconsistency include:

—Including Pact reconnaissance aircraft but not NATO reconnaissance.

—Including national air defense of rear area countries but not France.

—Not including NATO training squadrons even though earmarked for SACEUR.

—Counting aircraft above U.E. for Pact but not U.S. If all these inconsistencies are followed it can turn approximate parity into a 5 to 2 ratio in favor of the Pact.

NAVAL FORCES

The major Pact threat is the Soviet submarine force of about 252 nuclear and diesel long-range submarines armed with anti-ship cruise missiles and torpedoes.

The Soviet Navy also has long range bombers which have the range to strike in the Atlantic or Pacific. They are much less of a threat than the submarines because:

—To reach sea lanes they would have to fly through U.S. and Allied controlled air space.

—Soviets lack tanker assets to support massive bomber attacks.

—Most South Atlantic shipping routes are beyond range of aircraft flying from Soviet bases.

In general the Soviet Navy bombers are a significant threat in the Mediterranean but not in the Atlantic.

The Soviet surface Navy is large and armed with anti-ship missiles. It lacks its own air defense and is ill prepared for sustained operations in the open ocean. The Soviets are building carriers which could change this estimate by 1980, although that remains to be determined.

The JCS plans to counter the submarine threat with a mixture of attack submarines, land-based ASW patrol aircraft, and carrier task forces equipped with both attack aircraft and ASW aircraft. Also the Navy plans to form and sail an amphibious landing force as a standby reserve force for the northern or southern flank of Europe.

The Navy states that there are not enough escorts and patrol craft to escort the military convoy and the economic support shipping. The time to clear the Atlantic of the submarine threat is estimated to be 90 to 180 days. So unless the present concepts are changed and the ASW forces are devoted to protecting the military convoys instead of the carriers the Navy will make little contribution to the early stages of the war.

Status of Directed Force Improvements

There has been significant improvements in some of the areas cited in NSDMs 95 and 133 for U.S. and Allied force improvements.

U.S. Force Improvements

Armor/Anti-Armor

—TOW and Dragon programs increased by 40% over original plans.

- TOW/Cobra anti-armor helicopter programs increased threefold.
- A tank battalion added to each European based infantry division.
- M60 A2 tanks with longer range kill capability will be deployed in late 1973–1974.
- Strategic reserve mech division given 4 tank battalions vice 2.
- Sheridan armored/recon vehicles have been prepositioned for dual based divisions and two strategic reserve divisions.
- Several development programs started including (1) new advanced attack helicopter (2) new main battle tank, (3) a “fire and forget missile,” (4) A-10 close air support aircraft.
- M60 A1 tank replace M-48 tanks in USMC.
- Introduce TOW and Dragon to USMC in FY-75.

Aircraft Vulnerability

- NATO has approved shelters for 70% of the tactical aircraft that will be in place by M+3. Proposal within DOD to shelter all aircraft committed by M+30.
- Four Europe based air defense squadrons converted from F-106 to F-4E aircraft.
- U.S. is studying dispersal of aircraft in Europe to reduce vulnerability.
- Basic Hawk replaced by improved Hawk in European units.

AREAS SHOWING NO PROGRESS

However, some areas have not been improved including:

Logistics System Vulnerability

- Major program—LOC PORT designed to provide a wartime Benelux LOC was turned down by Congress.

U.S. Mobilization and Reinforcement Capabilities

- The manning of active Army units in Europe bases improved somewhat as a result of the Vietnam withdrawals.
- Six more reserve brigades (total of 12) have been designated high readiness (10 weeks) brigades. The reserve components have received a great deal of equipment but the earliest deployability of any division remains 14 weeks.
- Only about half of the AF reserve fighter units are ready for deployment because of major conversion programs following withdrawal from Vietnam. This is only temporary and should last for another 6–12 months.
- Essentially no change in mobility forces over what was programmed at time of NSDM-95.

—There are several test programs underway to determine how to improve Army reserve readiness. These include providing active cadre for reserve units, assigning small reserve units (battalion company) to active units for more rapid mobilization. The tests will not be completed for another year.

Despite these various activities there is essentially no improvement in the U.S. abilities to mobilize and deploy.

ALLIED FORCE IMPROVEMENTS

The Allies increased their aggregate real spending for Defense in 1972 by about 2% over 1971. Overall the European countries have sustained their defense spending at about 4.2% of their collective GNP. Germany and the Netherlands have a specific policy of devoting a fixed percent of GNP to defense.

Generally the existing Allied force structure will be maintained for the next several years. Germany will add (1) several new armored units both active and reserve, (2) complete the organization of the territorial army, and (3) are considering the recommendations of their force structure committee to change the active/reserve force ratio. Other force structure changes are to accommodate new equipment e.g., F-4s and anti-tank weapons.

Allied expenditures for major equipment and ammo have risen from \$3.3 billion in 1970 to \$4.7 billion in FY 73. The aggregate increase since NSDM-133 was issued is \$2.1 billion. Thus neglecting the impact of inflation and aware of how little we control how our Allies spend their funds, we could conclude that they have lived up to the spirit of NSDM-133 by spending \$2 billion more on equipment in 3 years not 5 as asked for in NSDM-133.

Specific Allied Improvements

Air Situation

—Most Allied aircraft have been equipped with sensors to warn the crew when they are being tracked by radar. There is little emphasis on electronic countermeasures.

—All countries have or plan to have by 1977 a 30 day level of air delivered munitions.

—Construction of shelters for 70% of assigned aircraft will be completed by end of 1975.

Defense Against Armor

—The improvements include a multitude of projects laid out in the AD-70 studies. By 1977 most of these projects will have been completed. This will provide a 4% increase in anti-armor capability from 1972 to 1976.

—Germany is replacing M-48 tanks with Leopard tanks. The M-48s will be used to augment some active divisional tank battalions and provide an initial anti-tank battalion for home defense units.

Maritime Forces

—German Navy to emphasize protection of North and Baltic Seas rather than open ocean operations.

—Minor additions to Dutch, German, and Danish coastal forces.

Limits on Force Improvements

Most of the force improvements that have been completed contribute to the overall fighting strength of NATO but are not particularly related to the unique features of the NSDM 95/133 strategy; i.e., the rapid buildup for a short (90 days) high intensity conventional war. The unique features of the NSDM 95/133 strategy are ignored by the U.S. military (particularly Army and Navy) because it threatens the justification for some of their forces and traditional ways of doing things. It has been resisted by the European Allies because they do not think the conventional phase will last beyond a few days. The Allies are willing to provide stocks for 30 days but anything beyond that seems unnecessary. The U.S. military argues:

—The U.S. strategy is inconsistent with approved NATO strategy (MC 14/3 in that NSDM 95/133 calls for stabilizing the fighting without loss of territory and MC 14/3 calls for the restoration of lost territory. Therefore we need forces for reinforcement and counter attack after the initial defense.

—The Navy argues that the likelihood of a major Warsaw Pact attack is very low and we should design our forces for worldwide contingencies rather than focusing so much attention on Central Europe.

FURTHER IMPROVEMENT OF NATO CONVENTIONAL DEFENSES

The differing assessments of NATO's current ability to defend previously described can lead to different statements of what may be required in the way of further force improvements to provide an effective NATO conventional defense.

—If the view is taken that NATO now has a credible defense option, then the logic and purpose of further force improvements would be to enhance confidence in that capability and to make more efficient use of NATO's combined resources: the emphasis would be on force quality rather than on force quantity.

—If the view is taken that NATO now has only a marginal conventional defense option at best, then the approach would be oriented toward major increases in units and weapons: divisions, tanks, aircraft.

—If the view is taken that NATO now has only a minimal conventional defense option, then massive increases in U.S. and Allied forces would be dictated.

Moreover, the differences between U.S. and Allied strategy and force planning concepts previously delineated will also bear on judgments on what further might be done to improve NATO defenses. Thus, substantial increases in conventional forces and logistics, whatever the view of the balance, may conflict with the constrained strategic role that the Allies assign to the conventional forces.

Constraints

Strategy and the balance aside, the pressures on defense costs and budgets discussed earlier place constraints on what is achievable in further Allied force improvements. The Allies will be constrained as to resources of manpower and funds—manpower, because it consumes such high proportions of budgets and because military service seems unattractive in economies in which unemployment is 1% or less and for other reasons;—funds, in that the increase in funds now being made is barely sufficient to cover inflation, pay increases, and equipment replacement costs.

In light of these pressures, the question is what can be done to improve Allied forces within these constraints:

—No additional major units except possibly in the reserves.

—No very expensive replacements, as of aircraft (an exception to this is the MRCA now being developed by the UK, FRG, and Italy).

—No further significant expansion of tank or aircraft numbers (mainly because of likely maintenance problems). However, it is noted that the Netherlands and Germany are expanding their numbers of tanks in reserve units, and that Belgium is about to organize another Leopard battalion.

—No extremely expensive communications or other electronic systems.

Guidelines

Within these constraints, the following guidelines for improving NATO forces would focus action on the more critical problems and deficiencies.

—Ensure that defense budgets increase in real terms.

—Direct further modernization of equipment efforts into high priority, high payoff areas in defense against armor and the air situation: e.g., higher densities of anti-tank weapons in maneuver units, electronic warfare equipment, additional aircraft shelters, improvements to low-level air defenses, and purchase of improved munitions.

—Increase the numbers of reserve combat units, equipped equivalently with active forces, and trained at a level which will permit their rapid mobilization as an effective augmentation to active forces.

—Clarify and improve supply and maintenance posture of the Alliance, so that levels of support are consistent, facilities and supplies are interchangeable, and so that costly duplication may be eliminated.

—Ensure the practical integration and coordination of NATO forces through improved communications, including tactical and better planning and coordination of close air support by tactical air forces.

Alternatives

Most of the improvement proposals presented in the previous section are defensible and presentable to NATO on a straightforward basis, without settling the different Allied and U.S. views of strategy and the balance. The proposals are designed to increase confidence in NATO's conventional defense capabilities and make better use of NATO resources—notwithstanding MBFR negotiations, resource constraints, and offsets to U.S. costs—by treating NATO as an integrated force more than ever before, and by enhancing defensive capabilities.

However, it is likely that the NATO dialogues on utilization of reserve combat forces, logistics, and standardization will not proceed very far without coming up against the basic differences on strategy and the balance. Thus, any far-reaching steps in these areas would presumably require (a) greater agreement on the necessity of initial conventional defense capabilities, and (b) conviction on the part of the Allies that such capabilities are within reach.

Moreover, the existing national structure of logistics in NATO, the structure of Allied and especially U.S. forces (particularly numbers and organization of units and the balance between combat and support), and the distribution of roles and missions between U.S. and Allied forces could all be reexamined with a view to a general reshaping of NATO defense that might:

—Integrate U.S. and all NATO forces far more than they now are into a single fighting force,

—More systematically structure for initial conventional defense. (The Joint Staff states that it is important to the U.S. interest that the nuclear threshold be maintained as high as possible for as long as possible. To that end, a sustaining capability is the essential aftermath of a successful initial conventional defense.)

Related measures that have received attention in one context or another include the following:

—Addition of sizeable numbers of reserve units, beyond those discussed in the previous section.

- A changed mix of mobile, armored units and territorial forces.
- More efficient distribution of roles and missions among Alliance members to permit countries to specialize more and avoid the costs of purchasing and maintaining small numbers of many weapons systems.
- Common logistic and other support organizations.
- Burdensharing logistics arrangements between the U.S. and its Allies.

Theater Nuclear Doctrine and Forces for NATO

This section is primarily a rehash of past history and past arguments, except for a brief outline of possible nuclear roles and options.

The issues in the paper are not the important ones. Instead the issues are the secondary ones; improving force survivability in Europe, the need for reduction of collateral damage, the U.S. role in providing assistance to the U.K. and French nuclear forces, and the future we see for the NPG. The paper should have addressed such issues as the adequacy of MC 14/3, the coupling between U.S. strategic forces and the NATO deterrent, the desirability of an explicit NATO nuclear strategy, the roles of theater nuclear forces, and changes in nuclear force posture and acquisition.

The paper never addresses the value of tactical nuclear weapons, beyond the possible function as a deterrent. Moreover, even that function was not really explored.

There is a very important issue that comes to the fore in examining possible changes in nuclear weapons and forces that has not been addressed by the NSSM-168 group at all: does the U.S. want to develop nuclear capabilities that increase the probability of their use by decreasing collateral damage and fallout, when such development increases the reliance on nuclear weapons at a time that the U.S. is trying to convince the Allies to increase their reliance on conventional arms?

17. Paper Prepared by the Interdepartmental Group for Europe¹

Washington, undated.

NSSM-183:

PRINCIPLES FOR A DECLARATION ON ATLANTIC RELATIONS

I. *Alternative Concepts for the Declaration*

Based upon Dr. Kissinger's speech, NSSM-183 and comments by members of the Interdepartmental Group for Europe (IG/EUR), three conceptual approaches to the Declaration are described below. Two focus on trans-Atlantic issues, and Japan could not subscribe to either because of their Atlantic orientation; the first is drafted to skirt contention, and the second, at the opposite extreme, would join an extensive substantive debate. The third approach, an add-on rather than an alternative to the first two, suggests a way to deal with the issue of Japanese involvement.

A. *Focusing on US-Western European relations, a generalized and uncontentious text designed for easy agreement.* This approach is embodied in the draft at Annex A, which covers the points outlined in Dr. Kissinger's speech and NSSM-183 in a manner likely to be generally acceptable to the Western Europeans, since the objectives and principles outlined are largely compatible with current national policies.

The principal advantage of this text is that it would not likely require extensive negotiation with the Allies—provided France were favorably disposed to the concept of a Declaration, and yet would provide a basis for multilateral reassertion at high level of common principles and objectives. On the other hand, its bland character and lack of specificity could have the disadvantages of inviting cynical public criticism, and of not bringing to bear the potential psychological leverage the US would enjoy in negotiations on a more demanding Declaration text and in subsequent negotiations on specific economic, political and security issues.

B. *Focusing on US-Western European relations, a more extensive text addressing common concerns in detail, and aimed at stimulating substantive debate in depth on key economic, political and security issues.* Reflected in

¹ Summary: The paper represents the study prepared in response to NSSM 183, Principles for a Declaration on Atlantic Relations.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-67, Meeting Files, SRG/DPRC Meeting—NATO Security Issues 5/25/73. Confidential. Attached but not published are Annexes A through E. Sent to Kissinger under cover of a May 24 briefing memorandum from Sonnenfeldt concerning a May 25 SRG/DPRC meeting on U.S.-West European relations.

the draft text at Annex B, this approach is at the opposite pole from the first. Reaching agreement on such a text would not be easy, but the debate engendered could be either divisive or could significantly enhance future US-Western European relations because of the commitments exchanged. Many Allies would likely object particularly to addressing detailed substantive economic and security issues in a single framework. Moreover, because France does not participate in NATO's integrated military structure, it could not be expected to be associated with the military aspects of the text, which is anticipated in the formulations covering these issues.

The main advantages of this approach are that it would:

- anticipate and perhaps ease, through discussions of principle at the highest level, later detailed negotiations.

- if the text at Tab B could be agreed, significantly advance US interests.

- provide public affirmation of renewed Allied purpose in terms useful in dealing with economic and security issues in the domestic US context.

The principal disadvantages, in addition to possible Allied antagonisms that could be aroused, are that it would:

- if agreement were not possible on terms favored by the US, be portrayed as a defeat for a major US initiative.

- raise some issues that are being, or will be, addressed in other fora prior to their being ripe for Summit discussion in terms of US and Allied preparations.

- by focusing on specific issues of interest to the US, encourage the Europeans to attempt to add to the declaration specific items of interest to them which could prove difficult for the US.

A procedural issue of considerable importance under this approach would be whether, on one hand, the US should furnish the Allies a complete US draft text, or, on the other, a partial text—say, on political and security aspects—and elicit Western European suggestions on the possible economic and other content of a declaration. Since the US would be making significant commitments in the security sphere, the latter approach would have the advantage of implicitly placing the onus on our Allies to be at least equally forthcoming, not only in the military security area, but also in the economic sphere. Moreover, it is possible that negotiations on political and security aspects could be carried out in NATO, and separately—perhaps with the EC members and Japan—on economic aspects.

C. Japan's Association. Japan will not likely adhere to a declaration couched in a specifically NATO context and pledging force improvements or the sharing of defense burdens. At the same time, Japan wants to be included, not least as a means of testing where it stands in relation to the US and Europe, and thus doubtless will be prepared to join in a

common declaration of mutual political and economic purpose, and perhaps appropriately generalized references to security. The alternatives for associating Japan, accordingly, would entail

(a) seeking Japanese adherence to a declaration embracing all aspects of concern to the Atlantic partners, either through (1) a unilateral Japanese declaration specifying those portions—or protocols—of the declaration to which Japan acceded, or (2) an indication in the text of the declaration itself of the foregoing special Japanese position; or

(b) basing Japanese association on a separate declaration agreed among the Western Europeans, the US, Canada and Japan embodying political, economic and social aspects of common interest.

The first of these alternatives would denigrate Japan, making it appear to be a second-class partner. Moreover, Japanese officials already have indicated that Japan wishes to subscribe fully, and that it is not prepared to adhere to a document essentially negotiated by the US and Western Europeans. Thus, this approach is almost certain to be rejected by Japan.

The second alternative would entail a highly general and limited statement on security aspects, and considerably greater specificity on political, economic and social issues. Such a declaration would

- take account of Japan's special status with respect to security issues.

- establish the tri-regional character of a new relationship between the power centers of Western Europe, North America and Japan, and remove grounds for charging that we are out to establish a club of developed states.

- provide an acknowledgment by the parties of the character of this tri-regional relationship, as distinct from but related to the trans-Atlantic partnership engaging two of the three regions. Rather than stressing the functioning of the successful Atlantic Alliance, it would focus on the potential benefits flowing from cooperation on a tri-regional basis, and it would enlist Japan as a charter and equal member from the beginning, rather than as an afterthought to an Atlantic declaration.

- provide a rare opportunity to draw Japan away from its insularity and overdependence on the bilateral relationship with the US into a mature partnership and commitments shared with other Western developed nations. Failure to bring Japan in at this time, moreover, would stimulate insular and uncooperative tendencies already prevalent today.

An illustrative draft text of a tri-regional declaration is at Annex C.

With respect to the European signatories of a tri-regional declaration, it would not be necessary for all Western European states to subscribe. It is doubtful, however, because of their economic ties, that the Western European signatories could be fewer than the nine members of the EC.

A major obstacle to a tri-regional declaration will be objections of the major European powers to association with Japan in undertakings which could open Western European markets to Japanese exports. France, particularly, may object to such a declaration. This suggests the value of closest consultation with the Japanese on the whole problem, as well as probes of France, the UK and the FRG on their attitudes.

Another important issue is the relative priorities to attach to a declaration engaging the US and its NATO Allies, and to a tri-regional declaration. The advantage of negotiating them simultaneously or closely concurrently is that the Japanese would be included from the outset in an undertaking in which they have expressed strong interest. On the other hand, any European opposition to a trans-Atlantic declaration could be reinforced by imposing a second layer of possibly more arduous negotiations on a tri-regional declaration. Under these circumstances, and following appropriate bilateral consultations—including with Japan, it may prove advisable to postpone efforts to develop a tri-regional declaration until a trans-Atlantic declaration has been achieved.

II. *Scenarios*

With respect to concepts A and B, above, similar scenarios could be followed in dealing with the Western Europeans and Japan, and an illustrative calendar of activity for pursuing these approaches is at Annex D.

A scenario for dealing with a tri-regional declaration, concept C, above, is at Annex E.

18. Minutes of Defense Program Review Committee/Senior Review Group Meeting¹

Washington, May 25, 1973, 4:09–4:54 p.m.

SUBJECT

NATO Security Issues and Atlantic Charter

PARTICIPANTS

Chairman

Henry A. Kissinger

State

Kenneth Rush

Leon Sloss

George Springsteen

Seymour Weiss

Defense

William P. Clements, Jr.

Robert Hill

John H. Morse

JCS

Adm. Thomas H. Moorer

Vice Adm. John Weinel

CIA

James Schlesinger

Bruce Clarke

[name not declassified]

ACDA

Philip J. Farley

Ira Richards

Treasury

Paul Volcker

John Hennessy

John Hart

CIEP

Deane Hinton

NSC Staff

Helmut Sonnenfeldt

Philip Odeen

Richard T. Kennedy

Jeanne W. Davis

SUMMARY OF CONCLUSIONS

It was agreed that:

—the JCS would prepare an analysis of how a single commander would defend the central front with single-country forces if he were facing a single commander attacking the central front;

—the Defense Department presentation to the DPC will be reviewed in a smaller group for its relationship to the general framework;

—there should be no action on the Defense Planning Questionnaire until after the Pompidou meeting; a Presidential decision will be obtained before the DPC meeting.

¹Summary: The Defense Program Review Committee and the Senior Review Group considered the studies prepared in response to NSSM 168, U.S. NATO Policies and Programs, and NSSM 183, Principles for a Declaration on Atlantic Relations.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-113, SRG Minutes (Originals), 1972–1973 (3 of 4). Secret. The meeting took place in the White House Situation Room.

Mr. Kissinger: I wanted to have a fairly brief meeting to go over what we have in mind for the Year of Europe and to make sure that we are going ahead with some energy. We have no intention of getting absorbed in a lot of bureaucratic liturgy. The President is serious about this. He wants a high-level exercise, as he made clear at the Cabinet meeting this morning. One way or another we are going to give this a big try. In what form and through what channels are open for discussion. Most of the objections so far have been captious. For 20 years the Europeans have been saying they didn't want global responsibilities. If they want them now, they're more than welcome to them. But they have got to face up to the linking of political, economic and defense factors. An organization not linked by reality is not worth defending. We can't have a trade war and keep troops in Europe. It just can't be done.

We want to have by the end of the year a statement of purpose, a work program for the Atlantic area for the next two or three years. The Europeans can't complain about the dangers of a condominium and then refuse to cooperate in getting some Atlantic consensus. If they won't, there will be a *de facto* condominium, and all problems will be solved in relation to the attitudes of the Soviets and the Chinese. In effect, they would be giving them a veto over the policies of the European countries. That's what we're heading for.

We're open-minded about the forum. We want an understanding with the French as to how to proceed, both substantively and procedurally. On substance, I think we're all right. But on procedure, I'm not so sure. There can be different opinions on procedures, but we are determined not to get absorbed in liturgical paper-shuffling; not to repeat the MBFR nit-picking exercise. We're serious about getting some emotional commitment by both sides to some statement of objectives. I don't believe it is beyond the wit of man to get some idea of where we're going. We can't avoid a confrontation in the economic area if we don't know what we want in other areas so we can have some trade-offs. The Embassies need to understand that this is a matter of policy. Forget about the word "charter." We can't let people score cheap victories as Brandt has been doing. We can give up the word but not the substance. If they prefer "declaration of principles," that's fine. We're trying to get a sense of direction so that when we have political negotiations we will know what the limits of autonomy should be.

On defense, we need to see a draft on what we should propose at the DPC meeting. This could be the place where we state our philosophy. There's a great reluctance to admit that there are problems. We don't want to change the strategy of flexible response, but we want a complete concept. We're not eager to bug out. But we won't be kept in by a refusal to face the problems. We want to get at the realistic content

of the problem. If we can decide what we want, we will defend it. If we wanted to get out, we could get the Congress to vote us out and become extremely popular thereby.

We're desperately trying to stay in. But they can't put us through the wringer as they did on MBFR without threatening everything. First they complain about being neglected, and now they complain about being dominated. They have to understand that, while this is a tougher period, it is comparable to the late 40's. They really don't have a choice—it is Finlandization or some Atlantic relationship. We have a choice, and they can drive us to it. If there is no response from them, there will be a gradual erosion. But we won't get absorbed in nit-picking.

Mr. Schlesinger: The primary nit-pickers are the French. Everything depends on what progress you can make in Iceland.

Mr. Kissinger: Absolutely. The French haven't opposed the concept. In my conversations with Pompidou he has been obsessed with the monetary question. Perhaps that's because it is the only subject of which he has any independent comprehension.

Mr. Rush: On MBFR the British were the nit-pickers.

Mr. Kissinger: That's right. I have talked to (Secretary) Shultz about this. It's possible Giscard and Pompidou don't see eye to eye. The French don't want to settle this question in this forum. They want to discuss it and get a sense of direction. We want to discuss the direction in which we want the Atlantic relationship to go over this year. If we can get the French to cooperate, we can get a pretty good result.

Mr. Schlesinger: We already have a framework in MC 14/3.

Mr. Kissinger: (to Schlesinger) When are you going to be confirmed? Can you go to the DPC?

Mr. Clements: Senator Symington plans three days of hearings beginning Thursday. We're trying to accelerate this. After the hearings, it will take a day or two, then a weekend. It will be close, but I think we're okay.

Mr. Kissinger: It would be highly desirable if Jim (Schlesinger) could go.

Mr. Schlesinger: Even if I'm not confirmed, I can probably go as a Special Representative.

Mr. Kissinger: May we look at your presentation before it's firmed up?

Mr. Schlesinger: You bet.

Mr. Kissinger: We want to orchestrate it with other things to show how it relates to other areas. This can give them an idea of what we mean by a serious defense dialogue. We've got to get some common understanding. The British talk about a three-day conventional de-

fense. The Germans say there should be no nuclear weapons on their territory for more than demonstration purposes. I don't know the answer, but I do know that we can't improvise an answer under combat conditions if we don't know what we want to do.

Mr. Rush: But aren't there differences among ourselves? Between (General) Goodpaster and Systems Analysis?

Mr. Schlesinger: These are differences of emphasis rather than differences of opinion. The JCS see a higher risk in relying on a conventional defense but they're not opposed. Systems Analysis believes there is more capability already there.

Adm. Moorer: There is no difference as to objectives. But we have begun to use the expression "short war." This impacts on the incentive of the European countries to build up their stockages. We believe they should stockpile not for a specific number of days but to cover their expenditures until they can get replacements by other means. The Germans point out they have a shorter LOC than we do. That's right. Also, we can make substitutions. And we use a different planning factor than NATO does. I have recommended to the Military Committee that we standardize this.

We have only two choices: we can maintain a conventional force to provide an initial situation which would permit the stopping of the aggression, or we can use nuclear weapons at the outset. MC 14/3 called for direct defense, a directed escalation, then general nuclear war. The problem is not one of strategy, but of the linkage between overall economic, political and military requirements. We want the Europeans to improve their war reserves and communications. We don't want a radical initiative to change the strategy.

Mr. Kissinger: But the only way to avoid a radical initiative is to get a concept which we share. The British say 3 to 5 days of conventional warfare. Others say 60 days. All say "flexible response." But the content is sufficiently different to permit the present anomalies.

Adm. Moorer: It comes down to the assumptions as to the warning we would have. If we are surprised, we won't be facing a full Soviet effort. If they are prepared to mount a full effort, we would have some warning of it. If we have sufficient warning, we could bring REFORGER into play and do some other things. We can work it out for four days or 400 days. It depends on your assumptions.

Mr. Kissinger: The point I'm making is that the political leaders don't have a unified concept of what they're facing. We need some common comprehension of something other than empty phrases. In these days, the impact of a nuclear war on Europe and on the US is not basically different. It would be as disastrous for us as for them. We need some systematic analysis of the problem. To the extent agreement

exists as to the nature of the problem, it should be easy. If it doesn't exist, we should try to get it.

Mr. Weiss: I agree with you, but we should be careful. Such an examination might surface the view that tactical nuclear war in Europe may be better than general, nuclear war.

Mr. Kissinger: Would you handle this by ignoring it?

Mr. Weiss: That might be the danger of driving it to its absolute logical conclusion.

Mr. Kissinger: There's a difference between driving to an absolute logical conclusion and refusing to tackle the problem year after year by refusing to face it. Marshall Wright tells me that we're going to have a vote for a 75,000 troop cut by September. We have to get organized.

Adm. Moorer: One problem is that these countries change Ministers every six months. Sometimes they have a different outlook.

Mr. Rush: How can we state a basis for discussion with our allies if we don't have a position ourselves?

Mr. Kissinger: We can say these are the questions we see. We are having some difficulty making up our minds on some things. This can enhance our credibility when we say we want to consult with them.

Adm. Moorer: One problem is that only the President has the authority to release tactical nuclear weapons. If we have to get the reaction of each country, the situation would change in the meantime so that we would have another problem. The NATO machinery can't respond to the question of the use of tactical nuclear weapons, so we would just go ahead and use them.

Mr. Schlesinger: But we can't say that.

Adm. Moorer: That's the problem.

Mr. Rush: Suppose we did say so.

Mr. Schlesinger: We won't get any agreement on force structure or strategy to implement MC 14/3 if we say we will tell SACEUR to do what he pleases.

Adm. Moorer: We would never say it.

Mr. Kissinger: I know what will happen. Every agency will say that the existing policy is the best one.

Mr. Schlesinger: Not so.

Mr. Rush: You're too pessimistic.

Mr. Schlesinger: Everyone recognizes the irrationalities and anomalies in the present situation. The problem is to achieve some cohesion with the Europeans. They agree to MC 14/3 but pay only lip service to it and won't implement it. We can go along with any objective. We can go to nuclear weapons if they want. Or to a fleshed-out conventional

posture. If they won't fight at all, we can go home and save a lot of money.

Mr. Rush: I question that we would save money. It would cost us more money if we went home.

Mr. Kissinger: If they don't give us something we can defend to Congress, we will have to pack up.

Adm. Moorer: Jim (Schlesinger) can make a forcible statement to this effect in the DPC. Of course, they have been told this over and over, but it's always a different group.

Mr. Kissinger: But the basic structure never changes. It's easier for them to hope that the problem will go away or to do just enough so that we won't carry out our threat to leave. They figure that there will be no war, or if there is, that we will fight, or that they won't be in office when it comes. They will have to pay the price sooner or later.

Adm. Moorer: We only have two options: we can use nuclear weapons at the outset or we can try to stem the tide with a flexible response using conventional forces.

Mr. Kissinger: But which one we decide on determines deployments. It has to be decided.

Mr. Schlesinger: All the problems of 1964 are still there.

Mr. Kissinger: This Administration is prepared to look at the issue and to do something about it if we can get Congressional support.

Mr. Weiss: Suppose the consensus should move toward a shorter nuclear fuse? Can we get agreement here at home?

Mr. Kissinger: If they want a nuclear defense, we can make the decisions. We can mount a substantial conventional defense only with substantial input from the Europeans. If they want nuclears we can decide what kind, the strategy, etc. If we really decide on a conventional defense we can fight a rear-guard action of troop cuts. I think the White House would tend to lean toward a strengthened conventional defense.

Mr. Rush: How can they *not* use NATO troops for a conventional defense?

Mr. Kissinger: How can they use them in their present state? It's like the French army in 1940—there are too many weak spots, too many anomalies. It may be that the best way out is a substantial conventional defense with the fixes needed to make it more effective. Then we could defend the need for forces in Europe as being essential or desirable for political reasons. But we can't keep 300,000 American troops in Europe so that Brandt can use them to bargain with the Soviets.

Mr. Volcker: And create a monetary system so that we can't pay for them.

Mr. Kissinger: Yes.

Adm. Moorer: I don't disagree. We should tell them that unless they are willing to take the actions necessary to correct the deficiencies, we can no longer provide the forces required for the present strategy.

Mr. Rush: A dialogue without our knowing where we're going will not be very profitable.

Mr. Kissinger: Jim (Schlesinger) can say these are the problems. We will give you our views. On one or two matters, we haven't made up our minds. We have to the end of the year to come up with some general principles.

Adm. Moorer: In AD-70 we addressed the weaknesses and the requisites to improve the forces. EUROGROUP estimated \$1 billion for shelters, communications, some reserves. I recommend we update AD-70—determine the status of our defenses. Jim (Schlesinger) can ask what actions they will take.

Mr. Kissinger: That should be done. But we should also think about where we want to be in 1980 and what do we do now to get there. It goes beyond AD-70.

Mr. Rush: That was \$1 billion over five years.

Mr. Kissinger: When the NATO military structure disgorges a paper it usually reflects some obtainable consensus and they are all very conscious of how difficult it was to put together. They suffer at the prospect of going through the process again. We should stress AD-70 and get them to look further ahead. It's their own bloody security. We have more options than they have.

Have we ever had an American analysis of how General Abrams would fight this war? Suppose we had no allies to worry about—only American forces? This would be a good yardstick against which to measure what we're doing. How would a single commander defend the central front if he were facing a single commander attacking the central front?

Adm. Moorer: That's a good idea. We already have part of it; we will do it.

Mr. Clements: That's a great way to start.

Adm. Moorer: When the Military Committee considers the problem, of course one view they look at is General Goodpaster's.

Mr. Kissinger: He's a statesman. His view must be shaded by what he thinks will sell.

Mr. Schlesinger: The Germans won't live with anything but a forward defense.

Mr. Kissinger: Jim (Schlesinger), we will discuss your paper (for the DPC) in a smaller group as to how to fit it into the general design. Could we get from State a draft of an Atlantic Charter or some principles?

Mr. Springsteen: You have it—two drafts, also a Japanese draft. One is broad and simple and the other is more detailed.

Mr. Kissinger: I haven't had a chance to look at them. I will do so and get back to you.

Adm. Moorer: May I raise one more item. The Defense Planning Questionnaire is due July 31. With the reduction in Naval forces, in a quantitative sense we can't meet our commitment. The only realistic thing to do is to make our report in accordance with our capabilities and send a briefing team over to explain to NATO what we're doing. The truth is that we have greatly increased qualitatively to compensate for our reductions.

Mr. Kissinger: Why do we have to decide this now?

Adm. Moorer: There are many budgetary fall-outs.

Mr. Kissinger: Send a memorandum to the President.

Mr. Odeen: We have it.

Mr. Clements: We'll put Jim (Schlesinger) in a helluva position if he can't address this issue.

Mr. Kissinger: We will get you a decision, but I would prefer no action before the President meets with Pompidou. We'll get a decision for Jim (Schlesinger) before he goes.

Mr. Schlesinger: It's Hobson's choice. We just don't have the money.

19. Paper Prepared in the National Security Council¹

Washington, undated.

Proposed Outcome of the Meeting Between Presidents Nixon and Pompidou in Iceland

We would like to reach an understanding to begin the process of drawing up a set of principles of Atlantic relations by the time the Pres-

¹Summary: The paper outlined the proposed outcome of the meeting between Nixon and Pompidou in Iceland.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 949, VIP Visits, Pompidou/Nixon Mtg., Iceland, PM Johannesson May 31–Jun 1, 1973 (1 of 3). Secret. A stamped notation on the paper indicates the President saw it. In backchannel message WH31448, May 25, Kissinger forwarded this paper to Irwin for transmission to Jobert. (Ibid., Box 424, Backchannel, Backchannel Messages—Europe—1973) On May 17, Kissinger and Jobert discussed the Year of Europe in Paris. (Memorandum of conversa-

ident visits Europe later this year. The principles could be embodied in a document which could be published as a Declaration to which the countries that are members of the North Atlantic Alliance and the European Communities would subscribe. We are, however, flexible as to the precise form that such a set of principles would take or what name to give them. We would be interested in discussing ways in which other countries than those mentioned above (e.g. Japan) could subscribe to some or all of the principles.

We would hope that the two Presidents would agree that the main purposes of undertaking such an effort are to give the European-American relationship a new sense of direction and momentum, to provide for all our countries a new source of commitment to our common interests and goals, and to establish at the highest political level certain criteria with which to conduct more specific negotiations in various forums.

Based on the understanding reached between the two Presidents, we would also like to reach at least provisional agreement on the procedures and the timetable for drawing up the principles. We would envisage a period of intensive consultations following the meeting in Iceland. We are flexible concerning the forum for such consultations but would like to have an agreement that they should be conducted at a high level, ultimately perhaps that of Deputy Foreign Ministers, or their equivalents.

We also believe that progress in developing a set of principles would be facilitated if the four major Atlantic countries—France, the UK, the FRG and the US—could act jointly to guide the process along. An informal steering group could function at the level of Presidential assistants or their equivalents. More formal coordination would take place at the level of Deputy Foreign Ministers or their equivalents. We would like to reach provisional agreement on these procedures, subject to the approval of the other two governments involved.

Final agreement on the principles could be reached in the course of the President's visit to European capitals. We would like to see an understanding reached between the two Presidents concerning the most effective way of arranging this final stage because we feel the event should be one of major political and psychological impact. It should give impetus to more detailed follow-up negotiations on the several aspects of American-European relations in various existing or possibly new forums. Our preference would be for the principles to be promul-

tion, May 17; *ibid.*, NSC Files, Kissinger Office Files, Box 56, Country Files, Europe, General, French Memcons (originals) Peter Rodman, January–May 1973)

gated at a meeting of heads of government, either under the aegis of one of the existing institutions or convened especially for that purpose.

We do not think that there will be time, nor have there been sufficient consultations, to attempt to reach agreement in Iceland on the specific contents of a declaration of principles. But we would like to reach some understanding on the categories of topics to be included, e.g.,

- a fresh statement of the values and broad interests shared by the Atlantic nations,

- a definition of common security interests and objectives under the strategic conditions of the seventies,

- basic approaches to East-West relations and to relations with third areas,

- principles of cooperation on such common problems as the environment, energy supply, exchange of technology, etc.,

- and the basic approach to economic relationships, including trade negotiations and the effort to reform the international monetary system.

If we could provisionally agree on such a list of categories, we could then agree to enlist the support of the Germans and British and on that basis proceed with further consultations with the other countries concerned. We could agree, either bilaterally or with the other two major countries, to exchange among us preliminary drafts of principles within four weeks after Iceland. When agreed among the four, at least in general substance, the other countries involved could then join in the drafting.

Since we attach major importance to continued improvement on our bilateral relations, both for their own sake and as a cornerstone of a revitalized Atlantic relationship, we would like to see progress made on any of the outstanding issues. The President would be prepared to reach additional confidential understandings concerning military cooperation which would then be the subject of further contact between our representatives.

We are open-minded about the issuance of a formal joint communiqué.

20. Memorandum of Conversation¹

Reykjavik, May 31, 1973, 10:15 a.m.–12:45 p.m.

PARTICIPANTS

President Pompidou
Mr. Andronikoff (Notetaker)

President Nixon
Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs
Mr. Alec Toumayan (Notetaker)

SUBJECT

The Year of Europe

President Pompidou: I am always pleased to see you personally. I wish to congratulate you again on your overwhelming election and I am at your disposal to conduct this meeting in any way you wish.

President Nixon: I wish to congratulate you myself on your election, which you have won, even though your system is different. I am glad, for it shows what an effective campaign you conducted. We sit here at an important time in our history and—without wanting to be melodramatic—in the world. You and I, in the areas where we agree, can make a historic contribution to the world which is overcoming such changes. But we can make this contribution only if we are completely frank with one another. I tell my friends that when I and the President meet, he always goes straight to the point, and we get by the pleasantries very fast.

First, concerning the economic issue, Dr. Kissinger and Minister Jobert have worked out an agenda with your approval and we will take up economic and monetary matters this afternoon. In that area I urge you to take the lead. We just had a long meeting with Secretary Shultz and Mr. Volcker; Dr. Kissinger was there also. We believe it is important that the differences between the U.S. and France be reconciled. The trouble with economists is that they are doctrinaire. You and I, Mr. President, can work out a practical solution as policy.

Let me begin by being quite blunt about what I read in the French press. This is not a complaint—you have no more control over your press than I do over mine. But there has been a difference of interpreta-

¹ Summary: Pompidou, Nixon, and Kissinger discussed the Year of Europe.

Source: National Archives, Nixon Presidential Materials, White House Special Files, Staff Member & Office Files, President's Office Files, Memoranda for the President, Box 91, Beginning May 27 (1973). Top Secret; Sensitive. The meeting took place in Kjarvalsstaðir.

tion vis-à-vis Europe. I wish to set to rest these misconceptions and speak directly to you about our purposes.

First of all, the timing of our initiative for Europe has nothing to do with the Russian summit or with U.S. political institutions. If we proclaim this year of 1973 the Year of Europe, it is because I feel that during this year of so-called *détente* with Russia, in this year when Europe is flexing its muscles, we would face a very great danger if Europe were to begin to disintegrate politically. It is wrong to go on saying the U.S. can just sit down with the Russians and Chinese because this downgrades the importance and concern we have for our real friends. When I meet with the Russians I have no more illusions than you do about what they want. But I do not complain.

What I see if we do not seize this moment is a race to Moscow—each country in the West and in Europe going to Moscow to negotiate and make deals. Of course there must be individual meetings, but there must be some underlying philosophy that animates all of us. Otherwise, those shrewd and determined men in the Kremlin will eat us one by one. They cannot digest us all together but they can pick at us one by one. That is why it is so important that we maintain the Atlantic Community—I think at the highest level, first of all, the Big Four, Heath, Brandt, Pompidou and the U.S., for some very frank talks about where we are going from here.

I read in the French press that the purpose in the initiative, and we think of it as an initiative of all of us, is to relegate Europe to a secondary position. The U.S. takes the lead, submits the plan, and all meekly follow as in the days of the Marshall Plan. There is also the insinuation that the U.S. wants to change France's role, force France back into NATO and other institutions which France feels it is not in their interest to return to on the old basis.

Let me go straight to the point and say that my talks with DeGaulle in 1967 and 1969 have made of me and our leaders Gaullists. We represent a minority view in the U.S. Government.

President Pompidou: You probably know that according to the French press I have betrayed Gaullism.

President Nixon: I don't believe it. When I speak of Gaullism I speak in broad terms, meaning that France and the other nations must play a role to the extent that they are capable of. You, Mr. President, have not exhibited some of the extreme views of DeGaulle—but which were not so extreme when we knew him. Let me say, at the outset, of the Nixon Doctrine, that the Doctrine is certainly not based on the idea that the U.S. will play a maternalistic or dominating role in Europe, Asia, or South America. The Nixon Doctrine is based on the principle that each country seeks its own interest and develops its own defense. This precept applies to the French and to the world.

Let us now come to the critical period in the relationship between the West and the Soviet Union. At the present time I see a grave danger in the development in the U.S.—and my European friends tell me this is the case in Europe too—of a neo-isolationism in the political field. There is talk, which is healthy, in the economic and monetary areas, but isolationism in the political field. For example, I just had a meeting with Congressmen from both parties. They tell me that after the Russian initiative, after the Vietnam initiative, isn't it time to cut our defense budget by 10 billion and bring back half of our troops from Europe? These are not peaceniks. These are pragmatic politicians.

Concerning the Russians: Their tactics may have changed but their goals remain the same. Their goal is to seize Europe country by country. They would like to see the U.S. decrease its defense in Europe and see a condominium between the Russians and the U.S. They want this not so much vis-à-vis Europe but vis-à-vis China also. Also remember, they seek their own interest just as we seek ours. It is not in our interest to withdraw our troops from Europe or a condominium with Russia.

We must try to find a new life for the Atlantic Community of which we are both a part. First of all, the world has changed since NATO was founded 20 years ago. The needs of Europe have changed. For instance, when I first went to Europe in 1947 the U.S. was economically and militarily a giant. Europe was economically and militarily a pigmy. Fortunately, this has changed and all for the better. I believe in a strong and independent European Community which is not in confrontation with the U.S. on economic matters. Our security interests are such that we must have a more outward approach. To speak quite candidly, when I met with DeGaulle in 1967 and 1969. . . . The trouble is that the U.S. and European statesmen continue to talk and babble as if the world was the same as it was 20 years ago. But the world is different.

I do not have a blueprint for the future; the future must come from all of us. In spite of what I read in the French press, I am very far from wanting to force France back into NATO or other institutions which France does not consider in its interest to return to. But to be quite frank, there is more U.S. opinion—because of our success in foreign policy in China, Russia, the end of the war in Vietnam—a trend such that a rapid disengagement of the U.S. from its commitments would be overwhelmingly approved by Congress. They mistake progress with peace, with the securing of peace itself, and tell us that we must abandon the game plan based on the strength of a good offensive and defense.

For the balance of my term I will fight this, regardless of the consequences. I will fight against the idea of a Soviet-U.S. condominium. To

be safe, the world requires the five fingers on the hand, which are a strong Europe, a strong U.S., Russia, China, and for the future, Japan. The rest does not matter. Africa may matter in 200 years. But since our terms of office are more or less the same, we must see what we do during the forthcoming periods. Russia wants the U.S. to withdraw from Europe because it would release them from the two-front situation which they see emerging. Also, they can then infiltrate Europe, not necessarily with communism, but with a new neutralism which for them would be just as good. And, it would then be a U.S.-Soviet condominium at the expense of Europe and also of China.

So the question is, what to we do in the light of these new factors? And this is where the concept of the Year of Europe came in. We at the highest level must talk to see if first the four and then all Europe can work together on security and then economic matters without reference to the old organizations. I must convince our Congress and then public opinion that our interests are served by a strong Europe, both economically and militarily. Failing this, isolationism in the U.S. will force the U.S. to withdraw from Europe, playing into the hands of the Russians and leaving Europe naked.

I will give you an example. In my conversations, first the Russians wanted to have a bilateral treaty with us. I told Brezhnev that we would not have it. This is not in the interest of our European allies or of our new friends—and how long will they remain our friends—in China. Dr. Kissinger and I have worked long and hard on the wording, which is now changed so that now it imposes a restraint on the Russians to start war against an ally or any third country as well as against us. And thanks to Dr. Kissinger's genius, there are enough escape clauses that the U.S. deterrent will remain real.

So we can try to patch up the old alliance; the U.S. can pull out of Europe which will lead to a Soviet-U.S. condominium and play into Russian hands. Or we can seek to define a new purpose on the basis of the new situation for all of Europe and the U.S.

In sum, I do not present a plan for the U.S. and its European allies. I have no such plan. I do not suggest that the U.S. should pull out of Europe in terms of its commitment. I will fight Congress on this and fight against the Russian condominium concept. I do not suggest that France should return to NATO or revise its position. I say that we should take a cold look at NATO, at its purposes and the interest of each country. I am here to suggest to you that if each man plays his role as a parochial politician without regard to the world as a whole, the European Community will disintegrate, to be picked up one by one. And the reality of a U.S.-Soviet condominium will become much clearer. Finally, I am not suggesting that economic matters are not as overwhelming as they are. On the other hand, if public opinion sees economic matters as consti-

tuting an end in themselves without considering defense matters, we will have a hard time getting Congress to realize. We want a new cooperation between France and the U.S., between the other major allies among themselves and vis-à-vis the U.S., and in the same context, a new sense of talks in the economic relations.

I welcome your views. I have talked to Brandt and Heath but France is the key. What happens between Europe and the U.S. in the critical period of the next two or three years is of considerable importance.

President Pompidou: I will speak very frankly, and besides, you know that France and Frank have the same root. I don't believe that 1973 will be marked by the advent of Europe. It is true that what is called Europe has become a major commercial power and can pose a number of economic problems for a number of significant political problems. What strikes me is that the U.S. has accepted political parity, meaning military parity, with the Soviet Union. How could you do otherwise unless you spent fabulous sums? The second event, and we discussed it with Dr. Kissinger, is your relations with China. It is being understood that events support that such relations be maintained, though they may hit a snag should Mao and Chou, who are both old men, vanish within a short time. We all think in terms of détente, Brezhnev certainly does, but the Russians push their pawns wherever they can. And we are worried about the weaker links in the plan, such as Yugoslavia, because Marshal Tito is an old man. In that context the U.S. has chosen to freeze by use of text, agreements, treaties, for example, SALT, MBFR, the situation that existed. Not to tie up the Russians completely, but to block them.

The second event is the probable advent of Japan as the primary economic power, with a difficult strategic position caught between Russia, the Chinese and the U.S., and which has temporarily said it will be tied to the U.S., a development with which we are highly gratified.

President Nixon: As do the Chinese.

Dr. Kissinger: When I was in China Mao criticized me for spending only one day in Japan and four in China. He thought it would have been a good idea to spend more time in Japan.

President Pompidou: Europe, in looking for an identity, is having a hard time because many countries feel they must do their best, not so much to repel an aggression but to play a role in the defense area and exist militarily and politically. Others say it is no use: "Let us not spend any money on it; let us leave it to the allies," meaning the U.S. Still others choose a halfway of using their American friends to develop a force helping them retain independence and remain independent and play a role in a general conflict. I am not speaking of the FRG, which long made a major political and conventional military effort and is now

beginning to talk of its two options and proclaims its attachment to the West as it is being pulled into the specific German problem which turns it to the East.

If I were the U.S. President, I would be exasperated by Europe. But Europe is what it is; there is nothing we can do about it and the problem is to know if Europe really interests the U.S., not as a member of a community or a military or economic union which will create problems. Can the U.S. accept that sooner or later Western Europe will fall under the sway of Russia leaving the U.S. to become a regional power? We take a high overview, and there is no question of settling anything between the two of us.

I do not think the U.S. can afford to leave Europe. You can pull out 10,000 or 20,000 GIs; this will not matter. It will be a token. It will impress some and worry some. Either the Soviet Union pushes its pawns and it can do so militarily or half militarily, half politically. Will the U.S. accept this or seek a loophole or consider that its interests are at stake? If the U.S. chooses a loophole, the figures are there to show that Europe cannot defend itself. If the U.S. decides that it is vital to ask, then it will not shirk its responsibility regardless of their weight. In 1940, a French politician wrote that the French didn't want to die for Danzig. No doubt many Americans are ready to say now that Americans must not die for either Paris or London. The result of not wanting to die for Danzig is that we died altogether at the time.

Dr. Kissinger: This attitude provoked the death of many countries even though it is illogical. The President has said he does not want to withdraw more than 10,000 to 20,000, but unless we make an enormous effort, Congress will want to legislate the withdrawal of 75,000 to 100,000 men by September or October. This may be illogical but it is a fact. That is why the President seeks a political basis on which he can stand against what would not be in our interests.

President Pompidou: First of all, there is what we have to call the Directorate of Four, for which I do not criticize you. It was DeGaulle's idea. He wrote to Eisenhower about it. It was a Directorate of three at the time, without Germany. We can, we do talk about it. You have talked to Brandt and Heath. I am here. I saw Heath. I am seeing you. I will see Brandt.

President Nixon: On the Directorate of Four, I refer to a very high-level working group to report back to the four, not to make a decision now concerning the future. The idea is not to go to a summit unless we know what would come of it. I also focus the attention on the political direction as differentiated from the economic. DeGaulle was a pragmatist, as you are. He knew the three were all that mattered for security at the time.

President Pompidou: But this led to a distrust with the Italians and the Benelux, not to mention Denmark. The smaller European nations felt towards France, the UK, and the FRG the same susceptibility that we may feel towards the Soviet Union and the U.S. We already see this, and it spreads. The Italians are nervous. Jobert saw Medici and found him worried, ready to give you all facilities but not to submit to prior agreements between others and the U.S. Even in Holland which perhaps matters more, because where will Medici be in eight or 15 days?

In the second place, you speak of some declaration. Dr. Kissinger said very aptly that when you make progress with an enemy all applaud but between friends it is felt that there is no need to display friendship. When we have a Franco-Soviet declaration, for what it is worth. . . . it is Franco-Soviet or Franco-Polish. If you have a U.S.-Soviet or U.S.-Chinese declaration. But here we are talking of something very vague. Who says what? If the Alliance, then it must come out of the Atlantic Council. Is it the U.S. plus one European country? Is it the U.S. and the European Community? This is difficult since the Community has no political reality, only an economic reality.

Let me say that I see no great difficulty concerning the economic relations between the U.S. and the European Community. Even if your Congress and ours get excited.

If we say that we want greater freedom of exchange of people and ideas with Russians, we know what this means, but we don't need to say this as between the U.S. and Europe because for once reality exceeds fiction. The Soviets are very clever. Look at Iceland. They didn't ask for any outstanding posts. The President enjoys respect. The Prime Minister is a bit abrupt. The Foreign Minister is very nice. They took fisheries and they can cause us quite a few problems right there.

President Nixon: You must have listened to the same lecture from the Prime Minister as I did.

President Pompidou: Yes, indeed. But what forum, what place is appropriate for this declaration? The Atlantic Council has made a number of declarations; some important. For myself I don't want any less defense of the free world as a whole, where we are on the defensive standing as a dam, with relations between the European Community and the U.S. which are basically economic and commercial and are easy to solve.

Let me say quite plainly—and perhaps not being very clever—that I will not be hostile to the U.S. attitude. We will try as Frenchmen to understand the U.S. problem and your own specific problem with a somewhat difficult Congress. I will not conceal that the Community is going, not through a crisis, but through a difficult period. Germany tries to look both ways simultaneously. In the UK, Heath is the only European;

I have not met another one in England. The European summit in Paris is now hampered by the UK and the Italian situation. We fight over the price of carrots and wheat. Things come out but they come out poorly. It is a poor system but right now there is no will to pull out of it.

A recent example: under German pressure we had to accept an adjustment of claims which we feel is absurd but Germany was adamant. Under these conditions how do we act? We try to make progress towards economic and military union; some make efforts, some puny gains are attained, setting up an institute in Florence or more practically in the field of energy. We also try to develop our own economy and power, where we are limited by our potentialities and general inflation, and French inflation specifically.

Therefore progress is slow. I do not think 1973 will be the year of extraordinary events in Europe. In 1974 our military budget will be quite higher than in 1973. I effected this from Messmer and Giscard d'Estaing and I will stand up to public opinion on this if I need to. Also, we pursue our nuclear tests in the Pacific, although a number of small countries tell us that the UK and U.S. push them to protest. I tell them it is a convenient pretext to invoke.

Dr. Kissinger: On this issue the President has instructed me not to bring any such appeals to him, to instruct our bureaucracy not to discuss your tests with any government, and forbid the AEC from announcing your tests, to avoid giving anyone any pretext to embarrass you. If you know of any U.S. official involved in this protest we would like to know.

President Nixon: I am for a stronger French and UK nuclear force and I am for your tests. As you know, I talked with Heath about Poseidon and I will be glad to talk with you about anything you may care to raise.

President Pompidou: Thank you for this clarification. I knew this already but we can't keep Latin American countries from saying the U.S. puts them up to this, or Australia, New Zealand or Fiji from saying it is the UK.

Dr. Kissinger: The Australians are changing. Whitlam wants to come talk to the President.

President Nixon: Any politician can make points with his press or his people by saying "U.S. go home, militarily, but we will trade with you." I could make points with my press and my Congress if I said, "Thank you very much. We accept your suggestion. We shall trade and speak only of the environment, energy and the exchange of professors." But we must separate what I believe in, what you believe in, as responsible world leaders, from public opinion as we confront it in our countries. It would be madness and against U.S. interests to work out a happy trade and monetary agreement with Europe and withdraw

100,000 men. Such madness infects a large part of the U.S. population, as well as the majority in the Senate and perhaps in the House as well.

I recognize the difficulties of our Dutch friends whom I respect, and the Danes with their two battalions, but you are a realist. The UN has shown that you cannot collectively work out policies for 13 or 15 Presidents and Prime Ministers in a room just as we do. So we need preliminary talks to see where we want to go. Then work out the procedures for information and consultation.

Dr. Kissinger: As I understand you, Mr. President, we would not announce a directorate, who would agree in secret and informal talks and go on from there.

President Nixon: Let the experts talk, submit to us, and we decide where we want to go, yes.

Dr. Kissinger: It would be at the level of the President's office so as not to be in a fishbowl.

President Nixon: Dr. Kissinger will represent me. Let me give you an example, on MBFR where you feel as I do. I keep dangling this in front of Congress to keep them from cutting funds. Yet I have seen no plan that is satisfactory. It will be very difficult for any country to sit down and negotiate when the Soviet Union speaks for the entire Warsaw Pact. So it is important that you, Heath, Brandt and I talk of these things. With the Italians also, if we only knew who he is.

President Pompidou: Leone told me he will come even if there is a crisis, and there will be a crisis. On MBFR we are outside but we have an opinion. We found many good things in the latest information given to us by U.S. representatives. We think one must not touch national forces, for this is the beginning of a neutralization of Europe.

President Nixon: We are happy that this is the French view because this places a new restraint on some of our allies.

President Pompidou: We thought we had persuaded Brandt but recently he spoke of national forces again, and he is an independent man who does not speak lightly.

Dr. Kissinger: Not only that, but it means swapping good German divisions for bad Polish and Czech divisions.

President Pompidou: I speak of Brandt. He came from the U.S. with a good impression that he had convinced you.

President Nixon: Of what?

President Pompidou: This remains the great European problem but it affects the free world. Is our time up? I have told Dr. Kissinger we may differ on this or that but our interests and not just our feelings are tied; even if we disagree on methods we work towards the same end. We are more threatened than you in the military field only. You would kill all the Russians, we would kill part of them, and we would all be

dead, but we can also be attacked politically as in the recent personal ambitions of our Socialist Party which could topple France. We know that once the Communists are in power it is not easy to remove them.

You can trust us fully and entirely. We are committed to block the way to communism for France and if possible for Western Europe. Mind you, I find Brezhnev very nice. He likes good food as I do. You will have a hard time keeping him from kissing you. I did. But we would be greatly worried if the U.S. and the Soviet Union were sheltered and Europe became like Vietnam and the Middle East, a stage for more or less nuclear strikes without direct involvement of the two great powers except supplying weapons. Outside of the UK and France, all countries would recline in front of the Soviets.

President Nixon: We have the same interests. I cannot speak for the left at any time, a group over which I won such overwhelming reelection, not any more than you can speak for your leftist Socialists. We confront a fact, not a theory, concerning the danger of precipitate U.S. withdrawal from Europe. The danger is not in 1974 but in 1973, beginning June 15 when Congress starts slicing the budget. I will fight that, but I must be able to convince Congress and the people that the Atlantic Community is alive, has a purpose, and talks to our time, not to 28 years ago.

Dr. Kissinger: President Nixon has a deep emotional commitment to close ties to France. That is why we want to have the closest consultations with those Europeans who are convinced that Europe must be defended against communism from within or from without.

President Nixon: I rejected the Soviet offer of a bilateral nuclear treaty. It would have left Europe completely uncovered. I think by now the Soviet Union and the Chinese are aware that I stick by an ally, and when the chips are down I shoot no blanks, after the agony through which we went in the U.S. and in France to put an end to the war in Vietnam.

Dr. Kissinger: In proclaiming the Year of Europe the President wants to build an emotional commitment from our bureaucracy, our leaders and the press, so that it will be a political necessity to consult our allies before a final decision is reached with the Soviets. It is the best guarantee against the Soviets condominium that this President will not establish but that one of his successors might. That is why we made the Year of Europe more formal than local needs dictated.

President Nixon: I do not suggest a grand tour of Europe with a U.S. initiative mainly initiated by the European allies. But we cannot go on as things are. We have to get away from the notion that it is all right for the U.S. and the Soviets, the U.S. and China, to get together. I am glad we were able to speak frankly. I was able to remove a misconception on the working group of four. My thought being to give an emo-

tional content, not only to materialistic issues which are important but political, so that we can show the Russians a stronger mystique of unity and purpose than is presently the case. Then the four will report to us individually. We will examine their ideas and engage in wider consultations with our other friends in Europe leading to an enlarged meeting.

President Pompidou: I am quite willing to have them talk. Concerning the Soviets, we tell them we are secure. Hence our text for détente would be fair. I guess we have to adjourn. Shall we tell the press we had an overview of world events? And we may add, if it helps you, that I stressed the need for the presence of U.S. troops in Europe.

Dr. Kissinger: Could we add we had a useful or constructive talk on the evolution of Atlantic relations, a review of the world situation and a constructive view of Atlantic relations and President Pompidou stressed the importance of the presence of U.S. troops in Europe and the danger of a unilateral reduction of U.S. troops from Europe?

President Pompidou: You can not only say it, but I think so.

President Nixon: I want to strengthen my hand when I meet Brezhnev, and not having Europeans in thinking and talking in strong terms and not having the Alliance unravelling. This will strengthen my hand with him. I don't want him to kiss me unless there is anything to be kissed for.

21. Memorandum of Conversation¹

Reykjavik, May 31, 1973, 3:10–5:30 p.m.

PARTICIPANTS*American Side*

President Nixon

Dr. Henry Kissinger

Alec Toumayan (Notetaker)

French Side

President Pompidou

Mr. Andronikoff (Notetaker)

SUBJECT

Year of Europe; Economic Relations

President Nixon: I thought before going into the monetary and economic matters, where I want you to take the lead, Mr. President, that we could spend a few minutes about where we stand on the last item we discussed this morning. Without committing anyone to any action or schedule, our interests are the same as you said. And could you agree that first there could be some private exchanges between Dr. Kissinger and Jobert on your side—and it would be Egon Bahr and Trend—and after these exploratory talks each would report to each of the four of us on the different views presented?

Mr. Kissinger: In greater detail and without deciding the outcome of the procedure, existing negotiations would continue in the existing forums, and this group we set up would look formally into new measures and new initiatives among the four. Later on, in July perhaps, the deputy foreign ministers of all nations could meet to see how a general set of principles could be formulated, leaving open either to have a summit or not.

President Nixon: If and when we will have a summit.

President Pompidou: The first is to reply to my question as to what is the purpose of all this. This being said, you mentioned Bahr, Jobert,

¹ Summary: Pompidou, Nixon, and Kissinger discussed the Year of Europe.

Source: National Archives, Nixon Presidential Materials, White House Special Files, Staff Member & Office Files, President's Office Files, Memoranda for the President, Box 91, Beginning May 27 (1973). Top Secret; Sensitive; Exclusively Eyes Only. The meeting took place in Kjarvalsstaðir. The remainder of this memorandum of conversation, which reports the discussion on economic relations, is printed as Document 41 in *Foreign Relations, 1969–1976*, vol. XXXI, Foreign Economic Policy, 1973–1976. On June 8 Kissinger and Jobert met in Paris, where they discussed the fall-out of the Reykjavik summit, a Year of Europe declaration, and next steps in the Year of Europe. (Memorandum of conversation, June 8; National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 56, Country Files, Europe, General, French Exchanges—Sensitive, 1973 (RN))

Kissinger, Trend, but you cannot hope that these four men who enjoy the same degree of closeness to their respective chiefs of states, though with different administrative status, can meet without it being known and people asking why. They can't all come down simultaneously with the gout and all be taking the waters at the spa. How can you explain that these four men are meeting and why? Dr. Kissinger likes to travel; he could see them one after another. But I don't see how you could put all four men together now as being individuals. And people will say "what's up?" This would be detrimental to what we seek to attain and I feel that separate conversations would have the same result. You have close ties with the UK and with us and with the FRG. You can exchange views and see what outcome is possible. If not a summit, perhaps another meeting or a major declaration. I see no need for an unusual procedure, by which I mean not going outside embassy channels but having the appearance of a highly normal appearance.

President Nixon: The problem with Mr. Kissinger going around is twofold. First, it is an American initiative, and we feel it should spring from all Europe, and it comes after meetings at the highest level with Heath, Pompidou, Brandt. Concerning the goal, we should not be too precise. Some have said charter, but this preempts our rights and our responsibilities as chiefs of state to make a decision. I see exploratory talks which follow up consultations on the highest level which have taken place over the past few months. In each case agreement was reached, first that our interests are the same—you have said it, Heath and Brandt had said it too. The only difference of opinion is how best to serve the interest and the new Europe, the differences economically, and as we take a hard look at our security arrangements with respect to new developments in the world. Finally, as to presenting a goal, there is a need at this time for a new reevaluation of the Alliance on security and economic matters. Through these exploratory talks we seek to obtain the best thinking of all to carry forward in a constructive way after the bilateral exchanges.

Mr. Kissinger: In your basic outline in your report to Congress and in your speech which you asked me to give, you asked for some aim by the end of 1973 leaving open the question of whether to hold a summit or other forum. The aim being a general declaration of principles to guide us over the next few years. We look for procedures, and the deputy foreign ministers of all the nations could be guided by the exchanges that took place between the four.

President Pompidou: I will say only one word on the aim. I don't say those have not changed. It is essential that improvements of the alliance in or out of NATO must face up to the communist threat so the wording of the aim must remain vague. Concerning the methods, I suggest that Mr. Kissinger travel because he likes to. It is, after all, an

American initiative, not French or FRG. But we can do it another way. Mr. Kissinger has to go back to Paris and could schedule another meeting on the occasion and make a stopover in London. Bahr can come to London and I will ask Jobert to go to Washington if you think it would be useful. But putting all four men together would be a problem because they do not have the same functions and it would look too much like a special event.

President Nixon: In response to your proposal I suggest that this can be worked out. Mr. Kissinger and I will contact the other three, have extended talks, and they will report back to the four of us. Thus we will avoid the problems of a mini-summit that I know you want to avoid. Concerning the aims, although there should be no charter, it is important to recognize France's new economic position and the new position should be discussed, so we should not limit our representatives to talking about the future of the alliance but about the future of each member and how they can best work together on a whole range of ideas.

There is talk in the U.S. of a confrontation between Europe and the U.S. There will be competition, yes, but if there is confrontation, if we do not come to an agreement on trade and monetary matters, this will not only destroy economic matters, it will destroy the alliance. I look forward to hearing your views, but it is important if we look at the aim to take the long and comprehensive view.

Mr. Kissinger: One more word on procedure. A number of negotiations are in progress. We are making a presentation to the DPC of NATO on general considerations, and a number of other economic discussions will continue in their present format. At one point we can merge all this and the deputy foreign ministers can see how to work on this and into a declaration of principles. Perhaps in a formal meeting of the alliance.

President Pompidou: Yes, in the NAC, where the deputy foreign ministers can easily gather. As for the Reykjavik declaration, it can include such a reference.

Mr. Kissinger: With that or an ad hoc meeting so that economic matters can be put on the agenda.

President Nixon: I have thought, as I know you have, about the future of the alliance. On the security aspect, I would like some direct correspondence between us. Of course, Mr. Kissinger will echo my views. I would like also some correspondence with Heath and Brandt so that when I come to Europe, in the fall I hope, we can talk over all this again.

[Omitted here is discussion of economic relations.]

22. Memorandum From Philip Odeen of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, June 9, 1973.

SUBJECT

NATO Defense Ministers Meeting

Last week's meeting of NATO Defense Ministers (June 7) went reasonably well from the standpoint of advancing U.S. security initiatives in connection with the Year of Europe.

Our basic strategy for the meeting was:

—To put forward our burdensharing and force improvement proposals but not let them get bogged down in the NATO bureaucracy.

—To get the Allies thinking about strategy but stop short of getting the NATO bureaucracy involved in a major strategic review.

The focus of our effort was on Schlesinger's speech. The preparation was a real bureaucratic donnybrook with the military and ISA trying to excise anything that "might cause problems." But the result advanced our interests. In addition to outlining our burdensharing and force improvement proposals, Schlesinger made two key points.

—That the U.S. Congress is not likely to continue supporting a U.S. defense posture premised on a major conventional defense option for Europe if the Allies continue to plan for a nuclear trip wire.

—A major conventional defense option is within reach of NATO and does not require a massive buildup that would be politically unacceptable.

Hal Sonnenfeldt had some concern that the speech turned out to be too incrementalist—that is, that we only need to take small steps to shore up NATO's defenses. I agree; it probably should have gone further to stress the difficult actions needed. This was one result of the bureaucratic infighting, but it may not have been bad tactics (we do not want to get NATO involved in the basic review of strategy and force

¹ Summary: Odeen reviewed the June 7 meeting of NATO defense ministers.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 263, Agency Files, NATO June 73, Vol. XIV. Secret. Sent for information. Kissinger wrote at the top of the memorandum, "Nonsense—it was a disaster." At the end of the seventh paragraph, Kissinger wrote in the margin, "What do you think we are about?" Under cover of a June 4 memorandum, Odeen, Eagleburger, and Sonnenfeldt forwarded a draft of Schlesinger's remarks to Kissinger, calling it "a tough speech" that addressed "the fundamental questions of force structure, strategy, and the conventional balance" and clearly called "for a major review of security issues within the Alliance." Kissinger approved the speech, with minor changes. (Ibid.)

structure yet) and did not detract from the overall thrust of the presentation that NATO had to face a number of tough issues.

At the end of the DPC, Luns drew attention to the U.S. proposals for force improvements and burdensharing, which he said called for development of a multilateral program. As we had planned, Luns gave action to the Permanent Representatives to formulate an appropriate approach and did not hand our initiatives to the existing AD 70 bodies.

Another positive aspect to the meeting was the Dutch effort to get NATO to examine greater specialization of Defense Missions on the Central Front. The Ministers agreed to such a study and this will give us an opportunity to advance our own views on restructuring NATO's defense.

Coming back on the plane, Jim Schlesinger gave Dave Aaron his own view of the meeting. Basically, Jim felt that the Defense Ministers he talked to may not have understood what he was saying, but did hear that we were saying something new. He characterized his speech as a "warning shot across their bow" which they clearly noticed, but without yet absorbing the full implications of what we are about.

Schlesinger also expressed concern at the ossification he found in NATO—both in the organization itself and in U.S. Mission. We share this concern. A surprising number of people in our Mission have been there for years and are simply tending the machine.

The DPC enabled us to place our proposals on security issues before the Allies, but to get concrete action we will have to follow up with specifics both in terms of substance as well as procedures. The latter is particularly important if the initiatives we are pursuing are to support your efforts in the Year of Europe and if they are not to disappear into the NATO woodwork. Schlesinger appears to be quite aware of these problems and willing to work with us on them.

23. Message From French Foreign Minister Jobert to the President's Assistant for National Security Affairs (Kissinger)¹

Paris, undated.

Dear Friend:

Let me first thank you for the courtesies you extended to me at San Clemente and for all your kind attention, which I found very touching, knowing as I do the true sentiment of friendship which accompanied it. Please also tell President Nixon how interested I was in the conversation I had with him. Please also extend my best wishes to him, particularly at this moment [reference to illness].

I do not yet know if I will have the pleasure of seeing you in the coming days in Europe, but I think it may be useful for you personally if I indicate, as I promised to do, my reactions to the two documents you gave to me in San Clemente.

Several days have passed since our meeting. In many ways they have added a new dimension and some added preoccupations to the concerns we discussed and to those broader issues which you outlined in your April 23 speech. This means that many paragraphs in the two documents that I just mentioned strike a somewhat false note at the present juncture.

I am very reluctant to have to respond to you in this manner. I would have been tempted, at first, to make "fierce" comments, as you might say, which you would have expected, but I will not do so, not wishing to embarrass you at a time when I know that you have given these documents to most of our partners. However, we are far from having made a complete judgment—although, as you anticipated, the State Department document, which is less generous than yours, seems to me to be also more prudent.

I honestly feel that it would be better not to undertake the steps you propose except on bases more acceptable to us, and globally less ambitious, taking into account what each nation can accept and the present situation, which, as I told you, is preoccupying and darkens the perspectives that your documents describe.

¹ Summary: Jobert discussed the next steps in the Year of Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 56, Country Files, Europe, General, French Exchanges—Sensitive, 1973 (RN). No classification marking. All brackets are in the original. Forwarded, along with the original French text of the message, to Kissinger under cover of a July 16 memorandum from Sonnenfeldt, in which Sonnenfeldt recorded the meeting during which a French Embassy official delivered the message to Kissinger. Kissinger initialed Sonnenfeldt's memorandum.

I do not now want to begin what could be a polemic, for I would find one irritating. But let me out of friendship advise you to engage in the bilateral talks you desire with more realistic documents.

I could, it is true, translate in my way, that is by a text, the sense of realism that is acceptable. To do this, I fear, might embarrass you, and, on reflection, I feel it better that we remain silent.

My feeling, which I must convey to you in the very interest of your propositions, is that you cannot, either here or elsewhere, gain a truly sincere acceptance of these texts which you had the kindness to give me.

Please accept the assurance of my best wishes.

Michael Jobert

24. Message WH31863 From the President's Assistant for National Security Affairs (Kissinger) to French Foreign Minister Jobert¹

Washington, July 19, 1973, 2250Z.

Dear Mr. Minister:

I have carefully read your recent letter to me. Indeed, I have reread it a number of times to be as certain as possible that I have fully understood the meaning and intent of its subtle phrases.

I am not surprised, nor unduly disturbed, that you should have found the two working documents I gave you in San Clemente perhaps too optimistic. They were not intended as finished drafts; nor were they meant to be in any sense an opening bargaining position. They were the beginning of a common effort to establish terms that could find general acceptance among the parties concerned. It was for this reason that I had awaited with so much interest your own ideas concerning the contents of a declaration which you had on several occasions indicated you would seek to set on paper.

And I must say that I would still be eager to see those ideas, regardless of how distant they might be from ours, because it seems to me that a dialogue can be conducted only if both partners speak.

¹ Summary: Kissinger replied to Jobert's letter on the Year of Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 56, Country Files, Europe, General, French Exchanges (2 of 2). Top Secret; Immediate; Sensitive; Exclusively Eyes Only.

It would be wholly inappropriate for me to speak to you of French interests. But I cannot help feeling that if you were to try to set forth in writing the goals, purposes and opportunities of the states of the Atlantic area, the French perspective would not be all that divergent from what we attempted to articulate. At any rate, we would have a basis for discussion, perhaps even “fierce” discussion, with a good chance, I believe, of a positive outcome.

As I told your Chargé, I was somewhat disturbed by your references to some recent developments that you say have added preoccupations to our relations. I believe it would be helpful, if only in terms of our bilateral relations, if you could be more specific with regard to these matters. Especially since I now anticipate seeing your colleague, the Defense Minister, in the near future, it would be of particular value to me to have a more precise understanding of the causes for your evident pessimism.

We have, as you know, consulted with some of our other Allies in regard to the contents of a declaration and the procedures for completing it. I conveyed to them the texts I had given you in San Clemente only after not hearing from you for many weeks and only on the same terms: that they were working documents to advance the discussion toward an outcome acceptable to all. As we informed your Ambassador we provided the texts to the British and Germans; we have now also given them to the Italians. We described them as working papers. We shall make no other distribution.

Our sole purpose remains the strengthening of the West at a time when many pressures and dangers threaten to push us in the opposite direction. By definition that goal cannot be achieved without the consent and participation of all concerned. Specifically, neither the unity of Europe, which we support, nor the reinvigoration of transatlantic relations, which both of us desire, can occur without the leading role of France. It is on that basis that I have conducted our talks and will continue to do so.

I cannot help closing this message without striking perhaps as pessimistic a note as I detected in your own letter. It seems to me that all of us will suffer, and Europe perhaps more than we, if it turns out that we can engage in multilateral conferences and bilateral meetings, and sign agreements and reach understandings, with the East, such as CSCE, MBFR, SALT, etc., but are unable to do so among ourselves. I say this as a historian more than as one concerned with current affairs, because in the latter capacity one can always find ways to muddle through. But that, it seems to me, is not what is called for today if we are concerned with shaping the future together.

With warm regards.

25. Message From British Prime Minister Heath to President Nixon¹

London, July 25, 1973, 2246Z.

Dear Mr. President,

It was most helpful to us to receive your latest message of 18 July in advance of the Ministerial Meeting of the Nine in Copenhagen on 23 July. As you know I fully share your concern that Atlantic relations need to be put on a firm basis for the future.

The meeting in Copenhagen had to be brief because the Ministers had to go on to Brussels for a delayed meeting of the Council in the afternoon. But some progress was made and I think you can be reasonably confident that we shall be able to give you further good news after the next Ministerial meeting on 10/11 September.

Alec Douglas-Home was determined to get the meeting to decide that if you come to Europe in the autumn the Nine (in one form or another) will be ready to meet you, in addition to whatever may be arranged in the North Atlantic Council. In this he was successful and the decision is recorded in the agreed (unpublished) conclusions of the meeting.

Secondly, the Ministers decided (and announced) that:—

(A) They have charged their Political Committee with working on a paper on the European identity which will serve as a basis for the constructive dialogue which they wish to carry on with the United States; and

(B) To ask the Political Committee to prepare—before the next meeting in Copenhagen on 10/11 September—a report which should deal with subjects that could usefully, in the shorter term, be taken up in such a dialogue.

From what was said at the meeting I think that it ought to be possible for us to ensure that the report at (B) also deals with the kind of thing which might be included in a communiqué or declaration to emerge from your meeting with the Nine.

We learn from the Germans and the Italians that you have been considering the possibility that, in addition to a meeting of the Atlantic Council and another with the Nine, there might be a summit meeting of

¹ Summary: Heath briefed Nixon on the July 23 EC Foreign Ministers meeting in Copenhagen.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 431, Backchannel, Hotlines (all circuits) PRESUS IN/OUT thru Aug. 9, 1974. Secret; Immediate; Sensitive. In message WH31855 to Heath, July 18, Nixon urged the importance of a renewed expression of Western solidarity. (Ibid.)

the 15 plus Ireland. The French have said categorically that they are opposed to any such summit, even in Paris, and Alec Douglas-Home tells me that most of those who spoke on the subject yesterday tended to see great difficulties. In the circumstances it is my judgment that you would be unlikely to succeed if you pressed this proposal, although it is of course for you to decide. We will do our best to ensure that Foreign Ministers are present, not only in the Atlantic Council but at the meeting of the Nine as well.

There is one other point which I should mention. We have, of course, said absolutely nothing to our partners in the Nine about Kissinger's meetings with Trend and Brimelow. There is however a strong ground-swell of opposition by the smaller countries to bilateralism between the larger European countries and the United States. The French have been exploiting our failure to keep our partners informed. The Nine ministers have now decided that they will exchange the information which they obtain in the framework of bilateral conversations with the U.S. and try to harmonise their reactions with regard to possible suggestions of the U.S. I think that we shall stand the best chance of achieving the success which you and I both want if we ourselves are now seen to adhere to this decision as regards the present exercise. To do so will improve the chances of an orderly response by the Nine in the autumn. We will include among our aims at the 10/11 September meeting to set up an orderly procedure for European/American discussion of the text to emerge from your meeting with the Nine.

As for a text to emerge from the Alliance, I think that this will inevitably have to be prepared in the ordinary framework of the North Atlantic Council. Because not all members of the Nine are members of the Alliance and some Europeans are members of the Alliance but not of the Nine, we cannot carry the two exercises forward in the same forum or at the same pace.

Trend and Brimelow will be ready to discuss these and other problems when they visit Kissinger next week.

With warm personal regards,

Yours sincerely,

Edward Heath

26. Message WH31875 From President Nixon to British Prime Minister Heath¹

Washington, July 26, 1973, 2314Z.

Dear Mr. Prime Minister:

I appreciated your message of July 25 and your account and assessment of the meeting of the Nine in Copenhagen. Although I accept your view that a certain amount of progress was made in the general direction of what we hope to achieve, I must tell you frankly that I am quite concerned about the situation in which we seem to find ourselves.

I thought we had agreed when we discussed what later became known as the Year of Europe initiative in our January meeting that this was a major enterprise in the common interest at a critical time. In that meeting and in numerous subsequent exchanges in this channel and in conversations with your representatives, it was common ground that the revitalization of Atlantic relationships is at least as much in Europe's interest as in our own and that extraordinary efforts with strong public impact were required.

As you know, in stressing the urgent need to bring the Atlantic association once again into the forefront of the consciousness of our public and Congress, I am motivated solely by the recognition that if present trends are not reversed, Europe, even more than the United States, will be the loser. I had thought that similar considerations motivated my friends and colleagues in Europe, given the attitudes that are prevalent in virtually all the Atlantic nations. Certainly, that is what all the European leaders with whom I have met or corresponded this year indicated.

It is for these reasons that I find the kinds of debates being carried on in European forums so disturbing. It frankly had never occurred to us that the principal European pre-occupation would turn out to be with procedure which after months of discussion would lead to the conclusion that we cannot devise the extraordinary forum that would

¹ Summary: Nixon expressed his concern about the outcome of the July 23 EC Foreign Ministers meeting and its implications for U.S.-West European relations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 431, Backchannel, Hotlines (all circuits) PRESUS IN/OUT thru Aug. 9, 1974. Secret; Immediate; Sensitive. In a July 26 telephone conversation with Kissinger, Sonnenfeldt noted that the West Europeans were at least "working on the documents." Kissinger replied, "Yeah, but in a framework that is suicidal. Unless we shoot one across the bow to them brutally now . . ." Sonnenfeldt responded, "Well, I think that you should do." (*Ibid.*, Kissinger Telephone Conversations, Box 21) In a July 26 telephone conversation with Sykes, Kissinger stressed that Nixon wanted Heath to know that he, Nixon, had personally dictated this message and that "it was not a staff effort." (*Ibid.*)

be appropriate for this important endeavor—even though all my colleagues except one had previously agreed to its utility and France had gone no further than to reserve its position.

As you know, we have no quarrel with the European desire to establish and build its own identity. We applaud it because it is integral to what we are trying to accomplish—even if some shortsighted people in this country disagree. We do not find the Atlantic initiative in any sense incompatible with these European purposes; on the contrary we consider them mutually reinforcing.

Consequently, we have no objection whatsoever to the idea that the Europeans should concert among themselves how they wish to conduct the dialogue with us. Not wishing to get delayed by procedural issues, we employed bilateral channels because that was the European preference and indeed because no other channel seems to be available. Every attempt at multilateral talks including some proposed by your government when Dr. Kissinger visited London in May has been rebuffed. We finally accepted bilateral talks because we agreed with your judgment that the French should not be isolated, but our preference for multilateral channels was always clear. We consistently stated that the various bilateral talks as well as discussions in existing multilateral forums should be pulled together multilaterally as soon as this was feasible. If we have sought to preserve the privacy of our bilateral exchanges it was largely at European request and because we agreed that under the circumstances it was the best way to make progress. I find puzzling what you say about the exploitation of our private bilateral contacts by the country that had initially insisted on them.

Although, in view of Sir Burke Trend's imminent visit, I do not in this message wish to enter into further detailed discussion of procedural issues, I would like to make certain basic points.

My proposed trip to Europe was intended not as an end in itself but as a major symbolic and substantive act of policy giving strong new impetus to all our joint endeavors. I cannot believe that the West can contemplate a multitude of major negotiations with the East, including collective and bilateral summit meetings, while at the same time enmeshing intra-Western relations in a complex procedural web. It is hard to understand the refusal of our Allies to discuss the substance of our mutual relationships after three months of strenuous efforts on our part to elicit their views.

I am convinced that if I were to travel to Europe in 1973 and do essentially no more than repeat the itineraries and events of my previous trips, the effect could be highly negative. I would have no objection to meeting once again with the North Atlantic Council and, in some manner, with the European Community, but unless such meetings

yield concrete results and occur in a spirit and at a level commensurate with the urgent needs of the times, I wonder whether it would be wise to consider holding them at all. Certainly, in the United States, in the light of the objectives we have proclaimed, there is a strong likelihood that if I were to participate in multilateral meetings which my colleagues found it impossible to attend, it would be considered highly inappropriate. For these reasons, I doubt that I shall avail myself of your suggestion that you will do your best to have the Foreign Ministers join me in a meeting of the NATO Council or the Nine.

Until now, my impression had been that the approach I have outlined had struck responsive chords among most of my colleagues. But if this was inaccurate, or is no longer true, then perhaps the best thing to do would be to let these matters be handled in the routine channels and forums, which you seem to recommend. Whether such a course would produce significant and positive results, however, is questionable.

May I note, incidentally, your comment that you had heard from the Germans and Italians that I had been considering a summit meeting of sixteen. I believe your government was fully informed of this possibility when Mr. Sonnenfeldt briefed your officials about the discussion with Foreign Minister Scheel. We would, also, of course have fully vetted it with Sir Burke Trend if it had proved feasible to arrange a meeting with him some weeks ago as we had hoped.

Let me conclude by stating that we remain quite flexible concerning the number and form of documents to be issued this year. The main criterion, again, should be the spirit and content of such documents. Our working drafts were intended to convey at least the flavor of what we thought was needed and it has been a source of disappointment that so far only the Germans have given us any ideas of their own in this regard. If the documents are to be the product of what appears almost like adversary bargaining, or if they are to be simply one more in a series of relatively routine Western communiqués, then I question whether the effort, or my personal involvement in it will be worth it.

I have given you my very frank reactions to the present status of the American-European discussions. I still believe that statesmanship can prevail to make this common enterprise a success. But I believe this requires commitment and impetus at the highest levels of all our governments. Otherwise I fear that the injury to the interests of all our countries could be severe and lasting, though we would of course have no alternative but to live with such a result.

Sincerely,

Richard Nixon

27. Memorandum of Conversation¹

Washington, July 30, 1973, 3:00–5:20 p.m.

PARTICIPANTS

Sir Burke Trend, Secretary to the Cabinet
 Sir John Hunt, Secretary-designate to the Cabinet
 Sir Thomas Brimelow, Foreign and Commonwealth Officer
 Richard Sykes, Minister, UK Embassy
 John Graham, Political Counselor, UK Embassy
 Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs
 Mr. Helmut Sonnenfeldt, Senior NSC Staff Member
 Mr. Peter W. Rodman, NSC Staff

Dr. Kissinger: What should we start with? Let's start with the so-called Year of Europe. The only other thing I want to discuss—on the nuclear program—is to make sure there is no misunderstanding of what I said to Rowley on the West Coast. Why don't we discuss that first.

What I thought I said to Rowley was that the MIRVed Poseidon presents significant difficulties for us, with Congress and the bureaucracy. But the chances are 50–50 if, after considering it, there were a formal request. While the other one was certain, I wanted to make sure you didn't think we had turned it down on discretionary grounds. The President is personally disposed to do it but there is the difficulty.

Sir Burke Trend: Yes. The way it came to us led us to discount it positively.

Dr. Kissinger: Our view is, it is a quarrel we don't insist on taking on. But if in your judgment it is worth doing, we will be basically disposed to be helpful.

Sir Burke Trend: But you would still see formidable difficulty with the Congress.

Dr. Kissinger: Yes. [To Sonnenfeldt] Don't you?

Mr. Sonnenfeldt: Yes.

¹ Summary: Trend, Kissinger, and other British and American officials discussed Poseidon and the Year of Europe.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 23, United Kingdom (8). Top Secret. All brackets are in the original except "[M]", added for clarity. The meeting took place in Kissinger's office at the White House. Tab A is published as Documents 25 and 26. Kissinger and Trend reviewed their July 30 meeting by telephone later that evening. (National Archives, Nixon Presidential Materials, Kissinger Telephone Conversations, Box 21)

Dr. Kissinger: And a major brawl with the Soviets. We had gotten word that you felt we had turned it down as a matter of executive discretion.

Sir Burke Trend: No, we got it as you have just put it. That it was 50–50, that you can't guarantee it, but you were favorably disposed.

Dr. Kissinger: It would probably succeed.

Sir Burke Trend: It would probably succeed?

Dr. Kissinger: Yes. But blood will be spilled. Schlesinger thinks the Mark III would suffice. I am also told you question our cost estimates. We understand the Mark III will be more expensive, because of the modifications required. There is a discrepancy in the estimates. We think it is \$620–700 [M] more, and you think it's a billion more. Our experts should get together and reconcile the estimates.

Sir Burke Trend: I'll see about the cost estimates. On the sheer merits, we are still mulling it.

Dr. Kissinger: I am told you are leaning now to Superantelope. We frankly think that is a mistake. But it is the easiest for us. So we won't tout you off it!

On the Year of Europe. We are all familiar with the exchanges that have taken place. [Exchange of messages between Heath and the President, Tab A] Can Burke or someone sum up what happened at Copenhagen?

Sir Brimelow: What it comes down to is, by mid-August we have to make available to the Danish chairman of the Nine Foreign Ministers texts which are contributions to what may be said by the Nine if and when President Nixon comes to Europe later on. These contributions will be worked on by the Danish chairman, then by the political directors, in order that the texts as approved may be reviewed by Foreign Ministers. The work of the Danish chairman will be considered by the correspondents, the juniors, on August 31, to be considered by the political directors 4–5 September, for review by Foreign Ministers 10–11 September—which is when you will go to Europe.

Dr. Kissinger: I am not sure I will go to Europe.

Sir Brimelow: Some mentioned that possibility.

Dr. Kissinger: That I would *not* go?

Sir Brimelow: Yes.

Dr. Kissinger: They had no basis at the Copenhagen meeting.

Sir Brimelow: It was mentioned.

Dr. Kissinger: By whom?

Sir Brimelow: [Looks through his cables] I don't seem to have it.

Dr. Kissinger: There was some discussion when the Italians were here about whether it was more useful for me to go before or after the Foreign Ministers' meeting.

Sir Burke Trend: There was general expectation that you would come.

Dr. Kissinger: That was my intention.

Sir Burke Trend: You are reconsidering?

Dr. Kissinger: Yes.

Sir Brimelow: [Reading a cable] It came from the North Atlantic Council.

Dr. Kissinger: I was hoping to give a speech to the Atlantic Treaty Association. It can be given any time between 10–12 September, but they would prefer it be the opening speech.

Sir Brimelow: In the North Atlantic Council on the 26th, DeStaerke said Dr. Kissinger's trip was uncertain, but the important thing was to have results in time for President Nixon's visit.

We are working on material to give to the Danes before August 15.

Dr. Kissinger: Which we will see or not see before it is given?

Brimelow: I don't think you will see it before. We have to put it in the European machinery first. Then we expect to talk to you and really get a move on.

Dr. Kissinger: What do you mean by talk to us and really get a move on? Who do we talk to? The Danish Foreign Minister?

Sir Brimelow: Yes.

Dr. Kissinger: We would negotiate with him?

Sir Brimelow: If you regard it as negotiation.

Dr. Kissinger: Then we would have to go back to you. No one can believe he would have independent judgement.

Sir Brimelow: Yes, this is a great difficulty. It is cumbersome and slow.

We have felt the French are holding back but it may accelerate at the last minute. For the Common Market summit, the French held back but produced a document at the last minute, and it was a good document.

Dr. Kissinger: There are two problems. Whether there should be a European document—which is your problem—and the question of an Atlantic declaration, which is partly ours.

It is incompatible with our previous relationship to be presented by a *fait accompli* like this. I have just spoken to the President. This is not simply my personal view, though it is my personal view.

Sir Burke Trend: Why do you think this?

Dr. Kissinger: Let's review the evolution. The President and the Prime Minister had a close talk in January; we discussed what needed to be done. We thought it would be done in close collaboration with

London. We never thought it would be done through the Copenhagen Foreign Minister. When I made my speech, I thought we were operating within a consensus. We saw it as in the common interest in the long term and almost exclusively in the European interest in the short term. We did not see it as an adversary relationship.

I have told you our philosophy: We wanted to anchor the Atlantic relationship emotionally in this country.

When I came to London in May, the Prime Minister proposed a small steering group—which we accepted. Then Sir Denis Greenhill proposed an ad hoc group—which we accepted. We thought it was a cooperative enterprise.

Then in deference to the French, we accepted a bilateral process. But we always preferred a multilateral framework, at least among the big powers. We were told you would use your influence to move it into a multilateral framework at the earliest moment.

Then we were told by you, by the French, and by the Germans, that we would have your ideas on a draft declaration—which we haven't received from any country. Now three and one-half months afterwards, we are told not only that there can be no multilateral talks but that even the bilateral talks have ended. And that we won't hear any views from you until you have talked with Luxembourg, Denmark—and probably Ireland too. And this from the one government we've been more open with than any other government.

This is incompatible with our relationship, and even insulting.

The President is supposed to decide whether he wants to come to Europe—in a situation where no ally wants to talk to him before they talk to each other, and where he is to see Foreign Ministers. I can tell you he won't go to Europe to attend a Foreign Ministers meeting or sign a communiqué to be signed by Foreign Ministers.

If our allies won't talk to us except through Europe, we will deal with you bilaterally as we deal with Luxembourg, and at the same level. We proposed this in order to anchor the Atlantic relationship. If this is the European response. . . . This is our attitude. There should be no mistake about it in Europe. It is particularly painful for this President, and for me.

Sir Burke Trend: You should not think that the painfulness is exclusively yours.

Dr. Kissinger: But you were participating in the decisions.

Sir Burke Trend: Why do you see it as an adversary process?

Dr. Kissinger: After three months, the Europeans have refused to give us a response or a comment on our drafts. And now the Europeans refuse to talk to us except through the Danish Foreign Minister, and

then they will present us a document. I am sure he is an estimable man. I don't even know who he is.

Sir Brimelow: His name is Andersen.

Dr. Kissinger: But he is a messenger boy, not a negotiator.

Sir Brimelow: In our presentation we have gone rather further than what was actually decided. I was talking on the basis of the usual procedures.

At Copenhagen, we were acting to counter the attitude of the French.

Dr. Kissinger: ... who have totally misled us. They said they would produce a document.

Sir Brimelow: The French told us they have never been committed to produce a draft, but that if there was a draft it would be better if the French did it.

Dr. Kissinger: That is a lie. We have the record. I spoke with Jobert in June, and in July in San Clemente.

Sir Brimelow: At Copenhagen we worked to break a procedural deadlock. The French agreed for the first time that at Copenhagen we should discuss substance rather than procedure. But we had to agree that, in the absence of the Commission, we should deal only with questions, not with affirmative answers. It was obvious that the Copenhagen meeting would be the first step, and it was also obvious that this first meeting would be disappointing to you. Therefore, it was better for Sir Burke to come afterward.

The gist of the meeting was that if President Nixon comes to Europe, the Nine will be ready to meet him, in a forum to be determined. The Nine agreed to exchange information on consultations with the U.S. and to harmonize responses. It is a beginning of coordinating our responses. It may be slow, but it is a beginning. Then the Nine agreed to harmonize with the responses in other frameworks, i.e., NATO.

This is the difficulty we have seen—that Europe has different institutions. Not all questions are within the competence of the Nine.

Dr. Kissinger: But all are in the competence of the heads of government.

Sir Brimelow: That is not quite true. On many issues the initiative lies with the Commission.

Dr. Kissinger: When Scheel was here, we accepted his suggestion that there could be a communiqué of NATO and a communiqué of the Nine plus the U.S., on the subjects within the competence of each, and an embracing declaration that could be made and done by the heads of government.

It seemed to be a way of reconciling the positions.

Sir Brimelow: But it was not accepted by the French.

Dr. Kissinger: We will make no further initiatives and will make no further responses. It is up to the Europeans. We reserve on the acceptability of the procedures until we see what emerges. But you should not assume we will accept to negotiate with someone who can't negotiate.

I have no objection to him as a person, but it's totally incompatible with our relationship with the European countries.

Sir Burke Trend: You want us to tell our masters that the President is not coming to Europe?

Dr. Kissinger: We will reserve our position until we see. In the present situation, I expect he won't go.

The draft will constantly have to go back to the Nine. It will have to be synchronized with the NATO one—which we haven't seen at all. There is no way to get it done in time for the trip, which has to be by November 15th.

This is the President's view.

Sir Burke Trend: Having announced the trip, it is a big decision to announce that it is off.

Dr. Kissinger: That's your problem as much as ours.

Sir Burke Trend: What will you say?

Dr. Kissinger: We haven't decided.

Sir Burke Trend: People will ask.

Dr. Kissinger: Come now, Burke. It will be hard to prove we didn't want it. The President saw every Foreign Minister, and you. There is no issue we devoted more of our time to than Europe.

Sir Burke Trend: How will it look in five to ten years time?

Dr. Kissinger: The Europeans should have thought of that in June, and July.

Sir Burke Trend: You want it to move faster.

Dr. Kissinger: No, we object to the procedures and to the change in the traditional relationship.

Sir Burke Trend: We've achieved that the Europeans have agreed to have a coordinated response by autumn.

Dr. Kissinger: We wanted a coordinated Atlantic response.

Sir Burke Trend: Can't it work next year?

Dr. Kissinger: I don't know. Next year, there will be the MBFR negotiations, and maybe a CSCE Summit—on the part of the same heads of government who say they can't meet with the President of the United States. There will be another visit to the Soviet Union, and a SALT agreement. You look at the symbolism. See what pressures will be. These are events that should have been guided by what we are doing this year.

Mr. Sonnenfeldt: And the trade negotiations will begin.

Dr. Kissinger: And the cheap shots that are taken against us. Any U.S. journalist can go to the bureaucracy in Europe and get quotes about how the U.S. is abandoning its alliances. We will be outstripped by events. You are strengthening the very people here who want to dismantle the Alliance.

As far as we are concerned, the Year of Europe is over. We will do nothing further until we hear from the Europeans.

Sir Burke Trend: You will hear in September.

Sir Brimelow: The result will fall far short of your requirements.

Dr. Kissinger: Yes.

Sir Brimelow: But it doesn't preclude further progress.

Dr. Kissinger: We have no minimum requirements, because we don't need it. We thought that, given the domestic situation here with respect to the Atlantic relationship,—I fear the Europeans saw another aspect of the domestic situation and misunderstood what we wanted.

Sir Brimelow: The misunderstanding is well documented. But the moment of such progress is not the moment to lose heart.

Mr. Sonnenfeldt: There is also the danger of having something that's worse than nothing.

Sir Burke Trend: How could it be worse than nothing?

Dr. Kissinger: If it was worth doing, it was something to bring enthusiasm to the Atlantic relationship, to make clear that we distinguish friends and adversaries. A paper that rehashes old pap is nothing. Jobert was very clever. But we saw no one giving positive affirmation even to the concept. If the Europeans can't bring themselves to do it, so be it.

We wanted it to ally all the unending suspicions about the American guarantee, etc. On economic matters, I see that our position has been less than responsible—but there is no way for us to get a grip on it in the White House without this. Let NATO have a slightly-better-than usual communiqué in December. We have wasted three months in procedural inanities.

I admit, we made a terrible misjudgment. We thought Europe wanted it. How will we survive the MBFR negotiations? The SALT negotiations, with its FBS component? The unilateral troop cuts?

Sir Brimelow: It was a major problem of timing. The Nine have been working on the XIV:6 issues. There was unease about your "global" approach. You said you wanted it for moderating the U.S. position, but the Europeans saw it as an effort to get the Europeans to moderate their position.

Dr. Kissinger: If I knew then what I know now, I would certainly never have given that speech.

Sir Burke Trend: Why not?

Dr. Kissinger: I thought, naively, that we could create a sense of something significant; and that we would have a significant document by now. You remember our talks in May. It turns out to be one of the worst misjudgments we made since we took office. We had discussions this year with the Prime Minister. We misjudged the French reaction.

Mr. Sonnenfeldt: Pompidou even welcomed it.

Dr. Kissinger: I first thought Jobert was managing it in his own way and would come along.

Sir Hunt: The Prime Minister in January said it would take time. It was the problem of a European response to an American initiative at a moment when Europe was just putting itself together.

Dr. Kissinger: It didn't have to be on a Community basis. The mere fact that the Europeans insist that the political unity of the Community must precede Atlantic progress is one of the causes of this.

The timetable wasn't chosen in order to please the President. Look at the Congressional pressure, the summits, the negotiations. There will be another Soviet summit next year and possibly a Chinese summit.

Mr. Sonnenfeldt: And the intra-Western negotiations.

Sir Hunt: But progress was made at Copenhagen.

Dr. Kissinger: I am not fighting that decision. We will adjust to it—at the cost of a number of relationships. Why did it have to be assumed this was over-whelmingly in our interest? We told you why we wanted it. We told every European. I can recite the speech in my sleep. I had no reason to suppose your leaders and the German leaders didn't agree with this.

There is no point in recriminations. We'll see what the Nine come up with in September.

Sir Burke Trend: You are losing heart just when we are gaining it.

Dr. Kissinger: We're not losing heart. We didn't do this to promote European unity. Our timetable was imposed by events. What we needed was to promote Atlantic unity this year, and to include in it a ringing reaffirmation of European unity. You're using it to help form European unity.

Sir Burke Trend: We could do both.

Dr. Kissinger: There is no way to do it. There has been no reaction from the Europeans.

Mr. Sonnenfeldt: Or the opposite—a negative reaction.

Dr. Kissinger: Yes. Any magazine can go around to the Europeans and get quotes about how our Summit betrayed Europe and how dropping Hungary wrecked Europe. This only strengthens those who are less committed to the relationship than we are.

We will get a communiqué with a grudging statement about Atlantic unity.

Sir Brimelow: Why only grudging?

Dr. Kissinger: Let's see.

Sir Bruke Trend: Let's see what happens.

Dr. Kissinger: On the procedures adopted, this is your problem.

Sir Bruke Trend: No visit.

Dr. Kissinger: Well, I wouldn't go that far. But now, it looks like it.

Sir Burke Trend: Even by you.

Dr. Kissinger: What would I do?

Sir Burke Trend: There is no point in our doing a contribution if we can't hold our partners to it.

Dr. Kissinger: But there have been occasions when we did. I must say that our relationships are hurt.

Sir Brimelow: I don't think that's a fair comment, Henry. We want a positive declaration. The French are the maverick; this means a labyrinth. There are signs that their thinking may be evolving. It may be that they won't agree to anything that helps your basic concept. That is their tradition. But it would be better to explore patiently than to try shock tactics.

Dr. Kissinger: There are two problems: one is the content of the declaration, and the slow progress. If the Prime Minister had said to the President, and to me, that we have to understand that Britain would make no move without concerting with the Europeans, it would be different. But the Prime Minister had the bilateral idea, and Greenhill suggested getting all 15 involved. We could have combined these approaches.

If you had said you couldn't go further than the French, that would be understandable—and perhaps even correct. But we now have a preliminary *fait accompli*. This is what we object to, and particularly object to on the part of Great Britain.

If the Prime Minister and Brandt, or Pompidou, or Scheel had expressed the view—we wouldn't have liked it, but. . . I'm saying this to explain our present position.

Our position has two attributes—how we will conduct the Year of Europe, and how we will conduct our relations with the European countries—both of whom have been severely affected by the turn of events.

Sir Burke Trend: Our impression is the mirror-image of yours. You launched the initiative.

Dr. Kissinger: After consulting with you.

Sir Burke Trend: Yes. The Prime Minister agreed with it in January at Camp David.

We have just entered the European Community. The economic and defense aspects are in two different forums. We have to organize the responses in both forums.

Dr. Kissinger: In the defense forum, nothing is organized by anybody. Well, the NATO Foreign Ministers will take care of it.

Sir Burke Trend: And the trade preparations are not going so badly.

Dr. Kissinger: Maybe the thing will take care of itself in the existing forums.

Sir Burke Trend: What you want is an overriding political framework. This is an appallingly difficult task among sixteen countries. But it is beginning to happen at Copenhagen. Do you want to wash your hands of it and let it wither on the vine?

Dr. Kissinger: It is up to you.

Sir Burke Trend: It is not entirely up to us. But if you want to wash your hands of it, you had better let us know.

Dr. Kissinger: I have spoken with great precision. If the results of Copenhagen warrant it. . . . I can certainly tell you the President won't sign a communiqué with Foreign Ministers. If you want the President to appear, he will have to be met by his colleagues. Whether he appears depends on two things: who meets him, and whether the content warrants it.

Sir Burke Trend: What about the content?

Dr. Kissinger: We gave you a draft, which we knew wasn't adequate. We gave you literally a first draft because we didn't want to freeze it into an American position. If you accepted our draft—which you won't—it wouldn't necessarily be acceptable to us.

Sir Brimelow: That is not what is happening. Not all the Nine have your drafts.

Dr. Kissinger: They will eventually, I am sure.

You must admit it's a novelty in our relations that one of us is submitting something on a matter of such importance to the other without consulting with the other. It is the first time in the postwar period, certainly the first time since we came into office.

Sir Brimelow: As members of the European Community, we have to behave very circumspectly on matters covered by the Treaty of Rome.

Dr. Kissinger: But it is unique in our relationship. It will be obvious in a year or two's time, and will bring about adjustments here.

Sir Burke Trend: We have got to be ready by 10–11 August on the Copenhagen thing. What more can we do?

Dr. Kissinger: It would have been conceivable that you discussed it first with us. We're not asking for it now.

Sir Burke Trend: You know our ideas. We entirely agree on the need to reaffirm Atlantic relations.

Dr. Kissinger: Everyone agrees with us on that, even Jobert. Now that we're out of supplicant business, we're just noting that this is the first time either has engaged in negotiations of such concern to the other without notifying the other.

Sir Burke Trend: We won't know what it will look like until Copenhagen.

Dr. Kissinger: We're not asking for a preview of the result, but for a preview of your thinking. Then we'd at least be in a substantive discussion. It couldn't be inconsistent with your European obligations because you and the Germans and the French all promised it to us. I'll show you the Jobert record.

Sir Burke Trend: You've given up?

Dr. Kissinger: Now, we haven't given up.

Mr. Sonnenfeldt: It is hard to understand why it is so difficult to put this reaffirmation into words.

Dr. Kissinger: And precisely to reassure the Europeans on those points they were concerned about. In the long term it is in the common interest, and in the short term in the European interest. It was certainly not achieved.

Sir Brimelow: I can understand why the delay seems excessive, but things are beginning to move in a positive direction. The problem was the ascription to you of motives which you didn't have.

Dr. Kissinger: And which some of our allies knew perfectly well weren't our motives.

Sir Brimelow: There was a French remark that you are seeking to restore "transatlantic discipline." A silly remark.

Dr. Kissinger: But it can only seem bad faith to make these promises. The price paid in our bilateral relations can only outweigh any possible benefit.

Sir Hunt: You are communicating this to others in Europe?

Dr. Kissinger: Yes.

Sir Hunt: But the others share the feeling that things are beginning to move. If you give the impression that the deadlines are off and the heat is off, this won't accelerate things but just the opposite.

Dr. Kissinger: We won't tell the French anything. But we will tell the Germans that whether we come to Europe depends on the results of Copenhagen and on the content of the declaration.

Sir Burke Trend: Why not communicate with the French?

Dr. Kissinger: Because we owe them no communication.

Sir Burke Trend: If you don't, who will?

Sir Brimelow: There is the problem also of how to get the most favorable reaction among the political directors of the Nine. Your attitude is of great significance.

Dr. Kissinger: We will instruct our people to give no further American views.

Sir Brimelow: Jobert was very pointed in implying that we had had talks with you before Copenhagen and were holding back on them. We hadn't met with you before Copenhagen. This issue—openness about consultations with the United States—is becoming an issue among the Europeans.

Dr. Kissinger: It comes with particularly bad taste from the French, who insisted on bilateral talks.

Sir Burke Trend: It was an awkward moment for me when Jobert flatly denied they had agreed on a Deputy Foreign Ministers meeting which you said they had.

Dr. Kissinger: What interest could we have in announcing something like that unless we thought they had agreed? We each gave the same guidance to our press secretaries.

Sir Burke Trend: To avoid similar misunderstandings, and for our relations with our European colleagues, we should tell them of our discussions here.

Sir Brimelow: With a suitably mild version, as Henry says.

Sir Burke Trend: Wait a minute. The message was not meant to be mild.

Dr. Kissinger: I have been very precise. I must say there cannot be any more attacks on American motives.

We will tell the Germans—we will express our surprise at the Copenhagen decision and the fact that the Copenhagen decision was used as an excuse not to give us any papers. We will want to know how the discussions proceed after September 11. Whether the President will go will depend on whether the content warrants it. Thirdly, in no circumstance will he go and sign with Foreign Ministers.

Sir Burke Trend: That puts the Germans into the picture. But we have to communicate this to the French. We've got to get this Europe licked into shape.

Dr. Kissinger: It is your problem.

Sir Burke Trend: We can't do it unless we know you are behind us.

Dr. Kissinger: I can tell you the Danish Foreign Minister procedure is unacceptable.

Sir Brimelow: There is no precedent.

Dr. Kissinger: I can't tell you what the correct procedure is, but that is the incorrect one. We will play along with it but I am telling you how we will treat it.

Sir Hunt: If you want to get away from the bilateral and into multi-lateral procedures, there is no other way, then, except one great gathering.

Mr. Sonnenfeldt: We thought there would be four.

Dr. Kissinger: We could have the Nine delegate to three who have some flexibility.

Sir Brimelow: The chairman need not do it personally. We handle it at lower levels when we draft texts.

Dr. Kissinger: The Foreign Minister of Denmark, estimable man though he may be, can't go beyond his literal instructions.

Sir Burke Trend: I wish you'd make this clear to the French.

Dr. Kissinger: As soon as they communicate with us we will.

Sir Hunt: This makes it harder, with the French sitting back and saying there is no rush.

Dr. Kissinger: We have seen the French Foreign Minister more than any other leader.

Sir Brimelow: You referred to the first draft of the Nine as a partial *fait accompli*. I don't think that's true. There will inevitably be difficulties in it, and they will certainly expect to hear your views and take them into account. There can be no other assumption.

Dr. Kissinger: But it is a qualitative change in our relations when our allies won't show us any text and then only through Andersen. And we will then have to give a formal reply. It is the total antithesis of our relationship particularly with London, and even with Bonn and Paris.

Mr. Sonnenfeldt: And the draft will have spread through the bureaucracy.

Dr. Kissinger: And we're in a legalistic negotiation.

Sir Brimelow: This is a fundamental matter, because the Europeans are trying on a modest scale and with difficulty to begin coordination on certain aspects of foreign affairs. The Nine would probably hold that consultations must take place in the first instance among themselves. This is not a decision, but a working assumption.

Dr. Kissinger: I notice they don't do this on the European Security Conference. They're perfectly willing to operate as separate countries.

Sir Brimelow: I am not sure this is correct.

Mr. Sonnenfeldt: You remember when your Prime Minister went over to see Brandt on monetary issues—we raised precisely the same issue.

Dr. Kissinger: Yes. If this went through the normal processes and it resulted in a European consensus and you felt you had to side with it, that would be understandable. It is an extraordinary attitude that the Europeans want unconditional American nuclear guarantees but our closest allies refuse to tell us their views.

Sir Brimelow: The Nine weren't discussing the nuclear guarantee—that is in NATO—but general principles. It is not a negotiation but a drafting exercise.

Dr. Kissinger: That makes it more astonishing. The procedures are unprecedented in our relationship. You know we have never treated Britain as just another country.

Sir Burke Trend: I think, Henry, we must let this ride until September.

Dr. Kissinger: That is all right with us, because we have taken the decision not to do anything further at the moment.

I agree. We should talk again. I think in discussing their internal relationships the Europeans must consider not just the content of the declaration—which now is less important—but how they conceive their bilateral relations with the U.S. It doesn't have to be settled now, but it should be considered.

Sir Burke Trend: You are telling us we should tell the Europeans: "The Americans are cross with us because we won't maintain a relationship with them which none of you had."

Dr. Kissinger: No. You couldn't have considered it incompatible with your European relations when you proposed bilateral consultations among the four. The sensible thing would have been multilateral discussions. That has always been the preferred course. But we were willing to have bilateral meetings with the UK, France, Germany, and even Italy. We did tend to speak more intimately with you, but we told everybody the same thing, everything we thought. We have the same problem with the Germans—but it is more painful with you.

Sir Burke Trend: This is where we began. I told you the painfulness is not solely on your side. But I don't see how we can do other than what we are doing. And if you are sending us back to put a real cold douche to Europe, I don't know.... You're fighting your own purposes.

Dr. Kissinger: No, there is a total misapprehension of the American position—that we are the supplicant, that we are seeking some devious hidden advantage, that they have time to engage in petty maneuvers.... What is it we are giving a cold douche to?

Sir Burke Trend: We are engaged in a complex exercise of sixteen.

Dr. Kissinger: You have reversed it: you are using the American initiative to make European unity.

Mr. Sonnenfeldt: The procedures reverse it.

Sir Burke Trend: You are still open to consider it, to discuss it?

Dr. Kissinger: Yes.

Mr. Sonnenfeldt: The Europeans still have to recognize that there are some results that would be worse than nothing.

Sir Burke Trend: Like what?

Dr. Kissinger: If the result is banalities. The mere fact of a common European position on Atlantic relations doesn't guarantee it's worthwhile. But the second point is the procedure.

Sir Burke Trend: We produced them very rapidly because the Europeans said they couldn't respond until they saw something. If we knew we had until July 15 we could have produced a better paper. If we had had the benefit of Tom's subtle mind as we had on the Nuclear Agreement, we would be much further along.

The only substantive comment we have gotten is Scheel saying commitment of U.S. troops is stronger as a unilateral commitment by the President than in a common document. We are living in a never-never-land. We are looking for ways to keep them there, not ways to take them out.

Sir Burke Trend: But you saw serious discussions as following up the principles.

Dr. Kissinger: Yes. It would be the prelude to serious discussion. The declaration was to make a political commitment that goes against the trend of the times, and to give impetus to the bureaucracies.

Sir Burke Trend: I don't preclude this coming out of the September meetings.

Sir Brimelow: There are two problems: The Dane is not a very effective spokesman, and the French will not be helpful.

Dr. Kissinger: I don't know what the French want.

Sir Brimelow: There is nothing new in this. The French always act like this until the last minute. They are creating a bargaining position.

Mr. Sonnenfeldt: What are they bargaining for?

Dr. Kissinger: We have offered them what they want! They want to extort from us what we've already offered.

Sir Burke Trend: The problem was the French fear that we wanted all these negotiations in one forum.

Dr. Kissinger: I explained all that to Jobert on May 18. That could explain only the time lag from April 23 to May 18.

Sir Burke Trend: You want one page or ten pages?

Dr. Kissinger: Certainly more than one page. It should be more than we had with the Soviets and Chinese. By now we could have had

our lousy draft, and yours, and the French, and the German—and we could have all met. I can't tell you in the abstract what we want.

Sir Burke Trend: Until we have a joint view, what do you want from us?

Dr. Kissinger: We want your views.

Sir Burke Trend: We can't give you our view until we have sounded them out.

Dr. Kissinger: We have told you the procedures we object to.

Sir Brimelow: We will still try to make progress.

Dr. Kissinger: Keep in mind that the procedures—a series of unilateral *démarches*—will outweigh any content that emerges.

Sir Brimelow: Yes, we understand. The procedures after September will be complicated. As you see, Europe stumbles over procedures.

Sir Burke Trend: You really mustn't despair, Henry.

Dr. Kissinger: We are deciding on the realities. I don't despair.

Sir Burke Trend: I certainly don't despair.

Dr. Kissinger: We have to consider where we will be in terms of European relations with the U.S. and bilateral relations with the U.S. It can't be that countries choose unilaterally what they deal with us bilaterally on and what they can't. We don't ask for a veto; we ask for discussions.

Can I assume this discussion will be kept out of the press?

Sir Burke Trend: We certainly won't talk to the press.

Dr. Kissinger: Also, it is not a good time for your MBFR briefer to get on to his favorite themes—castigating us.

We won't tell the press anything on our attitude.

Sir Burke Trend: You can't assume your present attitude won't become known in Europe. Indeed it should, at the appropriate level.

Dr. Kissinger: We can't control an irresponsible press, but there can't be these guided stories—because we will be forced to respond and tell what we have done. This will be popular here. It will strengthen the wrong people.

Mr. Sonnenfeldt: We have taken a frightful beating in the European press on the Soviet summit, and on the whole Year of Europe.

Dr. Kissinger: The European press doesn't hurt us. But you see *Time* magazine. You can't control it—but the pattern is that our initiative is a fiasco and the Europeans are doubting us. And you know better than others, Burke, how committed we have been. Foreign Office officials are quoted as saying we are too soft.

Sir Brimelow: What was the quote?

Dr. Kissinger: We will send it. If the pattern emerges. . . . We don't want this in the press, because we don't want to throw in the towel.

Sir Burke Trend: That's important, Henry.

Mr. Sonnenfeldt: It is important in the MBFR talks now beginning. Your briefer is already making comments about who is hard and who is soft.

[The meeting broke up. Dr. Kissinger and Sir Burke conferred alone in Dr. Kissinger's office for about five minutes.]

28. Message From President Nixon to West German Chancellor Brandt¹

Washington, July 31, 1973, 0247Z.

July 30, 1973

Dear Mr. Chancellor:

I appreciated having your message of July 18 with your comments on the Copenhagen meeting of the Foreign Ministers of the Nine. I agree that a certain degree of progress was made in the sense that the Europeans now appear prepared to deal with some of the substantive aspects of the Atlantic relationship.

At the same time, I must in all candor express to you my surprise at the approach that has emerged from the European deliberations. Three months after our initiative, and after numerous discussions which at European request we conducted on a bilateral basis, we now find that the Europeans are unwilling to discuss substantive issues with us until mid-September. After a number of European governments, including

¹ Summary: Nixon expressed his disappointment in the EC response to the Year of Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 754, Presidential Correspondence, Germany, Willy Brandt 1972 (1 of 3). Secret; Immediate. A subsequent message to Brandt, WH31880, July 31, corrected the first line of Nixon's message to read, "I appreciated having your message of July 27 with your." (Ibid.) In backchannel message WH31856 to Brandt, July 18, Nixon discussed Scheel's July 12 visit to Washington, the Year of Europe, recent press stories about U.S.-USSR and U.S.-West European relations, and the importance of Western solidarity. (Ibid., Box 424, Backchannel Messages, Europe, 1973) In a July 27 message to Nixon, Brandt asserted that the EC Foreign Ministers meeting represented "an encouraging step forward" in the process of defining "the relationship between the United States and uniting Western Europe;" he noted, however, that this definition could not "be completed until Europe has assumed its final form." (Ibid.)

yours, had assured us that they would present us with their substantive views in response to ours, the Europeans have now decided to withhold these views until they have first prepared a collective position among themselves through discussions from which we are excluded. The intention, as I understand it, is then to present this collective view to us and thereafter to conduct the exchanges by means whereby we are asked to deal with instructed European representatives. I must honestly tell you that I find it astonishing that an endeavor whose purpose was to create a new spirit of Atlantic solidarity and whose essence should have been that it was collaborative at all stages should now be turned almost into a European-American confrontation.

In these circumstances, you should know that we will take no further initiative in either bilateral or multilateral forums but will await the product of the Nine in September and then decide whether and how to proceed. Our decision will be influenced first by the nature of the document that emerges and secondly whether the procedure for the subsequent European-American dialogue is consistent with a cooperative rather than an adversary approach to U.S.-European relations.

Let me say now, however, that I have reached the following conclusions regarding my proposed trip to Europe: I will not come to Europe unless there is a result commensurate with the need for strengthening Atlantic relationships. I cannot consider meetings in multilateral forums in which my European colleagues do not find it possible to participate. I do not believe that it will serve the purpose envisaged in our initiative and, I thought, agreed between us when you were here in May, for me to sign communiqués in Europe not signed also by other heads of government.

I wanted you to be aware of these views so that there will be no misunderstanding between us. I will of course be pleased to have your further views on these matters.

Yours sincerely,

Richard Nixon

29. Message From West German Chancellor Brandt to President Nixon¹

Bonn, August 4, 1973, 1400Z.

[Omitted here is the German text of the message.]

Dear Mr. President,

I thank you for your telegram of 30 July.

In spite of all difficulties we may still incur, it is an advantage that we are now engaged in a stage of consultations on how to confirm the Alliance and to outline the relationship between the United States and unifying Western Europe. In fact, when the United States took the initiative to proclaim 1973 the Year of Europe and to define the new relationship between Americans and West Europeans there had been no preparatory consultations.

I see a connection between the view—which I share—that an Atlantic declaration must have substance, and the need to allow all concerned enough time for deliberation, consultation and decision.

In our April/May talks I suggested that the United States should, in the common interest, proceed as if the European Community had already achieved a firmer structure. The Nine are in the very difficult stage of learning how to find their way to a common line on major political questions in spite of existing national interests.

I can understand your finding certain aspects of this learning process irksome, for instance the time it is taking. But I think it would be wrong for the United States, having for so long called upon the Europeans to speak with one voice, to feel left out when the Nine try to reach agreement among themselves.

I am convinced, and this I wish to give strong emphasis, that this process will not in any way change the feeling of solidarity and the sim-

¹ Summary: Brandt replied to Nixon's July 30 message on the EC response to the Year of Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 61, Country Files, Europe, General, German Exchange (3 of 3). Secret; Immediate; Annex Charlie. Nixon's July 30 message was transmitted July 31, and is published as Document 28. In message WH31904 to Brandt, August 11, Nixon stated that his concern was not with the creation of a common European position, but the process by which it would be achieved, such that "our allies will no longer be engaged in a joint Atlantic process but in a negotiation between the United States, on the one hand, and the EC Nine on the other." Nixon, asserting that the U.S. was "not the supplicant in the Year of Europe," expressed his hope that they could "bring this project to a successful conclusion as partners" and noted that Brandt's message led him "to believe that this is still possible." (Ibid., NSC Files, Box 754, Presidential Correspondence, Germany, Willy Brandt 1972 (1 of 3))

ilarity of interests in the field of security between the European and American partners in the Atlantic Alliance.

I also feel that the time up to mid-September will not by any means be lost. The United States will not, after discussions among the Nine have been successfully concluded, have to speak to instructed representatives, let alone in the sense of any confrontation. On the contrary, it is now a matter of defining, in compliance with previous American wishes, what the Europeans really want. In other words, the working papers drawn up by your administration should now be juxtaposed with one drafted by the European governments.

I fully appreciate your standpoint that you want to know the result of the European consultations before your say anything more on your further action.

However, I am still of the opinion that in view of the forthcoming major East-West conferences, and following Mr. Brezhnev's historic visit to the United States, it would be expedient to hold a summit conference of NATO states before the end of the year. An official step by the American President proposing a summit conference to the Alliance would be positively supported by me. The result of such a conference should go beyond a communiqué, it should serve the adoption of an Atlantic declaration.

I need not emphasize, Mr. President, that—whatever the framework of other meetings—you will always be welcome in Bonn and Berlin.

At present it is hardly possible to say within what framework a meeting with the nine can take place. The various possibilities have already been discussed in Washington and Copenhagen. The only one which seems to me to be ruled out so far is that of a joint meeting of NATO and EC members, since Ireland for one would be against it for understandable reasons.

And it is still not possible to decide what kind of release should conclude a meeting between the Community and the American President. However, I would prefer a communiqué—provided a detailed Atlantic declaration were agreed upon. I also have in mind that the problems between the EC and the United States are in part very complicated, so that we can hardly expect solutions to be decided upon this year. What we want least of all is a European-American dispute that would come through to the public. For this reason I would prefer a more modest, common denominator to an ambitious, but controversial, project. I agree with you that there should be no misunderstandings between us, which is why I have replied to you in detail.

With warm regards,

Willy Brandt

30. Memorandum for the Record Prepared by Director of Central Intelligence Colby

Washington, August 7, 1973.

[Source: Central Intelligence Agency, Office of the Director of Central Intelligence, Job 80M01048A, Box 8, Memorandum for the Record. Secret. 1 page not declassified.]

31. Transcript of Telephone Conversation Between President Nixon and the President's Assistant for National Security Affairs (Kissinger)¹

August 9, 1973, 3:12 p.m.

P: Hello

K: Mr. President.

P: Hi Henry how are you?

K: OK. I know you called me earlier but

P: No, I just called but I didn't—it was just something that I'd worked out with Al. It was nothing. It was on nothing of importance.

K: Right. Well, I've had lunch with Dobrynin and at least that part of our foreign policy is. . . .

P: Still alive, huh? (Laughter)

K: Because we've got—we are working on next year's summit.

¹Summary: Nixon and Kissinger discussed the U.S.–UK special relationship and the EC response to the Year of Europe.

Source: National Archives, Nixon Presidential Materials, Kissinger Telephone Conversations, Box 21. No classification marking. The conversation ended at 3:26 p.m. Nixon was at Camp David; Kissinger was in Washington. (Ibid., White House Central Files, President's Daily Diary) During an August 9 talk on U.S.–French nuclear issues, Kissinger told Schlesinger: "The British are behaving shitty. If they know we have another option, they might buck up. The Brits helped draft the nuclear agreement and now won't help defend it." (Memorandum of conversation, August 9; Ford Library, National Security Adviser, Memoranda of Conversation, Box 2) Kissinger engaged in detailed discussions with UK officials during the negotiation of the U.S.–USSR Agreement on the Prevention of Nuclear War. (Memorandum of conversation, March 5; National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 62, Country Files, Europe, General, UK Memcons (Originals), January–April 1973 (2 of 2); and Memorandum of conversation, April 19, *ibid.*, January–April 1973 (1 of 2))

P: Right. I noted in the summary of course, the fact that they did test their first successful MIRV. It shows why they are against the MIRV ban.

K: Well we are making some progress from the result that they have tested the MIRV. They shall have to take a different _____. I think it's already foreseeable.

P: Well with Dobrynin at least it was still cordial.

K: We're already plotting out the elements of an agreement. Of the series of agreements we've now begun to make a breakthrough on SALT. At least a breakthrough to indicate how it might go and we're talking about MBFR. Of course, I am convinced Mr. President we will have that European declaration no later than early next year and in many ways it will be better for us next year than this year.

P: Yes. You haven't heard from the British yet?

K: No, but we can't until Heath comes back from Ottawa.

P: Yes.

K: We had another bit of a discussion yesterday with their Chargé. Because they briefed all the other Europeans when Burke Trend was in here and didn't tell us ahead of time and wouldn't even tell us afterwards what they had said so I demanded the briefing and then they said they would do it on a one time basis but they didn't feel obliged to tell us what they discussed with the Europeans. So now I'm cutting them off from intelligence special information they are getting here. I mean if they are going to share everything with the Europeans we can't trust them for special relationship. I am putting it on the basis that we are reassessing all liaison relations. I am not doing it from the White House, I'm having the Agency heads do it.

P: Yes. Well, who do you think is up to this? Who is playing this game?

K: Well, you know he has these tacky tendencies Mr. President and he—I think he is trying to take a free ride on us in getting into Europe.

P: Yes.

K: I think they'll come around but they are going to be tough because they will want to steal deGaulle's line from the French. It was a horrible mistake that we pushed them into Europe. We didn't do it.

P: Yes. *It was* never my idea. But nevertheless.

K: And they are doing that now with the same single-mindedness that they pursued the special relationship with us before.

P: I think they're determined if they are going to be in Europe, they want to wheel Europe and that is it and they don't want us to wheel in.

K: Yes, but if that is what they are going to do there is no sense in arguing them the information which they then can market in Europe. We are better off doing it directly.

P: Sure. No special relations. Correct. They'll have the relation with the French.

K: That's right.

P: With them and a few others.

K: (Laughter)

P: That's all right. It is just part of the international game.

K: Oh no. This is . . .

P: It is a passing thing.

K: That is a phase where we just have to show our teeth. Absolutely confident.

P: Right.

K: You already see articles in the European press saying now they think the Declaration of Principles is a good idea. Where three weeks ago they were picking on it all the time.

P: Yes. Look. The main thing is as far as we're concerned though let's not be too eager. We are not eager with them, we are not eager with our Chinese friends. Understand?

K: That's right.

[Omitted here is discussion unrelated to U.S.-European relations.]

P: Yes. Well, that's all right. I just feel that sometimes we tend to . . . It's hard to you know, to sort of pull ourselves up by the bootstraps all the time with some things we are going through here but dog gone it we—with the Europeans . . . My attitude is so what—if they want to play this kind of a game. Fine. You know. Henry, you could find—I mean I wouldn't like it to happen to Europe but there are worse things than the American/Russian condominium now. Let's face it.

K: Mr. President, the Europeans will be on their knees by the end of this year. They cannot do without us. All they have to understand is that they can lose us.

P: That's right because you see . . . You talk about these forces for Europe and that sort of thing but Good God, I mean what the hell are the Europeans going to do when you say—each of them on their way to Moscow. Now what in the hell do you think Brezhnev wants with Pompidou?

K: They've been taking us too much for granted.

P: That's right. We're going to have . . . That we have to stay, that we need them and that we're going to maintain the rein and so forth. All right, we don't have to stay Henry. We just don't have to necessarily. You understand that?

K: I couldn't agree more.

P: Let me say, we do have to stay in Japan and Korea but that's a different thing.

K: Well, I think we have to stay to some extent in Europe but . . .

P: No, nobody even in Europe—I would play a different line and say all right and that means . . . It's up to you, you can't have a free rein, they are not going to confront us and have us stay now. That's all there is to it.

K: They cannot exclude us from their deliberations and expect us to give them an undiluted nuclear guarantee. That just cannot be.

P: That is right.

K: But it is certainly not going to come to that point.

P: Right. Right.

[Omitted here is discussion unrelated to U.S.-European relations.]

32. Message From British Prime Minister Heath to President Nixon¹

London, September 4, 1973, 1240Z.

Dear Mr. President

I have been reflecting since my return from Ottawa on the relations between the United States and Europe in the light of the message which you sent me on 26 July, and I would now like to let you have my thoughts on the problems which confront us.

I won't disguise the fact that I was disturbed both by your message of 3 August and by the subsequent discussion which Henry Kissinger had with Burke Trend and Tom Brimelow on the 30th of that month. When we ourselves met at Camp David at the beginning of February I thought that we had achieved a real meeting of minds about the importance of our common purpose and the steps we must take in order to achieve it. When I received your message I was shocked to think that barely six months later you could imagine that Europe had developed

¹ Summary: Heath discussed the state of U.S.-West European relations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 431, Back-channel, HOTLINE CABOfc London 1972-. Secret; Immediate. The reference to Nixon's message of August 3 is apparently a typographical error. Under cover of an August 3 memorandum, Sykes forwarded to Nixon an interim reply from Heath to Nixon's July 26 message, in which Heath urged that they not permit "misunderstandings, on both sides of the Atlantic" to obscure their common goal "of reaffirming the purposes and vitality of the Atlantic relationship." (Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 23, United Kingdom (9))

what you describe as an attitude of almost adversary bargaining towards the United States.

So far as I am concerned, there is certainly no question of the relationship between your country and mine becoming one of adversaries: and it is very far from my intention that there should be any loosening of the close ties which have bound us together in so many fields for the whole of the post-war period. Western Europe in general, and the United Kingdom in particular, are very heavily indebted to the United States for much generous aid, in many forms, during those years: and it will surely be judged one of the greater ironies of history if, just at the moment when the purpose of that aid is being realised and nine of the countries of Western Europe are at last emerging as an entity, the United States themselves should be tempted to reject the concept of an equal partnership which all their efforts for nearly 30 years have been designed to create.

I do not believe that this is your own intention, although I think I can understand why you may have become discouraged by the laborious process by which Europe is struggling to achieve a new identity and to develop a distinctive viewpoint of its own. At the same time you will know, not least from the early history of the United States themselves, how difficult it is for a number of separate states to develop a common policy and common institutions: and if the new Europe is to emerge as both you and I would wish to see it, this may appear to be a slow business, of which we are only at the beginning.

Inevitably, there will be doubts, hesitations and setbacks: but I do believe there is a very real responsibility on both of us to refuse to be deterred by them. I am even closer to them than you: and I can sympathise, from personal experience, with your frustration about the procedural complexities in which Europe entangles itself. But neither you nor I should need to be reminded of the importance of procedures in the conduct of international affairs or to be warned of the dangers of supposing that there are short cuts on a long and complicated journey. And it would be neither to your advantage nor to ours if we encouraged you, in our private exchanges, to believe that our European partners can be brought to the point of agreement quickly or easily. We just have to go on guiding them and encouraging them as vigorously as possible in the direction in which we wish them to go.

There is no point, I think, in rehearsing in detail the many meetings and discussions which have taken place since you and I last met. But I want to assure you that all our own actions, as regards both their content and their timing, have been directed simply and solely to trying to help Europe to agree on some formulation of its position which will be intended not in any sense to confront you with a *fait accompli* but to provide the basis of a lasting relationship between the United States

and Europe. We would want this to be not only of a more organised and businesslike kind than anything which we have yet seen, but also match up to the challenges of a world situation which is now changing so rapidly in response to the imaginative initiatives which you yourself have promoted.

The first Copenhagen meeting of the Nine on 20 July was an initial step in this direction; and I believe that its outcome was in fact less negative than it may have appeared in Washington. But, since my return from Ottawa, I have devoted a great deal of time and effort to trying to ensure that the next stages in this matter will have a more positive and constructive outcome. That is the purpose of the draft text which we have circulated in NATO, as a possible basis of a declaration by members of the Alliance; and it is also the purpose of a corresponding draft on which we are working with the other members of the Nine in order to secure their agreement on a common policy for co-operation with the United States which we may propose to you.

As a result, I believe that the countries of Europe now have both a clearer understanding of your objectives and a greater sense of urgency in trying to reach them; and, in reasonable circumstances, the second Copenhagen meeting on 10–11 September may prove to be a new point of departure from which discussions on the relations between the United States and Europe will be given fresh impetus and carried forward with greater purpose and conviction. I cannot, of course, predict the outcome of that meeting in detail; I only know that it is bound to be less successful in renewing the commitment which you emphasise if at this precise moment you allow it to be thought that you yourself are drawing back.

I hope that you will believe that the fact that I have felt able to send you so frank a reply to your message is itself the best proof that I regard the relationship between us as being as close and intimate as ever. There is in my mind no incompatibility between that bilateral relationship and the multilateral relations between Europe and the United States. The two are complementary; and both should serve to reinforce the trans-Atlantic link on which, as you and I believe, the peace and security of the world are ultimately based. I greatly hope that in that spirit we shall continue on our present paths together, even if the road is rather longer and more difficult than either of us would wish.

With warm personal regards,

Yours sincerely,

Edward Heath

33. Memorandum From Helmut Sonnenfeldt of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, September 11, 1973.

SUBJECT

Copenhagen Meeting on the Year of Europe

The Danish Foreign Minister called in our Ambassador (Phillip Crowe) late last evening to brief him on the outcome of the EC meeting. Mr. Sykes called on me this morning with a similar report.

Andersen began by saying that he had a "positive answer": the EC want a meeting with the President, they are preparing for it and a draft declaration will be given the US in ten days. He had promised his colleagues *not* to hand us a text, but he read it slowly for the Ambassador:

—If the President decides to come to Europe in the autumn, it would be desirable for a meeting to be arranged between the US and the European Community and its member states.

—The Nine would be interested in the views of the President on this matter, which could be dealt with in further talks.

—The Nine are preparing a draft declaration, covering a wide range of subjects, which might be made by the US and the Nine.

—The Danish Foreign Minister would be ready to meet with you during his visit to New York (*he suggested meeting on Monday, September 24*).

The Nine are now beginning to prepare their substantive positions on the following list of topics, proposed for discussion with the President:

1. Basis for a Constructive Dialogue.

A. Principles.

¹ Summary: Sonnenfeldt relayed British and Danish reports on the September 10 EC Foreign Ministers meeting.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 409, Subject Files, Year of Europe (May–Aug 73) (1 of 1). Secret; Sensitive; Eyes Only. Sent for very urgent action. Attached but not published is Tab A, telegram 2179 from Copenhagen, September 10; and Tab B, a September 11 *Washington Post* story entitled, "EEC Aligns Goals for Nixon Visit." In the margin next to the first paragraph of the "Comments" section, Kissinger wrote, "I wish to see it." Kissinger initialed his approval of the first recommendation, writing in the margin, "Not before Sept 25." Kissinger initialed his approval of the second recommendation. Kissinger added the phrase "and the kind of meeting" to the end of the third recommendation, to which he initialed his approval. Kissinger initialed his approval of the fourth recommendation. Kissinger added a fifth recommendation by hand: "5. That I also wish to meet all other available foreign ministers."

B. Cooperation with the US on a Basis of Equality, taking into account the development of the European Community toward a European Union.

2. A. Relations between East and West.

B. Other important foreign policy questions.

3. Cooperation with the Developing Countries.

4. Cooperation with the Industrial Countries.

5. World Trade.

6. World Monetary System.

7. The Fight Against Inflation.

8. Environment.

9. Science and Technology, in particular telecommunications, space and peaceful nuclear research.

10. The evolution of the world's needs for natural resources.

US views on the suitability of the foregoing would be welcome.

He stressed three times the confidentiality of this communication and also the need to harmonize views to avoid any confrontation.

Sykes added that Sir Alec wanted you to have an immediate report, and to know that he was very pleased with the outcome, even though, as he had indicated previously, the achievement may be more modest than we had hoped.

Sykes said that Jobert was cooperating now that he knows where he is going (i.e., toward a declaration). Jobert had made it plain, however, that there would be no EC–US summit. Sykes also said that he presumed that one of the topics for your discussion with Andersen would be the possibility of a multilateral meeting in New York of Political Directors. Sykes reported that the probable forum of the President's meeting with the EC—i.e., the President of the Council, etc.—was not changed but that this would be discussed by Andersen with you.

Sykes explained that the third document on European identity was being developed, but as a sort of internal European description of its goals, etc. (No one seems to know the relationship of this document to the US–EC exercise.)

Comments:

Procedurally, you will have to decide the tone and content of a reply to Andersen. State is preparing a draft reply to Ambassador Crowe for Andersen. *If you have any guidance I will pass it to Stoessel.*

At this stage of the game, we should not appear too pleased or eager. The Europeans have done what you warned them about, appointed a spokesman, who will not be empowered to do more than discuss generalities. The next step—a multilateral meeting—is still

open and vague. The summit is ruled out, apparently, since the French almost certainly would not come to NATO.

Finally, despite the pleas of confidentiality virtually all of Andersen's remarks are in the press this morning (Tab B). By leaking out the details we are under some pressure to "welcome" the achievements, even though the press is playing it (and your testimony on three documents) as a setback from our original aims.

Recommendation:

That our Ambassador in Copenhagen be instructed:

1. To inform Andersen you will try to arrange a meeting on September 24.
2. That we cannot comment further, without seeing the documents.
3. That the President's trip is dependent on the substance of the Declaration.
4. That we need to know what is contemplated after you meet with Andersen, and what his authority or instructions will be. Can he, for example, negotiate the list of topics and the draft declaration?

34. Memorandum of Conversation¹

New York, September 25, 1973, 10:25–11:30 a.m.

PARTICIPANTS

Knud Borge Andersen, Danish Foreign Minister
Mr. Oldenbourg, Danish Political Director
Mr. Dyvig, Danish Notetaker

Henry A. Kissinger, Secretary of State
Walter J. Stoessel, Assistant Secretary of State for European Affairs
Robert J. McCloskey, Ambassador to Cyprus
William G. Hyland, NSC Staff

¹ Summary: Andersen, Kissinger, and other Danish and American officials discussed the outcome of the September 10 EC Foreign Ministers meeting and the Year of Europe.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1027, Presidential/HAK Memoranda of Conversation, Memcons, April–Nov 1973, HAK + Presidential (2 of 5). Secret. The meeting took place in the U.S. Mission to the UN. Attached but not published is Tab A, a September 25 paper that is marked, "Danish presentation (Not a 9-paper)."

Andersen: It is a very great pleasure for me to meet with you. I have a statement from my colleagues. Following our conversation I will be reporting to my colleagues. I have already talked with Sir Alec Douglas-Home about his meeting with you but I have a special responsibility because I am speaking on behalf of all of the Nine. (Mr. Andersen indicated he would hand the text of his statement to the U.S.)

Kissinger: As you may know from my comments we recognize the importance of the development that Europe is speaking with one voice, although it is surprising that we read this in the *New York Times*.

Andersen: The story in the *Times* did not come from our mission. But when I saw it I was not too happy. (He then began to read from his statement, attached at Tab A.)

Kissinger: I appreciate the spirit of your presentation and also the fact that Europe for the first time speaks with one voice. This is an historic accomplishment. I want to say one word first about procedures. For the US it is a new and extraordinary phenomena, in that Europe speaks with one voice which we welcome but that in its preparations of its position we were not consulted; then a document is presented to us by a representative that is not empowered to negotiate but only to receive comments and take back to the Nine our comments. We seem to be talking to those who can't negotiate and those who can negotiate won't talk to us. Frankly, I must tell you that this is not a procedure we can accept as a permanent arrangement. We must distinguish between what Europe has achieved and the procedure for achieving it. If you were empowered to negotiate we would have no problems. This was not the intention of those we talked to since April. You spoke of Atlantic partnership and of the European achievement but apparently we cannot talk about partnership but are to be confronted with a *fait accompli*. Even in our dealings with the Soviet Union they find it expedient to consult us through their Ambassador before formulating their position. From the end of July to September 19, however, we have had no substantive contact. Now we are presented with a document which is leaked to the press. Thus we have a public confrontation. Any change in the document will be seen as a victory of one side or the other. That procedure alone risks an erosion of our relationship. You seem to be dealing with us as you would deal with the Russians, while refusing to sign a document with us that is much less than the Europeans have already signed with the Soviets.

Now for the substance. You will forgive me for being so frank. I think it is better that I am direct and it is a sign of confidence.

First of all there is an idea in Europe that for domestic reasons the President needs to go to Europe and to sign a document and that we will sign any document. This is wrong. The Europeans have to distinguish between the achievements for Europe on the one hand, and for

Atlantic relations on the other. For Europe to adopt a unified position is an historic achievement. But Americans must also judge it in terms of its content for Atlantic relations. In your document there is nothing that has not already been agreed to in the EC summit or in the Tokyo Trade Declaration. Is a process that began as a renewal of Atlantic ties to end by a recognition of Europe's unity—a unity that we have fostered and supported and could not have come into being without us—this will be difficult to understand. We don't disagree with your document but it lacks balance. It is not what we had in mind. What we had in mind was that it has been 20 years since the founding of the Alliance. There have been changes in the domestic situation of all the Allies, changes in relations with the Soviet Union, and internal changes in our relations with each other. There are a number of factors. First the military threat can no longer suffice to sustain our relations. Second, there are increasing fears that we gave precedence to our relations with the Soviet Union, Third, the generation that supported Atlantic relations is fading from office. We have a new generation. We must give content to the reaffirmation of Atlantic relations and our relations with Europe. We had thought that the second term of the President would proceed in the framework of a new act of statesmanship and permit future American administrations to carry on the policies. In this sense, therefore, we were quite disappointed in European reactions since April. If we are to be successful we must find a document that in terms of its substance that really creates a framework for our relations. And second, it must result from a process of collaborative effort. If what finally emerges is achieved through adversary relations we will have achieved nothing. That might impress the *New York Times* but it has no historic merit. This document in which the US reaffirms the European identity is an event of greater significance to Europe than to us. But it does come close to what we had in mind. In this country we could be popular by pulling out of Europe. We believe, however, there is a trend towards sentimentality and escapism, towards giving up relations that existed. Therefore, we must make a genuine contribution towards relations with Europe and not a vague one. This is the challenge to Europe. This is the decision to be made in Europe. I want to add that the European leaks about what we have in mind are not at all helpful. I do not understand how the Europeans are proceeding, the way they analyzed my speech. If the Marshall speech had been subjected to the same kind of analysis there would have been no Marshall Plan. There seems to be no will. Do we want to redefine our relations to give the people a sense of commitment or do we want to achieve a document of the lowest common denominator.

Now for the other problems. You suggest one declaration with the EC and one with NATO. I have already pointed out the importance of the procedures from which these documents emerge, and the impor-

tance of a way to avoid adversary relations. I wonder if the Europeans have thought through where they are going. Suppose, for example, I were to meet with Sir Alec Douglas-Home as the European representative rather than yourself or whoever might be in the Chair. Would he refuse to discuss substance.

Andersen: It would be more likely to be another country.

Kissinger: I realize that. But I am just using an example. So the EC procedure is that the declaration will be signed by whomever is presiding. On the NATO declaration we will have to make a judgment when we see both. I can tell you one thing now. The EC procedure would be acceptable if the substance is acceptable. But under no circumstance will the President sign a declaration in NATO that is not signed at his level. How could we explain to our people that we were starting a new era, committing our troops, and signing a solemn declaration, but that the heads of government of our Allies would not associate themselves with it. How could we explain that the Europeans could meet at the summit in CSCE but not in NATO.

If you put side by side the agreements already signed by the Germans and French and others with the Russians, the latter are far more sweeping than what is proposed for the US. Thus if this process continues we have three choices. We can go on as before and see what emerges, or we can abandon it after or we can try to achieve something meaningful. But the constant leaks from Europe about the confrontation with America will not help us. Europeans are saying that what we are doing is blackmailing Europeans in economic relations. Frankly, I can tell you if we wanted to have a confrontation on economic issues we would simply let our economic agencies go. What we wanted to achieve was to demonstrate to the technicians that they had to realize there were bigger objectives than the technical issues in negotiations. I believe a key element of our policies must be Atlantic relations. We are trying to preserve this in American public opinion that we need to maintain Atlantic relations as a key element. We have coming up MBFR, SALT, CSCE, another summit, all on East-West relations. But in Atlantic relations there is no feeling that they are progressing but becoming more distant. This is the public view.

Andersen: I appreciate your frankness and I will use the same procedures. Concerning your speech, there was in fact much press comment but even if three or four articles were not just right the main feature of this discussion is the fact that your speech inspired us. We may not have agreed with the details but the fact that you made it has made this discussion possible. Even if you hadn't made it there would still probably have had to be a discussion. But your initiative accelerated the process. I understand you are not very happy with the procedure and I am happy that the leaks were here in New York and not on the

other side, i.e., in Europe. As you know, we now chair the political commission. We do not have very many officials. We do not have a large staff but we have to be the secretariat and serve for the meetings for the Nine and many groups. Five, three, or even two months ago, it was unthinkable that this process of consulting in the Nine would become the most natural process. It is, in fact, a great advantage for Europe. Even the Danish press is scolding me for asking for more money because of our European responsibilities. So this is part of our procedure. Within the family we are trying to present to you our position and we are unhappy that this has leaked out. It is our intention that the political directors are in New York and this is not by accident, they are here because of the talks with you. If you are willing, if we can clarify some points then we can have a meeting of the political directors with your staff on Thursday or Friday.

Kissinger: We can hold a meeting. Preferably we should do it on Saturday so that I have some time to discuss it in Washington.

Oldenbourg: There is some difficulty with Saturday since some of the directors want to leave.

Kissinger: Maybe they can defer their departure for a day. Monday would be even better.

Andersen: At 4:00 I am having a meeting with my colleagues. It will help if we can say that the political directors are having a meeting.

Kissinger: We agree with that.

Andersen: On your comment that some Europeans say that you need to have this Year of Europe, if you look at the Danish press you will see we have never said that. We have said this is not your motive. You said that we have talked first about our own European identity. But this is very important for the Nine to find out what Europe is. Now, after six or seven months, we are finding out and as you say you only have had two or three days.

Kissinger: After my April 23 speech we proposed that we could proceed bilaterally or multilaterally with deputy foreign ministers or political directors. But each time we start one procedure it changes. It is as if Europe is doing us a favor to get a commitment to Europe which we have already made. In July we were informed that the Nine would have to consult on a common position. This is the first time we had heard this. And then we did not hear from you again until September.

Andersen: When we were discussing this our understanding was that the President wanted to visit Europe for bilateral talks with leading statesmen and then, in addition, to have some contact with the Nine. Our understanding was that he would go to London and Bonn for discussions there and then at the same time discuss defense matters in NATO. Some want to discuss more than defense in NATO, even if economic relations are discussed in the EC.

Kissinger: If I were to discuss SALT in NATO it would make no sense to do so without discussing it in a political framework.

Andersen: We can settle this. It has never been my opinion that the President would go to Europe only to meet with the Nine.

Kissinger: Our problem is that from July 23 to September 19 there has been no consultation at all. You present us with a document and within a week you want to meet with the political directors. We are proceeding in an area which is of utmost importance but there are no continuing consultations.

Andersen: You must understand how difficult it is for the Nine to achieve what we have.

Kissinger: Yes, it is a considerable achievement for Europe but not for Atlantic relations.

Andersen: If we had waited the Nine would not have known what to discuss because there would have been no common base.

Kissinger: We understand that. We are not blaming you for delay. We understand it is a tough problem.

Andersen: Even if it is a great advantage for the Nine to come closer together it is also an advantage for your side because if you want to discuss the questions bilaterally the Europeans now will not say no.

Kissinger: Our problem is that we have to find a way of talking to you while you are formulating your position. This is common practice. If the Danish government were making a decision concerning US relations we would expect to be consulted, at least we would know that our position had been considered, even if it had been rejected. You are doing what we are accused of doing with Japan but you are not even empowered to negotiate. You have no powers.

Andersen: Yes, but the political directors are here.

Kissinger: Will they deal with us as one group.

Andersen: Up till now they can't negotiate, but they are not coming with decisions, but only a draft.

Kissinger: Europe must decide if it intends to build Europe or also to build Atlantic relations. If the decision is to build Europe when the Atlantic relationship is collapsing then the European achievement will be at the expense of Atlantic relations.

Andersen: We can have a dialogue.

Kissinger: Yes, if we are actually participating, but we can't say that the Atlantic relationship is the key element of our policy, but that the Allies only talk through preemptive proposals.

Andersen: But European coordination is an advantage also for the Atlantic relationship because we have a better basis for a dialogue.

Kissinger: Let the political directors meet Saturday or Monday. But I must warn you that we will not be ready for an agreement. There could be another meeting in two or three weeks in Europe. We may make some proposals but we need to know with whom we can talk while you are thinking and going into your own internal process. Suppose you had produced a document that was totally offensive to us and it then appeared in the *New York Times*. There is no sense in proceeding in this way.

Andersen: I will report to my colleagues.

Kissinger: You can say to them that we believe Atlantic relations are absolutely essential to American foreign policy. Our goal is to give a sense of conviction to this relationship and not agree in some ephemeral communiqué.

Andersen: I will ask about the meeting with the political directors, whether this is agreeable. And you want to know how you can have contacts with us while the work is going on, who is our Ambassador.

Kissinger: I want to tell you something for your information only. One of your colleagues said to me that his only objection was that we were not going far enough. He said he would send us a draft and he repeated this to the President. Then he said he could not comment until the Europeans have met. Then the Europeans produce a document that does not go forward at all. What is the President to think of this procedure. It is difficult to explain it.

Andersen: Eight of the Nine are in NATO and there we can form a rather strong declaration. We appreciate that the US has not tried to push the project in NATO and that you have wanted to wait until the EC had met. Now there is no reason we cannot accelerate in NATO.

Kissinger: If NATO were to come up with something quite positive then perhaps the declaration of the Nine could be less and we could accept a proposal that the significance of the declaration of the Nine was in the fact that Europe had a common position.

Andersen: I think NATO will agree to accelerate its work.

Kissinger: That would be a good way to avoid some of the problems of whom we are talking to.

Andersen: Now I have the problem of a press conference at 12:30. I will tell them about the structure of the Nine, how political and economic cooperations are handled differently. I will tell them about the meetings in Copenhagen to prepare the draft and to find out whether we would open a dialogue with you. I can say that we had frank and open discussions.

Kissinger: You should say we had constructive discussions.

Andersen: And that we touched on NATO. And that you agreed to a meeting with the political directors and after we find out about that meeting we can go further.

Kissinger: You could explain what is intended in NATO and what is intended in the EC.

Andersen: The question will be asked of whether the President is going to Europe and I will say you have to ask Kissinger.

Kissinger: You could say that depends on what progress is achieved.

Andersen: The Danish press will ask if I discussed bilateral problems.

Kissinger: You could say that we have none.

Andersen: I could say both that we have none but we have discussed them.

Kissinger: I think it is important to say that we are studying the European draft and the discussions with you were in the spirit of close friendship. You should convey a constructive mood because this is in the family.

Andersen: On bilaterals I could say they will be discussed in Washington at some time so the Danish press will not say there is a new crisis in our bilateral relations.

Kissinger: You could say that I will be happy to receive you in Washington. My problem is that I have not yet set foot in the State Department and then I am going to China and I have scheduling difficulties.

Andersen: There will be new doubts about our relations with you.

Kissinger: You could say that I renewed the invitation from Secretary Rogers to you to come to Washington.

Oldenbourg: We would not say the political directors will meet but say only that officials will be meeting.

Kissinger: It will be impossible in this town to disguise the fact of the meeting. You could say we plan to meet next week.

Andersen: But then they will want a press statement on the meeting.

Kissinger: McCloskey can say that no announcement will be expected.

35. Memorandum of Conversation¹

New York, September 26, 1973, 1:15 p.m.

SUBJECT

Secretary's Lunch with French Foreign Minister Jobert

PARTICIPANTS

French Side

Foreign Minister Jobert

M. Puaux

U.S. Side

The Secretary

Mr. Stoessel

Mr. Sonnenfeldt

(When the Foreign Minister arrived, the Secretary was on the telephone with Senator Kennedy discussing the vote that morning in the Senate approving the Mansfield Amendment for troop cuts. After the phone call, there was a brief conversation about the parliamentary situation in the Senate.)

The Secretary: We really have a great system. People in the Congress want to completely reform the Soviet system; at the same time, they want to cut our forces.

M. Jobert: When I talked with Gromyko, I told him I had seen people in the Soviet Union in blue jeans. I said the Soviets had lost the battle of the blue jeans and the Western Hemisphere was gradually creeping into the Eastern Hemisphere. He did not seem to know about blue jeans.

(The group then moved into the dining room.)

M. Jobert: You are always complaining that we come with empty hands, so this time, we brought a lot.

I will speak in English, although it is difficult for me.

The Secretary: You do not need to know much English to say "no".

M. Jobert: Oh, I never say no.

¹ Summary: Jobert and Kissinger discussed the outcome of the September 10 EC Foreign Ministers meeting and next steps in the Year of Europe.

Source: National Archives, RG 59, Top Secret Files 1970–1973, Entry 1613, Box 25, Miscellaneous Refiles. Top Secret; Sensitive. Drafted by Stoessel. The meeting took place in Kissinger's apartment at the Waldorf Towers. In a September 26 memorandum to Kissinger, Sonnenfeldt offered his initial reaction to the French draft of a NATO declaration, suggesting that Kissinger "could tell Jobert tonight, that the defense language looks like a pretty good basis for proceeding and that overall we welcome the spirit of his paper." (Ibid., Nixon Presidential Materials, NSC Files, Box 1336, NSC Secretariat, NSC Unfiled Materials, 1973, (11 of 12))

The Secretary: It is true. I think you have conducted a very clever campaign this past six months.

M. Jobert: It was no campaign. I am like a leaf in the wind. I am passive. First, I am blown to the West, then to the East.

The Secretary: Many people want me to see you because they feel you are the only person who can get the better of me.

M. Jobert: But we are good friends personally.

The Secretary: This is quite true. And also we are friends officially. We do not have a problem solving serious questions. Only the procedural questions are difficult.

M. Jobert: I saw James Reston this morning. He called Brandt a *personalite endouyante*. I don't know what that means in English.

The Secretary: Perhaps someone with a kaleidoscopic nature, a personality who changes a lot.

Someone once said about an American politician, "There is much less there than meets the eye."

M. Jobert: Reston likes you.

The Secretary: And I like him. He is a decent man.

M. Jobert: We agreed that you would have to change your position on some things.

The Secretary: What things?

M. Jobert: For example, think of poor Andersen (the Danish Foreign Minister); he is very unhappy following his talk with you.

The Secretary: I really did not start out to try to make him happy. Of course, I was just defending your position.

M. Jobert: In any case, he is very unhappy.

The Secretary: Well, why should we hide our real views?

M. Jobert: Are you really annoyed with the European Community draft?

The Secretary: May I be direct with you?

It would not be right to say that I am "annoyed". There are two problems: First, of procedure, and, second, of substance. On the first, we have two objections. We thought we had an understanding with your President and that there should be bilateral talks. Out of deference to the French point of view, we did not insist on a multilateral meeting in July. While you might have refused to come along on this, it would have been difficult for you to do so, since the others would have come.

M. Jobert: They agree to everything you want.

The Secretary: Anyway, we did not press for a multilateral meeting out of respect for you. We also talked bilaterally with the Germans, the British, and somewhat with the Italians. We had an un-

derstanding with you that after this process, there might be a multi-lateral meeting. All of you promised to produce drafts, and you said that yours would be the best of all.

M. Jobert: You said that it would be, since it would represent the views of France.

The Secretary: Then we were told in July that we would receive a response through the Nine. You said you did not want this and you urged us not to press for a response from the Nine.

M. Jobert: It would be better not to speak of the Nine, but rather to say Eight against One. If you talk of the Nine, it is really Nine—with the U.S.—against France.

The Secretary: We felt some advantage had been taken of us, but this is all meaningless. What does it achieve? Then the Nine talked and we had no idea what they would come up with.

M. Jobert: But you saw the English text.

The Secretary: Definitely not. We received nothing.

Mr. Stoessel: That is true. We definitely did not receive a text.

The Secretary: Then we were confronted with the European Community text which, moreover, was published in full in the papers.

M. Jobert: Well, this was done by a delicious person called Flora Lewis.

The Secretary: Yes, she never has anything good to say about me.

M. Jobert: Nor about me.

The Secretary: Publicizing the document is unimportant. However, people now have a benchmark against which to compare subsequent texts. Then, the Dane comes to see me. He can't negotiate; he is really only a messenger. Those who can talk can't negotiate, and those who negotiate can't talk.

This will create an adversary relationship in the long run which could be very bad. We do not want to be present when you make your decisions in the Community, but we want to be present in the formative period.

Now about substance. The EC document is a collection of phrases from the EC Summit and from the Tokyo Declaration. There is no mention in it of Atlantic relationships. It asks us to recognize Europe. Of course, this is not difficult for us. I recall the endless quarrels with De Gaulle; we were more for Europe than he was.

M. Jobert: The Atlantic things should be in the other paper.

The Secretary: It is not that we object to points in the EC paper, but it is not complete as it stands.

M. Jobert: Today, the NAC postponed the consideration of the agenda point about working out a new Atlantic Declaration.

It is important that you have agreed to a meeting to consider the European Community draft.

The press tried to say that we were against a common European position, but this is not true. We are together in the Nine, although there are some differences when we are with the Fifteen.

After the meeting with you and the Nine this week, then there could be another meeting later in Copenhagen. This shows that you can have a dialogue with us.

(There was a discussion about finger bowls and Jobert mentioned that there are no finger bowls used in China.)

[Omitted here is discussion unrelated to U.S.-European relations.]

The Secretary: On European matters, how do you visualize the process continuing?

M. Jobert: If I may make one remark to you, I would say that you do not speak enough of Europe. You put Europe at the end of your speech and did not talk much about it. Also, you spoke of restrictive trading blocs. This seems to be a reference to Ortoli's area. If I could make a counsel, I would say that you should not attack Europeans as a whole. We will do much better in the future.

Secondly, about Japan. I am told that you gave a paper to the Japanese about relations between Europe, the United States and Japan. This had quite an effect on the other Europeans. They were horrified that you could seem to speak for the Europeans on this matter.

The Secretary: The Japanese have produced a paper themselves and they said they would discuss this with you in Europe. We didn't give them anything.

M. Jobert: I must make a speech tomorrow at the Council on Foreign Relations. I wondered if I shouldn't speak in French since it would be much easier.

The Secretary: I think it would be better for you to speak in English. With all respect, your French is so complex that the interpreter would never get the full flavor. Also, given the anti-French attitude of the Council, you should try to make some human contact and this would be easier in English.

M. Jobert: I will return to Paris to be there next week and then will come back to New York October 9 and 10.

I will be seeing Brandt today and will need an interpreter with him.

The Secretary: I thought he made a strange speech at the UN General Assembly today. It was really a hodgepodge of various things, but perhaps it was good for domestic consumption. On the other hand, maybe it reflects what he really thinks.

M. Jobert: Now, what will we do? We don't want to quarrel with you and we do want to have a real dialogue. Since your speech, we have had a great deal of discussion about what to do. You are really an agitator.

The Secretary: It is hard to have a dialogue when the Europeans don't produce anything until this week.

M. Jobert: But the Europeans have done something and please don't destroy it.

About the President's visit, what do you think? Are there domestic problems which would indicate that he could not come, or do you really want him to come?

The Secretary: I talked about this with the President last night. I can say that there are no domestic interests which would indicate that he should go or should not go.

M. Jobert: This is my view as well.

The Secretary: Many Europeans seem to think that he wants to come to Europe to have a big dramatic scene and that this would help us domestically. Actually, if we are to be responsible about what we wish to achieve, what we do in Europe won't help us, but will only hurt us domestically.

Whether or not the President goes depends on two things. First, is that of substance. He does not want to go just to tour capitals. There would be no point in that. Secondly, under no circumstances will he sign a document with persons who are not at his level. He will not meet multilaterally with people below his level. If this is contemplated, then there can be no Declaration.

M. Jobert: You know our position and that in this we are not on the same ground. I haven't spoken with my President. However, you know I am a mischievous spirit. Why don't you wait until the end of 1974?

The Secretary: By then, it would seem to be senseless. But maybe yes, and maybe no. It should be remembered that by that time, the Presidential campaign will be beginning and we couldn't achieve what we want to do. Sometimes I really believe the Europeans are playing Russian roulette.

M. Jobert: No. We are not devoted to bloody games.

The Secretary: You may not intend to do so, but this wouldn't be the first time in your history that you have made a mistake.

M. Jobert: That is true.

The Secretary: Thinking ahead, just look at the cast of characters on the U.S. scene. There is no one around who would be as sympathetic on European matters as the present Administration. No one would favor your nuclear deterrent—either the form or the symbolism of it. Also, some would favor a condominium.

Perhaps, we could wait until the spring of 1974.

M. Jobert: Do you understand why I say late 1974?

The Secretary: Because France will then be in the chair of the European Community?

M. Jobert: Yes. This could solve Pompidou's problem. We are a small country, but we do have our own public opinion problem. Without this, matters would be easy to solve. However, I can see that the timing I suggest would be late.

The Secretary: After all that has happened, it is difficult to wait until summer. This could be after a CSCE Summit and after a U.S.-Soviet Summit. It would also be after a full session of Congress. I do not know if we could hold the situation.

M. Jobert: It is important to fix a date in advance.

The Secretary: This idea can be considered.

M. Jobert: There are two declarations on the table. Perhaps there will be a third one.

The Secretary: The utility of the third is that it could include the Japanese.

M. Jobert: On that point, perhaps we could think of a two-stage rocket. We, the Europeans, could do something with Japan, and then you could come after that. If you try to do all three now, it might be difficult.

The Secretary: This is not impossible.

M. Jobert: And, please, don't put Australia in the third declaration. Let's leave them in their Pacific.

The Secretary: We will have to consider the question of a date for the President's visit. Also, there is the question of the forum and the way in which the President would participate.

M. Jobert: I am convinced, at least at present, that Pompidou would never wish to go to Brussels. As for Brussels II—the NATO meeting—then it might be possible for Messmer to go. I don't know if this would be satisfactory to you.

The Secretary: We would have to consider it. However, it would be an odd result. After all, our President has proved that he is the closest emotionally to the French point of view. It would be hard to explain why Pompidou would not meet with him to sign a Declaration, particularly a Declaration where we don't get anything very much, but the Europeans do.

What we will get is something which may help to mobilize public opinion in favor of the Atlantic Alliance and which could be useful over the next ten years. Of course, I understand your public opinion problem.

With regard to the European Community, we could accept that the President of the EC Council could meet with our President, provided that the Declaration to be signed was worth it and that both declarations were satisfactory.

This is a constructive idea. If your President is in the chair of the EC next July, then it is not excluded that we could agree to a visit then if, in the interim, we could do some concrete things. We might say that a meeting would take place on July 15 and that we are doing things in the meantime.

M. Jobert: Then we should stop talking about whether the President is coming, or he is not coming, etc.

The Secretary: And we should stop things coming out of Paris.

M. Jobert: What sort of things?

The Secretary: Well, I am thinking of the *Newsweek* article which was so critical about the “Year of Europe” and the President’s visit. We think this came largely from your press spokesman, M. De Laye.

I think you have really out-maneuvered me.

M. Jobert: I am not so sure of that. On newspaper articles, we can complain, too—(Jobert showed the Secretary an AFP ticker which apparently said something about the Secretary agreeing to see Scheel in Bonn, but not Jobert.)

The Secretary: This is total nonsense. It probably comes from the Germans.

M. Jobert: I saw Scheel this morning and I asked him if is trying to knife me.

The Secretary: I do plan to go to London in October, and after that, I might meet Scheel there, but not in Bonn. If I have to go to Bonn, I certainly would go to Paris.

M. Jobert: Paris always will be ready to welcome you.

The Secretary: There is no possibility of my going to London and to Bonn and not to Paris. My original intention had been to go to London to make a speech and also to have a Chiefs of Mission meeting.

M. Jobert: That would be good for your Ambassadors.

The Secretary: Our Ambassadors are not so good.

M. Jobert: I don’t know about that, but your Ambassador in Luxembourg—that woman—isn’t so good.

The Secretary: In Paris, we have a good Ambassador. In Italy, ours won’t change the course of history, nor will yours.

M. Jobert: Only Togliatti can do that. And this with the help of his good friend, Brezhnev, who wants to make an official visit there. He will have to eat a lot of spaghetti.

The Secretary: Brezhnev is not so adept. The Chinese are.

On European matters, our effort must seem to be constructive to the public, not an adversary proceeding. At the end, it should not be that someone has won and someone has lost. Also, we should take care to try to influence the press in a helpful way. In this respect, Europe has been worse than the United States.

M. Jobert: Do you really think so?

The Secretary: Yes. We haven't begun to work on our press. It could easily turn against the whole thing. Europe is not very popular in the United States. Don't be confused by Reston—he represents nobody.

I think there has been a tendency in your Foreign Office to be critical. Your briefings in Reykjavik were brutal.

M. Jobert: Those were given by the Office of the Presidency, not by the Foreign Office. I was not Foreign Minister then. No, I guess I was Foreign Minister. I am like you. I don't know where I am.

The Secretary: You always do.

We should make a serious effort to avoid mutual criticism.

We can't make a decision now about the President's trip, but we will before I go to Europe. If the trip is delayed, we must think of concrete things which we could do in the meantime. I do not exclude a meeting in July, if the date could be firm and if the documents are adequate. But we can't agree to a date in July and then have this used against us. You could squeeze us.

M. Jobert: No!

The Secretary: If we could agree on this and that there will be good results, then we could consider it.

M. Jobert: But it shouldn't be mentioned too soon.

The Secretary: No, I won't even say that the President won't be going to Europe soon. Of course, we don't want to leave ourselves to your mercy.

M. Jobert: The document will be on the table and you will know what you are dealing with.

The Secretary: Internally, we had thought of the timing for a trip as being in November or in February. February might be more likely than July.

M. Jobert: On the question of the Fifteen, I said that we would be willing to write something and I can give you today something unofficial and then you could let me know unofficially what you think about it. Whether this is here or in Paris, will depend on you.

The Secretary: I don't want to mislead you. We may wish to press ahead with both declarations. And we may not be prepared to filibuster with you indefinitely.

If we agree with you on a date in July, then everyone will be furious at us.

M. Jobert: No, I don't think so.

The Secretary: Then you could tell us in May or June, just before the visit, that you have changed your position, and then we would be forced to yield to you.

M. Jobert: I will give you a paper now, you don't have to wait until May. There is a machinery in Brussels and a staff which is waiting for things. We have to make it go slowly.

The Secretary: But we may want it to go reasonably, at least.

M. Jobert: If so, there will be discussion for three months and no prospect for a visit. If you press for something, then everyone will say that Dr. Kissinger is angry and they will do what you want.

The Secretary: Why not suggest a compromise, such as February?

M. Jobert: There would be no objection to preparing a paper. That is why I worked for you to prepare a paper.

The Secretary: Where are we left concretely?

M. Jobert: If you would be willing to work on our text unofficially, then we could have an exchange before putting it on the table in NATO as a French draft.

The Secretary: Stoessel and Sonnenfeldt can analyze it and will give you comments before you leave on Friday.

How do you compare your draft with the Canadian draft, is it stronger or weaker?

M. Jobert: We think it is more generous. I hope it is well translated. I can tell you that it was done by a hand which is friendly to you (Francois De Rose).

The Secretary: We will let you know our view by Friday. We want to keep in the closest contact with you. However, this is difficult. We are told that you have proposed two main lines about us.

First, you said that we are like the pyromaniac who helps his victims put out the fire.

M. Jobert: That is really terrible. The Italians actually said that in Copenhagen. This shows that there are leaks from our meetings.

The Secretary: Secondly, you supposedly tell the Europeans not to be so conciliatory toward us because you are getting everything for them.

M. Jobert: No, that is not true. We said that we had good relations with you, although, of course, all of us have different problems.

(Jobert then told a story about a talk between Mirabeau and Cotteau and the telephone.)

The Secretary: What concrete decisions must we reach?

M. Jobert: I will give you our text and you will give us your reactions. We will then put it on the table as a French text. I do not know if it will be acceptable to you. Before I left, I talked with Pompidou and he asked if the draft would be acceptable to Nixon. I said I did not know.

About the other text, the EC text, that will be considered Saturday morning. Puaux will be there. Then we will see if another meeting is necessary.

The Secretary: I don't want to mislead you. Perhaps we will also present our text.

M. Jobert: It would be better to present additions to our text. We don't want to give the impression of too much difference.

The Secretary: I agree. We will proceed that way. We won't raise the issue of whose text it is.

M. Jobert: And you will tell us your ideas about the President's visit?

The Secretary: The President will want to have bilateral talks in Paris, and this could take place whenever you want, at the beginning or at the end of his visit.

M. Jobert: And he will get a good reception from the French people. When I saw Frank of the German Foreign Office, he said that a visit by Nixon to Germany could give rise to immoderate events. Also, this could happen in the UK as well. But it won't be a problem in France.

It also facilitates the whole thing to think that the Soviets will not say anything about the declaration or the visit. I am convinced this is the case.

The Secretary: I am positive about this too. For this reason, it would be good to have the declarations before the conclusion of the CSCE.

M. Jobert: The Soviets won't move before a SALT II Agreement. There won't be anything before then.

The Secretary: Our judgment is that there will be no Soviet agitation during the next six months on any of this.

M. Jobert: They have good contacts with you and they want better ones.

The Secretary: Our impression is that they are more interested in CSCE than in SALT. SALT II will be very difficult. It is not easy now to see how it could be concluded.

(There was discussion of the possibility of the Secretary and Jobert meeting when the Secretary comes to Europe.)

The Secretary: It would simplify my life and schedule if it were possible for us to meet in London; otherwise, I could come to Paris.

Let's aim to meet in one place or another, perhaps on the 16th. I will be seeing Douglas-Home on the 14th, and he will also be seeing Scheel.

M. Jobert: There is a Council meeting in Brussels on the 15th and 16th.

The Secretary: We could perhaps meet before Brussels or after, if you wish.

M. Jobert: My only problem is that it not seem that I am responding to a directive from you.

The Secretary: In that case, I could try to come to Paris.

M. Jobert: No, I think I can make it to London somehow.

The Secretary: We could meet either on the 14th or the 16th, probably in London. But I will come to Paris if necessary.

M. Jobert: If we can do this without publicity, it would be good.

The Secretary: Let's be clear. I can't promise that if you see me.

M. Jobert: I don't know what Pompidou's reaction will be. My own reaction is that I will come to see you.

The Secretary: We will see each other then and we can make a decision about the approximate date for the President's trip.

I will be having a press conference this afternoon.

M. Jobert: You could say that it is the "Year of the World."

The Secretary: For Jobert, every year is the "Year of Europe."

There are a number of processes going on. European unity is developing and we support that. Also, there is the question of Transatlantic relations. I could say that we have to spend time on sorting these out.

M. Jobert: The impression is that you are angry at Europe and that you don't like the Community draft and want bilateral talks.

The Secretary: What we can't accept is a *fait accompli*. I will be constructive in my remarks to the press.

M. Jobert: If you could give us your impressions of our draft for NATO, this would be helpful. We would be pleased to have a French text on which all could agree. If you say you agree, this will do it.

The Secretary: Even so, we may want to present our own draft and then gradually work toward yours. We will see.

36. Memorandum From Helmut Sonnenfeldt of the National Security Council Staff to Secretary of State Kissinger¹

Washington, October 15, 1973.

SUBJECT

The US and Europe in the Middle East Crisis

Oil problems may be the most immediate and practical ones to challenge the Alliance and they are therefore a proper focus of concern. But there are many other things about the Middle East crisis that put the Alliance to the test.

Already, there is a tendency in Europe both to gloat about the flimsiness of “our” détente with the Soviets and at the same time to place the onus of dealing with the crisis on our ability to use that very détente. (To some extent, we may have contributed to this attitude by our tendency, early in the conflict, to discount Soviet involvement and to emphasize formal Soviet restraint.) The Europeans, meanwhile, seek to protect their own interests, as they see them, vis-à-vis the Arabs and to opt out of any adverse consequences that may ensue in relations with the USSR. The French may be the most blatant example—with arms shipments to Libya on the one hand and facile pronouncements that only we can bring the parties and the Soviets to a cease-fire, on the other. But more fundamentally, a Europe that wants to be treated as an identity and as an “equal” actor in international affairs, at the same time runs for cover in fear and aloofness, seeking to maintain the benefits of its association with us while avoiding the burdens. All of this was evident enough and perhaps superficially justifiable when we went through the agonies of ending our involvement in Vietnam. But if it was folly for the Europeans not to acknowledge that how we ended the Vietnam war was crucially important for their own future security, it is almost suicidal for them to think they can somehow emerge unscathed from a Middle East crisis in which the safety of their oil supplies and the isolation of the US were the major subjective and objective purposes of European policy.

Of course there are costs of various kinds for the Europeans in a policy of solidarity with us in this crisis, just as there are costs for us in our own association with Israel. Of course the Europeans cannot be ex-

¹ Summary: Sonnenfeldt discussed the relationship between the United States and Western Europe in the context of the October 1973 Middle East war.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1335, NSC Secretariat, NSC Unfiled Materials, 1973 (3 of 12). Secret; Sensitive; Exclusively Eyes Only. Sent for urgent attention.

pected to act against their interests; the question is how they define those interests. Of course the Europeans, just as we, want to see the war end; the question is whether their present course promotes or hinders attainment of that goal. Of course the Europeans, as we also, must be concerned about their long-term relations with the Arabs. The question is whether present policies do not in fact increase European dependence on, and limit freedom of maneuver toward the Arabs. Of course the Europeans have legitimate concerns about the effects of a deterioration of relations with the USSR; the question is whether their present policies help to bring about the very effects they seek to avoid.

What it comes down to is that the Europeans must understand is that a denouement of the war in which we singlehandedly bear the burdens both of saving Israel and working with the Russians while they tremble on the sidelines will transform the Atlantic relationship into at best an alliance of convenience and more likely into a formal arrangement marked in fact by estrangement, suspicion and egocentric policies. Instead of celebrating the 25th anniversary of NATO next year, we will inter it as a force for security and order in the world.

So, apart from what is done on the oil front itself, it is time for us to take a series of explicit and implicit actions that halt and reverse the drift and utilize the Atlantic relationship for urgent common purposes and in the process give it the new vitality that we previously expected from our Year of Europe initiative alone.

1. Instead of bemoaning the failure of détente—and, in the case of Europeans like Luns, burying the US-Soviet summits as frauds—we must start jointly to use the leverage conferred on us by détente. Luns has no business unilaterally pronouncing the Soviets as in violation of the US-Soviet Basic Principles, when any violation involves Soviet commitments, going back well before 1972, to the French, Germans and others and while NATO Europe leads the pack in CSCE in working out gradiloquent declarations of East-West principles of cooperation. *The operational issue is not whether the Soviets have violated commitment, which, when they involve the US, the Europeans are only too happy to bury with pious I-told-you-sos, but how we together with the Europeans can hold the Soviets to their commitments.* Détente—always a misnomer—was never designed by us as a static policy that appears and disappears like leaves on a tree; its only meaning was as an instrument to protect our interests and as a means to restrain Soviet efforts to damage them.

What we need now is a coordinated Western policy of actions that confront the Soviets with choices, with damage to their interests if they choose to damage ours. Paper agreements to harmonize policies of relaxation must now be transformed into action policies to use those policies in a crisis.

—If we are to go slow in CSCE and perhaps scuttle it, it must be done in unison with the Allies.

—If we are to apply economic pressures, it must be done in conjunction with the major Allies—even if it is true that we have some leverage in this field that is unique. (Many of the Allies have certain unique forms of leverage; the task is to turn the unique into unison.)

—If we bring pressure to bear on the Hungarians and Yugoslavs—both great advocates and ultimate beneficiaries of détente and CSCE—it should be done together with the Allies.

—If we are to invoke bilateral statements of principle and the agreement on prevention of nuclear war, all the Allies should invoke analogous agreements which they have made. (I think we should be very cautious with minor pinpricks in the various areas where we have bilateral agreements, as suggested in the State paper of October 14, *unless these are part of a coherent Western policy*. Above all, we should not proclaim to the world that the Soviets have violated the Principles; it makes the President look like a fool for entering them and deprives us of the strategy of using them to pressure the Soviets.)

—We should get the elaborate NATO machinery to start work at once on a coordinated action program, reinforcing and energizing it with highest-level bilateral approaches to Allied leaders.

2. *We should press ahead on the Year of Europe.* By moving rapidly to conclude the two Declarations, if necessary by foregoing some of the perfections we would have liked, the Allies will be seen to coalesce at a moment when it counts in practice. Put more crudely, we should use the Declarations to force the Allies into association with us. With skill and luck, we should be able to maneuver them into the summit which they have so far resisted and which at this crucial moment, could pay good dividends vis-à-vis the Soviets and Arabs.

3. Even if it is too much to ask of the Allies to end their ostensibly neutral but objectively pro-Arab policies (which under present circumstances have the effect of prolonging the war), we must confront them with our firm intention to maintain a military balance in the Middle East. If this means using US stocks in Europe, or otherwise involving US forces there, the Allies must accept it. The proposed oil-sharing arrangements should provide some reassurance against Arab retaliation. Moreover, even if meticulously neutral, the Europeans cannot escape the effects of oil pressures by the Arabs which only we can relieve.

4. We must make sure that the Europeans join us in counteractions against the Arabs, if these become necessary in response to Arab oil pressures. (The WSAG paper takes a stab at this.)

5. The major Europeans must participate in the diplomacy of the war and in the efforts to end it. This cannot be done through NATO's

clumsy machinery but must be handled directly by yourself, dealing at highest levels. All of us should be less concerned with whether these diplomatic efforts will later lead to final (and utopian) settlements, than with creating the kind of diplomatic fluidity which, once the shouting stops, will allow some room for maneuver. The responsibility for whatever arrangements eventually emerge must be shared and not rest solely on the US. That is, since a cease-fire and subsequent arrangements are bound to leave the parties dissatisfied, we should not have to bear the onus of resentment from both Israelis and Arabs. We will have our hands full with our domestic critics; we should try to make sure that the Russians and the Europeans share the costs vis-à-vis the Arabs.

37. Telegram 214396 From the Department of State to the Embassy in the Federal Republic of Germany¹

Washington, October 31, 1973, 1707Z.

Subject: President's reply to Brandt letter.

1. Please pass following reply from the President to Chancellor Brandt at your earliest opportunity:

2. Quote: Dear Mr. Chancellor:

Quote I appreciate your letter and the frankness with which you have set forth your views on the problems that the Middle East crisis has created within the Alliance. There are two aspects that I wish to clarify.

Quote I understand that on the substantive questions relating to the conflict between Israel and the Arab governments, there is no obligation to reach a common Alliance position. Our European allies have economic interests in the area that lead to positions that diverge from our own. In this light, the US did not expect public support for its policy.

¹ Summary: Nixon responded to a message from Brandt concerning U.S.-West European relations in the aftermath of the October 1973 Middle East war.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 688, Country Files, Europe, Germany (Bonn) Oct 73–Dec 31, 73 (Feb 73–Dec 31, 73) (1 of 1). Secret; Immediate; Nodis. Drafted in the White House; cleared by Springsteen and Gammon; and approved by Eagleburger. On October 26, Schlesinger, McCloskey, and Nixon publicly criticized the lack of West European support for the United States during the Middle East crisis; both Schlesinger and McCloskey made specific reference to the independent stance adopted by West Germany. (*New York Times*, October 27, 1973)

Quote I also appreciate that the Europeans, including the Federal Republic, were under a great deal of pressure from Arab governments. I had been led to believe that it was nevertheless agreed between our two governments that the US would draw on part of the military stocks in the Federal Republic for the resupply of Israel. There was never any question of doing this against the wishes of your government. It was thus a shock when our Ambassador was informed that these activities were to stop, even though the crisis was far from over. It was even more surprising that this *démarche* was released to the press before we could respond.

Quote In any case, it is best if we put this incident behind us and consider it closed.

Quote The second point, however, relates to the more basic problem of the interests of the Alliance as a whole. You note that this crisis was not a case of common responsibility for the Alliance, and that military supplies for Israel were for purposes which are not part of the alliance responsibility.

Quote I do not believe we can draw such a fine line when the USSR was and is so deeply involved, and when the crisis threatened to spread to the whole gamut of East-West relations. It seems to me that the Alliance cannot operate on a double standard in which US relations with the USSR are separated from the policies that our allies conduct toward the Soviet Union. By disassociating themselves from the US in the Middle East, our allies may think they protect their immediate economic interests, but only at great long-term cost. A differentiated *détente* in which the allies hope to insulate their relations with the USSR can only divide the alliance and ultimately produce disastrous consequences for Europe. If the USSR learns that it can exploit the Middle East to divide the US from its European allies, then it is only a matter of time before the Soviet Union adopts more aggressive policies elsewhere.

Quote I profoundly hope that what has occurred in the past few weeks reflects only lack of adequate and timely communication produced by the rush of events. I agree that we need to give some serious thought to the meaning of recent events for the Alliance. The work we have already started in framing a declaration of principles allows us to examine some of these fundamental problems and sets forth the principles and mechanisms for handling whatever problems may arise. You are quite right that substance is most important, and, as you are aware, we hope to move expeditiously in the meeting with the European Community and with NATO. The concerns I have expressed in this letter are not, however, eased by the refusal of the Nine even to mention the word “partnership” in a common document with the US. Sincerely, Richard Nixon unqte.

3. Chancellor's letter delivered October 28 by Ambassador Von Staden follows:

Quote Dear Mr. President,

Quote I am concerned over signs of official and public reactions in connection with insufficient information during the most recent Middle East war.

Quote In the interest of our untroubled and trustful relations and for the benefit of cohesion within the Atlantic Alliance I wish to inform you without delay of my ideas on this point in order to obviate any serious misunderstanding between us or within the Alliance.

Quote Without knowing details of the actions or arguments that have led your government to bring things under control in the Middle East, it was and is my opinion that no one but the United States in cooperation with the Soviet Union was capable of doing this. It seems that your efforts have been successful. Who would not appreciate this. My government has sought in its own way to use its comparatively very small possibilities for peace-securing measures. It would be a grave error, therefore, to presume that my government had not had sufficient understanding for the requirements of balance in the Middle East and for the responsibility imposed upon you.

Quote At the same time it is important to realize that, as in previous crises, this was not a case of common responsibility for the Alliance.

Quote We have proved more than once that we have not been indifferent and that we know who our chief ally is. But it is another thing if—without the Federal Government having been completely informed, let alone beforehand asked—United States materials are handled from the territory of the Federal Republic of Germany for purposes which are not a part of Alliance responsibility. On this point the Federal Government could not, in principle, act any differently than my predecessor in office did in 1956. Like then, this need not and should not lead to tension, either bilaterally or within the Alliance, for our common interests can and must not be affected when we discover deficiencies in communication and concertation.

Quote Should it be necessary, I will gladly explain this in detail. Today I am anxious to contradict emphatically any conjecture that the Federal Republic of Germany might be lacking in Alliance solidarity.

Quote I am convinced that the misunderstandings and frictions that have arisen will lead to more thought being given to problems within the Alliance with a view to attaining the goal that we all pursue, namely, the strengthening and deepening of the Alliance in a difficult time.

Quote These occurrences show how necessary the work is that is to be done in preparation for your visit to Europe. In this connection, substance will be still more important than language.

Quote With kind regards, yours sincerely, Sgnd. Willy Brandt,
Chancellor of the Federal Republic of Germany Unquote.

Kissinger

**38. Summary of a Paper Prepared in the Bureau of European and
Canadian Affairs and the Policy Planning Staff¹**

Washington, undated.

US RELATIONS WITH WESTERN EUROPE

Summary

The Present Situation

The structure of our relations with Western Europe has been called into question by a series of developments that seem to undercut one part or another of the Atlantic system. These include: strategic parity; uncertainty about NATO's strategy and force dispositions in Europe, and the US role in them; the effect of détente on Alliance relationships in general, including European concern about US-Soviet bilateral dealings, and on the Allies' willingness to continue to shoulder the burdens of defense; divisive economic problems; and the growing unity of the EC Nine and their uneven but increasing coordination of political issues.

US Interests

In light of these challenges to established policy, a reexamination of US interests with respect to Europe suggests they continue to include: 1) prevention of the extension of Soviet control or influence westward; 2) support for development of Western European prosperity and stability in order to strengthen the Allied ability to resist Soviet en-

¹Summary: The paper is on U.S. relations with Western Europe requested by Kissinger.

Source: National Archives, RG 59, Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 346, Nov. 1973. Confidential. Attached but not published is the remainder of the 33-page paper. Sent to Kissinger under cover of a November 19 memorandum from Stoessel and Lord, in which they note that the paper was prepared in response to his request for an analysis of U.S.-West European relations. Kissinger requested this paper at an October 25 staff meeting. (Ibid., Transcripts of Secretary of State Kissinger's Staff Meetings, 1973–1977, Entry 5177, Box 1, Secretary's Staff Meeting, October 25, 1973)

croachment; 3) prevention of a revival of sharp internecine European quarrels and, to this end, support for European unity; and 4) maximizing US influence on the policies of the West European countries.

In today's increasingly fluid international system we also now have a fifth interest in Europe: we have been so closely committed to Western Europe for so long that any serious diminution of our standing and influence there would have a negative impact on our diplomatic as well as our strategic position in the global balance.

Options

Six alternative frameworks for US relations with Western Europe can be envisaged:

1) *Atlantic Alliance, Ltd.* Pragmatic adaptation of the existing Atlantic system to mitigate, if not resolve, its political-military and political-economic problems, and acceptance of the limitations of working within the system to influence Western European policies outside of the traditional scope of the Alliance.

2) *Closer Atlantic Ties.* Extension of Alliance coordination functionally and/or geographically.

3) *US Hegemony.* Hard bargaining of the US security commitment to Europe against Western European concessions to the US on economic and other issues, and undermining the unity of the Nine by playing them off against each other.

4) *Devolution.* Phased transfer of part of the US security burden to the Allies.

5) *Diminution.* Unilateral cutback of US force levels, while retaining basic US commitments to Western European security.

6) *Disengagement.* US withdrawal of its military presence in Europe, perhaps even of its treaty commitment, and dealing with Western European states on an *ad hoc* basis without fixed, prior commitments.

Conclusions and Recommendations

Analyzing these alternatives in terms of their feasibility and their impact on US security, influence and costs, we conclude:

1) The costs in terms of security and influence of the two alternatives of diminution of the US role or of disengagement are too great, and the feasibility of the third, hegemony, is too slight to pursue them as realistic courses.

2) *The policy most likely to meet our needs would include these elements of the other three options:*

a) *Adapt the existing Atlantic system* by working to solve its specific political-security and political-economic problems. These difficult issues, and the challenges related to them, can be resolved or managed. This, in general, also is the preferred approach of our European Allies.

b) *Add to the existing system more intensified consultations with the Allies—particularly with the three most important of them. There are limits on how much can be accomplished by consultations, and they imply some limitation on our freedom of action. Nevertheless, closer contact among the US, the UK, the FRG and France on matters affecting their interests will produce somewhat greater coordination of policy, or at least greater understanding, than has been the case. Given France's importance, we should undertake a study of US-French relations in light of present circumstances.*

c) *The possibilities of devolution should be urgently studied with the aim of arriving at a definite decision whether the US wishes i) to promote devolution, ii) to be receptive to European proposals to that end if any are ever made, or iii) to resist such a development.*

In sum, the Alliance system, in our judgment, continues to provide the best vehicle available for pursuing our interests in common with the Allies. It is far from perfect, but can be improved by adaptation. The President's visit to Europe can promote the goal of adaptation, consistent with our interests and new circumstances.

39. Memorandum Prepared in the Bureau of Intelligence and Research¹

Washington, November 24, 1973.

US PRESSURE POINTS ON WESTERN EUROPE

Present and Prospective US-European Interrelationships

Western Europe is now at a difficult transitional state in its evolution to cohesion and greater assertion of independence from Washington on basic policy issues. On the one hand, all major West European governments are acutely conscious of fundamental economic, political, and diplomatic interests which they share with each other but not with the US. On the other hand, they are unable to overlook the large political and latent military challenge to them posed by the USSR, with which they cannot successfully cope except through cooperation

¹ Summary: The memorandum analyzed U.S. pressure points on Western Europe. Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 13, Misc. Docs, Tels, Etc., 1975, Folder 5. Secret; Sensitive. Drafted by David E. Mark in INR.

on security matters with the US. The current dilemma for West Europeans is how to get over the next 8 to 15 years without sacrificing major interests to pressures from their American protector, while they go about working out the compromises, new institutional arrangements, and defense measures which can alone give them feasible options for eventually standing up to the US as full equals.

The converse American dilemma is not only how to elicit European support for critical American policy objectives, but also how to accomplish this without so antagonizing the Europeans that they accelerate the trend toward an independent, and perhaps partially unfriendly, policy. Indeed, the larger challenge implicit in the Kissinger April 23 speech is how to redefine the goals and purposes of the two sides of the Atlantic so that a reasonable degree of harmony and cooperation can prevail both during the transitional period of the 1980's, and even after the Europeans have created the political and military power bases which will allow them an independent course of action.

It is possible to enumerate a number of issues on which the American and West European divergence is either potentially great or already quite substantial.

First—There is the question of European political integration itself. Whereas Washington's formal position has always favored European political unity, whether or not in the framework of an explicit Atlantic partnership, the Europeans are increasingly suspicious that the US may in fact prefer to deal with each country separately for as long as possible. This European perception has grown in parallel with Europe's realization that the gap between European and American interests on economic and foreign policy may be substantially larger than earlier assumed.

Second—Although West European governments still believe unanimously that the American nuclear force and European-based US ground and air forces are indispensable elements for balancing Soviet military power, there is a growing awareness of the disadvantages of this arrangement for Europe. For one thing, the lack of equivalent European nuclear muscle denies to European nations the kind of intimate dialogue on global politics and bilateral relationships with Moscow which Washington is able to conduct. For another thing, European military deficiencies make Western Europe beholden to US-USSR decision-making on a wide variety of political, political-military, and security questions (MBFR, CSCE, SALT, and the Middle East) which directly involve major European interests.

Third—On the economic front, the West Europeans acknowledge a general interest in overall understandings with the US about mutually acceptable operational rules and procedures for the prosperous functioning of the non-Communist portion of the world's economy. Nevertheless, events since 1971 have brought home to them both the increasingly serious nature of the competition between Western Europe and the US and the manifold issues on trade, investment, monetary, commodity, and fiscal policies which put the two areas at odds with each other. They also resent greatly efforts by the US to use Europe's secu-

rity dependence on Washington as leverage for American efforts to gain advantages in the economic realm.

West European Divergence from the US on the Middle East

The Middle East crisis has exacerbated all of these problems to an unprecedented degree. The US has sought to enlist Western Europe in a policy of facing down the Arabs on oil supply, of jointly confronting the Soviet Union to the extent unavoidable, and of maintaining an even-handed stance between the Arabs and the Israelis on peace-settlement questions. The Europeans, however, who have long differed with the US over past American unwillingness to bring pressure to bear on Israel to compromise with the Arabs, strongly resent US attempts to force them to accept the superpower context, as well as many of the specific measures, of American crisis management in the Middle East since early October.

Not only have many West European governments felt considerable sympathy for Arab political and security demands, but, whether sympathetic or not, they feel unable to risk policies that would bring about a total cessation of Arab oil shipments to Western Europe and consequent disaster to the economic, political, and social fabrics of their societies. They cannot conceive of any joint policy of challenge or opposition to the Arabs, even in collaboration with the US, that would not bring much greater damage to Western Europe than to the Arab states—and in a much shorter time-frame.

Scope of this Paper

American efforts are now being directed at making the Arab states, particularly Egypt and Saudi Arabia, realize that progress toward a satisfactory peace settlement—which necessarily involves American pressure on Israel—is being, and will continue to be, handicapped by the embargo of oil shipments to the US imposed by Arab producers (mainly in the Persian Gulf). These efforts would be significantly furthered if the US could generate sufficient counter-pressure on the Arab governments concerned to induce them to drop the embargo. A separate paper examines the possibilities for direct US pressure against the Arabs; this paper addresses the prospect for European cooperation in such pressure.

Balance of Economic Pressures Between the Arabs and Western Europe

With the lesson of the Arab oil boycott of Holland much in their minds, the West Europeans are convinced that any joint action by them against the Arabs—and all the more so if the action is taken conjunction with the US—will lead to an immediate further drastic Arab cut in oil shipments or to a total embargo. European oil reserve stocks are already declining, and, even on the assumption of large-scale and effec-

tive oil conservation measures in Europe and of the import of some crude oil from non-Arab suppliers, it is doubtful that the European economies could function in even a minimally satisfactory way for more than 4 to 6 months following the start of a complete embargo. To be sure, this period could be somewhat extended if the US were willing to ship a good portion, at least one-third, of American domestic petroleum production to Western Europe, but this would, of course, have drastic repercussions on the US home front, while not doing much more than to postpone disaster for the European economies for another 2 or 3 months.

Nonetheless, even if such a joint European confrontation with the Arabs were realizable—which must remain highly improbable in view of both European vulnerabilities and partial European sympathy with the Arab diplomatic position—the West European governments would have to ask themselves what kind of joint measures might influence the Arab states. Apart from direct military intervention in North Africa and the Persian Gulf, which could not be contemplated except as a combined operation with the US, and which, since the Suez adventure of 1956, has been virtually banished from European thoughts, the Europeans have only the weapon of their export of goods and technical know-how to the Arab countries to bring to bear.

In this connection, it is true that most Arab countries and above all, the small Persian Gulf states and Saudi Arabia, are highly dependent on imports from the US, Western Europe and Japan to keep the modern sector of their economies in operation. By themselves, the Arabs do not have adequate quantities of skilled manpower or indigenous production of either industrial machinery or consumer durables to maintain the Westernized portions of their societies, and especially to fulfill the tastes and needs of the “establishment” and elitist groups which run the Arab governments concerned.

At the same time, the real question is the relative staying power of the Arab states deprived of Western imports on the one hand, and, on the other, Western Europe and Japan deprived of 75 percent and 45 percent of oil supplies respectively. Insofar as Western exports to the Arab lands involve luxury or semi-luxury items for the upper crust, it is clear that these can be dispensed with for quite a long time, certainly for more than the 4 to 8 months (depending on the degree of sharing of US domestic oil production) which will be required to strangle the economies of Western Europe and Japan for lack of oil. Insofar as Western exports involve other types of manufactured products, much of this will no longer be needed by the modern sector of the economy if oil production is cut off, since it consumes a good share of such imports from the West. And, of course, the reduction of imports will mean that the foreign exchange reserves of Arab governments, already quite high,

will last even longer (unless the West Europeans managed to seize them). Insofar as imports from the Western countries involve arms and military-related hardware, the Arab governments can either postpone further expansion of their armed forces or, as is already the case with Egypt, Syria, and Iraq, they can turn to the USSR for substitute equipment. Finally, insofar as Arab imports from the West relate to capital equipment and technical know-how, a Western boycott could force the cancellation of investment projects and the deterioration of services, but, here again, this would be more an annoyance than a severe blow to the Arab governments.

It is undoubtedly a valid point that most Arab governments do not wish to become more beholden to the Soviet Union than some of them already are. However, under extreme pressure from the OECD countries, the Arabs would, in due course probably go much further than they would otherwise like; and the USSR will be ready to meet their requirements with a full line of military supplies, as well as with the most critically necessary economic and industrial support for the modern sector of the Arab economies. To be sure, this will cause Arab dislocations, since the modern sectors of their economies are primarily geared to Western technologies, equipment, and suppliers, but a shift to much greater reliance on the USSR will certainly be workable in the light of their relatively modest requirements. The same will be generally true of relatively small scale Arab food import needs. Though on a smaller scale, the Soviet experience with Cuba is a valid analogy in all these import sectors.

American Capacity to Change West European Policy on the Middle East

It is unlikely that the West European perception of its interests in and its influence over the Middle East can be changed by American diplomatic entreaties and arguments at any level. The Europeans probably recognize that a united stand of the OECD countries against Arab oil policy would arouse concerns among the Arab leaders, whose states are weak and whose self-confidence is often lacking. However, the Europeans fear that the Arabs, with Soviet backing, would ultimately manage to remain resolute, and that, in any case, the Europeans have too much at stake in the viability of their societies to test out the American hypothesis that the Arabs will retreat before Europe is prostrate. Even a US offer to share indigenous US oil production would probably not change this result, given the inadequacy of the quantities that Washington can feasibly offer.

To have any chance at all of altering this European approach, the US would have to make it evident that continued refusal to follow the American policy lead would be even more painful and more risky to the Europeans than an all-out stand against the Arabs. To bring Western Europe to this realization, Washington would have to wheel

out its heaviest artillery—with much attendant chance that the cannonade would backfire. Lesser pressures—control and curtailment of US exports to and imports from Europe, abandonment of certain multilateral and bilateral negotiations involving the West Europeans, denial of advanced civilian and military technologies, etc.—would anger the Europeans but not cause them to budge.

All-out, big gun US tactics, to have a chance of success, would have to concentrate on the individual vulnerabilities of each West European country. A focus on security issues—troop levels, nuclear commitment, American readiness posture—would, for example, have the most effect in West Germany. The UK might be most sensitive to economic countermeasures affecting trade, the stability of sterling, and capital movements. France might respond most to signs that Washington was trying a vigorous divide and rule policy among the EC countries, i.e., a conscious US effort to play one off against the other, on many issues, to undermine the Common Agricultural Policy, or to disturb the common float (the “snake”) of six EC currencies.

Above all, the US would have to make clear that the West European governments might be facing a watershed decision. If they continued to defy Washington on the Middle East, they would visibly and dramatically begin to find themselves alone in dealing with the USSR. In other words, they would be deciding whether they preferred knuckling under to the US or to the USSR—the choice would be posed as a renewal of meaningful NATO solidarity or the start of “Finlandization.”

Consequences of All-out US Pressures

It cannot be predicted that a cascade of American signals that this degree of policy brutality was impending would not work; it might. But, even if it did, and even while Washington would see this as bringing the Allies to their senses, they would interpret it as a confrontation with the US in which they had been treated much more like enemies than allies.

In fact, this is the overriding difficulty with such US activity. Whatever its consequences in the immediate Middle Eastern crisis, it would surely shake the Alliance more than any act in its history and, in the long run, would probably prove a fatal blow. Apart from humiliating US allies, it would convince them as nothing before that their only salvation in terms of being able to pursue their several and joint national interests must be a rapid movement toward a form of union involving some sacrifices of sovereignty and many common policies in defense and foreign affairs.

Moreover, whether the ultimatum to the West Europeans proved a success or failure in Middle East terms, most or all of the steam might

well go out of efforts to launch international trade negotiations and to conclude arrangements for a new international monetary system. Protectionist measures would probably blossom in Europe, and discrimination against American investments and the operations of large US corporations would undoubtedly grow by leaps and bounds.

Finally, the new opportunities handed to Moscow for meddling in West European affairs would be unprecedentedly large. For the first time since the 1940's, the question of whether the USSR might acquire effective influence or even, in due course, control over the economic power and technological skills of Western Europe would be real and open. Thus, in an acute sense, it might soon become possible to ask whether the two superpowers were indeed maintaining approximate equality of strength and international weight, or whether one, the Soviet Union, was now clearly forging ahead.

40. Memorandum of Conversation¹

Brussels, December 9, 1973.

SUBJECT

Private discussion following Quadripartite Dinner in Brussels, December 9, 1973

Following dinner, the French, U.K., FRG, and U.S. Ministers, plus Political Directors, went into the study for a restricted conversation.

Douglas-Home (to the Secretary): What will you ask for tomorrow in the Ministerial Session about consultation procedures? This sort of thing is difficult about questions like the Middle East. However, there might be some point in consulting about what will happen in Yugoslavia when Tito goes.

The Secretary: I will have no concrete proposals to make.

Douglas-Home: But the situation is not right now. We should find some way to correct it.

The Secretary: There are two procedures involved; one is in NATO and one is with the Nine. With regard to the latter, by 1980, you will

¹ Summary: Kissinger, Douglas-Home, Jobert, and Scheel discussed U.S.-West European relations.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 24, United Kingdom (12). Secret; Nodis. Drafted by Stoessel.

have one foreign policy. At some point, the two procedures must merge.

Douglas-Home: We are trying to get consensus in the Nine. We may not get this by 1980. NATO has defensive purposes. Still, the procedures for consultation don't seem right. Eventually, they will be.

Jobert: Tito will be dead before 1980. There also could be problems in Spain.

Scheel: But that will not give rise to intervention. In Yugoslavia, there could be intervention—some factions could ask for aid from abroad.

It is difficult to develop consultative procedures between the Nine and the U.S. The situation will be improved very much when the EC forms a common policy and has one representative. I did feel that, during the Middle Eastern crisis, it should have been possible to discuss the intentions of the U.S. in the Middle East and in the course of the conflict as it developed.

The Secretary: Let me be frank. It is not just a question of procedures, but one of confidence. Also, there was a totally different perception of what was at stake as between the U.S. and the Europeans. The Europeans really did to us what we did to them in 1956. What we did then was wrong, and I feel I have a moral right to say this, since I felt and said this at the time.

Churchill could have told the Soviet Union, after Hitler attacked, that it had been wrong and therefore England would not lift a finger to help her. However, he did not do so. In a way, the Europeans behaved towards us in the Middle Eastern conflict as Churchill could have done but didn't. I agree with Sir Alec that you all were right and we were wrong; we should have brought a settlement in the Middle East before 1973.

However, after October 6, we had to prevent a victory of Soviet arms. We were not interested in backing the *status quo* of the prior period. We wanted the U.S.—and not the Soviets—to play the primary role in the peace settlement. I think we have achieved this. We have substantial influence now in the Arab world.

On the question of EC unity, it was said last week here in Brussels that such unity was good because it enabled Europe to stand up to the U.S. At the time, I recalled the Jordanian crisis of 1970 and the influence the U.K. exerted on us during that crisis. It was incomparably greater than anything Europe has exerted on us during the recent crisis. You were in office then, Sir Alec, and you will remember that we considered nothing without checking first with you. It is no longer appropriate for the U.K. to play this special role with the U.S. But, if information we provide is to be used against us in the Middle East, and if European

leaders speak against us so sharply, the consultation won't help. What we need is a special relationship with Europe.

Douglas-Home: There can be no peace in the Middle East unless Israel can be persuaded to withdraw. Israel wouldn't listen to such advice in the past, and I must say U.S. administrations have not helped.

The Secretary: You must remember that we had the Viet-Nam war on our hands and also had a big domestic problem.

Douglas-Home: I don't want to rub it in about our being right and your being wrong. But I would be interested in knowing when exactly you were convinced that Europe was lacking in its support of the U.S. in the Middle Eastern crisis. The Russians began their airlift and then you began yours. However, I wouldn't have thought at that point that NATO was seen as being involved. For ourselves, we didn't feel that this was the case. It did represent an escalation of the war, but it was still localized. Also, we had heard that you and the Russians had made an agreement. Nevertheless, at some point you must have felt that we let you down.

The Secretary: From the beginning, we knew what your Ambassadors were saying around the circuit in the Arab countries. This didn't fill us with joy. It seemed a deliberate effort to disassociate yourselves from us. Even so, this probably wasn't terribly important.

Once the airlift started, it was obvious that, if Egypt and Syria won, the Soviet policy would be dominant in the area and Western influence would be correspondingly reduced. We had the idea that no European country—and certainly not the U.K. or France—would help us get technical equipment into the Middle East. We didn't ask for your help because we knew it would be refused. Thus, we had a situation where the Soviet airlift planes overflew NATO territory more easily than we could do ourselves. And this was at a time when we felt our action was more in the European interest than in our own.

Then we went to the Security Council. At about the same time, and this was a case of unfortunate timing—Luns said that it might be all right to sacrifice US-Soviet détente, but the détente of the European countries should not be sacrificed.

After the start of our airlift we became unhappy and increasingly annoyed at statements that we were humiliating and degrading Europe. This was after we had been urged by the Europeans to settle things with the Soviets.

Douglas-Home (to Scheel and Jobert): Would you have recognized the airlift as a time when NATO came into the picture?

The Secretary: It was not so much NATO but the reaction of our Allies. Simply because they have no legal obligation under the Alliance, this should not preclude them from acting outside the NATO area.

Douglas-Home: Yes, this was the case in Cuba. But how did the feeling arise in the U.S. that the Europeans were unhelpful?

The Secretary: We felt our efforts helped European interests and blocked Soviet interests.

Scheel: All of us felt that NATO was not involved until the time of the alert.

The Secretary: These are two different things. We didn't feel that NATO should take a position on the alert. We simply informed NATO at that time.

We had two general impressions. One was of a general lack of sympathy for our efforts, and the second was that almost anything we do is used to organize Europe against us.

On the alert, we are doing a study to see how we might have handled the question of information better. We felt our action helped Europe since it was decisive and fast. Many questions had been raised in the past by Europeans as to whether we would debate a long time before doing anything on the Autobahn in response to Soviet pressure. Our action during the Middle Eastern crisis should have reassured people.

(The Secretary then reviewed the circumstances of the alert, his contacts with the Soviet Ambassador in Washington, the letter from Brezhnev, etc.)

Scheel: In an emergency of that kind, I can see that such action was necessary. The U.S. really has a double responsibility both for the Alliance as well as for areas outside of NATO. We should study how matters of this kind can be handled in a better way.

The Secretary: No procedural arrangements can prevent situations arising where action must be taken on an emergency basis in a crisis. As Sir Alec suggested, if we can look ahead and anticipate emergencies, then we can foresee how things might develop and this would be helpful.

Douglas-Home: I hope we won't get into all of this tomorrow.

The Secretary: No, I'll only refer to these problems in general terms.

Douglas-Home: Yes, there is a problem. We are concerned about the U.S. attitude on all of these things and I hope we can resolve matters for the future.

The Secretary: This is not the real problem. It can be solved. But the way in which European unity is being formed is another matter.

Douglas-Home: Our policies are only now beginning to be coordinated.

The Secretary: We have always favored European unity. But now we continually read in the European press that this unity really is against the U.S.

Scheel: It is very difficult to achieve European unity. Now we are dealing with nine countries rather than six and this makes it even more difficult. Our actions, however, are not anti-American at all.

The Secretary: I could collect many speeches made by leading personalities which would disprove what you are saying.

Scheel: If Europe had been united it would not have been treated by the U.S. as it was during the Middle Eastern crisis.

The Secretary: This is nonsense. A united Europe would be much better off.

One reason for the lack of consultation concerns a lack of confidence. We have ways of learning how your Ambassadors are reporting and we know they were sending reports back saying that the U.S. was trying to do bad things against Europe. This did not help matters.

In some respects, Paris and the U.K. knew more than Washington did about our talks in Moscow. After I had briefed the Ambassadors in Moscow following my talks, we tried to send messages back to Washington using our facilities in the airplane, but this did not work and we could not communicate.

I remember that when I saw Jobert in Washington October 11 he said that we should settle things with the Russians and that France and Europe could do nothing.

Jobert: I don't think your memory is very good. I said that you had sent masses of arms and it was therefore up to you to try to settle things.

The Secretary: We hadn't started the airlift then.

Jobert: I don't want to argue about this. The problem now is that we have no information about what is going on.

The Secretary: I don't remember that we kept anything from you.

Jobert: We still don't know what is going on. And who pushed us out of the settlement. If we are to be non-persons, that is one thing. I don't want to argue this. We do want to participate, but if we are pushed out we will be able to manage for ourselves.

Now, we have a problem with our unity and we also have a problem with oil.

The Secretary: Both of these are our problems, too. I can't believe that Europe can suffer without our also being affected.

Scheel: I am sure you recognize that our economic position in the short run is different from yours.

Jobert: I remember when I saw you in Washington that I said there would soon be a meeting of the Arab oil producing states and they would double the price of oil. You didn't seem to be concerned.

The Secretary: I'm sure we can multiply the charges against each other. For one year, we've asked Europe to take a common position on energy, but nothing has happened.

Jobert: It is not we who do not want a common position of the consumer countries.

Douglas-Home: There is a lot of back history to all of this. I think the U.S. and the Israelis are now coming around to another point of view.

The Secretary: I wish I could say this were true for the Israelis.

Douglas-Home: Again, at what point did Europe and NATO recognize when the Soviet Union became involved in the Middle Eastern crisis. It wasn't apparent to us.

The Secretary: We didn't ask for support—only understanding.

Douglas-Home: There's really little difference. You did get some from the Germans. We said that you shouldn't ask us.

The Secretary (to Jobert): You said that we pushed you out. I don't want to discuss this in detail now, but it is an interesting question. This whole thing about the Middle East is going to be a messy business. There will be no glory in it. Israel will have to withdraw. This is all going to be heartbreaking and very difficult. I am looking for the most efficacious means. But it does seem that, if we quarrel about these things, we should do it in forums where the Arabs and the Russians aren't around.

Douglas-Home: We certainly don't want to quarrel with the United States. We hope you can settle things with the Soviets.

The Secretary: Our basic strategy is to push the Soviet Union to the sidelines. We don't want to radicalize the Arabs. Our aims are really more ambitious.

Douglas-Home: We can stand aside, and if we can be of any help we will be glad.

The Secretary: That would be fine. It would be good to have a division of labor. A solution of the problem would be in our common interests. It's absurd to argue.

I agree that this is the most probable outcome. First, however, we must get some movement and not try to solve everything all at once. We haven't taken a position ourselves on the territorial question. If we did, this would only damage things with the Arabs.

Scheel: We didn't, either. We only said that the territorial occupation should be ended.

The Secretary: The Golan Heights will be difficult. Something must be done about that. I don't want to go into details now.

Scheel: The main thing is to get the parties to the table.

The Secretary: And to get the Israelis moving back. Psychologically, this will be very important. They have never moved back in their history.

Jobert: What are your views on the oil situation?

The Secretary: There are two things about this which I will talk about tomorrow. The oil problem was made more acute by the Arab/Israeli conflict but it was not caused by it. Also, demand is increasing but production is not. Even if the cuts are restored, there will still be a problem.

Jobert: But what about the embargo?

The Secretary: This is really aimed at us, not you.

Jobert: But France depends 80% on imports.

The Secretary: I think we can get it ended if we don't put too many temptations in the way of the Arabs.

Jobert: Who will do this?

The Secretary: The Arabs have a monopoly on oil: we have a monopoly on getting the Israelis to withdraw. This is why we refuse to bargain with the Arabs. If we started that there would be no end to it.

Douglas-Home: What do you hope the Council will do tomorrow? I hope we don't go too much into the past. We can reflect on it and try to do better, but we should look to the future.

The Secretary: I'll give an explanation of what has bothered us about the way things went, but I won't be too aggressive. After my experience with my last speech, I'm not too confident, but hopefully I can say something constructive about where we should be going.

Partly I will speak about machinery, partly about attitudes, and partly about energy matters for the long term in developing alternate sources and arrangements.

Douglas-Home: I hope you won't think that the Nine are organizing their policies against the United States.

The Secretary: That's just what I do think!

Douglas-Home: That's not true, that's not justified. We are trying to describe our identity but this is not against the U.S.

The Secretary: I will have nothing specific to propose. I doubt if the Council meeting is a suitable place for that. In general, I must say that the mood of our Congress is not very suitable for handling international affairs. You see, we have domestic problems, just as you have.

Jobert: We're concerned about the reinforcement of Russian power.

The Secretary: You are right. These are serious trends. There are also serious trends in the underdeveloped countries and in the non-aligned countries. With all of this, it's hard to believe we are arguing as

we do. After all, there are 45,000 Soviet tanks between the Elbe and the Caucasus.

Jobert: And 20,000 planes.

The Secretary: And 20,000 tanks on the Chinese front. All of this is not very comforting.

I should tell you that Mao said he didn't understand Europe. He said the Chinese had not been consulted by us about the alert, yet they approved of it very much!

Jobert: We were not consulted either but we approved.

Scheel: Yes, we applauded silently. However, we should find ways to have better consultation.

Jobert: What should we do with poor Waldheim?

The Secretary: I made a proposal to Alec that we should oblige him to stay in each of the capitals of the permanent members for two months a year. He calls me several times a day and I would like to share the burden. In any case, he will be at the conference and probably will preside. There probably will be a mandate from the Security Council. I don't object if he has a watching brief.

Douglas-Home: It's better for him to preside than to be there in any other capacity.

Jobert: He objects, however, and there will be a problem if he does not have a good mandate and can make reports to the Security Council.

Douglas-Home: I am sure he will be able to report that. The talks are bound to get stuck at some point.

The Secretary: Then the Security Council will get them unstuck. The real work of the settlement will not be at Geneva.

We should be delighted to concert with you. We have no interest in pushing Europe out of the Middle East. But there must be some reciprocity; we should know what you are doing.

Jobert: But we don't know what you are doing.

Douglas-Home: You should definitely know what we are doing. But you are the only people who can get the Israelis to withdraw.

The Secretary: Once the peace talks start, then much is possible. We have moved the Israelis quite a bit. They are really very difficult. Golda Meir was in Washington earlier and she was very tough—really worse than President Thieu. And then we were just talking about withdrawing to the October 22 lines.

Jobert: Now that question has been pushed to one side.

The Secretary: Yes, and it shouldn't be raised again. It's becoming irrelevant.

Jobert: We have an economic problem in Europe now which is very difficult.

The Secretary: I know it is very easy for me to say how to solve it but it would be best not to show excessive nervousness toward the Arabs.

Douglas-Home: Perhaps we gave that impression, but actually we have been following the same policy for years.

The Secretary: Our principal objective is to end the embargo. But we never talk about it and we never ask for this.

Tomorrow in my speech I will talk about some of the disquiet we feel over certain trends and I will also mention consultation.

Jobert: My speech will be very calm—you will see.

41. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹

Washington, December 10, 1973.

Secretary Kissinger has asked that the following report of his first day in Brussels be provided to you.

"The first day in Brussels has gone well. In my arrival statement on Saturday evening, I stressed that I was here to continue pursuit of your initiative to redefine our relationship with Europe in light of the new conditions we all face.

"On Sunday I saw the Belgian, Dutch and Portuguese Foreign Ministers, and Secretary General Luns. In addition, I had dinner with Foreign Ministers Jobert, Douglas-Home and Scheel. I made the following points, both in the bilateral meetings and at the four-power dinner:

—We have reached a critical point in our alliance relationships. We must begin in earnest our pursuit of your 'Year of Europe' initiative.

—The unwillingness of the nine to consult with us until they have worked out their own position, which is then presented to us as a fait accompli, is intolerable.

¹ Summary: Scowcroft relayed a report from Kissinger on his first day in Brussels, where he was attending a NATO Ministerial meeting.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 43, HAK Trip Files, HAK Trip—Europe & Mid East, Dec 8–22, 1973, State Cables, Memos & Misc (TS/SENS, Eyes Only, Codeword 2 of 2). Top Secret; Sensitive. A stamped notation on the memorandum indicates the President saw it.

—European reaction to the Middle East crisis is a clear demonstration of the dangers inherent in NATO's lack of purpose and diverging interests.

—Europe's bidding for Arab favor in the face of their embargo will only make it more difficult for the U.S. to bring about a Middle East settlement.

"The Netherlands Foreign Minister was particularly touched by your offer to help them through their oil crisis, and asked that I tell you how grateful the Dutch are.

"It was also clear from my talk with the Portuguese Foreign Minister that you made a profound impression on his Ambassador when he called on you in your office.

"This afternoon I shall be speaking to the Council, taking much the same line as I took in my bilateral meetings yesterday. I will report to you again this evening on the reactions to the speech."

42. **Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹**

Washington, December 11, 1973.

Following is Secretary Kissinger's report on the first meeting of the North Atlantic Council:

1. The first day of the NATO Ministerial has ended. The round of speeches (including the UK and FRG) this morning was generally positive toward your Year of Europe initiative and conciliatory in tone toward the U.S.

2. I spoke this afternoon, along the lines described in my earlier message to you. I will ask General Scowcroft to provide you with a copy of the text of my remarks as soon as they can be transcribed and dispatched.

3. The remainder of the afternoon session was desultory until Jobert spoke. The French Foreign Minister:

¹ Summary: Scowcroft relayed a report from Kissinger on the first meeting of the North Atlantic Council.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 43, HAK Trip Files, HAK Trip—Europe & Mid East, Dec 8–22, 1973, State Cables, Memos & Misc (TS/SENS, Eyes Only, Codeword 2 of 2). Top Secret; Sensitive. A stamped notation on the memorandum indicates the President saw it.

—charged that the prevention of nuclear war agreement has called the U.S. nuclear commitment to Western Europe into question;

—said that there was need for an independent European defense and pointed to the fact that both Britain and France had nuclear weapons of their own;

—complained about lack of consultation on the Middle East and our alert.

4. It was a very tough speech. While I did not respond to all his remarks, I did feel it necessary to set the record straight on the prevention of nuclear war agreement. I said that you and I had met with the North Atlantic Council and explained the agreement in great detail. I, therefore, saw no reason constantly to place an interpretation on the agreement that not even the Soviets had sought, and that we would reject if they did.

5. I then reviewed the articles of the agreement, emphasizing that it imposed no obligations, only objectives, and that—for the first time in a public document—it recognizes the likely escalation of conventional war into nuclear war. I also pointed out that allies of either party were specifically excluded from any obligations there might be.

6. I closed by saying that if these misinterpretations of the agreement should continue, I could only conclude that it would not be inadvertent.

7. Jobert's answer was to say that only experience would tell, and that he would admit he was wrong should that prove to be the case.

8. Numerous foreign ministers, as well as Secretary General Luns asked me to send you their warm regards.

9. We meet again tomorrow for a wrap-up session. I will report from London tomorrow evening.

43. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹

Washington, December 11, 1973.

Secretary Kissinger asked that the following report of his final day in Brussels be passed to you.

"The NATO meeting ended this morning with no repetition of yesterday's sour French note. I had breakfast with Jobert beforehand. He was subdued and cooperative both at breakfast and in the Council meeting. I suspect that he had second thoughts about continuing his course, since by so doing he was isolating himself from his colleagues.

"At mid-afternoon, after some maneuvering, I had a very good meeting with the Foreign Ministers of the Nine. It was a historic first for them to meet with a Foreign Minister outside their group, and served to underline their special relationship with us—something the French especially have been trying to avoid. Their attitude was extremely conciliatory and, without openly conceding the point, they recognized that their recent practice of facing us with accomplished facts was unacceptable and in the long run would undermine the whole alliance. They acknowledged the need for better means of consultation before they reach decisions. They also were positive toward my suggestion that the Declaration we have been working on has become too legalistic and that it may be best to try for a shorter more punchy document that established the spirit and direction of future relations. My impression is that the French may be willing to work with us quietly.

"Clearly our recent tough talk has had its impact and we can expect the Europeans to curb their impulse to show their 'identity' by kicking us. It will be difficult at the European Summit later this week for any one to try to rally opinion against us, even if the French and British, in particular, are still bitter about their self-imposed isolation on the Middle East.

¹ Summary: Scowcroft relayed a report from Kissinger on his final day in Brussels, where he was attending a NATO Ministerial meeting.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 43, HAK Trip Files, HAK Trip—Europe & Mid East, Dec 8–22, 1973, State Cables, Memos & Misc (TS/SENS, Eyes Only, Codeword 2 of 2). Top Secret; Sensitive. A stamped notation on the memorandum indicates the President saw it. In telegram 14669 from London, December 13, the Embassy reported on Kissinger's meeting with the EC Foreign Ministers in Brussels: "Session was characterized by very friendly, constructive atmosphere. In discussions of US/EC declaration, Secretary noted discussions to date have become overtly legalistic and he suggested for consideration that possibility of shorter draft emphasizing general principles and employing more eloquent language might be desirable. Several other ministers supported this suggestion and also thought it would be useful to consider new methods by which to carry on intensified consultation between US and EC." (Ibid., State Cables, Memos & Misc.)

“We seem to have moved forward a major step, and may be on the threshold of an event of historic significance that would justify a Presidential trip to Europe on April 4 to celebrate the 25th anniversary of NATO. All the other Ministers agreed with this assessment.”

44. Memorandum From the President’s Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹

Washington, December 12, 1973.

SUBJECT

Secretary Kissinger’s Address to the NATO Meeting

The Secretary’s address (Tab A) combined a frank critique of the state of US-European relations with a firm reaffirmation of our commitments to a strong Alliance, and presented three proposals. The comments of the other foreign ministers indicate that the meeting has cleared the air and was a step toward restoring confidence in the Alliance’s future.

The Secretary explained why you had authorized the initiative in the “Year of Europe” last April, which was designed to meet many of the concerns expressed to you by European leaders. One of our objectives was to create a new sense of emotional commitment at a time when a new generation had no emotional or intellectual attachment to the concept of Atlantic unity.

We were thus disappointed with the narrow and legalistic European response. The Secretary answered the principal European criticism on timing and substance of our initiative. He pointed out that you had discussed the concept of the Year of Europe with many European leaders and had received their encouragement. He reaffirmed our support for European unification, but on the assumption that it would lead to stronger Atlantic unity and would not be measured in terms of its distance from the U.S. He stressed that our motives could not be sub-

¹Summary: Scowcroft summarized Kissinger’s address to the NATO Ministerial meeting.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 265, Agency Files, NATO Oct 73–Dec 73, Vol. XVI (2 of 3). Confidential. Sent for information. Attached but not published is Tab A, a paper entitled, “Secretary Kissinger’s Address Before the North Atlantic Council—December 10, 1973.” A stamped notation on the memorandum indicates the President saw it.

jected to constant attack, while Europe invoked the indivisibility of our security.

In reviewing the Middle East crisis he emphasized that we had to react rapidly to the threat of Soviet intervention—an action which should have reassured Europe rather than provoking criticism. He also reviewed the energy crisis, emphasizing that the immediate question of the embargo could only be resolved by a rapid Arab-Israeli settlement; that the European position of seeking advantages with the Arabs could delay a compromise settlement.

In concluding his presentation he stressed certain realities: *détente*, European unity, common defense, and economic interdependence, and posed the question of whether we could deal with these realities as allies and partners, or as a transitory connection between two rival entities. He proposed three concrete steps: (1) to complete work on the Atlantic declarations; (2) to transform the words of these documents into practical progress including more frequent high level consultations; and (3) a concerted program to meet the medium and long term energy gap through cooperation between oil consuming and producing nations and efforts to find alternative sources. His concluding theme was that compared to the problems of a growing Soviet threat and the need to negotiate a new economic system our differences were almost irrelevant.

The Secretary plans to stress the same general themes in his address to the Pilgrim Society in London.

45. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹

Washington, undated.

Following is the report of Dr. Kissinger's consultations in London:

1. I spent several hours with the Prime Minister and Douglas-Home today. The talks were generally relaxed and friendly. Heath seemed preoccupied with the domestic economic problems that beset him; it was, therefore, hard to sustain much of a substantive conversation on foreign policy matters. He appears determined to be tough with the unions, and is prepared to institute some draconian measures. He was particularly eager to hear of the possibility of your visit to Europe in the spring.

2. The principal point that emerged from the talks was British recognition of the part they played in causing the breakdown in trans-Atlantic communications. They now seem ready to do better on the consultation front, and have promised to keep us informed of what is happening within the Nine.

3. I learned from one of Heath's party that six Arab Foreign Ministers are to appear in Copenhagen later this week when the Nine hold their summit meeting. This cannot help but complicate the Middle East portion of my trip; I forcefully told the British that we will not yield to pressures from them or other Europeans, since to do so would simply encourage the Arabs to raise the ante and increase the blackmail. I said that our position was as much in their own interests as in ours.

4. I believe the London stopover has been worthwhile, and has convinced the British that if there is to be some special relationship between us it has to be a two-way street. But we must recognize their extraordinary domestic preoccupations and the weakness of their government. Thus, while they may try to be helpful, I doubt that we can expect much leadership from them.

¹ Summary: Scowcroft relayed a report on Kissinger's consultations in London.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 43, HAK Trip Files, HAK Trip—Europe & Mid East, Dec 8–22, 1973, State Cables, Memos & Misc (TS/SENS, Eyes Only, Codeword 2 of 2). Top Secret; Sensitive; Exclusively Eyes Only. In a November 29 message to Kissinger, Douglas-Home addressed Kissinger's dissatisfaction with U.S.–UK and U.S.–West European relations. After discussing UK policies regarding NATO and the Middle East, as well as the Year of Europe and the EC, and stressing the need for consultation, Douglas-Home concluded that, "though frustrations abound, there is really nothing in my view which justifies the fear that United States /British relations are 'collapsing.'" He also saw no reason why the U.S. and UK should not be able "to restore the old intimacy." (Ibid., RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 3, NODIS Letters HAK 1973–1977, Folder 2)

5. You are held in high regard throughout Western Europe. A clearly dominant feature of my trip thus far has been the many statements of respect and good wishes Europe's leaders have asked me to pass on to you.

6. I leave for Algiers and Cairo tomorrow and will report to you after my meeting with Sadat.

**46. Memorandum From the President's Assistant for
International Economic Affairs (Flanigan) to
President Nixon¹**

Washington, December 28, 1973.

SUBJECT

Negotiations with the EC on Trade Impairment

The CIEP Executive Committee met December 21 under Secretary Shultz's chairmanship. The main issue concerned the action which the U.S. should take concerning the failure to date to reach a satisfactory settlement with the EC in the negotiations under GATT Article XXIV:6 over impairment of U.S. trade resulting from EC enlargement.

The European Community will implement on January 1 a new tariff schedule and apply the Common Agricultural Policy to the trade of the United Kingdom, Ireland, and Denmark, following their accession to the EC.

We believe that the new schedules will cause impairment to our trade. The EC does not agree. Under the GATT, if disagreement of this type arises the parties concerned must negotiate a solution. If no agree-

¹ Summary: Flanigan discussed the U.S.-EC Article XXIV: 6 negotiations.

Source: National Archives, Nixon Presidential Materials, White House Special Files, Staff Member & Office Files, President's Office Files, President's Handwriting File, Box 24, December 16–31, 1973. No classification marking. Sent for action. Attached but not published is Tab A, a December 14 STR paper entitled, "Options for EC-US Negotiations Under GATT Article XXIV-6;" and Tab B, an undated paper entitled, "Substance of Draft Statement on EC Negotiations." A stamped notation on Flangian's memorandum indicates the President saw it. Nixon initialed his approval of both recommendations. In telegram 233 from the Mission to the EC, January 14, 1974, the Mission reported that "Soames was dismayed over the size of the US request list." EC Deputy Director General Hijzen agreed to restart the Geneva negotiations "but, in view of the wide gulf between the parties, he did not know on what basis negotiations could move ahead." (Ibid., RG 59, Central Foreign Policy Files, 1974) In telegram 613 from the Mission in Geneva, January 30, the Mission reported on the resumption of negotiations. (Ibid.)

ment is reached, the EC can proceed to implement the new tariffs but we have the right to make compensatory withdrawals in our own tariff schedule.

We, and a few other countries, have been discussing this matter with the EC quietly for more than a year. The EC finally put forward a “supplemental offer” of new concessions to the countries concerned, including the U.S., on December 13 in Geneva. We have informed EC officials that the offer is inadequate as it applies to the U.S. There is little indication that the EC will do anything further unless pressured.

The Council has reviewed the issues and alternative courses of action. The basic alternatives are (1) to reject the EC offer and begin immediately the process of retaliation; (2) to “live with” the EC offer and work toward solutions in the future Multilateral Trade Negotiations; (3) to negotiate further with gradually increased pressure. This pressure would involve public hearing procedures and other domestic legal steps to lay the basis for possible compensatory withdrawals to be announced on May 31, 1974 (a target date which we are required to meet under GATT rules unless a time extension were arranged authorizing compensatory withdrawals if additional concessions are not obtained). This procedure is consistent with our international obligations and pursuant to U.S. laws. The ceiling on the amount of withdrawals, if no agreement is reached, would be the difference between the value of the U.S. trade impairment, and the concessions we can negotiate with the EC.

The Council recommends the third course of action to you, as it gives the best opportunity for the U.S. to try to reach agreement to protect the trade benefits we have bargained for and to try to make the GATT procedures work with the least risk to our domestic economy and relations with the EC. The alternatives, together with pros and cons, are attached (Tab A).

If you approve the recommendation, you will, of course, retain the option to select the items for withdrawal, to review the situation, and if you so desire to change course as we approach concrete actions against the EC. However, in deciding whether you concur with the recommendation, it should be recognized that the initiation of public hearings and domestic legal steps do create a political climate at home which will encourage a stronger demand for withdrawals and it will be increasingly difficult to back off as we approach June. Moreover, actions against the EC items would create upward price pressures on withdrawal items within the U.S. as the tariffs will rise. Abroad, it will disturb the political mood in U.S.–EC relations and cause frictions with our European trading partners.

The objective of this proposal is, of course, to reach a mutually satisfactory settlement with the EC before next May. Part of the problem

so far is that the EC has never believed that we would really withdraw concessions if we did not get such a settlement. Our tactics, if you approve, would be designed to make the likelihood of withdrawals more probable (by initiating public hearings and other related procedures), thus bringing home the seriousness of our intentions to those Europeans who, with us, would prefer to avoid a confrontation. Our hope is that, with such moves and an intense negotiating effort which we would launch during the next few months, we could reach a reasonable agreement without retaliation.

A statement of our action, along the lines of the draft at Tab B, is submitted for your approval. It would be issued (with whatever changes in the text might be needed to bring it up to date) at a time when the Council considered it most useful.

Recommendation:

(1) That you concur in the general approach in the recommended course of action as described above, including approval, in principle, of the need to implement compensatory withdrawals if we fail to reach a satisfactory agreement with the EC and, as needed, to initiate the public procedures and legal actions which would set the scene for compensatory withdrawals.

(2) That you approve the substance of the statement at Tab B, which would be issued at a tactically appropriate time if the Council deemed it useful.

Supporting this recommendation are Secretaries Shultz, Butz, and Dent; State (Under Secretary Casey), STR (Ambassador Eberle), NSC (Mr. Cooper), CEA (Herb Stein) and OMB (Mr. Bridgewater) and Peter Flanigan, and Henry Kissinger.

47. Telegram 222 From the Mission to the North Atlantic Treaty Organization to the Department of State¹

Brussels, January 16, 1974, 1830Z.

Subj: Burdensharing, Offset and Jackson-Nunn. Ref: A) USNATO 0175; B) USNATO 0104; C) London 0487; D) State 5965. Please pass SecDef.

Summary: Our efforts in NATO have elicited responses from Allies (other than FRG) offering prospect of military purchases in the US totalling an estimated \$750 million. Economic conditions which offered hope of more success when US launched burdensharing proposal in May 73, have now altered to such extent that it is not likely Allies will take any action multilaterally beyond possible modification of US share in NATO budgets, infrastructure contribution, and pipeline deficit. While we should continue to press the FRG to increase its offset to a level more commensurate with its economic position, maximum effort in NATO should now be on putting together quickly a package of military procurement in the US to demonstrate within time frame of Jackson-Nunn effort Allies are making to offset our military BOP expenditures. NATO International Staff is working with Allied authorities to identify categories and amounts of purchases which we may determine creditable under US law. This work can be helpful to US in developing a package which we can present to Congress to show effort being made by Allies under difficult economic conditions, to avoid renewal of Jackson-Nunn amendment, and to forestall other initiatives requiring US troop withdrawals.

Action requested: 1) That as soon as the DPRC determines criteria of eligibility of procurement as offset, staff members from WashDC consult with USNATO and International Secretariat to expedite identification and accounting of such purchases. 2) That SecDef and SecState make approaches we have suggested, particularly with FRG and UK, to prevent foundering of effort to achieve multilaterally agreed relief for

¹ Summary: The Mission reviewed the status of the NATO multilateral burdensharing issue.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 266, Agency Files, NATO Jan–May 31, 1974, Vol. XVII (2 of 2). Confidential; Nodis. In telegram 12584 to the Mission to NATO, January 19, the Department approved the proposal to discuss guidelines on definition and criteria for military procurement with the NATO Economic Directorate and agreed with the suggestion of the need for Congressional consultations. (Ibid., RG 59, Central Foreign Policy Files, 1974)

US on NATO budgets and pipeline deficit. 3) That appropriate US Cabinet Secretary consult with FRG FinMin Schmidt to impress upon him need for greater German contribution. End summary.

1. A stock-taking at this juncture leads US to conclude that we have arrived at a watershed in our burdensharing negotiations with NATO Allies.

2. Over the months since our original initiative based on the President's May 3 policy report to Congress and on statements by SecDef and SecState at June DPC and NAC Ministerials, the US has worked to develop a multilateral burdensharing program to deal with our military BOP and additional budgetary problems. Throughout the early fall, in parallel with bilateral US–FRG negotiations, the US made gradual but perceptible progress toward recognition and acceptance on the part of our Allies that a positive multilateral response was necessary to assure the maintenance of US troop levels in Europe. By early November, we had achieved forthcoming declarations of intentions to increase military procurement in the US (to a total of approx \$750 million), and an expressed willingness to consider modification of US share in NATO budgets, infrastructure contribution, and European pipeline deficit. There remained problems with the UK, the FRG, and, of course, France. With worsening economic conditions, a large military BOP loss of its own, and heavy pressure on its defense budget and establishment resulting from civil unrest in Northern Ireland and bombings on the home front, the UK announced its inability to increase its share of NATO budgets. FRG reiterated that its total contribution would be restricted to renewal of its bilateral arrangement with the US—an arrangement still not concluded. France, throughout, remained in the wings regarding the entire subject with calculated detachment. Our Nov 29 illustrative proposal to the NAC was a ploy to maintain momentum by providing examples to which our Allies might respond after consideration at Ministerial or Cabinet level. Rather than giving a new impetus to our overall effort, the December Ministerials left our Allies with the mistaken impression that the pressure for a multilateral response to our initiative was eased. Reports from NATO capitals indicate that Allied Ministers interpreted the US attitude as relaxed and concluded that burdensharing could be taken care of by improvements of their forces. They were undoubtedly encouraged to draw this conclusion by what they perceive as a dramatic and worrying shift in the relative economic position of the US and our European Allies. The negative tone of the Jan 9 NAC discussion pointedly reflected the chill new atmosphere (USNATO 0104).

3. Conditions when we launched our initiative, which offered some hope for multilateral—and preferably automatic—solutions to a longstanding US problem, have now altered to the point where US

should reconsider the basic thrust of our approach for the short run. However desirable it may be to work out, eventually a long-term multilateral arrangement which would put the US troop stationing BOP problem permanently behind us, present economic conditions—including skyrocketing energy costs—make such an optimum response unattainable at this time.

An objective appraisal at this juncture can only lead to the conclusion that prospects are becoming worse rather than better during the constricted time frame now imposed by US legislation. The overall US BOP and monetary positions have improved while those of most of our Allies are deteriorating. Our European Allies, accustomed to growth and buoyancy, are now facing a period of belt-tightening brought on in part by the energy crisis and are looking to the future with trepidation. Perceived conditions have changed to such an extent that other allies, particularly the UK, have indicated they may seek offset relief themselves. Under the circumstances, we understand the British position that it is impossible for the UK to participate in any multilateral burdensharing option (Ref C).

4. Although the pressure is on the defense budgets of all Allies, of the nations reporting their military BOP situation to NATO only the FRG shows a surplus on military account. Only the FRG has an impressive overall BOP surplus (nearly 9,000 million DM for the first ten months of 1974) and a military BOP surplus (4,000 million DM in 1973). Consequently, it is the Germans whom the US should continue to press hard, and, in my view, this can only be done to any real effect with FinMin Schmidt.

5. Under these conditions, I propose that while we continue to press for relief on the NATO budgets in an attempt to achieve a visible, multilateral burdensharing response, we place maximum effort here in NATO on putting together as quickly as possible a package of military procurement in the US to demonstrate to Congress the extent to which our Allies are offsetting our military BOP expenditures. The package would include those items which clearly fall within the definitions provided by the US as qte payment unqte creditable against the deficit for purposes of Jackson-Nunn; other closely related Allied purchases which, although not strictly creditable, are helpful; and any other things our Allies are doing, or refraining from doing, which favorably affect our military BOP position. However, it should be remembered even with such an all out effort to identify all planned procurement creditable under Jackson-Nunn, it may well be that military purchases by our Allies (other than the FRG) will be less than the \$750 million we had estimated on the basis of DPQs. With drastically increased fuel costs coming out of fixed military budgets, it seems virtually certain that there will be slippage in planned capital expenditures.

6. The next step I propose would be intensive consultation with Congress to demonstrate the effort our allies are making to meet our military deficit, while maintaining and improving their own defense efforts and while in the midst of severe economic difficulties themselves. Our aim with Congress would be to seek understanding of the effort being made in Europe and the need for a liberal interpretation of US law, to avoid renewal or further amendment of Jackson-Nunn and to forestall other initiatives requiring US troop withdrawals.

7. To assist in identifying and quantifying military procurement in the US by our Allies we can utilize the International Staff Economic Secretariat which has been charged by SYG Luns to develop a plan to tabulate transactions that can count as receipts under Jackson-Nunn. The chairman of the Economic Directorate has already begun to work with Allied authorities in NATO to identify categories and amounts of procurement (firm to firm and govt to firm, as well as govt to govt) which US authorities may determine accountable under Jackson-Nunn. International Secretariat intends to work closely with the Mission and, as soon as possible, with a team from WashDC to clarify whether identified purchases are creditable as military procurement under criteria developed by the US.

8. Mission proposes that we work with NATO's International Staff to help pull together a package of offset procurement clearly encompassed within Jackson-Nunn and to identify other purchases, activities, and actions on the part of our Allies which are helpful directly or indirectly to stationing of our forces, our military deficit, and our over-all balance of payments.

Rumsfeld

48. Paper Prepared in the Bureau of European and Canadian Affairs¹

Washington, February 23, 1974.

THE IMPACT OF THE WASHINGTON ENERGY CONFERENCE
ON EUROPEAN UNITY AND THE ALLIANCE

The Situation

The French arrived at the Washington Energy Conference determined to block a major U.S. initiative to unite the leading industrialized countries in a cooperative approach to the energy crisis. *They saw the Conference as a political event whose significance lay in the crucial question of American "hegemony" over Western Europe.* While not opposed to some forms of cooperation on energy, France did not want the WEC to become the vehicle for that cooperation. Nor did they want the Conference to constrain their freedom to conclude bilateral agreements with producing countries and maintain an independent posture vis-à-vis the Arabs.

In the end the other eight Community members abandoned the French and a common EC position when France proved unyielding. The Conference then endorsed an essentially U.S. position. *French intransigence angered her European partners, presented France in an unfavorable public light, and raised questions about future cooperation within the Community and the Atlantic Alliance.*

Perspective

French efforts to diminish U.S. influence in Europe are hardly new. They began at least fifteen years ago when General DeGaulle returned to power. During the past year the French have vigorously opposed a stress on Atlantic *partnership* in the declarations by which we seek to reinvigorate our relationships with Western Europe. *Jobert's behavior at the Washington Energy Conference demonstrated that the French tendency to characterize major issues in terms of American hegemony has changed little in more than a decade.*

French willingness to defy her Community partners is also not new. France conducted an historic and unprecedented boycott of the EC

¹ Summary: The paper assessed the impact of the Washington Energy Conference on European unity and the Western Alliance.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 9, Pol 2 EC. Secret; Exdis. Drafted by William L. Dutton, Jr. in EUR/RPE. Sent to Sonnenfeldt under cover of a February 24 memorandum from Hartman, in which he noted that the paper was prepared at Sonnenfeldt's request and in consultation with INR.

Council in 1965 to prevent a weighted majority voting procedure from taking effect. The French have on occasion made veiled threats to break up the Community if France failed to get its way on major issues. And just recently, they dealt a serious psychological blow to Community cooperation when they unilaterally and without consultation withdrew from the common monetary float. *Tension between France and her partners had clearly been building up in the months prior to the WEC, especially between Paris and Bonn.*

French efforts to diminish U.S. leadership in Europe have succeeded to an extent, and other Community members have become increasingly self-conscious about consulting with the United States in advance of Community decisions. We, in turn, have hesitated to provoke a confrontation. *The WEC marked the first major occasion where the other Community members had to choose between Atlantic cooperation and French insistence on an independent European approach.* French rigidity, compelling need to deal with the oil problem, and strong U.S. insistence on squarely facing the issue forced the choice on the Europeans. *For these reasons, the Conference marks a major departure from the situation of the past several years.*

Short Range Impact

In the aftermath of the WEC there exists no European sentiment for forcing a showdown with France or permanently putting her in a corner. While private anger exists, especially in Bonn, conscious effort at conciliation has become a common objective and, at least on internal EC matters, this includes Paris. The British believe in “hot tea and rest” to weather the shock and *most EC member countries will probably skirt for the time being any dramatic new Community initiatives which might put the French on the spot.* Indeed, current internal political uncertainties in Britain, France, and elsewhere might alone insure the lack of significant movement in the short run. The British, French and the Germans will try to insure that the WEC, as well as its follow-on, exert as little impact as possible on the day-to-day business of the European Community.

The Germans have emerged from the Conference feeling privately that they have become at least temporarily the strongest force in Western Europe. They will most likely take pains not to show it, because they do not believe their partners ready for German “resurgence.” There is an attempt in both Bonn and Paris to soften the impression that the WEC was a Franco-German dispute in which Germany emerged the victor. But it will remain clear that, if forced to choose between Paris—even if this means Europe—and Washington, the Germans will most likely pick Washington. The realization of a German proclivity for a Bonn-Washington axis of power is causing concern in other capitals than Paris.

There will be a noticeable lack of “warm feeling” within Europe for awhile. Considerable puzzlement exists over French motives, and there is conflicting evidence as to whether Jobert may have overplayed his hand with respect to his instructions from Pompidou.

With respect to the follow-up to the Energy Conference, the French have indicated that they will not participate in the work of the coordinating group. They have also objected to participation by the EC Commission, since this would imply Community involvement. On the other hand, France will probably want to participate in concrete measures of cooperation—such as sharing technology and oil—measures which would provide them with more than they would give. The other Community members may wish to give France every opportunity to join in the WEC follow-up work, and will want to keep the follow-up from worsening the break with France. This would cause some delays in the progress of the coordinating group. On the other hand, the Eight clearly will proceed, even in the face of French objections.

Long Range Impact

In the long run, the forces evident in Western Europe prior to the WEC will reassert themselves. *Most Europeans believe as a consequence that French isolation will prove short-lived.* Even if the French hang back for awhile, they will find themselves very much involved in EC affairs again in July when they take over the Council and EC Nine presidency.

The French have tried to minimize the importance of the WEC. They will, however, surely be studying the longer-term implications of three aspects of the Conference. First, the Paris-London axis in the EC fell apart in the crisis and the British sided with the Germans. Secondly, the French were unable, in a crunch, to carry the day on their thesis of a Europe independent of U.S. influence. And finally, the French were unable for the first time to make their veto stick on EC affairs.

The disarray in the Community evident before the WEC will continue, and the Nine will find it as difficult as before to deal with long-range problems such as economic and monetary union. However, there remains a strong and genuine sentiment in Europe, including France, for further European integration, and the Community will make some progress—for example, on regional policy—during the remainder of 1974. The Germans still find in European unity their best guarantee of acceptability and safehaven from serious internal political divisions.

On the other hand, most Europeans believe privately that Europe will not return to quite the same position as before. The British see the Conference as a watershed in EC internal politics, with the Germans at last demonstrating a willingness to exert their political weight, where necessary. Community countries such as Belgium, Ireland and Italy may find it easier to say no to the French in the future, instead of hanging back.

They will worry, however, that the U.S. may be tempted as the result of the WEC to deal bilaterally with the member states, even on issues where the majority of the Community would not prefer it.

The WEC also made clear to many that European unity must progress in association with a strong Alliance, not in defiance of it. As a result, the other Eight may become less susceptible to French insistence that advance consultation with the U.S. “prostitutes” the Community. With respect to the Alliance itself, the WEC experience could diminish French willingness, noticed of late, to be more cooperative. The Germans and British, however, seem determined to continue resisting any French effort to construct European defense arrangements independent of NATO.

Whether the WEC results in lasting advance for Atlantic cooperation will in the final analysis depend significantly on the success of our efforts to establish through the WEC and its follow-up genuine and significant international cooperation on energy. Should the EC, at French urging, enter at an early stage into independent and inherently discriminatory arrangements with the Arab producers, should others follow suit bilaterally, should the WEC initiative end in disarray, and should ongoing U.S. efforts in the mid-East fail to pay off, a reaction against Atlantic cooperation might well set in. The French at least would lose no opportunity to point out the folly of following American leadership on issues of major importance to Europe.

49. Memorandum of Conversation¹

Brussels, March 4, 1974, 5:05 p.m.

PARTICIPANTS

U.S.

Henry A. Kissinger, Secretary of State

Robert J. McCloskey, Ambassador at Large

Arthur A. Hartman, Assistant Secretary for European Affairs

Lawrence S. Eagleburger, Executive Assistant to Secretary Kissinger

FRG

Walter Scheel, Minister of Foreign Affairs

Mr. Guenther van Well, Director for Political Affairs, Ministry of Foreign Affairs

Peter Limbourg, German Ambassador to Belgium

The Secretary: I had a good talk with your Ambassador to NATO—I gave him a ride on my plane from Bonn to Brussels.

FM Scheel: Ah, good. What I have to tell you is not of such great importance that it needs to be noted with great precision. I want to inform you officially on the deliberations of the Foreign Ministers of The Nine today. They asked me, while you are still in Brussels, to inform you on the decisions taken about the opening of a dialogue with the Arab States.

I want you to know that I repeated the substance of our talks last night to my colleagues.

The decision of The Nine to proceed with contacts with the Arabs was taken on the basis of a paper which the Political Directors noted, in which it was decided that in pursuit of the decisions earlier taken in Copenhagen, the Community was ready to take the necessary steps for the opening of a dialogue with the Arabs. It is not the wish of the Community to hinder current peace efforts or compete with the follow on work of the Washington Energy Conference.

The Foreign Ministers charged me with communicating our Aide Mémoire prepared by the Political Directors to the Arabs, and to tell you about it. The aim of our dialogue has a long-term purpose. We will

¹Summary: Kissinger and Scheel discussed the opening of an EC-Arab dialogue and U.S.-EC relations.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 4, Nodis Memcons, Jan–March 1974. Secret; Sensitive; Nodis. Drafted by Eagleburger. The meeting took place in the German Embassy. Kissinger was in Brussels on March 4 to brief NATO and EC officials on the Middle East peace process. On March 3, Kissinger met with Scheel in Bonn, where they discussed U.S.-West European relations, with particular emphasis on the role of France. They also discussed EC-Arab relations, the EC and NATO declarations, Nixon's proposed trip to Europe, SALT, MBFR, Berlin, Soviet naval power, the Middle East, and Cuba. (Ibid., Box 7, Nodis Memcons, Mar. 1974, Folder 6)

ask the Arabs to nominate one or more representatives of the Arab States to contact Chancellor Brandt, as President of The Nine. After this initial contact, if things appear auspicious, we would consider working groups to study in more detail ways of cooperation. In the end—if everything is running successfully—one could envisage a conference of Foreign Ministers.

This is the content of the Declaration. I have informally told the press roughly this. All my colleagues share my view that it is necessary that no frictions occur with other ongoing activities. We will not undermine efforts toward peace. The Foreign Ministers charged me with establishing the necessary contacts to avoid this.

After our first contacts with the Arabs, I will keep in touch with you to exclude the possibility of any frictions developing. We would be grateful if, briefing as we do now, we could build up a useful exchange of views.

I have also corrected the impression created by some Israeli ambassadors about the attitude of the United States.

You will note that we have now eliminated any exact timing for a meeting of Foreign Ministers. It is now much more like the CSCE format—if there is sufficient progress, etc.

The Secretary: I note that we are now being informed of a decision after first having read about it in the newspapers and after I have been asked about it at a press conference. This, therefore, underlines our concern about decisions which are prepared without informing us and taken without consultation with us.

Second, the fact that the Community has no interest in undermining peace efforts is largely irrelevant. The Community is not able to guarantee that this will not happen in any event.

Third, I have already told you what our strong views are on bringing the Arabs together in this way.

Fourth, the United States will reserve its freedom of action to take similar steps if we believe them to be in our own national interests, and to report on them to the Community thereafter.

Fifth, I say in all seriousness that the United States will not accept this procedure in the long run without its having a great effect on our relationship.

FM Scheel: I recognize that the procedures of The Nine have weaknesses insofar as the US is concerned. We would have wished to inform the US earlier, but this was not done because of a lack of readiness to take decisions.

Our discussions last night were already a sign of a willingness to increase the flow of information between the United States and the Community.

I informed other Ministers that you had expressed reservations, but in principle were not against a dialogue. This concern of yours caused us to review the progress we had made in the Political Committee so far as the Foreign Ministers Conference was concerned. We could not give up the idea of pursuing the dialogue, because it had already gone too far. But our initiative, we believe, will not have dangerous consequences. Neither peace efforts nor any further work of the Washington Energy Conference will be affected since we did not speak of oil as a central matter.

It is our realistic view that we can continue to discuss this together and avoid difficulties.

The Secretary: There is no purpose to be served in debating a *fait accompli*—a decision made in the absence of prior discussion. The Community is in no position to decide what acts are dangerous to peace and what are not. Those in the Community who know what they want will push the pace and the others will go along.

Your decision may well have very serious consequences. Nor will the tendency of the Community to proceed without consultation escape us. As I told you, we will reserve our complete freedom of action. What the relationship of the Community's decision will be to the Washington Conference and to our security relationship remains to be seen.

I would appreciate it if we could work out a common line to tell the press.

FM Scheel: I will tell them that I have been charged by The Nine to inform you of The Nine's decision with regard to contacts with the Arabs. I will say that since our effort is a long-term one, it will not be competitive with ongoing peace efforts or the Washington Energy Conference.

The Secretary: Declarations cannot change objective tendencies.

FM Scheel: Second, let me tell you that pursuant to our work on the Declarations, a decision was taken as I indicated yesterday. On the 12th and 13th the Political Directors will meet in Bonn to discuss the texts with our American friends. The texts will be given to Hartman—including the text of the energy section. The energy section text should not be made known in advance of the UN Conference, nor should there be any discussion of the text until it has been agreed upon.

The effort will be to conclude the discussion if possible on the 12th and 13th. Then on the 14th the Political Directors will be in NATO to discuss the NATO Declaration. This suggestion should be seen in the context of the President's visit to Europe.

I have been asked informally to sound you out as to when an invitation to the President would be convenient. Would the President be prepared to come during the second part of April? If so, then the Foreign Ministers will decide and enable the President of The Nine to issue the invitation.

The Secretary: I would appreciate it if that second part relating to the President's visit were not made public. I will discuss this with the President and let you know his views about the signing of the Declaration. I will let you know whether the new dates for the Political Directors are acceptable, and when the President might come to Europe.

I regret that our first official contact with you as spokesman for The Nine must be under these circumstances. It certainly will not help the Atlantic relationship, but we have had our differences before.

(Some talk in German which was not translated.)

As to Copenhagen, I find it difficult to refer back to that meeting since we were neither informed of that conference or told how the Arabs got there. Yet that Conference led to work about which we were not told, and now to a meeting about which we were not informed.

I must say in all formality that this is not a procedure that can last long. Please inform your colleagues of this. This is a long-term problem; your term is over in July. This is an organic problem.

FM Scheel: I believe there is every reason to continue to exchange information. There are no obstacles to improvement in our relationship.

The Secretary: The mere fact that there will be an exchange in a manner about which we have the greatest reservations does not guarantee we will not again be faced with a *fait accompli*.

I have made clear our view. Europe seems intent upon taking a path we will not accept. If Europe is determined to float its foreign policy, then the United States, too, will float its foreign policy. We will then have to see whose specific weight is the greatest.

FM Scheel: I have taken note of what you have said and will forward it to my colleagues. We will continue to exchange information with you.

(The Secretary gets up to leave and there is some conversation in German.)

The Secretary: It would almost be better if this information had been transmitted to us through diplomatic channels. I have been summoned to be informed of something which we are known to be against. It is hardly a good procedure.

FM Scheel: (Says something in German which was not translated.)

The Secretary: I was told that the Foreign Ministers meeting would not be mentioned, even in contacts with the Arabs.

FM Scheel: No decision has yet been taken; the British were not represented at today's meeting by a Minister. Thus, the decision is not formally in force as yet. The British Government will confirm its acceptance of our decision in writing after a new government is formed.

50. Memorandum of Conversation¹

Washington, March 5, 1974, 1 p.m.

SUBJECT

EC-Arab Initiative

PARTICIPANTS

The Secretary of State

Mr. Joseph J. Sisco, Under Secretary for Political Affairs

Mr. Robert J. McCloskey, Ambassador at Large

Mr. Helmut Sonnenfeldt, Counselor of the Department

Mr. Winston Lord, Director of Planning and Coordination

Mr. Arthur A. Hartman, Assistant Secretary for European Affairs

Mr. William Hyland, Director of the Bureau of Intelligence and Research

Secretary: Do you think we could get our Chargés to shut up?

Sisco: Which one?

Secretary: Tripoli. The idea suggested requires careful exploration with our other friends. I have commitments. Why does he have to comment? What is his name? Stein. What is a nice Jewish boy like this doing in Libya? Let's talk about the EC-Arab initiative. What are your views, Hal?

Sonnenfeldt: I think we should make an issue of the consultation question but take the substance of this initiative and fold it into what we are doing multilaterally.

Secretary: Be more concrete.

Sonnenfeldt: We do this by demonstrating that the Washington Energy Conference machinery can operate more effectively than this EC proposal.

Secretary: But how do you fold it in?

¹ Summary: Kissinger, Sisco, McCloskey, Sonnenfeldt, Lord, Hartman, and Hyland discussed the U.S. response to the EC-Arab initiative.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 9, Pol 2 EC Arab Cooperation. Secret; Nodis; Eyes Only. Drafted by Robert Blackwill in C on March 6. The meeting took place in Kissinger's office. Under cover of a March 5 memorandum to Kissinger, Sonnenfeldt forwarded an options paper, prepared at Kissinger's request, outlining U.S. responses to the EC-Arab initiative. (Ibid.) In a March 5 memorandum to Kissinger, Hyland concluded that "the general thrust and substance of what the EC planned to do with the Arabs was, in fact, made known to the US in January and February in more and more detail, but never officially." He also noted that the U.S. twice requested official consultations with the EC and warned of the harm that could arise in their absence; that France vetoed such official consultations; that the U.S. knew of the March 4 aide-memoire by February 22; and that Belgium was the only EC government to provide the text, even informally, to the U.S. (Ibid., Records of Secretary of State Henry Kissinger, Entry 5403, Box 3, Nodis Letters HAK 1973–1977, Folder 3)

Sonnenfeldt: That will depend on what comes out of the Coordinating Group, on the financial and economic side . . .

Secretary: But only bad things can come out of this EC-Arab Foreign Ministers meeting. The Europeans can't control the pace and they will be forced into an early meeting no matter what they tell us privately.

Sonnenfeldt: We have a real problem if the meeting happens in three weeks but that is not what the Europeans are saying to us.

Secretary: How can the Europeans delay if the Arabs ask for an immediate Foreign Ministers meeting? Given that it is a European initiative, on what grounds can the Europeans refuse? Look at the evidence. They are scared to death of the Arabs and they saw four Arab ministers at the Copenhagen Summit when they wouldn't see the Secretary of State.

Sonnenfeldt: As I said we have a problem if the Europeans are forced into a conference three weeks from now. But if it happens down the road in the misty future, that is an entirely different issue and requires a different tactical approach.

Secretary: It is clear what the Europeans are up to. They have set up one thing to please us, the Washington Energy Conference, and one thing to please the French, the initiative toward the Arabs.

Hartman: If we believe our own analysis, the Europeans won't be able to accomplish anything on their energy problems through this initiative. It is going to fail.

Secretary: Can't anyone focus on the issue that I am interested in? The best way to insure our energy needs would be to go bilateral. Jobert was absolutely right when he said the energy conference was purely political. I don't give a damn about energy; that is not the issue. The issue is to break the other Europeans away from the French. And you don't do that by mumbling.

Hartman: You don't mumble, but will a strong U.S. response break the Europeans away from the French in the way you want?

Sonnenfeldt: Let's don't . . .

Secretary: Can't someone focus on issues that interest me? I will be candid. I have already decided to go bilateral as a result of the Washington Energy Conference and the European behavior there. They went along with our proposal as far as they thought they had to, but no further. They want to milk us technologically. They pick Brussels for the site of the Coordinating Group meeting. They choose a lousy chairman. The Coordinating Group is not going to be important. I have already made up my mind and the question of bilateral deals with Iran and Saudi Arabia is settled. So let us quit talking about it. And about en-

ergy. What I consider more important is the anti-American tendency developing in Europe.

Hyland: But can we defeat that tendency by brutalizing the Europeans at every turn? I think not. It is not in our interest to break up the Community nor to strongly object to each EC initiative that we think is not in our interest. They will have different interests from ours, and we have to accept that.

Secretary: Name one single European political action recently that has not been against the U.S.

Hartman: Their position on trade negotiations.

Secretary: That is obviously in their own interest. But look at the declarations, their handling of Japan, and their activities in the Middle East. In each case they have pursued deliberately anti-American policies.

Hartman: They broke with France at the Washington Energy Conference.

Secretary: That was only because of our pressure.

Hartman: That is the only way.

Lord: But do you break this anti-American tendency by breaking off the Coordinating Group?

Secretary: Will you stop asking about the goddam Coordinating Group. The Coordinating Group will go forward in a lower key. I have already decided that. But the Coordinating Group and energy is not the issue. Can't you understand that?

Lord: I am not talking about energy as energy. I am talking about the symbol of the Eight against France at the Washington Energy Conference. Do you throw that away? Is it in our interest to shut that off?

Secretary: We won't shut off our energy initiative or the Coordinating Group. It will continue, but it will be less active. We will ask for European views.

Lord: What I am saying is do you go bilateral now or hold open the possibility of multilateral efforts.

Secretary: The conclusion I drew from the Washington Energy Conference, notwithstanding the articles in the *New York Times* and *Time* magazine, was that it was a success only because Jobert was totally irrational. If Jobert had given them anything, the Eight would have snapped at it. It was only the totally irrational action of the French that made the Washington Energy Conference a success. The President's remarks scared some of them and with an election coming up in Great Britain, none of them had the guts to break with us. But they decided to give us just enough to keep our proposal going but not enough for it to mean anything serious. No matter what they say to us they will not work seriously. We can use the energy group for multilateral ef-

forts, but we would be insane to depend on it for our energy needs. I will be candid. I talked to Faisal bilaterally before the Washington Energy Conference and you have seen intelligence reports that Ohira decided after the energy conference that Japan's only course was to go bilateral. Do you see any alternative, Joe?

Sisco: How do you see the effect of a lifting of the embargo on bilateral deals?

Secretary: We have to get a handle on the next embargo by bilateral security, economic and technical deals with some of the producers. The press has given me much credit for the energy conference but it was a tactical victory only, and not significant for the long term.

Lord: The EC Eight decision to break with the French was significant. We should try to exploit it.

Hartman: This difficulty with the Europeans is a long term problem. We need to look for specific ways to make the point that we are not satisfied with what they are doing. One possibility is the declarations.

Secretary: I think we should send an icy letter from the President to the EC Heads of Government saying they went ahead without consultations and that I learned about the final document at a press conference. We should tell them that we reserve the right to act similarly, that we have ordered a review of the entire EC Declaration process and that we will not meet with them pending the results of that review. That will give them something to react to.

Lord: That will mean a postponement of the President's trip?

Secretary: That is premature. We don't ask that question here. But look at the governments that agreed to this Arab-EC initiative. No government in Britain, no government in Italy, the French are against us, the Germans are scared, the Irish support the French.

Sisco: What do you think will be the European reaction in ten days or so if the President sends them such a letter?

Secretary: I think the Eight will react the same way as they did to the French after the energy conference. They will back away, tell us they didn't mean it, and privately grumble that it was forced upon them.

Sisco: If they do that, would that mean a better EC Declaration?

Secretary: No, the French will never agree to a satisfactory EC Declaration.

Hyland: If that is true, why don't we put the onus on the French and on the Europeans instead of on the U.S.—then we can blame the breakdown in US-European relations on the Europeans and deal bilaterally.

Secretary: That depends by what we mean by bilateral. We won't have bilateral oil deals but we will take care of our needs. But imagine what the Arabs will think of the Community. They will consider Jobert spokesman of the Common Market. Who else can the Arabs look to? We must face the fact that the Europeans are competing with us. I am not trying to keep Europe out of the Middle East but look at this initiative. There was no normal consultative procedure. There were mumbles and leaks but no serious effort to elicit our views. They never gave us a chance to say formally what we thought about their proposal. Even the British were offhanded and the Germans misled us the night before the initiative was announced. Scheel told me that the document would never mention a Foreign Ministers meeting. He left me with the definite impression that it would be a vague statement about European-Arab scientific and technological cooperation. I had no idea that they would deliver themselves of the kind of document they released the next day. The Europeans are operating against us in the Middle East, an area of critical significance to the United States. We must stop them. Europe's anti-Americanism has gotten worse and worse every month since last July and the only exception was the Washington Energy Conference. And that was only because it was worse for them to stand up to me than to stand up to Jobert. A weak government in Britain will not stop the French. The West Germans will not stop the French and the Common Market is becoming organically anti-American. It will be harder to stop a year from now, so we must stop it now.

Hyland: But, if we break up the Community and if Europe falls apart, the Russians will be the winners. We can make clear our unhappiness, our serious disagreement with current European policies without breaking up the Community. But we can't ask for a veto of EC decisions.

Secretary: A veto is not the point but we have got to stop this anti-American behavior on the part of the Europeans. Take the example of the trilateral declaration which means absolutely nothing to me. What is the reason to resist an EC-US-Japanese document unless it is to establish a European identity by pursuing anti-American policies.

Hyland: But I think we will accelerate that process if we respond brutally to the Europeans time after time. We will break up the Community.

Secretary: Then, we will have to accept that.

Sonnenfeldt: There is another alternative. We can say that the EC-Arab initiative is a crucial issue for the U.S., that we are disturbed that we were not consulted, but that now that initiative should only go forward in close consultation with the U.S. We should take the same position with the EC-9 Declaration, with respect to consultation.

Hyland: I agree we should take a tough stand on consultations in the Declaration.

Secretary: We aren't going to get together with them on the declaration next week.

Sisco: I think a pause on this is useful.

Sonnenfeldt: We should give the Europeans another chance. It is not in our interest to break up Europe.

Hyland: We must be very careful not to exaggerate this problem publicly.

Secretary: I will say nothing publicly.

Hyland: Any letter we send would be published in the *New York Times* within a few days.

Secretary: No Presidential letter has ever been published in the newspapers.

McCloskey: But the substance of it will be in a Flora Lewis column within days.

Sonnenfeldt: As I said I think we should give the Europeans a second chance. We should tell them how seriously we view this matter. We should offer to consult. We should proceed with the Coordinating Group work. We should tell them how serious we are about all this but do so in a measured way.

Secretary: How does this fit into a Presidential letter?

Sonnenfeldt: We call in Von Staden and tell him that we are responding to Scheel's approach to you about the EC-Arab proposal. I am not sure a Presidential letter is a good idea. We may wish to give them an aide-mémoire. We can tell the Community through Von Staden that Donaldson and McCloskey are ready to consult on this issue but that until we hear from them the EC Declaration is in abeyance.

McCloskey: I have a question. How much conflict with the Europeans can the President stand?

Secretary: His popularity is down to 27 percent, so the President might as well do what is right. In any event, this Administration has always done what is right.

Sonnenfeldt: The Presidential trip is no longer a carrot for the Europeans.

Secretary: It is no longer a carrot for the President either.

Sonnenfeldt: The trip is double-edged. There will be demonstrations. I am not so sure about the President signing the NATO Declaration either.

Hyland: But we must come to terms with the Europeans.

Secretary: You are living in the Europe of the '50s not of the '70s. The Europeans are actively hostile to our efforts in the Middle East and in Latin America. They oppose us everywhere.

Lord: Will anything be better after Pompidou is gone?

Secretary: Things will be worse. The trend in France is toward the left and the left is anti-American. We have every reason to break the French now.

Sonnenfeldt: But we break the French by giving the rest of Europe a choice, not by forcing them to side with the French.

Secretary: When I was in Bonn I was struck that Frank was trying to make a sucker out of me with his syruppy language. I never met him before, but he must be on the French side. I would rather break the European Community than have it organized against the U.S. Only the French have a strategy and it is anti-American. If they were only mean, but logical, I wouldn't mind it. If they were even like the Japanese, and God knows I dislike the Japanese, I could understand it, but they are absolutely irrational. At the Mexico City conference the Brazilian Foreign Minister told me that the French had given him an aide-mémoire on the June 22 agreement and warned him against a US-Soviet condominium. They are a bunch of maniacs! What possible good can actions like this do the French? Jobert's remarks in Baghdad that the hand holding the key is turning slowly. If the Syrians decide I am a son of a bitch and start the war again, how is that in French interests? There is no scenario you can think of that makes it in the European advantage if the U.S. fails in the Middle East and the Soviet Union picks up the pieces. What I am talking about is a trend which seemed harmless enough at first but is now clear. It shows in quibbles over the EC and NATO Declarations, EC initiatives toward Japan, the EC Middle East Declaration, the trickery of the arrival of the four Arab Foreign Ministers in Copenhagen, the resistance to our energy work program. I learned in Damascus that some European governments made *démarches* against the halt to the oil embargo on the U.S. because it would hurt Europe. You are right that the EC-Arab initiative will come to nothing. The fact that they have picked a crappy subject only proves how incompetent they are. But they will eventually pick a good subject. On energy they are weak reeds and we will drive them against the wall. But we cannot afford an antagonistic Europe. It is only *détente* that is keeping them from making a deal with the Soviets.

Secretary: I don't think we are in fundamental disagreement. At a minimum we should so toughen the EC Declaration that it will fail. There will be no meeting on the declaration next week. We will tell the Europeans that in view of the EC-Arab proposal we want to review EC-US relations and we are not ready to meet with them until we do so. The only issue remaining is do we want a letter from the President.

Sonnenfeldt: And do you give the Europeans a ladder to climb down with?

Secretary: How do we give them our views?

Sonnenfeldt: We can give them to the Germans as representatives of the Presidency.

Secretary: That is the worst way to do it.

Sonnenfeldt: It is better than a letter to all the EC Heads of Government.

McCloskey: You have been bruising for a fight with the Europeans since last year. I am convinced this issue can be managed if we don't blow it out of proportion. Let us reply to Scheel and forget the letter to everyone.

Secretary: I have not been bruising for a fight but the entire organization of the Common Market is against the U.S. A year ago people would have called someone a madman who said that, but today the evidence is clear and anyway, any declaration we get with the EC will be useless.

Sonnenfeldt: Do you want Donaldson to stay in Europe?

Secretary: I want Donaldson to do what I told him. He is to continue his talks in a low-key way. He is to tell the Europeans we are prepared to discuss energy matters and welcome their views. He is to confer with the OECD in the way he suggested last week. But he is to be told in the light of this EC decision, he is not to push the Coordinating Group. The meeting with the EC on the declaration will not take place. I want someone to draft instructions saying that we have to review the relevance of the declaration in view of the EC initiative and that the review will not be ready by next week, and that we will confer with them again when it is. But what about a letter from the President. What about a Presidential letter to the EC Heads of Government.

Sonnenfeldt: I think that would be a mistake.

Lord: What about a Presidential letter to Brandt?

Sonnenfeldt: You didn't get a letter. The President didn't get a letter. We don't have to send a letter back.

Secretary: The President has a right to send a letter if he wishes.

Sonnenfeldt: Of course he does, but that would engage him in a way that doesn't do any work for us and has a terrible backlash possibility. I think we should give the EC the message here through Von Staden.

Secretary: No, let Hillenbrand deliver it in Bonn. At least then our Ambassador will know what we are doing. The only issue now is whether I do it or the President does it. I will think about it.

51. Telegram 44480 From the Department of State to the Embassy in the Federal Republic of Germany¹

Washington, March 6, 1974, 0052Z.

Subject: Presidential letter to Chancellor Brandt. For Ambassador Hillenbrand.

1. Please deliver following letter from President to Chancellor Brandt. After you have delivered it, we intend to send text eyes only to our Ambassadors in the Nine for their info only and to be drawn on as guidance. Public posture is to remain strictly in terms of line used by Vest at noon briefing. (See septel.)

2. Begin text: Dear Mr. Chancellor: Secretary Kissinger has informed me of his discussion with Foreign Minister Scheel, acting as Chairman of the EC Council, concerning the decision of the Nine to move forward with a program of broad cooperation with the Arab world.

I want to give you my frank reaction to this new development on a question of major importance to the United States.

First of all, the procedures by which the Nine have reached a major decision once again point up the deficiencies in consultations between the United States and Europe. On a matter of such broad concern, affecting not only the prospects of peace in the Middle East but the economic future in Europe as well as the United States, we would have expected the opportunity for intimate prior consultations. Rather we have had, at best, little information, inadequate discussions and practically no opportunity for the United States to make its views known to our closest Allies. Once again we seem to be drifting in the direction of dealing with each other more as adversaries than as partners. This is hardly consistent with Alliance relationships.

¹ Summary: The Department forwarded a letter from Nixon on the EC-Arab initiative for delivery to Brandt.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 754, Presidential Correspondence, Germany, Willy Brandt 1972 (1 of 3). Secret; Immediate; Nodis. Sent for information to Bangkok. Drafted by Hartman; cleared by Sonnenfeldt, Kissinger for the White House, and Gammon in S/S; and approved by Kissinger. Brandt's reply, sent to Nixon under cover of a March 9 letter from Chargé d'Affaires Hans Noebel, regretted the U.S. decision to postpone the EC declaration discussions. Brandt expressed surprise at the U.S. reaction to the EC-Arab initiative, which he characterized "as a supporting and by no means competitive undertaking to" U.S. efforts to achieve Middle East peace and the international energy talks; Brandt noted that the EC démarche to Arab countries accounted for "American misgivings about a conference of Foreign Ministers." Citing EC agreement on "the need for timely, full and mutual information," Brandt concluded by pledging to work within the EC to develop means "for the timely co-ordination of important matters of mutual interest." (Ibid., NSC Files, Kissinger Office Files, Box 61, Country Files, Europe, General, German Exchange (1 of 3))

In light of this latest example of our inability to achieve some meaningful consultative relationship with the Nine, I have instructed the Secretary of State to review the status of our discussions on a declaration with the EC Nine, including the draft given to Secretary Kissinger in Brussels, in order to determine if our discussions in this context can be used to get at this basic problem in our relationship.

This review will make necessary the postponement of the meeting next week between the Political Directors and Messrs. Sonnenfeldt and Hartman. Secretary Kissinger will be in touch with Minister Scheel when our internal discussions have progressed further.

As for the substance of the EC program, in principle the United States naturally has no objection to the concept of developing a long-term relationship between the Nine and the Arab world. But we cannot ignore the fact that this initiative comes at an extremely delicate stage in the negotiations for a peaceful settlement in the Middle East. One can only speculate whether the decision of the Nine will add difficulties to this process: at a minimum, as Secretary Kissinger tried to explain in Bonn, the Europeans must recognize that in their meetings with the Arab States, they will be confronted with political proposals to define the EC's position on questions and issues in the peace settlement.

Moreover, it would seem likely that the Europeans pursuing such an initiative on their own at this time will inevitably fall into a competitive position vis-à-vis the United States—it is this competition we have sought to avoid by working together in the Energy Coordinating Group. If the governments of the Nine are determined to proceed, then it seems to me at the very least that we should arrange a system of close consultation and coordination in order to attempt to avoid the pitfalls which I see in our moving ahead on separate courses.

I believe by making such arrangements on a practical and significant policy issue, we could demonstrate the relevance and validity of the principles we are seeking to articulate in the US–EC declaration.

I thought it best to give you my views as frankly as possible and would welcome your reaction in the same spirit. You are, of course, free to convey these views to your colleagues. With warm regards, Sincerely, Richard Nixon.

End text.

Kissinger

52. Memorandum of Conversation¹

Washington, March 11, 1974, 12:15 p.m.

SUBJECT

Relations with Europe

PARTICIPANTS

The Secretary

Mr. Robert J. McCloskey, Ambassador at Large

Mr. Helmut Sonnenfeldt, Counselor

Mr. Arthur A. Hartman, Assistant Secretary for European Affairs

Mr. Winston Lord, Director of Policy Planning

Mr. William Hyland, Director of Bureau of Intelligence and Research

Mr. Lawrence S. Eagleburger, Executive Assistant to the Secretary

Mr. George S. Springsteen, Executive Secretary of the Department

Sonnenfeldt: I wanted to make sure that you saw the cable from London concerning the President's letter to Brandt. It is in the British press.

Kissinger: How did it get in the press? Did the British Government leak it?

Sonnenfeldt: My guess is that Beaumarchais leaked it.

Lord: Who is he?

Sonnenfeldt: The French Ambassador in London.

Kissinger: Why did he leak it?

Sonnenfeldt: To emphasize again the brusque American mistreatment of the EC.

Kissinger: I haven't seen the telegram yet. Could someone produce it for me? Does the article have an anti-American bias? (McCloskey leaves the room to find telegram.)

Sonnenfeldt: No, as I remember, and I would have to read the cable again, it simply reflects the current state of relations between the US and the Community and mentions the EC-Arab initiative and the postponement of the EC Declaration exercise. (Eagleburger leaves.)

¹Summary: Kissinger, McCloskey, Sonnenfeldt, Hartman, Lord, Hyland, Eagleburger, and Springsteen discussed the EC-Arab initiative and U.S.-West European relations.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, HS Chron-Official, Jan–Apr 1974. Secret; Nodis; Eyes Only. Drafted by Robert Blackwill in C on March 12. The meeting took place in Kissinger's office. In telegram 3043 from London, March 11, the Embassy reported on two UK newspaper articles on U.S.-EC relations, including a front-page story in the London *Times* about Nixon's letter to Brandt transmitted in telegram 44480 to Bonn, Document 51.

Kissinger: Would someone get McCloskey back? Does it take an Ambassador at Large and Eagleburger to get me a cable? Or maybe I'm missing the subtlety of the operation. Now can they both come back? (Lord leaves to find McCloskey and Eagleburger) This is an absurdity. Maybe the Deputy Secretary should get the cable. Maybe we are still not operating at the right level (McCloskey, Eagleburger and Lord return.) I have gotten this group together to go over again what we do with the declarations. After my meeting on Saturday I leaned toward forgetting the EC Declaration but going ahead with the NATO one. But the more I think about it, the less I am sure that is a good idea. Maybe we should call off the entire declaration exercise, both of them. Who the hell wants it? Maybe we should call off the President's trip. We could leave the declarations on the table for the time being and invite the NATO Foreign Ministers here for the 25th anniversary, but it seems to me that the NATO Declaration as it now stands, and if we sign it, is really an instrument of French policy. It gets a U.S. security commitment but the political and economic elements which we have always said are tied to the military commitment are scrubbed altogether.

Hartman: I am not sure that the French will want to go ahead with only the NATO Declaration. They have tied the two together and have also wanted to imbed the EC identity through a Declaration.

Kissinger: Hal, what do you think?

Sonnenfeldt: On Saturday I thought we probably should scrap both and forget the anniversary—pull back and give the Europeans time to think. But now I am not so sure.

Kissinger: We wouldn't scrap the declarations but postpone them.

Sonnenfeldt: There isn't any question in my mind that as presently constituted, the NATO Declaration gives the French and the Europeans an important new US security commitment without providing anything for us.

Kissinger: And that is exactly the opposite of what we have always said we wanted to achieve through the declaration. That is Win's idea of last week (Jane Rothe enters with telegram; Secretary reads it.)

Sonnenfeldt: If we abandon the EC Declaration, then I think we should have something far stronger on consultations in the NATO document.

Kissinger: But I keep asking, what do we get out of the NATO Declaration?

Sonnenfeldt: A continued assertion of the validity of the Atlantic Alliance and a framework for US-European relations, in the absence of a document with the EC.

Kissinger: But we can underline the validity of the Alliance unilaterally and we can push consultations in NATO too, but what do we get from a NATO Declaration?

Sonnenfeldt: You remember I said last week that we should shelve the EC political apparatus and go bilateral?

Kissinger: I agree.

Sonnenfeldt: The framework for doing that is in NATO.

Kissinger: I agree to that too but does a declaration help?

Sonnenfeldt: I think we have to consider what the Soviets and the Chinese would make of it if we shelve the NATO Declaration altogether.

Kissinger: You leave the Chinese to me.

Sonnenfeldt: All I am saying is that the Chinese and the Soviets will study carefully whatever happens in all of this.

Kissinger: The Chinese will accept any show of strength upon our part.

Sonnenfeldt: But there may be some benefit for us with the Europeans if we go ahead to encourage them through NATO to be more forthcoming than they were in the EC context.

Kissinger: But the French, if they are as cynical as usual, will say that they produced a NATO document which froze our security commitment to Europe and at the same time ignored the political and economic strands of the Atlantic relationship.

Sonnenfeldt: That is the reason we should push hard in the next six weeks to put language in the NATO declaration which makes clear it is not a French document and which underlines the indivisibility of our security, political, and economic concerns—a sort of successor to the Harmel report. That sort of document would renew the US commitment to Europe in a positive way and at the same time link the French into the Alliance as well.

Kissinger: I am not sure. French policy is not only obstructionist, but antagonistic: in Syria, and other places as well. They are organically hostile to the US and now clearly constitute the greatest global opposition to US foreign policy. Why give a fig leaf through the NATO Declaration?

Sonnenfeldt: It would be a fig leaf for them but also a standard of conduct for the Europeans if they will accept strengthened language.

Kissinger: So we should sign the Declaration?

Hartman: Beef it up, improve the language on consultation and at the same time pursue intensified bilateral contacts with individual NATO countries.

Kissinger: The question is what would be the greatest shock to the Europeans? What would do us the most good? What if we told them both declarations are off the rails because of their textual nitpicking and resistance to true consultations. We can say since NATO is healthy we

don't need to reaffirm our ties and since the EC is unhealthy we should not affirm an unhealthy relationship. I am still drawn to shelving them both.

Sonnenfeldt: If neither of the declarations are signed after your call of last April, it will be difficult to convince the Europeans that NATO is healthy. If we have an anniversary meeting in Washington or in Brussels, at the end of that meeting we will have to sign something and it might as well be a strengthened NATO Declaration.

Hyland: And if you shelve the NATO Declaration you will be penalizing all the NATO countries for actions of the EC-9. You will be creating an Atlantic crisis, not a crisis with the EC, but a crisis with the Alliance.

Kissinger: But what will the nations of NATO do? That is the question. Do they need a shock treatment? If they want a real Alliance, maybe they will do something.

Hartman: Though we should strengthen the passages on consultation in the declaration, a crisis within NATO is not going to be particularly helpful.

Hyland: The French might not sign it anyway. They have always linked it with the EC Declaration.

Sonnenfeldt: That is another possibility.

Kissinger: They can't afford not to sign the NATO Declaration.

Sonnenfeldt: If they don't then the onus is on them. The issue is whether you want to go hard up and down on them all along the line.

Kissinger: That is our strongest card: to say that they have been naughty, that our defense commitment to Europe is dependent on political and economic relations and that they should strengthen those elements if they want a security commitment.

Sonnenfeldt: But we should make a distinction between the Nine and NATO. We can tell the Nine that they have been naughty and are not ready for a mature relationship.

Kissinger: It is not what we say to them; it is what we believe. They are more hostile day by day; every European Government now thinks it must immediately report what we tell them back to the French so that it doesn't appear that they are selling out to us.

Hyland: No step will be effective if it downgrades NATO.

Kissinger: They keep saying that if they are forced to choose between France and the US, they will choose the US. Well, maybe we should give them the choice now.

Sonnenfeldt: That is the point. Does the NATO Declaration as it is presently drafted hold open that choice for the Europeans?

Kissinger: As it now stands it is an easy choice for them. The Europeans get a US defense commitment for free and give up nothing. Of

course, they will choose that. They came along with us at the Washington Energy Conference for two reasons; it was harder to stand up to us in Washington than to the French and they thought that there might be a free door prize in the effort—sharing, R & D, etc. But there was no philosophical commitment to cooperate with the US. Now they see in the current NATO Declaration another free door prize. Maybe it is the time for us to huff and puff and steam and show them that when we say we want a stronger NATO, we mean it.

Hartman: And we do that in the context of an indivisible defense, political and economic relationship and a true consultative arrangement.

Kissinger: It depends on the language. As the language now stands, though we have been pursuing this for a year, they wind up with the strength of a US defense commitment. On Saturday I was for going ahead with the NATO Declaration but now that I have been thinking about it, I am not so sure.

Sonnenfeldt: As I said, we could go ahead but shore up the weak passages and make it the kind of document we want.

Kissinger: Or we could invite them here for the 25th Anniversary; the President could give a ringing speech reaffirming the Alliance. We could move ahead to revitalize our bilateral relations. We can move toward the *de facto* strengthening of NATO, but what does the Declaration itself give us?

Sonnenfeldt: The effect of supporting the Alliance.

Kissinger: But who gains?

Sonnenfeldt: We retrieve to some extent our effort in the last year.

Lord: We could say that the NATO Declaration is coming along all right but the EC one is still not good enough . . .

Kissinger: We won't give them a military commitment while our political relations are in such lousy state. The other course is to scrap the EC Declaration but not NATO. That avoids the crisis that Bill is talking about if that is what we want to do. We have never gone for the jugular. Maybe it is time to do it.

Hyland: Not now.

Kissinger: I am tired of a crisis with them every six months. Maybe we should push them to the wall. What will they do? What will the Germans do? They will distance themselves from the French and say look what these maniacs have gotten us into.

Sonnenfeldt: Or, they may drift into neutralism.

Kissinger: Maybe the best way to ruin both relationships is to sign both declarations.

Hyland: The Germans will suspect that what we are really doing is accelerating our disengagement from Europe after having reached

agreement with the Soviet Union. That is what the French have been telling them and that is what they will believe.

Kissinger: That should bring them closer to us.

Hyland: That's right.

Hartman: What is important is the public presentation of the issue.

Kissinger: The problem is the gap between the Europeans' practice and their words. If we push them on the NATO Declaration they will either split with the French, or they will try to compromise on some meaningless phraseology. Don't we accept the European policy of escapism if, after all our problems in the last year, we sign a NATO Declaration that they can hang on to? Won't they just think they have ridden out the storm and we have given in? That runs counter to all our objectives.

Hyland: But we have to think of the importance of a public reaffirmation of the Alliance, especially with the Moscow Summit and a possible summit at CSCE.

Kissinger: I have just finished reading my conversations with Jobert during the last year. I wanted to try to understand why he keeps saying I treated him badly. We have been lecturing them for over a year with absolute consistency on these matters and nothing has changed. I am leaning toward scrapping both the declarations.

Lord: We can say that the NATO Declaration is pretty good; that the EC Declaration is inadequate and that since they are linked we can't go forward on either at this time.

Hyland: That will give the French complete leverage on where we go with this exercise.

Kissinger: But we don't go anywhere; we strengthen our relations bilaterally and with the Alliance in a *de facto* way without worrying about a declaration. As it now stands, the Europeans get free defense and give nothing for it. They are just like an adolescent; they want to be taken care of and at the same time, kick the hell out of their parents. But it would be a disaster for US foreign policy.

Lord: I agree that the Chinese will respect anything we do as long as it is from a position of strength.

Kissinger: If I tell Chou en Lai that we have stopped this business because the Europeans wouldn't come across, he would understand that. But if I go whining to him that we have signed a document that we don't believe in, that it is clear we couldn't believe in, nothing could be worse.

Lord: I agree but what about Moscow?

Sonnenfeldt: It is not the declaration itself that matters, but what goes along with it. If not signing the declarations produces an

enormous malaise in Europe, that will obviously be to the Russians' advantage.

Kissinger: Malaise! What causes the malaise? I have tried for a year to strengthen the Alliance and it is worse every day. The Community decided on the EC-Arab initiative on February 7 when the Political Directors agreed to it and there was not a goddam thing we could do about it because we weren't asked. They say they compromised on the timing of the Foreign Ministers Conference but actually they made it worse by making the timing vague. It allows the British and the Germans to tell us the Foreign Ministers meeting is far off in the future, and allows the French to go ahead with it immediately after they take the EC Presidency July 1. No one will have a leg to stand on to stop it. They have been deliberately worsening relations for the past year. George, you are an old European hand, what do you think of this?

Springsteen: Well, these things have a cyclical flow. What happens now is not necessarily what happens next year.

Kissinger: But if we look at the last fifteen years you can be sure that what is happening now will be happening five years from now. You know my traditional view toward consultations with the French. I used to argue with your old boss, George Ball, about it.

Hyland: But if we shelve both, what do we get?

Kissinger: If we sign the NATO Declaration, what do you get?

Hyland: We reaffirm the Alliance.

Kissinger: But if we don't, we scare the hell out of them and they show extreme caution before another initiative without consultation; they show caution in their EC-Arab proposal, and we at the same time make greater *de facto* efforts to improve relations within the Alliance.

Kissinger: (Picking up the phone) Would someone mind telling me what nationality the CENTO Secretary General is, if that is not premature?

Springsteen: Iranian.

Hartman: Although we should keep full pressure on the Nine it would be disastrous to hold NATO responsible for the Community's actions.

Kissinger: But they are linked. Eight are part of NATO. We tell them there is no point in continuing the declarations until they are prepared to proceed in a forthright way. We strengthen NATO. We consult bilaterally.

Hyland: There is an alternative step. We strengthen the text. We tell them to take it or leave it. The French and the Europeans have the choice. We make sure it says something about burdensharing, economics, political consultation, as well as the defense of Europe.

Kissinger: That is a third possibility. Then if they reject it, we go full speed in strengthening our bilateral relations.

Hyland: Giving them a strengthened text and making them make a choice puts more pressure on the French.

Kissinger: So we won't accept it as it now stands but we insert language on burdensharing, political, consultation, etc. I have got to see that goddam Iranian now.

Hartman: And I have got to see five congressmen for lunch.

Kissinger: Which ones?

Hartman: Congressman Rosenthal; he is going to Europe.

Kissinger: What others?

Hartman: I'm not sure.

Kissinger: So, Hal, can you do me a letter to Brandt saying that we wish to strengthen the NATO Declaration including language on political consultation, etc. Also take on his arguments on EC consultation. Say the very fact we didn't understand what they had in mind poses the fundamental problem as it exists. In the absence of structural arrangements, their assurances are dependent on the accident of who is in the EC Presidency and that is not a satisfactory relationship. If we keep meeting on this subject, we may declare war on Europe. After we have a text I will take a look at it. We should all take a look at it.

53. Telegram 51975 From the Department of State to the Embassy in the Federal Republic of Germany¹

Washington, March 15, 1974, 0117Z.

Subject: Atlantic Relations. Please deliver soonest following message to Chancellor Brandt from the President:

Dear Mr. Chancellor:

Thank you for your letter of March 8. I note that the Nine recognized at their March 4 meeting in Brussels the need for timely and full exchange of information between us concerning the dialogue which the

¹ Summary: The Department forwarded a letter from Nixon for delivery to Brandt on the EC-Arab initiative.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 61, Country Files, Europe, General, German Exchange (1 of 3). Secret; Immediate; Nodis. Drafted by Sonnenfeldt on March 11; cleared by Hartman, Edward Streater in EUR/RPM, and Scowcroft; and approved by Kissinger.

Nine have decided they should undertake with the Arab States. As I indicated to you in my letter of March 6, we are concerned that the proposal to develop a long-term relationship between the Nine and the Arab world not result in a competitive situation between us. The possibilities for a peaceful settlement, and thus for a more stable Middle East, are greater today than in the past 25 years. I am sure that you and your colleagues of the Nine will agree that it is in the interest of all of us in the West that no action be taken which might jeopardize this process.

There has obviously been confusion in the consultative process preceding the Nine's decision. I accept the assurances in your letter concerning consultation, but want to frankly tell you my belief that the consultative process should not be made dependent on the individual occupying the EC Presidency at a given moment, but should stem from a more organic relationship between the Nine and the US.

We have given most careful thought to the situation in which we find ourselves as a result of the inadequate consultations between the United States and the Nine prior to the decision which was reached by the Nine at the Brussels meeting on March 4. We have also reviewed other political actions of the Nine over the past several months, as well as the course of the deliberations between us on a declaration.

In our view, a true consultative relationship would be the most natural and normal manifestation of the partnership which has existed so long between the United States and the Nine within the Atlantic framework. But it seems clear from the experience of the past several months that the Nine have reservations on this score and that therefore the effort to produce formulations that we believe to be essential are bound to lead to continued arguments or even acrimony. On the other hand, to gloss over the obvious difference of view by compromise language would obscure what I believe to be a fundamental issue that must sooner or later be faced on both sides of the Atlantic and could even lead relationships between us to fall into a pattern which we would not want for the future. Consequently, I have concluded that it would be preferable to let the situation mature further in the hope that at a later time events will demonstrate the mutual benefit all of us will derive from the achievements of more organic consultative arrangements. In these circumstances, the possibility of my participation in the signature of the declaration, which you were kind enough to mention in your letter, should, of course, also be deferred until a later time.

I have written to you in all frankness because I think it is essential that there be no misunderstanding between the United States and the Nine with regard to our views on the nature of the relationship which should exist between us. You will, undoubtedly, wish to convey these views to your colleagues.

There is, of course, a relationship between the US–EC Nine Declaration and the NATO text. We will have further views to convey to the Allies concerning the NATO Declaration at an early date.

I want you to know that I continue to be personally and profoundly committed to a continually strengthened relationship among the Allies. It is my hope and belief that the nations of NATO share this desire, and that we will together develop a restatement of the principles which guide our fundamental partnership. With warm regards, sincerely, Richard M. Nixon.

Kissinger

54. Telegram 53312 From the Department of State to All North Atlantic Treaty Organization Capitals¹

Washington, March 17, 1974, 1801Z.

Subject: Atlantic Relations. Geneva for CSCE Del; Vienna for MBFR Del.

1. The German Ambassador, Von Staden, called on Secretary on instructions March 16 to discuss Atlantic relations in light of President's March 15 letter to Chancellor Brandt. Von Staden inquired concerning what we had in mind concerning "more organic consultative relationships" and what meaning should be attributed to that part of the President's letter which referred to letting the situation mature.

2. In his reply the Secretary made the following points:

¹ Summary: The telegram reported a March 16 discussion between Kissinger and Von Staden on the EC–Arab initiative and the EC and NATO Declarations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 266, Agency Files, NATO Jan–May 31, 1974, Vol. XVII (2 of 2). Secret; Immediate; Nodis. Also sent immediate to the Mission to the EC. Sent for information to the Mission in Geneva and Vienna. Drafted by Stabler; cleared by Fry in S/S, Scowcroft, and Sonnenfeldt; and approved by Kissinger. A draft memorandum of conversation on Kissinger's March 16 talk with Von Staden, during which Von Staden outlined a formal process for EC–U.S. consultations, is in Library of Congress, Manuscript Division, Kissinger Papers, Box CL 142, Germany (Federal Republic of Germany), Chronological File, March–April 1974. On March 18, Kissinger, McCloskey, Sonnenfeldt, Hartman, Hyland, Lord, Eagleburger, and Springsteen reviewed the U.S. approach to the EC and NATO Declarations, reaching essentially the same conclusions outlined in this telegram. (Memorandum of conversation, March 18; National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, HS Chron-Official, Jan–Apr 1974)

3. A Presidential trip to Europe in April is out. There is no chance that meaningful declarations could be worked out in the short remaining interval.

4. As we see it, the entire Year of Europe initiative surfaced grave problems which we had not known existed. One example is the fact that French intransigence could force the Nine into positions which essentially reflect the French anti-American posture.

5. Hence, there would be no further US initiative of any sort. If the Nine had suggestions we would be glad to listen.

6. We see three options being open:

A. Drop both EC and NATO Declarations and this we are prepared to do;

B. Pursue completion of both declarations if the Nine wish to do so. However, the US–EC Declaration as it now stands is too unbalanced in that it reaffirms US acceptance of European identity while offering little or nothing to us in the way of an organic consultative link. Regarding the latter what we have in mind is the possibility to express our views and have them considered prior to EC decisions in a manner we understand to be relevant to the EC decision-making process.

The present NATO Declaration is basically acceptable to us, but there are still some points at issue.

C. Forget the EC Declaration, which is not acceptable in its present form, and continue with work on the NATO Declaration. In this case, it would be necessary to include provisions which sharpen the consultative relationship as we had endeavored to achieve in the US–EC Declaration.

7. The Secretary requested Von Staden to report to the FRG and he assumed the FRG would consult with the other eight. We had no fixed views at this time which of the three options would be the best. Whatever course is chosen it is essential that we proceed privately between us and that there should be no further public disclosures or debate. Another failure would not be tolerable. We will wait to see what the Nine might have to propose and their ideas on possible timing.

8. For action posts: You should not take the initiative in discussing the above conversation with the governments to which you are accredited. However, in the event that your views are solicited it is important that you make clear that we are not pressing the Nine to make any proposal and that we are in any event not prepared to accept a proposal which does not deal in a straight-forward manner with the fundamental problem which faces us in our relations with the Nine. At the same time, we do not regard the present situation as, nor do we desire, a confrontation with the Nine. The President and the Secretary place highest priority on our relations with Europe, both in the framework of

the Nine and the Atlantic Alliance. It is in our mutual interests that relationships be as clearly and decisively defined as possible and we are therefore willing to consider in the spirit of friendship and partnership which has characterized transatlantic relations in the past 25 years such proposals as the Nine may wish to put forward. The main point here is that we are ready to consider serious proposals but we are not anxiously awaiting them.

Kissinger

55. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹

Washington, March 24, 1974.

Secretary Kissinger has asked that I pass to you the following report of his stop in Bonn.

"I have had some three hours of talks with Scheel including about 45 minutes in the presence of Chancellor Brandt who came unexpectedly. It was clear that your recent statements have had a major impact on the Germans. They now realize that they would have paid major penalties by following their previous course. As a result, these were the best talks we have had, with serious problems being seriously discussed, though no final agreement was reached.

"The Germans are coming around to the recognition that the problems that have surfaced are not simply procedural but substantive. While I encouraged them to continue their efforts toward more timely and intensive US-European consultation procedures, I left them in no doubt that for us the underlying issue is whether Europe is going to shape its policies in opposition to or in harmony with us. Both Brandt and Scheel say, and I think mean it, that Europe must unite within the context of close Atlantic relations, i.e., in close accord with us. I told them that on that basis we continue to support European unification. The Germans, and through them the other Europeans, should be clear

¹ Summary: Scowcroft relayed a report from Kissinger on his discussions with Scheel and Brandt.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 61, Country Files, Europe, General, German Exchange (1 of 3). Secret; Sensitive; Exclusively Eyes Only. Sent for information. A stamped notation on the memorandum indicates the President saw it.

that what happens next depends on their performance. Much remains to be done, but a beginning has been made.

“We found ourselves in agreement on all the items of interest to the Germans that might arise in Moscow, i.e., Berlin, MBFR, European Security Conference.

“I think this was a valuable stopover. The fact that I will also stop in London will not be lost on the French.”

56. Telegram 68767/Tosec 111 From the Department of State to the Delegation in Acapulco¹

Washington, April 5, 1974, 0059Z.

Subject: Message from Foreign Secretary Callaghan. Following is personal message from Callaghan to you delivered by Ramsbotham to Sonnenfeldt today. Ramsbotham requested strictest confidence.

Begin text:

When we talked in London I promised that we would have a shot at producing a new draft declaration which might be issued by the NATO Foreign Ministers at a special session to celebrate the 25th Anniversary. I have now thought a good deal more about this and have looked at the draft which has been under discussion for so long in the Alliance, and also your own suggestions for adding to it.

We have made an honest attempt to produce a new draft, the object being to find something which would be acceptable to all the fifteen members of the Alliance. In doing this I have had to keep in mind a

¹ Summary: The Department forwarded the text of a personal message from Callaghan to Kissinger.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 24, United Kingdom (15). Secret; Cherokee; Immediate; Nodis. From March 30 to April 9, Kissinger was in Mexico. On March 28, Kissinger met with Wilson, Callaghan, and other UK officials, finding them “skeptical of many of the actions of the Nine, though they do not want to confront them head-on.” Callaghan pledged “full consultation with the US,” while Kissinger promised to “resume our old practice of close contact.” Kissinger noted that while Callaghan had no interest in an EC Declaration, he did wish to conclude a NATO Declaration. (Message Hakto 19 from Kissinger to Scowcroft, March 28; National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 48, HAK Trip Files, HAK Trip, Bonn, Moscow, London, Mar 24–28, HAKTO/TOHAK) Kissinger’s April 6 reply to Callaghan, in which he agreed to defer the NATO commemoration until June and expressed his desire to complete the NATO Declaration by then, is *ibid.*, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, Britain 1974.

number of major considerations. First, it is important to get the essential defence points right. Here there are some problems with the French, though I do not think they are insuperable. Secondly, there is your requirement that there should be a satisfactory passage about consultation. On the other hand if we are to get an agreed document we have to take into account the serious French hesitations about formalizing any procedure, particularly where the Nine are concerned. This is a personal message between us, so I can say that at the recent meetings in Luxembourg where I was exposed to French obduracy on this point despite the efforts of Walter Scheel and myself, I realized the wide political differences that seem to exist on this matter, I cannot accept the French position. Then again as I said to you when we met, there are some phrases in the existing NATO text, and particularly that referring to European Union, which cause difficulties for us here. As against this, many of the European governments, and particularly the Germans, consider this to be an essential feature.

I could send you the draft which we have come up with, although it is in a very preliminary stage, but I think that this would be a waste of time. I am pretty sure that it does not wholly meet any of the considerations set out above—and they are, after all, somewhat contradictory—and I am now convinced, having looked more closely into the matter, that it is unrealistic to think we can get agreement on a substantial declaration to meet all our considerations, within the sort of time-scale that you and I had in mind. It may never prove possible but we certainly cannot do it in time for a special 25th Anniversary session in the month of April.

In addition the death of President Pompidou has created another major uncertainty in European affairs and I very much doubt whether the caretaker French Government will be willing to agree to any major initiative or declaration before the new Presidential elections have determined the future Government of France.

As to a special session to celebrate the 25th Anniversary, I asked our representative in NATO to float the idea informally with his colleagues. Apart from a somewhat lukewarm expression of support from the Germans, there was very little enthusiasm and all concerned, including Joe Luns, focussed on the difficulty of producing in the time available a satisfactory document which could emerge from such a meeting.

I have been wondering what we should do in the circumstances. I have considered the holding of a 25th Anniversary special session which would be followed by a very simple communiqué, basically reaffirming the purposes and principles of the original NATO Treaty. I enclose a very tentative draft to illustrate the kind of document which might be signed in these circumstances. But given the apparent lack of

enthusiasm for a special session I doubt if this would work unless you, the Germans and we were really prepared to put a major push behind it and we might run into difficulties about drafting even the simple communiqué. I imagine you would feel, like me, that such a limited outcome would be unfavorably compared with the aim you set last April and would not be worth the effort and risk involved.

All in all, since international affairs, like politics, represent the art of the possible, I think that the realistic course is to celebrate the 25th Anniversary at the regular spring session in June for which I understand the Canadians have now offered Ottawa. There will have to be a communiqué at the end of that meeting and, if we decide to abandon the declarations or put them on ice indefinitely, it could include appropriate references to the anniversary year and to the fact that the Alliance has served us very well over a period of 25 years. Such a communiqué might still meet some criticism if by then the fundamental problem of consultation and the transatlantic relationship had not been solved, but I think we could live with this, in this more neutral and low-key context.

I find it disappointing to have to come to this conclusion but I think it is right. By all means let us have a word about this on the telephone some time if you would like to do so, or else you can let Peter Ramsbotham know your thoughts. Callaghan

Following is text of communiqué referred to in foregoing message:

The North Atlantic Council met in Ministerial session in Brussels on. . . .

Ministers reaffirmed their commitment to the North Atlantic Treaty, signed on 4 April 1949, they recalled that the primary purpose of the Alliance was, and remains, to safeguard the freedom, common heritage, and civilization of their peoples, founded on the principles of democracy, individual liberty and the rule of law.

Ministers reviewed the achievements of the Alliance in the 25 years since it was set up. They recognized that during that period peace had been preserved in Europe and the foundations for a better relationship with the Soviet Union and the countries of Eastern Europe had been laid. Ministers reaffirmed their conviction that the Alliance was as much an instrument for pursuing détente as for assuring collective defence.

Ministers nevertheless recognized that the essential elements in the situation which originally led to the North Atlantic Treaty had not yet changed. In spite of the improvement in relations between East and West, the Soviet Union and the countries of Eastern Europe had continued to build up their military strength. Ministers reaffirmed that an attack on one or more of their countries should be considered an attack against them all. They saw no alternative in the foreseeable future to

the security provided by United States nuclear forces based in the United States and Europe, and by the presence of North American forces in Europe. They also recognized that the maintenance of security within the area covered by the treaty could be directly affected by events in other parts of the world. They took this opportunity to renew their commitments and obligations to each other, and expressed the belief that each country should undertake, according to its place in the Alliance, its proper share of the burden of maintaining the security of all.

At the same time Ministers expressed their determination to seek further improvement in relations between East and West. Those representing countries participating in NATO's integrated defense programme resolved to continue their efforts to secure international agreements which would ensure undiminished security at lower levels of forces and a more stable relationship in Europe.

Ministers agreed that their common efforts to preserve the independence, to maintain the security and to promote the well-being of their peoples could only be pursued effectively in a spirit of close cooperation and mutual trust. With this in mind they resolved to strengthen the links between them in the knowledge that their unity of purpose would enable them to fulfill their wider obligations towards the world at large.

End text.

Rush

57. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, April 24, 1974.

Mr. Secretary:

I think Art is right in suggesting that we should have some sort of line on our attitude regarding European unity. If you don't approve one in this set of talking points, it will merely come back to you because the Europeans will hound us with questions about our attitude—as they did me at the Bilderberg meeting. So I think there is value in getting you to focus on and approve a line to be used, if you prefer, in response to questions rather than spontaneously.

Art's proposed line, page 2 of his memo, is one way to do it; another would be to say that we have always supported unity but of course must now ask ourselves what the purpose of that unity is—it cannot be an end in itself to us, or an abstraction. We cannot be expected to support a unity whose main reason for being is opposition to the US; moreover, such a unity would undermine the indivisibility of our security, to the detriment of interests on both sides of the Atlantic. The unity we support, therefore, is one in which Europe will work. . . . [and then go on with Art's points in his memo].

Recommendation

That you approve a contingency line such as the above.

Agree

Other

Sonnenfeldt

¹ Summary: Sonnenfeldt requested Kissinger's approval of a position on European unity.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, HS Chron—Officials, Jan–Apr 1974. Confidential. Kissinger initialed his approval of the contingency line on April 24. All brackets are in the original. On Hartman's April 22 memorandum, Kissinger initialed his approval of the recommendation on April 24, writing in the margin, "as amended by Sonnenfeldt." Attached to Hartman's April 22 memorandum, but not published, is Tab A, undated. On Tab B, Kissinger crossed out point 1 of the recommendation and wrote at the bottom of the page: "Delete 1st point. I don't want us to push unity but we should not oppose it either." Kissinger discussed the UK entry into the EC, European unity, and the United States with his senior staff members at an April 23 staff meeting. (Ibid., Transcripts of Secretary of State Kissinger's Staff Meetings, 1973–1977, Entry 5177, Box 3, Secretary's Staff Conference, April 23, 1974)

Attachment**Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Hartman) to Secretary of State Kissinger**

Washington, April 22, 1974.

Your Comment on my EC Talking Points

I realize that “a foolish consistency is the hobgoblin of little minds adored by little statesmen. . . .” But I am convinced that, because of our previous statements on European unity (a collection of which is attached at Tab A), if we do not reiterate our support for European unity the charge will be made that we have changed our basic policy. In fact, Jobert has already said just that in his “Le Monde” interview.

The line that the French are taking is that if the British want to leave the Community, that is their choice to make. The next step could be a French charge that the American “special relationship” with the British has been revived and that we and Wilson are out to “do in” the European Community. The French are already citing your conversations with the British—which someone on the British side must have let out—and specifically a remark attributed to you that you were not sure after the past year whether European unity would strengthen the West. We do not wish to become the scapegoat for the ills of the Community which the French, more than anyone else, have brought about.

The argument that we have been engaged in with the “Europeans,” but really only with the French, is about how European unity is to be defined. We have had some success in gaining recognition for our point of view not only from the British Government but, as you heard in your recent conversations, from the Germans, Dutch and Luxembourgers as well. There are positive advantages for us in taking the high road and saying at this time that we are in favor of a unified Europe that can work confidently and cooperatively with the United States directly in the framework of the Atlantic Alliance. That position still leaves us free to say that the decisions on what form their unity takes are for the Europeans themselves to make.

Most of the EC members would be prepared to say that such a unified Europe is indeed their objective. Why hand the field to the recalcitrant French? I agree, as you said in your comment on my memorandum (Tab B), that we should not “push”. But I believe that setting out our view about the kind of cooperative relationship we want will help us to avoid becoming involved in what is bound to be a divisive debate in Europe. On the other hand, a sudden silence by us, which

would be taken as implying a change in our policy, could have the opposite effect of involving us in the debate in a way which would line us up with a combination of Gaullists and “Little Englanders.”

Recommendation:

That the line you approved in my earlier memorandum (Tab B) be altered to include the following point which should not be “pushed” but should be made as appropriate in order to avoid any charge that we have backed off our long-standing support for European unity:

—We continue to support European unity, as we have throughout the post-war period. Implicit in this support, however, is the assumption that a unified Europe will work confidently and cooperatively with the United States, directly and within the framework of the Atlantic Alliance. We do not want a weak Europe that we can dominate but rather a strong partner with whom we can work together on common problems.

Attachment

Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Hartman) to Secretary of State Kissinger

Washington, April 12, 1974.

UK–EC Negotiations: The US Position

Purpose

The purpose of this memorandum is to obtain your approval of the initial position that we should take on the UK’s renegotiation of its participation in the European Community.

Problem

European officials will want to discuss the UK renegotiation with US officials in Washington and abroad in the coming weeks. The problem will certainly arise when Peter Shore, the new British Minister of Trade who is a leading opponent of UK participation in the Community, visits Washington April 17–19 and sees officials in Treasury, Commerce and other departments as well as in State. We need a detailed study of this problem and we have begun this work. But completion must await further clarification of British thinking.

Discussion

My own strong feeling, as you know, is that a British role within any European structure is essential to prevent a Franco-German polar-

ization. I know that Heath was little help to us in our political problem with the EC, but his government—and the British in the Commission—worked actively with us to further trade liberalization objectives and launch the Tokyo Round negotiations. Wilson will, in addition, join us more closely on political matters. These are the matters we will be examining closely in our study.

Recommendation:

In the meantime, I recommend that we follow the line you have indicated in several of your conversations (suitably amplified on the trade side which you have not covered):

1. We continue to support European unity. We do not want a weak Europe that we can dominate but rather a strong partner with whom we can work cooperatively on common problems.

2. The form that Europe takes is for Europeans to decide, but we cannot accept a European identity whose main definition is opposition to US policies. We see no inherent contradiction to growing European unification in the framework of an Atlantic Alliance.

3. We need both the political will and procedures to carry out effective consultations to assure that our policies are not in conflict. The purpose of the declarations was to register that act of political will.

4. Specifically, the British request for renegotiation of some of their arrangements with the EC is not a matter for specific US advice or comment. Our view is that any economic agreements reached by this important trading partner that affect our interests should support the understandings we already have with them to move toward further world-wide liberalization of trade through GATT negotiations.

If you agree I would like to circulate this guidance to other agencies and to the field.

58. Telegram 3929 From the Mission to the European Communities to the Department of State¹

Brussels, June 8, 1974, 0957Z.

Subject: US/EC Consultations, June 6–7: Overview.

1. Summary. US/EC consultations covered a wide range of mutual economic issues. A positive and constructive spirit prevailed through most of meeting in the wake of recent settlement of Article XXIV:6 negotiations, but a somber tone was injected by discussion of potential serious trade problems in wine and dairy sectors. End Summary.

2. June 6–7 US/EC consultations in Brussels (reported in detail in septels) opened on a strong positive note resulting from last week's successful conclusion of Article XXIV:6 negotiations, eliminating the threat of trade retaliation that had cast a shadow over US-European commercial relations in recent months. Both the US delegation led by Ambassador Eberle and Assistant Secretary of State Hartman and the EC delegation headed by Commissioner Soames, expressed deep satisfaction that long and arduous efforts had succeeded. In a series of plenary and committee discussions on trade, investment, energy, EC-Arab cooperation, raw materials and other LDC issues, participants took constructive attitudes in trying to anticipate problems and seek jointly managed solutions. Soames closed the meeting with a strong statement of appreciation for Secretary Kissinger's tireless and successful efforts in the Middle East. Principal accomplishments of consultations were:

A. Agreement to explore the possibility of a renegotiation of the chicken war;

B. A decision to consult before fall on general development policies involving the related issues of financial aid, UNGA, food aid, trade and investment with LDCs and technological transfers;

C. Agreement to examine before summer related food aid, grains, beef and MTN issues;

D. Concurrence on scheduling before the fall an examination of specific sectors of industrial policy;

E. A decision to try to concert tactics prior to GATT trade negotiating committee sessions.

3. On the Euro-Arab dialogue, the Commission drew a clear distinction between its role as advisor to the Nine governments in connec-

¹ Summary: The Mission provided an overview of U.S.–EC economic consultations. Source: National Archives, RG 59, Central Foreign Policy Files, 1974. Limited Official Use. Sent for information to Bonn, Brussels, Copenhagen, Dublin, London, Luxembourg, Paris, Rome, The Hague, the Mission in Geneva, and the Mission to the OECD. On May 31, Nixon announced the successful conclusion of the U.S.–EC Article XXIV: 6 negotiations; for the text of his remarks, see *Public Papers: Nixon, 1974*, p. 464.

tion with the initiatives being undertaken in the framework of political cooperation and those matters the Commission is carrying on for the European Economic Community as such—Mediterranean policy, and the individual agreements it has or is negotiating with the states in question. The Commission promised to consult with us on aspects of the Euro-Arab dialogue which fall within the Community's competence, which will likely include most substantive aspects of EC-Arab economic and technical cooperation.

4. In the trade field, we heard a strong plea from the Commission side emphasizing:

A. Its view that MTN is more important in the current context than when it was first conceived and

B. That early enactment of the trade bill is essential. In the agricultural field, we made clear to Commissioner Lardinois and his associates our concern about the current situation on the world beef market and the pressures on the US resulting in part from restrictive action by the Community.

5. A major point of discord arose when the US warned the Commission that serious problems lie in our wine and dairy trade. Community failure to respond to upcoming US regulations on wine bottle sizes may jeopardize European wine shipments to the US. The Community also faces a serious risk of countervailing duties against EC restitutions on dairy exports. Soames appeared shocked at this news and said that US restrictions on EC wine or dairy exports, following the strenuous Article XXIV:6 negotiations, would be seriously damaging to US/EC relations. He asked that we inform the highest US political levels of the dangers involved.

6. The general assessment of consultations on both sides, despite the serious tone of discussions on wine and dairy products, was that a more open and constructive approach had prevailed than in previous consultations. The interspersing of plenary and specialized committee sessions enable more detailed discussions on highly complex subjects such as energy and raw materials policy. The expressed need for a broader approach toward major areas of policy such as development and trade/technology/investment issues also distinguished this consultation from the narrow issue focus of some earlier sessions. Perhaps most important, the mutual desire to engage in full US/EC consultations on a wide range of economic policies before taking decisions or entering broader international fora appears to represent a significant shift in Atlantic political-economic attitudes.

Greenwald

59. Telegram 9398 From the Embassy in the Federal Republic of Germany to the Department of State¹

Bonn, June 12, 1974, 1545Z.

Cairo for U.S. Del. Geneva for CSCE Del. Subject: U.S./EC–9 Consultations: EC–9 Ministerial Discussions.

1. At June 10–11 EC–9 Ministerial meeting in Bonn, the Ministers confirmed Foreign Minister Genscher's introductory explanation of the "Gentlemen's Agreement" reached between the U.S. and the Nine on the consultation issue. In his introductory remarks Genscher read off the consultation formula agreed to at Gymnich and confirmed at the May 27–28 Political Committee meeting (see Bonn 8600—para 2, Limdis). Genscher then reminded the Nine that all information and documents regarding EC consultations are confidential and normally should only be shown to outsiders by the Presidency. Finally, Genscher described the "basically favorable" U.S. reaction to the Gymnich formula and said that the U.S. was prepared to go forward on that basis. He noted, however, that the U.S. attached great weight to both sides manifesting the will to make this informal arrangement work.

2. Sauvagnargues (as well as the other seven Ministers) fully subscribed to the above approach, saying he thought the dispute over consultations had been somewhat artificial and had been tied up with underlying substantive issues and differences. Sauvagnargues said he was delighted that the matter had been solved in an informal way and that "it was normal to talk to our friends before, during and after events." Sauvagnargues added, and the other eight Ministers agreed, that such consultation arrangements obviously do not detract from the right of the EC–9 or of the GOF to take independent decisions. Our German source added, and we concurred, that no one ever disputed that point.

3. EmbOff then reminded FonOff official of the importance of continuing close bilateral contacts between the U.S. and FRG as well as

¹ Summary: The Embassy reported an EC Ministerial discussion of a U.S.–EC consultative mechanism.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974. Confidential; Priority. Sent for information to London, Paris, Rome, Brussels, The Hague, Luxembourg, Dublin, Copenhagen, Ottawa, the Mission to NATO, the Mission to the EC, the Mission in Geneva, and the MBFR Delegation in Vienna. Sent priority for information to Cairo. On June 11, Genscher informed Kissinger that the EC President would be empowered "to consult on basis of unanimous consent, supplemented by bilateral contacts." Genscher and Kissinger agreed that while this procedure was not new, "it now seemed to be infused with a genuine will to consult, which was new." (Backchannel message WH41810 from Rodman to Hillenbrand, June 12; *ibid.*, Nixon Presidential Materials, NSC Files, Box 425, Backchannel, Backchannel Messages, Europe, Vol. II, 1974 (1 of 2))

other EC–9 member states. EmbOff stated that such bilateral contacts concerning developments in EC political consultations would be important in supplementing official information from and consultations with the Presidency. FonOff rep recalled Genscher’s second point, made above, that the Presidency should be the principal channel and that Bonn considered this corresponded to U.S. wishes. However, he assured us that bilaterals would continue, “as a sort of safety valve,” and might best be utilized following AmEmbassy official contacts with the Presidency. Comment: We are both talking about the French Presidency, and one can assume the Germans have gotten the message. End comment.

4. EC–9 Ministerial meetings during the French Presidency are scheduled for Sept 16 and Nov 18 in Paris. First Political Committee meeting in Paris is planned for July 8. There may be one more Political Committee meeting in Bonn later this month. An EC–9 summit seems most unlikely during the German Presidency.

Hillenbrand

60. Message HAKto 2 From Secretary of State Kissinger to President Nixon¹

Ottawa, June 19, 1974, 1425Z.

The NATO meeting here in Ottawa has gone extremely well, with the new Foreign Ministers from Britain, France and Germany all contributing to a far more constructive mood than last December. There is widespread admiration for your Middle East trip and satisfaction about your forthcoming visit to Brussels. Trudeau’s decision not to attend is clearly motivated by the extremely tight election campaign which is at its climax now.

¹ Summary: Kissinger reported on the NATO Ministerial meeting in Ottawa.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 51, HAK Trip Files, HAK Trip, Ottawa, Jun 18–19, 1974, TOHAK/HAKTO & Misc. Secret; Immediate; Sensitive. On June 26, Nixon signed the “Declaration on Atlantic Relations” at a NATO heads of government meeting in Brussels. For the text of the declaration, see Department of State *Bulletin*, July 8, 1974, pp. 42–44. In telegram 3683 from the Mission to NATO, July 3, the Mission provided a cautiously optimistic assessment of the state of alliance relations. (Ibid., RG 59, Central Foreign Policy Files, 1974)

The text of the Atlantic Declaration has been completed and will be ready for your signature in Brussels in what promises to be a dignified ceremony.

I provided the Ministers with a briefing on our Middle Eastern policy and your trip. I think they now understand better that our criticism of their initiative toward the Arabs was not intended to exclude them from the area, but related to the dangers it might pose to efforts toward a settlement.

I also gave them a preview of some of the specific issues at the Moscow Summit. You will of course have an opportunity next week in Brussels to discuss our strategy and the major issues in greater detail. The Allies were clearly appreciative of the effort we are making to keep them informed and seek their views; all welcomed the demonstration of Allied cohesion. At the same time, we have also managed to tone down some of the more querulous communiqué language that some wanted to include on CSCE—language which would have complicated matters with Brezhnev.

In sum, I think this has been a good meeting with the Allies and a good prelude to your summit meetings with them and with Brezhnev.

Finally, let me tell you how very well your Middle East trip has gone. You have clearly put us on the road to a whole new set of productive relationships throughout the area; it has been an historic trip and an historic achievement.

61. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, undated.

SUBJECT

Supply of B61 Tactical Nuclear Bomb to Certain NATO Nations, and Support of the MRCA

[5 lines not declassified] State and AEC support these recommendations.

The number of B61 bombs to be supplied is not fixed as yet, but would not exceed a one-for-one replacement of the current nuclear bombs as they are retired. All nuclear bombs in Europe are equipped against unauthorized arming, stored in approved sites, and held subject to U.S. custody and control.

The B61 would not be supplied until the late 1970's, but your approval in principle is needed now to allow the transfer of necessary technical information and initiation of long range planning.

[2½ lines not declassified] This limit was placed at the level of an earlier bomb, and it is appropriate to modify the limit to allow the transfer of the B61.

The MRCA fighter/bomber is under development in Europe, and will be a replacement for the German and Italian F-104's. Your approval in principle for provision of nuclear weapons is needed in order to allow the transfer now of technical information to insure MRCA compatibility with these weapons. Certain work on the aircraft is *currently suspended* pending the commencement of the technical information flow.

Secretary Schlesinger's proposals are consistent with our policy on supplying nuclear weapons to NATO, and I recommend you approve them.

[4½ lines not declassified]

¹ Summary: Kissinger discussed the supply of B61 tactical nuclear bombs to certain NATO members and support for the German and Italian multi-role combat aircraft (MRCA).

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-248, Policy Papers 1969–1974, NSDM 258. Top Secret. Tab A was not attached. Attached but not published is Tab B, a March 29 memorandum from Schlesinger to Nixon. A stamped notation on the memorandum indicates the President saw it. Nixon initialed his approval of Kissinger's recommendation. Kissinger signed both NSDM 258, Nuclear Weapon Yield: Amendment to NSAM 143 and NSAM 199, and NSDM 259, Programs of Cooperation for Nuclear Bomb Support of Non-U.S. NATO Nations, on June 20. (Ibid.)

Recommendation:

That you approve the actions indicated in the NSDM's at Tab A.

62. Memorandum for the President's File Prepared by the President's Assistant for National Security Affairs (Kissinger)¹

Washington, August 9, 1974.

SUBJECT

Meeting with NATO Ambassadors and Chargés d'Affaires Friday, August 9, 1974, 2:00 p.m.—The Roosevelt Room, The White House

PARTICIPANTS

Mr. Herman Dehennin (Belgium)
His Excellency Marcel Cadieux (Canada)
His Excellency Evvind Bartels (Denmark)
Mr. Francois de La Gorce (France)
Mr. Hans H. Noebel (Federal Republic of Germany)
His Excellency Dr. Constantine P. Panayotacos (Greece)
Mr. Thorsteinn Ingolfsson (Iceland)
Mr. Giulio Tamagnini (Italy)
Baron Albrecht N. Van Aerssen (Netherlands)
Mr. Harald Svanoe Midttun (Norway)
Mr. Pedro Alves Machado (Portugal)
His Excellency Melih Esenbel (Turkey)
His Excellency The Honorable Sir Peter Ramsbotham (UK)

The President

Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs

Helmut Sonnenfeldt, Counselor, Department of State

Wells Stabler, Deputy Assistant Secretary for European Affairs

A. Denis Clift, NSC Senior Staff

In his opening remarks, Secretary Kissinger informed the NATO Ambassadors and Chargé d'Affaires in attendance that the meeting was being held in the White House to permit the President to stop by for a few minutes to meet with the Ambassadors. Secretary Kissinger

¹ Summary: Kissinger recorded a meeting with the NATO Ambassadors.

Source: Ford Library, National Security Adviser, Presidential Agency Files, Box 13, NATO, 8/12/74–9/30/74. Confidential. Kissinger did not initial the memorandum. On August 9, Richard Nixon resigned the Presidency and was succeeded by Gerald Ford.

said he would continue to serve both as Secretary of State and Assistant to the President for National Security Affairs. He noted that those in attendance had been serving in the United States during a difficult and tragic period in America's history. However, he went on to say that the content of US foreign policy had not been impaired by the domestic problems which President Nixon had faced. United States foreign policy he said has bipartisan support, and for this reason the continuity of our foreign policy is assured.

Secretary Kissinger said that he had had a long talk with President Ford on August 8 and from that conversation he could repeat to the Ambassadors that the main lines of the American foreign policy will continue. The United States' commitment to NATO, he said, continues to be a strong and fundamental part of our foreign policy—symbolized by the fact that the NATO Ambassadors are the first group to be received at the White House in the new Administration.

Secretary Kissinger said that the President would be sending letters to each head of government in the NATO countries and that he would also be writing the foreign ministers. The United States he said wants to continue business without any interruptions and business should be conducted as always—even our quarrels, he said, can continue with the usual vigor.

In all seriousness, Secretary Kissinger said, the United States believes it important for the West to emphasize its unity at this time. He added that that should be easy since we have no major quarrels. (He noted some of our allies are doing fairly well without us, but said, in this connection, that the U.S. has expressed its appreciation to the UK Government and the other parties for their handling of the situation in Cyprus.)

Looking at the current items on the US-European agenda, Secretary Kissinger said with regard to CSCE that our consultations are proceeding satisfactorily. On MBFR we should soon have occasion to discuss the Allies' position. On SALT, the United States is developing a new approach for the strategic arms talks in Geneva. As soon as this internal work is completed we will be consulting with the NATO Allies on our position. He said that on matters of importance to Europe such as FBS, the Europeans need not be concerned.

Secretary Kissinger again noted that the President would be writing all NATO members and that he also would be in correspondence with his NATO counterparts. More generally he said, through meetings with groups such as this, through additional meetings at the State Department and through meetings by U.S. Ambassadors in foreign capitals, the Administration would be reviewing the basic lines of U.S. foreign policy with all countries with which we have diplomatic relations. He added, that with those countries with whom we are expe-

riencing recalcitrance, we will be telling them that now is not a good time to test U.S. intentions, that if they do so we will have, in fact, to overreact.

Ambassador Cadieux noted that correspondents based in Washington would be asking the Ambassadors questions about the substance of this meeting. Secretary Kissinger said that the Ambassadors' should feel free to repeat what he had told them: that U.S. foreign policy will continue, that NATO will continue as a primary instrument of that foreign policy, that the strength of Atlantic ties will continue and that the process of consultations will grow. He added that the Ambassadors could also point out—and that even if they did not do so, the U.S. Government would point out—that the NATO countries had intentionally been selected for this first meeting. Ambassador Cadieux said, speaking for Canada, he thanked the United States for this initiative and extended Canada's very best wishes to the new President.

Sir Peter Ramsbotham associated himself with Ambassador Cadieux's statement and informed Secretary Kissinger that the British Prime Minister was sending the President a message wishing him well and drawing attention to the major problems before the West. Sir Peter thanked Secretary Kissinger for having called this meeting, noting that it is both symbolic and very much appreciated.

Secretary Kissinger said that he has known the President for a long time, noting that the President some years before had been a participant in one of his seminars. The Secretary said the only former student of his giving him difficulty is the Prime Minister of Turkey. The Ambassador of Turkey said that his Prime Minister hoped that the Secretary's interest would continue. The Secretary said that yes, his interest would continue, adding that all U.S. policies will be continued for better or for worse.

Ambassador Bartels noted the Secretary's earlier statement on SALT and asked if the Secretary's visit to Moscow would be postponed. Secretary Kissinger said that it depends on when one expected the visit to take place. Early September has been abandoned, he said, and his present plans are to make the visit in the second half of October. Secretary Kissinger added that the U.S. will resume talks with the Soviets in Geneva around September 10th. We do not expect that the first phase of these talks will be conclusive. If, he said, it appears progress is possible he will go to Moscow in the second half of October, and then we will know if progress is possible.

Secretary Kissinger asked the British Ambassador if he had interrupted his vacation to return to Washington today. The Ambassador said that he had, noting that he had been the guest of Dillon Ripley. The Secretary asked the same question of Ambassador Cadieux who replied that he had been back in Washington for a couple of weeks fol-

lowing his vacation. Mr. Sonnenfeldt noted that Canada now had a new foreign minister—Allan MacEachen. Ambassador Cadieux confirmed this. The Secretary observed that, in terms of tenure, he was about to become the Dean of the NATO Ministers.

The Norwegian Chargé d’Affaires informed the Secretary that his Prime Minister had made a statement to the effect that the events in Washington are a sign of the strength of American democracy, and that the Prime Minister had expressed his pleasure that Secretary of State was staying in office. In response to a question about his own vacation plans, the Secretary said that he did not have any in mind, that he had to be in Washington for the transition period. He added that this was the third transition he had seen in the White House.

The Norwegian Chargé asked if the new U.S. President would be as active in foreign policy as the former President. Secretary Kissinger said that in his experience with Presidents one never knows until they are actually at work in office what their practices will be. He observed that President Ford would probably be more interested in domestic issues than was President Nixon, but he added that the new President is very definitely an internationalist. The Norwegian Chargé asked if the President has any travel plans. The Secretary said the President would not travel at least until after the November elections. He added that the President would be raising the matter of meetings in his correspondence with foreign leaders.

The President entered the meeting at 2:20 p.m. and was introduced to the NATO representatives in attendance, each of whom extended the best wishes of their countries to the President. The Secretary advised the President that on his behalf, he had informed the NATO Ambassadors that it was the President’s wish that they be the first group to meet with him at the White House. The Secretary also noted that he had underlined the continuity of U.S. foreign policy.

The President thanked the Secretary. He welcomed the Ambassadors and expressed his pleasure at meeting with them. He said he looked forward to working with the Secretary of State on continuing the policy which he had known since he came to the Congress in 1949. It is important, the President said, to have a strong alliance with NATO and Western Europe. And, he said, we have a continuing policy that has paid big dividends. The President noted that there had been some US-European problems but added that he has been impressed by the headway made in the last few months. With regard to current specific issues in US-European relations, he said he would be reviewing the entire agenda with Secretary Kissinger in the near future. In concluding his remarks, the President, speaking to each NATO Government through the Ambassadors in attendance, said that the United States is

proud of the US-European relationship, and he asked the Ambassadors to extend his best wishes to their heads of government.

At 2:25 p.m. the Press Corps was admitted to take photographs. At 2:27 p.m., following the departure of the Press, the President excused himself and left the meeting.

Secretary Kissinger informed the Ambassadors that he covered the points that needed to be covered. He said the U.S. Government is available for normal business and that we will continue such business. The Ambassadors again expressed their thanks for the meeting and the meeting then adjourned at 2:28 p.m.

63. Telegram 229458 From the Department of State to All North Atlantic Treaty Organization Capitals¹

Washington, October 18, 1974, 1535Z.

Subject: NATO Ministerial Guidance. Ref: USNATO 5132 (NTTAL).

1. For Paris: You are authorized to draw on substance of following letter from SecDef to NATO DPC MOD's for use in discussions with senior country officials as appropriate.

2. For Athens: We would appreciate Embassy views on following alternatives: A. Deliver letter in present form to Averoff, B. Send letter with covering note from Ambassador which would put letter in Greek perspective, C. Provide oral briefing to Defense Ministry on letter's substance, or D. Do nothing.

3. For USNATO: You may make text available to SYG Luns for his information. Please pouch complete text of US discussion paper on Ministerial guidance to US DEL MBFR, Vienna, if not already furnished.

4. For other NATO capitals: Request Embassies pass the following message of October 17, 1974, from Secretary of Defense James R

¹ Summary: The Department instructed recipients to relay information on NATO Ministerial guidance to their host governments.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974. Confidential. Also sent for information to the MBFR Delegation in Vienna, USNMR SHAPE, USCINCEUR, USLOSACLANT, CINCLANT, USDEL MC, CINCUSAREUR, CINCUSNAVEUR, and CINCUSAFE. Drafted by James Tyler in OASD/ISA; cleared by Wickham, ASD/ISA, PM/ISP, EUR/RPM, EUR/WE, EUR/SE, C, and S/S; and approved by Lowenstein.

Schlesinger to Minister of Defense (Reykjavik to Prime Minister or Minister of Foreign Affairs as appropriate).

Begin text: Dear Mr. Minister: The United States has tabled in NATO a draft text dealing with key elements of Ministerial guidance and embodying a proposed long-range concept for NATO defense. Ambassador Rumsfeld has furnished a copy to your permanent representative in Brussels.

I would like to share with you the reasoning which led to our submission.

We see NATO's success in assuring peace in Europe since World War II as bringing with it a new generation that knows no war and questions the need for large expenditures on defense. We face a public that challenges the utility and even the necessity of NATO defense.

We see the Warsaw Pact as strengthening its military position facing NATO, even in a period of negotiations on SALT, CSCE, and MBFR. To maintain a credible deterrent in this situation, we must provide for improvements in NATO forces, although not necessarily on a one-for-one matching basis.

We are clearly in difficult economic times, when we can expect no major increases in defense funding. We face the challenge, therefore, of going before Finance Ministers and our people and parliaments with defense resource requests which will provide an acceptable and coherent defense at a reasonable price.

These difficulties did not arise overnight and are complicated by recent trends: the Soviets have steadily continued to increase their military capabilities (e.g., Soviet attainment of strategic nuclear parity and the expanded deployment of the Soviet fleet); Allied costs for supporting military personnel and procuring modern equipment have risen sharply; and public expectations for improved East-West relations have been heightened by CSCE, MBFR, and SALT negotiations.

In the Atlantic Declaration recently signed by heads of governments, Allied nations pledged renewed commitment to collective security.

We believe that NATO must now agree on a long-range defense concept, in support of the agreed NATO strategy, which will permit us to meet these major concerns and permit us to put together a stalwart conventional capability, as a major part of the NATO triad, that will provide the underpinning for the political stamina of NATO nations for the long haul.

The US draft tabled in NATO addresses these concepts. It adds a long-range defense concept to the traditional Ministerial guidance. It also expands the traditional guidance to cover country and common program efforts, as well as guiding the NATO military authorities.

Agreement to specific language in the US draft is not so important as the serious examination and discussion of the key elements. We are particularly anxious to have a thorough discussion of the problems by Ministers in December, under the agenda item of key elements of Ministerial guidance.

We think the key elements of a defense concept for NATO over the long haul would include the following:

- Rationale for the continued need for an effective NATO defense;
- Projection of requirements for increasing resource levels, involving marginal annual increases in real terms (three percent);
- Continued emphasis on conventional capability within the framework of NATO's current strategy;
- Attainment and maintenance of a perceptible conventional balance with the Warsaw Pact within projected resource levels;
- Search for additional defense effectiveness within roughly present resources through rationalization, standardization, increased common support programs, and other forms of cooperation, and through rigorous application of priorities in force improvements;
- Increased flexibility in planned use of NATO forces, both those forward deployed and reinforcements.

Clearly, an indispensable part of the concept would be a more comprehensive mechanism for monitoring its implementation.

In summary, we have tabled in NATO what we consider to be a major proposal for supporting and directing the NATO defense effort in the long term, and we hope that this proposal will be considered seriously in NATO committees this fall.

I look forward to a full exchange of views among Ministers in December in Brussels on how NATO can best deal with its defense problems over the long haul.

Sincerely,

James R. Schlesinger

End text.

Kissinger

64. Memorandum of Conversation¹

Bonn, November 4, 1974, 11:55 a.m.–1:30 p.m.

SUBJECT

Meeting Between SecDef and Minister of Defense Georg Leber (Open Session)
(4 November 1974)

PARTICIPANTS*Federal Republic of Germany Side*

Minister of Defense—Georg Leber

Chief of Staff, Federal Armed Forces, FMOD—Admiral Armin Zimmermann

Personal Assistant to the Minister of Defense—Dr. Walter Stuetzle

Director, Information and Press Staff, FMOD—Armin Halle

Director, Planning Staff, FMOD—Vice Admiral Rolf Steinhaus

Assistant Chief of Staff, Politico-Military Affairs and Operations, Armed Forces
Staff, FMOD—Rear Admiral Herbert Trebesch

Assistant for Arms Control, Disarmament and MBFR, Office of the Assistant
Chief of Staff for Politico-Military Affairs and Operations, Armed Forces
Staff, FMOD—Colonel Peter Tandecki

Assistant for Politico-Military Policy and Nuclear Affairs, Office of the Assistant
Chief of Staff for Politico-Military Affairs and Operations, Armed Forces
Staff, FMOD—Colonel Wolfgang Altenberg

Adjutant to the Minister of Defense—Lieutenant Colonel Peter Heinrich Carstens

Interpreter—Mr. Egon Dudka

Interpreter—Mr. Karl Freudenstein

United States Side

Secretary of Defense—James R. Schlesinger

Assistant Secretary of Defense, ISA—Robert Ellsworth

United States Ambassador to the Federal Republic of Germany—Martin J.
Hillenbrand

Acting Assistant Secretary of Defense, PA—William Beecher

Secretary of Defense Representative to MBFR Negotiations—Bruce C. Clarke, Jr.

Director, Net Assessment—Andrew W. Marshall

Deputy Assistant Secretary of Defense (ISA), European and NATO Affairs—
Harry E. Bergold, Jr.

Military Assistant to the Secretary of Defense—Major General John A. Wickham,
Jr., USA

Defense Advisor, United States Mission to NATO—Dr. Laurence J. Legere

United States Defense and Army Attaché to the Federal Republic of Germany—
Colonel Hanz K. Druener, USA

Politico-Military Affairs Officer, United States Embassy, Bonn—Robert A.
Remole

Assistant for Central Europe, European Region, ISA—Colonel David E. Hartigan,
Jr., USA

Interpreter—Major Klaus F. Loehr, USAF

¹ Summary: Schlesinger, Leber, and U.S. and FRG officials discussed various issues in U.S., FRG, and NATO defense.

Source: Washington National Records Center, OASD/ISA Files: FRC 330-77-0054, 333 Germany 20 Nov 74. Secret. Drafted by Assistant for Central Europe, European Region, Colonel David Hartigan, Jr.; and approved by Ellsworth on November 20.

1. (U) *Opening Remarks*

MOD Leber welcomed SecDef and members of his party to the Federal Republic of Germany and to the Federal Ministry of Defense, noting that the occasion marked the first official visit to the FRG by a United States Secretary of Defense since the Alliance was formed. He emphasized that the visit was highly important, both politically and psychologically, and that, though our contacts at all levels are exceptionally good and close, it is necessary for ministers to meet and talk on a recurring basis, since some matters always require resolution at that level. MOD Leber noted that there was not a fixed agenda for the open-session discussions, but hoped that both delegations might address topics of mutual interest. SecDef responded that he was delighted to visit his friend and colleague, Georg Leber, and added that, though he had visited the FRG on earlier occasions, an extra note of piquancy attended his visit as an official guest of the Minister of Defense.

2. (C) *Conventional Force Improvements*

MOD Leber began the formal discussions by noting that he and his staff have followed closely the activities of our Congress and are well aware of the pressures being exerted to strengthen the conventional component of U.S. forces. In fact, he continued, the FRG began improving its conventional forces when it became clear that it was in this area that our attention was focused. The restructuring of the Bundeswehr is a beginning move in the direction of an improved conventional force; it should be viewed not simply as an organizational exercise, but as a genuine effort to make the Bundeswehr more effective and to orient it more specifically toward the threat. The overall objective is to make the deterrent more credible and to eliminate those gaps in the deterrent posture which, if not corrected, would lower the nuclear threshold. To attain these goals, the antitank capabilities of the Federal Armed Forces are to be qualitatively and quantitatively increased in the next two years; three additional brigades will be formed to achieve a 36-brigade force; an optimum distribution of all types of weapons and weapon systems is being worked out; and the mountain division, for which there is no viable mission—as presently configured and geographically oriented—is being converted to a mechanized infantry division and reoriented toward the threat from the East. These are but examples of the FRG's efforts to improve the conventional balance and to raise the nuclear threshold.

SecDef congratulated MOD Leber on the positive steps being taken to increase the combat capabilities of the Bundeswehr. Reflecting that the Soviets have continued to strengthen their forces, overall—and notably those in Eastern Europe—since 1969, he noted that actions being taken to improve the Bundeswehr were not in conflict with, but,

rather, in the true spirit of, *détente*. In fact, the West should adopt the Soviet view in its entirety and, by strengthening its forces, achieve the balance required to sustain *détente*. With this goal in mind, improvements being made in the conventional combat capabilities of the Bundeswehr are most appreciated. We, too, plan improvements, the most noteworthy of which will be to increase our ground combat power in Europe by more than two brigades. Though it will be necessary to work out a number of details connected with the deployment of additional U.S. forces, the overall effect—regardless of specific deployment areas decided upon—will be that of strengthening the West.

MOD Leber noted that he was especially pleased with our plan to deploy two additional brigades and other combat forces to the FRG. He commented, however, that he is worried about the things he sees happening around us and is very hopeful that our Alliance partners will not view U.S. and FRG force improvements as signals to reduce their forces. There are known existing weaknesses in the area of North Germany, and the Dutch and Belgians progressively are becoming weaker. Aside from what our two nations are doing, there is no evidence of the on-the-spot strengthening of other nations' forces considered so essential. These matters must be laid out and discussed at the next DPC. Given the state of public and congressional opinion in America, SecDef responded, it is obvious that a collective Europe—even though the term is somewhat ambiguous—must do more, not less. He continued to say that he will not be shy about baring these hard facts to other Alliance partners when and as the need arises. Remarking on the interest shown by the European states in recycling petro-dollars, SecDef noted that some nations might not qualify for the benefits of recycling if they fail to do what is required in the defense sphere. MOD Leber noted that Chancellor Schmidt would be interested in discussing this point with SecDef when they met later in the day.

3. (S) *The NATO-Warsaw Pact Conventional Balance*

MOD Leber pointed out that, with respect to the conventional balance issue, the FRG has problems where public and parliamentary opinion is concerned, although those problems are not as severe as they are elsewhere in Western Europe. We must exercise reasoned restraint in explaining to the public that we have reached, or are approaching, a conventional balance. If we fail to do so, the attitude no doubt will be that, given a balance, Alliance members can relax and do less. In short, we must be careful not to compute ourselves into a theoretical box. SecDef said that he agreed entirely. The United States has not suggested that a conventional balance exists at this time. There are known deficiencies. On the Hill, SecDef pointed out, he advises the Congress that a conventional balance is not hopeless, but is within reach, *if* we take appropriate steps. The numeric ingredients exist, but a balance yet

is to be achieved. We must do more to improve our forces and to deter Soviet aggression, but what we do must be done within given resource limits. On the one hand, we must not suggest that the Warsaw Pact is so overwhelmingly strong that our case is hopeless; on the other hand, we must demonstrate that, though there are problems, a stalwart conventional capability is not beyond our reach.

SecDef pointed out that we should develop conclusions concerning the NATO-Warsaw Pact balance based upon our military appreciation of the situation and then decide what our objectives should be. We know that the USSR has some very considerable weaknesses; we should be aware of those weaknesses and prepared to exploit them. We should not say that a conventional balance exists, today, or apathy will ensue; at the same time, we must not argue that we are hopelessly outclassed. We must get the military balance problem and issue on the table, but we must not allow our military appreciation to be driven by public opinion. We want to assure ourselves and others that the position of the United States is driven by the best military appreciation we can get. We press for improvements in our conventional forces and improvements are being made. Everyone must look at the hard, cold facts. Each member of the Alliance is entitled to its own views; each member is not welcome, however, to its own facts. The entire matter must be examined practically.

The Soviets, SecDef continued, have some very serious problems; some weaknesses are apparent in MC–161. For example, Soviet naval forces are weak, logistics problems plague the land and air forces, and land forces lag far behind ours in mechanization. To illustrate the latter point, the Soviets' 69 divisions are equipped with 18,000 APCs, while there are 15,000 APCs in the United States' 13 divisions. In this and other areas, we enjoy a marked edge. We should capitalize on our strengths and exploit the enemy's weaknesses. We might, for instance, remind the Czechs of the ignominious outcome of the Bohemian Revolt and Tilly's defeat of Frederick's Army in the Battle of White Mountain in 1620; encourage them not to cooperate with the Soviets in an East-West conflict; and assure them that, if an attempt is made to overrun the West, there will be no postwar Czechoslovakia. Signals and clues along these lines would add to the Czechs' already somewhat ambivalent attitude. Similar approaches could be made with respect to Poland and the GDR. These are areas of opportunity we should be investigating. We must think in terms of our opponents' vulnerabilities and seize the opportunity to exploit them. We must not continue to brood, as we have since the 1952 Lisbon session of the North Atlantic Council, over our imagined overwhelming weaknesses. We continue to outspend the USSR in the defense sphere, and there is no reason to be apologetic about our capabilities. The threat, inherently, is not one that we

cannot handle. Admiral Trebesch commented that the intelligence community, alone, cannot develop a valid assessment of the conventional balance. Politico-military planners also must be involved in such an assessment. In this connection, he remarked that the trilateral working group charged with assessing the NATO-Warsaw Pact balance had met in Bonn in early-September and that the initial phase of study was progressing satisfactorily.

MOD Leber commented that he had pointed out at a recent senior commanders' conference that members of the Ministry of Defense and commanders in the field must be cautious about what they say concerning the Pact's strengths and NATO's weaknesses. On the one hand, the public must be made aware of existing asymmetries in order to prove that additional resources are needed; but, on the other hand, we must be careful that, in pointing out those asymmetries, we do not exert a deleterious psychological impact on the armed forces, since they take such matters seriously. When one emphasizes the fact that NATO's 6,000 tanks are opposed by the Pact's 26,000, young officers quite naturally ask what chance they stand of avoiding defeat, given such an imbalance. We must, Leber continued, get away from such weapon-for-weapon analyses as are presented in Brussels briefings.

4. (C) *Nature and Strategy of the Alliance*

MOD Leber conjectured that it would be a good thing if the defensive nature of the Alliance were highlighted more clearly and less emphasis placed on quantitative weapons comparisons. Recalling a recent conversation with the USSR's ambassador to the FRG, Valentin Falin, MOD Leber said that he told Falin that the West doesn't plan to take offensive action against the East and sees no need, therefore, to match, tank for tank, the Pact's continuing buildup. Furthermore, for each new offensive weapon system added to the Eastern arsenal, the West will develop and field a technologically superior weapon to counter it. By any method of calculation, defensive weapon systems are less expensive than offensive ones. Minister Leber emphasized that the same message should be conveyed to other members of the Pact. The West has no aggressive intentions, but it is resolved to develop so credible a defensive capability that, regardless how the Pact computes relativity, the East will be forced to recognize that there is no possibility for a successful outcome should it attempt to overrun the West. MOD Leber suggested that this should be a subject for discussion at the next DPC. SecDef agreed that the defensive nature of the Alliance and the aggressive nature of the Warsaw Pact should be highlighted for our publics and parliaments. However, we should not be so defensive-minded as to rule out necessary planning for counteroffensive actions to rectify the situation when penetrations have been made. In other words, don't let the opponent know that you can't come back at him. Impress on him

that his territory is not entirely safe. SecDef agreed, too, that poor-mouthing the capabilities of our forces is bad. If members of the forces are convinced that they are going to be defeated, they will be. Thankfully, however, the farther one gets from the headquarters and the closer one gets to the troops, the higher the level of confidence. MOD Leber noted his agreement with SecDef's conviction that we must possess tactical offensive forces and the capability to counterattack.

In response to SecDef's remark that he hopes that our planners are taking into account these contingencies, Admiral Zimmermann assured SecDef that NATO has a number of plans which provide for offensive action. None of those plans, however, provides for a major attack into Pact territory, though some, as everyone knows, do provide for such offensive actions as may be required to insure that West Berlin is not seized. In the education and training of young German officers, every effort is made to inculcate an offensive spirit, and that spirit is not lacking. One must not forget, however, that their political masters have assigned NATO forces an essentially defensive mission, as set forth in MC-14/3. Regardless, FRG leaders are not unmindful that their nation is the one most subject to disaster, and plans for local offensive action do exist. MOD Leber interjected that a troublesome aspect of the strategy of forward defense is that no adequate definition yet has been developed concerning how one defends forward *after* a Pact attack. The problem has been staffed many times, but it requires additional consideration. Admiral Zimmermann pointed out that staff-level military planners have been talking for years about the need to investigate, in detail, the strengths and weaknesses of both sides and, as SecDef suggested earlier, to capitalize on our strengths and to exploit the enemy's weaknesses.

Agreeing with Admiral Zimmermann that the best defense is a good offense, SecDef noted that, in addition to capitalizing on our known strengths, we should devote more energy to correcting our weaknesses and, thereby, to increasing our strengths. Historically, NATO has looked for weaknesses to brood over—so much so, in fact, that it has developed a "NATO neurosis." To spend 364 days looking at one's own weaknesses and but one day examining the enemy's is not a precisely correct balance!

Admiral Trebesch sounded a note of caution when he noted that NATO's use of the term "conventional component" could be misinterpreted by the Warsaw Pact as a signal that there was some weakening of the strong bond between complementary conventional and tactical nuclear forces. He fears that the East might view our heightened emphasis on conventional forces as a reversion to the old "screening-force" concept, which could be ruinous to the strategy of forward defense.

Where forward defense is concerned, SecDef said, he would like to think of a line extending through Leipzig and Stettin, rather than one along the FRG's borders with the GDR and Czechoslovakia. He agreed with Admiral Trebesch that a "screening-force" concept would create tremendous psychological problems. What we need is a solid forward defense capability which the Soviets will respect and hold in awe. The USSR remembers German forces at the gates of Moscow, and those recollections cannot help but exert a deterrent effect on the Soviet leadership. It is for this reason that, in MBFR, the Soviets want to see the FRG's forces reduced and the forces of Western Europe integrated.

MOD Leber noted that the duration-of-conflict issue remains unresolved and must be addressed. His judgment is that the longer the conflict lasts, the weaker the West will become. If the war should extend beyond 20 days, given the highly industrialized and populated nature of Western Europe, industry and the populace would be devastated; the war-making capacity of West Europeans would be neutralized. For this reason, it is imperative that strong forces be disposed well forward and that the strongest possible defense be conducted in the initial phase of a war.

5. (S) *Elements of Ministerial Guidance*

MOD Leber emphasized that the FRG is particularly concerned that, in the U.S.-tabled paper on ministerial guidance, our emphasis on improving conventional forces might be viewed by the Warsaw Pact as a decoupling of Alliance conventional and nuclear capabilities and, hence, as a change in strategy. Such a perception could be arrived at by the Pact, if, given continued European negligence in the conventional field, it deduces that the United States will not employ tactical nuclear weapons to close the gaps created by that neglect and will opt not to introduce tactical nuclear weapons until first use is made by the opponent.

Also, with respect to our proposed ministerial guidance, Leber went on to say that to increase defense expenditures by three percent, in real terms and on an annual basis, would pose near-insoluble problems for the FRG and other West European nations. The fact of the matter is that defense budgets can't be stretched by three percent. This is true, for example, in the cases of Italy and the United Kingdom, which cannot increase their defense outlays for economic reasons, and of Belgium and the Netherlands, which are politically constrained. He noted that the FRG's defense budget is growing, albeit modestly, and that a greater share of each year's defense budget is being devoted to capital expenditures—31 percent this year and 32 percent next year—in order to insure that necessary modernization of the Bundeswehr is financed.

SecDef acknowledged that he recognizes Leber's, and others', concerns about some elements of the U.S.-tabled paper on ministerial guidance. It could be interpreted, he noted, as placing disproportionate weight on conventional capabilities, but it is in this area that we historically have been weakest. Reminding Leber that the French, for many years, had devoted a disproportionate share of their resources to developing nuclear forces, SecDef noted that France now recognizes that its conventional forces—deteriorated over time—must be built up. This is becoming an orthodox view throughout the West. Today, we continue to hold a tactical nuclear advantage; for the next few years, the strategic balance will be maintained. But, both qualitatively and quantitatively, the Alliance's conventional-force deficit is its most serious problem. We, individually and collectively, must devote the necessary energy to resolve that problem.

On the other hand, SecDef continued, the United States is prepared—if necessary—to put more stress on the tactical nuclear component of the NATO Triad, *if* that is the way the Europeans want to go. It would be less expensive and involve less risk for the U.S. to go “all nuclear;” the risk for Europe—particularly the FRG—would be extremely high, however, were it to rely exclusively on nuclear weapons to counter Warsaw Pact aggression. In short, our emphasis on enhanced conventional capabilities looks out for Europe's best interests; a credible conventional force is the best deterrent against a large-scale attack and, if needed, can counter and defeat small-scale attacks.

There has been no decoupling of tactical nuclear from conventional forces, SecDef emphasized, and actions taken in the past year were designed to forestall perceptions in the USSR that there has been, or will be, a decoupling of tactical and strategic forces. The three legs of the Triad are mutually supporting; their existence should deter a Warsaw Pact attack. There must be no question in the minds of leaders on either side: the Alliance will use nuclear weapons when needed and advantageous. This will continue to obtain when a conventional force balance is achieved. We will not forfeit the initiative to use tactical nuclear weapons; on the other hand, we don't want to be forced to resort to their use. This principle has underlain the United States' strategy for years. We want and seek a range of options designed for selective use in a variety of circumstances.

Admiral Trebesch noted his agreement with what SecDef had said, and remarked that he had read with great interest the text of SecDef's speech at the AUSA's Marshall Memorial Dinner in October. He was struck, in particular, by SecDef's intellectual approach to the problem of balancing conventional and nuclear capabilities.

In addition to improving our conventional forces, SecDef continued, we also must attain appropriate stock levels of conventional

munitions, if we are to have the capability to outlast an opponent in a nonnuclear war. We don't want to run out of nonnuclear munitions and be forced to turn to tactical nuclear weapons. The British, for example, favor going short on their conventional munitions stocks. The logical counterargument, of course, is to visualize a situation in which the West is winning and to ask oneself whether, because all conventional munitions have been expended, we want to be forced to resort to the use of nuclear weapons. The alternative would be to withdraw or to accept eventual defeat—a situation similar to Prescott's at Bunker Hill, where, though winning the battle, he ran out of ammunition in the course of Howe's second assault on the center redoubt and was forced to retire from the field.

MOD Leber responded that he found SecDef's views to be most interesting and that he agreed that the best scenario one might envisage would be one in which the West possessed sufficient capabilities at all levels of conflict. Hopefully, our obvious capabilities would be so convincing to the Pact that there would be no war. In his judgment, the West must retain its capability for flexible response, it must be prepared to defend well forward, and strong conventional forces—complemented by tactical nuclear forces—must be built and maintained.

6. (S) *Internal Problems of the Warsaw Pact*

SecDef reflected that the Soviets are not yet confident of their hold over the East European satellites, and that their lack of confidence disadvantageously influences their attitudes toward MBFR. This is, to some extent at least, a disingenuous argument; but the fact is that the USSR is concerned about that part of the battlefield's rear area which would lie in Poland and about the reliability of Czech forces. The Soviets fear they may lose in an all out confrontation with the West. Admiral Steinhaus speculated that the East European nations would become less reliable and less inclined to look upon their territories as sanctuaries if they could foresee and meditate upon the catastrophic effects that an expanded use of tactical nuclear weapons would exert on their industries and people. SecDef replied that that message can be conveyed to the East Europeans. Furthermore, they should be made aware of the fact that their success on a conventional battlefield would result in their total destruction.

7. (S) *Overall Nuclear Strategy*

Colonel Altenberg pointed out that he has made an intensive effort to understand SecDef's policy on the use of nuclear weapons. As a matter of fact, he said, he has become known in the FMOD as the "Schlesinger expert." He continued to say that the Alliance has worked hard over the past decade to develop its nuclear strategy, but that the strategy still is missing some elements. At the 56th Military Committee-

Chiefs of Staff Meeting, he recalled, Admiral Moorer presented the United States' strategy for the initial and follow-on use of nuclear weapons. Now, the "R-Hour" concept has been introduced. What, Altenberg asked, is SecDef's interpretation of the R-Hour concept? Could nuclear weapons be employed before R-Hour? If so, would consultations take place? SecDef responded that consultations must take place. He continued to say that he sees no problems with the overall strategy; the purpose of having options is to protect Western Europe, not the North American continent. Our objective is to make the Soviets realize that they cannot be secure and that there is nothing that we won't do in the service of our vital interests. Tactical nuclear weapons are a better deterrent in non-crisis than in crisis situations. In periods of crisis, we must be able to demonstrate to the East that the West has capabilities it won't hesitate to use. However, we don't want to take precipitous actions which would result in the destruction of Western Europe, especially in that of the FRG.

Continuing, SecDef emphasized that the Alliance always will need options, we don't want to have our hand forced because of doctrinal rigidities. Our stress on conventional forces derives from the fact that it is in this area that our argument for the need for additional resources must be made. Once the conventional-force malaise has been cured, we shall want to improve our tactical nuclear weapons and the doctrine for their use. In this respect, SecDef noted that he is dissatisfied with the doctrine for the employment of tactical nuclear weapons. Now that we no longer enjoy a preponderance, a new doctrine—arrived at in consultation with our allies—is needed. Altenberg laughingly rejoined that "Schlesinger doctrine" becomes NATO doctrine.

8. (C) *Standardization and Armaments Cooperation*

MOD Leber commented that one of our great problems is that the Pact forces possess uniform equipment, whereas NATO's is tremendously diverse. We have made very little progress toward standardization. The two questions foremost in his mind Leber noted, concern the standardization of short-range air defense systems and of main battle tanks. In his judgment, we must reach early decisions in these areas, and the sooner the better. SecDef answered that, though competitive evaluations are not complete, we expect to select a European product where SHORADS is concerned. The MBT problem is somewhat more complex. Ideally, we would like to see a three-way runoff among the Chrysler and General Motors Corporations' products and the Leopard II. Practically, however, it appears that modifications to the Leopard II cannot be completed in time to permit a three-tank competitive evaluation without completely skewing the schedule against which Chrysler and General Motors are working. SecDef urged that the Leopard II be modified as soon as possible, and assured MOD Leber that the modi-

fied tank would be a welcome competitor against either both U.S. products, if the FRG's modified tank is delivered in time, or the winner of the Chrysler-General Motors runoff.

Admiral Zimmermann mentioned that the FRG is experiencing some difficulty in negotiating a memorandum of understanding with the United States Navy which will permit moving forward on the AIM-9L air-to-air missile. He reminded SecDef that the FRG had withdrawn from its cooperative venture with Norway to develop the Viper air-intercept missile, and now was working with us to marry the German-developed infrared seeker to our H-model Sidewinder. If our cooperative endeavor is successful, the product will be an outstanding air-to-air missile that could be used by all of NATO's air forces. SecDef assured Admiral Zimmerman that we would look into the matter and determine what needs to be done to get things moving.

65. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, December 16, 1974.

SUBJECT

U.S. Force Commitments to NATO

Each country which provides forces to NATO submits, annually, a five-year force plan in response to the NATO Defense Planning Questionnaire (DPQ). This response actually commits forces for the first year of the plan and projects intentions for the remaining four years. The U.S. response to the CY 1974 NATO Defense Planning Questionnaire (DPQ-74) was released to NATO in September without a White House review. Although formal review is not required, it has been customary, when major changes were to be announced, for the Assistant to the President for National Security Affairs to clear the DPQ reply in advance.

¹ Summary: Kissinger discussed the U.S. response to the NATO Defense Planning Questionnaire.

Source: Ford Library, National Security Adviser, Presidential Agency Files, Box 13, NATO, 12/11/74–2/21/75. Secret. Attached but not published is Tab A, a December 24 memorandum to Schlesinger that Ford signed. A stamped notation on Kissinger's memorandum indicates the President saw it.

The DPQ-74 reply contained no major reductions for FY 75 but did project a planned reduction in aircraft carrier availability both in the Mediterranean and in the Atlantic in 1976 and beyond. Defense says this reduced availability reflects the planned reduction from 15 to 12 carriers in 1976 and the absence of home ports overseas. This will be a subject of major concern to our allies even though the carrier reduction is at this point only a plan.

In order to assure that the carrier reduction issue gets a thorough airing before next year's submission and to clarify the procedure for White House review of proposed major changes to U.S. forces committed to NATO, I have prepared a memorandum from you to the Secretary of Defense requesting that he submit future DPQ responses to the NSC for review prior to release to NATO.

Recommendation

That you sign the memorandum at Tab A.

66. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, February 17, 1975.

SUBJECT

Status of F-104 Replacement Issue

Summary

When Denmark, the Netherlands, Norway and Belgium formed a consortium nearly a year ago to discuss a replacement for the aging F-104 Starfighter, its proponents hoped it would encourage the participants to select the same aircraft, thus achieving standardization in an area of defense vital to NATO. Instead, the replacement issue has created political tensions within the four governments and between them, and has led to Franco-American competition—with political overtones—for the lucrative contracts. In fact, the French have applied

¹ Summary: Kissinger reported on the status of the F-104 replacement issue.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 1, Europe—General (1). Secret. Sent for information. Scowcroft initialed the memorandum on Kissinger's behalf. A stamped notation on the memorandum indicates the President saw it. Ford initialed the memorandum.

considerable pressure on the four countries to the effect that, as Europeans, they are obliged to purchase the French Mirage. In view of these political complications, the prospect that all four will choose the same plane is more uncertain than ever.

Each country is beset by conflicting economic, political and military pressures that are increasingly difficult to reconcile or balance as the time for a decision approaches. The most recent soundings indicate that the Belgians and the Dutch remain undecided but are leaning slightly toward the Mirage for political reasons, the Danes will choose the US F-16—if they decide to purchase a replacement aircraft before May, and only Norway is firmly committed to purchasing a U.S. fighter. The following paragraphs review the conflicting pressures on the four governments in making their decision and assess the prospects for choice of an American plane in each country.

The Pressures

The four countries presently are caught in a political-economic dilemma over their replacement choice. They must consider the following factors:

- The French are offering the four a chance to help create a European military aircraft industry, while contending that if the U.S. plane is chosen, the European companies will be nothing more than subcontractors.

- At the same time, the consortium recognizes that selecting the French fighter could cut them off from American technology, eventually facing them with the development of a superior American aircraft with which the European industry could not compete.

- The French are offering a government guarantee of a ceiling on price increases.

- The French argue that U.S. failure to guarantee a unit price could easily result in cost overruns, and that when the rate of inflation is considered, the cost of the F-16 will be considerably higher than that of the Mirage. (This argument was strengthened by Air Force Assistant Secretary Shrontz' recent statement that the production price for the F-16 may rise to over \$6 million per plane.)

- Air Force officials in all the countries continue to favor General Dynamics' F-16 over the Mirage F1/E.

The consortium's "steering committee"—a group of experts drawn from the military and defense establishments of each country—submitted its report to the respective Defense Ministers on February 1. The report avoided a recommendation and provided only comparative data—reportedly favorable to the U.S. competitor—on technical and economic-offset aspects of the sales offers. *On February 17, the Defense Ministers will meet in Brussels for perhaps the final meeting of the consor-*

tium. After considering the steering committee's report, at Dutch and Belgian behest they will probably suggest further study before making a final recommendation to the national governments.

The Current Situation

The present leanings of the four governments are as follows:

Belgium and the Netherlands: The Belgians attach considerable importance to having the same aircraft as the Dutch. For that reason, the foreign ministers and defense ministers of both countries met earlier this week to discuss the F–104 replacement issue. A deadlock developed, with both defense ministers pressing for selection of the Mirage and both foreign ministers preferring the U.S. plane. They reportedly did agree to explore further price guarantees on the competing aircraft and to request a further delay at the consortium Defense Ministers' meeting on February 17 before the group makes a final recommendation to the national governments.

Meanwhile, there are reports that the Belgian ministries of defense, foreign affairs and economic affairs have prepared a joint paper for the Prime Minister analyzing the February 1 consortium report on the F–16 and the Mirage, but apparently not recommending any position. The military superiority and lower cost of the F–16 apparently emerge clearly from the report. The embassy in Brussels believes that no decision has yet been made and that the question of a viable European aircraft industry will play an important and perhaps decisive role. The latter point is reinforced by other reports that at least three of the five Belgian cabinet ministers support the Mirage, primarily for political reasons.

No firm consensus has developed on the replacement question in The Hague, with the cabinet remaining divided over the political consequences of choosing between a French and a U.S. plane. As confirmed at the bilateral meeting this week with the Belgians, Defense Minister Vredeling strongly favors buying the Mirage to encourage development of a European aircraft industry and for European political reasons, while Foreign Minister van der Stoep favors a U.S. plane. A number of reports point to the fact that the Netherlands' final decision will be made on political grounds and will be strongly influenced, if not determined by Prime Minister den Uyl's position. Den Uyl is sensitive to sentiment in his Labor Party against selection of a U.S. plane. Also, growing public annoyance at U.S. bargaining tactics in the KLM–Pan Am dispute has become another unsettling political factor. These considerations, together with the Dutch desire not to offend the U.S., lend weight to reports that a compromise might emerge in which the Dutch would buy the less expensive F–5E from the U.S. and a number of the new Mirages from the French.

If the Dutch Government does not make a decision by March 1, then the choice will be delayed until April, after the Labor Party conference. Such a delay, for political reasons, would be disadvantageous to the U.S.

Denmark: With Prime Minister Hartling's resignation on January 28, and continuing political instability in Copenhagen, the Danes have major domestic political problems to sort out before a decision can be made. In fact, many leading political figures in Denmark are having second thoughts about buying any replacement aircraft. According to embassy sources, however, the extra-parliamentary Defense Committee (comprising the four parties backing the Defense Agreement) met on February 10 and decided to take the position at the consortium meeting on February 17 that "if the Danish Government and Parliament should decide to buy a replacement aircraft before the May deadline, it should be the F-16." The decision would seem to rule out all other contending aircraft until May, but does not commit the Danes to buy a replacement. On the latter question, the Conservative and Liberal Parties are in favor of an early decision to buy, the Radicals are opposed, and the Social Democrats' position is uncertain. U.S. prospects should be enhanced somewhat if Hartling is successful in again forming a minority government.

Norway: The Norwegians have favored a U.S. aircraft from the beginning. Key members of the Defense Minister's staff have always opposed consideration of the Mirage for Norway. The Norwegians apparently feel that a U.S. aircraft is the best candidate for the defense of Norway's extensive borders and the response to the U.S. Air Force's choice of the F-16 has been enthusiastic. A decision can probably be expected by mid-March; parliamentary approval for purchase of the U.S. aircraft is not expected to be prolonged or difficult.

67. National Security Study Memorandum 222¹

Washington, April 22, 1975.

TO

The Secretary of Defense
The Deputy Secretary of State
The Director of Central Intelligence

SUBJECT

U.S. and Allied Security Policy in Southern Europe

The President has directed a review of U.S. and Allied security policy in Southern Europe and along NATO's southern tier over the near- and mid-term. The study should examine the viability and effectiveness of U.S. and Allied security aims, arrangements, forces and bases in light of changes in the area, and should develop and assess U.S. and Allied near- and mid-term options.

The framework for the study should encompass:

—Overall U.S. interests in the region, including the U.S. political, military and economic relationship with NATO, the EC, and Western European states;

—U.S. security aims vis-à-vis the Soviets in the region; and

—U.S. interests vis-à-vis the Balkan states.

The study should consider *inter alia*:

—Present and potential changes in the area that bear on U.S. and Allied security policy, including domestic political developments and changes in external policies in Southern Europe, the evolution of Soviet capabilities, trends in Allied forces in the area, and the impact of economic factors, including energy, on the region;

—The political and military implications of changes in Southern European membership or participation in NATO;

—The consequences of elimination or curtailment of U.S. and Allied bases and facilities in the area (taking into account the Azores study being carried out in response to NSSM 221);

¹ Summary: The President directed the Secretary of Defense, the Deputy Secretary of State, and the Director of Central Intelligence to undertake a review of U.S. and Allied security policy in Southern Europe and along NATO's southern tier over the near- and mid-term.

Source: Ford Library, National Security Adviser, National Security Decision Memoranda and National Security Study Memoranda, NSSMs File, Box 2. Secret; Exdis. A copy was sent to the Chairman of the JCS.

—Prospects for an increased Allied and Western European political and military role in the area;

—The implications of new military and intelligence capabilities and technologies for U.S. force and base structure in the area.

The study should assume continuation of the current policy line in base negotiations with Portugal, Spain, and Greece and postulate a range of outcomes for purposes of analysis.

The study should be prepared on a priority, need-to-know basis by an NSC *Ad Hoc* Group composed of representatives of the addressees, the JCS and the NSC staff, and chaired by the representative of the Department of State. The completed study should be transmitted no later than May 28, 1975, for consideration by the NSC Senior Review Group.

Henry A. Kissinger

68. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, April 30, 1975.

SUBJECT

Review of the US Approach toward Enhancing the European Contribution to the Defense of NATO

Congressional review of the FY 76 Defense budget will once again raise the matter of US troop strength in Europe, and particularly the issue of how our NATO allies can be encouraged to assume more responsibility for the defense of Europe. The NSC Defense Program Review Committee (DPRC) has recently completed a review of our approach on this issue.

Background

For several years now Congress has felt that our allies should increase their contribution to NATO's defense by assuming more of the

¹ Summary: Kissinger reported on a recent review of the U.S. approach toward enhancing the European contribution to the defense of NATO.

Source: Ford Library, NSC Institutional Files (H-Files), Box 59, NSDM 293—U.S. Approach Toward Enhancing the Allied Contribution to the Defense of NATO (1). Confidential. Sent for action. Tab A is Document 285. Tab B is Document 69. A stamped notation on the memorandum indicates the President saw it. Ford initialed his approval of the first recommendation and signed the letter to Schmidt.

costs associated with the US troops stationed in Europe. This conviction has resulted in repeated calls upon our allies to offset the balance of payments drain resulting from our troop deployments in Europe and to reimburse us for the added budgetary costs of stationing our troops there rather than in the US. The highest priority has been given to balance of payments relief, and in 1974 Congress enacted the Jackson-Nunn amendment which directed that US force levels in Europe be reduced by the same percentage that our allies failed to fully offset the US FY 74 military balance of payments deficit in NATO Europe. (Through the cooperation of our allies, we have been able to comply with the Jackson-Nunn amendment and avoid invoking the troop-cut provision.)

The world economic situation has changed dramatically since Congress began demanding US balance of payments relief. Most importantly, the end of fixed exchange rates and of official dollar/gold convertibility has undermined the whole rationale for seeking relief in a single component of the overall US balance of payments, such as NATO military expenditures. Furthermore, general inflation and higher oil costs have depressed the allied economies more severely than our own, and added substantially to their balance of payments problems. Finally, the allies have increased their defense spending in recent years in real terms, while ours has declined.

We want to encourage our allies to contribute more to the common defense of Europe. But seeking this contribution in the form of an offset for US balance of payments costs no longer makes much sense. We need to seek Congressional support for an approach to the Alliance which encourages a more meaningful contribution from our allies.

A New Approach

We have just completed an interagency review which has examined what form an enhanced European contribution might take. This examination focused on improving the “burdensharing” concept associated with NATO defense. Under this concept, the contribution of our allies to the common defense would be judged primarily by their willingness to increase the size and quality of their own forces, and only secondarily in terms of offsetting US troop costs. This would include efforts by our NATO allies a) to increase their own defense expenditures; b) to undertake “force improvement” programs to upgrade their own military hardware; and c) to eliminate the costly overlap and duplication that exist in virtually all areas of NATO activity (through so-called “rationalization/standardization” efforts).

Despite the unanimous agreement that we get much more benefit from emphasizing these force improvement efforts with our allies than we do from focusing on balance of payments offset, all agencies also

agree that we will have to bring Congress around to this view slowly. Thus, the interagency review concluded that we should adopt a mixed approach in dealing with both our allies and Congress on the issue of enhancing the European contribution to NATO defense. To our allies, we would emphasize the three elements of the improved “burden-sharing” concept that relate to their own forces—increasing the percentage of their GNP devoted to defense, eliminating overlap and duplication within NATO, and undertaking force improvement programs. With Congress we would emphasize that seeking balance of payments relief from our allies no longer makes sense in economic terms and in any case is much less important than allied efforts to expand and improve their own forces. US troops are in Europe to protect US security interests and cannot safely be withdrawn until European forces have developed to the point where withdrawal can be accomplished without jeopardizing our interests. The force improvement efforts emphasized in the improved burdensharing concept would make a real contribution to this development.

Until Congress has clearly accepted this argument, the interagency review concluded it was important to “hedge our bets” against renewed Congressional interest in offsetting US troop costs through balance of payments relief and budgetary support—the requirements of last year’s “Jackson-Nunn” amendment. We would therefore remind our allies in a low-key fashion of Congressional interest in these forms of assistance and encourage them to place their “normal” military procurement in the US. But we would drop, at least temporarily, insistence on 100% offset of our military balance of payments costs.

An Eighth German Offset Agreement

As yet another hedge it was recommended that we seek a new German Offset Agreement when the present one (the seventh such two-year agreement) expires at the end of FY 75.

With the most US troops stationed there, Germany has been the site of greatest US balance of payments drain. For this reason Germany has traditionally been singled out for special offset arrangements. These arrangements have in recent years included procurement of US military hardware, loans to the US at concessionary interest rates, and FRG funding of the rehabilitation of US troop facilities in Europe.

Germany can afford another offset agreement. It has the strongest balance of payments position in the NATO Alliance. While the Germans will argue (quite rightly) that the economic underpinnings of past offset agreements are no longer valid, they will probably be willing to conclude another agreement for political reasons. As you know, the German Offset Agreements have been popular with Congress, and to drop the concept now could trigger an unwanted

Congressional refocusing on the troop strength/balance of payments issue.

The agreement should not, however, be allowed to become a major irritant in US/FRG relations. To insure that this does not occur, it would be useful before initiating formal negotiations to obtain highest level German reaction to the idea of another offset agreement. To obtain this, the interagency study recommends that you send the letter at Tab A to Chancellor Schmidt. Once we receive his reaction, we can decide how we want to proceed on a new German offset agreement.

Recommendation

1. That you authorize me to sign the NSDM at Tab B, endorsing the mixed approach to enhancing the European contribution to NATO defense as recommended by the interagency review.

2. That you initiate efforts to seek another German Offset Agreement by signing the letter to Chancellor Schmidt at Tab A.

69. National Security Decision Memorandum 293¹

Washington, May 3, 1975.

TO

The Secretary of the Treasury
The Secretary of Defense
The Secretary of Commerce
The Deputy Secretary of State

SUBJECT

US Approach toward Enhancing the Allied Contribution to the Defense of
NATO

The President has reviewed our past efforts to encourage our NATO Allies to enhance their contribution to the defense of Europe and to obtain offsets for US budgetary and balance of payments costs in Europe. He has decided to seek another offset agreement with the FRG,

¹ Summary: The President specified the U.S. approach toward enhancing the Allied contribution to the defense of NATO.

Source: Ford Library, NSC Institutional Files (H-Files), Box 59, NSDM 293—U.S. Approach Toward Enhancing the Allied Contribution to the Defense of NATO (1). Confidential. Copies were sent to the Director of the OMB, the Chairman of the CEA, the Chairman of the JCS, the DCI, and the Director of the CIEP.

provided that the FRG does not strongly object in principle to a new agreement. But in general, given the recent change in the world monetary system and in economic conditions, greater emphasis should be given to encouraging our NATO Allies to increase the quality and effectiveness of their own forces than to efforts to offset US balance of payments and budgetary costs.

Our Allies should be encouraged to increase their defense expenditures, to undertake force improvement programs to upgrade their military hardware, and, most importantly, to make more effective use of existing defense resources by reducing the overlap and duplication that exists in many areas of NATO activity.

Representatives of the US Government should emphasize to our NATO Allies that their efforts to strengthen their own forces, particularly through measures increasing the cost-effectiveness of NATO's overall defense capability, will be viewed by the US Government as their most significant contribution to the sharing of the burden of NATO defense. In discussing this issue with Congress, members of the Executive Branch should stress that such efforts by our NATO Allies both increase the Allies' share of the common defense and add to the protection of our own security interests in Europe. Finally, the analysis contained in the 24 March 1975 DPRC paper on Burdensharing in the Atlantic Alliance should be used in explaining the reduced relative importance of budgetary and balance of payments offset.

Henry A. Kissinger

70. Memorandum of Conversation¹

Brussels, May 29, 1975.

PARTICIPANTS

Valéry Giscard d'Estaing, President of the French Republic
Foreign Minister Jean Sauvagnargues

President Gerald Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

Giscard: I wanted to come to show you an expression of my regard for you and the United States. I know it is a difficult time for you. In Southeast Asia, we tried to influence them as long as we could. We know the difficulties you are having, and we understand why you wanted to come to Europe.

President: I have long thought we made a mistake in the way we conducted our operations, but I still believe our objectives in Indochina were right. There comes a time when you have to recognize the realities. It is over. But some of us don't concede that we were wrong to have tried.

Giscard: I think this will give you more freedom of action now. The French public opinion understood, and there was no criticism.

President: In the United States, most people did not take any satisfaction from the events, even those who were against the war.

Giscard: We have taken a certain number of refugees. Our Consul has visited some of the camps.

President: We appreciate this. Several other countries have offered.

¹ Summary: Giscard, Ford, and Kissinger discussed U.S.-West European relations, among other topics.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 12. Secret; Nodis. All brackets are in the original except those indicating text that remains classified. The meeting took place in the Royal Palace. On April 18, Ford asked Kissinger about Giscard's decision not to attend the May 29 to 30 NATO meeting in Brussels. Kissinger replied, "It is a disgrace. To think he can meet with the Communists but not the Allies. I can point out to the Ambassador that you would not take it lightly." Ford said, "I personally resent it." Kissinger noted, "It is not limited against you. He did the same thing last year." (Ibid., Box 11) On May 8, Giscard suggested to Ford by telephone that he, Giscard, attend a May 29 dinner being given in Ford's honor in Brussels, after which the two leaders could talk. (National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, France 1975) On May 9, Sonnenfeldt told Kosciuszko-Morizet that Ford accepted Giscard's offer. (Memorandum from Sonnenfeldt for the record, May 9; *ibid.*)

Giscard: I want to raise my second point: I believe that for French security and the stability of the Western world. It would be better to have two units—Western Europe and the United States. In the past, it was thought that Europe couldn't be a reliable partner, but now I don't think it is possible to have a difference between us on major points. I think the people would have more security with two units. Of course, Europe is not yet organized, but I intend to try. I would like understanding from the United States that it is sympathetic to our attempt to do this. Tindemans is doing a study to see what could be done.

President: How about Portugal, and Spain?

Giscard: I am just thinking of the EC now, but we would expand to include Greece, Portugal and Spain.

I share your view on Portugal. I expressed it to Helmut [Schmidt]. We shouldn't ostracize them, but we shouldn't give them support.

President: They are no better than the old regime.

Kissinger: Goncalves gave us a political lecture today: The Armed Forces Movement represents the people, the political parties represent only part of the people, he says.

Giscard: This is sad. The Portuguese people are nice people. To imagine the Armed Forces Movement is the expression of the people!

We were embarrassed. Costa Gomes is coming next week, on the way to Romania. We arranged it when we thought the election would change things.

I believe it is important to build Europe. Right now we have the Soviet Union and China fighting. If they join up, then there would only be the United States opposing.

It is better for us not to try to change the NATO structure. We will increase our own forces. We won't push our partners to diminish their NATO commitment. Defense relations will remain the same for now, but politics will be done more and more on a unified basis in Europe. Then it would not be good for the United States to work with one and another.

President: This would exclude Canada also.

Giscard: Yes. Only the Nine.

President: What about Spain?

Giscard: That is another Portuguese case, an aging regime unable to adjust for the future. One can hope, but I am not optimistic. [1 line not declassified]

Kissinger: I agree. [less than 1 line not declassified]

Giscard: [6 lines not declassified]

We can't help. They are a proud country and other people can't help. So Europe will be Benelux and the Six.

Let me say something on the Third World. I visited several places. In Morocco, two million people cheered me because of our position on developing countries. We recognize they have a position to defend. The United States policy of the last few years which has been negative in these areas has been resented. I understand your view, but in the world today, you can't let people be captive to price fluctuation, etc.

President: We will not defend the free enterprise system rhetorically, though we believe in it. Neither will we embrace the "new order." We will sit down on a case-by-case basis and discuss these problems and solve them. Rhetoric won't do it. I am a problem-solver. We will express our views at the table but we won't polarize people because of the problems that can't be solved.

Giscard: After World War II, the United States took an active position to decolonize. We supported you. Now these people are worried about their economic future. This is a major issue now.

Kissinger: We recognize this. We have a difficult time within our own government. We have solved that. But it would be bad if the countries of the developed world competed with each other to offer favors to the underdeveloped nations. That is our concern.

71. Memorandum of Conversation¹

Brussels, May 30, 1975, 5:58–6:35 p.m.

PARTICIPANTS

Francis-Xavier Ortoli, President, EC Commission
Sir Christopher John Soames, Vice President for External Relations, EC Commission
Edmund Wellenstein, Director General for External Relations
Philippe de Margerie, Chief de Cabinet
The President
Henry A. Kissinger, Secretary of State
Joseph Greenwald, U.S. Representative to the EC
Arthur Hartman, Assistant Secretary of State for European Affairs
A. Denis Clift, Senior Staff Member, National Security Council
Jose de Sebra, Department of State Interpreter

¹ Summary: Ortoli, Soames, Ford, and Kissinger discussed U.S.–EC relations.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 12. Secret; Nodis. The meeting took place in the U.S. Ambassador's residence. Ford was in Brussels from May 28 to 31, where he attended a NATO meeting, addressed the North Atlantic Council, and met with other NATO leaders.

SUBJECT

President's Meeting with EC Commission President Ortoli

Ortoli: I will speak in English, perhaps switching to French if some explanation is needed. First, Mr. President, I want to say how very pleased Sir Christopher Soames and I are to have this meeting with you. We believe it is very important. We think that US-European relations are better now than they have been for sometime—particularly when we are working together on economic matters.

The Commission I head is a curious animal with responsibilities to propose policy to the Ministers of the Community countries, to negotiate, and to implement policy once the community decisions have been taken. Our main responsibilities are in the trade field, and we had talks last week with Mr. Dent and, today, with Mr. Robinson. Of course we also have important responsibilities in the economic and monetary field, and we have major responsibilities in agriculture, both internal to the Community and external policy. Our external activities now are essentially with the Socialist and the developing countries. In the agricultural field, the policy of the Community—the Community as such—sometimes presses the policies of the member states.

Our relations with the United States are very good now.

Kissinger: I heard the word: "Now" (laughter). Mr. President, I just want Ortoli to know that these nuances don't go unnoticed.

Ortoli: There are some problems on which we disagree: I would like very briefly to review our current problems.

President: Please. Go ahead.

Ortoli: The energy and raw materials. We met last week. We are trying to organize to achieve common policy. We are also working with the United States in the International Energy Agency.

President: Yes, and the work seems to be going very well.

Ortoli: In raw materials, our policy is sometimes in agreement with what Mr. Kissinger proposed in Kansas City—yes, similar to Mr. Kissinger's proposal—but in some things we go further.

Kissinger: You say you go further?

Ortoli: Yes.

Kissinger: Our Treasury Department would faint if we tried to go any further.

Ortoli: Yes, we have to cope with that problem here, too.

President: We have a few points of difference in the United States as we discovered in our review last week. I am pleased to know that we are not the only ones with troubles.

Ortoli: As you know, we have developed a system in the convention on stabilization of raw materials . . .

Kissinger: I wanted to put a favorable reference into my speech, but Treasury said no.

Ortoli: . . . we got agreement from the member states.

Soames: This is something we should take up on a world basis. Either you can take a broad front of countries on a narrow front of problems—for example, on agriculture—or we can work with a narrow front of countries on a broad front of problems.

Kissinger: What you can't do is to do nothing.

President: How far along are you?

Soames: We already have an understanding with the Africans.

Ortoli: Yes, 46 countries. We are now proposing to proceed with a similar understanding—a similar system—for the whole world. We will be working to table this by the 11th of June.

Soames: The idea is not to hold up the price of raw materials artificially but rather a system of guarantees, to guarantee that the poorest countries will have a certain level of receipts . . . you would take it up at the end of the year.

Kissinger: It would be a substitute for aid.

Greenwald: Yes, basically it would be program aid.

Ortoli: We will be having more contacts to explain the concepts further.

Soames: It's not enough to say indexation. Indexation is nonsense.

President: It sounds like our old farm subsidy program.

Kissinger: It's a payment one makes one way or another anyway you look at it. If you make it aid, they'll raise raw materials prices anyway.

President: Under this system, you would add up your receipts.

Soames: It's important to note, as we did in our talks with Robinson today, that while we should be agreeing on the objectives, we shouldn't be coming out with the same ideas and same positions. We shouldn't look as if we're ganging up on them.

Kissinger: That's right, specific solutions are not so important to us at this moment.

Ortoli: What we are doing is one way to state the problem. Tactically, it's an answer; it's good tactics.

Kissinger: We'd be isolated if we didn't respond.

Soames: This is one important point on which we have to work together.

Ortoli: The other point that I wish to touch on, Mr. President, is that of the economic and monetary problems of the Free World.

The way in which we solve inflation is bigger—more important—than the problem of energy and raw materials. This is my personal opinion.

If we have good, strong economies, this is most important, most important for Europe. If we don't succeed, there will be social, economic and political problems—I hope not in the United States—but certainly in Europe. People will ask: Is the system good? We have to work together. I don't want to discuss specifics today, but it is most important to have a common view. I spoke to Helmut Schmidt about it last week.

To be frank, this problem places a big responsibility on the United States—I say this in the sense of the US-European relationship, not U.S. leadership. If the dollar is not strong, we will suffer. If you do not have a good economy, we will suffer. America in its internal policy must take a deeper view of the influence it exerts in our world. However, I would add that we are on the way, we have had good meetings. We have not achieved an . . . (Ortoli pauses seeking correct word, interpreter assists) . . . yes, we have not achieved an intimacy for our policy. You will have to excuse my English.

Kissinger: That was very eloquent.

Soames: Yes, I believe he is better in English than in French.

President: My Administration believes strongly in a strong EC, and I believe strongly in close relations between the EC and the United States. If there are problems, or if problems arise, I want my Administration to work closely with the Community in their resolution.

We have had a successful two days in the NATO meetings here. There was a good spirit in the meetings, a good affirmation of the Alliance purposes and objectives.

Economic conditions here and in the United States are bothersome to all of us. I recognize that a continuing recessionary period could have an impact on us and on political life in the United States. And, I am realistic, I appreciate that the impact would be worldwide. My judgment, based on the information I have been receiving from our experts, as well as my own intuition and so on, is that we have gone through a rapid change from inflation to unemployment. Last fall, inflation was running at 12–14 percent, a level not anticipated by the experts, resulting from increases in crude oil and in food.

Last fall, we had an economic summit. We brought in 20 experts—liberals, conservatives and middle of the road—and not one forecast that we would go so quickly from inflation to unemployment. Neither was this anticipated here in Europe. The consensus now among the experts is that we have bottomed out. Two months ago, there were few optimistic indicators; now there are many more optimistic indicators. Yesterday, we had good news from the Department of Commerce. It puts out a review of twelve indicators every month, and there was a 4.2 plus, this following a .1 or .2 plus last month. This was the most sizeable jump in years—all pluses but one which was not indicated, but I think

this indicator would also have been a plus. We have made significant progress on inflation from 12 percent to our best estimate of around five percent later this year. Now, even that is too high . . .

Ortoli and Soames: If only we could have it.

President: . . . In the meantime, there has been a high rise in unemployment from five percent to nine percent. And, with that very high rate, we're under pressure to overstimulate the economy both fiscally and monetarily. We feel this would be no more than a quick cure which would lead to a much more serious problem 18 months from now. The Federal Reserve Board, which is our central bank, has committed itself to move from a five to seven and one-half percent increase in the supply of money. This will sustain economic growth without the pitfalls of inflation.

We have had an encouraging sign in unemployment for the first time in five months. We had a 250,000 increase in employment. This is not great but it is a change. In the last month there has also been an increase in the hours worked. Employers are working their employees longer hours. There has been a change for the better in the productivity of the U.S. work force. Our recession revolved around—statisticians say—the most rapid inventory liquidation in the history of the United States. With the heavy burden of the inventory liquidated we now have a better balance between the producer and the consumer. Now, we'll start a steady rate of improvement in the health of the economy. The unemployment is still a disappointment, but there is always a lag here. As employers begin to work people longer hours, we think the economic climate in the third and fourth quarter of the year will be on the upswing.

We won't be neglectful of your interests. At the same time, we won't give way to people who want to overstimulate.

Ortoli: What we have to do is to anticipate, to end the recession and to have five or six good years for our economies—we really need them.

Kissinger: The problem is that we don't have a good theory to produce these good years.

Ortoli: You can't have a good theory without cooperation.

President: I agree; if we don't cooperate, no success will be possible.

Soames: You know, we very nearly had a war.

President: I know.

Soames: We had to go very far.

President: We appreciated your cooperation.

Soames: Cheese is a funny thing to go to war about.

Soames: For political reasons, we went too far. It did damage. The countervailing duty problem must be tackled in the Multilateral Trade Negotiations.

Meanwhile, please, no more political commitments, canned hams, float glass, who knows what next.

Please don't misread the action we took the last time.

President: Don't you want us to move on automobiles (laughter). Seriously, I am from the biggest car manufacturing state and I think the U.S. industry ought to be competitive.

Soames: But I wasn't thinking about automobiles.

Hartman: You scared him.

Soames: No, more mundane things—canned hams—we couldn't take the same evading action.

Ortoli: We had a very hard time with this in the Commission.

President: We appreciate what you did. It was a difficult situation. We had considerable pressure in our government. I remember, a one week extension, and then a few more weeks. You were most helpful and I appreciate the position.

However, I can't make any promises.

Ortoli: (As meeting concludes) I will have to say some words to the press. I will say we discussed US–EC cooperation, economic prospects, and had a general talk about energy and raw materials.

President: Fine. Let me walk you to your car.

72. Memorandum of Conversation¹

Washington, June 6, 1975, 8:10–9:30 a.m.

PARTICIPANTS

President Ford
Vice President Rockefeller
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs
James R. Schlesinger, Secretary of Defense
Bipartisan Congressional Leadership (list attached)
Leslie A. Janka (note taker)

SUBJECT

Report on President's Trip to Europe

The President: Thank you all for coming this morning. The Speaker, Tip O'Neill, and Phil Burton are coming but they will be a little late.

I wanted to give you this morning a quick overall summary of what happened on my trip to Europe. Before the trip there was an undercurrent of feeling in Europe that the United States, because of Vietnam and Cambodia, did not have the will to stand firm in Europe where our basic foreign policy interests are really concentrated. When British Prime Minister Wilson proposed a NATO Summit, I thought this was a good idea and readily agreed.

The overall results of this meeting were excellent. In my talks with the NATO leaders, I stressed that the United States does have the strength and the will to maintain our commitments to the Alliance, but I want to say that the most persuasive and convincing reassurance we could give them was not what I could say but it was the votes the Congress has given me on the Defense Bill. I used a statement by Tip O'Neill and comments like yours, Mike [Mansfield]. These actions by the Congress were extremely important in the eyes of the Europeans. These statements and actions plus what I said left NATO feeling very reassured about the United States.

But let's not fool ourselves; there are serious problems to be addressed. I met with Demirel and Karamanlis, the Prime Ministers of

¹ Summary: Ford, Kissinger, and Schlesinger briefed Congressional leaders on their trip to Europe.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 12. Confidential. Attached but not published is a list of meeting participants. All brackets are in the original except those indicating text omitted by the editors, and "[a]", added for clarity. The meeting took place in the Cabinet Room at the White House. Ford and Kissinger briefed the Cabinet on their trip on June 4. (Memorandum of conversation, June 4; *ibid.*)

Greece and Turkey. They both have very difficult problems, but the net result of our meetings and because the atmosphere in Brussels was so good, Demirel and Karamanlis met themselves on the Saturday after we left.

The action, Mike [Mansfield], taken in the Senate with regard to the Turkish aid cutoff was very helpful. There are indications they could reach a settlement if the United States did not hold a club over the head of the Turks while they were trying to reach a Cyprus solution. I told Demirel and Karamanlis that I would work with the House in attempting to achieve a lifting of the restriction.

(Representative Burton entered the meeting at this time.)

I am convinced that if we can knock out the embargo soon, we can get significant movement on Cyprus. All of the issues to be settled are well defined, the positions of both sides are not that far apart, and the problems are manageable; but Turkey cannot settle as long as it appears that there is a United States club over its head. At the same time, Greece cannot appear to be too forthcoming on this issue.

There was also the problem of Portugal. In my discussions with the other allied leaders and with Prime Minister Goncalves of Portugal, I repeatedly expressed my deep concern about the developments in Portugal and the continuing evidence of Communist control in the government there. I must say it was one of the greatest discussions I ever had with anybody when I talked with Goncalves. I spoke to him along the following lines. I asked him if there was a Communist influence in the Portuguese Government. He denied it. I told him it was hard to understand how a NATO government could have Communists in it when NATO was set up for the purpose of resisting communism. The Portuguese attempted to describe their governmental structure to me. They see the armed forces as the only organization in the country that represents all of the people. They say that political parties are not democratic because they represent only portions of the people, and therefore the political parties would not be allowed a role in the government. It was a most fascinating explanation; Henry (Kissinger) said that that would write a new chapter in any political science textbook.

I believe that in our discussions with other leaders there was a strong feeling that the other diplomatic forces in Portugal must be strengthened. [Socialist leader] Soares will try to fight for a greater role and to keep the socialist newspaper alive. I have the impression that everyone in NATO wants to help the people of Portugal, but how you do it in a government infiltrated with Communists is difficult. I see it as a real touch-and-go-situation and remain rather pessimistic about the future there.

We went on to Spain. The situation there is rather obvious. Franco is still in control and while he appeared to be in better health than when

I saw him some 15 months ago, he is 82 years old and his strength is clearly declining. There are forces in Spain working for political progress and they are forming what are called “political associations” but they are not called parties. If there is some development there, things could get very serious. I met with Juan Carlos and had a good talk with him. He very much wants to play a stronger role in the politics there, but everything in Spain is just hanging in the balance.

I made clear to the Spanish leaders that our bilateral military agreement plays a significant role in the defense of Western Europe. All the other NATO governments made clear that they wanted nothing to do with Spain before a change in government, though they all recognize the defense contribution Spain makes. I think Spain will be welcome after the government changes there. In my talks with the allied leaders, I made the point that it was hard for me to understand the double standard, whereby they could live with the dictatorship in Portugal while excluding Spain, where democracy could make some progress.

We next went to Salzburg. I had a little trouble arriving there. I was coming down the steps of the airplane; it was raining like mad. I had Betty on one hand and was holding the umbrella with the other. Betty tripped me. I went flat on my face in the rain and she walked off with the umbrella. (laughter)

In Salzburg I had an excellent meeting with Chancellor Kreisky, who is a very able fellow, very suave, intelligent and knowledgeable. But the primary purpose of Salzburg was my two long meetings and other discussions with President Sadat.

Sadat is a very, very impressive person. I am convinced that he really wants a Middle East settlement but this is where we really face a very difficult situation. As you know, we are now taking a long, careful look at how we might move to get some progress toward a permanent settlement in the Middle East. We tried last fall and last winter to work closely with Egypt and Israel on an interim settlement, but in the March negotiations it tragically failed and the talks were suspended.

We now see three alternatives in our reassessment:

—First, we could try to revive the step-by-step negotiations. There are some rumblings that this may be possible; however, I am pessimistic about the resumption of such talks because I know how very difficult they were during last March.

—Second, we could come up with a broad, comprehensive settlement in which the United States could put on the table all of its answers to all of the issues which have festered in the Middle East for 25 years. This would include our ideas for the permanent borders for Israel. This would be a comprehensive plan laid on the table at Geneva. This may, in fact, be the best way to launch the talks. Many who criticized at first

have now suggested this route despite all the problems inherent going to Geneva, having to deal with the PLO for example. I believe this will not be an easy thing to do, but it may turn out to be the best and the only thing we can do, but I'm not predicting this is what we will do.

—The third option would be to go to Geneva, lay out all the problems on the table—the PLO, the Arab Pact, the Golan Heights, even Jerusalem, and then try to expand that with some bilateral agreements under the umbrella of Geneva.

I will be meeting with Prime Minister Rabin next week. This will be the same kind of in-depth discussion I had with President Sadat. After that meeting, we will make the final decisions in our reassessment. We will tell the Congress our ideas and our decisions. Let me say that in the meantime I will be happy to get any ideas or suggestions from the Congress.

After Salzburg we went on to Rome, where I had some very fruitful discussions with President Leone and Prime Minister Moro. Even more important was the meeting I had with the Pope, who is a very impressive and interesting man. He is desperately concerned to see the United States keep up its humanitarian activities in the world. I found the Pope to be very well informed on world affairs, and although he is reported not to be very well, I certainly found him to appear very vigorous. Henry [Kissinger], do you have anything to add along these lines?

Secretary Kissinger: No, Mr. President, you outlined very well the results of the trip. I have attended a number of NATO meetings and I do want to say that this is the most positive NATO meeting I have ever attended.

Events of recent months have brought home to our allies how important the United States is to the stability of the alliance. They were worried that after Vietnam and Cambodia, the United States might try to withdraw from our role in the world. In his talks with the allied leaders, the President did not so much reassure them with his words, but by focusing on the new agenda ahead of us and outlining the approaches and solutions the United States has in mind, he clearly convinced them that we were there to stay.

The meeting with Demirel and Karamanlis was a very important event. Let me just say a little about the Turkish domestic situation. Ecevit, who was Prime Minister when Turkey moved onto Cyprus, is now in the opposition, where he can accuse the current Prime Minister Demirel of giving away what Turkey acquired under Ecevit. Demirel, therefore, needs a lifting of the arms cutoff restrictions to strengthen his position in order to move in a conciliatory way. The President's meeting with Demirel was very good and very useful.

The overall success of the NATO meeting was best indicated by the proposal of the Canadian Prime Minister, who has never been very enthusiastic about NATO affairs, for annual NATO meetings. The French blamed us for putting Trudeau up to his statement, but we had no talks with Canada on the matter; we were as surprised as everyone else.

With regard to Spain, the President's conversation with Juan Carlos was [a] very helpful chance to meet with Franco's successor. There is an evolutionary process going on in Spain and our embassy is trying to keep contact with the important opposition groups. Our difficulty will be to steer between Franco and the development of the situation like that in Portugal.

With regard to the meeting with Sadat, he is really very ready to move toward a settlement. He will consider any of the three options we have put forth. We also find the Israelis making helpful sounds at this time too. We have great hopes that Salzburg may represent a great turning point. After Rabin's talks next week we hope to be in a position to decide which of the three options will be the best to pursue.

Secretary Schlesinger: Despite some reports of dissension within the Defense Planning Group, the fact was that in the end the ministerial guidance was passed unanimously. It contained the right mix of nuclear and conventional force planning. The harmony in NATO is the result of the hard work by the U.S. to improve its force posture, and this provides important evidence that the U.S. is serious about the defense of Europe. I think our own efforts under the Nunn Amendment to increase our fighting strength in place of logistic forces has given a great impetus to our efforts to get the other countries to do their best. Spain is a problem for the Alliance, but all the Ministers recognize the importance of the Spanish contribution to the Western Alliance.

[Omitted here is discussion of the Middle East, Greece, Cyprus, and Turkey.]

Senator Byrd: [Omitted here is additional discussion of the Middle East, Greece, Cyprus and Turkey.]

Secondly, Mr. President, I was very encouraged by your trip. You spoke my sentiments exactly when you came down hard on the Portuguese issue and in trying to get Spain recognized as a vital component of Western defenses. I share your concern about Portugal. I just hope the other allies are as serious about NATO as we are. I also hope that the other countries are not thinking about a protracted conventional war, especially in the face of the strong Soviet strength in Eastern Europe. We would lose in a long protracted war with the Soviets. I think a war would be quick and decisive and I hope we are prepared for that kind of conflict.

The President: Bob, we are pressing for standardization of weapons. We are wasting too much money in NATO in differing weapons systems. I think there is now a move in Europe to standardize and modernize. I think there is now a new recognition and a new resolution in NATO to do so. I think they recognize they can't face the Soviets with outdated and obsolescent equipment.

Secretary Schlesinger: I am quite confident we will see some movement in this direction. The other countries are serious and are making improvements to keep current their defense posture. With regard to the issue of a protracted war, we are planning the kind of force structure that would deter such a war, not fight it.

Representative Wilson: AHEPA visited me last week. They expressed great concern for the 200,000 refugees on Cyprus. If we could do something very feasible for the refugees, it would be very helpful. Perhaps we could do something as part of a package on the Turkey arms restrictions.

Secretary Kissinger: We could do that. We could also put together a package of economic and military aid for Greece, although it would be hard to do so long as the arms cut-off to Turkey exists. I would also point out that the provisions of the Cyprus settlement would permit the Greeks to go back to the land the Turks would give up.

Representative Wilson: We need to dramatize the refugee situation.

The President: I am very fond of AHEPA. They are fine people who have been my friends, but let me tell you what Demirel told me. "The Turks fought with the United States in Korea and we have a cemetery there. There are items we have paid for which are now embargoed and are in storage in the United States, and the U.S. is now charging us for storage on the things we own. We don't understand why the United States doesn't understand Turkey." How the hell do you answer a question like that? This arms embargo just makes no sense at all.

Thank you for coming down here today.

73. Memorandum of Conversation¹

New York, September 5, 1975, 6:00–10:25 p.m.

PARTICIPANTS

UK

James Callaghan, Secretary of State for Foreign and Commonwealth Affairs
Ambassador Sir Peter Ramsbotham
Alan Campbell, Deputy Under Secretary
Jeremy Greenstock, British Embassy

France

Jean Sauvagnargues, Minister of Foreign Affairs
Ambassador Jacques Kosciuszko-Morizet
Francois de Laboulaye, Political Director
Jean Pierre Masset, Counselor, French Embassy

FRG

Hans-Dietrich Genscher, Deputy Chancellor and Minister of Foreign Affairs
Ambassador Berndt von Staden
Guenther van Well, Political Director
Dr. Heinz Weber, Ministry of Foreign Affairs

U.S.

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs
Helmut Sonnenfeldt, Counselor, Department of State
Arthur A. Hartman, Assistant Secretary of State for European Affairs
Peter W. Rodman, NSC Staff

SUBJECTS

Southern Flank; Third World

Southern Flank

[The four principals met privately in the Secretary's living room from 6:00 p.m.–7:33 p.m. They discussed, inter alia, the European Socialists' Solidarity document on Portugal, Tab A. They were then joined by the others.]

¹ Summary: Callaghan, Sauvagnargues, Genscher, and Kissinger, as well as British, French, West German, and American officials, discussed NATO's southern flank.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 12, NODIS Memcons, Aug. 1975, Folder 9. Secret; Nodis. All brackets are in the original except those indicating text omitted by the editors. The meeting took place in Kissinger's Apartment at the Waldorf Towers. In a September 3 memorandum to Kissinger, Sonnenfeldt and Lord provided strategy and talking points. (Ibid., Box 14, Briefing Memos, 1975, Folder 2) On August 28, Kissinger directed that an undated 57-page paper prepared in S/P, with help from EUR and INR, entitled, "Problems of Southern Europe," be given to British officials as a working paper. (Memorandum from Lord to Kissinger, August 23; *ibid.*, Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 354, Aug. 16–31, 1975)

Kissinger: We thought we would meet for an hour before dinner. Then perhaps after dinner the four Foreign Ministers would meet again for an hour.

Jim, I think that is the best way to proceed.

Callaghan: Right.

Kissinger: You want to lead off, and go to your agenda.

Callaghan: The Agenda is in two parts—analysis and action. Actions to prevent Communist takeover and to deal with it if it happens. Then coordination.

We thought we would have a discussion tonight. The Regular Session of the General Assembly will provide another opportunity for us to discuss these matters. We would tonight see what is possible for our individual action or in concert.

The southern flank is in the worst-case scenario and many countries may go Communist by the end of the '70's—Spain, Portugal, Italy and conceivably Greece and Turkey.

The causes are different. The virus isn't travelling north at the moment. It is not a trend, but there are increased opportunities. Wherever the forces of democracy are weak and divided, there are opportunities. I assume that the Russians wouldn't be adverse to helping this process along whenever it doesn't cost much. They will continue to be opportunistic. Their ideology will militate for this—seeing the crisis of capitalism.

There are limitations on the Soviet Union. We start with the assumption that they don't want military confrontation with NATO. They are not in a hurry to take on expensive clients—like another Cuba. They don't want to inject a vaccination into Western Europe, which would set it back ten years. The major Western Communist Parties are warning against it. Moscow doesn't want new theoreticians—a new Tito or Mao. They don't want to aim too high and suffer a loss.

As to the Brezhnev doctrine and its reverse, as we were talking about now, in spite of CSCE, we assume the Soviet Union would follow the Brezhnev doctrine and the Czech model. They would probably acquiesce militarily and politically to the reverse doctrine, except in their propaganda. But to do this would be repugnant to us and to one of the principles of democracy.

CSCE has drawn a line between the two spheres of influence. So we have to find something in the gray area between methods repugnant to us and deterring Soviet influence.

As for our own public opinion—which we have already had a word about here—futile gestures would compound the bitterness.

We needn't be so pessimistic. Democratic forces exist in all the countries. We can give help when we are asked. We can show contin-

uing concern. We have coped with threats to Trieste, and Berlin; we have coped with conventional and nuclear military threats. We can cope with these. If we need new policies and new institutions, we can adopt them. If not, we can intensify the kind of actions we have already taken.

There are the traditional responses of a military situation, which we don't need to go into. There is the possibility of civil war, or near civil war, in Portugal. How would we react? We don't need to go into this question tonight. We can give economic aid—but the sums are so large that we couldn't really provide it individually. Here the EEC and the U.S. could join to encourage pluralistic institutions.

We can't deal with the problem by just economic aid. There is also the phenomenon of "prosperity Communism"—as in Italy. Aid shouldn't be excluded, but there are limited countries where it could be used.

There is the possibility of aid to individual trade unions and leaders and churches and expatriate communities. Especially at election times.

Then there is the question of the media. The most effective method is exposure of the aims of the Communists and the means they would use to dominate society. Television and the media have been very effective in Western Europe on this. The chief task should be to continue this. So that the vaccination I have spoken of will take.

Then there is the question of speeches the Ministers can take, linking events there and détente.

Then, collective alliance responses. This seems to conflict with the Helsinki principles of détente. But we shouldn't be cautious. I think Henry said we don't want to lose the war like gentlemen.

Kissinger: I think I said you don't get awards for losing like a gentleman.

Callaghan: NATO this December could state something on this.

That is the way I would introduce the agenda. I did this by way of analysis. Now we should move to consider responses in the situation of pre-Communist takeover, and then what we should do in case of Communist takeover.

Sauvagnargues: It is a very good analysis. Thank you, Jim. I agree with almost everything you said.

To start the discussion, we should discuss the problem of aid. As for our position, we discussed it very thoroughly at Helsinki. Our position is that we give aid only to a Portugal that is a pluralistic Portugal. The other possibilities are that we dangle it. Or do we give conditional aid? But that is our position.

Kissinger: I agree with the EC view: to aid only a democratic Portugal. I would say aid only to a non-Communist Portugal. If Antunes takes over, it may not be so pluralistic.

Sauvagnargues: It may be pro-Western, but not such a pluralistic democracy. This could be a criterion.

Callaghan: This is going to be a problem, but we have to face it. We will face a left-of-center Portugal, unless Spínola comes back. Which I, for one, would strongly oppose.

Sauvagnargues: Is it a possibility? Their Ambassador told me it is possible.

Sonnenfeldt: All of us have the same reports of a possible right-wing coup. It is a low probability.

Sauvagnargues: Very low.

Callaghan: If we are asked, I take it we are against a Spínola-backed coup. He would be a force that would divide the non-Communist groups in Portugal.

Genscher: To come back to the criteria, we would have to come back to a non-Communist or non-Communist-dominated Portugal. They can't have a pluralistic democracy as we know it in the Western countries because the liberals and conservatives can't get in. So the criterion has to be non-Communist-dominated.

Sonnenfeldt: We are in the first phase.

Sauvagnargues: So if we had a coup tomorrow with Communist participation through an Armed Forces government, would it still apply?

Sonnenfeldt: We are in an awkward situation because Soares has now said he would want Communist participation in a pluralistic situation.

Sauvagnargues: That is why I said it.

Kissinger: We don't necessarily care what Soares thinks.

Sauvagnargues: The Portuguese Ambassador said something like this. President Giscard said to me we should avoid giving the impression to the outside of a coordinated response. But I said to the Ambassador that we would give no help to Portugal unless it was truly a democratic government, with no Communist influence. I was clear on that. He told me there were encouraging developments in the north, and in elections in the trade unions, particularly for the Socialist parties. He said there could be a coalition government. He didn't mention Communist influence. He asked me: "Would this affect the French position? Would your condition be met?" I said we couldn't tell; we would have to see what the situation was. If there was clearly no Communist influence, then the condition was met.

Callaghan: If the Portuguese economy is on the point of collapse, and the Communists are excluded at our request, they are also excluded from any responsibility for the collapse if it takes place. If they are in—in a minor capacity—I don't think we should say we won't help.

Sauvagnargues: It depends on what positions they have.

Callaghan: If they have a Minister of Interior, no. But if the other parties bring them in, to share the responsibility, maybe.

Kissinger: We are talking about a situation where we prevent economic chaos. If they have some role in the government and we pour in massive economic aid, on the basis that pluralism has prevailed, we may give a precedent for Italy.

Callaghan: We do want to prevent it. But if it were basically a Socialist Government, with the PPD and some Communists in relatively minor posts, we shouldn't hang it up on principle.

Genscher: I spoke of a Communist Government or Communist-dominated government. Unless there occurred fundamental changes in Portugal, any government that joined the political parties could come about only with the inclusion of the Communists. Because all parties have come out for participation by the Communists. If we say a government with Communists is pluralistic, and if we give aid to it, we may create a disastrous situation for other countries like Italy. It would be dangerous to work out a rule to be automatically applied. We should decide case by case.

Sauvagnargues: Yes.

Callaghan: But there is this rule: If it is Communist-dominated, then there is no aid. This we can put to one side.

Genscher: I am greatly concerned that we think of giving aid to a government where the Communists only hold minor posts because it could be a precedent for Italy. Because I am sure if the Communists join the Government in Italy, they would say "We don't want the Foreign Ministry or the Ministry of the Interior, but we will settle for the Ministry of Labor." They want to enter through the back door.

Callaghan: We won't follow precedent. Portugal is just coming out of a dictatorship. Italy is different.

Kissinger: Hans isn't saying that because we aid Portugal we will aid Italy. He is saying that this removes the one symbolic barrier to Communist participation in Italy—that it would isolate Italy from the West. The Communist Party in Italy would say there is now proof they can do it. We wouldn't necessarily give aid to Italy but that is a different problem.

We had this discussion in the spring. I have always felt that a Portuguese Government with Communists in it isn't a good candidate for

aid. If they come in and share the responsibility for chaos, we could take a hands-off policy. The only risk then is that the Russians will step in.

Callaghan: So we can't take a decision now. We should work to prevent it.

Kissinger: Just to emphasize my doctrinaire nature: I think the United States would not give aid to a government with any Communist participation. I mean, if it is the Minister of Sports or something. . . .

Callaghan: That is a hard attitude now.

Kissinger: [To Hartman] Does Carlucci understand it?

Hartman: He does; Soares doesn't.

Sauvagnargues: The Portuguese Ambassador told me Soares' position was he would be ready to take part in a coalition government, and he would even propose it, if the powers of the coalition were defined, and the meetings of the Armed Forces Movement should be public. So that the two main powers in the government were defined in their roles.

Otherwise, we are better off with the powers in the hands of the Armed Forces Movement.

Callaghan: We are back where we were an hour ago.

Sauvagnargues: There is no real government. The power structure is different from the power structure of a Western democracy. So we can wait and see.

Kissinger: As long as you all understand the United States won't give aid to a government that has Communists in it.

Callaghan: I won't take that as a final position. You don't want to cut off your nose to spite your face. You don't advocate aid to a Communist-dominated government.

Sonnenfeldt: The only ones that are advocating that are the Swedes.

Callaghan: The U.S. isn't going to like any government that emerges in Portugal.

Kissinger: No. It will be a novel experience once our Congress realizes what an Antunes government is like. That is a different problem. Or Soares.

Sauvagnargues: It will be a something with a philosophy of non-alignment; something like Algeria.

Kissinger: I will distinguish something like the left wing of the Italian Socialist Party, which we wouldn't like, but we wouldn't fight, and we would even consider giving aid. There is a strategic importance and a symbolic importance. I am worried about a government in Portugal opening the floodgates in Italy. If everyone thinks of it as a mod-

erate government and they get massive amounts of aid. So the Italian Communists can say they can be members of the government and Italy will get massive aid.

We won't like Antunes, or Soares, but we can live with them. As long as it is not a precedent for Italy.

Callaghan: Soares won't be neutralist.

Kissinger: No, but Antunes might, and we would be prepared to give this some economic support. At least until Congress caught on to what it stood for.

Kosciusko-Morizet: Don't forget that in 1947 and 1948, the U.S. gave aid to the Socialist Government in France, to get rid of the Communists.

Kissinger: I agree with Jim to this extent. If some Portuguese leader said to us: "We have got to have a few Communists in the government for a few months so I can get the economy going, and then I can get rid of them." But I see no leader strong enough to do that.

Genscher: That is the difference between a Communist-dominated government and Communist participation.

Sonnenfeldt: If they get 12 percent, there is no reason why they have to participate in the government. There are a lot of countries where they get 34 percent and are in the opposition.

Genscher: In Germany, yes. [Laughter]

Kissinger: You will talk with Soares.

Callaghan: Yes. Why don't we talk about Italy next. I had a talk with Rumor. In July I came back with the impression there is nothing to prevent a Communist takeover. The Christian Democrats are divided.

Kissinger: I can't even get Rumor to stay awake when I talk to him. [Laughter]

Callaghan: You are more European than the rest of us! Now Moro has said they wouldn't cooperate at all with the Communists.

Sonnenfeldt: He said he wouldn't let them in the government.

Callaghan: That is right.

Kissinger: But we understand that Moro's checking all legislation with the Communists.

Callaghan: But if they don't let them in, how can they be in the government? I even check our legislation with the Liberals once in a while.

Kissinger: That is pretty low. [Laughter]

Genscher: I think their strategy in Italy is different. They are trying at the local level to cooperate with the Christian Democrats and at that level to create majorities. They are aiming at getting the Christian Democrats used to cooperate with the Communists, so it will have effect at

the Party Conferences. So a majority at the party conventions may vote for a continuation of this cooperation and make their policies dependent on these regional groupings. It is not weeks or months; it is a long-term thing.

Kissinger: I agree. And because the right wing of the Christian Democrats are against cooperation only because they are not Catholic. It will be a strategy of gaining respectability by being invited to the United States. So if they gain, what Moro says about not participating will be irrelevant.

On Italy, I am stuck. Some of my people want to support the left wing of the Christian Democrats. The young people.

Hartman: It is not necessarily the left wing.

Kissinger: It will end up that way. Our ability to reform the Christian Democratic Party is limited. I don't have any brilliant ideas. All our schemes are theoretical and aren't worth a damn, Jim. Some of our people are playing with a slight shift to the right.

Callaghan: What it needs is a party that cleans up the garbage.

Kissinger: And cleans out the bureaucracy.

Callaghan: We should think about what we do in NATO planning. This is one bit of contingency planning we must do.

Sauvagnargues: With respect to Italy, it is extremely difficult to do anything. The relationship of Italy in the EEC, and in NATO.

Callaghan: But what is the value of NATO with an Italy and Portugal that are Communist?

Genscher: I am afraid we are speaking about this or that particular country. But there is a fundamental question involved here, of how democratic countries and democratic parties in this era of *détente* can fight Communism domestically. When I was Minister of Interior, one Land President said we should close the doors to Italian laborers. The Italian Ambassador told me this would be disastrous for Italy because those laborers were financed not by the Italian Government, but by the Communist Party. Because the Communist Party was identified with the status of a democratic party. So *détente*—which I agree is necessary—can't be identified with toleration of Communism domestically. Otherwise, we wake up some morning with some surprises.

Callaghan: I agree. *Détente* is making it difficult to fight the facile argument that if we can have *détente* with governments, how can we resist having a "dialogue" with Communist Parties. It is a problem for France too.

Kissinger: On the other hand, if there were no *détente*, we would have a polarization within our societies on the issue of peace and war.

Callaghan: I am not criticizing *détente* at all.

Kissinger: There would be polarization in the name of peace.

Jim, you said something that is attractive: Why don't we try for the NATO meeting, or some other suitable meeting, to have some declaration—not a declaration; we have had enough experience with that—on the nature of détente, and domestic Communism. We don't have a problem of Communism here, but we have a problem of defending defense budgets in an era of détente. Maybe just the four of us.

Callaghan: Could we carry the Italians along?

Sonnenfeldt: Impossible. Not those Italians. A lot of the problem has to do with how we define détente for our people.

Kissinger: Dinner is ready. Why don't we go in?

[The party moves to the Dining Room at 8:35 p.m.]

[Omitted here is discussion unrelated to NATO's southern flank.]

Southern Flank

Kissinger: Could we go back to the southern flank? Although this was a valuable discussion.

On Italy, I derived no conclusion. Unless I missed a point. [Laughter] Do we let nature take its course in Italy?

Callaghan: I don't think Moro will continue. I see such debility in the parties there.

Kissinger: I agree with Hans it won't happen in the next six months.

Laboulaye: The next important event is the election for the Mayor of Rome.

Kissinger: What happens in Spain if Franco dies tomorrow? He is in better shape than five years ago when I saw him with President Nixon.

If we want a pluralistic system—for which nothing in the history of Spain offers any great optimism—how do we do it?

Genscher: I would like to repeat what I said in Dublin at the Foreign Ministers Conference of the EC—and is still my conviction: I was sure that Franco hasn't made up his mind yet and is still amenable to influences by outsiders—family, old friends from the liberation movement. So we should use all our influence to persuade him. I don't know what your President said. Arias made an excellent impression on us in Helsinki, and the way he was treated may have helped him stay in office. Because it was in doubt.

If they execute the two Basques, this could be a setback, because we will be confronted with an excited public opinion and it will harm our efforts to bring Spain closer to us. We should all use our influence to do this.

Callaghan: We will do that next week. That is very short-range.

Genscher: But it is very important.

Kissinger: I find it difficult to see what we should want to bring about. And how to do it. I understand your point about the Basques and we will do that.

Callaghan: In Spain we have an excellently organized Communist Party, and unlike Portugal we have a middle class in Spain. But the church is, to put it mildly, open-minded towards Communism. So if Franco died, we would have a situation like Portugal, with the Communist Party becoming active immediately.

Kissinger: We are hearing reports that the middle-level military are sympathetic towards Communism.

Genscher: So the only advice we could give is to continue to oppose the Communists.

Sauvagnargues: Their man is a very second-rate man who can't do anything.

Kissinger: Their Foreign Minister will be our undoing. [To Callaghan:] Do you want our bases there?

Callaghan: If you take Gibraltar!

Kissinger: We don't stop at Torrejon anymore on the way to the Middle East because each time, he comes out to greet me with a one-hour lecture I can't understand.

Callaghan: It's a permanent problem with me. The last referendum [in Gibraltar] showed 13,000 in favor of staying with Britain, and 27 against.

This fills me with gloom because in each country we end with nothing we can do.

Kissinger: Portugal may be manageable. But I can't accept the proposition that we just let the southern flank disintegrate.

Let me ask what if there is a civil war in Yugoslavia?

Genscher: That is exactly the question Franco asked!

Kissinger: I don't make personal remarks about you!

Sauvagnargues: All we can do is to make threats against the Soviets. As you did in 1973.

Kissinger: But they may just keep going.

Sauvagnargues: No, the real danger is infiltration. And they will probably hesitate to do that because of Yugoslav nationalism.

Kissinger: Sometime—not in Yugoslavia maybe—they will just keep going and we will have to escalate. When there is a new generation in power, the abject behavior they have shown in crises won't be repeated. With the strategic reality as it is, where the local reality favors them, they will just continue.

Sauvagnargues: The local realities don't favor them there. There will be guerrillas.

Kissinger: Totally ruthless people are successful.

Callaghan: But we can deter them if we make our position clear.

Kissinger: But I heard Italy wouldn't join us. Could the four of us make a statement?

Sauvagnargues: I would favor that. About Yugoslavia, or about intervention?

Kissinger: There would be some value. About détente, nonparticipation of Communists in government.

Callaghan: If Italy is complaining about being left out, here is a case for them to join us. [Laughter]

Kissinger: I would welcome Italy to join.

Callaghan: What about the rest of NATO? What about Holland, Belgium, Denmark? Do we just go ahead and issue a declaration?

Kissinger: I wouldn't object trying it out on all of NATO. We certainly won't get the Dutch. Or do you think we will?

Callaghan: I think we will.

Sauvagnargues: You mixed up non-interference and nonparticipation of Communists in governments of the West. Of course, this is a pretty explosive combination. I don't know the effects. It would be useful to put the Soviets clearly on notice that any interference would have strong consequences. But the statement about nonparticipation—including a strong statement by you—would have negative consequences in French public opinion.

Callaghan: A shift of 2 percent in opinion could mean non-cooperation with France.

Van Well: Could there be a statement in the NATO communiqué about non-intervention?

Kissinger: Soviet intervention isn't the issue. In Portugal, the Soviet contribution wasn't decisive. In Italy it isn't the issue. They took an opportunity and made a marginal contribution. In Yugoslavia, it will be Soviet intervention.

If in the French election, 2 percent vote differently. . . . That would mean Spain, France, Italy—and it would mean a radical shift in American foreign policy. To keep our troops in Europe—well, maybe in Germany—our public opinion wouldn't support it.

Callaghan: That is why we are here. We have to make our position clear. How do we affect our opinion in an era of détente?

Sauvagnargues: But "CIA meddling" has been one of the explosive issues in France for 25 years.

Callaghan: That is not responsible for the emergence of Communism.

Sauvagnargues: But in France in the 1940's, when America helped Europe tremendously. . . .

Kissinger: I was struck at Helsinki by the total bankruptcy of the Communist system where it's been in power for 30 years. They can keep in power only by a kind of petty bourgeois nationalism of the 1930's variety. But in the West, with prosperity, and security, that is the only place where it is growing. It is an absolutely inexplicable phenomenon.

Genscher: I think we have come off our original subject, namely the distinction between domestic developments in Portugal, Italy and Spain, and the situation where there is one possibility of Soviet intervention, namely, Yugoslavia. The question is whether we should put in the decision-making process in the Soviet Union that the West will acquiesce or will take action. Yugoslavia is not in the West, and the Helsinki documents would be relevant. They would come in there only if asked, and it won't happen. They should know this is impossible and it would mean the end of détente.

Kissinger: Is this the only penalty? Will there be military intervention? Or is it just the end of détente?

Genscher: This is just the first phase. One must not forget that other types of intervention, after a short interval, didn't prevent the restoration of détente. In 1968.

Sauvagnargues: Stop technical exchanges with the Soviet Union. Stop exports, credits. I would say military intervention is practically excluded.

Callaghan: Well, let me worry this one a little. Are we saying as a result of Helsinki that the present borders are inviolate except by peaceful means?

Genscher: Well learned! [Laughter]

Callaghan: Are we saying Soviet intervention is unacceptable?

Kissinger: What does "unacceptable" mean?

Callaghan: I think "unacceptable" means that if they intervene militarily this will be met by military means. If they know this, they will be less likely to do it.

Kissinger: That is what I meant. If you say it is unacceptable, it has to mean we are prepared to consider military intervention. If it is only the end of détente, it will be like 1968, where they will do a fait accompli and start a peace offensive three months later.

Callaghan: Is it right to make the criterion that the Soviet Union may not take a country that is not in the Communist orbit into the Communist sphere? Take Finland.

Kissinger: Finland—probably the U.S. would not go to war. I am open to correction.

Callaghan: Austria?

Kissinger: In Austria it would happen so quickly we would have no choice.

Callaghan: The thing is to make our position clear beforehand.

Genscher: I am somewhat concerned about the course of our discussion, trying to lay down rules of thumb—how to react in the case of Finland, Yugoslavia, Austria. When we talk of the end of détente, all consequences would have to be given careful consideration. I am worried about 20 people here in this room trying to lay down alternatives for this or that case. Real responsible discussion of these matters can take place only if we have a basis. Four of us should have a discussion and put it down in writing. You know me—I don't take a soft position—but when we say the risks of war are different here and different there, we risk being taken by surprise.

Kissinger: My nightmare is: If Yugoslavia were invaded and the President asked me "What note should we send?" or "What should we do in the NATO meeting?" "What instructions should we send to our NATO Ambassador?"—I can't get it clear in my own mind.

Callaghan: Hans isn't saying we shouldn't discuss it at all; he is saying we shouldn't discuss it lightly.

Kissinger: He said we shouldn't lay down precise rules. But Yugoslavia could happen literally any day.

Sauvagnargues: If we laid it down in advance, it could help deter the Soviets, but it could help the pro-Soviet side in Yugoslavia.

Kissinger: That is a different problem. The difference between what our intention is and what we say. I am not saying we should issue a declaration of protection of every non-Communist government.

Callaghan: One side in Yugoslavia might invite the Soviets in.

Sonnenfeldt: And one group might invite NATO in.

Genscher: Both will happen.

Kissinger: We could assign individuals here to come up with papers, or as Hans suggested, a group of four could do a paper, if there is time.

Callaghan: I think it should be a concerted effort.

Sauvagnargues: Yugoslavia is urgent.

Kissinger: On Italy we have no policy at all in the U.S. In Spain, we have a preference but no policy.

Sonnenfeldt: We have an alliance problem.

Kissinger: But I don't have any idea of what group we should favor in Spain.

Sauvagnargues: I think we should bring Spain closer to Europe, and to NATO.

Callaghan: We should pull out individual problems first. And we should start with Spain and Yugoslavia.

If we are going to look at individual countries, one we should be able to agree on is Yugoslavia, because it is *sui generis*.

Kissinger: All right. I will designate Sonnenfeldt. They should get together somewhere. No doubt he will opt for Bermuda.

Sonnenfeldt: Bermuda is half way.

[The party returned to the suite at 9:40. The four Ministers then retreated to the dining room to continue their private discussion until 10:25 p.m.]

74. Telegram 8010 From the Mission to the European Communities to the Department of State¹

Brussels, September 9, 1975, 1905Z.

Subject: EC Commission concern about US–EC relations.

1. Summary: Sir Christopher Soames used our first meeting after the summer break to spell out his growing apprehension over recent developments in US–EC economic and trade relations. He is extremely worried that, as discussed with the President and Secretary in Brussels last May, restrictive trade action in a major case will open protectionist floodgates and kill the MTN. Commissioner Gundelach expressed similar concern in a separate meeting on September 4. After citing concerns over “flood” of trade restrictive cases on US docket and “feeling” that US attitude toward constructive cooperation may be changing (or at least is threatened) he urged new, high level political commitment from USG. End summary.

2. In extremely strong terms (even beyond his usual Churchillian rhetoric), Soames opened the substantive discussion at lunch on September 9 with a dire warning about the consequences of the recent developments in US–EC trade relations. He specified the automobile anti-dumping and canned ham countervailing duty cases as having the potential of causing a serious deterioration in US–European relations as well as killing the MTNs.

¹ Summary: Greenwald reported Soames’ concerns about U.S.–EC relations.

Source: National Archives, RG 59, Central Foreign Policy Files, 1975. Confidential; Exdis. Sent for information to all EC capitals.

3. The bases for Soames' concern are (a) the prospect of slower economic recovery than expected on both sides of the Atlantic with continuing unemployment leading to increased protectionist pressures; (b) the "flood" of cases involving restrictive trade measures; and (c) a "feeling" that US attitude toward constructive cooperation and negotiation is undergoing a sea change toward a hard, uncompromising line. In particular, he stated that the forthcoming attitude of the EC in the cheese case had apparently not been taken in USG as a contribution to US–EC cooperation but as an example of how the US had to be tough in dealing with the community.

4. To document this change, Soames cited a recent interview given by STR Deputy Yeutter in US magazine "Feedstuffs" of August 4. Contrasting the tone in that interview with that which characterized his meeting with the President and the Secretary in May, Soames said it was difficult to see how good relations could be maintained and serious negotiations carried out if the "antagonistic attitude" displayed by Yeutter reflected the current US posture toward the EC.

5. On the specific cases, Soames repeated his injunction that they must "be killed at birth or they will grow into robust children". Attitudes toward constructive compromises with US were hardening both in commission and member states. Under no circumstances would he argue within the commission for accommodation on ham such as we had on cheese. He said he had been given to understand that the political circumstances in the cheese case were unique; the US would be able to deal with canned ham easily. The automobile case would continue to cause trouble in a major trade area and, if we actually withheld appraisal, the lid would blow off.

6. After hearing Soames out, I made the following points:

A. There was no reversal of US trade policy. All the cases were being pursued in accordance with US law and the administration had little control over the processes. They did not represent a concerted USG program.

B. Thus far, no restrictive actions had been taken and protectionist pressures existed on both sides of the Atlantic. The EC countries had taken precautionary surveillance measures on items like textiles and paper products, causing concern in US trade circles. The EC also continued to apply an extremely restrictive regime on agricultural products under the CAP.

C. There was no evidence of any change in US attitude toward the EC or the MTNs. And we have consistently taken a firm position on the need to hold the line against restrictive trade measures (e.g., the OECD trade pledge).

7. Soames recognized the legal situation and could cite only the Yeutter interview as evidence of a change of US attitude. However, he

pointed out that it would be too late if we waited quietly for the final decisions. Once restrictive action is taken on a major trade item like automobiles or hams, the floodgates against protectionism will be breached irreparably. In the automobile case, Soames also raised key issue regarding compatibility of US procedures with the GATT anti-dumping code which the USG had signed and was now not implementing. The code requires that investigation of dumping and injury proceed simultaneously while US law requires former be done first. If sales at less than fair value are found, this triggers withholding of appraisal. Regardless of whether ITC finds injury and whether dumping duties assessed later, act of withholding appraisal is highly disruptive of trade and is regarded as the really critical problem. Many in EC are citing this incompatibility with the GATT code as evidence of fact that US cannot be depended upon to implement commitments it undertakes. According to Soames, the implications extend well beyond anti-dumping code and go [to] the heart of whole MTN effort in non-tariff barriers negotiations. They had been willing to gloss over this point in past because specific cases were not very significant, but trade involved in autos is too large to permit its continuing to be ignored.

8. In conclusion, Soames (and Wellenstein) asked that the following requests be transmitted for high-level attention:

A. On the specific items—automobiles and canned hams—the administration act promptly to ensure that the cases are disposed of quickly without restrictive action. On automobiles the administration should give a political lead by stating publicly (as the Council of Wage and Price Stability did in its September 5 report) that “there is no reasonable indication” of injury to the US industry by imports. In any event, the administration must avoid withholding of appraisal. Re canned hams, the administration should exercise the discretion provided for in the Trade Act of 1974 and not apply countervailing duties.

B. Either publicly or privately, there is need for a top-level restatement of US determination to avoid restrictive trade measures and to participate constructively—not in an adversary way—in the trade negotiations.

9. Comment: Although Soames tends to be heavy-handed and something of a bully, other conversations (e.g. with a much lower-keyed Gundelach) reveal serious concern about US trade policy. The present adverse economic climate in Europe makes everyone nervous and criticism of US provides an outlet. The “feelings” reflected by Soames and Gundelach are nevertheless real and probably shared in capitals. Any actions and statements along the lines suggested by Soames would, in my view, be desirable and worthwhile. In particular, I must emphasize that, should we act adversely on either autos or

hams, the reaction in Europe will be intense and could seriously jeopardize, if not kill, prospects for any real trade negotiations (especially on NTBs, agriculture or food reserves), at least with EC.

Greenwald

75. Memorandum of Conversation¹

Washington, October 6, 1975.

SUBJECT

Concorde

PARTICIPANTS

The Secretary
General Scowcroft
Secretary of Transportation Coleman
Deputy Secretary Barnum, DOT
Michael H. Styles, Office of Aviation, State
John Hart Ely, General Counsel, DOT
Alfred J. White, Office of Aviation, State (notetaker)

Secretary Kissinger: I understand you wish to discuss the Concorde. We will certainly have serious foreign policy problems if the Concorde is not permitted entry.

Secretary Coleman: Before making my own recommendations on Concorde, I did want to discuss the matter with you, mainly in your capacity as Special Assistant to the President. There are some problems with the Concorde; the noise level is higher than what was originally expected. Secondly, the Environmental Impact Statement indicates that there is the possibility of skin cancer and that an estimated 200 light-skinned people per year might contract cancer due to disturbance of the ozone level.

¹ Summary: Kissinger, Coleman, and Barnum discussed Concorde.

Source: National Archives, RG 59, Central Foreign Policy Files, P820123–2263. Secret; Nodis. Drafted by Alfred White in the Office of Aviation, Bureau of Economic Affairs, Department of State; and approved by Covey in S on October 21. Kissinger's letter to Coleman was not found. On October 7, Ford told Kissinger that he was disposed to veto a Congressional ban on Concorde landings in the United States. (Memorandum of conversation, October 7; Ford Library, National Security Adviser, Memoranda of Conversation, Box 15) On February 4, 1976, Coleman approved a 16-month trial of limited Concorde service to New York and Washington.

Secretary Kissinger: There are certainly a great many military supersonic flights and if Concorde were to cause 200 cases of cancer the military flights must cause many more cases. I wonder how they arrived at such a figure. It seems questionable to me.

Secretary Coleman: The plane also uses a lot of fuel.

Secretary Coleman: You may recall that the Senate attached a rider to the FAA appropriations bill that would have denied the Concorde entry into the United States. That rider lost by only two votes; mainly because it was considered premature since FAA had not yet come to any decision. If the plane is permitted entry, Congressional action to prohibit it is probable and might well be passed. The President could then veto the bill and the veto probably could be sustained. The President should be aware that he would most likely be confronted with this situation.

Secretary Kissinger: I would be glad to write a letter to you on the foreign policy grounds.

Secretary Coleman: I do want to discuss the problems with you. Another problem is that Concorde service may cost Pan American and TWA about \$30 million annually in diverted traffic.

Secretary Kissinger: You mean they will have to charge more?

Deputy Secretary Barnum: They want to charge 115% of the existing fares, but it is questionable whether IATA would approve so small a charge. The CAB will have to approve any new fares and again this aspect will come to the attention of the Board and possibly the President directly.

Secretary Coleman: There is also the possibility of Treasury anti-dumping action against the Concorde on the grounds that the fares may not fully reflect both operational and construction costs.

Secretary Kissinger: You want something from me on the problems relating to foreign policy matters?

Secretary Coleman: Something stronger than that. That is, whether there would be adverse effects on some of our foreign relations if entry is not approved. The present request is for six flights a day; four to Kennedy and two to Dulles.

Secretary Kissinger: That is a lot of flights.

Secretary Coleman: Another problem that arises and which you would have to deal with later is applications from other countries such as Iran. We could limit the number of flights granted to the UK and France to six, but how would this affect relations with Iran or some other country?

Secretary Kissinger: If we don't let the British and French do it, they will say that, having defaulted in having our own SST, we are

trying to close them off from the fruit of their success in a high technology product. The French and British have leaned on us pretty hard.

Have you seen the letter which my staff has presumably negotiated with yours.

Mr. Styles: We did not negotiate this letter.

Secretary Coleman: I would prefer not to negotiate a letter. I would not wish to be subject to Congressional criticism that I negotiated a letter before I received it.

Secretary Kissinger: You want us to send the letter on our own responsibility.

Secretary Coleman: There's not only the British and French to think about.

Secretary Kissinger: You might establish limits on the number of landings. The problem would be different with Iran because the British and the French have invested so much in the development of the plane.

Secretary Coleman: Another question I want to raise is whether the President should get involved in this.

Secretary Kissinger: I can take it up with the President or we can take it up with him together.

Secretary Coleman: Yes, we could do it together.

Secretary Kissinger: I can mention it to the President today.

Deputy Secretary Barnum: I think there are two separate decisions involved. You (Secretary Kissinger) could raise it with the President to determine whether he wants to be involved. If the President wants to be involved then you can both discuss the issue with him.

Secretary Kissinger: The President would be better off not being involved. If he is going to veto any bill, Secretary Coleman should talk it over with the President. If he is not going to veto, the President can thus stay out of it.

(The Secretary gave Secretary Coleman a letter, previously prepared, dealing with the foreign policy aspects of the Concorde case.)

76. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, undated.

SUBJECT

Release to NATO of the United States Reply to the 1975 NATO Defense Planning Questionnaire (DPQ-75)

Defense has forwarded the proposed U.S. reply to the 1975 NATO Defense Planning Questionnaire (DPQ) (Tab B) and has asked that you approve release of the document to NATO. The Questionnaire is sent annually to each member of the Alliance (less France and Greece) as part of the NATO defense planning cycle. Responses to the Questionnaire are the primary source of information on individual country force plans. In this year's response, each country will describe its tentative plans for 1976 through 1980, and will designate the forces it has actually committed to NATO for calendar year 1976.

The U.S. DPQ response as originally transmitted to you by Secretary Schlesinger proposed a drawdown in the number of U.S. nuclear capable aircraft deployed to Europe and a reduction to only one aircraft carrier continuously on station in the Mediterranean (rather than two). After substantial high level review of the proposed reply, the Defense Department was able to modify the DPQ and its force program to avoid the proposed drawdowns.

—*Nuclear Capable Aircraft.* The original version of the DPQ reply would have shown a drastic reduction in the number of U.S. nuclear capable aircraft in Europe as U.S. nuclear capable F-4 aircraft were replaced by more modern aircraft (the F-15 and A-10). While highly capable in the conventional role, these aircraft are not configured to deliver nuclear weapons. Between 1976 and 1980, the number of U.S. nuclear capable aircraft in Europe would have declined from 474 to 258, with an even more severe drawdown in the MBFR reductions area (from 192 in 1976 to 48 in 1980).

A drawdown of this magnitude would have risked undermining the MBFR talks (particularly the value of our Option III proposal which

¹ Summary: Scowcroft requested Ford's approval of the release to NATO of the U.S. reply to the 1975 NATO Defense Planning Questionnaire.

Source: Ford Library, National Security Adviser, Presidential Agency Files, Box 14, NATO—1975 NATO Defense Planning Questionnaire (DPQ-75) (1). Secret. Sent for action. Ford initialed his approval of Scowcroft's recommendation. Tab A was not attached. Attached but not published is Tab B. Minutes of an October 17 SRG discussion of the DPQ are *ibid.*, NSC Institutional Files (H-Files), Box 24, Meeting Minutes—SRG—Originals, June–October 1975.

includes withdrawal of 54 U.S. F–4s), and might have reawakened Allied doubts about our commitment to use nuclear weapons if necessary in the defense of Europe. For these reasons, the Air Force has modified its aircraft modernization plans and will replace only 90 F–4s between now and 1980. Since virtually all of these aircraft are assigned an air defense role, there will be almost no reduction in the number of U.S. aircraft tasked with the nuclear strike mission. The Air Force is also examining ways to insure an adequate level of nuclear capable aircraft in Europe over the long term, by nuclearizing the F–15 and the F–16, which is scheduled to begin entering the force in the early 1980's.

—*Carrier Deployments.* As originally proposed, the U.S.–DPQ response would have reduced the number of U.S. aircraft carriers continuously on station in the Mediterranean from two to one. A second carrier would have been deployed to the Mediterranean for a total of only six months out of the year. In view of the importance of our continued presence in this strategic area, the Navy has agreed to modify its carrier deployment schedule and to plan to maintain two carriers on station full time in the Mediterranean. Drawdowns to one deployed carrier may occur, but only under exceptional circumstances, involving essential ship maintenance and repair or crucial training exercises. To assist in supporting two carriers continuously forward deployed in the Mediterranean, the Navy will retain in the Atlantic fleet a seventh active carrier (one originally scheduled for retirement this year).

The proposed DPQ reply at Tab B has been updated to reflect the agreed changes in our aircraft replacement program and in our aircraft carrier deployments. The remaining sections of the DPQ, particularly those dealing with our ground forces, describe our efforts to upgrade the warfighting capability of our forces by modernizing their equipment and replacing excess support personnel with combat troops. In sum, the DPQ should not provide good evidence to our Allies of our continuing commitment to the defense of Europe.

Recommendation:

That you authorize me to sign the memo at Tab A releasing the U.S. DPQ–75 response to NATO.

77. **Memorandum of Conversation**¹

Brussels, December 12, 1975, 3:30–5:40 p.m.

PARTICIPANTS

U.S.

Dr. Henry A. Kissinger, Secretary of State
General Alexander M. Haig, Jr., Commander in Chief, US Forces, Europe
Helmut Sonnenfeldt, Counselor of the Department of State
Peter W. Rodman, National Security Council Staff (Notetaker)

U.K.

James Callaghan, Secretary of State for Foreign and Commonwealth Affairs
Alan Campbell, Deputy Under Secretary

France

Jean Sauvagnargues, Minister of Foreign Affairs
Francois de Laboulaye, Political Director

F.R.G.

Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs
Guenther van Well, Political Director
Dr. Heinz Weber, Ministry of Foreign Affairs (Interpreter)

SUBJECTS

East-West Relations (European Communist Parties); Angola; Spain; Yugoslavia;
Cyprus; Italy

Kissinger: We have a rather full agenda. The Political Directors have been meeting and we have to discuss: Soviet relations (or East-West relations); Spain; Yugoslavia; Angola; Italy; Cyprus; Portugal; and the Northern Flank.

Is there any particular order you would like to discuss these?

Van Well: In that order.

Kissinger: East-West relations first?

Van Well: Yes.

¹ Summary: Kissinger, Callaghan, Sauvagnargues, and Genscher, along with U.S., British, French, and West German officials, discussed European Communist parties within the context of East-West relations.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 23, (Classified External Memcons). Top Secret; Nodis. All brackets are in the original except those indicating text omitted by the editors. The meeting took place in the U.S. Ambassador's residence. On November 25, Kissinger met with French Socialist Party First Secretary Francois Mitterrand for a discussion of West European Socialism and the French political scene. (Memorandum of conversation, November 25; *ibid.*, Central Foreign Policy Files, P820123–2142)

East-West Relations (European Communist Parties)

Kissinger: On East-West relations, I outlined our thinking at the restricted meeting [of the North Atlantic Council]. Would my colleagues like to express a view?

Callaghan: I think the reading we haven't yet had is the reaction of the Soviet Union to the other European Communist Parties who seem to be declaring their independence to a certain extent. To what extent, if any, will this affect Soviet policy? We didn't cover this aspect in the NATO discussions. I have no particular information on it. Jean, what about France?

Sauvagnargues: The French Communist Party has shown some independence but not much. My general impression is that it didn't come out just as Brezhnev wanted. The way Helsinki came out. He seems to be running into some trouble. I'll bet there is some criticism of Helsinki in the USSR.

Kissinger: It's not easy to have a conference that creates domestic difficulties in every country. [Laughter]

De Laboulaye: Two of our experts studied this problem. They looked into the relations of the Communist Parties after Helsinki, relations of the Soviet Union to Communist Parties, and détente itself. I gave copies to my colleagues.

With respect to the relations of the Soviet Union to the Communist Parties in the West, a discussion seems to be taking place in Russia regarding what advantage the Communist Party of the Soviet Union and the Communist Parties can make of the so-called crisis of capitalism. They can't agree. Their press indicates this. Also there is a doctrinal difference on whether they should accept alliances with left-wing parties. This too came out in their specialized press.

Kissinger: Did the Chinese give you a lecture on this?

Sauvagnargues: Yes. It was part of the aggressive Soviet policy. They are partly right. It is not consistent with détente.

Kissinger: To us the Chinese expressed opposition to all the European Communist Parties without distinction. They consider revisionism just a Soviet tactic. They showed uncompromising opposition to any alliance.

Callaghan: Can't we make use of this to play on with the Italian Communist Party, to force them to declare their independence or not? Or would it backfire? If they are not dancing to Moscow's tune, we can't get Moscow to control them in our countries.

These parties will have considerable electoral appeal if they are independent of Moscow. When they say the capitalist system doesn't work, they seem to have a good case when there are six million unem-

ployed. They may not be in government, but they could have substantial impact on government.

To the extent we can show they are not independent, it can be very useful to us electorally.

Kissinger: How do we know if they are independent?

De Laboulaye: I was with Rumor last night at dinner. He said that Berlinguer would have to be kicked out if they ever got to power. It is just a mask.

Kissinger: The acid test isn't whether they would come to power democratically; the test is whether they would allow a reversal. It is difficult for a Communist Party to admit that history can be reversed, and allow themselves to be voted out of power.

Van Well: Their papers say they are for a change in power democratically.

Kissinger: Coming in?

Van Well: No, going out.

Genscher: We need some better assurance.

Kissinger: It is almost inconceivable that in power they won't seek to bring about such political change that they couldn't be voted out.

Van Well: The essence of that Conference was that they would accept democratic change.

Kissinger: To the extent one can trust the Chinese view, they claim the Spanish Communist Party is more independent of Moscow than the French or Italian.

De Laboulaye: The Soviet Union themselves know that a Communist Party in government isn't compatible with détente.

Kissinger: They may realize that if one gets in, the right wing parties in the US and Europe will use it against détente.

Genscher: There is not one single Western Communist Party that has given up its final objective. They still want the dictatorship of the proletariat. That is the decisive point. The danger is they become more attractive to the voters. It is easier for us to accept orthodox parties than parties that give the appearance of being independent. They become more popular the more independent they become. The Italian Communist Party has one objective, to become independent.

Rumor was afraid that if there was a discussion of Italy's internal affairs here, it would have a dangerous effect on the Socialists. In other words, he sees a Popular Front as possible.

There is no problem in Germany and in Britain.

Callaghan: Except that it weakens the alliance if it happens elsewhere. My point is we should recognize they are still the true enemy and not let them increase their appeal. Although the nuisance value is

more from these little parties that worm into the trade unions, the Communists are in fact less trouble to deal with. But we shouldn't be deceived.

Sonnenfeldt: No matter how much they are trouble for Moscow, their rise in our countries will affect the whole discussion of security issues and domestic priorities, and this will affect the balance of power over the long run.

Van Well: The question is whether to cultivate them or to expose them and challenge their pretensions. They might be pushed even more to prove their independence.

Callaghan: We've got to recognize that they are the real enemy, even if they are more independent. Secondly, presentationally, we should try to make them appear as not independent, to make them try harder to prove their independence.

Kissinger: The problem is, if we stress their independence, we create the impression that that's the only obstacle. I agree with your first point: they're the real enemy, partly for Sonnenfeldt's reason and partly because it would weaken support for the Alliance in America.

Genscher: The problem would still be the same even if a party completely independent of Moscow—like Albania—came into power.

Callaghan: Where does this discussion lead to? Do we want them more independent or less independent?

Van Well: We have to confront them on both counts: as part of the international Communist movement and on their commitment to parliamentary democracy.

Sonnenfeldt: Make them prove their loyalty to democracy for 20 years, and then see.

Kissinger: But we don't want to encourage our intellectuals to try a dialogue with them.

Genscher: It's not just the intellectuals. The Church, too, and other groups.

Callaghan: We are strong enough intellectually to handle it; that's why we are for détente. But not the trade unions. I find it very hard to talk to the trade unions on this.

Kissinger: I don't know if contacts with Soviet groups are as bad as what the Italian Communists are doing in the U.S., making themselves respectable. To the extent they become accepted in the U.S., they can use this in Italy to prove their respectability. The Soviet groups are so clumsy.

Van Well: Refusal of contact means we ignore them.

Kissinger: What do we gain by talking with them?

Van Well: We should confront them, challenge them. Especially labor groups.

Kissinger: You mean the ILO?

Van Well: Yes.

Kissinger: That's domestic politics. That was the price we had to pay to George Meany to avoid cutting off all UN funds.

Callaghan: My Labour friends asked me to raise this. I wasn't going to.

Kissinger: Our objective is to use the next two years while we're in it to get reforms so we can stay.

Callaghan: Let me know what reforms you want and our people will help.

The Soviet Union constantly is making approaches, and other East Europeans, saying: "Why can't we have a dialogue?"

Genscher: It does make a difference with the Western trade unions whether they cooperate with the Communists in their own countries or whether they have contact with East Europeans. Our unions have contacts everywhere in Eastern Europe but are free of Communist influence at home.

Kissinger: The problem is people like Mitterrand or the Italians deliberately seeking high-level contacts in the U.S. and using that at home to prove they can conduct a pro-Western policy. That will lend to reduction of concern with security and an undermining of the Alliance.

Genscher: I didn't make myself clear.

Kissinger: I understand your point.

I'm getting under pressure for blocking contacts with Italian Communists, and also some of your left wing people, Jean.

Back to the Soviet Union. The consensus of the Political Directors seemed to be that they would continue even after Brezhnev, and this age group, to conduct the same policy.

De Laboulaye: Yes, but there will be temptation, such as Portugal and Angola.

[Omitted here is discussion of Angola, Spain, Yugoslavia, Cyprus, and Italy.]

78. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, December 22, 1975.

SUBJECT

NATO Standardization

Introduction

A principal U.S. objective within the NATO Alliance is the realization, in concert with our Allies, of a more effective and credible conventional defense capability. To achieve this goal, the United States has renewed efforts within NATO to standardize military armaments and equipment, doctrine, tactics, procedures and training.

At the May 1975 NATO Summit in Brussels, you identified the need to improve the standardization and interoperability of NATO military equipment as one of the primary tasks facing the Alliance, and you called for Allied agreement on a more sensible division of weapons development programs and production responsibilities. At the December NATO Ministerial meetings, Secretaries Kissinger and Rumsfeld again stressed the importance the United States attaches to standardization, and the Alliance agreed on further procedural arrangements to facilitate progress.

NATO standardization involves large and complex military, economic and political considerations of great importance collectively for the nations of the Alliance and domestically for the United States.

—Militarily, there is now growing agreement among NATO members on the desirability of standardization. Its anticipated contributions to the military effectiveness of the Alliance are even reflected in negative statements from the USSR and Eastern European press charging that standardization runs contrary to CSCE and détente.

—Economically, as the multi-billion dollar F-16 sale demonstrates, standardization involves major budgetary decisions for the Alliance members at a time of economic difficulties for the West.

—Politically, standardization involves a measure of will and commitment within the Alliance—a test not only of the member nations resolve to create more effective defense forces, but also a test of the member nations willingness to share defense production so as to advance both U.S. and European economic interests.

¹ Summary: Scowcroft reported the status of the NATO standardization initiative.

Source: Ford Library, National Security Adviser, Presidential Agency Files, Box 13, NATO, 12/1/75–12/31/75. Secret. Sent for information. A stamped notation on the memorandum indicates the President saw it. Ford initialed the memorandum.

—*Domestically*, we must pursue our interest in improving standardized weapons development and production programs for all members of the Alliance while at the same time ensuring desired U.S. defense production capacity and capability; and

—*Congressionally*, we must give attention to the many “buy American” defense procurement laws already enacted which must be modified if more recent legislation endorsing standardization is to be effective.

The following paragraphs review the progress toward standardization thus far, the major weapons and weapons systems presently under consideration for standardization, the Alliance institutional arrangements being considered to facilitate the standardization process, and the major problems which have to be addressed by the Alliance as it moves in the direction of standardization.

Progress Toward Standardization

The efforts to standardize in NATO have been given renewed impetus in the past several years by a number of political, military and economic conditions. The improvement of Warsaw Pact conventional capabilities has highlighted the need to strengthen NATO's ability to resist a conventional attack from the East. Additionally, present economic conditions in the West, coupled with the rising cost of military hardware, have made the concept of standardization more attractive than in the past.

Increased standardization will entail the procurement of equipment from both sides of the Atlantic—the so-called “two-way street” concept. The European members of NATO have a legitimate interest in seeing their defense industries benefit from the increased markets which standardization would bring. The selection of equipment to be standardized must be made on the basis of combat effectiveness and overall cost efficiency on a NATO-wide basis while at the same time maintaining to the degree possible an equitable balance of payments for all NATO members. The “cartelization” of defense industries must also be avoided. U.S. agreement on these principles will go a long way toward allaying the fear of many European leaders that NATO standardization threatens to reduce Europe to a state of total dependence on the United States in matters of defense.

Additionally, understanding must be reached from the start that winning a research and development competition does not necessarily mean a monopoly on production by a particular nation. In many cases, there will be co-production or production under license on fair and equitable terms. Such arrangements should considerably reduce the perception of national economic risk resulting from standardization.

The case of the F-16 light-weight fighter aircraft illustrates some of the trans-Atlantic difficulties involved in standardization. Under the

“two-way street” concept, the Europeans can be expected to push for the United States to “reciprocate” on the F–16 contract with procurement of a major weapons system in Europe. For example, the LEOPARD II tank, a German design, could for some Europeans develop into a test of American commitment to fair and equitable sharing of research, development and production of major weapons systems between the United States and Europe.

—*U.S. Adoption of Foreign Developments.* The Department of Defense is now considering, in competition with U.S. system development programs, a number of weapons systems developed by our NATO allies. Systems presently being evaluated include the German-Italian-British 155mm howitzer, the British advanced HARRIER vertical take-off and landing aircraft, Belgian-developed light machine guns, a non-ferrous minesweeper of British design, and the German LEOPARD II tank.

The United States and the FRG have already agreed to conduct a comparative evaluation of the US XM–1 main battle tank and the LEOPARD II tank. The evaluation is scheduled to be held in the fall of 1976.

—*NATO Adoption of U.S. Developments.* Many systems developed by the United States meet the needs of our NATO allies and efforts are underway to promote adoption of these systems. In many cases, it will be necessary to offer production opportunities to our allies. U.S. systems which potentially could have wide NATO appeal and on which we are placing primary emphasis include the F–16 light-weight fighter, AWACS (airborne warning and control system housed in a Boeing 747), the HARPOON surface-to-surface missile system, the XM–1 main battle tank, anti-ship missile defense systems, advanced shipboard surface-to-air missile systems, tactical voice communications, and electronic warfare equipment.

—*Cooperative Development Efforts.* The United States is participating in a number of bilateral and multilateral programs with our NATO allies to reduce unnecessarily duplicative efforts and to achieve standardization or, at the minimum, interoperability/interchangeability of weapons systems. The principal ongoing efforts of this type include 155mm howitzer ammunition, tank gun armament, the NATO PHM hydrofoil motor gunboat, the NATO SEASPARROW anti-ship missile defense system, and shipboard light-weight gun mounts and ammunition.

The NATO hydrofoil motor gunboat is among the most successful of these projects. The lead ship in this group effort (built by the Italians from a U.S. design and with funding by the United States, the FRG and Italy) began test and evaluation in February 1975 in the Mediterranean.

This ship could prove highly effective for certain NATO naval operations in the Baltic, North and Mediterranean Seas.

We are also seeing progress in other areas of standardization where the economic implications are not so great and where agreement among the allies is therefore easier to achieve—training, interoperability of U.S. and NATO communications systems, logistics support (including ammunition and fuels), operating doctrine and tactics. Defense, in cooperation with NATO military authorities, is engaged in identifying expanded programs in these basic areas which may be susceptible to standardization efforts within the Alliance.

Arrangements for Cooperation on Standardization

The Europeans have welcomed a recent U.S. proposal in NATO that not only endorses joint arms procurement under common specifications but foresees eventual trans-Atlantic competition between the United States and a fully developed European arms industry. The European reaction has been understandably enthusiastic because the proposal suggests a U.S. willingness to purchase more from them than we have in the past, thus reducing our domination of the trans-Atlantic arms trade.

There is nevertheless considerable uncertainty on the part of the Europeans as to how much the United States would buy abroad. The Europeans are concerned over U.S. insistence that European produced equipment meet strict standards of quality and economy that may not be attainable.

Britain and France rely heavily on arms exports to improve their balance of payments and maintain employment. They insist that realistic arms purchase requirements must recognize this and that the emphasis on cost-effectiveness be qualified accordingly.

The French also argue that U.S. superiority in high technology areas means that under present standards of competition Europe would gradually be reduced to sub-contractor status and left to produce only low-level conventional armaments. These arguments have special significance because they are being made by the French. France has not participated in the military activities of the Alliance since 1966, but French cooperation is important to the development of improved conventional forces in Europe. With this in mind, France agreed in September to participate in NATO arms discussions. French spokesmen, however, are insisting that any discussions of arms standardization in NATO be carried out in such a way as to preserve France's independence on military matters. They have taken a similar stance on standardization discussions in the Eurogroup—the informal caucus of most European NATO members. *They have made three points:*

—All discussions must be informal and in *ad hoc* groups.

—Europeans must organize themselves first before engaging in an Atlantic dialogue with the U.S. in NATO.

—Until then, NATO should concentrate on interoperability of existing equipment, not major standardization projects.

As a concession to France and in order to maintain momentum on the issue within the Alliance, the NATO defense ministers recently approved establishment of an *ad hoc* steering group under the aegis of the NATO Council to coordinate standardization efforts but limited initially to the more modest interoperability issues, delaying approval of any overall standardization policy until the Europeans, including France, have had a chance to organize themselves. At that time, broader discussions within the NATO framework can be undertaken, possibly as early as next summer.

Congressional Considerations

There is strong support in the Congress for NATO standardization. The Nunn Amendment to the FY 75 Military Appropriations Act (MAA) endorsed the concept as a major goal for the United States in the Alliance. The Culver-Nunn Amendment to the FY 76 MAA establishes as the sense of the Congress that equipment, procedures, ammunition, fuel and other military hardware for our land, air and naval forces stationed in Europe to fulfill NATO obligations should be standardized or made interoperable with that of our allies to the maximum extent feasible. It also directs that U.S. military procurement be directed toward achievement of that goal.

Even with this strong Congressional mandate, we must overcome the numerous statutory and administrative restrictions currently in effect which are at least potential constraints on standardization actions. These restrictions are generally imposed on Defense procurements and greatly favor the purchase of products made in the United States. The Congress has noted the general inconsistency between the “Buy America” policy and NATO standardization, but has not been asked as yet to move to take remedial action to relax the restrictions. In addition, because we have not made a major European procurement, Congress has not had to face up to the fact that increasing standardization on a “two-way street” basis means some loss of defense contracts in at least some Congressional districts. During 1976, we can expect very close attention by any Member of the Congress whose District or State might be affected by an Administration decision to buy from a European source in the interests of standardization.

This memorandum is forwarded to provide a brief overview of the progress thus far in NATO standardization and the prospects and problems to be expected in the coming months. I will forward updated reports as noteworthy developments occur.

79. Summary of a Study Prepared in the Ad Hoc Interagency Group¹

Washington, December 15, 1975.

SUMMARY

US policy toward Southern Europe since 1947 has succeeded in minimizing Soviet influence in the region and gaining a paramount position for the US and NATO throughout the Mediterranean area. We enjoy a complex of military facilities and bases which contributes to our role in the Middle East and to our SIOP and intelligence capabilities, as well as to the security of Southern Europe itself. US presence and influence have helped keep Communists and neutralists out of power in most countries of the area and thus contributed to the strengthening of their ties with the rest of Western Europe.

It would be in the US interest to maintain these positions. But a number of developments now raise questions about how, to what extent and at what costs, US/NATO positions can be maintained. Relaxation of cold war tensions, changes in the East-West military balance, and the disappearance of regimes that cooperated closely with the US are all contributing to a diminution of US influence in the area and a possible increase in that of the Soviet Union. We face pressures to reduce our base and force structure, a desire by some allies to dilute their participation in NATO, and growing influence on or even presence in the governments of some NATO members of Communists or others who are hostile to the Alliance.

None of this should be overstated. There are political factors which will impel at least some of these countries to move closer to Western Europe. Moreover, there is considerable flexibility in the Western military position in the Mediterranean. We may be able to compensate for the relative diminution of our presence by technological developments (e.g., in airlift, or aerial refueling), more selective use of remaining US forces and bases, and more reliance on other Allied forces. Moscow is not likely to achieve a military edge in the area.

¹ Summary: The summary is of the study prepared in response to NSSM 222, U.S. and Allied Security Policy in Southern Europe.

Source: Ford Library, NSC Institutional Files (H-Files), Box 35, NSSM 222—U.S. and Allied Security Policy in Southern Europe (2). Secret; Exdis. Attached but not published is the remainder of the study. Sent to Kissinger under cover of a December 18 memorandum from Sisco.

Country Assessments

—Moderate forces in *Portugal* have won a second chance with the formation of a government with minimal Communist participation. But the unity of the forces supporting it, military and civilian, is fragile and it faces formidable economic and social problems and determined leftist opponents. The situation remains fluid and confused. One possible outcome could be a military-dominated, authoritarian government which would embrace at least the rhetoric of a non-aligned foreign policy and want a scaling down of Portugal's already modest participation in NATO. We do not, however, expect a Portuguese move into the Soviet orbit. Many military men, as well as leaders of moderate political parties, look to Socialist governments and parties in Western Europe for assistance.

—Post-Franco *Spain* will see a very precarious attempt at "controlled liberalization." A reasonably successful political evolution would permit Spain to draw closer to its West European neighbors but at some cost to US influence, since democratic elements will want to make gestures of reducing ties to the US and so to Spain's dictatorial past. A reassertion of conservative and/or military rule, by prolonging Spain's isolation from Europe, would make the US tie seem more valuable. But even a rightist regime might try to hold the line against change at home by striking nationalist foreign policy poses that would affect Spanish relations with the US as well as with Western Europe.

—At least for the near term *Italy*, for all its political turmoil, is the least likely country of the Southern area to call into doubt its ties to the West or to be tempted by any sort of radical nationalism or Mediterranean non-alignment. Nonetheless, continued political instability and the growing influence of the Communist Party will inhibit Italy's effectiveness as a NATO ally. While we foresee no near term threat to present US military arrangements, it probably would not be possible to transfer there major facilities lost elsewhere in the area. In general, Italian politicians will be reluctant to accommodate any new NATO initiatives which might be at all controversial at home.

—The change of government in *Greece* has significantly improved that country's relations with Western Europe, but dealings with the US will remain troubled unless and until a Cyprus settlement is reached. Karamanlis will need some further reduction in the US military presence beyond those already agreed in order to blunt criticism of those who urge a complete break. But he will continue to maintain as much of a de facto military role in the Alliance as the domestic political traffic will bear. Indeed, Athens' desire not to be further isolated in the event of serious deterioration of Greek-Turkish relations will put a limit to erosion of its ties with the US.

—US relations with *Turkey* were soured by the stalemate over military sales and aid and will probably never return to their former degree of cordiality. Ankara, however, sees its long-term political, economic, and security interests with the West, and the Turkish political elite is committed to national development along Western lines. Turkey has looked first to its NATO allies in Europe to offset its growing isolation and to obtain military equipment and spare parts. But some kind of accommodation with the USSR and limited arms purchases cannot be ruled out.

—*Malta* will need some economic support to replace UK/US base rental fees in March of 1979. For all his neutralist, anti-super power convictions, the erratic Dom Mintoff will bargain hard for economic advantage. Thus, he might agree to Soviet non-use of Malta, or possibly to continued Western military use of the island. He will threaten, as part of this bargaining, to accept Soviet or Libyan overtures.

—Developments in post-Tito *Yugoslavia* could have an important impact on NATO's southern flank. We are relatively sanguine about the outcome—because we believe Moscow sees more to gain from détente than from an overt move to reestablish Soviet hegemony and because the Yugoslav military would move in to cope with an externally or internally generated threat to the country's integrity and independence. But a precipitous unravelling of the Western position in Southern Europe might change Moscow's perception of the risks of meddling in Yugoslav affairs. And a collapse of Yugoslav independence could demoralize moderates in neighboring states who would be sensitive to the advance of Soviet power nearer their borders.

The *Soviet Union* probably has no grand design for Southern Europe. Moscow can wait with some patience for events which it may think are moving in its general interests, at least in the sense that any diminution in US influence, or in the anti-Communist coherence of the region, is a gain for Soviet policy. Moreover, a more activist Soviet policy to woo one party (e.g., Turkey) would only offend others (e.g., Greece). We cannot of course rule out the possibility that Soviet leaders will be overcome by enthusiasm for some opportunity for rapid and dramatic Communist gains and in the process perhaps revive a sense of unity and purpose among other NATO states in the region. But neither can we depend on Moscow to do that job for us. Instead, Moscow is likely to continue the relatively good behavior which aims to foster the impression that no European state has anything to fear if it adopts a more equivocal posture vis-à-vis the US or if local Communist influence grows.

US Interests

For the foreseeable future, minimum US interests in Southern Europe include the following:

—Prevent the Mediterranean power balance from shifting to Soviet advantage;

—Contribute to maintaining the confidence and sense of security of pro-Western elements in Southern Europe, preventing further political unraveling there which could in turn make Central Europeans feel exposed and threatened.

—Keep enough political influence with the Southern European governments at least to prevent their acting against our vital interests (e.g., with radical Arab states or the Soviets) even if we cannot win their active support to the degree we would wish.

—Dampen the incentive of friendly states in the Mediterranean Basin to develop nuclear weapons themselves by extending a credible nuclear umbrella and providing US weapons under programs of cooperation.

—Preserve sufficient US access to Southern Europe and the Mediterranean to maintain a positive psychological impact on the Middle East situation, however restricted our actual use of the individual facilities in case of an Arab-Israeli war.

Issues and Options

In trying to keep enough of a military and political presence in Southern Europe to serve these purposes, we face the complex problems of defining the kind of role we wish to play in Southern Europe and the Mediterranean in light of impinging circumstances on the one hand, the availability of required resources and feasible policies on the other. Specific issues include these:

—How can we manage our relations with each of the countries concerned in order to preserve as much US influence as possible?

—Should we promote the development of closer political, economic, and military links between the Southern European states and the rest of Western Europe, even at some cost to US political influence and economic interests and perhaps to our military position?

—Should we allow partial NATO membership by others besides France, or continued NATO membership by governments with Communist members, or should we insist, instead, on a more cohesive if smaller Alliance?

—Should we hold out for our present base and operating rights, reducing them only when a host government insists, or should we seize the initiative by proposing some cutbacks ourselves or working to increase the military role in the area of other allies?

This last issue includes a large number of others. There are arguments for and against such propositions as these:

—Withdrawing nuclear ballistic missile submarines from the area would not significantly degrade our strategic capability because the equivalent capability can be provided elsewhere;

—The Southern flank countries already have lost much of their value to us as a resupply route to the Middle East in times of emergency;

—There is little likelihood of Soviet military aggression against any of the Southern flank countries independent of a general NATO-Warsaw Pact conflict;

—US military facilities in the countries of the region have become more a source of friction in our dealings with them, or an instrument for their blackmail of us, than a contribution to broader NATO defense interests;

—Technological progress may make it possible for the US to satisfy its own purely military needs in the area—naval and air access and intelligence gathering—with less reliance on foreign bases.

Our possible responses to all these questions can be grouped under a number of broad “strategies.” Should we adjust to and hopefully ride out present trends in Southern Europe, accepting a diminution of our role? Should we try to compensate for this by drawing other West European powers more deeply into the region’s affairs? Or by possibly accepting quite a different definition of NATO membership and its purpose? Or should we try to control events by making clear our determination to resist unfavorable trends, bargaining hard against any reduction in military rights, and rejecting partial members of NATO or members with governments judged to be incompatible with the nature of the Alliance?

80. Memorandum From Stephen Hadley of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)¹

Washington, January 10, 1976.

SUBJECT

A Review of the Defense Theater Nuclear Force Program

We indicated in our memo forwarding the proposed Defense Posture Statement that the section on theater nuclear forces tracks very closely the Theater Nuclear Force Modernization paper that Secretary Rumsfeld would like to present to NATO later this month. By going forward with these two documents, the US will in effect be setting its theater nuclear doctrine and force posture for some years to come and will be placing it on the record simultaneously with both the Congress and our NATO Allies. For this reason, *now is the last major opportunity for a meaningful review of these issues*. This memo provides our views on the substance of the DOD theater nuclear force program and describes some alternative ways that a review might be accomplished.

An Analysis of the Defense TNF Program

An overall military balance probably exists in Central Europe, but in terms of strictly conventional forces NATO is clearly inferior to the Pact. While we have made a major effort to upgrade the capability of our conventional forces (and to convince our Allies to do the same), we still must have a credible theater nuclear deterrent. Without this deterrent, the Soviets might be tempted to exploit their conventional advantage—gambling that if the only effective fallback were our strategic nuclear systems we would choose to accept the defeat of our conventional forces in Europe rather than risk initiating a strategic nuclear exchange involving the continental United States. Our Allies would undoubtedly see the situation in the same way, and the resulting anxiety about their own security might fragment the Alliance and encourage some states

¹Summary: Hadley analyzed the Department of Defense's proposal regarding NATO theater nuclear forces.

Source: Ford Library, National Security Adviser, Presidential Agency Files, Box 13, NATO, 1/1/76–11/76. Secret. Sent for action. Hyland initialed his approval of the fourth option on Scowcroft's behalf. Under cover of a January 6 memorandum to Scowcroft, Hadley forwarded and commented on a December 12, 1975 Department of Defense paper entitled, "Improving the Effectiveness of NATO's Theater Nuclear Forces." (Ibid.) In a September 3, 1975 letter to Schlesinger, Haig discussed the effects of U.S. efforts to raise the nuclear threshold and modernize the NATO theater nuclear force posture in Europe on its NATO allies. (Washington National Records Center, OSD Files: FRC 330–78–0059, NATO 320.2, 3 Sep 75)

either to develop their own nuclear weapons or to seek an accommodation with the Soviets. A credible theater nuclear deterrent continues to be essential to military and political stability in Europe.

The Defense initiatives provide for the first time a coherent doctrine for the use of these weapons and suggest a variety of changes in our force posture that will improve its real warfighting capability. Without some modernization, Defense argues that we will be left with an obsolete theater nuclear posture of limited military effectiveness and highly vulnerable to preemption.

Defense proposes increased reliance on Poseidon rather than on nuclear-capable aircraft to cover the targets in SACEUR's General Strike Plan (GSP). This is probably militarily sound, for Poseidon is a more survivable system not subject to preemption, has assured penetration, and poses less of a command and control problem. Shifting from theater to strategic delivery systems for GSP targets will have little escalatory impact, since the GSP would only be executed in conjunction with the US SIOP (i.e., after a US decision has already been made to resort to central strategic systems).

The major focus of the Defense program is not on Poseidon, however, but on shoring up our capability for direct nuclear support to the battlefield. By increasing the mobility, range, and accuracy of our surface-to-surface missile and artillery systems (Pershing and Improved 8-inch), we increase their survivability and capacity to concentrate fire for specific military objectives. Increased reliance on the Poseidon will free up tactical air assets that no longer need be held in reserve for GSP missions but can be used for nuclear battlefield support (as well as for strictly conventional missions). While their effectiveness will be hindered by the dense Pact air defense systems and the lack of an all-weather capability, the mobility and flexibility of tacair still make it an important asset in support of our ground forces.

The other aspects of the Defense program—improved C³, greater political control over nuclear systems, reduced collateral damage, and increased peacetime storage site security—are just common sense.

Most of the reservations about the program center on its possible impact on our Allies—whether it will feed European anxieties about our willingness to risk nuclear war in the defense of Europe, raising the decoupling issue. Increased reliance on SLBMs at the expense of US nuclear-capable aircraft, replacement of existing surface-to-surface missiles on a less than one-for-one basis, and reductions in the size of the warhead stockpile will be seen not only as reducing our nuclear capability but moving it off the continent and increasingly into exclusive US control—reducing still further European participation in and control over the nuclear deterrent.

If we take the NATO consultations seriously, however, we should be able to convince the Allies that developing a sound theater nuclear doctrine and an effective posture reflects a strengthening of the nuclear commitment, not a weakening of it. In examining any proposals for theater nuclear forces, the Allies will discover for themselves that many of the warheads are obsolete or deteriorating, and that for several of our presently dual-capable weapons (particularly defensive systems), the nuclear capability contributes little to military effectiveness.

We must be willing, however, to alter some aspects of our plans if the Allies have sincere reservations. We have already done that to some extent in connection with the DPQ exercise, assuring the Allies that we will maintain a substantial level of nuclear-capable aircraft in Europe (perhaps more than might be required in strictly military terms). We can also point out that the Allies have significant nuclear aircraft programs of their own (F–16, Jaguar, MRCA) which will assure their continued role in the nuclear deterrent.

There is some concern that focusing on improvements to our theater nuclear forces might detract from our efforts to convince the Allies of the need for a strengthened conventional defense. But if we use the dialogue on theater nuclear forces to develop an understanding not only of the utility of these forces but also their limitations, we will have ample opportunity to emphasize the importance of continued attention to conventional force improvements.

Questions can also be raised about the impact of the TNF program on our arms control negotiations, particularly MBFR. By hinting at drawdowns in nuclear aircraft and warhead levels beyond the reductions offered in the NATO Option III initiative, the Defense program, if leaked, could undermine the negotiating value of our Option III proposal. More generally, there is the prospect of withdrawing FBS-type systems without attempting to gain “credit” for them in terms of reciprocal concessions from the Soviets. Finally, by eliminating inefficiency and streamlining forces outside the negotiating context, any reductions that are negotiated after these improvements will appear to cost us more in terms of real military capability. (We have already faced this problem with our ground forces in Europe, and decided to make the support-to-combat conversions without waiting for an MBFR Phase I agreement.)

There is no escape from these dilemmas—we will continually have to balance the need for force improvements against the impact on specific negotiations and the prospects for obtaining reciprocal quids from the Soviets. Because the theater nuclear force issue is such a sensitive one with our Allies, our NATO consultations will have to be careful and deliberate—and will take time. Our recent MBFR experience on Option III demonstrates that consultations on even the most sensitive

topics can be handled if we are willing to proceed slowly, without pressuring the Allies. Because of this time element, we can safely initiate the dialogue now and begin to build a consensus behind some form of improvement program. Actual force structure changes will come much later, and the pace of these changes can be dictated by MBFR and our negotiating prospects with the Soviets. (Ambassador Bruce is in favor of a dialogue on theater nuclear forces and feels that now is a good time to begin.)

While we basically endorse the Defense initiatives, there are four aspects we should watch carefully over the next few months:

—*Level of Nuclear-Capable Aircraft in NATO.* After Defense has completed its studies on the nuclearization of the F-15/F-16, we will need to obtain internal US government consensus on a level of nuclear-capable aircraft that reflects military, diplomatic, and negotiating factors. Defense has argued that any reductions of nuclear-capable aircraft in favor of conventional replacements should come in the Center Region, since that is where the conventional mission will be most important and nuclear aircraft would be most vulnerable. Since this could result in nuclear aircraft reductions in the MBFR reductions area beyond the 54 envisioned in Option III, the implementation of the Defense program will have to be paced by progress in the MBFR talks.

—*Use of Poseidon RVs for Limited Nuclear Options in Europe.* Defense is studying this possibility, as is SACEUR in developing his Selective Employment Plans (SEPs). Use of Poseidon for limited options does appear, however, to raise escalation problems—using what has been considered a strategic system for a limited target in a strictly theater confrontation might give the wrong signal to the Soviets. Nuclear-capable aircraft might be better suited for this role.

—*Modernization of 155 mm Artillery Projectiles.* If Congress approves the 8-inch modernization, Defense may seek to improve the nuclear shell for the 155 mm. While this may be advisable, at least some analysts argue that the 8-inch alone provides adequate nuclear artillery support and that continued nuclear role for the 155 adds little to the nuclear deterrent while detracting considerably from training and readiness of artillery units for the conventional role.

—*Improving the Capability of US Forces to Operate in a Nuclear Environment.* This is a real problem area, and we should support Defense's efforts to remedy it. Theater nuclear forces are of little utility if conventional forces are not capable of operating in nuclear environments to exploit their effects.

In addition to the concerns discussed earlier, there are two other criticisms that will probably dominate any public discussion of Defense's proposed theater nuclear program. First, critics will argue that improving the warfighting capability of our theater nuclear forces

makes their use more likely and hence lowers the nuclear threshold. While the critics are probably right—an improved warfighting capability does make their use more likely *should war occur*—the contribution of a credible theater nuclear posture to deterring altogether the outbreak of *any* war outweighs this risk. Lowering the nuclear threshold becomes a semantic argument if we can avoid hostilities in the first place.

Secondly, there is the concept of escalation control. Defense assumes that a limited use of nuclear weapons to halt a Soviet tank breakthrough would provoke a “pause” in the conflict, and pave the way for negotiations between the political leaders of the two sides. But Soviet nuclear hardware, doctrine, and military exercises do not envision such selective or controlled use of nuclear weapons. They assume instead a rapid escalation from the first use of nuclear weapons, and as a consequence, Soviet plans favor the prompt use of their own nuclear weapons on a massive scale in response to either actual or anticipated NATO first-use. While Soviet doctrine and posture may move toward recognizing the possibility of limited strikes and controlled use, NATO reliance on these weapons to create a “pause” in the conflict would for the present be a risky matter. But this is not an argument against the force posture proposed by Defense, for that posture will be effective for both limited and more massive strikes (largely because of the selectable yield feature of the warheads). In any case, it is the contribution to deterrence that is the primary justification for the program anyway.

While we basically agree with the Defense proposals, we feel that theater nuclear forces are such an important part of our deterrent strategy and military posture that Presidential review of the program is imperative. Complicating the timing of such a review is Secretary Rumsfeld’s desire to present the program to NATO at the Nuclear Planning Group (NPG) meeting January 21–22 and to Congress in the Posture Statement that he submits with the Defense budget. An NSC meeting next week would be ideal.

Less satisfactory would be Presidential review of a written summary and analysis of the program. If no Presidential review can be scheduled before the NPG and the release of the Posture Statement, Secretary Rumsfeld could in the interim confine his NATO presentation and Posture Statement to general concepts of theater nuclear doctrine and avoid any discussion of specific modernization actions. Alternatively, you may feel that no Presidential review is required, in which case another session between yourself, Secretary Kissinger, and Secretary Rumsfeld would be all that is needed to clear the Defense theater nuclear program. (We will have to make sure that any changes in the program are reflected in the theater nuclear sections of both the NATO paper and the Posture Statement.)

Your Decision

Try for an NSC. (We have recommended this option to you and have already sent you a schedule proposal by separate memo.)

Prepare a discussion paper on the Defense theater nuclear program for the President.

I will discuss with Secretary Rumsfeld the possibility of limiting his NATO presentation and Posture Statement to general concepts, pending a later NSC review of the US theater nuclear program.

Presidential review is not required at this time, and I will meet with Secretary Rumsfeld and Secretary Kissinger to go over the Defense theater nuclear program.

**81. Memorandum for the Record Prepared by the Senior
Military Assistant to the Secretary of Defense (Wickham)¹**

Washington, January 14, 1976.

SUBJECT

Discussion between Secretaries Rumsfeld and Kissinger on two NATO issues:
Paper on Improving the Effectiveness of NATO's Theater Nuclear Forces; and
Modifying the POSEIDON Commitment to NATO

On 14 January, Secretaries Rumsfeld and Kissinger reached the following general agreements:

a. *The paper on improving the effectiveness of NATO's theater nuclear forces.* Secretary Kissinger said that he had reviewed much of the paper and understood that it proposed NATO would undertake review of various aspects of the nuclear posture with a view to possibly making some adjustments in the posture. However, pending this review no adjustments would be made outside of MBFR. Secretary Kissinger said he

¹ Summary: Wickham recorded a discussion between Rumsfeld and Kissinger on NATO theater nuclear forces and the modification of the Poseidon commitment to NATO.

Source: Washington National Records Center, OSD Files: FRC 330–79–0049, NATO 320.2, 14 Jan 76. Secret. Copies were sent to Clements, Ellsworth, the Chairman of the JCS, ASD/ISA, and ATSD/AE. A stamped notation on the memorandum indicates the Secretary of Defense saw it on January 15. In an undated memorandum to Rumsfeld, Wickham noted, "Scowcroft agrees with releasing the Tac Nuc paper to NATO and with modifying the Poseidon commitment." (Ibid.)

agreed with the paper and believed that it would be appropriate to release it into NATO as Secretary Rumsfeld previously had indicated. This meant that the paper would be released to the Military Committee (through Admiral Weinell) for comment by the MNCs and subsequent recommendations to the NPG. Secretary Rumsfeld would speak to the issue at the January NPG and provide the MODs with an information copy of the paper. It was also agreed that in formulating specific U.S. proposals with regard to U.S. nuclear deployments in NATO, DOD would coordinate these proposals through the Defense Review Panel process.

b. *Modification of POSEIDON commitment to NATO.* Secretary Kissinger expressed a concern that the U.S. not take actions which could be interpreted by Europeans as a prelude to withdrawal of our nuclear commitment to NATO. He agreed that we could make the offer to NATO to commit additional POSEIDON RVs on the proviso that no changes be made in the QRA commitment pending analysis by SACEUR and subsequent DPC review of this analysis. (He understood that targeting of the additional POSEIDON RVs might require some adjustments in the current targeting of QRA aircraft.) Secretary Rumsfeld agreed with this arrangement, and he would be prepared to make the offer at the January NPG. This will permit the JSTPS to begin targeting tasks.

Via secure telephone, I discussed the foregoing general agreements with Brent Scowcroft. He agreed with the understanding on the POSEIDON RV commitment; therefore, DOD can proceed with actions to modify the POSEIDON commitment to NATO. General Scowcroft also agreed with the understanding on the paper concerning the effectiveness of NATO's theater nuclear forces. DOD also can proceed with actions to introduce this paper into the Military Committee.

John A. Wickham, Jr.
Major General, USA
Military Assistant

82. Telegram 8875 From the Department of State to the Embassies in the Federal Republic of Germany and the United Kingdom¹

Washington, January 14, 1976, 0049Z.

Subject: Meeting of European Socialists in Denmark—January 18–19, 1976. From the Secretary for Ambassadors Hillenbrand and Richardson.

1. For Bonn. Please deliver the following letter personally to SPD Chairman Brandt:

Begin text: Dear Mr. Chairman:

I should like to address you personally because I believe that a number of serious distortions of my private statements concerning the problem of communism in Western Europe have appeared in the press in recent weeks and may also have reached you personally. I have always valued our excellent personal relationship, going back for so many decades, even before either of us occupied positions of responsibility in our national governments, and I have considered the friendship and trust, going far beyond the formal terms of alliance that grew up between our governments during your term of office and since, a cornerstone of our foreign policy and one of the guarantees for peace and progress and in the world. As you know, I have admired your foreign policy and did my best to support it. For that reason, I would wish to see nothing, above all false or mischievous characterizations of our attitudes, that could cast even the smallest cloud upon our personal relationship or this government's relationship with your party and government.

I believe all of us in the Atlantic world must address the new situation that is arising as a result of the political gains of certain Communist Parties in Western Europe. I am fully conscious of the fact that many of these parties have undergone major changes since the days when they were mere instrumentalities of Soviet foreign policy and when their in-

¹ Summary: The Department forwarded a letter from Kissinger for delivery to SPD Chairman Brandt concerning the problem of communism in Western Europe.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976. Secret; Immediate; Exdis. Drafted by Sonnenfeldt and David Anderson in EUR/CE; cleared by Woods and Lowenstein; and approved by Kissinger. In his January 23 reply to Kissinger, Brandt noted SPD efforts to strengthen the non-Communist left and commented on the situations in Italy, Portugal, and Spain. He also affirmed, after noting that the situations of some non-Soviet Communist parties posed problems for the notion of a centralized world Communism, that "there is certainly no reason to relax our watchfulness regarding the challenges posed by Communism." (Telegram 1275 from Bonn, January 23; *ibid.*)

ternal organization and political activities were closely patterned on those of the Soviet party. These changes are a part of the reason, though not the only one, why some of these parties have come to play a serious role in the interplay of democratic political forces in Western Europe. Nor is there any doubt that this evolution poses serious problems for the Soviets and may indeed to some degree be contributing positively to the evolution of Soviet policies. We are quite conscious of the fact that for these and other reasons democratic parties in several European countries have found it if not desirable then at least politically necessary to reshape their relations with the Communists.

Despite certain potentially positive aspects of these trends we nevertheless are bound to see these developments with the utmost misgivings. I should say at once that none of this, in our view, applies in any way to the political situation in the Federal Republic; nor has anything that I or any other member of the administration have ever said or implied referred to the Federal Republic in this regard.

But there can be no doubt that if one or more countries in the Atlantic world acquire governments in which Communists either participate actively or indirectly, the political nature of our Alliance and of our broader political association is bound to change. References are often made to Titoist Yugoslavia in this regard. We of course were among the first to have encouraged Tito's move away from Moscow in 1948 and we continue to join with our friends and Allies to do all we can to support his aspirations for independence. Yet it must also be said that, the issue of independence apart, Yugoslavia's policies in the world more often than not follow quite different lines from ours and in many instances actively injure our Western interests. Consequently, in regard to Western Europe, we are not impressed by the Yugoslav example and certainly would not wish to make it a goal of our policy to encourage its repetition there.

More fundamentally, however, we think that all of us in the West must continue to be concerned with the historic phenomenon that the Soviet Union is now in process of emerging as a great power on a world scale. This historic process is occurring irrespective of what transformations may or may not be occurring within Soviet society or whatever restraints and cooperative elements it has been possible through our joint Western policies to build into East-West relationships through the numerous agreements and understandings we succeeded in negotiating with the USSR over the past several years. Certainly, we must continue the policies that you, we and others have been pursuing along those lines and there is reason to believe that the present Soviet leadership has similar impulses.

But it has always been a *sine qua non* of these "détente" policies that the essential balance of physical power between the USSR and the

outside world must be maintained. NATO's role in this regard remains indispensable; our own undiminished military role in Europe remains crucial; continued progress toward European unity remains indispensable. Our deep concern is that if Communist parties should over time reach positions of major power and influence in the policy-making councils of European states, all of these essentials will be placed in question.

For it is quite clear that among the reasons why Communists have in some instances succeeded in being viewed as respectable political elements in Western political life is that they have managed, rightly or wrongly, to project an image of primary concern with social and economic issues and administrative efficiency. Questions of security, however, are not and indeed cannot be a part, certainly not a significant part, of Communist programs. All our Western countries already encounter serious problems of maintaining defense programs essential to the maintenance of an adequate balance of power vis-à-vis the continuing military growth of the USSR. These problems cannot help but be exacerbated if Communists become major determinants of the political and budgetary priorities of Western states, and this, over time, is bound to have a dangerous effect on the power equation in Europe, whatever Soviet intentions and vulnerabilities may be, and on prospects for continued East-West negotiations in the mutual interest.

I would stress another point also. Over the past few years, Europe and America have developed consultative practices of extraordinary intensity and candor, perhaps unique among sovereign states. Although far from perfect in all respects, the degree of policy harmonization that has been achieved has been remarkable. I cannot believe that this very salutary evolution, valuable for its own sake but also crucial for the conduct of the complex policies vis-à-vis the East that must be pursued over the coming years, can endure if Communists occupy governmental positions in any of our governments. We already found ourselves confronted with this problem in a very practical way in NATO during the height of the Portuguese crisis, which you played such a major role in reversing.

It is for all these reasons, to which can be added some possibly more arguable questions relating to the democratic character of even the most emancipated Communist Parties once they reach positions of power, that we have taken so strong a position in warning about the dangers of coalitions with Communists in Western Europe. We intend to continue to do so because we believe the issue goes to the very heart of our security, the security of Western Europe which is vital to us, and ultimately to the maintenance of peace and freedom. There is no contradiction between a policy that seeks relations of restraint with the

USSR and opposes coalitions with Communists in the West. Indeed there is total consistency between them.

Let me make very clear to you that any imputation that in these matters we make no distinction between Socialists and Communists is wholly false and indeed absurd. Nor have we intimated that the evolution that so concerns us is inevitable—that “all of Europe will be Marxist” in some foreseeable time. In the first place, we obviously know very well the difference between democratic parties growing out of a Marxist tradition (such as yours) and those that grew out of the Leninist-Stalinist mutation of the Marxist tradition. Indeed, if anything, our relations today with your government and many other governments directed by Social Democrats are better than they have ever been before. We count many of the leaders of those parties, in your country, in Britain and elsewhere among our staunchest friends and among the most effective political leaders of the Western world today. We are convinced that the democratic parties of Western Europe, of all shadings, have the inherent strength and wisdom to cope with the trends that have manifested themselves in some of the countries of the region. Our entire policy, including public and private statements on the issues I have discussed in this letter, is designed to buttress the continued evolution of a strong and secure Atlantic world, encompassing a confident, vigorous and prosperous uniting Europe. I have no doubt that you yourself understand this, but I wanted to be sure that in view of the often simplistic and sometimes malicious press reporting on these matters there is not even a trace of misunderstanding between us.

Warm regards,

Henry A. Kissinger. End text.

2. After presenting the letter to Brandt, you should make the following points orally:

A. As to the situation in Italy, it is clear that there can be no viable democratic majority in the present Italian Parliament without the participation of the Italian Socialists—a fact clearly evident in the present Italian Government crisis. That party’s ambivalence as to its political allegiance reflects its serious doubts about the strength and will of the Christian Democrats to resist the Communists and its fears that the Communists will take over the non-Communist left in Italy. Italian parliamentary elections are scheduled for early 1977: they will be a crucial test of whether the Christian Democrats can stabilize the electoral situation in Italy. If there is to be any hope of doing so, the Christian Democrats need the support of the PSI to get through this critical period. In the interests of security and stability in Europe, we hope that you will encourage De Martino to return to a policy of cooperation with the Christian Democrats so as to give Italy’s democratic forces the time needed to rally support.

B. Concerning Spain, we share with the Europeans the objective of helping Spain evolve along lines which will permit its entry into the community of democratic European nations. We do not believe, however, that there should be pressure exerted on the Spanish Government to hasten that evolution. The West should act instead to help strengthen the King and his moderate, pro-European cabinet in their efforts to steer a realistic course. The Western countries should, in our view, do nothing to help the Spanish Communists whose demands, if implemented, would polarize Spanish society and bring about an atmosphere of chaos in which they would thrive.

C. With regard to Portugal, the Pinheiro Azevedo government is moving swiftly and with surprising determination to consolidate its position. An encouraging trend toward political centrism is emerging. The Portuguese Socialists will play a critical role in preserving the cohesion of the moderates, who have benefited from the strong support given to Soares' Socialist Party by the European socialists. This support has been a critical factor in strengthening and encouraging the moderate elements in Portugal. We hope that this assistance will not only continue but be expanded, particularly in view of the economic crisis which is looming on the Portuguese horizon. We also hope that you will emphasize to Soares that while we understand the tactical reasons for his call for a conference of Southern European Socialist and Communist Parties, the long-term effect of this tactic would be the legitimization of his greatest potential enemy.

3. After making the approach to Brandt, please seek an appointment with Chancellor Schmidt, show him the letter to Brandt and make the points in paragraph two orally, stressing that you have been asked by the Secretary to make this personal approach to the Chancellor on his behalf.

4. For London: Please seek appointments with Wilson and Callaghan, show them the letter to Brandt, and then make the points in paragraph two orally, stressing that you have been asked by the Secretary to make these personal approaches to the two leaders on his behalf. You should indicate that the points in subparagraph 2.B are in response to the Secretary's promise in Brussels to send Callaghan our latest appraisal of the situation in Spain. The President will also be responding shortly to Wilson's letter to him concerning Spain. Please emphasize to Wilson and Callaghan the need for utmost discretion concerning their knowledge of the Brandt letter.

5. FYI only. Messages similar in substantive content, but obviously without the references personal to Brandt are being sent to certain other socialist leaders attending the Helsingor meeting.

Kissinger

83. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, January 19, 1976.

SUBJECT

Modification of Poseidon Commitment to NATO

Since 1972 the Supreme Allied Commander Europe (SACEUR) has had designated 150 of the reentry vehicles carried on the ballistic missiles of the U.S. Poseidon submarine fleet to cover targets in NATO's General Strike Plan (GSP). Secretary Rumsfeld would like to announce this week at a meeting of the NATO Nuclear Planning Group a U.S. offer to assign an additional 250 reentry vehicles for GSP targets, bringing the total number of RVs assigned to SACEUR to 400 (memo at Tab A).

I have reviewed the proposal and concur in it. The Poseidon RVs provide SACEUR with a secure and reliable way to cover GSP targets, and an increase in the number of RVs dedicated to these targets will introduce some flexibility into the use that can be made of other nuclear systems in Europe. Making the offer at the Nuclear Planning Group meeting will give Secretary Rumsfeld a chance to explain the offer in the context of our general approach to NATO's theater nuclear forces, and to initiate the studies required to incorporate this increased capability into NATO's overall force posture.

Recommendation:

That you authorize Secretary Rumsfeld to offer an additional 250 Poseidon reentry vehicles for SACEUR's General Strike Plan at the upcoming NATO Nuclear Planning Group meeting. (Secretary Kissinger concurs.)

¹Summary: Scowcroft recommended that Ford approve Rumsfeld's proposal to offer an additional 250 Poseidon reentry vehicles for SACEUR's General Strike Plan.

Source: Ford Library, NSC Institutional Files (H-Files), Box 65, NSDM 328—Modification of SSBN Commitments to NATO. Secret. Sent for action. Ford initialed his approval of Scowcroft's recommendation. Attached but not published is Tab A, a January 16 memorandum from Rumsfeld to Scowcroft entitled, "Modification of Poseidon Commitment to NATO."

84. Telegram 16745/Tosec 10170 From the Department of State to Secretary of State Kissinger¹

Washington, January 23, 1976, 0147Z.

For the Secretary from Lowenstein, Acting. Subject: Briefing Memorandum: Outcome of Helsingor Meeting of Socialist Parties.

1. The following are EUR's comments on the Helsingor Conference, traffic on which has been repeated to you and on which Jorgensen undoubtedly briefed you fully.

2. The conference was unable to agree on the issue of Socialist-Communist cooperation and there are no indications that any real effort was made to gain a consensus. While we will have to wait for final returns before making considered judgements on the impact of our pre-conference presentations, it seems clear that the debate focused more sharply on this subject than it would have in the absence of our approaches. As expected, Brandt, Schmidt, Wilson and Mitterrand were the dominant figures at the conference.

3. Socialist-Communist Cooperation

It is revealing that the parties favoring cooperation with the Communists were mostly those out of power, while those opposed were in power. Except for Portugal, this was a South-North division. It reflects not only the relative importance of the Communist Parties in the former countries, but also the smaller ideological distinctions they draw between their kind of Socialism and Marxist-Leninism. It also reflects the difference in South-North economic development. The conference therefore developed along predictable lines.

4. Unique among the southern parties at Helsingor were the French because of their numerical dominance of their left alliance. A factor working in Mitterrand's favor over past years has been the neo-Stalinism of the PCF, and Mitterrand said as much publicly at Helsingor. Not surprisingly, this provoked PCF recriminations in Paris, so that one effect of Helsingor has been to renew the ideological festering between two parties which still see no choice but to try to work together. Mitterrand's view of the left was shared by almost no one at Helsingor, but he intends to persevere along these lines at the meeting

¹ Summary: The Department forwarded a memorandum on the outcome of the Helsingor Socialist conference.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976. Secret; Immediate. Drafted by Harlan Moen in EUR/WE; cleared by Mack in S/S and O; and approved by Laingen in EUR. From January 21 to 23, Kissinger was in Moscow for talks with Brezhnev and Gromyko. On January 23, he flew to Brussels to brief NATO representatives on these talks.

of the European Latin Socialist Parties which he has called for January 24–25 in Paris. (If Marchais continues to move toward the Berlinguer line, Mitterrand will start having problems, and this might be what Marchais had in mind when he characterized as an “absurd idea” Mitterrand’s assertion that the left alliance strengthened the Socialists at the expense of the Communists.)

5. Italy

While no one appeared to support De Martino’s thesis that in view of the situation in Italy the PCI must be associated to the majority, there was understanding for his real problem, i.e., the threat to his left flank by the Christian Democrats via the historic compromise which would make the Socialists irrelevant to any government majority.

6. Spain and Portugal

While all seemed agreed on the need to help their Spanish and Portuguese colleagues, there were no details given on the kind of aid they might have in mind. The Portuguese delegation had no illusions about the Communists and said so at the conference. As for the Spanish Socialist leader Gonzales, he said his party would not enter the Cortes until the Spanish Communists became a legal party. Neither attracted the kind of attention that might have been expected.

Robinson

85. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, February 5, 1976.

SUBJECT

The German Broohaha Over Communists in Government and Your Letter to Brandt

As you may have noticed in the press, the pot is really boiling in Germany (and Europe) over the issue of coalitions with Communists. In the FRG the issue has as usual taken a special twist. The CDU has taxed the SPD with being soft on Communist coalitions. Schmidt (see Tab A) and Brandt have reacted with vigor. Brandt has now cited your letter as giving him what the Germans like to call a “*Persilschein*” because you excluded the SPD from any possible criticism and cited Brandt’s own accomplishments in behalf of Western unity, etc. Schmidt has also referred to it and the essence of the letter is now public, as we anticipated. The quote from you about Europe allegedly going Marxist in ten years is rattling around and presumably will become part of the landscape for the indefinite future. Above all, however, the effect of the whole sequence of events has been to bring the Communist issue to the fore and I think we have made some substantial headway as a result. I think it is now important for us to keep quiet, unless pressed, and to stick with the line I gave Funseth today, to wit: we have made known our concerns to all concerned as we were bound to do as a matter of our own crucial interest; but of course what happens in any particular European country is for the Europeans themselves to determine.

Although Schmidt takes a mild crack at you in the attachment, I see no point in starting a correspondence with him on this issue. I do sense, however, that as the election campaign progresses in Germany, Schmidt is going to disengage a bit. Moreover, there is no doubt that he has some serious worries about us and, like the French and British, is asking himself how best to protect German interests in present and foreseeable circumstances. Consequently, some of the things he is going to be saying privately and publicly, will again be rather painful.

¹ Summary: Sonnenfeldt discussed the West German controversy over Communists in governments and Kissinger’s January 14 letter to Brandt.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1976. Eyes Only. Attached but not published is Tab A, a transcript of a television interview of Schmidt. Kissinger initialed the memorandum. For Kissinger’s January 14 letter to Brandt see Document 82. In a January 12 memorandum to Kissinger, Sonnenfeldt noted that he had drafted Kissinger’s letter to Brandt such “that if it leaks it will present as coherent a statement of our position as can publicly make, including for the benefit of the Italians, French, Russians, Yugoslavs, etc.” (Ibid.)

86. Memorandum of Conversation¹

Washington, February 24, 1976, 9:30–10:22 a.m.

PARTICIPANTS

President Ford
Francois-Xavier Ortoli, President of the Commission of the European
Community
Robert S. Ingersoll, Acting Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Phillippe de Margerie, Chef de Cabinet
Fernand Spaak, Head of EC delegation in Washington

President: How long have you been here?

Ortoli: Just two days. We are planning an agreement of cooperation with Canada. We plan to begin discussions in 15 days.

President: I notice the Conservatives have picked a young leader. He's just 36 years old.

Ortoli: Yes, and he is a real unknown.

President: I am delighted to have you here. I would be interested in your comments on our relations, the Tindemans report, and what you think will happen.

Ortoli: Our major problems are economic. We are moving, but it is slow. The biggest problem is unemployment. We don't think that will get better very quickly. Also prices. Inflation is not declining as it should, except in Germany. The British are trying to do something.

President: Their new budget proposals were startling.

Ortoli: Wilson and Healey are really trying. I think the fact they are in the EC will help. Their unemployment is very bad.

So things are improving and the cooperative approach has helped. We have avoided counter-productive measures. So things are not so bad. We are pleased with the results of Rambouillet. We think our ability to resist protection is being successful. We have taken a very firm position on import controls. The British came to us with a big program of controls. We had the same problem with Italy. We were able to say it is not a problem of import restrictions but a more basic problem, and more stimulants were needed. We gave a loan of \$1 billion—it was a necessity.

¹ Summary: Ford and Ortoli discussed U.S.–EC relations.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 18. Secret; Nodis. The meeting took place in the Oval Office. On January 7, Belgian Prime Minister Leo Tindemans' report on the next steps in achieving European union was made public.

President: Are you encouraged by their progress?

Ortoli: Yes. You can't ask too much in a country with a big unemployment rate. We will have to put economic and monetary conditions on the loan. I hope that Italy will not come back with a program of import control. With Britain, I am not sure, but we are trying to avoid it. I think probably we have managed the crisis as best we could. It is not brilliant, but with the shock and the unemployment, it is probably as well as could be expected.

President: Our economy, after the deep dip, is coming along better than we expected. The figures have been good for three weeks. Unemployment is still too high, but the number of employed is good. Inflation is going down. It is my feeling that the meeting in Rambouillet was very important. It had psychological as well as substantive benefits.

Ortoli: Capital goods is one of our worst problems now.

President: This is our first sign of movement in that area. Our only real laggard now is housing. But permits are up 11%, which is good. Unless Congress goes on a spending spree, we are optimistic.

Ortoli: Coming back to trade, we have some problems with your country. We have problems of protectionism, not from the Administration but from the ITC. We think it is an important subject. Specialty steels, for example, have declined substantially from earlier years. The major problem we think is the recession. That is true in other areas except shoes. The EC is declining in the export of shoes, except Italy. The problems in shoes are in Italy, Britain and less so in Germany and France. I hope you can maintain your earlier policy because if we get into reciprocal restrictions we will have a cycle which will be hard to resist.

President: You are familiar with our legislation. I am aware of the problems, but the law requires consultation between the ITC and Trade Policy Council, and then it comes to me. I will do my best and I am a strong advocate of liberalization.

Ortoli: The matter is very important. Trade will be \$6–7 billion and we will have a trade deficit. Last year we made major progress in developing a feeling of inter-connection of our economies. Expanded trade is a major aspect of economic growth.

On political integration, the Tindemans report will be discussed by the heads of government this spring. I think our people will think we are not yet at the point where we can take a decisive step, except for direct election of the Parliament. That will be very important over time, with the building of constituencies, but we are not yet ready in the fields of political integration and foreign policy. We consult closely, but we are not yet ready to give our foreign policies to another entity. We are moving in the economic field, but that will take time. The most im-

portant institutional change is probably the meeting of the Prime Ministers three or four times a year. Tindemans, I think, is too optimistic.

I am against the two-tiered approach. We will split the Community if some feel they are second-class members. I think we must all move together.

The CIEC is doing fairly well. I think the dialogue is serious.

In the South, with the development of strong economic links with all the countries, we can look toward a network of links which will help stability. We are not talking politics but doing politics.

President: Is Portugal's economy turning around yet?

Ortoli: Not yet. Part of it is politics. If the people can go back to work without disruption, it should help. They are hard-working people.

President: We are trying to help. The refugees are a big problem. Politically things look good, and if the elections turn out well, it will help. We should work together here.

Ortoli: We have the same policy. In Spain, sooner or later they will ask for membership. There is a new atmosphere toward Spain. We know they are trying. There is still a feeling against them, but it is evolving and there is the general feeling they are trying and it is working.

President: We feel that both the economic and military relationship is essential. I don't know which should come first, but it is essential that we integrate them into the Western community.

Ortoli: I agree. I think that EC membership is a practical possibility in 5–6 years. We have agreed to take Greece in as the 10th member, and negotiations on entry will probably begin this year.

President: Is this their first try?

Ortoli: Yes. They have been an associate member. It was a difficult decision for the EC because each addition creates problems. The bigger we are, the weaker we are. It makes the process more difficult.

The Turks won't apply, but they are associate members. But it is creating problems because we are accepting the Greeks. So we will have to give more economic aid to the Turks for political reasons. We think we can help between Turkey and Greece. We have to move, cautiously so the Turks feel they are a part of Europe. Last month we signed agreements with the Maghreb. They are signing economic agreements. We have a foreign trade agreement with Israel and we now are negotiating with Egypt and Syria. Our objective is to help these peoples develop their economies—it will help promote stability and contribute to political peace. It is a small role, but we think it is helpful.

President: Do you have anything special with Iceland?

Ortoli: Only an agreement, because Iceland was in the EFTA. Nothing special. Their only interest is fish.

President: This has been very helpful to me. If we can all get our economies moving, I think some of our problems will fade away. The trauma of the past 12 months I hope is past. I hope we can cooperate to progress together.

I guess the situation in Italy will drift along. Elections will be later this year.

Ortoli: Probably. It is a terrible situation. They never have a government. They are always waiting for the next one. The best way we can help is to keep them from economic failure. But time is short.

President: Apparently, the Communists are very shrewd.

Ortoli: Yes, and they are showing themselves the best administrators.

87. Telegram 66408 From the Department of State to the Embassy in Belgium¹

Washington, March 19, 1976, 0106Z.

Subject: Letter to Prime Minister Tindemans. For the Ambassador.

1. You should seek early appointment with Prime Minister Tindemans and personally deliver the following letter from the Secretary.

Begin Text. Dear Mr. Prime Minister:

I understand from Fernand Spaak, whom I have only just had the pleasure to welcome personally to his new responsibilities, that you have received the impression that I have problems with your report on European Union. Let me assure you that is not the case.

As you know, I place great importance on our relationship with the European Community and have consistently supported the contin-

¹ Summary: The Department forwarded a letter from Kissinger for delivery to Tindemans.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 1, Belgium—State Department Telegrams From SECSTATE—EXDIS. Confidential; Exdis. Drafted by Robert Homme in EUR/RPE; cleared by Sonnenfeldt, Moffat and Hartman; and approved by Kissinger. A memorandum of conversation recording the March 13 talk between Kissinger and Spaak is in National Archives, RG 59, Central Foreign Policy Files, P840145–2065.

uing process of European unification. I find your report to be a constructive contribution to that process. Your task was formidable, and I am impressed with the results.

As Fernand Spaak has undoubtedly reported, however, I have taken care to express no opinion on the report, believing the important issues you have identified so clearly to be first and foremost for Europe and the Community to decide. I have every confidence my European colleagues will do so wisely, and I shall follow the progress of European integration in general and great interest.

On the matter of US–EC consultations, I believe we have developed very satisfactory arrangements over the past two years. We would of course always be pleased to consider suggestions for further improvements to the existing arrangements. End Text.

2. You should take occasion of delivery foregoing letter to underscore that it is a personal message from the Secretary and, in keeping with his decision to take no position on the Prime Minister’s report, is intended only for his private information.

Kissinger

88. Memorandum From the President’s Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, March 25, 1976.

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:

¹ Summary: Scowcroft discussed a message from Schmidt on NORTHAG, NATO conventional force levels, and U.S.–FRG consultations on out-of-theater use of U.S. forces.

Source: Ford Library, National Security Adviser, Kissinger–Scowcroft West Wing Office Files, Box 35, West Germany (5) (12/11/75–3/29/76). Secret. Sent for action. Attached but not published is Tab A, a March 25 letter to Schmidt signed by Ford; and Tab B, a February 18 letter to Ford from Von Staden forwarding a February 11 letter from Schmidt. For the resolution of the NORTHAG financing issue, see Document 302. For U.S.–FRG defense relations in the event of another war in the Middle East, see Documents 283 and 284.

- 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 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.

89. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, April 22, 1976.

SUBJECT

The Quadripartite Consultation Forum: Your Meetings with Crosland and Sauvagnargues

Your periodic meetings with your German, UK and French colleagues, and the intervening sessions of the “Political Directors” which I have attended, have become one of the more rewarding means of Western consultation and policy coordination. Their occurrence, although it has vaguely seeped out, has largely remained secret; it is potentially explosive—domestically in France and, more broadly, within NATO, the EC and the international community generally—since it smacks of a directorate that tends to undercut or supersede other intra-Western forums. The fact that in actuality while it may be a pseudo-directorate, it distinctly *reinforces*, rather than undercuts, existing Western institutions will be lost sight of if its existence and the topics dealt with become common knowledge.

You will be meeting with two of your colleagues from this new institution, and possibly Genscher also, before the next regular meeting in Oslo. Schedules permitting, we are trying to have another political directors meeting before Oslo, possibly here in Washington during the Giscard visit when De Laboulaye will be here anyhow and the others are thinking of coming.

Topics currently under consideration include (1) Yugoslav contingency planning, (2) Italy and Communism in Western Europe, (3) the Northern Flank. There has also emerged, among my colleagues, an intense interest in using the forum to vent problems ranging from Southern Africa, Spanish Sahara, Lebanon, Cyprus to Spain, Portugal, Malta, Turkey, Greece, i.e., literally no problem of common interest has been excluded. The French, indeed, while becoming extremely legalistic about what topics can properly be taken up in the NAC, have been

¹ Summary: Sonnenfeldt discussed the evolution and sensitivity of the quadripartite Foreign Ministers consultation forum.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 6, Quadripartite Memcons, Feb. 1976–. Secret; Eyes Only. Sonnenfeldt did not initial the memorandum. Tab A, a memorandum of conversation for a February 20 Political Directors meeting; Tab B, a memorandum of conversation for a March 26 Political Directors meeting; and Tab C, a memorandum of conversation for a January 23 Ministerial meeting were not attached. The February 20 and March 26 memoranda of conversation are *ibid*; the January 23 memorandum of conversation was not found.

eager to use the four-power forum without limitation. Further, as I have reported to you, my three European colleagues have often used our meetings to air sensitive internal EC problems in my presence.

You may want to talk to your colleagues individually about the future of this operation. Carefully handled, it is clearly in our interest to maintain it, including for its utility to fertilize and invigorate other, broader forums in which all participate such as NATO itself. But it does run the risk of exposure. And with changes in personnel (Crosland vice Callaghan; Van Well may soon be promoted, Campbell may be reassigned, and my days are numbered), continuity will become a problem. Furthermore, with the discussions now ranging far afield from East-West and intra-Western problems, my ability to contribute is in any case circumscribed, given the disparity in responsibilities between my colleagues and myself. (My colleagues are so sensitive about the forum that they are reluctant to have it widened by excessive introduction of experts, though we have of course brought in Haig and his two Yugoslav planners, and, occasionally, an African or other senior expert.)

I attach a copy of my report on the last two political directors meetings and the account of the last Ministerial meeting for your reference.

90. National Security Decision Memorandum 328¹

Washington, May 4, 1976.

TO

The Secretary of State
The Secretary of Defense

SUBJECT

Modification of SSBN Commitments to NATO

The President has approved the proposal to modify the U.S. commitment of fleet ballistic missile warheads to NATO. This modification should provide improved survivability of the forces committed to the

¹ Summary: The President approved a proposal to modify the U.S. commitment of fleet ballistic missile warheads to NATO.

Source: Ford Library, NSC Institutional Files (H-Files), Box 65, NSDM 328—Modification of SSBN Commitments to NATO. Top Secret. Copies were sent to the Chairman of the JCS and the DCI.

General Strike Plan (GSP) and allow for some reduction in tactical aircraft requirements for targeting against fixed targets in the GSP, thus making such aircraft fully available for other theater operations. Specifically, the U.S. will offer to:

—Provide SACEUR with the military authority for target assignment, alerting, and missile release for 230 Poseidon RVs from normally alert Poseidon SSBNs and 170 Poseidon RVs from normally non-alert Poseidon SSBNs, vice the current arrangement whereby SACEUR is provided the same authority for 150 Poseidon RVs from alert Poseidon SSBNs. In the case of the RVs from normally non-alert SSBNs, it is understood that SACEUR's missile alerting and release authority becomes operative after the SSBNs have been directed to generate by proper authorities. It is also understood that the Director of Strategic Target Planning will perform the detailed targeting function for these RVs based on a list of SACEUR-designated targets in coordination with SACEUR.

—Carry the 400 SACEUR-assigned RVs in NATO-pure missiles aboard any number of normally alert or normally non-alert SSBNs, as appropriate, whether located in CINCLANT's or USCINCEUR's area of responsibility.

Any proposal for commitment of additional RVs beyond those specified above shall be submitted to the President for his approval.

It is to be understood that these commitments to NATO in no way infringe upon the current authority of the President of the United States with regard to missile release either in the NATO context or as a unilateral national action. The currently approved nuclear weapons safety rules for the Poseidon weapon system will remain in effect for those missiles assigned to NATO. The appropriate authorities aboard SSBNs which carry NATO-assigned missiles will be provided with the necessary command, control and communications documentation required for alerting and launch of missiles in accordance with NATO authorization procedures.

The Secretaries of State and Defense, or their designated representatives, may proceed with any necessary consultation and planning in NATO in accordance with the above.

This NSDM supersedes relevant portions of NSDM 132 of September 13, 1971.

Brent Scowcroft

91. Telegram Tohak 94 From the President's Assistant for National Security Affairs (Scowcroft) to Secretary of State Kissinger¹

Washington, May 5, 1976.

SUBJECT

Concorde

1. The subject of Concorde's access to the U.S.—and, in particular the impediment posed by the Fairfax County noise ordinance—may well arise in your discussions with Giscard.

2. The background on this matter is that Fairfax County recently passed an aircraft noise ordinance which would have the effect of banning Concorde. There is no question that this is an illegal intrusion into an area reserved to the Federal Government and airport owners. The only issue is how most effectively to nullify this ordinance and to minimize the possibility of an embarrassing incident when Concorde service to Dulles commences on May 24.

3. There have been several discussions between the lawyers representing the British and French airlines and the Department of Transportation as to how to deal with this problem. In addition, I have met twice with Ramsbotham and Coleman (separately). There has developed a strong difference of opinion regarding who should take the first step of initiating a court challenge. Coleman holds that if DOT were to be the one to initiate the action against Fairfax County, it would (a) set a legal precedent that DOT wants to avoid, and (b) allow the County to drag in extraneous issues which could delay a declaratory court judgment negating the ordinance. The airlines' lawyers, strongly supported by Kosciusko-Morizet, believe the most effective intervention would be on the part of the Federal Government. They believe as a matter of principle that it is our responsibility to deal with questions of constitutionality and not that of foreign airlines. State's lawyers side with Coleman.

4. It is conceivable that the ordinance will be in operation on May 24th. In such an event, the prosecutor of Fairfax County has indicated

¹ Summary: Scowcroft reported the latest developments in the Concorde issue.

Source: Ford Library, National Security Adviser, Presidential Subject Files, Box 1, Concorde. Confidential. Sent via Black Patch. The telegram is the copy as approved for transmission. From May 3 to 6, Kissinger was in Nairobi, Kenya, to attend the United National Conference on Trade and Development. Efforts by Fairfax County, Virginia, officials to stop Concorde service to Dulles International Airport were blocked; the first flights arrived on May 24. On October 17, 1977, the Supreme Court overturned the temporary ban against Concorde flights into Kennedy International Airport; passenger service began on November 22.

that he is prepared to attach the aircraft temporarily but not to interfere with the crew. I understand that the aircraft could be bailed back almost immediately. These actions would then precipitate the court test of the ordinance. The disadvantages of letting things reach this state are (1) the publicity that would attend the sheriff taking possession of the ownership papers of the aircraft, and (2) the possibility that such harassment might continue for subsequent flights until a court has acted.

5. Following my last conversation with Ramsbotham, he talked to Kosciusko and has now informed me he convinced the French that the airlines should be the ones to seek the injunction. If true, that is a very encouraging breakthrough. I will keep you posted.

6. In addressing this issue with Giscard, you may want to stress that we share with the French and British the desire to remove this illegal local noise ordinance as an obstruction to normal service to Dulles. The question is how to achieve this objective in the most effective manner. The lawyers are continuing to discuss the best legal approach.

7. The other problem for Concorde is entry into JFK. The Port of New York Authority has banned flights for six months while the experience of Concorde service at Dulles is evaluated. Air France and British Airways are contesting this in court. (The legal issues are substantially different at JFK relative to Dulles, hence the willingness on the part of the airlines to initiate court action.)

8. Giscard may indicate that it is hard to explain to the French people why the USG is not doing more to enforce Coleman's favorable decision. The broad answer is that Federal authority is not comprehensive in this area and airport owners exercise certain rights. Of course, the owners are not permitted to be discriminatory, to interfere unfairly with air commerce, or to violate international agreements. We will be prepared to take an appropriate amicus role to assure that the New York Authority is following a legal and fair policy. The airlines are well represented and the issues are properly under court consideration.

Warm regards.

92. Telegram 120720 From the Department of State to the Mission to the European Communities¹

Washington, May 17, 1976, 1801Z.

For Ambassador Hinton. Subject: Memcon: Conversation with EC Officials. Participants: EC Commission—President Ortoli, Vice President Sir Christopher Soames, Commissioner Finn Gundelach, Soames' Chef de Cabinet David Hannay. U.S.—Ambassador Frederick B. Dent, Ambassador Deane Hinton. Date and Place: May 12, 1976, Strasbourg, France—7:30 pm to 10:00 pm. Subject: Bilateral Trade Issues.

1. Shoes and autos: Sir Christopher expressed his appreciation for recent U.S. decisions on shoes and autos and asked Ambassador Dent to thank Secretary Simon regarding autos. Amb Dent said his staff had consulted with the minority members of the Senate Finance Committee that morning to head off an effort in the Senate to have the ITC reopen the shoe investigation. He expected success. He also mentioned that assurances from manufacturers would be necessary to end the automobile cases unconditionally.

2. Cognac: Sir Christopher raised the subject, stressing it would be ill advised to roll back the price break, thereby virtually putting the French out of the U.S. market. Ambassador Dent said that recently a U.S. file search had produced evidence that the French had clearly understood the two-year nature of the U.S. cognac concession when initiated and that it was contingent upon subsequent community action to open the poultry market. The French had, however, requested us not to make public the two-year nature of our contingent action on cognac. Sir Christopher said the two year XXIV (6) sweetener for the French had nothing to do with the Community. Action on poultry depended on the commission and such was impossible until it could be included as part of the large MTN package. Gundelach said some poultry concessions could be included as part of the Community Tokyo round package. Soames and Gundelach said that as far as they knew the French had never tried in the Community to loosen the poultry regime. They suggested that since the original two years apparently had been related to the target date which was then envisaged for the end of the MTN and since the delay had been due in part to the slowness of the U.S. Congressional procedure the wisest course for the U.S. would be to leave cognac alone for another year. (They said "year" and Ambassador Dent

¹ Summary: The Department reported a meeting among Dent, Ortoli, Soames, and other U.S. and EC officials to discuss U.S.–EC trade issues.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976. Confidential. Drafted and approved by Dent.

specifically asked Gundelach if he thought that it could be instituted as an early portion of the big package. Gundelach confirmed the possibility.) Ambassador Dent said we plan to communicate further with the French before Giscard's visit in an effort to reduce the danger of misunderstanding and hopefully to reach agreement with the French.

3. Specialty steel: Sir Christopher raised. Ortoli, Soames and Gundelach made it clear the Community would not negotiate an OMA. They said, however, that in the spirit of solving problems pragmatically the commission would oppose the Community seeking compensation for the U.S. restrictions. Gundelach said the U.S. would have to agree to waive the 90 day GATT limit and that the Community would reserve its rights to seek GATT relief. Ortoli reiterated his belief that the U.S. had a bad case but said he agreed with his colleague's proposal to avoid retaliation on the understanding that the U.S. quotas would reflect equitable treatment. Ambassador Dent said it had been our intention to give the Community tonnage in categories where there were real export possibilities. Ortoli asked that we be careful about the overall number which inevitably would be compared in the press with the ITC recommendations. Soames declined an invitation to send negotiators to Washington either for further OMA talks or concerning the quotas. He said, "do what you have to do, taking into account our concerns." He said the commission would inform member governments May 13 via the 113 Committee of the U.S. proposal and the community rejection thereof. They would also meet with the steel industry on May 18. They would convey their definite decision by May 20 but he expected it would be as he and his colleagues had outlined it, i.e., no retaliation now provided GATT rights were reserved with U.S. assent and U.S. quotas took account of EC interests.

4. Non-fat dried milk and soybeans: Soames raised, saying Lardinois earlier in the day had told Parliament again that the non-fat dried milk scheme would not be renewed. Amb Dent said U.S. soybean producers have been advised of the proposed settlement and some in the industry were resisting. Secretary Butz and Amb Yeutter were to meet with industry representatives in an effort to persuade them that the proposed arrangements were in their best interest. He, Dent, had recommended that they talk to the industry about the advantages of the proposal as well as the broad national interest indicating that the administration would after the consultations make the decision it judged to be best for overall U.S. trade interests. He asked about the commission's intentions to carry out the actions they had proposed. He said that in his judgment it was too early to reach a written understanding but that at the right moment, i.e., after the Parliament and Council acted on commission proposals, the understanding should be on paper so that the kind of ambiguity surrounding the cognac ar-

rangement with the French could be avoided. If all went well, the U.S., while reserving its GATT rights for compensation, would not exercise them. Gundelach agreed that the understanding would be reduced to paper at an appropriate later date.

5. U.S.–EC bilateral consultations: Sir Christopher asked Amb Hinton when the next bilateral consultation should be held. Hinton suggested as early as possible in October. After some discussion in which Ortoli also argued for early October, it was left that Sir Christopher would reflect and that the commission would propose to us possible dates.

6. OECD Trade Pledge: Dent raised and Soames said the Community was all for its renewal at the Ministerial. Soames expected to attend only the first day of the Ministerial and Ortoli indicated that he did not presently intend to be there at all.

7. Bilateral Trade Consultations: Dent, Soames and Gundelach agreed that the bilateral MTN consultations were helpful and should be continued.

8. Multilateral Fiber Agreement: Dent raised, proposing that a meeting be called in early October to complete the Annula review and that another meeting be held in early December to consider renewal of the MFA as required. Gundelach agreed to these proposals and commented on the importance of getting MFA renewal out of the way so that textile issue would not be caught up in MTN crunch in '77.

Kissinger

93. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, May 20, 1976.

Secretary Kissinger asked me to pass the following review to you of his opening remarks to the NATO Foreign Ministers at the opening restricted session of the NATO Ministerial meeting in Oslo, May 20.

¹ Summary: Scowcroft forwarded a report from Kissinger on his remarks at the first restricted session of the NATO Ministerial meeting in Oslo.

Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL 404, Alliances, North Atlantic Treaty Organization (NATO), Meetings, Ministerial 20–21 May 1976. Secret; Sensitive. Ford initialed the memorandum. Kissinger was in Oslo to attend the NATO Ministerial meeting from May 20 to 22.

"At Secretary General Luns' invitation, I opened the restricted session of NATO Ministerial meeting with an overview statement of East-West relations, Soviet policies and objectives, the challenge to the NATO Alliance, our policy toward Eastern Europe and the position of the United States on communist participation in the governments of Western Europe. In introducing my extemporaneous remarks, I stressed to the Ministers that while East-West relations and US policy toward the USSR are currently the subject of intensive domestic debate in the United States, there should be no apprehension about fundamental shifts in US policy as a result of the 1976 election.

"US-USSR relations: In describing Soviet policy, power and motivation, I drew a distinction between two trends: (1) those generally inherent in the growth of industrial strength of the USSR; and (2) trends which flowed from the process of Soviet political decision-making. As for the first trend, it would produce military strength and could not be basically influenced. Our appropriate response would be to build up our own strength to ensure preservation of the military balance. The second trend, however, could be influenced by us. The conclusions drawn by the Soviets were based on ideological considerations, bureaucratic considerations, Soviet power, the party structure, and a combination of all these factors. The ideological factor was a basic ingredient of communist external conduct and was generally felt in the West as an assault on what we consider free institutions. Therefore, there was always tension around the world between the objectives of the party machinery and, for example, defense machinery which was more concerned with security. The relationship of these factors depended on many considerations, above all the balance of forces. The US and its allies would not permit ideological aggression to take place side by side with political coexistence.

"Turning to Angola as an example of Soviet decision-making, I said that Soviet policy had been made by a combination of factors—a perception of Western political weakness, the collapse of Indo-China and the passage of the trade act for example. I noted that Brezhnev may not have been completely in control. In general, I said that the Soviet decision-making process seemed to be cumbersome. They had no long-range conceptions which were being carried out in a systematic way. I warned, however, that we could take little comfort from this fact. The cumbersome bureaucratic process led to competition with each element seeking to get what it wanted. Political progress could not influence the military, but military strength could have an impact on political progress. I felt that the Soviets moved by inertia rather than by concept.

"Turning to the issue of military power, I noted there was no question that Soviet strength had increased. Soviet forces were becoming

more modern, the qualitative gap was narrowing. Secondly, the Soviets were also closing the gap in strategic power. If the present Soviet leadership were to be able to exploit the weakness of the West they could then derive advantages from their strength. I observed that the configuration of present Soviet military power was decided five to ten years ago. The military forces they now have reflect decisions taken in the late 60's. The case was the same with us. Therefore, present strategic forces did not reflect current American decision-making. It was a long-term process. The lesson for the West was that it should engage in its own long-term programs. Nothing could be done today that would affect matters in the 70's. Our decisions today were for the 80's. I cautioned that if the wrong decisions were taken, it would affect circumstances in the 80's—adding that what was needed was not pious or sentimental phrases or tough rhetoric, but realistic decision-making. It was a fact of life that the Soviets would increase their military strength. This was unavoidable; however, we had the capability to maintain a balance.

“Turning to strategic forces, I said that we could not prevent strategic nuclear forces being in some balance. While noting that the gap in deliverable warheads was greater than ever in our favor, larger even than in the mid-60's, I observed that the effectiveness of this gap would decline. The level of destructiveness was bound to tend in the direction of strategic equality. While I stated how I did not wish to enter into the debate of strategic strike scenarios, I stressed the importance of maintaining strong European conventional forces and tactical nuclear forces.

“Having completed this analysis of the framework for policy, I discussed US policy which had been variously characterized of late, and only in deference to our French friends, I would use the word ‘*détente*’ instead of the preferable term ‘peace through strength.’ I stressed that no one in our government had ever assumed that conflict or tension with the Soviets had or would disappear. *Détente* was a policy not required for friends but for opponents. It was designed to prevent the transformation of military power into political gain. Its aim was to prevent Soviet expansionism, but also, if the Soviets indicated that they were prepared for accommodations, we should also be prepared to explore this possibility on the basis of strict reciprocity. Our policy took place in the unprecedented conditions of the threat of nuclear war, I stressed this as the basic reality which had to be dealt with, and I pointed to the complex problem of continuing to support defense efforts while also maintaining security. This was a two-pronged policy and necessitated very careful handling.

“Turning to the relationship between Western Europe and Eastern Europe, I stated flatly that the United States does not accept that the So-

viet Union would not intervene in Western Europe or that we would not be active in Eastern Europe. I said we favored any reasonable steps which would encourage the independence of Eastern Europe. Under-scoring the work of your Administration, I noted that we have exchanged visits with Eastern European leaders on a scale that could not be missed for its political significance, and I added that criticism of our policy was unjustified by members of the Alliance since they had not done anything in the 50's or 60's to counter Soviet military interventions. I said our policy was one of encouraging independence, but to pursue these ends in the context of the attainable. I cautioned against grandiloquent declaration as in the 'period of liberation' which were not backed up. I invited my colleagues to put forward more daring options and we would back them. None did so.

"Turning to a more specific analysis of Soviet policy, I stated that in my view it was: 1) always heavy-handed; 2) geared to the maximization of military power; 3) that it could not resist, by ideology or inertia, seeking to redress the balance of forces in its favor; and 4) that it also should be kept in mind that with one exception the Soviets had never acted up to their military capacity. For example, in the Middle East, the capacity of Soviet military force to determine events had been greater than what they actually used. Therefore, the Soviets could be restrained by Western firmness, by dynamic policies, and by their own inhibitions. The one exception to this general description of Soviet conduct was Angola. There the Soviets had pursued an active intervention far from an area of Soviet interest. Their use of a large number of Cuban forces was especially disquieting since this could serve as a precedent. North Vietnamese or North Korean forces, for example, could be called upon in action in future interventions if this principle were established. I said that the prevention by Congress of our ability to oppose the Soviet move the first time it occurred had serious consequences. There was no question but the Soviet action transgressed any reasonable interpretation of peaceful coexistence. An argument had been made that Angola was not important, that the Soviets would inevitably be expelled as had happened historically in other places. However, I noted that the comparison, for example, with Egypt was misplaced. The landscape was different. The circumstances were not the same in 1954 when the Soviets went into the Middle East. Furthermore, the Soviets remained in the Middle East despite their setback in Egypt. Noting that there was not unanimous support for our policy in Angola in the United States, I said the Administration took the gravest view of Soviet military adventurism, whatever the cause.

"Turning to the issue of communist participation in Western Europe, I noted that while NATO could not properly express a view on this as an instrument of policy, we were not reconciled to complete si-

lence on the question and felt we should state what we considered would be the consequences which would evolve during this historical period. This was appropriate in considering East-West relations among colleagues. It was not a threat or a policy decision, simply our judgment that the reaction, especially the public reaction, in the United States, would be significant if communists were to enter Western governments. I stressed that we were not asking that anything be done by NATO, adding that I hoped there would be no statements made to the press on the subject. I reminded the Ministers that this had been a footnote to my broader remarks, not the central theme.

"I summed up by saying that we faced serious military problems. However, they could be managed and contained. The Soviets were becoming more globally oriented and were gaining a greater capability to influence events. It was important to recognize that these are tendencies, and that these tendencies will be there regardless of our policies, but that our policies could influence and inhibit these tendencies. On the question of optimism versus pessimism, I said the US view was that the West had all the assets to meet these challenges. Ten years ago we appeared to be in competition with the Soviets for the Third World. Now we realize that we have won the economic competition in the Third World; that the Soviet Union is irrelevant to development. The only advantage the Soviets have in the Third World is that they could make use of raw military power. This we must do our utmost to stop. In Europe, I said, we could match Soviet military strength. A recent blue book study published in the United States showed that the Soviets are spending more than we are. But this study also showed that the Soviets are being forced to pay more and more to maintain the levels of their forces. Like them, we can also maintain our strength—in fact more easily. Finally, I said that it was important to make it clear that we are not the obstacle to accommodation. We should not be swayed from this course by excesses of sentimentality that equated peace with good intentions, or toughness that emphasized power without conception."

94. Memorandum of Conversation¹

Paris, June 22, 1976, 8:15–9:30 a.m.

SUBJECT

Breakfast with European Community Officials

PARTICIPANTS

European Economic Community

President Ortolí

Vice President Soames

Director General Hijzen

U.S.

Secretary of State Kissinger

Secretary of Treasury Simon

Under Secretary of State Rogers

Assistant Secretary of Treasury Parsky

Counselor Sonnenfeldt

Assistant Secretary of State Hartman

Soames: When we talked at Spaak's house in Washington you indicated that you were worried about the situation in Yugoslavia.

The Secretary: Some of our people believe that the Yugoslavs are behaving outrageously but I am concerned about what happens after Tito. Of course, they can be particularly obnoxious in places like the UN but I want to moderate the degree of public debate so that there will never be any question of a plausible American response if there should be pressure on Yugoslavia from the Soviets after Tito dies. If we are always in a public brawl it will be difficult to get the kind of public support we need. Kardelj is ill so there are many uncertainties and I am profoundly worried about what the Soviets might try.

Soames: I will be seeing them soon and I too am worried. I will be dealing with Smole.

Parsky: We have to think about keeping up a relationship so that there is not this negative perception.

Soames: We in the Community are their main market and, therefore, we have an obligation to do more for them.

The Secretary: What do you think of the Italian election? My understanding is that the Christian Democrats will be able to form a mi-

¹ Summary: Ortolí, Soames, Kissinger, Simon, and other EC and U.S. officials discussed issues in U.S.-European relations.

Source: National Archives, RG 59, Central Policy Files, P820118–1347. Secret; Nodis. Drafted by Hartman; and approved by Collums in S. The meeting took place in the U.S. Ambassador's residence.

nority government but the question is can they really begin to reform themselves. I am not sure what the arithmetic is.

Soames: I am afraid that now that they have barely won, they will not feel under the whip. It would be a pity if they allowed themselves the luxury to go on the way they have been going.

The Secretary: Public opinion on this subject seems to be dominated by the intellectual left who control the media. These writers, and they are not only the ones in the universities, have been very aggressive. What it amounts to is a reluctance to use power and it might even be a new form of isolationism. They just use human rights as an excuse.

Soames: There are many charges in Europe about what is going on in Uruguay and Argentina.

The Secretary: And if they start applying their standards there surely they will begin attacking Brazil tomorrow.

Ortoli: It is difficult to see how the Italians are going to be able to make a real change in their situation.

The Secretary: I think that the arithmetic is probably worse than it was previously.

Soames: I am worried about the Trade Act and where we are headed.

Simon: I don't think you should be worried. We have not applied any escape clauses and we have attempted to clean up all the back cases. There were only eight examples where we have done anything.

The Secretary: A lot of pressure that we have been under has been due to two factors—first, the recession and, second, new Congressional assertiveness. After November I think we will have an easier time. I don't think that the Trade Act is the cause but we have a fairly good record. We resisted the pressures on shoes. We had to do a little bit on steel but in that case both Treasury and State opposed the action.

Soames: I see a great danger over the next period. Next year we are going to have great difficulty in deciding how to deal with agriculture in the MTN. Your agricultural exports have increased considerably but they have shifted from wheat to soybeans. In fact, they are double what they used to be. If you take on the Common Agricultural Policy (CAP), we will get nowhere. There will be pressure from within the EC to become even more protectionist. I must emphasize to you how sensitive an issue this is, particularly here in France.

Simon: If what you are saying is that there will be no concessions in agriculture, I think it will be very difficult to reach a conclusion in the MTN.

The Secretary: Perhaps you can add to my education. Isn't there a global shortage of agricultural products—why should we be getting into a fight about this?

Simon: Our efficiency is very much greater than the Europeans and we must show that we are lowering existing barriers. If we cannot show some progress, the Senate Finance Committee will not let us conclude the negotiations.

Ortoli: And something else you all ought to remember is that there are French elections in 1978 just at the time we will be concluding the MTN and it will be extremely difficult for any French Government to agree to agricultural liberalization when the farmers will probably be expressing their unhappiness about the present situation.

Parsky: We have already made proposals to deal with each sector.

Soames: I don't think I have seen those.

The Secretary: If this is a major problem, then I think we should look at the issues. Bill Simon and I will get together and review where we stand and then be back in touch with you.

Soames: We don't want to be in the position of producing a surplus. We are now having some success in lowering our milk surplus. But we have a much bigger problem in the future.

Rogers: In 1976 we showed our liberalism. In 1977 it will be your turn in the EC.

Soames: We both should be good boys and not make the situation worse.

Parsky: We certainly don't want to create new barriers in 1977—we want to show that we can reduce them.

Simon: There were many things we could have done this year but we resisted the pressures.

Soames: I think we got through this year pretty well although Italy still remains a difficulty. But if you make a major assault on the CAP I would be very worried about whether we could complete the trade negotiations.

The Secretary: We will have a close look at this and then be back in touch with you. I understand you wanted to have a word about human rights. The situation in Chile is that some progress is being made but that they have been through a very difficult period. In any case, it is not like Eastern Europe. I don't think you succeed in these matters by public pressures and threats.

Soames: There are some people in Europe who would like us to close our office in Santiago.

Rogers: I think that would be a mistake. Even the OAS continues to deal with them but public lectures and pressures will not work.

Ortoli: I have the impression that our relations are much better now. People understand that the economic problems are the most serious ones. The political and defense issues are being dealt with in a

much better fashion and I think you have noticed that the French position is gradually changing.

The Secretary: Yes, I think our basic relations are much better. You are right. The defense issue is not a big one. There are French internal issues and, of course, we have a big problem with Italy.

Ortoli: The key questions in Italy are the economic ones and we must see if we can try and help the new government. I just hope that the Christian Democrats get some better people.

The Secretary: What do you think of Andreotti?

Ortoli: I think he is not bad. He has been Prime Minister before and he was not as involved with some of the old men in the party as others.

The Secretary: There is a dilemma here between the need for reform and austerity and how one goes about cutting public expenditure by two or three billion dollars. Only if you get some internal policies that make sense will capital begin to flow. It is very hard to see what personality could dominate that situation. Fanfani could have done it in his day but he is now out of things. If the Communists get into the government there is certain to be an effect elsewhere in Europe and particularly in France.

Ortoli: You are exactly right on that and that is why it is important that things go well in Italy.

The Secretary: If Italy were out in the Indian Ocean we wouldn't care very much about this problem and we wouldn't mind if there were Communists in the government but this is a NATO ally and the situation there is being closely watched by people in Spain, France and elsewhere.

Ortoli: What we have to do is to help first with achieving reform without the Communists. We need reform and good management and good men.

The Secretary: You are right. There is no sense unless the Christian Democrats are able to produce reform but the question is who can do it. The arithmetic is very difficult without the small parties. In effect the Christian Democrats would have to form a minority government and then the question would be who is keeping them in power.

Ortoli: It is going to take time to form a government because there is no majority.

The Secretary: The election results were not all that bad. Close to 60 percent of the people voted for non-Communist and non-Fascist parties. It would be better if some of the smaller parties and the Socialists would join with the Christian Democrats now and really pursue a program of reform but that does not look likely. It is a pity that the democratic majority cannot stick together. As long as the economic difficulties are present, it will be hard to achieve confidence. If there could

be a reform program in place which excludes the Communists, then there will be a chance to improve the situation at the next election. If the Communists are anywhere associated with power, they will achieve a legitimacy like the Socialists did in Germany when they joined the coalition and this will be of great help to them. I don't see why the 60 percent anti-Communist vote cannot be turned into a workable majority.

Ortoli: But the basic problem is how to get Christian Democrats to reform their structure and bring in some younger people.

The Secretary: We didn't really have a full discussion of this at Puerto Rico but it was pretty clear what the other leaders thought.

Ortoli: We must be ready to help but it has to be without the Communists. Giscard does not want them in and it would be suicide for Schmidt.

The Secretary: Yes, it would be a disaster if the Communists came in. If we were to give two or three billion dollars to a reform that was supported by the Communists we would have no moral position left and I am sure the French favor the same thing.

Ortoli: You are right and I am sure Schmidt agrees.

The Secretary: Getting back to agriculture for a moment, I am not optimistic but I think what we ought to do is decide what is reasonable. Bill and I will discuss this and see if we can come up with some ideas which will not be a governmental position but just something to discuss with you.

Simon: We have got to find a way to get over this impasse. If we don't, the Senate Finance Committee will lead us back to a protectionist position late in 1977 or 1978.

The Secretary: Let's have a look at the problem without taking official government positions. We don't want a confrontation and an increase in protectionist pressures.

Ortoli: With the elections coming up in France in 1978 the majority will need the vote of the farmers and, therefore, we must be very careful how we approach this problem.

The Secretary: We want to avoid a confrontation but Bill and I will look at the problem and see if we can come up with some ideas to discuss very privately with you in preparation for the more formal talks which will have to take place later this year and next year.

95. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, July 6, 1976.

SUBJECT

Ambassador Strausz-Hupe's Critique of our Consultation Practices (USNATO 3772 NODIS)

The Ambassador has sent in what may be a most damaging, and I think is also a misleading, critique of our consultation practices in the Alliance. On top of this, despite my repeated pleas, S/S has widely distributed this NODIS message, even though it refers to the quadripartite consultations.

Strausz-Hupe's basic point is that we are cowering to the French and in the process are undermining the NATO forum and slighting the smaller Allies. The problem with his message—which he should not have sent in view of our talks with him in London, but should have reserved for oral discussion—is that it utterly distorts what has happened. It posits alternatives—either scrap NATO as a political consultative forum or give up other means of consultation—that are wholly uncalled for since it is quite possible and indeed desirable to use a variety of forums, as we have been doing to good effect.

What brought this on was the Scranton episode where USNATO in my view went further than it should have in insisting on a reinforced Council session and continued doing so even after our London talk. Scranton himself quite independently had sent in a message saying that it was a mistake to push him forward and that he was loath to risk what had become a much healthier US-European relationship in New York over the past few months. No doubt, our new instructions, confining Scranton's participation to a luncheon, instead of a NAC, were embarrassing to USNATO; but the solution we chose still provides ample scope for intensive consultation on UN matters and USNATO's proper role should have been to maximize that rather than to wail about the decline of consultations and the "rusting" of the NATO forum.

More basically, it is simply not true that the quadripartite forum and other special consultations have devalued NATO. Maybe the

¹Summary: Sonnenfeldt discussed a recent telegram from Strausz-Hupe concerning U.S. consultative practices with its NATO allies.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron, July–Sept. 1976. Secret; Sensitive; Eyes Only; Nodis. Urgent. Attached but not published is telegram 3772 from the Mission to NATO, July 5.

French want to do that, but we have made very clear that the whole purpose is to strengthen the broader consultative processes by some parallel work in smaller fora. And on the substance of issues, that is exactly what has happened: the French have been a lot more cooperative on a host of substantive issues, even if they are difficult about procedure. What is so baffling is that a sophisticated person like Strausz-Hupe professes not to see this.

This telegram, especially with its wide distribution will leak: it will reinforce politically inspired allegations about “secrecy” and about inadequacy of Alliance consultations. Needless to say this is particularly unfortunate since it is wholly unwarranted and turns on its head what has been a highly positive evolution over the past year or more.

I may say by way of additional comment that in my dealings with De Laboulaye on the Scranton matter, I explicitly refused to commit us to scrapping further reinforced NACs. This is in the record of the meeting. Moreover, your record on attending NACs (as well as my own and that of our colleagues) is a most commendable one. So is our record of consultations with the EC-Nine. All of this makes Strausz-Hupe’s complaint that much more incomprehensible.

I find this a most unhappy turn of events, the more so since this telegram can only be the top of the iceberg. Haig called this morning to report that Robert lectured him at length on the themes of this message and that it was evident to Haig that it represents a broader-based attack on the quadripartite forum and on our allegedly soft treatment of the French.

96. Telegram 168395 From the Department of State to the Mission to the North Atlantic Treaty Organization¹

Washington, July 7, 1976, 2359Z.

For the Ambassador from the Secretary. Subject: NATO Consultations. Ref: USNATO 3772.

1. I read your reference message with some concern because I believe it misreads the situation with respect to our consultative relations with our allies. Our commitment to full and extensive consultations in NATO institutions, including the NAC, remains firm. We worked for the invigoration of this Alliance function from the first day the administration took office in 1969, at which time we found the Alliance in some considerable political disarray. Over the past several years, especially in the last two to four years, we have taken numerous initiatives in this respect; I personally have participated in several special NAC sessions and have gone out of my way to keep up Ministerial discussions and senior officers of the Department have gone to Brussels more frequently than ever before. After practically every diplomatic mission I have either gone personally or sent a representative to brief the NATO Council. So I think the record should be clear and there can be no suggestion of a slackening of our commitment.

2. We well recognize the desirability and need for the smaller allies to have a genuine sense of participation in the consultative process, which is precisely one of the reasons why we have supported the NATO effort in this regard. I should add that we have also made a special effort with the Secretary Generals of the past eight years to strengthen their position, seek their counsel and give them a special feel for the directions of our policy.

3. At the same time, it has always been clear that in some instances NATO fora will not be the most effective or sole means for exchanging views and bringing harmony and greater cohesion to the policies of the Allies. In these instances, we have used bilateral channels and, on particularly sensitive matters, we have consulted and sought coordination

¹ Summary: Kissinger replied to Strausz-Hupe's message on U.S. consultative practices with its NATO allies.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 6, Quadripartite Memcons, Feb. 1976–. Secret; Immediate; Nodis. Drafted by Sonnenfeldt; cleared by Hartman and Ortiz; and approved by Kissinger. On August 16, Kissinger, Sonnenfeldt, and Strausz-Hupe discussed possible next steps in improved NATO consultations. (Memorandum of conversation, August 16; *ibid.*, Box 11, DEF 4 NATO) Sonnenfeldt's September 15 remarks on this issue to NATO permanent representatives were subsequently characterized by Strausz-Hupe as "an effective basis for dealing with this matter in the period ahead." (Telegram 5263 from the Mission to NATO, September 28; *ibid.*)

through meetings with my French, German and British colleagues. We cannot ignore the fact that the NAC machinery has on occasion been less than fully secure. Moreover, as a practical matter on issues that are outside the traditional treaty area, the NAC cannot easily function as a coordinating mechanism, even though it may be suitable for an exchange of information and views. This is particularly true on such complex issues as Southern Africa, certain aspects of the Middle East, North-South relations and various aspects of international economics, most of which have come into prominence fairly recently. On these matters, direct consultations with Allies are not a substitute for the NAC but provide the most effective means of working toward mutually supportive policies among the Allies which in turn finds reflection in the endeavors of the formal Alliance bodies. Indeed, it has been repeatedly made clear in the quadripartite discussions to which you refer that for our part we view them as providing additional cement for the overall Alliance relationship. This view is fully shared, as far as I am aware by the British and Germans.

4. As for the French, we have to recognize that since Giscard's advent they have moved in major ways to be more cooperative on the substance of policies, not without being subjected to vigorous criticism on that account at home. The French have been concerned about compounding the domestic difficulties resulting from the gradual recasting of certain of their policies toward us and the Alliance if it is surrounded by excessive publicity and involves, in addition, the visible yielding on issues which since de Gaulle have been matters of "principle" for them. I believe that the substantially positive evolution of French policies thus warrants our displaying some flexibility on procedural matters; but I want to stress that at no time have we yielded on our own principles with respect to the role of the NAC. Thus, in working toward a compromise on the Scranton matter, we have never made the slightest commitment with respect to future reinforced NACs, or with regard to the topics which, in our view, may be properly taken up by the NAC. Moreover, the compromise in fact fully permits NATO to consult on UN matters, both formally and informally through the PermReps luncheon.

5. In sum, I do not believe that the stark alternatives posed in your message are warranted either by the course of events or by other considerations. The consultative process is complex and varied; various devices can and must be utilized—including, incidentally, our contacts with the institutions of the European Community—so as to ensure the results we seek on the substance of issues. Alliance cohesion, including the fostering of an increasingly cooperative posture by the French is emphatically among those results, but it must be recognized that on occasion that cohesion can better be advanced by means outside the NAC

but which supplement and reinforce its work. As in the past, we will not hesitate to confront the French when this becomes necessary. But if so we must exercise care that the issue warrants it and that in the process we do not ourselves contribute to driving the French back into postures that could damage our own interests as well as those of the Alliance.

6. I understand you are planning to return to the US in three weeks or so. I think it would be a good idea for us to meet here at that time to talk over these ramified issues. I am most concerned that there should be no misunderstandings about our policy and above all about our determination that the very fruitful evolution of intra-Allied relationships of the last several years be continued.

Kissinger

97. Letter From President Ford to West German Chancellor Schmidt¹

Washington, July 16, 1976.

Dear Mr. Chancellor:

This letter deals with consultations between our governments in the event of the deployment outside the NATO area in periods of crisis of US troops or equipment based in the Federal Republic of Germany.

The United States of America has world-wide responsibilities requiring full flexibility in the use of its armed forces. The Government of the United States recognizes that the possible movement of its troops or equipment in crisis situations from the territory of the Federal Republic of Germany to non-NATO areas requires that full account be taken of the interests of the Federal Republic of Germany, as well as of the other

¹ Summary: Ford discussed U.S.–FRG consultations in the event of the crisis deployment outside the NATO area of U.S. troops or equipment based in West Germany.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 35, West Germany (7) (7/16/76–11/23/76). Top Secret. Sent to Ford under cover of a July 16 note from Scowcroft that reads, “Attached for your signature is the final form of the letter on consultations which you discussed with the Chancellor this morning.” Schmidt paid an official visit to Washington from July 15 to 17; memoranda of conversation on his talks with Ford and Kissinger are *ibid.*, Memoranda of Conversation, Box 20. In his September 6 reply to Ford’s letter, Schmidt confirmed Ford’s assurances regarding consultation prior to the deployment of U.S. troops or equipment. (*Ibid.*, Kissinger-Scowcroft West Wing Office Files, Box 35, West Germany (7) (7/16/76–11/23/76))

NATO allies. To that end, I wish to assure you that my Government will consult with your Government at the political level prior to any such deployment of US troops or equipment.

Sincerely,

Gerald R. Ford

98. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, October 18, 1976.

SUBJECT

NPG Ministerial

Attached (Tab A) find a memo from EUR, PM and S/P outlining a potentially important issue between ourselves and the FRG, as regards the “nuclear balance.” An immediate focus for this problem is Rumsfeld’s statement for the NPG Ministerial pending November 17–18.

At last year’s Ministerial, Rumsfeld used the term “Eurostrategic” to characterize a very imprecise concept which the Germans have been using since in a manner increasingly troublesome. The FRG view, which has lately surfaced in a formal statement by German NPG Perm Rep Pauls, comprises: [1] a view that SALT codifies a balance of inter-continental strategic systems, which [2] signifies that the US strategic deterrent is ineffective insofar as preventing local aggression is concerned; [3] therefore, from the European point of view (“Eurostrategic”), a nuclear sub-balance must exist at any given time; [4] prospective deployments of Backfire and the SS-X-20 IRBM will upset this balance; and [5] deployments of new systems may be necessary to re-establish the balance. In connection with the latter point, the FRG has showed increasing interest in cruise missiles; which may express

¹ Summary: Sonnenfeldt forwarded and commented upon a memorandum from Hartman, Vest, and Lord on nuclear balance issues at the NPG Ministerial.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron, Oct–Dec 1976. Secret. All brackets are in the original. The attached memorandum was drafted by John Hawes in EUR/RPM on October 15; concurred in by Bartholomew and James Goodby in PM; and sent through Sonnenfeldt. Kissinger initialed his approval of the recommendation in the attached memorandum, writing at the bottom, “Wish also to discuss.”

their specific concern for the possible effect a SALT agreement might have on this particular system.

I don't think we should let this tendency in FRG thinking mature much further. The Bureaus propose to begin now to head off such a development. Their immediate point of concern is the Rumsfeld statement for the Ministerial next month, which could easily aggravate the problem unless carefully framed. The Bureaus request your approval for a prophylactic effort in which they are now engaged, as regards Rumsfeld's statement. I recommend you approve their course of action. In addition, this issue, in my view, is suitable for you to raise with Rumsfeld at your breakfast meeting with him on Thursday, October 21.

Attachment

Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Hartman), the Director of the Bureau of Politico-Military Affairs (Vest), and the Director of the Policy Planning Staff (Lord) to Secretary of State Kissinger

Washington, October 18, 1976.

Nuclear Balance Issues at NPG Ministerial

The Problem

An FRG request for review at the NPG of what it suggests could be a potential imbalance in European theater-nuclear systems raises problems for the credibility of the NATO deterrent, current and future US arms control strategies, and Alliance solidarity. The German request appears to reflect some confusion concerning FRG interests. We need to begin considering strategies on the long-term aspects of the problem. In the shorter term, this memorandum describes the course of action we are following in working with DOD to prepare a US response to the German questions for Secretary Rumsfeld to use at the NPG in London, November 17–18.

What are the Germans Seeking?

Beginning at the Hamburg NPG session last January, the FRG has given increasing emphasis to trends in the theater-nuclear balance, with particular stress on longer range strike systems. At the June NPG Ministerial in Brussels, the FRG proposed that the traditional strategic balance briefing given by the US be expanded at the November meeting to include separate discussion of a so-called "Eurostrategic balance." At the October 5 briefing to NPG PermReps by Donald Cotter

on Warsaw Pact theater-nuclear systems, German Ambassador Pauls made a formal statement outlining what the FRG would hope to see covered in such an expanded balance briefing, including:

—A breakdown and East-West numerical comparison of categories of European theater weapons, according to range: battlefield (e.g. Lance, artillery); extended area (e.g. Pershing, Scaleboard, tacair); “Eurostrategic” (e.g. SLBM, MR/IRBM, medium bombers); other forces (e.g. ADMs, air defense).

—Discussion of whether, in the context of strategic parity, Soviet deployment of new theater systems such as Backfire and the SS-X-20 poses a qualitatively and quantitatively “new” threat to Europe which could offer opportunities for “blackmail;”

—Whether “new technologies” (read cruise missiles) offer a “solution” to these perceived problems;

—Whether there are prospects for new arms control negotiations with the USSR on theater systems.

Sources of German Concern

The German concerns arise from the matrix of the SALT negotiations, MBFR, and the continuing US proposals for European theater-nuclear force modernization.

—On *SALT II*, German and Allied concerns have related to potential provisions for non-circumvention and non-transfer, and to the treatment of weapons systems of particular interest to the European theater, especially cruise missiles and Backfire. The Germans have followed the intense and frequently public US debate on these issues, and appear to have absorbed at least some of the argumentation of US opponents of tight limits on cruise missiles. Their apparent fear that a significant theater imbalance may now exist or may develop as a result of new Soviet deployments of the SS-X-20 and Backfire, directly parallels similar arguments made by some US officials. The Germans, however, have long been concerned with the MR/IRBM question, going back to the early 1960s. The MLF proposals, and ultimately the formation of the NPG, were in part designed to deal with the problems of perceived theater imbalance at that time, by giving the FRG greater participation in the nuclear deterrent. In more recent years, the Germans reluctantly subordinated concerns over MR/IRBM in order to avert limitations on US FBS. The statements by some Administration officials may have helped to reawaken these long-standing concerns over the theater balance.

—In *MBFR*, the Germans were willing to go along with the US Option III nuclear offer, but fought vigorously in NATO consultations to avert the possibility of ceilings on all Allied nuclear systems in the NGA. Although the lengthy internal Alliance negotiations on the subject of Allied equipment limits ultimately proved successful, the intense bargaining and eventual compromise probably did not assuage

longer-term German concerns over possible US intentions regarding the European theater-nuclear posture.

—With regard to *theater-nuclear force modernization*, the Germans have been suspicious of US motives from the outset, believing—correctly—that some senior officials in DOD desired to remove large numbers of nuclear warheads from Europe, while seeking to shift away from theater-based nuclear-capable tacair towards coverage of theater targets with SLBMs. The Germans see grave implications of strategic decoupling and battlefield warfighting in the entire modernization effort. For the moment, the thrust of the original DOD TNF modernization effort has been blunted by German resistance, expressed in a thoroughly staffed FRG counterpaper tabled at the NPG last June, and by State intervention. The positive US decision on F-16 nuclear capability, and your insistence on retaining all existing F-4s in the FRG when the F-15 is introduced next year, have signaled to Bonn that the US is aware of German concerns over “denuclearization.”

Where are the Germans Headed?

The nuclear-capable aircraft question has not been definitively resolved and other TNF issues such as Nike Hercules are still under study in the Alliance. The overall modernization exercise has accentuated German nervousness over US intentions and stimulated German thinking on possible successor systems for existing nuclear-capable tacair in the deep strike role. In this situation, some German MOD officials may view the cruise missile as opening the possibility of new theater-based force posture options which could keep viable deep strike systems in Germany indefinitely, even if future decisions ultimately should downgrade the role of nuclear-capable tacair.

The “Eurostrategic balance” argument which the Germans have advanced as a vehicle for discussing their fears holds that:

—the existence or potential existence of a significant disparity in levels of nuclear delivery systems at the theater level could give the Soviets opportunities for blackmail against Europe;

—because of strategic parity, to be codified in SALT, the ability of the US to offset regional imbalances with its strategic umbrella is less credible, at least in political terms; and

—the mobile capability of the SS-X-20 makes it far harder to target than earlier MR/IRBMs; (we had specifically assured the Europeans in the 1960s that the MR/IRBM threat was balanced because the launcher sites were covered by external US strategic missile forces).

The Germans do not appear to have thoroughly thought out the implications of this line of argument. The logic of the “Eurostrategic” balance runs counter to the long-standing assumptions of US-European solidarity, and many of its potential corollaries could work against basic German interest in the coupling of US strategic forces to

deterrence of war in Europe and in general East-West stability. At the staff level, FRG officers deny that they are interested in doing anything that would appear to divide the doctrinal and operational unity of the NATO triad of conventional, theater-nuclear, and strategic forces. Nor do they suggest the future creation of an independent European deterrent—which could be an implication of arguing the need for a European based cruise missile force to offset the SS-X-20. The evident implications of an independent German nuclear capability are daunting, and a relationship with the UK and France, even if possible, could never provide a satisfactory deterrent from the German viewpoint. Even a conventionally-armed long-range cruise missile force in German hands could be an unsettling factor given uncertainties on the part of other European countries both as to German intentions and as to what kinds of warhead was, in fact, mounted on such missiles.

The Germans are also aware of the acute difficulties and potential unattractiveness of negotiating on theater weapons systems. They were quick to inquire when ideas for SALT-type negotiations were floated this summer.

It is not clear that the FRG has decided that it *must* find a “hardware” solution to the yet ill-defined balance problem or that, if so, the hardware should be the cruise missile. They have been very cautious in evaluating the implications of cruise missile technology in NPG study groups and have avoided leaping on popular theories about “strategic-conventional” options or other slogans related to cruise missile development. State and DOD have received conflicting signals on whether the FRG considers the application of the cruise missile to Europe to be primarily for close range interdiction (up to 600 kms) or for long range strike into the USSR. It is possible that, as in the mid-60s with the NPG, the FRG could ultimately be satisfied with a “consultational” rather than hardware response to its concerns. In any case, with the MLF history in mind, we will want to be careful about flashy “solutions” to a long-standing problem.

By advancing the “Eurostrategic balance” argument, the Germans may be signaling less a fear of specific theater imbalance—although that should not be ignored—than a general malaise with the course of US and Western nuclear defense deployments and thinking in a period of strategic parity. Throughout the postwar period, the Germans have feared that the systems analysis approach to military problems advanced by some in the Pentagon, without due attention to political aspects, could ultimately come to drive US policy and thereby damage FRG interests. This concern continues to be fed by an intense campaign by some in DOD, in official and unofficial channels, to convince the Germans that they face a new and greater nuclear threat from Soviet theater forces.

In sum, there is considerable confusion in FRG statements to date on the European nuclear balance, suggesting that the Germans are still thinking the issue through. This may afford us an opportunity to get across the US viewpoint at the NPG Ministerial before the FRG concerns harden.

US Interests and Options for November Ministerial

US interests in the European balance question are both immediate and long range, and include:

- maintaining Allied confidence while avoiding potential difficulties for SALT II over cruise missiles and theater systems;
- ensuring that the Germans and other Allies continue to perceive effective coupling of the US strategic deterrent to Europe;
- avoiding unnecessary disagreements with the Allies over nuclear employment policy, and the gradual and pragmatic modernization of theater nuclear forces.

We believe that these interests can best be pursued by a US approach to the November NPG Ministerial which talks candidly about the current state of NATO and Warsaw Pact systems, including the controversial SS–X–20. However, it should place all nuclear systems within the context of a global balance of forces and explicitly reject the logic of single numerical sub-balances for particular elements of the Triad. We would reaffirm our commitment to deter Soviet attack on NATO, including nuclear attack, and reiterate the continuing logic of common deterrence and shared risks within the Alliance. We would need to counter the assumption that strategic parity has led to a weakening of this commitment and point to the enhanced flexibility of US strategic targeting doctrine and improvements in all aspects of the NATO Triad as an indication of our seriousness in maintaining it. We would also have to describe specifically the capabilities of the SS–X–20 and Backfire, placing them in the context of evolutionary development of Soviet capabilities against the theater. While acknowledging that the SS–X–20's mobility could make it far more difficult to target, we would point out that the real counter to such missiles, as to SLBMs, is not counterforce targeting, but assured retaliatory capacity which the US and NATO continue to possess. There is no way that the USSR could employ or threaten to employ the SS–X–20 against NATO Europe without risking totally unacceptable levels of retaliation by NATO, including US strategic forces.

With regard to the cruise missile, we believe that the Secretary of Defense should focus his remarks on a description of the state of technical development of the weapons system, and avoid discussion of hypothetical operational roles it might fill, or of the state of play of the SALT negotiations regarding cruise missiles. This may not meet the expectations of the Germans, and the issue will remain alive for future

discussions, but it would be the surest approach given the present state of play. It would also avoid exacerbating internal US arguments over the merits of the system. Finally, we would deny that we contemplated any new negotiations on European theater systems.

In addition to preparing for the November Ministerial, we need to begin thinking about longer term approaches to the problem. This could, for example, entail bilateral consultations with the FRG (and perhaps the UK and others). Considerable interagency work would be required here, however, to iron out present sharp differences of perception of the nature of the European regional threat and our preferred options for dealing with it. Much of this latter question is now being debated in the context of work on the NSSM 246 response. We may be in a better position to make recommendations for further work and consultations as we see how NSSM 246 develops and we work with DOD in preparing for Secretary Rumsfeld's participation in the Ministerial.

Recommendation:

In working with DOD on the development of Secretary Rumsfeld's presentation for the November NPG Ministerial, we intend to follow the course outlined above which would (a) describe European theater systems but integrate them into the overall strategic balance; (b) reaffirm the US commitment to the integrity of the NATO Triad; (c) focus discussion of cruise missiles on technical description of system development; and (d) deny interest in European theater-nuclear arms control talks. We request your approval of this course.

99. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, October 20, 1976.

SUBJECT

Release to NATO of the United States Reply to the 1976 NATO Defense Planning Questionnaire (DPQ 76)

Defense has forwarded the proposed U.S. reply to the 1976 Defense Planning Questionnaire (DPQ) and has asked that you approve release of the document to NATO. The Questionnaire is sent annually to each member of the Alliance (less France and Greece) as part of the NATO defense planning cycle. Responses to the Questionnaire are the primary source of information on individual country force plans. In this year's responses, each country will describe its tentative plans for 1977 through 1981, and will designate the forces it has actually committed to NATO for calendar year 1977.

The U.S. response as originally transmitted for Defense Review Panel (DRP) review by Secretary Rumsfeld proposed a drawdown in the number of U.S. nuclear-capable aircraft deployed to Europe and a reduction in the availability status of one of the two aircraft carriers continuously stationed in the Atlantic. After substantial high-level review of the proposed reply, the Defense Department was able to modify the DPQ and its force program to avoid the proposed cutbacks.

—*Nuclear Aircraft.* The principal nuclear aircraft issues concerned the proposed deployment of a second F-111 wing to the U.K. and a wing of F-15 aircraft to the NATO Guidelines Area (NGA). The original version of the DPQ reply would have shown a substantial reduction in the number of U.S. nuclear-capable aircraft in Europe as older U.S. nuclear-capable F-4 aircraft were replaced by more modern F-15 aircraft in the FRG. While highly capable in the conventional role, the F-15 aircraft are optimized for air-to-air combat and are not configured to deliver nuclear weapons. In 1977 the number of U.S. nuclear-capable aircraft in the NGA would have declined by 66 aircraft. In addition to

¹ Summary: Scowcroft sought Ford's approval of the release to NATO of the U.S. reply to the 1976 NATO Defense Planning Questionnaire.

Source: Ford Library, National Security Adviser, Presidential Agency Files, Box 15, NATO—(DPQ-76) (1). Secret. Sent for action. Attached but not published is Tab A, an October 22 memorandum from Scowcroft notifying Rumsfeld of Ford's approval of the release to NATO of the U.S. to DPQ-76. A stamped notation on Scowcroft's memorandum to Ford indicates the President saw it. Ford initialed his approval of Scowcroft's recommendation. A record of the July 8 DRP meeting on tactical air deployments in Europe is in National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 11, DEF 4 NATO.

the obvious loss in operational nuclear delivery capability, a draw-down of this magnitude might have more subtly reawakened Allied doubts about our commitment to use nuclear weapons in the defense of Europe, and would have risked undermining the MBFR talks (particularly the value of our Option III proposal which includes 54 U.S. F-4s). For these reasons the Defense Review Panel decided to maintain the existing F-4s at the present level in the FRG, permanently based, with no reductions upon arrival of the F-15s.

A second nuclear aircraft issue that had not been included in the original DPQ response involved deployment of F-111 aircraft to England. Earlier this year, Defense had recommended that a second F-111 wing be deployed to the U.K. (there is one wing in U.K. now), as a further step toward increasing our combat forces in Europe under the Nunn Amendment. The wing of F-111s (84 aircraft) would replace an F-4 wing (72 aircraft) that would be returned to the United States. The F-111s would give NATO a significant improvement in adverse weather delivery capability, while taking up the nuclear mission of the replaced F-4s. The Defense Review Panel agreed with DOD's proposal to deploy the F-111 beginning in 1977. US NATO, the FRG, and the U.K. have all been consulted and approve the intended nuclear aircraft levels and European basing arrangements.

—*Carrier Readiness*: As originally proposed, the US DPQ response would have reduced the availability status of one A-1 (available in 48 hours) aircraft carrier committed to the Atlantic Fleet, to a lower status A-3 (available in 5–15 days). DOD cited maintenance and overhaul scheduling problems caused by the reduction in worldwide carrier assets in October 1977 (from 13 to 12) as reasons for the reduction. As a result of objections to the proposed reduction, it was reconsidered and agreement was reached to provide for continuation of current carrier commitments throughout the DPQ period (1981). While Defense will try to maintain this commitment, it will be difficult to manage, and this is pointed out in the DPQ.

The proposed DPQ reply reflects these changes in our aircraft replacement program and in aircraft carrier readiness. The remaining sections of the DPQ, particularly those dealing with ground forces, describe our efforts to upgrade the war fighting capability of our ground forces by modernizing their equipment and earmarking some army units stationed in the United States for SACEUR strategic reserve. In sum, the DPQ should now provide good evidence to our Allies of our continuing commitment to the defense of Europe.

I concur, as does State, with DOD's request to release the DPQ 76 response to NATO.

Recommendation

That you authorize me to sign the memo at Tab A releasing the DPQ 76 response to NATO.

100. Memorandum From the President's Assistant for Economic Affairs (Seidman) to President Ford¹

Washington, November 13, 1976.

SUBJECT

Poultry/Cognac Problems

In July 1974, the United States unilaterally decreased the tariff on certain brandy imports into the United States. The Presidential Proclamation implementing this decision stated that this action was to “encourage the resolution of outstanding trade disputes between the United States and the EEC, including the removal of unreasonable import restrictions on poultry.” (Tab A) This action primarily benefits the French. At that time we made clear that our commitment to maintain the reduced tariff was for two years and its continuation would depend on the resolution of outstanding trade problems, particularly those affecting U.S. poultry exports.

Although no specific commitments were made to the poultry industry in 1974, they clearly viewed the action on cognac as linked to achieving improved access for U.S. poultry in the EC market. However, despite extensive U.S. efforts to obtain improved access for U.S. poultry, including meetings with top level EC and French officials, at the end of the two year U.S. commitment period, restrictions on U.S. poultry exports to the EC (particularly turkeys and turkey parts) were substantially more of a burden to U.S. trade than those in effect prior to

¹Summary: Seidman sought Ford's decision on the next step in the U.S.–EC poultry/brandy negotiations.

Source: Ford Library, L. William Seidman Papers, Seidman Subject File, Box 146, President—Memos to 11/76. No classification marking. All brackets were printed as footnotes in the original. Attached but not published are Tabs A through E. Ford did not indicate his approval of any of the three options on this memorandum. According to a November 18 memorandum from Connor to Seidman, Ford approved Option 2. (Ibid.) Ford subsequently denied a request from Scowcroft and Kissinger to reconsider the issue. (Memorandum from Scowcroft to Ford, November 21; *ibid.*, National Security Adviser, Presidential Subject Files, Box 24, Trade (6))

the tariff reduction. As a result, the domestic poultry industry has strongly urged increasing the duty on cognac to its previous level.

This memorandum seeks your decision regarding the tariff on cognac.

1974 Tariff Reduction

The 1974 tariff reduction increased the “price break” at which higher rates of duty (\$5 per gallon) applied. Prior to the action, brandy at \$9 per gallon or less qualified for the lower duty rates. Since 1974, brandy valued at \$17 per gallon or less qualifies for the lower rates of duty (\$1.00 or \$1.25 per gallon).

The issue requiring your decision is whether to roll back the price break from the current \$17 level to the previous \$9 level thereby increasing the duty on brandy in this price range.

Efforts to Reach an Agreement

While the two year U.S. commitment to maintain the reduced rate expired on June 30, 1976, a decision has been held in abeyance to permit intensified efforts with EC and French Government officials to seek a resolution of this problem.

A memorandum from Ambassador Dent on this issue, which is attached at Tab B, contains a full account of his efforts to resolve the problem. Briefly, following public hearings in September where poultry industry representatives urged decisive action, EC and French officials were informed that a roll back in the price break was inevitable unless the EC acted in accordance with our requests by October 8. A minimum U.S. request was developed by an interagency task force and presented by Ambassador Dent to the Head of the EC Delegation and the Ambassadors of France and the Netherlands the week of October 4. The initial European response fell far short of our request but a decision was deferred at the request of the EC Delegation Head to permit “political level” consideration during the US/EC bilateral consultations.

On October 21, Ambassador Dent discussed this question with EC Commissioner Gundelach informing him that without a substantial improvement in the EC offer that the United States would have no alternative but to proceed to a roll back decision. Subsequently, in what they termed a final offer, the EC has indicated that they were prepared to make modest improvements in their former offer, but the revised offer still falls far short of the U.S. request and would not result in improved market access for U.S. poultry in the EC market.

Options

This issue has been reviewed by the interagency Trade Policy Committee. Ambassador Dent’s memorandum has also been staffed to

the appropriate White House offices not represented on the Trade Policy Committee. Three options are outlined for your consideration.

Option 1: Roll back the price-break on bottled brandy from \$17 to \$13 and on bulk brandy from \$17 to \$9 per gallon restoring duties on these products to the previous level of \$5 per gallon.

This action would impact mainly on French cognac which now enters at prices above \$13 per gallon. If approved, this action will take effect on December 10, permitting entry of goods in transit and not affecting brandy already entered in bond or in foreign trade zones.

Advantages:

- A roll back would maintain U.S. credibility since we have repeatedly told the EC that we would be forced to roll back the price break for cognac unless meaningful concessions for poultry were obtained.
- The domestic poultry industry strongly supports a roll back.
- A roll back would maintain pressure on the EC for early resolution of the poultry problem in the MTN.

Disadvantages:

- A roll back could adversely affect U.S. relations with the EC and France.
- A roll back could lead to retaliation by the EC through increased poultry restrictions reducing U.S. access to the EC poultry market.
- A roll back would penalize U.S. importers and consumers of French cognac.
- A roll back could harm the negotiating climate for the liberalization of agricultural trade in the MTNs.

Option 2: Roll back the price-break on bottled brandy from \$17 to \$13 and on bulk brandy from \$17 to \$9 per gallon increasing the duties on these products to \$3 per gallon.

This option is similar to Option 1 in rolling back the price break, but raises the duty to \$3 rather than \$5 per gallon.

Advantages:

- The smaller increase in the duty maintains our credibility while moderating the French reaction.
- A smaller increase in the duty would still maintain pressure on the EC for early resolution of the poultry problem in the MTNs.

Disadvantages:

- A roll back could adversely affect relations with the EC and France.
- The EC may retaliate through increased poultry restrictions.
- U.S. importers and consumers of French cognac would be penalized.

Option 3: Announce that we do not believe the EC offer is satisfactory, but accept it reluctantly, and with certain conditions (that EC restraint will be

continued and that reasonable amounts of U.S. turkey exports to the EC will take place). Also announce that the U.S. regards the EC offer as an interim measure only and intends to pursue concessions in other commodities and to pursue the poultry issue forcefully in the MTNs.

This option was recommended by the NSC in response to Ambassador Dent's memorandum in a memorandum attached at Tab C.

Advantages:

- U.S. relations with the EC and France would not be adversely affected.
- Acceptance of the EC offer would not penalize U.S. importers and consumers of French cognac.
- Acceptance of the EC offer would maintain the current EC market for U.S. poultry of about \$30 million annually.

Disadvantages:

- Failure to roll back the price break after repeated assurances that we would calls into question U.S. credibility.
- Failure to roll back the price break would be strongly opposed by the U.S. poultry industry which has indicated its willingness to accept the risk of retaliation by the EC in order to further its long term objectives in the EC market.

Decision

Option 1 _____ Roll back the price-break on bottled brandy from \$17 to \$13 and on bulk brandy from \$17 to \$9 per gallon restoring duties on these products to the previous level of \$5 per gallon.

Supported by: STR, Agriculture, Commerce, Labor, Marsh, Friedersdorf (defers to Marsh), Cannon, Buchen [2 Philip Buchen has no objection to Ambassador Dent's recommendation.]

Option 2 _____ Roll back the price-break on bottled brandy from \$17 to \$13 and on bulk brandy from \$17 to \$9 per gallon increasing the duties on these products to \$3 per gallon.

Supported by: Treasury

Option 3 _____ Announce that we do not believe the EC offer is satisfactory, but accept it reluctantly, and with certain conditions (that EC restraint will be continued and that reasonable amounts of U.S. turkey exports to the EC will take place). Also announce that the U.S. regards the EC offer as an interim measure only and intends to pursue concessions in other commodities and to pursue the poultry issue forcefully in the MTNs.

Supported by: NSC, CEA, State [1 A memorandum from Secretary Kissinger, opposing Options 1 or 2 and recommending further discussions with the Europeans to explore concessions on other commodities, is attached at Tab D.]

Implementation

If you approve Option 1 a proclamation implementing your decision is attached at Tab E.

This proclamation has been approved as to form and legality by the Department of Justice.

101. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford

Washington, November 17, 1976.

[Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-248, Policy Papers 1969–1974, NSDM 258. Secret. 1 page not declassified.]

102. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, November 20, 1976.

Secretary Rumsfeld has asked that the following report of his meetings with the NATO Nuclear Planning Group be passed to you:

“As you know, the 20th Ministerial meeting of NATO's Nuclear Planning Group was held in London this week. NATO Ambassador Robert Strausz-Hupe who had come over to London from Brussels met with me on Tuesday. We had a good visit about Europe and the attitudes of our allies as Robert sees them from NATO headquarters. His

¹ Summary: Scowcroft relayed a report from Rumsfeld concerning his meetings with the NATO Nuclear Planning Group.

Source: Ford Library, National Security Adviser, Presidential Agency Files, Box 14, NATO, 9/16/76–12/7/76. Confidential. Ford initialed the memorandum. In a November 4 memorandum to Rumsfeld, Assistant to the Secretary of Defense for Atomic Energy Donald Cotter reviewed the evolution of U.S. NATO theater nuclear force initiatives, with particular emphasis on his role in them. (Washington National Records Center, OSD Files: FRC 330–79–0049, NATO 320.2, 4 Nov 76)

ideas about the alliance and the continuing buildup of Soviet military forces have merit and deserve discussion at one of our meetings.

"Later I had a useful session with Al Haig about the nuclear balance. I took advantage of his presence as we worked up the final texts of my briefings to the NATO Defense Ministers. We were in full agreement that we should leave the Europeans with a clear understanding (1) that the alliance's nuclear deterrent is credible, and (2) that the deterrent operates and must operate across the full spectrum of all allied nuclear and conventional forces. He is well respected in Europe and pleased with his reappointment.

"That evening Fred Mulley, the new British Defense Minister, hosted a reception for the NATO Ministers with my good friend and your sincere admirer, Secretary General Joseph Luns. His very first inquiry was for you; and he asked me to pass to you his thanks and his very best wishes.

"Wednesday was devoted to formal sessions that continued until mid-day Thursday. There was, as expected, much European concern about the growing Soviet capabilities and many questions on the SS-X-20 missile; but I am hopeful that this meeting put the issue in better focus. Our cruise missile developments, both ALCM and SLCM, led to a number of questions. Again, I think that this NPG meeting stripped some of the romanticizing and provided our allies with a clearer understanding of the realities.

"Between the meetings I had a bilateral meeting with Greek Defense Minister Averoff, a fine man who has just recovered from three serious operations, who thinks reasonably about both Cyprus and the Turks. I only wish his health and domestic Greek politics allowed him to exercise more influence in Athens. In addition, I had a bilateral meeting with the new Canadian Defense Minister Danson, who has been in office for only two weeks. He impressed me as a much stronger figure than his predecessor and a man with whom the U.S. can work to improve North American and alliance defenses. Danson asked to visit Washington in the coming weeks, and I agreed it would be useful for him to do so.

"Finally, I visited with Fred Mulley at his office in the UK Ministry of Defense. Her Majesty's Government has problems and, as you would expect, most of the subjects he voiced had to do with money. I shall try to do what I can to be of help to him and a nation that is a valued ally and to Mulley himself, who is decent, well-meaning and hard-working.

"Later yesterday and this morning I made a quick stop in Scotland at the U.S. Navy facility for our Poseidon Submarines in Holy Loch. It is my pleasure to report that the ships and crews and morale are superb. One cannot help but be proud of them.

"I was in North Germany tonight where the installations and facilities are being prepared to receive the U.S. army brigade that will soon take up its station on the North German Plain. I will be back in Washington Saturday.

"All in all the North Atlantic Alliance is healthy and vibrant, in my view. America's security relations with our European allies are on a sounder footing and more problem free than in many, many years. The people I have just met know that you are genuinely interested in NATO; they know what you and your Administration have done in the past two years to strengthen America's defenses and the trans-Atlantic bonds; and they are understandably grateful.

"I look forward to seeing you on Monday and trust your time in California was relaxing."

Canada, 1973–1976

103. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, January 5, 1973.

SUBJECT

Message from Trudeau on Vietnam

Canadian Prime Minister Trudeau has sent you the message at Tab A on two issues related to Vietnam.

Trudeau first addresses "the recent massive aerial bombardment of North Vietnam," expressing the hope that the present pause will become permanent. He says that he has thus far attempted to avoid criticizing U.S. military actions in Indo-China, and has stressed Canada's belief in a negotiated settlement. Further, he says the United States has not demonstrated that bombing of North Vietnam will contribute to successful peace negotiations, that the recent bombing has aroused widespread and bitter criticism of the United States in Canada and elsewhere, that the reputation of the United States is being questioned and that this questioning is deeply disturbing to those who admire the United States.

Secondly, Trudeau repeats the assurance that Canada stands ready to assist U.S. troop withdrawals and the repatriation of American prisoners. At the same time he casts further doubt on Canada's willingness to participate in a Vietnam peace supervision force, noting that his Government has strong reservations about the feasibility of such a force.

I think it probable that this message has been generated largely by Trudeau's current domestic political situation. Trudeau has avoided detailed public comment on recent events in Vietnam saying, in response to questions, that such comments would not help the search for a negotiated solution.

¹ Summary: Kissinger relayed a message from Trudeau on Vietnam.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 750, Canada, Trudeau, corres. (1969–1973) (1 of 1). Secret. Sent for information. Attached but not published is Tab A. A stamped notation on the memorandum indicates the President saw it. Nixon circled the last paragraph of the memorandum and wrote, "No reply." On January 17, Sonnenfeldt forwarded to Kissinger a draft condolence message to Trudeau on the death of his mother, noting that "the President rejected the idea of a reply to Trudeau's recent Vietnam letter. There were also put in train some other manifestations of our displeasure. We now have the attached condolence message. I personally feel *it should be sent* as a civilized gesture. But because of the mood you described yesterday I want to be sure you know and agree this is being done." Scowcroft wrote at the bottom of Sonnenfeldt's memorandum, "HAK says no." (Ibid.)

Today, on January 4, the Canadian Parliament reconvenes for the Speech from the Throne, setting forth the Trudeau Government's policies. We can expect this to be followed by vigorous debate led by Stanfield's Progressive Conservatives (who now have the same number of seats as Trudeau's Liberals). This in turn will be followed by the first vote of confidence in the government, probably on or before January 19.

Trudeau undoubtedly is anticipating opposition questions on Canada's position with regard to U.S. military activities in Vietnam, a possible Canadian peace force role, and whether or not he has been in touch with you on these issues. Accordingly, I believe Trudeau has sent the message to permit him to say that he has been in touch with you and has raised his concerns.

The purpose of this memorandum is to bring Trudeau's message to your attention. A proposed reply to the Canadian Prime Minister will be forwarded separately.

104. Memorandum From Secretary of State Rogers to President Nixon¹

Washington, March 9, 1973.

SUBJECT

Canadian Views on International Commission in Vietnam

Under Secretary Porter saw Canadian Foreign Secretary Sharp for an hour and a quarter last night. Sharp did not pick up Porter's invitations to suggest things we might do to help maintain the cease-fire. Sharp did make very clear that Canadian reservations about their ICCS role are deep and genuine.

¹ Summary: Rogers discussed Canadian views on the ICCS.

Source: National Archives, RG 59, Central Files 1970–1973, POL 27–14 VIET. Secret; Exdis. A memorandum of conversation on Porter's March 8 talk with Sharp is *ibid.* During a March 8 telephone conversation with Kissinger, World Bank President Robert McNamara reported that he had recently urged continued participation in the ICCS on Sharp, who "was really on the ropes" politically over the issue. Kissinger remarked, "They are a God damned bunch of selfish gripers." McNamara replied that the purpose of his call was to advise Kissinger "to massage" the Canadians. Kissinger agreed, commenting, "I guess we'll send Porter up there to talk to him." (*Ibid.*, Nixon Presidential Materials, Kissinger Telephone Conversations, Box 19)

Sharp's thesis was that for many reasons there was little political or popular support in Canada for ICCS participation. These reasons included the country's previous unhappy experiences in Indochinese peacekeeping, the belief that the DRV/PRG were determined to get what they wanted by whatever means may be necessary, that in such event not even a good ICCS could help and that the Polish and Hungarian protectiveness of the DRV/PRG made this a far from good Commission. Canada risked holding the bag.

Sharp also believed that if peace were kept at all, it would be through great power relationships, our channels into and leverage with Hanoi and the ultimate threat to bomb. It would not be through the presence of the unessential fifth wheel that is the Commission. All these factors in Canadian attitudes made it very difficult for the government. Since returning from Paris Sharp has been attacked for failing to obtain satisfaction of the conditions for participation that he had earlier laid down. Yet, he said that if as a result of his trip he was convinced a useful role were possible, he would continue. If it looked futile, Canada would withdraw. He insisted that the government's mind was open, and no decision had been made.

Under Secretary Porter stressed your continuing commitment to peace in Vietnam after the 60 days. He said that at a time when political prospects in the South were somewhat more encouraging and our leverage in Hanoi was developing, it would be a disaster for Canada to withdraw and to remove from the Commission its most effective member. He said Canada's voice was an essential basis for actions by others, and he hoped Sharp had no doubts about our readiness to act in support of them. Porter repeatedly invited suggestions as to what we might do in this respect, but Sharp did not respond.

It was quite clear from the meeting that the Canadians have very serious doubts about their continued participation in the ICCS despite Sharp's insistence that the government was open-minded on the subject. We are informing Bunker of Sharp's views, and instructing him to make every effort—including with the GVN—to give Sharp's party an encouraging picture.

William P. Rogers

105. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹

Washington, March 22, 1973.

SUBJECT

Message to Prime Minister Trudeau on Canadian Participation in the ICCS

The Canadian Government has been under considerable domestic pressure to withdraw from participation in the Vietnam International Commission of Control and Supervision (ICCS). We have learned that the Canadian cabinet will decide tomorrow on whether or not to withdraw from the ICCS.

The Canadians have been the prime movers in the ICCS, and their departure would be an extremely serious loss. We therefore strongly recommend that you urge Prime Minister Trudeau to continue Canadian participation in the ICCS.

Secretary Rogers has recommended that you call Prime Minister Trudeau and personally urge him to reach an affirmative decision.

We have also prepared a letter (Tab A) from you to the Prime Minister which we can transmit today should you decide not to call him.

Recommendation:

That you telephone Prime Minister Trudeau today and urge him to continue Canadian participation in the ICCS. (Talking points are at Tab B.)

That you sign the letter to Prime Minister Trudeau at Tab A.

¹ Summary: Scowcroft recommended that Nixon call Trudeau to urge continued Canadian participation in the ICCS.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 750, Canada, Trudeau, corres. (1969–1973) (1 of 1). Secret. Sent for urgent action. Attached but not published is Tab A, a copy of the March 22 letter to Trudeau signed by Nixon; and Tab B, undated talking points. A stamped notation on the memorandum indicates the President saw it. A handwritten notation next to the “Disapprove” option reads: “President told Bull he would not call. 1:40 PM—3/22/73.” Below, another handwritten notation reads: “The President called Trudeau at 3:48 p.m. 3/22/73.” A tape recording of Nixon’s March 22 telephone call to Trudeau is *ibid.*, White House Tapes, White House Telephone, Conversation 44–15. On March 27, Sharp announced that Canada would remain on the ICCS for 60 days, with further participation thereafter subject to review. Trudeau notified Nixon of the decision by telephone before Sharp’s announcement. (*Ibid.*, Conversation 44–19)

106. Telegram 1083 From the Embassy in Canada to the Department of State¹

Ottawa, May 7, 1973, 1703Z.

Subject: GOC decision on ICCS participation will be made shortly, possibly by May 17. At this reading, decision most likely to be negative. If Canada is to continue its ICCS role, GOC will require demonstrable evidence of improvement or likelihood of improvement in Viet-Nam situation. Even importance of keeping peace machinery intact and pressures from other governments including USG will be of doubtful weight this time. End summary.

2. GOC has promised a decision by or before end of May as to its continued role in ICCS. Every indication now is that decision will be negative, and that Canada's ICCS role will terminate, after 30-day transitional period, by end of June. ExtAff Min Sharp has frequently stated GOC determination to withdraw in absence "substantial improvement in the situation or some sight of a political agreement." In Toronto speech May 2, following second helicopter incident, he said, "unless we have some prospects of doing something useful, we would have to get out." From this vantage point, and from Embassy Saigon's reporting, we see little or nothing which GOC could use to justify continued ICCS participation to increasingly skeptical public opinion, press, and parliament. Most recent helicopter shooting incident, perhaps even more than Lao Bao shootdown, has heightened Canadian concerns. Editorial comment is practically unanimous in calling for Canadian withdrawal. Sharp's comment May 2 that "evidence is that the situation is worse, not better than it was in March" makes very clear that if decision were to be made today, withdrawal would be all but inevitable.

3. Although we have no firm information when GOC decision will be made, chances are it will be before the end of May, and perhaps well before. Press quotes "informal sources/to effect that Cabinet will discuss ICCS May 10. ExtAff Viet-Nam desk officers describe this as highly unlikely. But suggest May 17 or May 24, more probably the former.

4. Senior ExtAff officials (Ottawa 740) have told us that foreign pressures, and particularly that of USG, were important factors in decision taken late March to renew provisional GOC commitment to ICCS.

¹Summary: The Embassy discussed the impending Canadian decision on ICCS participation.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 671, Country Files, Europe, Canada, Vol. IV (Jan 73–Jul 74). Secret; Priority; Exdis. Sent for information to Saigon.

President's letter to PriMin Trudeau, Secretary's call to Sharp, and Under Secretary Porter's overnight visit did much to elicit favorable GOC response. Embassy is doubtful, in present atmosphere, whether similar pressures would be as effective now. GOC and Canadians are proud, and we gather justifiably, of CanDel's record in the ICCS to date. However, GOC commitment to withdraw in absence substantial improvement in Viet-Nam situation has been reiterated so often and so firmly that further extension in absence demonstrable improvement would be at least highly embarrassing, and could possibly provoke government's defeat. Left-wing New Democratic Party, on whose support government's tenure depends, was against provisional extension from beginning. Conservative opposition, though not hostile heretofore to ICCS participation, would be quick to point out major inconsistency between previous GOC statements and a decision to remain longer in ICCS.

5. It is of course conceivable (though by no means certain) that if USG request for GOC ICCS participation were put strongly in context mainly of overall bilateral US-Canadian relationship, GOC might feel obliged to accede. Embassy believes this course would have serious risks.

A) GOC might reject it, leading logically to stiff USG reaction in one or more areas of our complex relationship with effect of severe strain on various ties between us and damage to important interests of both countries;

B) GOC agreement to continue in ICCS in response principally to USG pressure could possibly mean expectation of high price in bilateral discussions of auto pact differences, etc., though GOC generally no more persuaded of "transference of benefit or penalty" possibilities than we;

C) GOC agreement might lead to its early demise, with next government reversing the decision.

6. Short of invoking our total relationship, Embassy believes that if USG intends to urge GOC to continue its participation, its views should be put, and put forcefully, to GOC at as early a date as possible, since Cabinet decision not far off. Embassy suggests that a high-level meeting of experts would be appropriate vehicle, as proposed by Collins (Ottawa 740). Such a *démarche* is not likely to be effective, however, without some form of demonstrable and tangible evidence, not just that Canadian ICCS role is important to keep situation from deteriorating further, but that situation is actually or potentially on the mend. We note here that GOC may have to make such evidence public, to defend what might otherwise be an indefensible position vis-à-vis public opinion and Parliament. Failing a real and visible reduction in hostilities, Embassy would hope USG could pass to GOC substance of any pertinent conversations Dr. Kissinger has had in Moscow, or may have

with DRV representatives later this month. Even reassurances of this sort might be viewed in same light as earlier talks with Poles and Hungarians, which were appreciated at time but which have produced little evidence so far of reducing obstructionism in ICCS. Should other significant high-level meetings be planned which could have favorable impact, GOC should be informed.

7. In the absence of clear and favorable indications that Viet-Nam situation improving or likely to improve, Embassy believes some effort should be made anyway lest GOC subsequently claim that USG appeared to have lost interest. Embassy must reluctantly conclude, however, that if persuasive case not possible, USG should be prepared seek alternative ICCS participant. Following a GOC decision to leave ICCS, Embassy believes GOC would make every effort be responsive to requests for economic assistance to Indochina.

Schmidt

107. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, June 5, 1973.

SUBJECT

Reply to Prime Minister Trudeau

Attached at Tab A is a suggested reply to a May 29 message (Tab B) from Canadian Prime Minister Trudeau concerning Canada's participation in the Vietnam International Commission for Control and Supervision.

Trudeau formally advised you that the Canadians have decided to pull out of the Vietnam ICCS but to delay the deadline for their departure from June 30 to July 31. Although Trudeau avoids a full explanation for this decision, he notes that the decisive element was Canada's

¹ Summary: Kissinger forwarded a letter from Trudeau concerning the Canadian decision to withdraw from the ICCS.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 750, Canada, Trudeau, corres. (1969–1973) (1 of 1). No classification marking. Sent for action. Attached but not published is Tab A, a signed June 8 letter from Nixon to Trudeau; and Tab B, an undated message from Trudeau to Nixon. A stamped notation on the memorandum indicates the President saw it. Iran subsequently agreed to fill the position vacated by Canada on the ICCS.

19 year history of cease-fire supervision in Vietnam. He adds that the only criticism implied by this decision is a lack of good faith by the Vietnamese parties in abiding by the Agreement and states that the ICCS “got off to as good a start as circumstances permitted.”

Your reply at Tab A expresses deep regret at the Canadian decision but notes our appreciation of Canada’s constructive role in the ICCS and willingness to participate until July 31.

Dave Gergen concurs.

Recommendation:

That you sign the letter to Prime Minister Trudeau at Tab A.

108. Memorandum of Conversation¹

Brussels, December 6, 1973, 2:30–4:00 p.m.

SUBJECT

Canadian-US Bilateral in Brussels (U)

PARTICIPANTS

Canadian Side

James A. Richardson, Minister of National Defence

Gen Jacques A. Dextraze, Chief of Defence Staff

David H.W. Kirkwood, Assistant Deputy Minister (Policy)

Robert P. Cameron, Director General, Defence and Arms Control Affairs,
Department of External Affairs

US Side

James R. Schlesinger, Secretary of Defense

ADM Thomas H. Moorer, Chairman of the Joint Chiefs of Staff

Ambassador Robert C. Hill, Assistant Secretary of Defense (ISA)

¹Summary: Schlesinger and Richardson discussed U.S.-Canada air defense, NORAD, ASW, and the conventional forces balance.

Source: Washington National Records Center, OASD/ISA Files: FRC 330–76–117, 333 Canada 18 Dec 73. Secret. Prepared by Wickham and OASD/ISA European and NATO Affairs Director Brigadier General H. Lobdell; and approved by Hill on December 18. The meeting took place in the Mission to NATO. In telegram 147164 to Ottawa, July 26, the Department requested the Embassy’s assessment of the likely Canadian reaction to a reduction in continental U.S. air defenses and changes to its warning capabilities. (National Archives, Nixon Presidential Materials, NSC Files, Box 671, Country Files, Europe, Canada, Vol. IV (Jan 73–Jul 74)) In telegram 1839 from Ottawa, August 8, the Embassy replied that the proposed reductions would not affect Canadian willingness “to cooperate in bilateral defense relations. However, any change in level of U.S. support for NORAD is likely to be matched by reduction in level of Canadian support.” (Ibid.)

Harry E. Bergold, Jr., Deputy Assistant Secretary (ISA)

MGen John A. Wickham, Jr., Military Assistant to SecDef

BGen H. Lobdell, Jr., Director, European and NATO Affairs, OASD (ISA)

1. (S) *Air Defense*

SecDef was concerned that Minister Richardson might receive his first word on renewed continental air defense program decisions from news leaks. He reviewed for Richardson the emerging strategic situation and how it impacts on prospective plans. We are increasingly concerned about extended strategic nuclear exchanges with the Soviets. Although such attacks are of very low probability—less than 1%—the possible destruction makes it advantageous for both sides to avoid city attacks. Avoidance would be advantageous to Canada from the point of view of all-out effects. We must think in a wider spectrum of strategic attacks against military as well as economic targets, but not necessarily all-out city busting attacks. There is also a second element in this emerging strategic situation: the Soviets now have a massive missile capability in which their investment is growing. On the other hand, the bomber inventory is shrinking. The impact of these two elements is that we are less interested in bomber defense designed to limit high mortality in cities.

What is the implication of this for defense? If both sides are staring at each other's massive strategic capability, then both are interested in restraint and are willing to consider sub-SIOP options. In this case, a war of nerves might develop in the international arena. Emphasis will be on the ability to convey a seriousness of intent. The Soviets should not be free to play in the air space of the North American continent. For this reason, the air defense focus for the 70s and 80s should be to attrit Soviet air vehicles penetrating North American air space. For example, if Soviet reconnaissance aircraft are allowed free access over North America, the US and Canadian populations would regard this as an intolerable situation. To the extent possible, we should have as much control as possible so that the Soviets would have to pay a price for exploitation of the air space.

In the strategic competition, therefore, in which less than all-out exchange could occur, this rationale for air defense is superior to the previous one. It implies emphasis on area rather than point defense. We still must maintain point defense in specific locations directed against a manifest threat, such as that from Cuba. We are proceeding with the F-106 and AWACS to provide better surveillance. In addition, we may consider an improved point defense (e.g., SAM-D) in the vicinity of critical targets such as MINUTEMAN fields. NIKE HERCULES to defend cities will be phased out. In summary, it is clear that point defense of U.S. cities in an age when the Soviets have 2,000 missiles is not sound. Thus, our programs will focus on R&D programs, with a spe-

cific objective of maintaining surveillance and control of air space. Air defense, as a major reducer of casualties in an era of massive missile threat, is not a sound use of resources. This seems to us to provide a rationale for 1970–1980 air defense.

MOD Richardson responded that Canada had established clear priorities for its limited capability: sovereignty of Canadian territory, control of Canadian air space, and thirdly, NATO. Canadians want to cooperate with the US in air defense to the extent they are able. Since he had had difficulty explaining the need for air defense, particularly to critics of the NORAD agreement extension, MOD Richardson welcomed SecDef's concept as providing a saleable rationale which would help to justify his budget.

ADM Moorer commented that the Soviet bomber threat has diminished. Since the Soviets have not seen fit to develop a tanker force, not even the BACKFIRE is adequate for strategic attack. Therefore, the key to Soviet intent would be a build-up of the tanker force. In addition to surveillance, a capability to destroy targets is required too.

MOD Richardson asked if we are preparing to phase out DEW-line. SecDef said no, he did not want to leave that impression. Our first priority is to warn of attack. The second priority is to impose a price on intrusions, although the Soviets are not inclined to take risks to intrude. If we had no capability to respond, the Soviets might indulge in repetitive intrusion which could be erosive on the morale of our people. Mr. Kirkwood said that the past rationale had required that we impose significant attrition on bombers attacking economic and military targets, and a capability to support this past rationale was adequate to handle any air space intrusion. In the case of Canada and its wide areas of the North, he asked if all intrusions had to be defended against. SecDef responded that we should not be driven by this logic to major new investments. We may need to consider point defenses around high value targets such as missile fields, particularly if the Soviets moved to upgrade their bomber force. This latter prospect is now moot.

2. (S) *NORAD Agreement*

MOD Richardson said that Canada was looking closely at the agreement. He asked why it should focus only on air defense when our navies are working together. SecDef agreed that the concept should possibly be broadened to a continental defense agreement. MOD Richardson asked if the US visualized any change in Canadian air defense involvement. SecDef answered that we had not specifically looked at the Canadian capability nor refined our own concepts and programs. SecDef said we plan to proceed with AWACS, although first priority will probably be in NATO. The OTH–B northward looking radar also would be developed. We will be announcing shortly a phase-out of

NIKE HERCULES units. We will be going down to 196 interceptors together with a phase-out of F-102s and possibly F-101s. Mr. Kirkwood asked if the US was going to announce anything in regard to the manned interceptors, emphasizing that phase-out of the F-101s would have an effect on Canada and Canada's views of the US program. SecDef emphasized that the US and Canada could begin discussions on this almost immediately.

3. (S) ASW

SecDef said he trusted that Canada will press hard in the ASW area. MOD Richardson said he wanted the benefit of US thinking on the LRPA for ASW surveillance as the Canadian ARGUS has only 4–5 years of service life remaining. The Canadians have, to date, concluded there is no aircraft in the world today to fill these needs. The P-3 and the Boeing 707 are not suitable for different reasons. He asked if there is still a clear requirement for ASW surveillance when nuclear submarine ranges and extended range missile capability can operate outside the range of ASW aircraft operating from Canada. SecDef responded that we wanted to counter subs used against our sea LOCs in conventional war. Canadian aircraft would be a visible and useful deterrent force. The P-3, although propeller driven, is highly cost effective, economical on fuel, flexible in speed, range and time on station, and capable against slower moving targets. MOD Richardson said that Canada had a high level of technology but wanted to find a vehicle to put it in.

4. (S) *Conventional Balance*

SecDef recognized that the Canadians had made a decision to reduce their forces in NATO some years ago, but he wondered if NATO might not be more vigorous by demonstrating to the Soviets a capability to maintain and reinforce its forces in Europe. Perhaps we might work together to determine what Canada could do in this regard. MOD Richardson responded that Canada's role, over-concentrated in the Central Region, was carried out by a modern professional air and ground force. He did not know whether Canada can enlarge its contribution; however, if the US has specific suggestions by which Canadian forces could be adjusted, they would listen. He added that he was the only defense minister known to have a firm budget commitment from his Parliament extending over a five-year period. This will permit a doubling of investment funds.

SecDef responded that he was thinking principally of reinforcement of the North Atlantic area. If NATO does not react, the deterrent value of its forces and confidence in its military posture will erode. He thought it useful if the US, Canada and Norway would discuss the issues in reinforcing the Northern Flank.

109. Minutes of Secretary of State Kissinger's Staff Meeting¹

Washington, March 8, 1974, 3:10 p.m.

PRESENT

The Secretary of State—Henry A. Kissinger
Mr. Sisco
Mr. Casey
Mr. Brown
Mr. Seymour Weiss
Mr. Lord
Mr. Boeker
Mr. McCloskey
Mr. Springsteen
Mr. Hyland
Mr. Vest
Mr. Maw
Mr. Katz
Mr. Rufus Smith
Mr. Hartman
Mr. Donaldson

PROCEEDINGS

Secretary Kissinger: Who would like to lead off on Canada?

Mr. Hartman: I guess I should. It is not quite in Europe yet.

Rufus Smith is here with me—Jules, and a lot of other people who are more expert than I.

I suppose we really ought to have a couch here, or something, because this is more a psychological problem, I think, than almost any other set of relationships we have got around the world.

The basic problem that we have, always have had, is the proximity of Canada to the United States, and the differing strength, the economic power that we have, that has such an effect on them.

I think you have had an earlier discussion on the general trends in U.S. and Canadian relations, and I won't go too much over that ground. I would only point out again the importance of the relationship, mainly in the economic area, as far as the United States is concerned. It is our

¹ Summary: Kissinger discussed U.S.-Canadian relations with his staff.

Source: National Archives, RG 59, Transcripts of Secretary of State Kissinger's Staff Meetings, 1973–1977, Entry 5177, Box 2, Secretary's Analytic Staff Meeting, March 8, 1974. Secret. The meeting ended at 3:50 p.m. Attached but not published is a summary of Kissinger's decisions at the meeting, as well as a full list of those in attendance. The paper referred to at the meeting is apparently an undated paper entitled "US-Canadian Relations: Alternate Strategies," forwarded to Kissinger under cover of a February 22 memorandum from Lord and Hartman. (Ibid., Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 345, Feb. 1974)

most important trading partner. We have got tremendous investments there.

But on the strategic side as well, there is the place that it has in our defense relationships—and the general kind of goal that the Canadians see for themselves in the world, and the helpful role that they have played in such things as UNEF forces and UN activities generally.

It is a complex relationship in which very often we do things in this country which we think are only related to our own domestic policies, but they have an immediate effect on Canada. We have got so much contact back and forth across the border, with cultural penetration, and all those things which to a people who are struggling for some kind of a national identity makes it very difficult for them. And we have seen various outcroppings over the years of their efforts to sort of resist this, what they would consider to be a kind of Americanization of their society. These actions have ranged all the way from efforts to control television time to some of the efforts they have made to prevent American publications from having the kind of dominance that they have on the Canadian market.

The paper that we have come up with now, which was intended to move a little bit more towards a sort of tactical way to deal with Canadian problems, doesn't really add very much new. It describes the trends in relationships. There is a natural trend moving towards greater integration of the two societies. You could either try to speed that along, and move towards a relationship in which Canada really becomes more and more a part of an American complex, and let it proceed naturally, and try and deal with the problems that naturally arise, because of the differences in our society, or you can try to sort of stop the trend. I don't quite see myself how you can do any of these things. You can have them in your mind as a conceptual problem.

Secretary Kissinger: I have the impression from reading the paper that it follows my old maxim about State Department papers—that if you pick Option 2, you are never wrong. (Laughter)

Mr. Hartman: I don't know whether it is Option 2 or 3.

Secretary Kissinger: And if Option 2 is to do nothing—if the do-nothing option is not Option 2, then you have to hesitate. If Option 2 says do nothing—

Mr. Weiss: As a matter of fact, we got good action a couple of times by moving the options around and you approved the wrong one.

Secretary Kissinger: You sometimes confuse me by not making the do-nothing option the preferred option.

Mr. Hartman: I think that really the most important thing that we can do is to build a little bit of calm confidence into our relationship; that when we have a problem, we discuss it with each other frankly,

and we say what our views are, and we say it very strongly, depending on the strength of our feelings—we let them do the same thing, and recognize that we are going to have a continual problem in our relationship. But that if we have a basic understanding, that in the end we know how to solve these problems, we can seek solutions together. I don't see any institutional means to do this. I think we have got to develop our contacts on a sort of ad hoc basis. We have got enough institutions around to talk to each other.

Secretary Kissinger: How about a declaration of principles?

Mr. Hartman: No. (Laughter)

But—

Mr. Katz: We tried that.

Secretary Kissinger: Let me make an observation about my inadequate study of this paper. To me, with all due respect, to make an academic point, it is the classic non-paper. It states three options of which only one has any reality at all, and that doesn't give you anything to do.

The first is to expedite integration. You know that is not possible. I don't know what we would do. Supposing I said to you that is going to be our policy—we are going to integrate Canada and the United States more.

Mr. Hartman: Call a constitutional convention, offer them statehood.

Secretary Kissinger: You know damned well this cannot be done. First—you cannot even express it as a politically realistic policy. Secondly, if you could think of some things to do, it would produce exactly the opposite result of what you want.

That is Point One.

Second—Option 3, to stop integrative tendencies, the non-do-nothing option—that is also nonsense, with all due respect, because while I would not urge that we speed it up, for us to resist it from the American side seems—in the name of what, for what reason?

So that leaves us with the Option 2, which is do what you are doing.

So that is not a particularly fruitful way of spending our time.

Either we should not schedule a meeting on a subject on which we have no recommendations, or we should have recommendations.

Mr. Casey: The paper is a little more useful if you look at it issue by issue.

Secretary Kissinger: That is right. That was going to be my—I agree. But if you want to address the strategic problem, it seems to me that the problem that Canada will be facing very soon, as the Common

Market articulates, is whether to be drawn in that direction or in our direction.

I joked about a declaration of principles with us. But you know damned well they are going to be faced with a proposal of a declaration of principles by the Common Market. And what I would like to look at is the impact of a European political community on Canada, on the part of Europe, bringing about Option 3. That is a real possibility, it seems to me.

Conversely, until that happens, to what extent can we use the fact that Canada is not part of the Nine now and feels itself out of it—to what extent we can use the fact of their feeling out of the Nine by being forthcoming in consultative procedures with Canada, to create not integrative links but political links. Certainly at the Energy Conference the Canadians were very helpful.

Mr. Hartman: Yes.

Secretary Kissinger: That is a line that I would find interesting to explore. What we can do without trying to integrate them formally more closely with us—we can let them share in some of our decisions where they would not normally have an opportunity to, to give them a sense of participation, without asking a great deal in return, or anything in return.

Mr. Lord: But is the European option a real one for Canada, given its tremendous security needs with us, and the tremendous trade and economic needs. I don't see what appeal Europe would have to them.

Secretary Kissinger: Europe gives them political independence.

Mr. Brown: Gives them independence from us.

Secretary Kissinger: Gives them political independence. We have no possible way of dissociating from them in the security field. Nor do we have any real—nor would we engage in a trade war with them. They wouldn't have to make a choice.

Mr. Weiss: May I say one thing on this. I think it is useful to dissociate the question of sort of how Canada might go, from the question of who has leverage over who in something like, for example, the military relationship.

You know, you say we could not dissociate from them. I don't know that Winston may not be right. They may need us a hell of a lot more than we need them over the long run.

Secretary Kissinger: In what way?

Mr. Weiss: Well, you know, the Canadians have no defense outside of the United States. And in terms of what is happening with our own air defense, that is getting down, as you well know, to such a miniscule consideration—

Secretary Kissinger: And therefore, what is the conclusion from that? Since we are no longer engaged in air defense, we have what hold over them?

Mr. Weiss: No. The conclusion may very well be that just in terms of the question of tactics and leverage, as distinct from what our basic policies ought to be, we ought to at least take a hard look at whether in terms of the defense relationship, and the area of the intelligence relationship, the Canadians get more from us or we get more from them. I am not reaching a conclusion. I am saying that is worth looking at, because it might be useful to you, in how you deal with the Canadians.

Secretary Kissinger: But so far the Canadians are not yet moving in an antagonistic direction. And therefore we don't face the problem of leverage.

Mr. Hartman: No. I think the question isn't so much whether they are going to move over and actually join the Europeans, as to whether or not there will be policies that the Europeans will adopt that the Canadians might be attracted to follow, which would go in a different direction from us. So far that doesn't look to be the case. And I think one of the advantages—

Secretary Kissinger: But that is partly also because they are being excluded from the European decision making.

Mr. Hartman: That is true. And I think probably that will continue to happen, because the calculation in Europe will be that they would be a kind of a Trojan horse for us: But I think one of the advantages of our tri-regional approach is that that does involve the Canadians. If we can move ahead on that, it means that we have got a kind of North American concept—complex. The Japanese suggested to us yesterday that maybe if we go ahead with this approach, we also ought to include Australia and New Zealand with them, to give them a few friends out in that area.

Secretary Kissinger: What does that mean concretely?

Mr. Hartman: Well, it means that it would genuinely be a tri-regional approach. It would not be just Japan on the Pacific side, but it would be Japan, Australia and New Zealand, U.S. and Canada, and Europe—and not just the EC Europe, but we would have the Norwegians and a couple of the other NATO countries.

Secretary Kissinger: There is no way of ever accomplishing this, to phase it in with the other exercise.

Mr. Hartman: We are going to try.

Secretary Kissinger: You are going to ask me first, though, aren't you?

Mr. Hartman: You have approved it. You have approved the talking points.

Secretary Kissinger: We have approved the approach of the Japanese. We have not approved the Australian—

Mr. Hartman: No. But we have approved including Canada, Norway and perhaps one or two other NATO countries.

Secretary Kissinger: I didn't focus on this.

Mr. Weiss: You see it wasn't Option 2. You have to watch Hartman.

Secretary Kissinger: I focused on making an approach on behalf of the Japanese. What does it mean concretely that we involve Norway and the other NATO countries?

[Omitted here is discussion of the U.S.–EC declarations.]

Mr. Hartman: [Omitted here is additional discussion of the U.S.–EC declarations.]

Well, should we get back to Canada?

Secretary Kissinger: Yes.

Mr. Hartman: I think in many ways this locomotive case illustrates the sort of practical problems that we have. It goes to a point of extreme Canadian sensitivity, because it appears to them to be an exercise in U.S. extraterritorial application of its laws. We just heard today that the Canadian company board had a vote on this, and the American president has resigned, because the board voted to go ahead with the deal. In one sense that eases the problem, because if it is a Canadian board, they can take any action they want to if it is not contrary to our law—I believe that is right. And that leaves us then possibly with the only problem being are there American components and therefore should we refuse an export license on those components.

But that is an easier case in terms of Canadian sensibilities. They won't be happy, but at least that is something that we can legitimately say we have control over.

But I think that is just illustrative of the kind of issues that we have in terms of our economic relationships.

You are going to be visiting up there. I think in the recent discussions—

Secretary Kissinger: I wouldn't count on that—that quickly.

Mr. Hartman: Not in the next little while?

Secretary Kissinger: I know Moynihan has me signed up in his country. Everyone has me signed up. Has anyone looked at my schedule?

Mr. Hartman: We are in touch with your staff.

Secretary Kissinger: That's fine. I have no time available in the next three weeks—so I don't care what my staff said.

Mr. Hartman: It is clear in the next three weeks you certainly don't have any time. But I think there would be advantages for you doing this if you can find time in April.

Secretary Kissinger: To do what? What am I trying to accomplish? That is what we are having this meeting about.

Mr. Hartman: Well, I think that we really ought to have a discussion with this government now about the state of our relations, both our economic relations, our general political relations. I think we have sensed that there has been an improvement certainly in the tone—

Secretary Kissinger: Why?

Mr. Hartman: Well, I think that many of the things that we have been trying to do—just taking the energy question as an example—the Canadians see that we are trying to take some positive steps. When they see something that the United States is doing can have not only positive meaning for them, but it makes sense in world terms, they join us. They don't react always just to say because it is an American initiative they like it and they are going along with it. I think when we have explained our position to them—

Secretary Kissinger: Or is it because they see themselves shut out of the European thing? They have lost their Commonwealth thing and they need some other association.

Mr. Hartman: I think they want links, yes. I don't know that the European thing really plays that much a part in their decisions yet.

Mr. Katz: I think the change in their tone on energy came about because of a common external threat. They were very seriously concerned and threatened by the boycott. And they realized that they could not meet their own concerns operating unilaterally. And the links between us, the interrelationships between us in the energy field are so extensive that it just would have been impossible for them to operate independently. I think there was also a reaction to their Energy Minister—expressions about the blue-eyed heiress to the north—and I think he became something of a political liability at home, and balance had to be redressed.

Mr. Smith: There is another point, I think, Mr. Secretary, about your proposed visit. The Canadians want an opportunity to bring to your attention personally a number of bilateral, strictly bilateral, issues, and in their eyes you have committed yourself to a visit, and it will be regarded as welching on a commitment if you don't go.

Mr. Hartman: I think there are a number of areas where it would help us in terms of the other things that we are doing, to have the Canadians fully aware of what our current views are. They are very interested in the trade negotiations. They have been very helpful in getting those started. They are quite anxious to see that our trade bill goes

through so that we can fully participate in the negotiations. George Shultz feels they have been very helpful on the monetary negotiations. They will want to discuss the whole question of foreign investment, because there is a lot of pressure on this government, as there has been on previous governments, to take restrictive measures in that field. And I think it is well to let them explain what their political problem is, and then try to get down to the details of that, particularly with the Treasury, to see whether or not we cannot find solutions to any of these specific problems that come up.

Secretary Kissinger: Well, I didn't ask for a meeting on Canada. I would not feel unfulfilled tonight if it was my destiny that we didn't have a meeting on Canada. But if we have a meeting on Canada, or any other subject, the question I would like to have an answer to is what I am trying to accomplish. I would like to understand in terms other than continuing doing what you are doing, or go up there to discuss the state of our relationships—because I cannot discuss the state of our relationships. There are only two things that can happen if I go up there. If I don't know what I am doing, then I have to listen to their complaints, and either meet their complaints or not. I will have no criteria within which to operate. So why did you think if we went through this item by item we would be better off?

Mr. Casey: Well, you come to more meaningful action-oriented decisions.

Secretary Kissinger: Like what? Can you give me an example?

Mr. Casey: Let me see. On foreign investment—I would be inclined to accept the Canadian action and go with it, which is Alternative 1. On industrial policy, I would be inclined to impose a policy and try to wean them away from their existing industrial policy. We have talked to them on industrial policy in the context of the defense production sharing discussion. They were down here three weeks ago. We have asked them to state their present industrial policy. We have some things going there. We have the automotive agreement. We have made a proposal which they didn't turn down. We have the defense production sharing agreement, which they have come around to adjust in a way that is satisfactory to us.

I think there are some specific things that can be accomplished with them.

As to why you would be going up there—we have had an abrasive relationship with the Canadians on economic issues for three or four years now. It has been slowly improving. I think we have come to the point where we could agree on a few things—picking up those agreements, and a change in the atmosphere, which would be worth a visit.

There is a fair prospect that can be accomplished.

I think on the energy area, there are some very concrete things to be discussed, very concrete things they want from us.

Secretary Kissinger: Like what?

Mr. Casey: The pipeline—a decision on the pipeline, the Kudo Bay gas pipeline—some decisions on the pipeline from Montreal down to New York City.

Secretary Kissinger: What's holding it up? Is that really something I need to decide?

Mr. Casey: No.

Mr. Katz: There are two issues involving pipelines. One question relates to a specific pipeline route from Alaska, whether it goes via Canada or not via Canada. There is another issue which concerns having a treaty covering pipelines in general—pipelines transiting one another's territory, having to do with conditions of transit. That is not at this point terribly controversial and is something that is a question—

Secretary Kissinger: The question that I would like answered, for my own education, is where is Canada likely to be going over a five-year period, what are going to be the various pulls on Canada—Japan, Europe, the United States, Latin America. What is the NATO-U.S.-Canada relationship going to be—U.S.-EC. And where do we want to go. Then we can decide these tactical things fairly easily.

In some areas I know this. In the case of Canada I don't know it.

Mr. Katz: Mr. Secretary, there is one other question here, which I think needs to be focused on, and it is not so much where Canada is going internationally but where is Canada going as a nation. There are tremendous tensions within the country which could importantly affect our interests, in a strategic sense, in an economic sense, in terms of their foreign relations.

Mr. Brown: We have no control over those, do we?

Mr. Katz: We don't directly.

Mr. Smith: We could make it worse.

Mr. Katz: Through inadvertence we can affect the political trends within the country.

Secretary Kissinger: How?

Mr. Katz: We can take some of our economic policies that can contribute to their economic problems internally, which would reinforce the trends—the problems that pull them apart. There is less we can do in a positive sense, I think. But I don't think you can answer the question of where Canada is going to go in its relations with Europe, for example, and the rest of the world without knowing what their internal political situation is going to be.

Mr. Casey: I would go further and say where they are going to go in relationship to Europe and Japan and the rest of the world is going to

be influenced very sharply by how we handle specific relationships with trade, energy.

Secretary Kissinger: That is exactly what I would like to know. I would like to know what actions on our part are likely to produce what long-term results. I would like the answer to that question. So before I go up there, could whoever worked on this paper take another run at it?

Mr. Hartman: Yes.

[Omitted here is discussion of the UN Special Session.]

110. National Security Study Memorandum 206/Council on International Economic Policy Study Memorandum 36¹

Washington, July 29, 1974.

TO

The Secretary of the Treasury
The Secretary of Defense
The Deputy Secretary of State
The Administrator, Federal Energy Administration
The Administrator, Environmental Protection Agency

SUBJECT

Relations with Canada

With the Canadian elections just concluded and a majority government in power, the President has requested a review of the status of U.S. relations with Canada.

The study should provide both a broad overview of the relationship and an examination of the near-term political issues that will require action in the coming months. The issues addressed in the study should include the following: Foreign Policy Issues, Balance of Pay-

¹ Summary: The President requested a review of the status of U.S. relations with Canada.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-206, Study Memorandums, 1969–1974, NSSM-206. Secret. Copies were sent to the President's Counselor for Economic Affairs, the Director of the OMB, the Chairman of the CEA, the Chairman of the JCS, the DCI, and the STR. The ad hoc NSC working group produced a draft study in response to this NSSM, but it was neither acted upon nor approved. The July 8 Canadian national election gave Trudeau a majority government.

ments and Monetary Issues, Defense Relations, Industrial Policy, Energy and Resources, Environmental Matters, Canadian Trade Policy, Agricultural Trade, Transportation and Communications, and Bilateral Legal Matters. The study should also examine the role of existing inter-country mechanisms dealing with the above issues. The study should assess the relative importance and priority attaching to these issues, suggest alternative approaches, and propose a program and timetable for dealing with them. Additionally, the study should address these issues in the context of the overall US-Canadian political perspective. As many of the issues are economic, CIEP/SM 17, U.S. Economic Policies Toward Canada, submitted on December 19, 1972, should be consulted, updated and incorporated as appropriate in the study.

The study should be prepared by an NSC–CIEP Ad Hoc Group comprising representatives of the addressees and of the Assistant to the President for National Security Affairs and the Executive Director, Council on International Economic Policy, and chaired by the representative of the Department of State. To facilitate preparation of the study, inter-agency working groups should be established to address the specific issues identified above, with working group chairmanships as follows: foreign policy issues (State); balance of payments and monetary issues (Treasury); defense relations (Defense); industrial policy and agricultural trade (CIEP); and other issues (State). The Chairman of the working groups listed are responsible for submission of draft contributions to the Ad Hoc Group on specific subjects by August 20, 1974.

The study in final form should be forwarded not later than September 10, 1974, for consideration by the NSC and CIEP Senior Review Groups prior to submission to the President.

Henry A. Kissinger

William D. Eberle

111. Memorandum of Conversation¹

Washington, December 4, 1974, 3:01–4:25 p.m.

PARTICIPANTS

Pierre-Elliott Trudeau, Prime Minister of Canada
 Allan MacEachen, Secretary of State for External Affairs
 Ivan Head, Special Assistant to the Prime Minister
 Ambassador Marcel Cadieux
 President Gerald R. Ford
 Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
 National Security Affairs
 Lt. General Brent Scowcroft, Deputy Assistant to the President for National
 Security Affairs
 Arthur A. Hartman, Assistant Secretary of State for European Affairs
 Ambassador William Porter, U.S. Ambassador to Canada

SUBJECTS

The President's Trip to Far East and Vladivostok; Energy Cooperation; Defense
 Issues; Economic Policy; Environmental Cooperation

The President: It is very nice to have you here, Mr. Prime Minister.

Kissinger: I told the President we should let you rearrange the furniture, to reciprocate [what happened when President Nixon visited Ottawa in April 1972].

Trudeau: Well, it was an improvement.

President: I was with a group of parliamentarians as part of a Canadian-US Parliamentary group. I got to know many members of the Senate and Parliament. When I became Minority Leader I had to drop it.

Trudeau: Our longevity is not high, but there still may be a few around.

President: We have had some problems in that regard.

Trudeau: Like our by-elections.

President: You had good elections.

¹ Summary: Ford, Kissinger, Trudeau, and MacEachen discussed energy cooperation, defense issues, economic policy, and environmental cooperation.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 7. Secret; Nodis. All brackets are in the original except those indicating text omitted by the editors. The meeting took place in the Oval Office. Trudeau paid an official visit to Washington on December 4. Kissinger and MacEachen met on September 24 in New York, where they discussed non-proliferation, the Middle East, Japanese-Canadian relations, the possibility of a visit by Trudeau to Washington, beef quotas, the increase in the export price of Canadian natural gas, and the September 28 to 29 meeting of G-5 Foreign and Finance Ministers at Camp David. (Ibid., NSC Europe, Canada, and Ocean Affairs Staff Files, Box 1, Canada 1974 (3) WH)

Trudeau: Yes, but we had a tough 18-month period. It was tough, and our relations weren't dealt with as closely as they should have. You also had your problems.

President: I am looking forward to working with you. I will run again and I think the pendulum will swing back. I think with some progress we can turn things around not only within the United States but in a way which will benefit the world.

We think our relations with the Alliance have improved after a rocky year or two. We want to make our relations as firm as possible. I met with your Ambassador the day I entered office. I am committed to the continuity of our foreign policy. I was fortunate to have worked with Henry on some of the tough chores of 1971, '72 and '73, so we have worked closely.

[Omitted here is discussion of Ford's trip to the Far East and Vladivostok.]

Energy Cooperation

Trudeau: I am grateful for this briefing. On Japan, I guess they won't give the economic leadership the world needs. It is apparent the EC won't, so it is up to the United States. We want you to know we think that that leadership is important. There is no substitute for strong leadership, economic and military, and we look to you.

President: We want to work together with our allies, you and Western Europe. We all recognize the oil prices require us to get the consumers together. We don't rule out the possibility of getting together with producers, but we think we must get the consumers together first. Secretary Kissinger laid it out in his Chicago speech. We are pleased with the success of the IEA. We think we need the \$25 billion facility so we can handle the petrodollar problem if we are going to deal with the problem.

Trudeau: You know of our support in general for that. I suppose there are measures we might talk about. You have made clear you don't want confrontation, but we fear the counter-cartel idea. We rejected that on sulphur, iron ore, and copper. We think the world will be better off if the consumers and producers talk with each other rather than confront each other. Some Europeans fear that you are seeking a confrontation. We think that if the consumers get together first they will be stronger than the producers. If we bind together tightly and tell the producers we are on a collision course, given their history, we may be on a collision course. Maybe you do want a head-on collision. I would like your views.

President: We would prefer it without a tightly knit head-to-head confrontation. But if we find the problem magnified, with further price

increases, and if the financial aspects continue to worsen, we may have to tighten the consensus to prevent a catastrophe.

Trudeau: I speak in confidence, but Giscard used pretty much the same language as you did. He thinks you are on a confrontation course. But he said the same as you if they insisted on raising the prices. I think your views this way are the same. But in this period he thinks you want too tight a group. We are in between.

President: I was impressed with the willingness of Japan not to lead but to support us.

Trudeau: After going behind our back last year.

Kissinger: We don't seek a confrontation. But if the consumers are not unified, a conference will only result in the sort of bilateral discussions that are already going on now. The President asked me to speak in Chicago to give the consumers the sense that they can master their destinies. If they are constantly confronted with the consequences of decisions made elsewhere, the confidence of the West will constantly erode. We have good relations with Iran and Saudia Arabia. The French are exaggerating our position.

Trudeau: Because they don't like you.

President: Fortunately the producers do. The Middle East was discussed in Vladivostok. We want to continue the step-by-step process. We can go to Geneva at some time, but not now.

MacEachen: Turner and the Government are concerned about trying to support the multilateral organizations in recycling while the private systems are doing some of it. We tend to want to use the multilateral systems like the IMF. That would tend to involve the producers more directly.

Kissinger: You know we don't agree with that at all.

MacEachen: Why?

Kissinger: There are two problems—the developed and the least developed countries. With the underdeveloped it is the way to go. With the developed countries, they have to take steps themselves, and also they can't become dependent on decisions made elsewhere. The producers will eventually seek the political benefits of their position. The developed world needs to feel they can master their own destinies.

Trudeau: Yes, unless they face 25% unemployment.

Kissinger: Of course, but we don't think it will come to that. We think it can be done in the developed countries without an increase in unemployment or protective unilateral moves. We made clear in Japan that conservation shouldn't be at the expense of growth.

President: This is why we are pushing voluntarism.

Trudeau: We will go that way too. I can't argue Turner's point. I'll let him talk to Simon.

President: I have been importuned by the Northern Tier states whose refineries depend on Canadian crude exports. They asked me to raise it with you. I see your problem—you have your needs and considerations. Any tempering you can do will be appreciated.

Trudeau: I am having breakfast with some of them; I expect it to be raised. On January 1 we will go down to 800,000 barrels per day. The additional proposal—which isn't policy—which I must discuss with you and the provinces—is to go down to 650,000 in July. Perhaps the provinces won't want to shut in that 150,000 but would rather sell. We know the problems of the refineries—we understand their need is 650,000, and that they will get even with our additional plan. Of course, on next January 1 there would be a further cutback.

We would hope the companies would find ways to reallocate. There are some complicated formulas which I can't explain. I guess if the worst came, we could give you more in exchange for something. A while back, you asked that more not be sent in.

Frankly, it is a political problem. The Canadians know you have more than we have. You have Project Independence. We know we will be short in less than 10 years.

President: I appreciate hearing your views on this. These are some helpful congressmen who raised this, and I wanted to express their concern.

Trudeau: You stopped exporting years ago. Our reserves are not what we thought they were. Why? Because we have been producing at a capacity to supply you. Who knows what decisions will be made? What arguments will I get?

Porter: They will say the refineries were built specifically for this oil. It is true we asked that no more come in, but informally it did increase.

Trudeau: What would an American do in our situation? On price, we are selling you oil at the same price we bring it in. There is no reason we should make a gift to the Americans. But the oil supply is embarrassing, but I can't see any other way.

MacEachen: Our decision resulted from a study of our reserves by our regulatory advisory board. Under law we can't export more than the board says is surplus. Another point is we have had criticism at home that our conservation hasn't been severe enough—that we should have cut back faster.

President: One benefit of getting the consumers together is to expand alternative sources of energy. Project Independence needs to be more vigorous. It won't give us self-sufficiency by 1980. It is a good program, but it won't make that date. Our research would be shared with that group. If we can expand research in other energies, we can do

more, but not by 1980. I think this can be an added incentive for cooperation.

Trudeau: I think under IEA there is a trigger. If a shortage gets to—what—7%, sharing does start, and we of course would then supply the Mid-West refineries. By 1982 there will be a gap, even with tar sands. We are very willing to cooperate.

President: This will be a bipartisan group tomorrow.

Trudeau: What else will they bring up?

Defense Issues

President: I think we should discuss security. I think NATO is vitally important to peace. We have elements wanting us to withdraw forces. They want to turn inward. We will keep the forces there in the absence of an agreement in MBFR. The British are thinking of a \$10 billion reduction, but they said it would be in areas other than NATO. I hope they exempt NATO.

Trudeau: We don't intend pulling out of NATO. It is our third priority: Canada, North America, NATO. Next year's budget is 11.2% above this year's. We think it is better than any other's, but admittedly from a smaller base. In this economic climate, we think this expansion is proof that we are not trying to renege on NATO. We have increased our effort in NORAD and peacekeeping.

President: You have done a fine job in peacekeeping.

Trudeau: I'm glad to hear that.

President: It is very important.

Trudeau: I am very pleased. The aim of our review is to give us the best for our defense dollar—mobile forces, repairing dams, etcetera. We want to discuss with you your strategic concepts. How important is having an ASW effort as compared to surveillance only? Also the role you see for strategic bombers. Incidentally, the possible procurement of ASW patrol aircraft would help reduce the imbalance that Nixon and Kissinger discussed—from \$500 to \$50 million.

We have no intention of pulling out of NATO or NORAD.

President: I am glad to hear that. Sometime I would like to hear how you managed to unify the services. Not that we could do it, but I would like to hear about it.

Economic Policy

Trudeau: We see that you think your economy is softening. We are so dependent on you. Could you talk about this a bit?

President: When I came in, we were in a very serious inflation. We came up with a plan which initially focused on inflation but recognized that the danger signals wouldn't let us put the clamps on too hard. The

one million barrels a day conservation the economists said would add to our downturn problem. We now are analyzing whether we should shift our emphasis. The auto industry has plunged. That industry depends so much on consumer attitude. But we feel we must get inflation down from 12% to 7 or 8% by the summer. If we can get it to 8% we are doing well. If we don't undercut this too much by stimulative measures, we think the recessive influences will be over by next summer or fall. If Congress panics and turns on the spigot, all the good we have done will be down the drain. We hope to keep a steady course and, depending on the next statistics we are not frozen, but we don't want to panic.

Trudeau: I assume that price and wage controls are not anticipated now?

President: I have no plans for that. Congress may make a move to give me the control authority so they can wash their hands of it—but labor won't buy that now.

Trudeau: We don't plan on going in that direction, but if you move, we would have to consider it. We are trying to do about the same as you. We are stimulating housing, and the consumers are still confident. That leads to automotive imports. As far as our auto agreement is concerned, two years ago we said we had an accidental year. I think our experts should get together and look over the automotive industry over the long run.

On trade in general, we don't have much to do, because our private sectors do most of it. We have the biggest trade of any two countries—it is 66% free trade and with the trade bill, it will go to 88%.

President: Any influence you have with our Senators will help. We are hopeful, but time is running out. The Jewish immigration issue is worked out. Now one problem is non-germane amendments. I think we have a 75% chance of an acceptable bill by adjournment.

Trudeau: We wish you well because we need to get on with the negotiations. On tourism—another message for Kissinger—our last budget goes in the direction we said we would. American tourists spend \$1.2 billion and Canadians spend \$1.0 billion.

I want to mention beef. We think we were right, but our officials are talking and I am confident they will resolve it.

President: I hope they are making every effort.

Trudeau: I will concede the appearance of what we did was bad, but I think we were right on the substance.

President: I'll be frank. We had a political problem.

Trudeau: We did too. I would say we almost asked for it.

Environmental Cooperation

On environmental matters. I see the clock. . . .

President: Go ahead.

Trudeau: There are several irritants. We won't resolve them here, but our ministers should be told to work on it. The most serious is your Garrison Diversion Project in North Dakota, and its effect on Canada.

President: I am not an expert on that.

Trudeau: We see your experience with Mexico.

Porter: We know your fears, but have said we would not change the quality of the water.

MacEachen: I don't see how you can deliver on the content.

Porter: We will work with you.

President: We are slow on many things but we don't want to move out on inadequate treatment plants, but we will keep our commitment.

Trudeau: I'm glad to hear that.

President: Our major problem is technical.

Trudeau: Let me raise a couple of other items, just to say I mentioned them. [He mentioned the Skadjet (?) Valley project and the Juan de Fuca Straits.]

President: We will move cautiously.

Trudeau: People are very worried about big oil spills. It would badly influence our people.

President: I would like to mention our joint park efforts. Morton asked if we couldn't move more rapidly.

Trudeau: I'm all with him. If there is a slowdown on our part, we will take care of it.

President: It would give us a chance for an announcement for future get-togethers.

Trudeau: At dinner I will bend your ear on cultural identity and economic identity—the Canadian “third option” of more Canadian control over its destiny.

112. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, March 5, 1975.

SUBJECT

US-Canadian Relations—Status and Near-Term Prospects

In early March, Canadian Prime Minister Pierre Elliott Trudeau embarks on another tour of Western European capitals with scheduled visits to Bonn, Rome, the Vatican, the Hague, London and Dublin. On the Canadian side, these visits are seen as a continuation of the Trudeau mission to France and Belgium last December. *Trudeau's goal is to lay the foundations for a new and closer relationship with the European Community (EC) states, as part of efforts included in his central policy aimed at bringing about Canada's "economic independence" from the United States and establishing a distinct national identity for Canada.* This is borne out by developments in US-Canadian relations since your December 4 meeting with the Prime Minister in Washington. Since that time, the Canadian government—in both statement and action—has pointedly restated its intention to lessen Canada's vulnerability and dependence on the United States, particularly in the economic sphere but in political and security areas as well.

—*Political:* In a formal speech in 1975, Canada's Minister for External Affairs Allan MacEachen, has stated that Canada has reconsidered her relations with the United States and decided to "strengthen the economy and other aspects of national life in order to secure our independence." MacEachen has reaffirmed Canada's intentions to lessen Canada's economic dependence on the United States, to put an end to the so-called "special relationship" with the United States, and—recognizing the magnitude of the existing bilateral relationship—to treat the United States as the first among all our partners.

¹ Summary: Kissinger discussed U.S.-Canadian relations and their near-term prospects.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 2, Canada (3). Secret. Sent for information. Attached but not published is Tab A, an undated background paper. A stamped notation on the memorandum indicates the President saw it. Ford initialed the memorandum. On March 31, Kissinger asked MacEachen, "Is Canada trying to move away from the United States?" When MacEachen denied this, Kissinger retorted, "You'd say that anyway. Even if the opportunities are there?" MacEachen replied that Canadians viewed "relations with the United States as being our most important in the long and short haul. We have and we continue to have the closest of relations with you. We are trying to establish new relations elsewhere but it is not our purpose to supplant the United States. No other two countries in the world have the same extent of relations." (Memorandum of conversation, March 31; *ibid.*, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 2, Canada 1975 (3) WH)

—*Economic*: Canada will continue to implement its previously stated policy of restricting oil and gas exports to the United States; control over foreign investments in Canadian firms will be tightened; Canada will more than likely pass legislation preventing foreign-owned subsidiaries in Canada from adhering to trade restrictions imposed on parent firms; Canadian import quotas on beef and pork can be expected to remain in effect indefinitely. The Canadian Cabinet has just acted to eliminate the special tax status enjoyed by the Canadian editions of *Time* and *Reader's Digest*.

—*Security*: Renewal of the NORAD air defense agreement is expected but not without Canadian insistence on changes that would more clearly recognize Canadian sovereignty over airspace and control over national forces. Also of concern is the Canadian defense budget for 1975–76 which forecasts a slight reduction in the overall Canadian defense effort.

Developments in each of these areas as well as other major aspects of US-Canadian relations are reviewed in greater detail in the background paper at Tab A. While it was anticipated by some that the impact on Canada of U.S. inflation and recession in recent months might cause the Canadians to move to a closer, more accommodating approach to US-Canadian relations, *it would appear clear that the Trudeau Government has decided that Canada's best course lies in gaining greater distance from the United States*. As Trudeau has a healthy Parliamentary majority, and as he is not required to hold new elections until 1979, we can expect to see a concerted Canadian effort to further these policy objectives.

With this renewing surge of increasing Canadian nationalism, the Trudeau Government can be expected to give close and continuing attention to all aspects of the bilateral relationship—including issues which may in the past been dealt with solely at the private sector level—seeking in each instance to maximize the Canadian advantage. It will be important to bear this in mind in our dealings with Canada. I will be taking a close look at ways to improve the flow of information on Canadian planning and activities that have a bearing on U.S. interests.

113. Memorandum of Conversation¹

Brussels, May 30, 1975.

PARTICIPANTS

Pierre-Elliott Trudeau, Prime Minister of Canada

Allan MacEachen, Secretary of State for External Affairs

President Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

Arthur Hartman, Assistant Secretary of State for European Affairs

President: Did you talk to Goncalves?

Trudeau: Yes. I spent a very interesting 40 minutes with him.

[The press entered. There was more whispered discussion about Portugal.]

President: I asked him categorically whether there were any Communists in the Armed Forces Movement.

Trudeau: Really.

MacEachen: Was the Admiral there?

President: Yes. He just smiled.

Trudeau: Maybe they are a bunch of military people who are not only not interested in political parties but in the Communists also. Like in Peru. It sounded very naive to me.

MacEachen: I asked the Admiral what he saw in the future elections. He said the parties were full of wind and they had to take the wind out. They were just struggling for power, he said.

Trudeau: I want to thank you for giving us the time.

[Secretary Kissinger arrived.]

¹ Summary: Ford, Kissinger, Trudeau, and MacEachen discussed Portugal and U.S.-Canadian relations.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 12. Secret; Nodis. All brackets are in the original. The meeting took place in NATO Headquarters. Ford and Kissinger were in Brussels from May 28 to 31, where they attended a NATO meeting and met with NATO leaders. Later that year, from October 14 to 15, Kissinger was in Ottawa to meet with Trudeau, MacEachen, and other Canadian officials. A memorandum of conversation recording his October 15 tour d'horizon discussion with Trudeau is in National Archives, RG 59, Central Foreign Policy Files, P820125–0049. A memorandum of conversation recording Kissinger's October 15 meeting with MacEachen, during which they discussed the Law of the Sea, the Middle East, and controls on Cuban assets, is *ibid.*, P820123–2161. A memorandum of conversation recording Kissinger's October 15 roundtable discussion with Canadian ministers, is *ibid.*, P820123–2466.

Kissinger: For a country to have to deal with Greece and Turkey and Israel and the Arabs simultaneously is too much for any country.

President: We are grateful for the renewal of NORAD.

Trudeau: We wanted an indefinite renewal, but Parliament said it should be five years, and we thought that was okay.

We are grateful but surprised at your support for our NATO meeting proposal. I expect the French will think you put us up to it.

That you so readily accepted the idea indicates you accept the idea of giving our relations political direction, not just blindly accepting things. We will see how it works out.

Kissinger: Sauvagnargues had no instructions and would have been in trouble at home if he had accepted it.

Trudeau: But the language was not very definitive.

At the DPC last week, Schlesinger took us on. We want to assure you that any decision from our defense review won't lessen our commitment. We will retain at least our present commitment in real terms. But I am not sure our military are preparing for the right conflict—like convoy protection.

Kissinger: There are a number of questions which have been swept under the rug.

Trudeau: Flexible response was never defined. Massive retaliation and trip wire are more obvious.

President: I was on the Defense Preparedness Subcommittee. I found it very useful to get testimony rather than just reading the Defense annual report.

We appreciate Canada's willingness to take 3,000 or more of the Vietnamese refugees.

Trudeau: It is nice of you to say so. We may be able to take more.

President: I think the security checks are completed and their skills being put into a computer.

Trudeau: The only other bilateral issue I have is on natural gas. I know we are creating a problem for you. I hope I am living up to my December commitment to consult with you. I did make it a two-tier price rise, which cost the Province many millions of dollars.

President: We appreciate that. I went on television the night before I left Washington to raise the price of imported crude by \$1 a barrel. Congress has done literally nothing to get a conservation program, a price mechanism, or any other means. Or to stimulate our own production. I will soon decontrol the old wells. Congress can veto it within five days. They may do so, but the law expires August 31, so they would have to pass a new law and we could sustain the veto. So one way or another we will raise the prices.

Trudeau: We have an administered price. We will let it rise toward the world price. The gas price will reflect the commodity value between them.

MacEachen: The reason we phased gas was because of our commitment to you.

Ambassador Porter has a preview of the oil report. We won't make a decision on supply before consultations with you.

President: That is helpful. I note our imports are about 550,000 barrels a day.

Trudeau: You aren't taking as much as we promised.

President: Our imports of petroleum are down some.

Kissinger: It's partly recession-induced.

Trudeau: How are prices staying up? Economic theory indicates they should drop.

Kissinger: The Shah is upset about the situation. They are down to five million barrels a day. They have papers showing they could go down to 2.5 and still meet their commitments. The others are at their margin, so if we can convince the Shah to hold the price, we are okay.

Trudeau: That is all I have. Are you going skiing?

President: I would certainly like to. I'll have more flexibility in 1976 and 77!

114. Memorandum For the Record Prepared by the Military Assistant to the Secretary of Defense (Wickham)¹

Washington, September 17, 1975.

SUBJECT

Highlights of Discussions Between Secretary Schlesinger and Canadian Officials
During Visit to Ottawa, 15–16 September

1. During 15–16 September, Secretary Schlesinger visited Ottawa for the purpose of discussing with Canadian officials the issues of mutual defense interest to include the ongoing Canadian Defense Review, the level of Canadian defense spending, the Canadian commitment to NATO, and the Canadian commitment to North American defense. The Secretary had extensive discussions with MOD Richardson, his staff principals, key members of the Cabinet and the Prime Minister. Highlights of these discussions are covered in the following paragraphs.

2. Discussion with MOD Richardson and Key Members of the House of Commons

a. MOD Richardson indicated that Canada wanted to maintain its NATO commitment in terms of what Canada determined to be the best and most appropriate role. He said that Canada wants to make a commitment to deterrence but that the current Review would seek to determine what weight should be placed on such functional areas as the land force commitment to NATO, ASW, and North American air defense.

b. JRS pointed out the importance of Canada's commitment to NATO. He said that the line for freedom is on the Elbe and that withdrawal from that area could lead to incalculable consequences for the West as we know it today. The military balance which exists between NATO and Warsaw Pact forces is an essential element in the world-

¹Summary: Wickham summarized the September 15 and 16 discussions among Schlesinger and Canadian officials in Ottawa.

Source: Washington National Records Center, OSD Files: FRC 330–78–0058, 333 Canada 17 Sep 75. Secret. Prepared by Wickham. On September 10, Scowcroft sent Wickham a list of questions received from Trudeau for Schlesinger. The preface to Trudeau's list reads: "Canada is now engaged in a review of its defence activities—not with any intention of reducing effort or expenditures but with the aim of improving effectiveness. An important criterion in forming a judgment of effectiveness will be the attitude of our allies. We would value your views on the priority of the tasks assigned to the Canadian Armed Forces, and on the need for their discharge. In formulating your answers we hope you will reflect political, as well as military, considerations." (Ibid., 333 Canada 10 Sep 75) Proposed answers to Trudeau's questions are *ibid.*, 333 Canada 11 Sep 75.

wide equilibrium of forces. However, Soviets continue to build forces and to increase defense spending, while the defense spending trend of NATO countries continues to be down. Therefore, we must resist efforts to reduce defense spending and to reduce the conventional component which is where the problem lies in the military balance in Europe. The Soviet buildup in strategic forces means that NATO cannot rely solely on the threat of a nuclear deterrent but must increase conventional capabilities. While it is true that the US provides the adhesive for the Alliance, any reduction by Canada in its NATO commitment would have a far-reaching psychological effect—greater than any military effect. Because the Canadians are considering elimination of their armor component in NATO, JRS pointed out the significance of the tank to the military balance. He said that an effective ground defense is the greatest weakness of Central Europe. We must have the capability for such a defense and, therefore, the ground component must have the highest priority for Canada. He concluded by noting the paradox by which Europeans find themselves reducing their own defense expenditures but at the same time not wanting the FRG to become the dominant military power. JRS also underscored the importance of Canadian ASW capability because of Canada's dependence on the SLOC. Our concern for ASW is far greater than 20 years ago. On the subject of North American air defense, JRS said that the whole concept is undergoing change. Canada's commitment in this area should be of a lower priority than ASW and the ground commitment to NATO.

c. In response to a question about differences in judgment as to the nature of the threat in NATO, JRS pointed out that the Canadian defense effort was very thin. Two percent of the GNP is decidedly inferior for a country of Canada's capacity. One can always find reasons for doing less. Canada had reduced its military personnel to the lowest percentage in the Alliance and its equipment needs replacement.

d. In response to a question as to marginal significance of Canadian armor improvement, JRS reiterated that the greatest weakness in NATO is with ground forces. NATO has the edge in tactical air and therefore any improvement in that area would be marginal. Canada should maintain and improve its armor capability rather than substitute a tactical air capability. He said that the most cost effective effort for Canada would be to upgrade its tank force in NATO. It would make a far greater impact on Europeans than anything else Canada could do now.

3. Discussion with Prime Minister Trudeau and Cabinet Members

a. The Prime Minister initiated the discussion by pointing out that Canada wanted to rationalize its NATO commitment while maintaining an appropriate and effective level of forces.

b. JRS noted the difficulties of gaining public acceptance of the peacetime functions of military forces. He underscored that the concept of mobilizing reserves to fight a war is not wholly compatible with maintenance of an equilibrium of force. The greatest contribution the US and Canada can make would be to increase the capabilities in NATO. The aggregate Soviet defense budget and its real increase underscores the Soviet view of *détente* which means an adjustment in the correlation of forces in the favor of the USSR. This emphasizes Canada's role in maintaining defense capabilities of free nations. He said that the issue of air defense is of lesser priority in North America than the NATO commitment of Canada. ASW is of higher priority than air defense due to the perceived concern by Europeans that without ASW capabilities the SLOC to the resource base of North America would be threatened. He went on to emphasize again that the greatest weakness in NATO is the ground forces capability in Central Europe, and the gradual erosion of the USN vis-à-vis the USSR Navy. He emphasized not only the importance of a credible deployed ground force capability in Central Europe but also of an adequate logistics base to sustain fighting beyond a minimal period. In response to Canadian concern about the utility of opening up the SLOC if the war in Europe were to be short, JRS suggested that the outbreak of hostilities in all likelihood would be preceded by a deterioration in the political environment. This deterioration would constitute sufficient warning so that mobilization and deployment actions could begin.

c. Minister McDonald suggested that Canada might be better off to withdraw totally from NATO and put its resources into ASW since even if Canada quadrupled its NATO capability, it would not weigh very much in the total balance. He said that the Alliance is basically a bilateral one between the US and Europe and that Canada did not have much influence. JRS said that the political effect of a Canadian pullout of NATO would lead to a progressive erosion of capabilities with Denmark, Holland, and other countries. The Alliance would disintegrate as a result of this erosion and compensatory growth in FRG military capabilities. He said that the politics of the situation preclude Canadian reduction in its NATO ground component. If Canada went back to its prior level of forces, it would have a dramatic effect on the Alliance—and perhaps stimulate Soviet response to MBFR.

d. The Prime Minister pointed out that it was more urgent to convince the Europeans than Canadians of the threat. He did not believe that Europeans had the same perception of danger as did the US, otherwise they would be doing more. As to the relationship between MBFR and increasing the Canadian commitment, he said that nations cannot increase their commitment just to show they are serious about MBFR. Even if Canada quadrupled its commitment, it wouldn't necessarily

impress the Soviets. Finally, the Prime Minister asked some specific questions concerning ASW capabilities such as SOSUS and P–3 aircraft. JRS pointed out that SOSUS was not a substitute but rather complemented ASW capabilities and that the P–3 is the cheapest way to cover ASW requirements except possibly for long-range distances.

4. In summary, JRS emphasized that:

a. Canada's defense spending level was thin—3% of the GNP would be a more appropriate level;

b. Canada should not reduce its ground commitment to NATO but rather should seriously consider increasing it to the former level;

c. Canada's defense priorities should be in the order of NATO ground forces, ASW, air defense;

d. Canada's equipment and logistics resources should be upgraded and manpower should not be further reduced; and

e. Canada should not reduce one component of its structure and defense spending, such as the NATO component, in order to finance improvements in another component, such as ASW or air defense.

John A. Wickham, Jr.
Major General, USA
Military Assistant

115. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, January 5, 1976.

SUBJECT

US-Canadian Relations

At a December 13 farewell reception for Canadian journalists, U.S. Ambassador William Porter made a point of expressing concern over

¹ Summary: Scowcroft discussed the state of U.S.-Canadian relations.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 2, Canada (7). Confidential. Sent for information. A stamped notation on the memorandum indicates the President saw it. Ford initialed the memorandum. On December 17, 1975, Kissinger and MacEachen discussed Porter's remarks and U.S.-Canadian relations. (Memorandum of conversation, December 17; National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron-Official, Oct–Dec 1975)

the growing reaction in US business circles, the Congress, the press and public to recent actions in Canada adversely affecting established US interests. Specifically, Ambassador Porter raised such issues as lack of clarity in Ottawa's restrictions on foreign investment, deletion of commercials from American television signals carried by Canadian cable companies, the requirement that most commercials broadcast in Canada be made in that country, plans to nationalize the potash industry in Saskatchewan, the Canadian energy policy, including increased prices and curtailment of deliveries, and removal of favorable tax status for the Canadian editions of *Time* and *Reader's Digest*. The Ambassador noted that, if unchecked, this increasing climate of unease and resentment on both sides of the border could have an adverse impact on relations between our two countries.

Ambassador Porter's remarks may not have been entirely felicitous, but they were distorted by the Canadian press. A number of articles erroneously reported that he had said relations between the United States and Canada were deteriorating, and that a summit meeting between you and Prime Minister Trudeau was called for to deal with the problem. During the extensive parliamentary debate which resulted from the interview, the Prime Minister, apparently without checking on the accuracy of the press reports, said he was "surprised" at the Ambassador's comments, which did not reflect the tenor of his recent meetings with you and the Secretary of State, adding that Ambassador Porter, if quoted correctly, had gone beyond "acceptable bounds."

The Ambassador's comments have been clarified to the press both here and in Ottawa, and by Secretary Kissinger and Canadian External Affairs Minister MacEachen on the fringe of last month's producer-consumer meeting in Paris. As a result, favorable comment is beginning to appear in the Canadian press.

The *Toronto Globe and Mail*, Canada's most respected and influential English-language newspaper, has criticized Prime Minister Trudeau for "over-reaction," noting that a frank dialogue must be maintained across the border if the United States and Canada are to have a "mature" relationship.

The following paragraphs review in greater detail some of the issues raised by Ambassador Porter. While the United States and Canada continue to have the largest volume of trade between any two countries in the world, and are the recipients of the largest share of each other's foreign investment, Canada, the junior partner, sees US size and influence as a potential threat to Canadian independence and sovereignty.

Against this backdrop, Ottawa has taken a number of restrictive measures to preserve and enhance control over Canadian economic

and cultural life. We have expressed understanding of Canada's actions, but have also indicated our concern that programs of enhanced national control in Canada frequently encroach on substantial US economic interests. We have pointed out that the cumulative effect of these actions has caused growing concern on the part of the US business community and Congress and could have the unintended effect of inspiring demands for retaliation in the United States.

—*Oil Supply*. The Canadian government has announced that oil exports are to be phased out by the early 1980's in order to ensure that Canadian domestic needs continue to be met. We have been discussing with Canada for some time how the requirements of traditional U.S. customers can be taken into account. We are hopeful that arrangements can be made, including "oil exchanges", so as to avoid undue hardship for U.S. customers who may have difficulty in finding alternative sources of supply.

—*Gas Supply*. Ottawa has also warned that shortfalls in natural gas export commitments can be expected beginning with the 1976–77 heating season. The U.S. has been assured that there will be no cutbacks during the current heating season and we are continuing discussions with Canadian officials regarding the potential long-term impact on U.S. customers.

—*Pipeline Treaty*. U.S. and Canadian negotiators have virtually agreed on a draft text of a pipeline treaty which would provide for secure and nondiscriminatory treatment of throughput of oil and gas pipelines across each other's territory.

—*Takeover of Potash Mines in Saskatchewan*. The Saskatchewan government announced last month its intention to take over the potash mines in the province. A large percentage of the potash imported to the U.S. comes from these mines, many of which are owned wholly or partially by U.S. interests. Presently, the provincial government is talking to each of the affected companies and we are awaiting the outcome of these discussions. In the meantime, we have sent a note to Ottawa drawing its attention to the action by the Province of Saskatchewan and underscoring our important economic interests there. We have asked for the assessment by the Canadian government of this provincial action and are awaiting a response.

—*Cable TV Deletions*. The Canadian government has been following a policy of encouraging the development of the Canadian TV industry for both cultural and economic reasons. One facet of this policy has been to require Canadian cable TV companies to develop plans for random deletion of the commercial messages contained in U.S. TV shows carried over Canadian cable TV. The intent of this policy is to discourage Canadian advertisers from putting their money into U.S. TV programming and to divert advertising instead to Canadian

stations. U.S. broadcasters have taken legal action, and the case is before the Canadian Supreme Court. In the meantime, the Canadian government has recently agreed to discuss this issue with us, and the first talks will be held in Ottawa in January.

—*Time-Reader's Digest*. The Canadian Parliament is expected to pass legislation soon removing the tax deduction which Canadian companies advertising in the Canadian editions of *Time* and *Reader's Digest* have enjoyed in the past. The Canadian legislation and implementing regulations are drawn up so as to treat these magazines in the future as foreign, not Canadian, periodicals. They will probably stop publication as a result. We have recently relayed to the Canadian government *Time's* complaint that, during its efforts to continue to qualify as a Canadian publication, it has not been treated fairly by Ottawa. In raising this matter, we have underscored that we are not questioning the right of the Canadian government to take the legislative action proposed, but are concerned over the impact of the action.

—*Canadian Defense Decisions*. Reversing a trend of the past decade which has led to the downgrading of the Canadian military establishment, Ottawa has announced decisions which will increase defense spending, modernize Canadian military equipment, and reaffirm its mutual defense obligations within NATO and to the U.S. Canada will maintain its land/air mix in Central Europe, will modernize its tank force and will purchase Orion long-range patrol aircraft from the United States. Earlier this year, Canada renewed the NORAD air-defense agreement with the United States.

116. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, February 6, 1976.

HAK:

As you may know, Bill Rogers is going up to Ottawa this afternoon in response to a Canadian feeler that he come up to talk to Ivan Head about Trudeau's recent trip.

I told Bill to tell Ivan that you are as committed as ever to warm and sound relations and that you have great understanding for Canadian needs to preserve their identity etc. They should also recognize, however, that we cannot take lightly what the Cubans are now in process of doing in Angola and elsewhere. Furthermore, this will have an impact on domestic opinion in the US. Trudeau should therefore recognize that there is a potential for real difficulty if there is a deliberate and demonstrative Canadian policy of courting Castro in the midst of Cuban actions in Africa and elsewhere. Moreover, the Canadians themselves, concerned as they are for international order, should give some serious reflection to the implications of Cuba getting in the habit of shipping forces into trouble spots.

I also told Bill to tell Ivan that if he has serious business, including some impending Canadian action that might create problems for us, he should continue to get in touch directly with me or Brent. (I think Ivan has been abusing the direct line to Brent with frivolous matters and Brent has not answered all his calls and I explained this to Bill Rogers.)

Sonnenfeldt

¹ Summary: Sonnenfeldt discussed Rogers' impending trip to Ottawa.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron—Official, Jan–March 1976. Confidential; Eyes Only. In telegram 524 from Ottawa, February 9, the Embassy reported Rogers' February 7 meeting with Head on Trudeau's January visit to Mexico, Venezuela, and Cuba. In a March 17 memorandum to Kissinger, Sonnenfeldt wrote that Enders had told him that the Canadians "were getting agitated about our statements on Cuba and what they implied for Canada." Sonnenfeldt authorized Enders to tell senior Canadian officials that U.S. "statements on Cuba were not just rhetoric, that we did indeed view with deep concern any further Cuban intervention in Africa and that we meant what we said." Sonnenfeldt commented: "Needless to say, the Canadians worry greatly about their economic relations with Cuba and possible inhibitions on them. And Trudeau is politically exposed since his trip to Cuba." (Ibid.)

117. Memorandum of Conversation¹

Ottawa, March 23, 1976, 4:00–5:05 p.m.

PARTICIPANTS

Prime Minister Pierre Elliot Trudeau
Ambassador Thomas O. Enders

Trudeau: You're even bigger than they say.

Enders: From now on we'll send only 6-foot Ambassadors and over to Canada.

Trudeau: You've been touching the right bases around the country. I'm getting good feedback.

Enders: A lot of Americans know a lot about Canada, but not enough of them are in the government. Part of my mission is to see whether we can't do a lot better in understanding what's happening here.

Trudeau: I don't want to discourage you, but I don't see how you can. I don't understand the milk producers; I don't understand the West, and I'm Prime Minister. Maybe you mean you want to sensitize yourself.

Enders: That of course. Any American Ambassador must. But you don't have to understand the milk producers or the West in order to grasp how they interact, do you? It's the dynamics we don't always get, that I'm looking for.

Trudeau: But how can you? I mean, so many of our decisions are irrational here. Don't quote me on this, but they can go anyway. I hope most are positive but a lot of it's just junk.

Enders: Then allow for a random element. But the basic structure should be predictable.

Trudeau: O.K. I can see that.

¹ Summary: Enders and Trudeau discussed U.S.-Canadian relations.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 2, Canada (11). Secret; Nodis. Drafted by Enders on March 25; and approved by Newsom in S/S-S. The meeting took place in the Prime Minister's Parliamentary Office. In telegram 1187 from Ottawa, March 24, Enders reported: "Trudeau was as advertised: elegant, contrary, brittle, unable to resist intellectualizing, preoccupied with Galbraithian thoughts that few in Canada share with him. He was also very friendly. Chances are that he will not have the power to move very far towards implementing those thoughts (he has made no move to do so since New Year's) and his particular scenario for US/Canadian clashes is unlikely to be a big headache for a while. More interesting is his assessment that further action protective of Canadian culture may not be needed. If true, that could avoid some of the most prickly and unmanageable disputes." (Ibid., Box 3, Canada—State Department Telegrams TO SECSTATE—NODIS (2))

Enders: Let me give you an example. *Time* is not an issue between us as governments. One of the jobs of an American Ambassador should be to have gone to *Time* headquarters say two or three years ago and pointed out that the grandfather clause business is great, but it would end sometime and if they did this or that they might survive as *Time Canada*.

Trudeau: But how could you know? Sure, the Liberal party every year passed a resolution calling for an end to the advertising clause, but generally it was low on my priorities. How would you know when I might want to trade it off to get Ontario nationalist support for, say, something I wanted to do in the West? I didn't even know myself.

Enders: That's just it. I couldn't know when you would do it, or whether it would be you or another Prime Minister. But given the structure of relationships between Ontario and Ottawa, it could have been predicted. Whether *Time* would have changed its way of doing business is another thing. Maybe they would have taken their chances.

Trudeau: They probably would have said let's tough it out and see whether the SOB's have the guts to go through with it.

Enders: Maybe. Maybe also they would have calculated that they come out better this way, with a lower circulation but good advertising.

Trudeau: Maybe they do.

Enders: As I say, this is not an issue between us. But you have Andy Heiskell running around the States campaigning against Canada.

Trudeau: Andy High School?

Enders: Heiskell. *Time* publisher.

Trudeau: That doesn't help. It's not the best outcome from my point of view. I see what you mean. I think that is what the American Ambassador, or any Ambassador should be doing. But it's not easy. I'm sure you don't want to try to run our internal affairs. But there are always people in the Conservative party who say I am mismanaging relations with the U.S., screwing up Cuba or something like that, and in NDP to say I'm selling out to the U.S. Somebody's always trying to score points. In politics you have to know how not to be impressed by all that. If you're a good Ambassador, you'll see the reality, and tell Washington. And I should be able to count on you to tell us which issues are really important.

Enders: You know, a lot of the issues that have caused turbulence between us are the result of the great economic shocks of the last five years—the devaluation of the U.S. dollar, the energy crisis, inflation and the recession. Now we are in the expansive leg of the cycle. I think we will find less problems, more solutions.

Trudeau: That's helpful. But still there are a lot of guys campaigning around here against me for screwing up relations with Washington.

Enders: One of the results of the economic troubles of the last years is what you might call an equality of sensitivity. Americans have felt vulnerable to Canadian actions in ways I guess you've felt vulnerable to us in the past. I'm not going around Washington saying this, but this parity may be a healthy development. I leave aside the substance of the disputes. They may be rather small objects in historical terms, but there's so much economic insecurity on both sides of the border they loom pretty large now.

Trudeau: I wouldn't want to display it in public, or use it, but I don't mind saying this new power we have over you gives me a lot of gratification.

Enders: But things are changing again. The new economic problems as we expand will be different. Maybe the big one will be capital formation. The thing is that attitudes lag behind reality. We're going into an upbeat situation. But we have more guys in politics who find it useful to run against Canada. We are drawing towards parity in that regard also. Let me give you an example. Making my calls around Congress, I get guys who have nothing to do with border TV mentioning the deletion issue. It's only \$20 million, but it grabs people.

Trudeau: That's funny. I had a good relation with Nixon. And I think I have a good relation with Ford.

Enders: I know you do.

Trudeau: I had a word with him privately in December 1974 about publication. Henry was there. He said nothing about TV.

Enders: C-58 (the bill removing tax exemptions for *Time*, *Reader's Digest*, and border TV) isn't the issue. The border guys will scream, but they'll adjust to taxation of advertising revenues if they have to, with one possible exception in the West. But it's the CRTC deletion of commercials on TV programming that really grabs people. They don't see what that has to do with Canadian culture. I didn't mean to make a pitch to you the first time we met, but this issue has some topspin on it.

Trudeau: This is the first I hear about it. Tell me.

Enders: The cable distributors under CRTC license renewal rules will be required to delete U.S. commercials from the signals they retransmit. Now maybe our commercials aren't the greatest thing . . .

Trudeau: People will say "piracy".

Enders: Exactly.

Trudeau: That gives me an idea. Suppose we want people in Canada to spend less for bleach. All bleaches are chemically the same, say. Why advertise 17 or 18 different brands. Let's have lower prices. What do I do?

Enders: You tax advertising.

Trudeau: O.K. But then people read in U.S. publications and see in U.S. TV about competing U.S. bleaches. The U.S. bleaches sell better. Trade swings to you. I am defeated.

Enders: You of course don't want to tax incoming publications; you will want freedom of information. But when you put in your tax on domestic advertising you, if you're really afraid about U.S. consumer goods imports, you get to GATT and negotiate an increase in the tariffs on them.

Trudeau: It would cost me something.

Enders: Yes.

Trudeau: And a lot of public fuss. You know, it's this kind of constraint rather than cultural nationalism that concerns me. I'm not quite sure, but I think we are finally getting over our inferiority complex in culture.

Enders: When I came to Washington 17 years ago, people could still sell books about how we were really O.K. with all that money and power, even though the Europeans had all the finesse and *savoir-vivre*. Then, suddenly the market disappeared.

Trudeau: Like here, last year they could sell, now the market's off.

Enders: Maybe you've reached the critical mass.

Trudeau: I think we may have. No, its not culture that will cause the problems between us. If not now then soon we'll have enough self-confidence. Rather it may be the ideological issues that will set us against each other in the future. Suppose I want to move Canada towards smaller cars, to save energy. But all the time Canada is flooded with U.S. advertising on the joys of big cars. How can I succeed? Won't we come into conflict?

Enders: Actually we may be ahead of you on that. The one major accomplishment in two years of domestic debate on energy policy has been a set of auto efficiency standards that will bring average gas consumption of new cars down by 45% in five years. They're tough enough so that people are already wondering whether a black market in big cars won't emerge. This was tough to get. But you may have even more difficulty than we. Your distances are bigger. You have the cold to contend with. And of course cars are as important as houses to the middle-class.

Trudeau: You're probably right. Cars are not a good example. At least you're moving fast enough so that you won't be a constraint on us. And I am running into a lot of opposition here. But I still think my point about ideology holds. Take public ownership. We have socialist governments in some provinces here, and public ownership is something we will probably have more of than you. I seriously considered putting the whole energy sector into public hands. Don't get the idea we're

going socialist—we're not—but I can see us in conflict over the ideology of ownership.

Enders: I wonder whether private vs public ownership will be a primary discussion of debate in either of our countries. It's probably true that neither of us is getting the kind of collective consumption goods—transit systems, inner city renovation—that we want. But I wonder whether ownership is the reason. With the pressure on our budgets both of us give priority to such things as transfer payments . . .

Trudeau: And that causes inflation. You're right that ownership won't liberate additional resources. But suppose I do want to find those resources and tax consumption: Won't American goods flood in?

Enders: You have tax then on the same basis.

Trudeau: But that's just the point! Canadians will see that their living standard is lower than that across the border. They won't accept that. As long as there is all this communication, I can't put it across. That's why maybe it comes in handy to do a little deletion now and then.

Enders: Then you should delete the whole signal. What grabs people is the selective deletion.

Trudeau: I see that.

Enders: Maybe, though, there's some positive way to do it. The border TV people on our side suggest transferring tax revenue to Canada which could then be used for supporting Canadian TV. We're not peddling that idea as a government, but maybe it's worth looking at.

Trudeau: I think it is.

Enders: I'm not trying to give you technical assistance, but another way to approach your consumption point is depreciation of the Canadian dollar. That reduces somewhat the living standard of the population, would lessen the need for imported capital.

Trudeau: But that could be inflationary also.

Enders: No doubt. The general point, though, is that there are many more ways to adjust the big industrial economies to each other than we've used, when the purpose is to assert separate national policies without destroying joint interests. Look at the floating exchange rate—we had it between Canada and the United States at your initiative for years. But elsewhere we had the fixed rate system. That meant you had to inflate and deflate to adjust, and we had to talk about federal institutions in the Atlantic area to manage the interdependence. Now we don't.

Trudeau: I agree with that. But to go back to ownership, isn't Saskatchewan potash a good case in point. Aren't you bound to fight the expropriation?

Enders: A lot of Americans don't like it, but as a government we've always maintained that we would not contest expropriation for authentic public purposes, provided there was full and effective payment. What hits people is the idea that a Saskatchewan political entity, however benign, might control a big piece of our supply of a critical material. It's the OPEC syndrome.

Trudeau: Are you sure it isn't ownership? What about all the Neanderthals down there? And won't a lot of investors say that you can't count on Canada so let's not go there?

Enders: They might well. But the government's position is not to contest the buy-in or expropriation side of it.

Trudeau: I have to suspend now, but I want to continue this conversation. This is why I came into politics—to develop ideas. I want you to put these things up to me so that I can react. That's what I need to keep on top of things, even if my reactions are sketchy and off the top of my head. I need to conceptualize.

Enders: In general I think we should attempt to conceptualize our relationship somewhat more. One can get beaten to death on day-to-day issues without it. If we don't cooperate on the whole scenario, then individual actions can be unmanageable and you get a build-up of resentments, as these last years in the States. But I'm told that conceptualization is not always a paying proposition in politics.

Trudeau: So I'm told—constantly by my cabinet. For heaven's sakes don't tell them we've been conceptualizing together. I have the cabinet for the specific issues. Talk to them when you have an individual problem. But you and I should address the overview, and above all the direction; where we'll be three to five years from now. Whenever you want help in sorting out where we're going, call me up and we'll have lunch together. Or whenever I need help in thinking I'll call you up and we'll have lunch together.

Enders: O.K. I'll do that.

Trudeau: Please do. But don't tell my cabinet.

118. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, May 24, 1976.

SUBJECT

Message to Canada on Long-Range Patrol Aircraft

US-Canadian relations have just been complicated by the Canadian Government's decision not to proceed with the purchase of 18 Lockheed P-3 long-range maritime patrol aircraft for the modernization of Canada's ASW capabilities—of importance in the NATO context. The decision reflects the Cabinet's reluctance to engage the government in guarantees of private financing arrangements.

Canada made the decision to purchase the aircraft in 1975. With the Lockheed scandals this year and Lockheed's financial situation in mind, the Canadian Government devoted close attention with Lockheed and U.S. officials to the financial arrangements for the aircraft purchase, and only a few weeks ago the matter seemed to have been satisfactorily resolved. However, on May 18, Prime Minister Trudeau—under tremendous domestic political pressure on the issue—personally led his Cabinet in reversing the previous Canadian position and in rejecting the two most likely alternatives for the approximately \$300 million front end financing. At the NATO Ministerial Meeting in Oslo on May 21, Canadian Foreign Minister MacEachen confirmed that Canada would not be proceeding with the Lockheed purchase.

I think it would be worthwhile at this point for you to send a message to Prime Minister Trudeau (proposed text at Tab A) reviewing the importance you attach to adequate Canadian contributions to NATO and the importance of the ASW aircraft in this context, and informing Trudeau that you have requested the Department of Defense to assist potential U.S. suppliers in restructuring their proposals to conform with Canadian financing requirements.

¹ Summary: Scowcroft discussed the recent Canadian decision concerning the purchase of long-range patrol aircraft.

Source: Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 4, Canada 1976 (5) WH. Secret. Sent for action. Attached but not published is Tab A, a May 28 letter to Trudeau that Ford signed. On June 21, Clift forwarded to Scowcroft an undated letter from Trudeau to Ford promising a review of the aircraft issue in June based on successful negotiations to reduce the initial financing required for the purchase. (Ibid., Canada 1976 (8) WH) On July 21, the Canadian Government contracted to buy 18 CP-140 long-range patrol aircraft from Lockheed; Ford welcomed the purchase in an August 4 letter to Trudeau. (Ibid., Canada 1976 (10) WH)

It is important for our two governments to stay in close contact on this issue. Prime Minister Trudeau should understand your personal concern that there be no degradation in Canada's contribution to NATO and your wish to ensure U.S. cooperation in seeking ways to solve the current problem.

Recommendation:

That you sign the letter at Tab A to Prime Minister Trudeau.

119. Memorandum of Conversation¹

Washington, June 16, 1976, 5:40–6:50 p.m.

PARTICIPANTS

President Ford
 Pierre-Elliott Trudeau, Prime Minister of Canada
 Dr. Henry A. Kissinger, Secretary of State
 Donald Macdonald, Minister of Finance
 Ivan Head, Special Assistant to the Prime Minister
 Brent Scowcroft, Assistant to the President for National Security Affairs
 Amb. Jack H. Warren, Ambassador to the U.S.
 Amb. Thomas Enders, U.S. Ambassador to Canada

[The meeting began without Secretary Kissinger, who was delayed by the kidnapping of U.S. Ambassador Meloy and Counselor Waring in Beirut.]

President: The Minister and I were at Libby Dam together. He has had a change of portfolio since then.

Trudeau: It's a somewhat more difficult one now.

President: We are very pleased you could come down. It is especially timely in view of the Puerto Rico summit. I met with the planning group yesterday.

¹ Summary: Ford, Kissinger, Trudeau, and Macdonald discussed the U.S. and Canadian economies.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 19, Secret; Nodis. All brackets are in the original. The meeting took place in the Oval Office. Trudeau was in Washington for a private visit. On August 18, Kissinger met with MacEachen and U.S. and Canadian officials in Washington for discussions of bilateral and multilateral issues. (Memoranda of conversation, August 18; National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 9, POL 2 Canada; Memorandum of conversation, August 18, Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 4, Canada 1976 (10) WH)

Trudeau: We are very pleased to be here. I want especially to thank you for getting us into the Puerto Rico Summit. I know you tried at Rambouillet. We think it is important that we be included because of our size and relation to you. It is especially useful when the problems are in common, to be able to deal with them on a personal basis. The EC members meet regularly with each other and that is good. You and I and our predecessors meet but not on the same informal basis as our ministers who flit back and forth. I think probably we on the North American continent should correct that.

President: I agree. I thought it was important before that we all meet, and now as we pull out of the recession it is very important that we try to avoid the mistakes which got us into trouble in the first place. We don't want to reignite the inflation. It is only sensible to try to coordinate our activities.

Trudeau: Macdonald has just finished presenting the budget. What it boils down to is if you are doing fine, we are doing fine. 50 percent of our goods are exported and 50 percent of these are to the U.S.

President: [Discusses economic statistics—GNP, unemployment, inflation.] We want to get unemployment under 7 percent, inflation under 6 percent and the GNP above 7 percent.

Macdonald: I am envious of your performance on the inflation.

Trudeau: What happens when labor looks at this—the growth of 6–7 percent, inflation of 6 percent and says “we need a wage increase of 12 percent?”

President: [Described the rubber workers' strike and their demands.] Hopefully we can keep the rate within the guidelines.

Trudeau: How? Do you have specific guidelines?

President: Not specifically, but labor and industry both know what we consider reasonable. Labor has been fairly responsible, even in the construction industry. Management also has been fairly statesmanlike.

Trudeau: I take it then you are relying on a sense of responsibility.

President: Yes. It has worked so far.

Trudeau: Do you think this is a new pattern for our free society, or will you sink back to the old attitudes?

President: I am an optimist. I think we have made real progress. Congress is still irresponsible, but not so much so as in the past. They have a new budget procedure which is designed to force some fiscal responsibility. Their ceiling is too high—\$414 billion—but it's better than we earlier thought it would be, about \$424 billion. Arthur Burns has set an increase in the money supply of 4–7 percent.

Macdonald: That I would find very restrictive. It should show up in relative interest rates, but there is still a 3-point spread.

Trudeau: Aren't most sectors of your economy still living in the shadow of your former controls and thus there is an inducement to responsibility? But there is still no agreement as to a division of productivity between labor and management, though.

President: No. But we have a Wage-Price Advisory Council which does have a PR impact and a kind of psychological pressure.

Warren: And your labor leaders can make things stick when they want to. Ours are very decentralized.

Trudeau: That is right. The locals may or may not agree. So the leaders have to adjust to the locals, not vice versa. In public service area . . .

[Secretary Kissinger arrives.]

President: You know what happened today.

Trudeau: Yes. Jake told me.

Kissinger: [Described what happened to the Ambassador.]

Trudeau: Is anyone claiming to be the author of it?

Kissinger: No. But the Syrians and Egyptians have already expressed their outrage.

[Short discussion of Meloy and his quality.]

Macdonald: [Discussed the Canadian economic situation.]

President: Our agriculture has done a great job. In 1973 and 1974, agriculture prices went up 12–14 percent and, together with energy, kicked off the inflation. Our projections for '76 are a 2–4 percent increase. That helps the price index immensely. We will probably have a record corn crop. Wheat will be down a bit because of drought, but it will be the 2nd or 3rd best year we've ever had. Soybeans are a good crop.

Trudeau: Do you have a hunch that the decade of rapid inflation will be succeeded by one where commodity prices will taper down to 2–4 percent and things will get under control? My ministers worry that when controls come off, the same thing will happen again. There doesn't seem to be any real reason why costs will get back to the situation more like the postwar years. I gather you don't think so.

President: That is right. I wouldn't rule out a rate of 4 percent or so in the next couple of years. It looks to us like the public is the key to putting closer reins on fiscal policy. Of course NY City was a disaster, but they have now cut back on their extravagance. There is a public feeling that government has got to have a more responsible fiscal policy.

Trudeau: The way you describe it is the way a democracy should work—people recognize the peril and become more responsible. But we still are asking ourselves what happens when we take the lid off.

Are your labor and management or Congress pressing for a system like the Germans where there is labor on boards of directors, and so on?

President: There is no real pressure in Congress, but some labor people argue for it. Is it compulsory or voluntary?

Trudeau: It is compulsory—there and in Sweden. It seems to hold prices down.

Macdonald: I think you can argue the opposite. The two people most interested in higher prices are the president of the company and the union leaders.

Trudeau: Then why the price restraint?

Kissinger: There is a phobia in Germany about inflation.

[Discussion of Federal employees here, the wage ceiling at the high levels, and how we can keep good people in government.]

120. Telegram 4579 From the Embassy in Canada to the Department of State¹

Ottawa, November 18, 1976, 0007Z.

4579. Subj: Trudeau on Tactics vis-à-vis the Separatists.

1. Summary. In 40-minute talk today November 17 Trudeau told me he will let Levesque make the first move, expects it by mid-December. Trudeau insists that he has no concession to offer, and thus sees Levesque gradually making the case that Quebec can expect nothing from English Canada. Only way to deal with Separatists he described is to try to move focus from Ottawa-Quebec duel to decisions on Quebec economy, on which PQ (Parti Quebecois) badly at odds with itself. But he expressed no optimism, and is concerned that eventual acceptance of idea of separatism by Americans could hasten its achievement.

2. Trudeau cedes the first move to Levesque in the coming engagement. Levesque is now riding the top of his wave, Trudeau said benefitting from a range of well wishes in Quebec extending far beyond his

¹ Summary: Enders reported his November 17 discussion with Trudeau concerning Trudeau's tactics vis-à-vis Quebecois separatists.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 3, Canada—State Department Telegrams TO SECSTATE—NODIS (2). Secret; Immediate; Nodis. The PQ won a majority of seats in Quebec's provincial legislature seats in a November 15 election.

solid Separatist support. Trudeau's own support, on the other hand, has severely eroded in Quebec as elsewhere in Canada, and at this stage of play he cannot count on spontaneous sympathy for an aggressive approach to the new Quebec government.

3. Trudeau expects Levesque's first move to come soon. It will be almost impossible for Levesque not to make a statement at the First Ministers' Conference on patriation of the constitution now scheduled for December 13, 14 or 15. Trudeau will try to avoid putting on the agenda those constitutional demands (cultural sovereignty, guarantees of provincial control of education and social services) which the Quebec government under Bourassa has been putting forward, and which Ottawa has steadfastly refused. However, Trudeau expects that either Quebec or another province will request their inclusion, and he will have to agree. Result could be that Levesque does no more than ask what Bourassa asked for, gets the same turndown, and uses this as a first incident in building the case that Ottawa and the rest of the country have nothing to offer.

4. Trudeau said he does not see how he can avoid there being a succession of such demonstrations, each carefully calibrated to avoid a breach, but each adding to the general impression of non-responsiveness by English Canada. He hopes, however, to give as few opportunities as possible for such demonstrations, as far between as possible, so that the Quebec public can be focused on the immediate issue—the economy—on which the PQ can be most vulnerable. As long as the PQ can focus play on Ottawa it will be relatively easy to keep party discipline, in spite of the fact that the PQ spans "from bourgeois to Maoist." But if ever the Quebec government could be set up to make decisions on ownership of industry and resources, social benefits, employee and employer rights, it will come under severe internal tension. Trudeau noted that these effects of tension would be magnified by the need to come to terms with foreign investors. He agreed that investors should not take any precipitate action either to pull out of or invest in Quebec, but rather should adopt a waiting stance while making clear to the new government that they wish assurances about their future in the province.

5. Trudeau expressed concern about how the Separatist issue may ultimately play out and the possible role Americans may have in it. If the Separatists continue to gain, some Americans might come to believe that they could deal with Quebec and the single or several remaining pieces of Canada. But, Trudeau said, there would be little in that for the US. Given European (read French) and potentially Soviet and Chinese interest in Quebec, an international competition for influence in the province could occur. A similar struggle would go on between the various elements of the Separatist movement, and it could not be ex-

cluded that a radical state might appear on the St. Lawrence with outside, hostile support. Trudeau added that he would not want to wave a bogeyman but thought this possible. I pointed out that I had often heard Canadians speculate on the remaining pieces associating with the United States in the event of separation, but had never heard Americans speculate upon it. Trudeau replied that many Canadians do, and if speculating gets going very much it could spread to the U.S. and hasten the whole historical process.

6. One of the great dangers for Canada in the present situation, Trudeau said, is to become so obsessed with Separatism as to fail to do what has to be done to get the economy moving. Trudeau is very interested in meeting with the new administration early on in order to see how his own action to improve economic performance can be coordinated with that of the United States.

7. Comment: In my judgment Trudeau's comments above should not rpt not be taken as final tactical decisions. Taken by surprise, his government is still debating how to deal with the Separatist victory; it cannot be ruled out that it will take some initiative. More important, it is not at all clear that Trudeau has the strength to stonewall Levesque the way he stonewalled Bourassa. The opposition Progressive Conservatives and rival John Turner within the Liberal Party may both advocate such concessions, as will some of the western provinces to keep Quebec in Federation. We can expect a debate within the government on centralism vs a looser confederation. If Trudeau does stick to his present course of no concessions, the Ottawa/Quebec clash may escalate quite quickly.

8. Trudeau displayed no optimism: he made no effort (as have others) to describe for me a scenario in which everything comes out all right. While there are "some fools on their side too," he described Levesque as a "formidable, totally committed adversary."

Enders

121. Telegram 372 From the Consulate in Quebec City to the Department of State¹

Quebec City, December 3, 1976, 1900Z.

372. Subject: Reassuring Uncle.

1. Paid first courtesy call this morning on new Quebec Minister of Intergovernmental Affairs, Claude Morin. He said he hoped USG understood Parti Quebecois govt is not made up of radicals and wished to pursue moderate, friendly relations in North American tradition with rest of Canada and with U.S. While political sovereignty remains basic to PQ program, his govt will function as Provincial govt within existing constitutional context until changes are made in orderly, democratic manner. Referendum to determine wishes of Quebecois on independence issue may come in two years time or could be delayed longer. Morin confided that he and his colleagues have not yet decided what form referendum might take or when it might be presented to people. Planning, he said, is still in vague generalities. "As you know, we did not expect recent election victory and were waiting until after election to define policy," Morin laughingly confided.

2. Two Federal/Provincial conferences, scheduled to be held within next two weeks, will help orient PQ strategy, he said. These initial contacts should give Levesque and colleagues better idea of attitudes of Ottawa and of other Provinces. Quebecois have agreed follow agenda fixed for conferences prior their coming to power. Constitutional question will be allowed only one hour's discussion at end of premiers' meeting, according Morin; a period obviously too brief for any meaningful discussion of such a complex subject. Conference can not be prolonged beyond midday on Dec 14 as Premier Levesque must return for special session of National Assembly which opens in afternoon of 14th.

3. Morin preferred not to discuss GOQ tactics in negotiating constitutional future with Ottawa. Claimed he and colleagues have not yet thought through problems. Said it is clear that Trudeau is looking for clear constitutional issue with which to confront PQ and to burnish his image as defender of federalism. O.'s aim would be to precipitate early crisis which would allow him force independence crisis "prematurely." Levesque will attempt avoid being manoeuvred into such confrontation.

¹ Summary: The Consulate reported a December 3 meeting with Claude Morin.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976. Confidential; Immediate. Sent immediate for information to Ottawa, Montreal, and Toronto.

4. GOQ is encouraged by enlightened, conciliatory attitude displayed in editorials in *Toronto Star*. However, Morin said he would like to see “decentralization” more precisely defined. “It could mean everything or nothing. We are still ultimately dedicated to an assumption of political sovereignty, but we wish to preserve as many of the useful links with the rest of Canada as possible. In other words,” he said, “we would not be satisfied with some arrangement which simply gave us a devolution of powers like the right to choose our own television programs.” In short, he and his colleagues are encouraged by some of the conciliatory signs coming from English-speaking Canada, but wish to see these gestures translated into specifics before they decide how to react to them.

5. With special emphasis, Mr. Morin carefully stated that Levesque and GOQ wanted the USG to understand that the PQ is not neutralist and is planning to define a defense policy. The old “pacifist plank” in party platform was drawn up by the small group of intellectuals who were important in the foundation of the PQ. However, present leadership has for some time recognized the need for a change in defense policy and accepts the fact that “pacifism is impossible” in the North American context in which Quebec must exist.

6. Comment: Morin and Levesque are anxious that USG not see PQ as disruptive force inimicable to American interests. Morin indicated his understanding when I again told him that USG would prefer a strong, united Canada. His unusual emphasis on need to define defense policy was clear effort reassure us that independent Quebec will take what it views as realistic view towards continental defense and recognize legitimate US concern.

McNamara

122. Telegram 5036 From the Embassy in Canada to the Department of State¹

Ottawa, December 22, 1976, 1803Z.

5036. Subj: A More Aggressive Ottawa Strategy Towards Quebec?

1. Summary. Trudeau opted in November of an essentially passive strategy of trying to set up the PQ to defeat itself. But there are signs he is again looking for ways to put Levesque on the defensive. Reversing field on his centralist concept of Federalism is one possibility under consideration. Another may be encouragement of key investors to pull out of Quebec. End summary.

2. Ottawa's current strategy towards Quebec is to avoid direct action against the PQ government; try to make the case that federalism works; and hope that the PQ will eventually beat itself through economic failure and/or internal divisiveness.

3. Ottawa can already point to some modest success. Trudeau's November 24 appeal to national unity struck responsive chord across English (if not French) Canada; Trudeau's standing in the polls is rising slowly; and the December 13 Federal/Provincial agreement on finances enables the Feds to make case that "the system works."

4. The difficulty in Ottawa's strategy, of course, is that there is no assurance the PQ will beat itself. Within the Province, opposition to the PQ is divided between two competing Federalist parties, one of which (the Liberals) is shattered in morale, and unlikely to be able to choose leader or political line for at least one year. Although the PQ victory and Levesque's subsequent statements are scaring off Quebec, Canadian and foreign investment, there is no assurance that resulting worsening economic situation will hurt the PQ. Many in Ottawa fear that the PQ will be able to argue that the investment dry-up is only another demonstration of Quebec's "colonial status," thus strengthening, not weakening, the drive for independence.

5. Given those uncertainties, a number of Trudeau's advisers pushed in November for a more aggressive strategy. Marc Lalonde, leader of the Quebec Liberal Caucus and Minister of Health, appears to have been in the lead. Lalonde advocated a preemptive referendum held by the Federal government throughout Canada, to take advantage of the low current support for separation and to try to lay the issue to rest. Lalonde's proposal was set aside on the ground that it would tend

¹ Summary: The Embassy explored the issue of whether Trudeau was adopting a more aggressive strategy against the Parti Québécois.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976. Secret; Priority; Exdis.

to legitimize the use of referendum as instrument of decision and might result in large protest vote by non-PQ Quebecers who felt they were being leaned on. Lalonde tells me, however, that he has not abandoned the idea and that the Federal government might usefully return to it at later point when the PQ has lost some of its current momentum.

6. Also in November some government members (Trudeau may have been among them) flirted briefly with the idea of trying to bring the Quebec issue to a head by encouraging (or at least not discouraging) investors to pull back. The PQ, however, could have turned that tactic around by charging that the Federal government, English Canada and the Americans were waging economic warfare against Quebec. Cabinet members say they are now urging investors to hang in there, carry on their normal operations, and make such deals with the Levesque government as they think are economically justified. Trudeau's chief political advisor Coutts confirmed to me that this is the line December 15.

7. The third strategy option is to try to preempt separatism by proposing new, more decentralized Canadian Federation. It was forcefully advocated in November by opposition leader Clark, Trudeau rival John Turner, and the nationalist *Toronto Star*. True to his centralistic conception of federalism, Trudeau equally strongly resisted it, and there has been almost no voice within the government or liberal caucus advocating devolution.

8. It now appears that the government may be reconsidering its rejection of the decentralization strategy. Trudeau's chief advisor on Federal/Provincial relations, Gordon Robertson, told me December 20 that he had received mandate to develop a package of alternative Federal arrangements, which Trudeau might put forward sometime in the new year. Package would have to be very carefully designed to avoid "making Canada inoperative", but Robertson believes substantial and credible program can be put together to cover the range of current Federal/Provincial issues: resources, education, immigration, cable television, cultural affairs, etc. Effort would be separate from constitution patriotism issue. On that issue Trudeau will put forward another proposal next year, but only to keep credibility, not with any hope of early success.

9. Robertson was careful to stress that Trudeau had made no decision in principle on going the decentralization route. To do so would require Trudeau to turn back on some of the Federal concepts he has fought hardest for. But, Robertson said, "we may have no alternative if we want to keep the initiative."

10. Meanwhile, despite what Cabinet Ministers say, Trudeau may still be emitting punitive signals on the Quebec economy. Paul Desmarais, Power Corporation chairman, Trudeau's main business sup-

porter and the Premier French Canadian businessman, tells me that Trudeau is suggesting that he “make it as tough as possible” for Quebec. Desmarais, whose companies employ 48,000 in Quebec, thinks Trudeau wants him to leave organizational structures in the Province intact, but reprogram to the rest of Canada as many operations and investments as possible. Idea would be to set up spurt of provincial unemployment rate from current 10 percent to 15 or even 20 next year. Canadian Pacific chairman Ian Sinclair, who is the country’s most influential businessman and who has also contacted Trudeau for guidance, tells me he didn’t get a pull-out signal but got no encouragement to hang in.

11. Trudeau told both Desmarais and Sinclair Dec 17 that one of the obstacles to setting a strategy on Quebec is “uncertainty as to what US business and the US Government will do.”

12. Comment: Debate over Quebec strategy will no doubt go on. Trudeau’s instinct (and that of most Federalists) is to take an aggressive, interventionist stand. That was his immediate reaction November 15. Analysis persuaded him subsequently to cold hand it. But none of the Feds have been comfortable with the passive strategy. With Ottawa worrying not only about the referendum but how to defeat Levesque at the polls in the next Provincial election, the pressure is again on to find some way to put him on the defensive early and decisively.

13. Trudeau’s remark on the uncertainty of US reactions was probably intended to reach us, as he knew that both Desmarais and Sinclair would be seeing me.

Enders

Portugal, 1973–1976

123. Memorandum From the Executive Secretary of the Department of State (Pickering) to the President's Deputy Assistant for National Security Affairs (Scowcroft)¹

Washington, September 18, 1973.

SUBJECT

Azores Base Agreement Renewal

The Agreement with Portugal to maintain our base rights in the Azores will expire on February 4, 1974, (with a negotiating period until August 4, 1974). Given the continuing strategic importance of the Lajes complex and its specific relevance to anti-submarine warfare in the Atlantic, a new arrangement extending our access to these facilities must be sought. In return, the Portuguese will want as high an economic and policy price as they can get.

In July, 1973 Secretary Rogers had a preliminary conversation with the Portuguese Foreign Minister in Helsinki and stressed the importance of the base facilities to the whole Alliance. The Secretary suggested that the base be made available without compensation as Portugal's contribution to Western defense. Foreign Minister Patricio expressed displeasure with the current agreement and indicated that Portugal expected to negotiate for better terms.

The Portuguese have agreed to our proposal that negotiations for future use of the base be held between the Portuguese Ambassador (Themido) and Under Secretary Porter. We plan to proceed slowly in getting into those discussions which will begin sometime in the fall.

Since the Portuguese have indicated that they are expecting to receive compensation for the base rights, we believe it would be highly desirable for Secretary-designate Kissinger to reaffirm to Foreign Minister Patricio in New York that we think the base should be provided free of charge, thus setting the stage for the subsequent Porter-Themido talks.

Thomas R. Pickering
Executive Secretary

¹ Summary: Pickering discussed the renewal of the Azores Base Agreement.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (2 of 2). Confidential. Executive Secretariat Staff member Raymond Seitz signed the memorandum on Pickering's behalf.

124. Telegram 202479 From the Department of State to the Embassy in Portugal¹

Washington, October 12, 1973, 1509Z.

Subject: Lajes Flights. Eyes Only for Chargé.

1. You should seek an immediate appointment with the Foreign Minister, or if he is not available with a senior official who has his trust and confidence.

2. You should inform the Foreign Minister that you have been asked to see him to explain that over the next several weeks we will wish to use the Lajes Base for the flight of chartered civilian aircraft to Israel. The aircraft are chartered by the United States Defense Department. The flights will be carrying urgently needed military assistance equipment to Israel. We will average 10 to 20 flights a day. They will stop in Lajes for crew change and refueling. They will touch down nowhere else on their way to or from Israel. We will want to begin flights tonight.

3. We believe the Portuguese Government should be frankly informed of our intentions. We would hope that at the bare minimum they would receive this information without further comment as to the use of the base. We wish of course to avoid their refusing to permit us to use this base.

4. You may tell the Foreign Minister that we consider this a very important part of our efforts to maintain the balance in the Middle East and to seek a negotiated solution which will bring a durable peace to the region. We will not forget Portuguese help and cooperation in this effort.

5. You should inform the Portuguese that this activity is being carried on against the backdrop of a large Soviet aerial resupply effort in Egypt, Syria and Iraq which has been going on for the last several days.

6. We hope and trust the Portuguese will respect our confidence in this matter. We intend no publicity. We of course cannot guarantee that

¹ Summary: The Department instructed the Embassy to inform Portuguese officials of the U.S. desire to use the Lajes Base as a refueling stop for defense matériel-laden aircraft on the way to Israel.

Source: National Archives, RG 59, Central Foreign Policy Files, 1973, [no film number]. Secret; Flash; Exdis; Eyes Only. Drafted by Pickering; cleared by Stabler, Scowcroft (in substance), Atherton, and DOD (informed); and approved by Pickering. In telegram 3779 from Lisbon, October 13, the Embassy reported Patricio's suggestion that Portuguese compliance with the U.S. request would depend on U.S. willingness to "provide GOP with surface-to-air missiles for use against expected air threat in Portuguese Guinea," as well as "provide GOP with general political support, treat GOP in a non-discriminatory manner." (Ibid., Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (1 of 2))

over time the flights will escape public notice. If they come to public notice we intend to say only that our ongoing supply relationship to Israel is of course well known; we neither confirm nor deny specific information relating to that relationship.

7. We are also calling in Portuguese Ambassador today to inform him of your approach to Patricio and to request his support for our démarche.

Kissinger

125. Telegram 203571 From the Department of State to the Embassy in Portugal¹

Washington, October 13, 1973, 1250Z.

Subj: Lajes Flights.

1. Chargé should deliver following message from the President for Prime Minister Caetano:

2. Dear Mr. Prime Minister:

This is a difficult moment for world peace and Portuguese/U.S. relations.

What we are doing is designed to support the end of hostility and bring a durable peace to the Middle East, but we need your cooperation to do this.

Our Chargé has explained what we require.

We cannot at this time bargain with you about hypothetical results which may stem from your cooperation. We are not able to provide you with the specific weapons requested by your Foreign Minister. If you are threatened by terrorism or an oil boycott as a result of your help for

¹ Summary: The Department forwarded a letter from Nixon for delivery to Caetano on the use of the Lajes Base for Middle East resupply.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (2 of 2). Secret; Flash; Nodis. Drafted by Pickering; cleared by Stabler and Eagleburger; and approved by Kissinger. In telegram 3781 from Lisbon, October 13, the Embassy reported that Patricio, “visibly upset by” the tone of Nixon’s letter, argued that Portugal was neither bargaining nor being unresponsive and, given the “serious risks” Portugal faced, it needed more than vague reassurances that the United States and Portugal would consult. (Ibid., Portugal, Vol. II (1972–1974) (1 of 2))

world peace, we would be willing to consult with you on what steps we can jointly take.

I would be most grateful for your own careful consideration of my thoughts and our common problem. You know that time is important to us both.

I must tell you in all frankness Mr. Prime Minister that your failure to help at this critical time will force us to adopt measures which cannot but hurt our relationship. If we have look to alternative routes, this will be a factor which would be recalled should the eventualities to which your Foreign Minister refers actually take place.

I make this request to you personally Mr. Prime Minister. With all my best wishes, sincerely, Richard Nixon.

3. Chargé should point out that if the attitude of the Portuguese becomes known to our Congress it will destroy what support they now have left in that body. He should further indicate that this is a strictly private communication from the President and that we expect its confidentiality to be maintained.

4. This message also being briefed to Portuguese Ambassador Themido in Washington.

Kissinger

126. Telegram 203651 From the Department of State to the Embassy in Portugal¹

Washington, October 14, 1973, 0352Z.

Subject: Use of Lajes for Mideast Resupply.

1. Portuguese Ambassador on instructions urgently requested meeting with Secretary Saturday evening. Stoessel advised Themido that Secretary was unavailable due to preoccupation with Middle East

¹ Summary: The Department reported a conversation with Themido on the use of the Lajes Base for Middle East resupply.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (2 of 2). Secret; Priority; Nodis. Drafted by Thomas Martin in EUR/IB; cleared by Pickering; and approved by Stoessel. In telegram 3782 from Lisbon, October 13, the Embassy reported that when Patricio notified it of Caetano's approval of the U.S. request, he "did not hide fact that he had been overruled by Caetano" and "that he was extremely unhappy at the decision." (Ibid., Portugal, Vol. II (1972–1974) (1 of 2)) The memorandum from the Portuguese Government, October 13, is *ibid.*, Portugal, Vol. II (1972–1974) (2 of 2).

situation and Themido somewhat reluctantly agreed to see Stoessel to present letter to President from Prime Minister as well as long memorandum. (Memo, which prepared before Prime Minister received President's letter, covered many of same points already raised in Chargé's conversations with Patricio.) Memorandum being pouched.

2. In long rather emotional discussion; Amb. Themido stressed great difficulty that GOP had in agreeing to the use of Lajes as transit point in resupply operation for Israel. Risk that Portuguese were taking was largest in their history and had been agreed upon in response to the President's direct appeal to Prime Minister. Themido stressed fact that, while facilities were now available for use in this operation, Portuguese were going to expect greater understanding and more friendly attitude on part of U.S. A specific request, which not included in memorandum, was for supply of surface-to-surface and surface-to-air missiles. He suggested Red-Eye as example of latter. He was especially critical of State Department as source of USG's past unfriendly attitude toward Portugal.

3. Stoessel promised bring letter and memo to attention Secretary and President immediately. As Themido was under instructions see Secretary, Stoessel promised seek meeting as soon as feasible. He expressed appreciation to GOP for its decision in this matter and said we would give serious attention to points raised in memorandum, some of which (Tunney amendment) had already been resolved. He also stressed longstanding US support of Portugal in international fora, often under difficult circumstances.

4. In response to question regarding aircraft authorized to use Lajes in this operation, Themido confirmed that it limited to American aircraft, and did not extend to those of other countries. He made no reference in his comments to any distinction between American military and civilian airplanes.

5. Caetano letter follows:

Quote: Dear Mr. President: I have received your message and you can imagine the enormous responsibility which the answer entails for me at a time when it is impossible to consult with the representatives of the constitutional organs of the country, or even my personal advisers, and moreover during our electoral period.

6. In addition, the risk which the decision entails would in due form compel me to also consult with the countries with which we have defense pacts, specially Spain.

7. I see, however, that your appeal is formulated under conditions of extreme necessity and I do not wish to force you to the violent measures which it leaves to assume.

8. Under these circumstances, I am instructing my government to authorize the transit of American aircraft, relying upon your word that

my country will not remain defenseless should this decision bring about grave consequences. Sincerely, Marcello Caetano. Unquote.

Kissinger

127. Letter From Portuguese Prime Minister Caetano to President Nixon¹

Lisbon, October 19, 1973.

Dear Mr. President,

Your message of Saturday, October 13, reached me when I was in the interior of the country, far from the capital, in a rural region. I understood from its terms that it was dictated in particularly grave circumstances. I am afraid that, instead of moving towards peace in the world, the great Powers may be impelled to another war which will not but have universal implications.

It is in this light that the attitude of the Portuguese Government has to be viewed. A campaign conducted by our enemies has deprived Portugal in recent years of efficacious means of military defence in Europe. The entire effort in the fight against subversion in Africa is being made with domestic resources. And yet the enemy has a global strategic vision, which the West lacks, and in its conquest of positions in Africa has a prominent place. Those who are responsible for the defence of the United States are surely aware of the importance of the Cape Verde archipelago in the Atlantic Ocean. But this archipelago is at the mercy of a surprise attack, rendered easier if Portuguese Guinea were lost.

I do not conceal, Mr. President, that Portuguese public opinion is today convinced that the United States abandons friendly countries even when the interests, which the latter defend, coincide fundamentally with those of the West and, therefore, with American interests; and that the conviction has spread that, on the other hand, the Soviet Union, with a much more realistic policy and more steady institutions, never

¹ Summary: Caetano replied to Nixon's October 13 message on the use of the Lajes Base for Middle East resupply.

Source: National Archives, RG 59, Central Files 1970–1973, POL 1 PORT–US. No classification marking. According to telegram 220957 to Lisbon, November 8, Themido delivered the letter to the Department on November 2. (Ibid., Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (1 of 2)) The memorandum of conversation recording the meeting with Porter during which Themido delivered the letter is *ibid.*, (2 of 2).

fails to support, with ability, firmness and a sense of their needs, the countries which place their confidence in her.

The demand for a collaboration involving Portugal in American politics at a time when the Congress of the United States, with a total lack of vision of the problems, votes embargo of arms to Portugal and even of articles which can be put to military use, cannot but produce prejudicial effects on Portuguese opinion. And it will also affect the position of my Government.

It is of these facts that I would like, Mr. President, that you were perfectly conscious.

Yours sincerely,

Marcello Caetano

128. Memorandum From the Government of the United States to the Government of Portugal¹

Washington, undated.

In its memorandum delivered on October 13 the Portuguese Government expressed the fear that by agreeing to the request of the United States Government for transit and refueling facilities at Lajes for urgent transportation of material and equipment to Israel, Portugal might be subject to certain risks. These risks were stated to be (1) that there might be an embargo of oil supplies to Portugal, (2) that the Arab states might intervene in support of the insurgent movements in Portuguese Africa, and (3) that Arab terrorist activities might be directed against Portuguese aircraft and Portuguese nationals. The Portuguese memorandum asked what guarantees the United States Government could give in the event these risks should materialize. It also made certain requests on matters not related to the use of Lajes for the resupply of equipment to Israel, i.e. legislation pending in the Congress relating to the arms embargo, the “proclamation of independence of Portuguese Guinea”, gen-

¹ Summary: The U.S. Government responded to Portuguese concerns regarding the use of the Lajes Base for Middle East resupply.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (2 of 2). Secret. On November 2, Porter gave the memorandum to Themido. (Memorandum of conversation, November 2; *ibid.*)

eral political support, and the Azores Base Agreement. The comments of the United States Government on all these points are given below.

Terrorism Against Portuguese Aircraft or Nationals

The Portuguese Government is well aware of the attitude of the United States Government toward terrorism and of the efforts we have made to seek international agreements to combat terrorism. We are already engaged in an exchange of intelligence with the Portuguese Government on the activities of suspected terrorists. In our intelligence gathering activities we will be particularly alert to the possibility that Portuguese aircraft or Portuguese nations may become targets for terrorist activity.

Embargo of Oil Supplies to Portugal

Portugal imports 80,000 barrels of crude oil per day. Of this, 67,000 barrels, or 84 per cent, come from the Arab countries. If Portugal should be singled out for an oil boycott, the United States Government would approach the American oil companies and would expect to persuade them to make arrangements to ensure that Portugal's basic import requirements are met.

Intervention of Third Countries in Portuguese Africa

The Portuguese Government considers it possible that its cooperation in the resupply of Israel could lead to intervention by third countries, such as Libya or Nigeria, in Portuguese Africa, which might include aerial bombing attacks against Portuguese Guinea.

The United States Government considers reprisal attacks by the armed forces of Libya or Nigeria against Portuguese Africa highly unlikely. However, the United States Government would view with deep concern intervention in Portuguese Africa by the armed forces of another country in retaliation for Portugal's assistance relative to the current Middle East conflict. Attacks on Portuguese African territories by aircraft based in another country would, on the face of it, imply aggression by the government of that country. If such a development occurred, or seemed imminent, the United States Government would be prepared to consult on an urgent basis with the Portuguese Government with a view to determining what appropriate steps might be taken to render ineffective any such retaliatory action.

Pending Legislation Relating to the Arms Embargo

Amendments to the Foreign Assistance Act relating to the arms embargo toward Portuguese Africa have been passed by the Senate and the House of Representatives and are now under consideration in the Conference Committee. The Administration is opposed to these amendments, but could not express its views in the usual way, since

the amendments were raised on the floor in both Houses and not considered in the foreign affairs committees. We are increasing our efforts to have these amendments dropped.

Our actions with respect to the proposed legislation demonstrate our desire to be as responsive as possible to the requests of the Portuguese Government. However, it is not possible for us to depart from our policy of discouraging the use of weapons and military equipment of American manufacture in the Portuguese African territories. To do so would be inconsistent with pledges made both to African governments and to the Congress of the United States. However, the United States is prepared to examine other ways in which it can help with the defense of Portugal.

Proclamation of Independence by Elements in Portuguese Guinea

The United States Government has traditionally looked to the establishment of certain facts before it has extended recognition to a new state. These facts include the effective control over a clearly-defined territory and population, an organized governmental administration of that territory, and a capacity to act effectively to conduct foreign relations and to fulfill international obligations. In Africa, these factual criteria have generally been met in the past following a peaceful transition to independence from colonial status through an agreement between the colonial power and the representatives of the people of the territory concerned.

The above criteria have not been met in the case of the newly proclaimed independent state of "Guinea-Bissau." We have discussed our position on recognition of "Guinea-Bissau" with a number of other governments and have taken special steps designed to assist in the maintenance of NATO solidarity in this matter.

The United States will oppose United Nations membership for "Guinea-Bissau" and will oppose any discussion in the United Nations of any alleged "Portuguese aggression against Guinea-Bissau." On October 19 the United States was the only member of the General Committee to vote against General Assembly discussion of "illegal occupation by Portuguese military forces of certain sectors of the Republic of Guinea-Bissau and acts of aggression committed by them against the people of the republic." The United States delegation was one of only seven who voted on October 22 against plenary approval by the General Assembly of the General Committee's action.

Consistent with its refusal to recognize the existence of the proclaimed new "state", the United States will oppose in the Fourth Committee of the General Assembly the removal of Portuguese Guinea from the list of non-self-governing territories. If any move is made to have PAIGC representatives address the United Nations General As-

sembly the United States would make clear that the General Assembly rules do not provide for such speakers to address the plenary and that we would regard any such appearance as an unfortunate disruption of procedure and a precedent with serious implications.

General Political Support for Portugal

The United States has probably made a more active effort on behalf of Portugal than any other government. This has come at the cost of considerable international criticism at a time when we are seeking support on a broad array of other issues. While maintaining our position on self-determination, which the Portuguese Government does not ask us to abandon, we have opposed virtually all resolutions attacking Portugal in the United Nations and its specialized agencies. We have also endeavored to prevent criticism of Portugal's African policy from being raised in the NATO forum. The United States is not in a position however, to influence the relations between Portugal and the independent African states. The nature of those relations can be determined only by Portugal and the African states themselves. In our view, the long range progress and stability of the Portuguese territories in Africa rest not in armed conflict but rather in the peaceful creation of mutually acceptable relationships between the territories involved and the independent governments of Africa.

Implementation of the Azores Agreement

The United States Government firmly rejects any suggestion that it has not been scrupulously implementing the current Azores Agreement. The oceanographic research vessel was delivered promptly. In spite of many difficulties, we are meeting all our commitments under the PL-480 program. The educational cooperation program is making good progress. We have offered the Portuguese Government numerous times various items of excess property specified in the agreement. Most of the equipment rejected by Portugal has been eagerly accepted by other end-users. The United States cannot be blamed for Portugal's lack of interest in the property which has become available.

The Portuguese Government asks that "in the forthcoming negotiations . . . for a renewal of said agreement the American authorities will do their utmost to give adequate material compensation for the use of the Azores Base:" This of course, is a matter to be dealt with in the negotiating sessions. The United States Government would like to note however that Portugal is the only NATO country which has asked for compensation in return for making military facilities available to the United States Armed Forces. The cost of maintaining forces on the territory of our NATO partners for common defense has constituted a burden which we have long—and, we believe, unfairly—borne alone. Our balance of payments difficulties, but even more important, the

need of each ally to assume a fair share of the burden for the defense of all, make it necessary for our NATO allies to reassess the manner in which the defense burden is now inequitably borne most heavily by the United States. We hope the Portuguese Government will view our presence in the Azores in this spirit.

In conclusion, the United States Government wishes to express once again its appreciation for the understanding and statesmanlike attitude shown by the Portuguese Government during the recent Middle East crisis. Portugal's cooperation has made an important contribution to the cessation of bloodshed in that area and will facilitate the negotiations for a just and lasting peace.

129. National Security Study Memorandum 189¹

Washington, November 14, 1973.

TO

The Secretary of State
The Secretary of Defense
Chairman, NSC Under Secretaries Committee

SUBJECT

Azores Base Agreement Negotiations

The President has directed that the NSC Under Secretaries Committee undertake a priority review of the U.S.-Portuguese Azores base negotiations. The study should identify the U.S. interests involved in the base negotiations as well as recommendations for the U.S. position

¹ Summary: The President directed a priority review of the U.S.-Portuguese Azores Base negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-201, Study Memorandums, 1969–1974, NSSM-189. Confidential. Copies were sent to the DCI and the Chairman of the JCS. Scowcroft signed the memorandum on Kissinger's behalf. In a November 6 memorandum to Kissinger on the Azores Base agreement negotiations, Sonnenfeldt wrote that the use of the Azores Base during the Middle East crisis had changed the proposed U.S. negotiating position that "mutually beneficial cooperation between two members of the NATO Alliance should not involve compensation." Rush now wanted an interagency review of the U.S. position; Sonnenfeldt agreed that it was necessary because "the Portuguese can be expected to ask for compensation for future use of the Lajes facilities, and accordingly it is important that a coordinated State/Defense position for the negotiations be developed within the NSC system." (Ibid.)

best suited to protect those interests, taking into account such factors as:

- the overall status of U.S.-Portuguese relations;
- the present and future strategic importance of the Azores/Lajes facilities;
- the best U.S. estimate of the Portuguese position in the negotiations; and
- Congressional considerations bearing on the recommended U.S. position.

The Chairman, Under Secretaries Committee, is requested to forward the study response no later than December 7, 1973, for consideration by the President.

Henry A. Kissinger

130. Memorandum of Conversation¹

Lisbon, December 17, 1973, 11:20–11:35 p.m.

PARTICIPANTS

Foreign Minister Rui Patricio
Ambassador to the U.S. Joao Hall Themido
Ambassador Freitas Cruz, Director General for Political Affairs
Secretary of State Dr. Henry A. Kissinger
Mr. Richard St. F. Post, Chargé
Mr. Peter Rodman, NSC Staff

Patricio: I don't think I have to go very far into the relations between Portugal and the United States. They have always been marked by friendship. In World War II, we made a contribution to the allies.

¹ Summary: Kissinger and Patricio discussed U.S.-Portuguese relations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1027, Presidential/HAK Memoranda of Conversation, Memcons—December 1973, HAK + Presidential (1 of 2). Top Secret; Sensitive; Exclusively Eyes Only. All brackets are in the original. The meeting took place in the Palacio das Necessidades. Attached but not published is Tab A, an undated Portuguese memorandum on "The Açores Agreement" that states Portugal's military requests as ground-to-air missiles (HAWKs and Redeyes), anti-tank systems, C 130 and Orion planes, and sea-to-air missiles; a notation at the top of the memorandum reads, "Given to HAK by Rui Patricio, Lisbon, 17 December 1973." Memoranda of conversation recording Kissinger's second meeting with Patricio and a December 18 meeting with Portuguese President Admiral Americo Deus Rodrigues Thomaz and Patricio are *ibid.*

I remember one instance of cooperation. In November 1971, we received a personal letter from President Nixon asking us to vote on the two-thirds question concerning admission of Communist China to the United Nations. This was very difficult for us, because we had always abstained because of Macao. But we changed our position because of a personal letter from President Nixon. We were told by your Ambassador, who was here, that you would not forget.

Our decision of October 13 was similar. It was more important and very difficult, because of the serious consequences. And we are already suffering the consequences. The embargo against Portugal did not result from a feeling of solidarity between Arabs and Africans, but from our permitting the Azores to be used for resupply of Israel. The Arabs told us this. They ask us, if there is another crisis, would Portugal again give this support to the U.S.? We are already asked this question.

We have been told that after the visit of Mobutu to Libya, Colonel Qaddhafi promised full support for action against Cabinda. This would affect us severely because all of our fuel comes from this source. All of our industry is based on this. And we already suffer a total embargo.

And I must tell you that Portuguese public opinion did not support the decision of the Government. Not because of hostility to the U.S., but because many thought, including newspapers friendly to the Government, that we should have stayed silent.

But what concerns us more is not the view of the U.S. but the reaction of our enemies. It is not in the U.S. interest for us to lose in Africa. The Russians are interested in expanding in Africa. Our facilities in Mozambique—Nocala—and Angola and the Cape Verdes are important to the Soviets; they are important to your navigation. It is not in your interest for us to suffer defeat in Africa.

One should not think the U.S. will have less problems if Portugal has a military defeat in Africa. We would face a split between white Africa and black Africa, the direct involvement of South Africa, and a danger to your investments. Some in the U.S. speak of "vietnamization" of Southern Africa. Portuguese policy is the only way to prevent this. If we change our policy, a clash between blacks and whites in Africa will be tremendous. We are maintaining this without any support from any of our European allies.

In the past we avoided putting our problems to our allies. If we do it now, it is because the situation has changed. Guerrilla war we can manage. We are in control of Angola and Mozambique, the cities, towns, countryside, etc. But direct attack we cannot.

In the time of the Kennedy Administration, because of ideological reasons, the U.S. was opposing our policy. Even in that period we were told that the U.S. would oppose armed intervention against Portuguese territory in Africa. Even in the Kennedy Administration we were told

that. Dr. Salazar received that letter. You said you would regard it as aggression. In your recent memo you made this point.

But isn't it better to prevent it? If we have weapons and can deter it, it is better not only for our interests but for your interests.

I know you are very much concerned about Congressional opinion and public opinion, and you may mention the long-standing embargo on arms. But the situation should be considered as it is. When the embargo was adopted, it was a matter of guerrilla warfare, and we can see the U.S. would not want to get involved in this warfare. But now we ask only for defensive weapons to enable us to defend against the attack of an army of foreign intervention. We are not asking for rifles or weapons for fighting guerrillas. It is absurd when the Soviets and Chinese are giving sophisticated arms to our enemies.

If you can explain the situation to your people, they would understand.

What we did for Israel I think should help persuade Congress. If you can explain to Congress that the survival of Israel depends on it, it may make a difference.

Kissinger: We are prepared to explore with you the possibility of providing weapons without any publicity.

Patricio: It is important for us, as the first priority of our policy, to defend our territory. It will be difficult to explain to the Portuguese public why we do not receive substantial help in return for the Azores agreement. But even facing the unpopularity of such an agreement in Portuguese public opinion, we would be prepared for a secret agreement.

We have prepared a memorandum with our proposals.

[Patricio hands over Tab A, which Secretary Kissinger reads.]

Kissinger: As I told you in Brussels, I have not had a systematic opportunity to follow up on what the President said to your Ambassador. I have had a legal analysis made, which is not particularly encouraging.

On aircraft, it shouldn't present difficulty. Naval equipment should be fairly easy.

The problem is, frankly, that an agreement of this magnitude cannot easily be done secretly.

Rather than talk theoretically, I would have to study it. Whether there are third countries who could do it, for example.

I will get you an answer within a month of my returning to Washington. By mid-January. I will talk to your Ambassador and tell you frankly what can and cannot be done.

Just looking it over, transport planes ought to be possible. Sea-air missiles, probably.

The problem will be with land-usable equipment and to find ways of doing it without blowing it sky high. As the President told your Ambassador, it is not an issue of principle. As we told you in our memorandum, we would certainly think air attacks from other territories would be aggression.

Patricio: It is better to prevent such aggression.

Kissinger: We agree with you. Guerrilla warfare is one thing, attack by a land army is another. You can't use HAWK missiles, or RED EYES, against guerrillas.

The whole thing will be very difficult, let's not kid ourselves. There will certainly be eager beavers who will leak it to the newspapers.

The State Department is like an African tribe; the tom-toms beat all the time, and they're always passing on information.

Patricio: The information we have may be accurate and therefore time is important to us.

Kissinger: The sea-air missiles presumably relate to Cabinda. That problem is more easy because in the public mind that isn't associated with guerrilla warfare.

You were with the President. The authority is there, but the problem is how to do it.

Patricio: Now that Congress has approved enormous aid to Israel, maybe Israel could divert some to us.

Kissinger: Maybe that could be done. That's prohibited, but the law doesn't apply to Israel as it does to the U.S.!

Themido: The Israelis told me they couldn't.

Kissinger: Let me talk to the Israeli Ambassador when I get back. I'll be in touch with you early in the new year.

I should study it. You can count on my sympathy, but I don't like to promise things if I can't deliver.

I understand your urgency.

Patricio: It is needed.

Kissinger: You couldn't have made it more vivid.

Freitas Cruz: There may have been some misunderstanding with the Israelis.

Kissinger: Maybe.

Freitas Cruz: The Israelis said they might be able to provide some SAMs they captured from the other side.

Kissinger: That would be a nice way of doing it! Actually the SAMs are as good or better than the HAWKS.

Freitas Cruz: There is a problem of spares, etc, of course.

Kissinger: That's what I would have to look into.

Themido: The Israelis said they had only a few, just museum pieces.

Kissinger: I will look into it.

[The meeting ended at 11:35 p.m.]

131. Memorandum From the Director of the Policy Planning Staff (Lord) to Secretary of State Kissinger¹

Washington, March 8, 1974.

Status of Azores Base Negotiations

This memo will bring you up to date on where we stand with respect to the negotiations with the Portuguese on renewal of the Azores Base agreement and to Department efforts to bring the Department of Defense on board on an agreed negotiating posture. I suggest you read this memo before your luncheon with Secretary Schlesinger on Friday, March 8, since our DOD contacts tell us that he may wish to discuss funding of a military *quid pro quo* package for Portugal at that time.

Negotiations with the Portuguese

In accordance with your instructions, Secretary Rush told Ambassador Themido on February 8 that we could provide the P–3s and naval sonar equipment for NATO purposes and that we were prepared, if the Portuguese agreed, to consult with Congress on whether we could also provide Sea Sparrow and/or Hawk missiles for use in Africa. Rush said that we could not provide C–130 transport planes or anti-tank weapons (because they had direct applicability against insurgency and we did not believe Congress would agree to provide them) or Red-eye

¹ Summary: Lord briefed Kissinger on the status of the Azores Base negotiations.

Source: National Archives, RG 59, Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 345, March 1974. Secret; Nodis. Drafted by Willard De Pree and Anton DePorte in S/P on March 7; cleared by Jack Smith in EUR/IB, PM, and L. Kissinger's January 28 staff meeting was devoted to a discussion of the U.S. position in the Azores Base negotiations. (Ibid., Transcripts of Secretary of State Kissinger's Staff Meetings, 1973–1977, Entry 5177, Box 2, Secretary's Staff Meeting, January 28, 1974) In telegram 54891 to Lisbon, March 19, the Department reported that on March 18, Themido responded to Rush's February 8 offer by suggesting that the U.S. and Portugal announce the failure of their negotiations. (Ibid., Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974))

missiles (because we were seeking agreement with the Soviet Union to prevent the spread of such missiles).

The Ambassador expressed disappointment that we were willing to consider only two (Sea Sparrow or Hawk missiles) of the five priority items they had requested for use in Africa. He also informed us that Portugal now wants six Asheville class naval vessels mounted with missiles instead of the ten Sea Sparrow systems earlier requested.

On February 12 the Portuguese Director General of Political Affairs informed our DCM in Lisbon that Foreign Minister Patricio had asked him to convey his government's disappointment at the US response, particularly our refusal to supply C-130s. Our DCM inferred from the conversation that if we do not provide arms or equipment for use in Africa, Portugal may refuse to let us use Lajes for anything except strictly NATO purposes. And to retain the base even for those peacetime uses, we would be expected to provide a *quid pro quo* in the form of non-military assistance.

Ambassador Themido has been in Lisbon on consultations since February 17. He is expected to return shortly with his government's response to our offer, including an answer on whether they wish us to go ahead with the Congressional consultation. Judging by their disappointment as regards the C-130s, it is possible the Portuguese will ask us to approach Congress with respect to C-130s as well as the missiles. Themido will also expect at that time to be told whether or not we will accept the proposed substitute of Asheville naval vessels (with missiles) for the Sea Sparrows as a subject for consultation with Congress.

Status of NSSM 189, which called for an Under Secretaries Committee Study on an Azores Base Negotiating Position

A draft paper has been cleared at the working level and distributed formally to members of the Under Secretaries Committee. With the exception of the one difference noted below, the paper brings DOD and the other agencies on board with respect to decisions heretofore reached within the Department. The paper's recommendations go somewhat farther than the action you authorized in your memo of February 1. Thus, the Under Secretaries Committee study recommends:

—That, because of the difficulties and disadvantages of seeking to provide any military equipment without recourse to Congress, we seek new legislation from Congress to fund whatever *quid pro quo* package is agreed upon;

—That we apprise the Congressional leaders that the Portuguese, in addition to requesting Sea Sparrows and Hawk missiles for use against external attack, have also asked for other items for use in Africa, and that we try to assess Congressional reaction to providing C-130s as

well as the missiles in the event that Portugal insists on delivery of C-130s as a *sine qua non* for renewal of the base agreement.

Because the *Asheville* is strictly a *military* vessel, with direct applicability against insurgency, the Under Secretaries Committee does not consider it an appropriate item for consultation with Congress.

The Members of the Under Secretaries Committee have been asked either to concur with the recommendation or to indicate their disagreement by c.o.b. March 8. Only DOD is expected to take a footnote and then on a legal issue rather than on a policy difference. It is DOD's contention that the Administration cannot provide any of the items requested by Portugal from excess stocks or by reallocation from the FY-74 MAP. L and PM contend that the President or Secretary of Defense have the authority to declare some of the items requested by Portugal as excess or to reallocate the FY-74 MAP so as to provide equipment to Portugal, and could so exercise this authority *in extremis*, with due notification to Congress. The above issue is really a technical one, because the difficulties and disadvantages of trying to satisfy Portugal without some form of Congressional approval seem formidable, but apparently it is a subject Secretary Schlesinger wishes to discuss with you.

132. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, April 29, 1974.

SUBJECT

Coup in Portugal

The virtually bloodless coup that toppled the government of President Thomaz and Prime Minister Caetano on April 25, 1974 was trig-

¹ Summary: Kissinger discussed the coup in Portugal.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (2 of 2). Secret. Sent for information. A stamped notation on the memorandum indicates the President saw it. In telegram 807 from Lisbon, March 5, the Embassy reported the eruption of a political crisis precipitated by the publication of a book calling for Portuguese African self-determination by the Vice-Chief of Staff of the Armed Forces, Antonio de Spínola. (Ibid., RG 59, Central Foreign Policy Files, 1974, [no film number])

gered by Lisbon's African policies and the divisions within the military to which they gave rise.

The leaders of the rebellion, who called themselves the "armed forces movement," are virtually unknown, but they are almost certainly middle-level officers devoted to General Antonio de Spínola. After broadcasting an initial proclamation that called for both a liberalization of Portugal's colonial policies and a restoration of domestic liberties, the rebel junta promptly called on General Spínola to head their movement. Spínola accepted the call, reportedly received an enthusiastic public welcome in Lisbon and, according to the Portuguese radio, has been proclaimed "Head of Portugal."

Superbly organized and well-led, the insurrectionists took the government by surprise. Loyalist forces offered only token resistance, and after fleeing to the headquarters of the national guard, Thomaz, Caetano, and several other ministers agreed after a few hours of negotiation to go into exile in the Madeira Islands. *Thus far the new government appears to be in complete control.*

In a speech to the nation on the evening of April 25 Spínola promised to restore power to constitutional institutions once a president of the republic has been elected. Spínola can be expected to run for the post.

Portugal's most decorated war hero, Spínola is also the author of a book which dared to say that a military solution to the problem of insurgency in the African territories is impossible and a political solution must be found. Spínola also called for a new Portuguese constitution to provide civil liberties and democratic institutions in all areas administered by Portugal. The book created a sensation in Portugal when it appeared last February. It led to a small but abortive "march on Lisbon" in March, and the country has since been gripped by coup fever. Despite Lisbon's moves earlier this month to arrest various oppositionists, the government apparently was unaware of the magnitude of the internal threat it faced.

As "head of government," Spínola appears to be off to an auspicious start. His prestige is such that, despite the divisions within the armed forces, he may be able to keep them fully under control. The country, despite the influence of the ruling oligarchs and the radicalism of some of the opposition elements, may be ready for some modest movement toward change at home and abroad.

A reorientation of Portugal away from Africa and toward Europe could be traumatic, although many African and European countries would welcome such a change and allow time for it to take place. Assuming the new government settles fully into power, we do not expect to delay full relations with the Spínola regime. At present, the coup would seem not to have put US interests in danger, and it could possibly provide some near-term benefits for the

United States—for example, a possible lessening or end to Portuguese pressure for U.S. weapons for use in the African territories.

Thus far there is little reaction to events in the metropole from the Portuguese territories of Africa. The local governments there are urging business-as-usual. The rebel movements have not reacted publicly. They will take a cautious approach to developments and to General Spínola's announcement he will seek a political rather than military solution to Portuguese African questions. The rebels consistently have demanded complete independence, something they will not give up lightly. White settlers, particularly in Angola, will be increasingly concerned about their own security. Rhodesia and South Africa will face basic policy reassessments since Portugal's continued military effort against Mozambique insurgents has been seen as a buffer for their own internal security.

133. Memorandum for the President's File by the President's Assistant (Haig)¹

Washington, June 24, 1974.

SUBJECT

Meeting between the President and
President Antonio de Spínola of Portugal—June 19, 1974, The Azores

Key points brought up by President Spínola:

—Spínola made a strong plea for *urgent and substantial assistance from the U.S.* This assistance, of a technical, economic and financial nature, should be effective while at the same time discreet, so as not to compromise politically either country.

¹ Summary: Haig reported on a June 19 meeting between Nixon and Spínola.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 4. No classification marking. Nixon was in the Azores from June 18 to 19 to meet with Spínola. Scowcroft forwarded the memorandum to Kissinger under cover of a July 11 memorandum, in which he characterized Haig's memorandum as "inadequate" and recalled that Spínola had requested that the meeting be head-to-head, "since he felt there was no one in his party whom he could trust." Scowcroft reported that Nixon had subsequently directed that Walters "visit Portugal, Spain and Italy to get a first-hand assessment of the situation in each country and the overall capability of our Country Team in each" and that Ambassador Henry Joseph Tasca "be tasked to do an initial 'think piece' on the contemporary threat of Communist subversion." Scowcroft noted that he had not implemented either of Nixon's directions, pending Kissinger's approval. (Ibid.)

Such assistance would be instrumental in countering any moves by the Communists (who have just received strong financial help from the Soviets) to take control of Portugal, thus implanting another *Cuba* in the Iberian Peninsula. The turn of events just described would have definite repercussions in *Spain*, a country whose political structure has been badly shaken by the Portuguese Revolution. It would also affect seriously the Alliance and the Western World, on account of the ensuing loss of the Azores and Cape Verde Islands.

President Nixon's response: Gave assurances that, while not making any specific public statements, he would examine Portugal's needs with any official President Spínola might care to designate and that the U.S. would do what it could, subject to Congressional approval. President Nixon also assured President Spínola that he would explore any way the U.S. can assist Portugal, both overtly and covertly. In this connection, President Nixon stressed the importance of obtaining financial support from private banks. This support would not be forthcoming, however, if those banks saw the specter of Socialist/Communist penetration and dominance. Therefore it is most essential that President Spínola take strong and effective measures to prevent wildcat strikes and unreasonable wage demands, thus forestalling the destruction of the Portuguese economy by the Communists.

Regarding Spain, President Nixon agreed that there was no question as to repercussions on that country, where he felt that major changes were due soon.

President Nixon also suggested that the U.S. Ambassador had excellent contacts with U.S. banks and could be of assistance.

—President Spínola asked that the law denying assistance to Portugal be repealed.

President Nixon's response: No problem. This law was based (and this was a mistake) on certain Congressional objections to Portugal's policies in Africa. I am going to work on it.

An Up-to-Date Re-Assessment of the NATO Military Situation in the Atlantic Area

President Spínola: President Spínola pointed out the *urgent need to analyze and re-assess NATO's military situation in the Atlantic area*, this in view of the fact that the free world is faced with the prospect of a *Communist bastion in the Iberian Peninsula*, as well as with the possibility of the loss of the Azores and Cape Verde Islands.

President Spínola asked for U.S. support in order that Portugal may regain its *strategic security*, which was destroyed by a number of political parties, particularly the Communists, during the first month following the revolution, when the political situation was uncontrolled.

The above is one of President Spínola's main concerns at the present time.

He then went on to re-state his oft-expressed belief that NATO was too involved in actions related to defense against external attacks as they might occur within a given strategic space. Also that NATO's thinking was still along very classical lines, with great emphasis on military forces. He stated forcefully that while *NATO was providing a defense within a given strategic space, NATO was being attacked on the ideological level by Communist ideologies*, and that these developments required action in the field of *ideological counter-penetration*. It was his view that *the West is being destroyed from within, through a number of clever ideological campaigns*. He had stated the above many times in the past, and *now he was feeling it in Portugal*, in his own flesh.

President Nixon's response: President Nixon appreciated the above analysis of the *Communist danger* as it exists in Portugal, Spain and Western Europe. He also agreed with the concept that the danger was not so much one that moved across borders, but that it was essentially an internal danger.

Also in this connection, President Nixon stated (and again in his statement to the press) that he considered an independent, free and prosperous Portugal as vital to NATO and to U.S. interests, as well as to U.S./Portugal common interests.

Portugal's Need for Strong, Clearly Stated U.S. Support for its Domestic and Foreign Policies, Particularly at the U.N.

President Spínola: At the political and diplomatic level Portugal needs a clearly stated support by the U.S. for its domestic and foreign policies, particularly at the U.N. At the present time, Portuguese policies should be easy to support in the light of the evolution of Portugal's policy towards its overseas territories.

The above-mentioned policy is outlined and defined in a speech by President Spínola at the swearing-in of the Governors of Angola and Mozambique. (President Nixon was handed an English text of the speech.)

The cornerstone of this policy is the unequivocal recognition of and adherence to the principles laid down by the U.N. Of course, Portugal's previous attitude toward decolonization had caused problems for the U.S., regarding U.S. support of Portugal. Portugal stands now ready to adopt an unequivocal position regarding the initiation of the decolonization process. This decolonization involves a free acceptance of the principle of self-determination. Portugal, however, will only accept a self-determination which is based on an honest democratic system, and arrived at through a referendum or any other acceptable process. Such a process must enable the peoples of the overseas terri-

tories to assert their sovereign will. Portugal is even willing to agree to international supervision of this referendum, plebiscite, etc.

At this time, Portugal is asking for help from the U.S. with regard to the Guinea-Bissau problem at the U.N. President Spínola knows the problem all too well having been Governor of that territory for five and one-half years, thus thoroughly acquainted with the difficult military situation. Portugal now stands ready to accept a ceasefire, provided adequate safeguards are arranged for all those who are on Portugal's side in the present conflict, including African armed forces.

President Spínola admits that the PAIGC has gained considerable political success, to such an extent that the U.N. has taken certain definite stands. Also, Guinea-Bissau has been recognized by a sizeable number of countries. Such recognition, even though it lacks a legal or logical basis, is nevertheless a fact and Portugal is willing to accept this fact. What President Spínola wants is for the U.N. to recognize the independence of Guinea-Bissau, on the basis of a situation created by the U.N., but without jeopardizing the normal process of decolonization for the other Overseas Provinces. The latter process is to be carried out along lines consistent with U.N. procedures, including the setting of deadlines and based on an honest referendum. Also in those other Provinces, our policies call for a ceasefire, followed by the creation of local governments that would bring in all African political forces including the liberation movements. Then the people, through a referendum or plebiscite, could decide freely their own destiny.

At the same time, Portugal is very reluctant at present to hand over sovereignty over Mozambique to Frelimo, considering that Frelimo represents only a minority of the people of Mozambique. President Spínola definitely believes in the lofty ideals and principles embodied in the U.N. charter and in the policies that may be derived therefrom. Just the same, he thinks that too hasty a solution, namely that of handing over sovereignty outright to the liberation movements not only would have a highly negative impact on the people at home but it would also constitute a clear-cut victory for the Socialists and Communists. In other words, the Overseas Provinces would be handed over directly to the Socialists and Communists. As things now stand, those are the two parties, which, for domestic policy reasons, are cleverly taking advantage of the external forces that are in fact running the African liberation movements.

So, unless independence is gained while fully respecting the integrity of the aforementioned principles, the domestic repercussions and effects will be quite disastrous.

Next, President Spínola took up again the re-assessment of the NATO military situation in the Atlantic area as it might be affected by the emergence of a Communist bastion in the Iberian Peninsula to-

gether with the possible loss of Cape Verde and the Azores. He stated that it was of the utmost importance to *clearly differentiate between Guinea and Cape Verde when considering self-determination for Cape Verde.*

Portugal is willing to recognize the independence of Guinea-Bissau but that issue must be clearly separated from that of Cape Verde. That because when it came to a plebiscite regarding self-determination it is almost a practical certainty that Cape Verde will continue to be Portuguese. President Spínola has very definite guarantees to that effect. On the other hand, if Cape Verde is tied in with Guinea-Bissau it will fall right in the hands of the Soviets. President Spínola knows the secret plans of PAIGC, namely Amílcar Cabral, whereby he would hand over Cape Verde to the Soviets in return for large sums of money which he would use in Guinea.

Cape Verde is but sparsely populated, very poor indeed and a definite financial liability for Portugal. It has nevertheless strategic value. Were it not for that strategic value, Portugal would be most interested in having Cape Verde gain independence through self-determination, as it constitutes a substantial economic burden for Portugal.

This concludes a clear and sincere statement of the very serious problems besetting Portugal at the present time and which casts a shadow over the entire West. President Spínola felt it was his responsibility to speak in this manner on the concerns common to the two countries.

President Nixon's response: President Spínola can count on U.S. support at the U.N. for his enlightened policies towards Africa. Whatever decisions he makes can be transmitted directly or through our Ambassador.

President Spínola: President Spínola mentioned, as the two Presidents were walking out of the meeting, that it might be appropriate to examine the status of the Azores Air Force Base in the context of the re-assessment of the NATO military situation.

No specific comment by President Nixon.

134. Telegram 163339/Tosec 56 From the Department of State to the White House¹

Washington, July 26, 1974, 2208Z.

White House please pass San Clemente for Mr. Eagleburger for the Secretary. Following sent SecState from Lisbon July 26, 1974: Quote Lisbon 3182. Subj: Call on President Spínola. From Ambassador for Secretary.

1. At your request, I saw Spínola, again alone without interpreter, for about twenty minutes this afternoon. I said we had an extraordinary coincidence, for which we had an English saying, that great minds think alike. When I saw the Secretary on Wednesday I discovered that his reason for calling me to Washington for consultation was precisely the same preoccupation which Spínola expressed to me the day after I had been called home for consultation—namely his worries about Communist influence in Spínola government and in Portugal. I said Secretary, as he frequently does, considered problem not merely in relation to Portugal but in relation to other Mediterranean countries, particularly Italy, Spain, France and possibly Greece. Spínola asked me to repeat the names of the countries and when I did showed puzzlement only with respect to France. When I reminded him of recent very close election in which Socialist-Communist common front only narrowly defeated, he said he understood perfectly.

2. I then finished my statement by saying that, while we recognized complex political problems which confronted him, and certainly did not want him to think we were interfering in Portuguese domestic affairs, I wanted it clearly understood that USG was opposed to Communist representation in any Mediterranean government including Portugal. I said that any such public statement would clearly do more harm than good, with which he emphatically agreed, but said that USG was disposed to try to give him any nonpublicized assistance in that direction that he might need.

¹ Summary: The Department forwarded a message from Scott reporting his July 26 meeting with Spínola.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1314, NSC Secretariat—Richard M. Nixon Cables/Contingency Plans 1974, Portuguese Contingency Plans. Secret; Immediate; Nodis. On July 16, Kissinger discussed with his staff the Portuguese political situation and whether Spínola understood “that we wouldn’t be too happy with a Communist Government.” Kissinger decided that Scott should return to Washington for early consultations. (Minutes of Secretary’s Principals’ and Regionals’ Staff Meeting, July 16; *ibid.*, RG 59, Transcripts of Secretary of State Kissinger’s Staff Meetings, 1973–1977, Entry 5177, Box 4, Secretary’s Staff Meeting, July 16, 1974) In telegram 169650 to Lisbon, August 3, the Department directed the Embassy not to approach Galvão de Melo, pending further instructions. (*Ibid.*, Nixon Presidential Materials, NSC Files, Box 701, Country Files, Europe, Portugal, Vol. II (1972–1974) (2 of 2))

3. He clearly understood me, but at no time reacted either positively or negatively to my clearly implied suggestion that we were not happy with present Communist representation in his government. He simply reacted immediately to the offer of help and said that the following two matters were of the utmost importance and urgency:

A) [*less than 1 line not declassified*] He said that I undoubtedly knew that DGS completely disbanded and nothing as yet had been formed to take its place. I said I knew something about it and understood that members of my staff had had conversations with Galvao de Melo on the subject, as I assumed he knew. He indicated that he did and said that all contacts on this subject were to be solely with himself or Galvao de Melo—no one else in his government. I asked if it would be desirable for DCM to pursue the matter with Galvao de Melo. He said it was not only desirable but preferable since he was already getting nervous about my being seen so often at Belem Palace.

B) Second equally urgent requirement is tanks to arm cavalry in Metropolitan Portugal. At this point his French broke down pretty badly. I gathered that this subject had been taken up in a general way with the Pentagon, but when I pressed him as to whether or not the Pentagon knew his detailed requirements, he said they did not. He said if USG were disposed to give this kind of help, which he thought could be given as part of building up Portugal's NATO forces, we would immediately be given the specifics. I again asked if DCM could and should discuss this further with Galvao de Melo and he said by all means.

4. He expressed great gratitude for Secretary's message and appreciation of my part in acting as messenger, but obviously wanted no further discussion at this time.

5. Comment: It is clear to me that Spínola would dearly like to move against Communist participation in government and indeed he attempted to do so during recent cabinet crisis with the result that the Communist Labor Minister was replaced by an army officer. However military here, especially the army, is the ultimate power center. Military is controlled by the young officers of the Armed Forces Movement. In part, the genesis of the movement is due to professional military concerns, such as need for respectable modern army in Portugal capable of fulfilling NATO requirements. Spínola in order to keep the movement officers on his side in preparation for a show-down with the Communists needs to be able to respond concretely to the military's desire for a role that will be both satisfying professionally and will allow the army to hold its head up again in Europe. I feel it would be of great political assistance to Spínola and also enhance US influence with military if we could respond quickly and positively to Spínola's request for armor. A NATO requirement for an armored brigade already exists and would

provide the natural framework to respond to Spínola's request. End comment.

6. I will be leaving Lisbon Monday, ETA New York 1325 hours (telephone NY 288–4952) and plan to be in Washington Thursday and Friday but can be available earlier if needed. Alan Lukens is arranging for me to go to Langley. In view your suggestion, assume I should see Colby.

7. Guidance to DCM requested re pursuing these subjects further with Galvao de Melo.

Scott. Unquote.

Ingersoll

135. National Security Study Memorandum 208¹

Washington, August 12, 1974.

TO

The Secretary of Defense
The Deputy Secretary of State
The Director of Central Intelligence

SUBJECT

Azores Base Agreement Negotiations

In response to NSSM 189, the NSC Under Secretaries Committee submitted a study on the US-Portuguese Azores base negotiations, under cover of the committee chairman's memorandum of March 21, 1974.

¹ Summary: The President directed a revision of the study prepared in response to NSSM 189, Azores Base Agreement Negotiations.

Source: Ford Library, National Security Adviser, National Security Decision Memoranda and National Security Study Memoranda, 1974–1977, Box 2, NSSM 208—Azores Base Agreement Negotiations. Secret. Copies were sent to the Chairman of the JCS and the Director of OMB. The study prepared in response to NSSM 189 is in National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-201, Study Memorandums, 1969–1974, NSSM–189. On August 2, Themido gave Hartman a letter from Soares to Kissinger requesting the resumption of the Azores negotiations. (Telegram 169643 to Lisbon, August 3; *ibid.*, RG 59, Central Foreign Policy Files, 1974, [no film number]) On August 5, Themido told McCloskey "that Portuguese government now suffering financially and that principal reason for reactivation of negotiations would be financial compensation that Portugal hopes USG can provide." (Telegram 170940 to Lisbon, August 6; *ibid.*)

The President has requested that the response to NSSM 189 be revised and updated to take into account:

- the change of government in Portugal;
- the change in Portugal's policy toward its African territories;
- the importance of the Azores facilities to the United States;
- Portugal's request that the negotiations begin as soon as possible with a view to conclusion by October;
- Portugal's request for Azores base compensation in the form of financial, economic and technical assistance, as well as Portugal's desire for military assistance; and
- the importance of Portugal to NATO and the West.

The supplementary response to NSSM 189 should include a recommended U.S. negotiating position, together with a review of Congressional considerations having a bearing on the Azores negotiations. The Chairman, NSC Under Secretaries Committee, is requested to forward the supplementary response no later than August 30, 1974, for consideration by the President.

Henry A. Kissinger

136. Memorandum Prepared for the 40 Committee¹

Washington, September 27, 1974.

SUBJECT

Plans for Political Operations in Portugal

1. *Summary*

This is a proposal for covert action designed to maintain a stable government in Portugal, which will permit continued U.S. use of the Azores Base, and honor Portugal's membership in NATO. It is a two-part program: an exploratory phase will be completed before December 31, 1974; the major implementation phase would begin in late

¹ Summary: The memorandum outlined a proposal for covert action in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; Eyes Only. A handwritten notation at the top of the memorandum reads, "Votes requested 9–30—JCS—OK 2 Oct, DOD—OK 8 Oct." No indication of how the other 40 Committee members voted was found, but the proposal was apparently approved by the 40 Committee.

1974 and be highly concentrated during the first three months of 1975, leading up to the March constituent assembly elections. These covert activities would be complementary to an overall U.S. Government program with the same basic objective. This program follows from General Walters' fact-finding trip to Portugal in August 1974. During this trip, General Walters discussed his observations with ranking Embassy officials, and, subsequently, with the Secretaries of State and Defense. If all the courses of action contemplated are necessary, it is estimated that this program will cost about [*dollar amount not declassified*]. There are early indications that the Soviets will fund the Communist campaign in Portugal. We estimate that the PCP will have massive funds available and that the campaigns for Communist candidates, under the PCP or other banners, will be highly sophisticated and well financed. A report of the projects initiated and further recommendations based on our assessment by the end of the exploratory phase (December 31, 1974), will be submitted to the 40 Committee. This report will also include a full plan for the March 1975 constituent assembly elections.

2. Proposal

A. During the coming three months of the exploratory phase of this program, the Agency will undertake traditional intelligence activities directed primarily against the four key elements of political power in Portugal—the Movement of the Armed Forces (MFA), the Government, the political parties and the labor sector.

[Omitted here are details of the exploratory stage of the program.]

D. *Implementation Stage*: If, as a result of our exploratory effort, we feel that a political action program is needed and would be effective, it could include the following types of activities:

(1) Assuming that a centrist coalition looks like the best prospect for ensuring the type government the U.S. Government would like to see in Portugal, support could be given to selected political candidates and/or parties. This might include financial assistance, and/or training of party organization staffs. This may be done directly or indirectly through Western European political parties [*1 line not declassified*].

(2) Encouragement and assistance could be given to those MFA officers who appear to favor a centrist government (either center right or center left) in Portugal, and attempt to influence these officers to work in concert with centrist political leaders or groups.

(3) [*less than 1 line not declassified*] to determine and monitor support to appropriate candidates or groups. [*2½ lines not declassified*] Clandestine capabilities also exist to give professional counsel to political parties and individuals on effective election organizations and campaigns.

(4) [*5 lines not declassified*]

E. To be effective, the above covert activities must be carried out in a broader U.S. Government program. This might include such overt ac-

tion as official invitations to visit the United States, extended to key Portuguese Government officials such as General Costa Gomes, and others, as well as prominent leaders or ranking officials of the major centrist political parties. Some of the above actions such as [*less than 1 line not declassified*] professional counsel on effective election organizations and campaigns and earlier funding starts to political parties and individuals, [*less than 1 line not declassified*] labor, [*less than 1 line not declassified*] may have to be implemented in part during the exploratory phase of this proposal. In view of the limited time available between December 31, 1974 and the March 1975 elections, and to save decision delays regarding the implementation of certain activities directly related to the March elections, policy approval is also requested for earlier funding starts if CIA assessment suggests they are likely to be productive. An after the fact report will be submitted to the 40 Committee giving details of such activities implemented earlier than December 31, 1974, along with a cost breakdown.

3. *Alternatives*

The U.S. can stay out of Portuguese politics and let the natural course of events take place. The action indicated in the implementation stage would be undertaken only if the assessment during the exploratory stage indicates that the Communist and/or others hostile to the U.S. Government are likely to dominate the next government. The possibility of encouraging right-wing elements either singly or in combination with like-minded military groups of individuals is not considered in this alternative since it is assumed that the U.S. Government does not favor a return to an authoritarian rule of the country at this time.

4. *Risks and Contingency Planning*

This proposal, as noted above, is designed to be complementary to a broader U.S. Government program with the objective of preventing a Communist take-over of the Portuguese Government. This proposal, therefore, should fit into the overt, public U.S. position. The fact that the U.S. would be openly throwing its weight against a Communist attempt to dominate the next government will generate some criticism; however, such criticism would be acceptable in terms of our objectives.

The covert activities described in this paper are designed to conceal U.S. official involvement, thereby minimizing risk of embarrassment to the U.S. and a friendly Portuguese Government. Covert activities will be implemented after we have developed the basis for a judgment by the end of the exploratory phase (December 31, 1974) on whether undertaking the risks of electoral operations is dictated by the situation.

5. Coordination

This proposal has been prepared at the specific request of the Department of State. It has been coordinated and approved, in general, by the Ambassador and the Deputy Chief of Mission in Lisbon.

6. Costs

It is estimated that the cost level of this proposal will be approximately [*dollar amount not declassified*] which will be funded by CIA. The exploratory phase may require some additional funds which would be spent by CIA under this policy approval if needed. Based on our assessment at the end of the exploratory phase (December 31, 1974) and depending on the feasibility and advisability of further involvement in an election operation, additional funds may also be needed during the implementation phase which will be conducted during the first three months of 1975, leading up to the March election. A report will be prepared by 31 December and sent to the 40 Committee covering the results of any activities initiated during the exploratory phase, along with full plans and recommendations for future activities and projected expenses for the March election.

A breakdown of these funds by general categories is as follows:

[*chart (10 lines) not declassified*]

7. Recommendation

It is recommended that the 40 Committee approve the proposal including the funding level.

137. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, undated.

SUBJECT

Assessment of Events in Portugal

President Spínola's resignation Monday morning was the culmination of a major test of political strength over the week-end that has been won by the left. General Costa Gomes, a long-time ally of Spínola, has been named as the new President. Costa Gomes can be classified in the same ideological terms as Spínola, but he probably is more patient about opposing points of view and therefore amenable to compromise. In any event, the Presidency may be shorn of many of its powers and the occupant of the office is in danger of being a decorative figure.

Real power in Portugal is in the hands of the Armed Forces Movement, a group of young, left-leaning officers who engineered the overthrow of the Caetano government last April. Its decisions will be administered by the provisional government headed by Premier Vasco dos Santos Gonçalves, 53. There are many uncertainties surrounding the composition of the Movement and what it stands for. It probably represents only a small percentage of the officer corps. It undoubtedly has within its ranks some communists, but it also has young officers genuinely determined to liberalize Portugal and get out of Africa. The latter appear to have predominant influence in the Movement.

Perhaps the most important lesson from the events of the weekend is the close coordination between the Movement and the Communist Party. Between them, their control of the situation was so complete that for all practical purposes the country was in their hands.

¹Summary: Kissinger discussed Spínola's September 30 resignation and its implications.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 10, Portugal (1). Secret. Sent for information. Scowcroft wrote at the top of the memorandum, "President has seen." In a September 30 memorandum to Ford, under cover of which he forwarded an apparently earlier assessment of the Portuguese situation, Kissinger commented, "Events in Portugal over the weekend seem clearly to demonstrate that the situation there is moving inexorably in a leftist direction, with the Communists and Left Socialists in a controlling position." Kissinger asserted that there was "every reason to believe that the moderate forces in Portugal have suffered a severe setback and that the position of extremist elements has been substantially enhanced. The Communists and Socialists appear to be the only organized political forces in Portugal. In sum, I consider the situation to be very grave." Ford initialed Kissinger's September 30 memorandum. (Ibid.)

Spínola had been in a contest for power with the Movement for several months. Their differences were seldom made public, although it was clear that the Movement was impatient with the gradual pace of decolonization favored by Spínola. The dispute also arose from domestic problems, with Spínola generally adopting more moderate solutions than the Movement advocated. The central issue, however, was authority—Spínola could not tolerate having his decisions monitored and the Movement was determined to insure that its program be followed to the letter.

A key question now is whether the right will counterattack. They are disorganized but well-financed. Meanwhile, the deteriorating economic situation may be the principal determinant of the course of events in Portugal. A continued serious downturn will foment popular unrest, particularly if the Gonçalves administration appears to be drifting away from the promise of free elections next spring.

There have been indications that some members of the Movement want to see a more neutral Portugal, less closely tied to the United States and NATO. However, while the domestic power struggle continues, Portugal's future position on such foreign policy issues is unclear. Thus far, there have been no indications of foreign policy changes coincident with Spínola's resignation.

This memorandum is forwarded for your information. I will advise you of significant developments as they occur.

138. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, October 16, 1974.

SUBJECT

Proposed Covert Action in Portugal

1. This is a proposal for direct covert action in Portugal.

2. In a paper presented to the 40 Committee a fortnight ago, we discussed our need for more intelligence on the leadership in Portugal, particularly the officers of the Armed Forces Movement (AFM). In this paper we also outlined our planning to influence the Portuguese constituent assembly election scheduled for March 1975. We are now implementing the first phase of this paper; that is, the collection of information on these subjects.

3. Spínola's departure from the Portuguese political scene has strengthened the position of the left-leaning officers in the AFM. While the Communist Party of Portugal (PCP) has made substantial progress since the 25 April coup, both organizationally and in the development of political support from the unorganized masses (not least by attempting to identify itself as the mouthpiece of the generally inarticulate AFM), current reporting suggests that the PCP's advances have not yet reached a point that would enable it to anticipate a national electoral victory, unless it is able to contest the election in a front which would include other leftist parties, most importantly the Socialist Party. To defeat PCP strategy, we need a stronger Socialist Party—one which has sufficient confidence to insist on its own independence and to conduct its electoral campaign separately from the PCP. Recent statements by Socialist leaders and the withdrawal of the Socialists from the Communist-dominated MPD front testify to Socialist Party willingness to follow this path—it is in our interests to support and reinforce this

¹ Summary: Colby discussed a proposed covert action program in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; [text not declassified] In an October 7 meeting with Ford, Kissinger said of Portugal: "I predicted this in April. We should have mounted a massive covert program—but in this environment it's impossible. I sent Walters and all we have done is spring [dollar amount not declassified] If we don't get in shape, in a year we will be in the same condition in Greece." Kissinger added, "It may be too late in Portugal." Ford asked, "Do we have people there?" Kissinger replied, "The Ambassador is a disaster. Portugal is probably down the drain. But I could get Walters in, tell him we want to do something massive in Portugal, [less than 1 line not declassified]" Ford asked, "Are they good there?" Kissinger responded affirmatively and Ford said, "Let's do it." (Memorandum of conversation, October 7; Ford Library, National Security Adviser, Memoranda of Conversation, Box 6)

policy. The development of a viable centrist party which would act in coalition with the Socialists to defeat the PCP would also be a significant contribution to avoiding the installation of a Communist controlled government in Portugal.

4. We have reporting which estimates the strength of the Communist element in the AFM to approximate ten percent of this elite group. The remaining officers are not politicized, which is also true of the military officer corps as a whole. They are, however, highly conscious of their responsibilities as the motor force of the coup, for the overthrow of Spínola, and their image to the Portuguese people as the guardians and guarantors of the restoration of democracy in Portugal. The development of two parties, a strong Socialist Party and the formation of an effective centrist party, capable of contesting Communist domination of the reformist left, would provide noncommitted AFM officers with an attractive alternative to acquiescent acceptance of the PCP.

5. [1 paragraph (34 lines) not declassified]

6. [3 lines not declassified] to give this party advice, guidance, and funding in the development of a political base which can successfully oppose the PCP. Although some means can be found to do this directly, using American channels, there is no need to delay until these channels can be found. We believe that we can begin funding [2 lines not declassified] almost immediately. It may be possible to accomplish this on a clandestine basis [2 lines not declassified] If you approve of this proposal, we will submit an immediate plan for the appropriate funding.

7. As you know the centrist and rightist groups in Portugal are badly divided and many factions exist. We propose to extend similar funding to a centrist grouping through a notional political organization. [4 lines not declassified] we will work on finding a specific centrist candidate to support. This candidate should receive the support of a number of noncommitted political personalities in Portugal, the wealthy, and the technocrats within the Portuguese government.

8. If you approve these initiatives we will move ahead.

W. E. Colby
Director

139. Memorandum of Conversation¹

Washington, October 18, 1974, 9 a.m.

PARTICIPANTS

President Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

[Omitted here is discussion unrelated to Portugal.]

On Portugal, the situation we may face is a Kerensky-type situation.

The President: Have we invited Vanick?

Scowcroft: Yes.

Kissinger: The Communists are the only well-organized party. They learned from Chile to move fast so we don't have time to interfere. The Portuguese military is not typically rightist; there is much leftist influence. Soares is weak and Goncalves is probably a Communist.

We don't know just what to do, and in this atmosphere I was afraid anyway to take strong action. In Greece, the Karamanlis party is splitting and we probably will end up with a weak coalition.

The President: Can we do something through the 40 Committee?

Kissinger: Maybe.

Costa Gomez will ask for help. Under Spínola I was on the verge of asking for a program like the Greek-Turkish aid. Now it is so touchy, we could give him a package, or tell him we are willing to ask for a program but only if he stops the slide. That may leak and get out. But if you give him something now, they can say, "Yes. See, we can do whatever

¹ Summary: Ford and Kissinger discussed the situation in Portugal, Europe, and Ford's upcoming meeting with Costa Gomes.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 6. Secret; Nodis. All brackets are in the original except those indicating text that remains classified, or omitted by the editors. The meeting took place in the Oval Office. Kissinger and Ford met from 9:08 to 10:32 a.m.; Scowcroft joined them at 9:15 a.m. Rumsfeld entered the meeting at 10:00 a.m., followed by Javits, Jackson, and Vanik at 10:02 a.m. (Ibid., White House Central Files, President's Daily Diary) On September 20, Soares told Kissinger that Portugal needed U.S. economic aid "to counteract Sov[iet] bloc influence and tendency among military officers to be attracted by Nasser-style or Peruvian-type regimes." Kissinger said that he would seek Ford's approval of an "exceptional program for Portugal, such as put forth for Greece and Turkey in 1947." (Telegram 208886 to Lisbon, September 22; *ibid.*, Presidential Country Files for Europe and Canada, Box 11, Portugal—State Dept Tels From SECSTATE—EXDIS)

you wish and the United States will still go along.” Also the effect on Italy. We told them no Communists in the government. If we go along, we will undercut the moderate Italians.

[Phone call from Senator Javits.]

Kissinger: You should tell Jackson not to go out and say this shows this is the way to negotiate with the Soviet Union.

The President: I agree. I will give Javits a pat on the back. In talking with Gurney.

Kissinger: I would say we have a traditional friendship with Portugal. We want to help, but only if they don’t slide.

The President: What do they get?

Scowcroft: \$30 million.

The President: What can we give?

Kissinger: Technical assistance, and ask for an emergency aid package of \$30–50 million, or a PL 480 increase.

The President: Is the economy in bad shape?

Kissinger: Yes. Their economy was geared to the colonies. You could also say you would encourage a consortium for aid.

The President: The Azores?

Kissinger: They are up now. You could say negotiating is a measure of their good faith, but that is dangerous. The Communists may want to prove they are responsible and can even be in NATO.

The President: How seriously do Great Britain, the Germans and others take this?

Kissinger: You have to operate on the assumption that Great Britain is through. Soares is typical of the type who has brought disaster in Europe—well meaning, nice, ineffectual. He has arranged a visit with Brandt—but they don’t have the balls for a fight. The Germans are the only ones—you need a talk with Schmidt. Walters says France is Portugal five years away. He says Giscard is a playboy and not interested in security. He is profligate and is not ultimately a serious man. This won’t show up for a couple of years. Walters says the only hope is that you put the fear of God in Giscard. But he is interested only in economics. He’s a nice guy, but he just doesn’t think creatively about politics.

The President: What is the alternative to him?

Kissinger: None at all. On his right are the wild Gaullists. On the left is Mitterand.

The President: Europe is in a helluva mess.

Kissinger: Schmidt is the only stable leader left. He is aggressive, nationalistic. He’s a socialist by accident.

The President: Economically, he is a hard liner?

Kissinger: Yes. Pompidou would have worked with us in Portugal. We must see whether the Germans will cooperate. You could stress to Costa Gomez that we hope the elections will take place. There is a possibility that the Communists may move even earlier.

The President: Are the Socialists helping? Spanish?

Kissinger: Not directly, but through France. The Spanish are willing but are not too good at this.

You might have Walters try to organize [*less than 1 line not declassified*] a covert program. [*less than 1 line not declassified*] We didn't do anything [*less than 1 line not declassified*]*—*we gave them no money or anything else. Helms was a good Director. Schlesinger was too brutal and was producing a rebellion; Colby is too mild—he's a bureaucrat.

The President: Could we replace him? Is there anyone else out there?

Kissinger: No. You can live with Colby. He won't do any harm. Our Portuguese Embassy is a disaster. Scott just got there. He was Legal Adviser just before I came to State, and I wanted someone else. It would be unjust to remove him but we really have no choice.

Frank Carlucci would be great.

The President: I was thinking of him for OMB. But if we need him there, let's do it. We can get someone else for OMB.

Kissinger: Okay, I will talk to him then.

The President: Let's go ahead.

[Omitted here is discussion unrelated to Portugal.]

140. Memorandum of Conversation¹

Washington, October 18, 1974, 12:00–1:00 p.m.

PARTICIPANTS

Francisco da Costa Gomes, President of Portugal
Foreign Minister Mario Soares
Ambassador Joao Hall Themido

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

Kissinger: The Foreign Minister is a great orator.

President Ford: I understand he is a very successful lawyer. I am very happy to have you here. I understand this is the first visit of a Portuguese President to the United States.

Costa Gomes: It is a great pleasure to be here, especially at a time when the atmosphere should be clarified.

[The press is admitted briefly for photographs and then dismissed.]

President Ford: As I said, we are delighted to have you. I am interested in any thoughts and observations you can give us about your country.

Costa Gomes: I am very glad to be here to discuss with you. This is indeed a signal opportunity. I am a special admirer of the United States, having spent two years in Norfolk. I would be glad to be able to clarify the situation in my country since the press often did not report events in my country with accuracy.

President Ford: Please do.

Costa Gomes: There has been a profound and sudden transformation from a dictator to full freedom regained. We have not been able to

¹ Summary: Ford, Kissinger, and Costa Gomes discussed the situation in Portugal.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 6. Secret; Nodis. All brackets are in the original. The meeting took place in the Oval Office. Costa Gomes made a private visit to Washington on October 18. During their October 18 lunch, Kissinger warned Costa Gomes about the danger of Communist ascendancy in Portugal and suggested "that if non-Communist government results from elections, we will make efforts, within Congressional limitations, to support it." Kissinger and Costa Gomes agreed that U.S. and Portuguese experts would discuss Portugal's economic and technical needs. (Telegram 233020 to Lisbon, October 23; *ibid.*, Presidential Country Files for Europe and Canada, Box 11, Portugal—State Dept Tels From SECSTATE—NODIS (1))

avoid all kinds of disruption, but I am pleased to say we have managed to avoid violence.

Many of the limits which should have been in place to handle continuity of rule—the laws, the framework for exchange—many were lacking. Nevertheless, all the various groups in the country have been granted full freedom and have enjoyed that freedom. There were even some attempts by reactionary forces to restore the situation before 24 April, and the first attempt corresponded to the first provisional government.

As you may know, in Portugal there is a fear of the powerful influence of the Communist Party, which is the only party which emerged from the revolution with a structure which makes it a going concern as a party. It is only one member of the government, but the only one organized. It was this fear which was played on by the forces of reaction in their attempts to restore the previous regime. The events of the 28th of September represent a reaction on the part of the right-wing parties to make a demonstration of their power.

In the midst of these events, Spínola exercised enormous influence because he brought to bear the Silent Majority. I have been a personal friend of Spínola for 50 years. I have the greatest esteem for him as a person and a military man. But I never conversed with him about the political situation in the country. On 28 September I made a last attempt to persuade Spínola not to resign by persuading him that the situation in the country was different from that represented in his speech. It is my testimony that the transition from Spínola to my government has taken place without disturbance and that the present government is more stable. Soares will back me on this.

After September 28, the entire press, including the American press, seemed to think the entire government was swinging to the left. I assure you that the present provisional government, the President, the armed forces, stand ready to carry out the programs outlined by the military forces to have a neutral, middle of the road policy, one which will bring a full democracy with freedom for all guaranteed.

Any one who knows the Portuguese people knows they are very anti-Communist in sentiment. This doesn't mean the Communist Party is not without strength, without organization, and doesn't exercise a great deal of control in industrialized sections, especially around Lisbon and Oporto. But an overwhelming part of the population is to the north of the river where the Communist influence is nil.

At the present time our major problems are decolonization—which is being vigorously prosecuted on the basis of commitment to the documents of the UN, and economic problems. Guinea-Bissau has become independent. Angola is our most difficult problem. The local parties are divided into three factions which cannot at this time seem to

get together. But we will try to get a provisional government in which all three parties will be represented.

As to the economic problem, as I see it, it is very serious in our country. If it is not solved it could lead to the extreme right or to the extreme left prevailing.

Secretary Kissinger is familiar with the problem we are facing and I think he agrees Portugal needs help from its friends not only for its internal economic problem but for Guinea-Bissau and Mozambique who are going to need a great deal of help in coping with their problems. While this is my personal view, if we can solve the economic problem, the political problem will be solved within the program set by the military, and we will be able to hold elections in March, in which all parties will be represented but in which the Communists will not have the strength many fear.

President Ford: Can all participate?

Costa Gomes: All parties are completely free to participate.

President: How many parties are there?

Costa Gomes: There are many parties, but the principal ones are the Communist, the Socialist, the Social Democrats, and another. The military leaders can participate only if they withdraw from the military. This is a contract of honor.

President Ford: We think it is important that you start these democratic processes. We think that is healthy and important.

Costa Gomes: It is also very important—indeed a point of honor—for these elections to go forward. The media have been stressing that we are moving to the left, but we are making a special effort to get the media to adopt a more balanced view and we are having some success.

Kissinger: We hear that the process is leading to domination of the media by the Communists.

Costa Gomes: We didn't introduce the Communist elements. They were already in place in the media, but we have moved against them, especially some of the more radical elements even to the left of the Communists.

President Ford: We think it is important for NATO to be strengthened, and we are very worried about Communist influence in any member country. We just couldn't tolerate Communism in NATO itself.

Costa Gomes: This fear you express is unjustified. I am very familiar with NATO—I have been with NATO since 1951.

Kissinger: All liaison with NATO has gone through the President's office.

Costa Gomes: So I am certain that there is no doubt about our devotion to NATO.

President Ford: I am glad to hear it. It is an important point with us.

Costa Gomes: Our contribution to NATO has not been effective over the past years because of our colonies, but when we complete decolonization, we will be able to do more if NATO will help us with equipment.

President Ford: We support decolonization and, speaking for the United States, we want to help, but the Congress and I will have to have assurance that Portugal is a part of the same team as it has been since 1951 and is not going off in a different direction toward a different alliance. Then we will be willing to help, at least to do our share.

Costa Gomes: I am at a loss to know what to say except to invite you to Portugal when you go to Europe so you can see the trends in our country as they really are, to quiet your press, which I consider unjustified.

President Ford: We had these reports which have concerned us so, and we are glad to have your report, and we are very much encouraged by your report.

Kissinger: I will be able to pursue this further at lunch.

Costa Gomes: I wish to express my gratitude for the opportunity to explain the situation in my country and express the friendship and esteem of the people of Portugal to the American people.

President Ford: The American people feel the same way toward the people of Portugal. When I go to Europe I will talk to Secretary Kissinger and we will see about a visit to Portugal.

141. Memorandum From the 40 Committee Executive Secretary (Ratliff) to the Deputy Secretary of Defense (Clements) and the Chairman of the Joint Chiefs of Staff (Brown)¹

Washington, November 22, 1974.

SUBJECT

40 Committee Proposal on Portugal

You approved a CIA 40 Committee proposal on Portugal last month. This paper did not reflect the recent change in government in Portugal, and State deferred action and asked for an update of the paper.

Attached is an updated version. Changes (other than those of an editorial nature) are bracketed in red. The first phase—largely intelligence collection which technically does not require 40 Committee approval—has been in progress. An addition to the earlier paper is the proposal to encourage moderate Western European parties to support Portuguese centrist parties. Also, because some European parties are already doing this [*less than 1 line not declassified*] in this revised paper a direct working relationship with [*less than 1 line not declassified*] has been dropped in favor of monitoring [*less than 1 line not declassified*] activities via contacts with the European parties which are in direct contact.

If the results of the first phase are favorable, and follow-on political actions are feasible and advisable, the implementation phase would begin to reach a climax in the first three months of 1975, prior to the scheduled March constituent assembly elections. Details will be submitted to the 40 Committee by the end of the year. The ultimate goal remains to minimize or neutralize a Communist role in any future Portuguese Government and ensure that the government is friendly to the U.S.

I will assume that your earlier affirmative vote stands, unless notified to the contrary.

Rob Roy Ratliff
Executive Secretary
The 40 Committee

¹ Summary: Ratliff forwarded, with comments, an updated proposal for covert action in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; Eyes Only. Attached but not published is a November 18 memorandum prepared for the 40 Committee outlining a covert action program for Portugal; it is an updated version of Document 136.

142. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, December 7, 1974.

SUBJECT

Proposed Covert Action in Portugal

1. I am attaching a report on the actions which the Agency has taken to carry out the exploratory phase of the program of covert action in Portugal we proposed for consideration by the 40 Committee on 27 September 1974. In the intervening two months, it has become increasingly apparent that the Armed Forces Movement (AFM) is, and apparently will remain, the key element with which the United States Government must come to terms if we are to have a relatively stable and productive relationship with Portugal. This assumption has two further implications for the program of covert action in Portugal which we proposed.

a. *The program will not be a one-shot deal but must be a continuing one.* The present proposed program foresees a period of highly concentrated activity during the first three months of 1975 leading up to the March constituent assembly elections. U.S. interest and efforts will be necessary for some time after that, however. The March elections will be an important benchmark, indicating if, and how much, the AFM will relinquish political control. We do not expect the AFM to wither away but to remain as the prime power factor exercising its influences either from behind the scenes or through some institution it is able to write into the constitution.

b. *The proposed covert action program will be effective in relation to the institutions which the AFM permits to carry out its program.* Our positive program concentrates on the centrist parties and works primarily through surrogate parties and institutions in Europe. It will have only a tangential effect on the AFM itself. The AFM is the proper target of a larger scale overt program to be carried out by the entire United States Government.

2. *We believe that a program which takes account of the professed democratic aims of the AFM is a good gamble at this time.* The AFM leadership is still shopping among ideologies and charting its course. We expect that as young men whose formative career experience has been that of fighting an unpopular colonial war they will find the Third World con-

¹ Summary: Colby forwarded a report on the exploratory phase of the covert action program in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; [text not declassified] Attached but not published is an undated 7-page paper on the "Status of Operations Proposed for 40 Committee Consideration."

cept attractive. They have little group experience with NATO and no individual memories of the conditions which made Portuguese membership relevant. *They have, however, shown no disposition to cast off Portugal's established relationships. They have shown sensitivity to U.S. opinions and actions. These factors are relevant to both the content and style of our U.S. program concerning Portugal. We believe that a sustained series of actions, geared to the sensitivities of these young officers, demonstrating U.S. interest and concern that they carry out their avowed program of guiding Portugal to democratic practices, would be useful in holding these men to the delivery of these goals.* These need not be massive programs. An aid package containing social projects of interest to the AFM, small military training groups sent to Portugal to train their counterparts in an active military exchange program, an information program geared to the young and the spirit of democratic revolution which the United States shares as a tradition, a generous reception of men like Major Alves should he visit the U.S., and encouragement of similar visits by his AFM colleagues, are illustrative of the types of activities that we feel the AFM would respond to constructively at this time. I have been encouraged to hear that activities such as some of these are currently under consideration.

3. *We will, meanwhile, consider it our primary responsibility to monitor the activities of the AFM to insure that continued U.S. official investment in its future is sound.*

W. E. Colby
Director

143. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, December 23, 1974.

SUBJECT

Assistance to Portugal

As a follow-up to your meetings with Portuguese President Costa Gomes in October, and as a result of the subsequent technical survey made of Portuguese economic requirements, Secretary Kissinger sent you the memorandum at Tab A which outlines the economic assistance that Embassy Lisbon has been instructed to offer to the Portuguese government.

Main elements of the plan are summarized as follows:

—The United States will guarantee up to \$20 million in private American loans for housing construction in Portugal.

—The United States will make technical experts available to the Portuguese government in the fields of agriculture, transportation, public administration, education and health.

—With Portuguese concurrence, we will increase the number of Portuguese brought to the United States for training in a variety of fields.

—We will provide Export-Import Bank credits to finance U.S. goods and services needed for Portuguese development projects.

—If Portuguese monetary reserves fall to a dangerously low level, and if international financial support were unavailable, the United States would consider means to remedy the situation. (Note: This might include a U.S. Treasury loan.)

The Foreign Aid Authorization contains both grant and credit aid for Portugal (\$25 million in credit and \$2.5 million in grants for this fiscal year.) These funds will permit a specific demonstration of our interest in Portugal. Details of the program would be tailored to Portuguese requirements.

This memorandum is forwarded for your information. The Portuguese have not yet reacted to these proposals, and no action is required

¹Summary: Scowcroft summarized a memorandum from Kissinger concerning economic assistance to Portugal.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 10, Portugal (3). Confidential. Sent for information. Attached but not published is Tab A, a December 10 memorandum from Kissinger to Ford on assistance to Portugal. Ford initialed Scowcroft's memorandum.

on your part at this time. The scope of this program is relatively modest and can be supported from current U.S. resources. However, the swiftness of our response should underline the sincerity of our interest and of our efforts to be of assistance.

144. Memorandum for the Record¹

Washington, February 4, 1975.

SUBJECT

40 Committee Meeting, Saturday, 1 February 1975, 10:30 AM

MEMBERS PRESENT

Assistant to the President for National Security Affairs Henry A. Kissinger
Deputy Secretary of Defense William P. Clements, Jr.
Under Secretary of State for Political Affairs Joseph Sisco
Chairman of the Joint Chiefs General George Brown
Director of Central Intelligence William Colby

ALSO PRESENT

Lt. General John W. Pauly
William G. Hyland
[name not declassified]
Lt. General Brent Scowcroft

Dr. Kissinger opened the meeting by asking Mr. Colby in what order he wanted to discuss the agenda.

[Omitted here is discussion unrelated to Portugal.]

Portugal

Mr. Colby said that things were going badly in Portugal.

¹ Summary: The memorandum recorded a February 1 40 Committee meeting on Portugal.

Source: National Security Council Files, Ford Intelligence Files, 40 Committee Meetings, Minutes/Approvals, 1975 GRF. Secret; Sensitive. On January 20, Kissinger told Ford: "Portugal is going as predicted. Soares is massively incompetent. The fight now is over the unified labor law. If he leaves the government, the Communists will be the only organized force and either they will take over or the army will. We should have a covert action plan, but it could leak." Ford replied, "Let's do it if it leaks or not." (Memorandum of conversation, January 20; Ford Library, National Security Adviser, Memoranda of Conversation, Box 8) Three days later, Kissinger told Ford: "I am really worried. We are paralyzed. We have delayed a long time on Portugal. We should be infiltrating the AFM, even though our capacity may not be too great." (Memorandum of conversation, January 23; *ibid.*)

Dr. Kissinger said he was told by Callaghan (UK Foreign Secretary) that there might be a coup next week.

Mr. Colby said there were reports which had been circulated. One of the most disturbing items is that the General who controls the metropolitan troops is reportedly shifting to the Left.

Dr. Kissinger said that if Portugal goes Communist it will be one of the most disgraceful things in our national policy because we all saw it coming.

Mr. Colby said the Communists were not getting stronger in the countryside. There are four parties certified for the election.

Dr. Kissinger said there never would be an election.

Mr. Colby said he did not think there would be an election either, but there were things that could be done and that we had been working through foreign friends using their money.

Dr. Kissinger observed that was a great position for a great power.

Mr. Colby said that we could do things directly but that the risks were too great.

Mr. Hyland said the issue was just what we can do in the next few weeks. The Left is worried; the upcoming NATO military exercise worries them. They think it is something that the U.S. is plotting, although it was organized two years ago.

Mr. Clements asked if there was any truth in the report that the USSR was going to ask for port rights for its “fishing” fleet.

Mr. Hyland said this story was leaked by a Portuguese who came back from Moscow with instructions from the Soviets to do this. Our Ambassador said that the Government has denied the report.

[*name not declassified*] said this might be a logical follow-up of Portugal-USSR trade talks.

Dr. Kissinger said that we have not done anything because we had a shellshocked Embassy, a shellshocked intelligence community, and a shellshocked White House. Europeans do not have the firepower to put this together. The only thing that will work will be our telling the Rightists that we will back them. The Communists will drag Soares (Minister of Foreign Affairs) to the Left until he loses support and then they will kill him. The armed forces will conduct a coup but with Communist leadership.

Mr. Colby said we could try to forestall a Leftist coup by strengthening the Right-wing parties.

Dr. Kissinger said that the fact must be faced, if we were doing our duty (and he said he meant himself; no reflection on anyone in this room) we would have our assets ready for a coup. You can’t organize a coup in two weeks. What do you think, Bill (Hyland)?

Mr. Hyland said that he was encouraged by some of the strength in the military that appeared to be turning Right.

Mr. Colby said it was still Right at the bottom, but some of the top was drifting Left.

Dr. Kissinger said what they want to know is what the U.S. is doing.

[*name not declassified*] said that there were divisions in the AFM and that we could work on the Leftists in the AFM.

Dr. Kissinger said we would just be affecting the rate of the turnover.

Mr. Hyland said that might be true, but if we let it go there is going to be a Left turn.

Mr. Colby said we could combine the NATO exercise with a leak that a Communist coup was planned. If that is okay we'll leak it.

Dr. Kissinger said that he had no problem with that, just so it does not leak to the *Washington Post* first.

Mr. Colby said [*less than 1 line not declassified*] What our paper suggests is that you give us approval to act so long as we have the Ambassador's approval.

Dr. Kissinger said that he had been trying to get CIA to act since July, but how can you do this without telling the Congress?

Mr. Sisco referred to the Ambassador's cable and the fact that he wants a more detailed plan.

Dr. Kissinger said that the Ambassador is not going to testify, that when you start something like this you can never tell how it is going to come out.

Mr. Colby said he thought the Ambassador's position was stated in positive terms. He wants to control, and that is as it should be.

General Brown said that the one thing that struck him in the Ambassador's cable was his saying that covert action might be employed at a certain time—well, that time was now, we must move now.

Mr. Colby said [*less than 1 line not declassified*]

Mr. Hyland said that this is really a question of policy and covert action is only a part of it. We ought to roll out our big guns and declare that if the trend to the Left continues, then we will have to reevaluate our position vis-à-vis Portugal. Would we tolerate a NATO member that is Communist? The report about the Soviets wanting fishing port rights is an opening for us to go in and tell the Portuguese that we are worried.

[*name not declassified*] referred to a report that the Portuguese would let the U.S. use their largest airport.

Dr. Kissinger said that if the Communists take over they would let us use the largest airport, and we'd hail this as a great achievement and would go on and let Italy become Communist. That would be the smart thing for the Communists to do, to work with NATO, to be conciliatory.

Mr. Hyland said they might disavow the fishing port proposal, but declare that the NATO exercise should be called off, too, to balance things. They would take real power but not apparent power.

Dr. Kissinger said Callaghan told him that Soares wanted Callaghan to come visit so there would be a banquet with speeches, and this would be the only way that Soares could get his remarks into the press without censorship.

Mr. Hyland opined that this was crazy.

[*name not declassified*] said there was only one paper, *Expresso*, which could print about what it wanted; that all the others were tied by the Communist printers union.

Dr. Kissinger asked what we could do.

Mr. Colby said we could leak that there is a threat of a coup from the Left, and we could tell the Ambassador to get us a plan to do something.

Dr. Kissinger asked Mr. Sisco to tell the Ambassador to get us a plan.

Mr. Clements asked if Dr. Kissinger couldn't make a strong statement at a press conference.

Dr. Kissinger said it was better to do this with a cable. Tell the Ambassador to tell the Government that we object to the fishing port proposal and it would force us to reappraise our position. This proves my point; this meeting is supposed to be discussing covert action, but we always wind up calling on State to do something.

Mr. Colby said we needed policy approval to go ahead.

Dr. Kissinger asked Mr. Sisco to get a paper from the Ambassador and then we would have a meeting quickly. See if the Ambassador can get a paper to us by Tuesday (4 February). The President's position is that if we do what the Ambassador proposes without having the Congress buttoned up, we are in trouble. If we brief 11 members of the House Foreign Affairs Committee, there is no way that we can keep it secret. It would be too dangerous.

Mr. Sisco asked how Representative Morgan would resist appeals by members of his committee for information.

Dr. Kissinger said this is what we must work out. It is too dangerous to do anything until the President decides.

Mr. Colby said [*1 line not declassified*]

Dr. Kissinger said that we should have made an issue of this earlier. He noted that Mr. Colby had tried but that the White House had not really focused on it.

[Omitted here is discussion unrelated to Portugal.]

145. Memorandum From the 40 Committee Executive Secretary (Ratliff) to Secretary of State Kissinger¹

Washington, March 3, 1975.

SUBJECT

Covert Action Program for Portugal

Members of the 40 Committee were asked to vote telephonically on a covert action program for Portugal. They considered the following items:

Tab B: Ambassador Carlucci's contingency plan which calls for attempts to moderate the radical left elements of the Armed Forces Movement (AFM), and to stimulate the moderates to oppose the radicals. Specific objectives include:

- *AFM.* Covertly support Embassy efforts to convince the leadership of U.S. support; convince them to hold to the democratic path with elections as scheduled; and expose and denigrate its radical and leftist activists.
- *Portuguese Communist Party.* Expose its subversive activity.
- *Armed Forces Information.* Develop a modifying influence to bring it more under the control of AFM moderates.

¹ Summary: Ratliff discussed the status of the proposal for a covert action program in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; Sensitive; Outside the System. Sent for action. Attached but not published are Tabs A through F. Tab A is an undated and unsigned memorandum from Kissinger to Ford; Tab B is a February 4 CIA memorandum for Kissinger summarizing Carlucci's plan; Tab C is a February 15 memorandum from Colby to Kissinger; Tab D is telegram 1021 from Lisbon, February 24; Tab E is a February 28 memorandum from Colby to Kissinger; and Tab F is a March 4 memorandum from Sisco to the 40 Committee. A handwritten notation on Ratliff's memorandum reads, "OBE." On February 25, Kissinger told Ford: "What we are doing to ourselves—like Portugal. I don't dare do anything," Ford replied, "I think we should." Kissinger said, "Okay, let's vote the Portuguese program. I guess a half-hearted program is better than none." Ford responded, "Let's do it." (Memorandum of conversation, February 25; Ford Library, National Security Adviser, Memoranda of Conversation, Box 9)

The Ambassador envisages covert contacts with selected leaders, development of intelligence agents, possible support of a newspaper, and use of international labor groups. He urges working through third-country assets where possible, particularly of other European countries. His caveats underscore this point, and that any covert action program must be part of a broad over-all U.S. action plan.

Tab C: CIA's implementing annex to Ambassador Carlucci's plan which includes directing the attention of the rest of Europe to the scheduled 12 April elections. Specifically:

- Attempt to generate a program of moral, material and financial support for non-Communist parties from Western European counterparts.
- Arrange for prominent Portuguese and Europeans to transfer funds to moderate political leaders.
- Support moderate publications.
- Help moderate parties print election tracts outside Portugal if Communist-dominated printers continue to block printing inside Portugal.
- Stimulate visits by journalists.
- Attempt to influence international labor organizations to support moderates and try to break Communist control of Portugal's unions.

Tab D: Ambassador Carlucci's comments on CIA's implementing annex, which declare covert action would be most productive if centered on [5 lines not declassified]

He reports that Communists are "flooding the country" and "are obviously going all out." He recommends being "ready to move with a very deep cover program oriented toward [less than 1 line not declassified] if we determine need exists and funds will be used productively." He repeats his emphasis on working through European countries "with no hint of U.S. involvement."

Tab E: Director Colby endorses the program and recommends Presidential approval of up to [dollar amount not declassified] (and I informed other 40 Committee principals of this dollar figure so that they might consider it as part of their vote). He also reports that European parties have made \$655,000 and material support available to the PSP; [less than 1 line not declassified] has only hinted at the need for funds in talks with Department officials; that only [less than 1 line not declassified] has made a formal request for aid from the Department (asking for \$2 million). He also observes that we have only six weeks (counting this one) to take limited action before the scheduled 12 April election.

Deputy Secretary of Defense Clements and Chairman of the Joint Chiefs of Staff General Brown also approve the proposals including the funding level.

Tab F: Mr. Sisco, voting for State, says "No." State believes that the program will have marginal impact, carries high risk, and probably is not necessary. It will be small scale and spread over various projects; the chances of exposure are "abnormally high"—it is "inconceivable" that some Congressman won't leak information, and even if not immediately, our involvement would eventually be leaked by the House or Senate Select Committees, and a leak would be exploited by the Communists. State also believes that the Ambassador's caveat that our actions should be taken "with no hint of U.S. involvement" is a condition which probably makes the proposals "unworkable."

In short, State does not believe in accepting a high risk backlash in Portugal and in the Congress for little return. The real struggle is still within the AFM where State believes overt influence would be as effective as covert efforts. State also believes that this would be "the worst" test case to get Congressional approval and endorsement of the concept that covert action programs "are still legitimate." State advocates doing nothing so that we can disclaim any interference in the election results—which State says will be "quite favorable to the non-Communists."

In Summary: Three members of the 40 Committee approve; State does not.

Action:

If you wish to forward this proposal to the President for decision, at Tab A is a memorandum from you recommending his approval and his signature on the necessary finding to designate it as in the interest of our national security.

146. Memorandum of Conversation¹

Washington, March 5, 1975, 9:17–10:02 a.m.

PARTICIPANTS

The President

Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

[Omitted here is discussion unrelated to Portugal.]

Kissinger: [Omitted here is additional discussion unrelated to Portugal.]

On the 40 Committee on Portugal. State thinks it is a mistake, on the ground that the risk is out of proportion to gain. I don't see a hell of a lot to gain by [*dollar amount not declassified*]. We could wind up with the worst possible situation. Colby indicated he wouldn't spend it. What do you think, Brent?

Scowcroft: The advantage is the press is Communist-controlled and the press of the moderate party is asking for the money.

President: How can any one object to helping a democratic press?

Kissinger: That is what we did in Chile.

President: If it is defensible, why shouldn't we?

Kissinger: It will leak and hurt the parties.

President: That is a different case.

Kissinger: I would tell Colby to do what he can in the package without spending the money.

President: Should I talk to Church?

Kissinger: I would tell him the dangers are that our intelligence will be paralyzed; we have to protect sensitive data.

[Omitted here is discussion unrelated to Portugal.]

¹ Summary: Ford, Kissinger, and Scowcroft discussed the proposal for a covert action program in Portugal.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 9. Secret; Nodis. The meeting took place in the Oval Office.

147. Telegram 61177/Tosec 726 From the Department of State to the Consulate in Jerusalem¹

Washington, March 19, 1975, 0030Z.

Subject: Portugal: Contingencies and Recommended Courses of Action—Action Memorandum (S/S 750446) for the Secretary from Sonnenfeldt (Secto 317).

1. In reply to your request, Hartman, Hyland, Vest, Lord, Clift, and I have developed the following analysis of current situation in Portugal. We have emphasized possible U.S. courses of action in the short term to try to influence events there during the next few weeks. This assessment, which will obviously be ongoing effort, concludes by recommending that Carlucci go into Costa Gomes with a tougher line; that we begin senior-level consultations with key Allies on deteriorating situation in Portugal; that we encourage European socialists to counsel moderation in Lisbon; and we begin immediate consultations with key Congressional leaders. We also raise possibility of you discussing Portugal in your meeting with Gromyko.

I. Political situation

2. As a result of the inept, unsuccessful coup attempt of March 11, Portugal has moved sharply toward a leftist military dictatorship. The effect of the abortive attempt has been to:

—Disengage what had been the increasingly strong moderate brake on the Armed Forces Movement (AFM) leftists and to place serious, if not insurmountable, obstacles in the path of a resurgence by the moderate AFM majority;

—Strengthen AFM leadership elements, especially Prime Minister Goncalves and General Carvalho, who have a marked suspicion of the U.S.; a strong bias toward third world causes; and a pronounced leftist bent.

3. Leftist AFM leaders have moved rapidly to consolidate their position.

¹ Summary: The Department forwarded an action memorandum on Portugal to Kissinger.

Source: Ford Library, NSC Institutional Files (H-Files), Box 35, NSSM 221—U.S. Security Interests in the Azores (1). Secret; Immediate; Nodis. Drafted by Lukens, William Kelly in EUR/IB, Edward Streater and Vladimir Lehovitch in EUR/RPM, Herbert Hagerty in PM, Ray Caldwell and Robert Baraz in INR, and Anton DePorte in S/P; cleared by Hartman, Vest, Lord, Hyland, Clift, H, S/S, and S; and approved by Sonnenfeldt. On March 11, an attempted right-wing coup was quashed in Portugal. From March 8 to 23, Kissinger was shuttling among a number of countries in the Middle East discussing Egyptian-Israeli disengagement.

—They quickly grasped the opportunity to discredit moderate military and civilian leaders, whether or not involved in the attempt and some have been arrested.

—In a governmental reorganization that is still underway, they abolished a number of principal governmental institutions and created a new, apparently all-powerful, Superior Council of the Revolution (CSR).

4. The 24-member CSR, which is chaired by President Costa Gomes in his capacity as Armed Forces Chief of Staff, consists of:

- Portugal's 7 senior military officers;
- the 7 members of the AFM's Leftist Coordinating Committee;
- Goncalves and Carvalho;
- 8 newly-surfaced middle grade officers.

5. Consequently, the Council appears to have a decidedly leftist coloration, with moderate representation limited to Costa Gomes and a few other senior military men. The ability of Costa Gomes to revive and lead the moderates is open to serious question.

6. The CSR has reaffirmed the AFM's commitment to the holding of constituent assembly elections on April 12 but the results, while not irrelevant to future developments, will be less meaningful than was hoped because the AFM's leaders have made even clearer than before that they intend to run the country whatever the outcome.

7. Moreover, the political party scene is in disarray and the moderate parties have been intimidated.

—The important and potentially powerful center-right coalition of the Christian Democrats (PDC) and the Social Democratic Center (CDS) may well be banned by the AFM. These two parties, so important to the maintenance of any semblance of balance in Portuguese politics, are under severe attack from the left for alleged complicity in the coup attempt and the headquarters of both parties have been ransacked by mobs.

—If these two parties are banned, the center-left Popular Democrats (PPD) would remain the only permissible party to the right of the Socialists and would be subject to even more harassment than they have been in the past.

—The Socialists are alarmed and are trying to establish a *modus vivendi* with the Communists (PCP), although this reportedly will not include the presentation of a unified Communist-Socialist slate of candidates this attempt to paper over differences with the PCP is a basic reversal of Socialist policy. Up to now, the Socialists had tried to distance themselves from the Communists and to attack them on a broad spectrum of issues.

—The Communists and Communist-front Portuguese Democratic Movement (MDP) have taken particular satisfaction in the AFM's reaction to the coup attempt. They are certain to intensify their efforts to identify as closely as possible with the AFM and to convince its leadership that Communist cooperation is essential for the implementation of the AFM program.

8. Because of the widespread uncertainty that characterizes the political scene, it is impossible to predict how the election will turn out.

—By discrediting the center-right coalition, the AFM could ensure a very strong showing by the Popular Democrats.

—However, if the more conservative citizenry is intimidated and stays away from the polls, the result could be a stronger-than-expected showing by the Communists, who until the coup attempt had not been expected to gain more than 20 [percent] of the vote.

9. In any case, the holding of elections, if they are free, is clearly preferable to their cancellation and holds out the possibility that, over time, a civilian power center with a popular mandate could begin to have some impact on policy.

10. We see the current political situation developing in any one of three possible ways:

—The moderates will regain a meaningful policy input, successfully maintaining Portugal's present foreign policy orientation, but probably having to acquiesce in a strongly Socialist domestic policy.

—The AFM leftists will completely consolidate their position and establish a radical, nationalist, non-Communist, military regime, probably with Communist support, similar to those in Peru or Libya, with a tendency toward a nonaligned posture.

—Portugal, under increasing influence from the Communists, will move toward a Communist regime, oriented toward the Soviet bloc.

11. None of these can be excluded now, though the chances of the first have been reduced during the last week. Prospects for the second or third depend on relations between the dominant military group and the Communist Party and on relations between the PCP and the Soviet Union.

II. Economic Situation

12. The only specific economic policy statements to emerge thus far have been the announcements that Portugal's major banks and insurance companies have been nationalized. These moves, advocated for some time by the Communists, are radical departures from the recently approved economic program, which had been considered a victory for the moderates. They reflect the widespread hostility toward the Portuguese oligarchy, which controls the banks and related industries and is so closely identified with the Salazar-Caetano regime.

13. Current GOP policies are likely to exacerbate Portugal's existing economic troubles. The nationalization of the entire banking and insurance systems, the wholesale arrests of prominent business leaders and the exacerbation of existing production bottlenecks for Portugal's agricultural products and manufactures will accelerate the already evident deterioration of the economy. Tourist revenues will decline again as in 1974, unemployment may double from its current five percent level, and sure foreign investment is likely to withdraw. Most ominously, foreign exchange reserves (which dropped about one billion dollars in 1974) are likely to dwindle to the acute shortage level by the end of this year. In this contingency, Portugal could (1) ask the West for help, (2) ask other countries (the Arabs or the Soviets) for help in return for political concessions, or (3) take desperate measures, such as complete nationalization, moving domestically toward a controlled economy with accompanying political repression.

III. Portugal and NATO

14. A March 14 statement of AFM policy reaffirms Portugal's determination to comply with its international obligations and agreements. This is the same theme that the GOP has been sounding since Spínola's initial takeover, and is probably worth taking at face value for now, but there is no certainty that this will remain Portuguese policy. On the contrary, the likely radicalization of the regime points to alterations of Portugal's ties with NATO and with the US.

15. We cannot yet gauge how the Allies will react to developments in Portugal, but we suspect they will express serious concern privately but temporize when it comes to action. If we judge that pressure, criticism, or quarantine measures need to be applied, we will have to use strong persuasion with the major Allies, some of whom will argue that such measures might produce the worst possible result in Portugal. In any case, we should be prepared to emphasize to key Allies that our common approach to Portugal will be taken as reflecting the political developments the Allies are willing to accommodate elsewhere in NATO Europe.

16. We envisage two basic ways the Portuguese NATO relationship can evolve:

A) Portugal stays in NATO. It is possible that Lisbon will, despite internal radicalization, make every effort to remain on its best behavior in NATO, as one of its main links to the West. We cannot overlook the possibility, however, that a radical Portugal within NATO—whether it participates in NATO military activities or stays only in political functions—could pose unprecedented problems for the Alliance. There would be major security problems even if Portugal were quote quarantined unquote from military activities. There would also be the pros-

pect—if Portugal felt it advantageous—of its engaging in obstructionism in political consultations, or leaking Council discussions to its advantage.

Inside NATO, Portugal would have two alternatives:

17. Partial severance of ties with NATO. Portugal could emulate the French or Greek precedents of withdrawing from NATO military activities. Here, the US and the Allies would be under some pressure to react with the same basically tolerant approach with which they have so far treated the partial Greek withdrawal from NATO. A strong case could be made in NATO circles that, in light of Portugal's domestic politics, it should not be allowed to establish a partial membership in NATO, and should be treated more severely than Greece. But both the Greek case and internal Allied politics will weigh in the direction of treating Portugal the same way as Greece. We will face an uphill road if we want a tougher NATO stance.

18. Portugal remains in NATO and seeks no changes in its status. This case could pose serious difficulties. With the membership of a Communist minister in the Portuguese Government, NATO at US initiative, reacted by depriving Portugal of access to cosmic and nuclear-related NATO materials. With a more radical Portugal seeking to remain as a full member, NATO would probably react over time by seeking further sanitation of the Portuguese role. Lisbon might be excluded from an array of planning and intelligence activities. In any case, the Allies would be faced with the prospect of judging a member's participation in NATO activities by its internal politics. This would be a new and uncomfortable role for the Allies. It could divide them and subject the Alliance to criticism. Such a scenario might anger Lisbon and prompt it to obstructionism in NATO, or indeed induce it to withdraw wholly from the Alliance.

19. B) Withdrawal from NATO. While a year is required for denunciation of NATO membership to take effect, Portugal could in practical terms quickly sever its ties with NATO activities. By and large we would expect that a clean break would be taken as a fact by the other Allies. The damage to NATO military interests in mainland Portugal would be minimal. Lisbon is headquarters of the Iberian Command Atlantic (IBERLANT), a small NATO command that is probably of greater symbolic value to Portugal than of military value to NATO. Other NATO assets are relatively minor, but the psychological damage would be serious coming on top of developments in the Eastern Mediterranean. The major military implication to the Alliance would be with regard to contingency use of the Azores in support of NATO, both by the US and by other Allies, which is provided for in the US-Portuguese bilateral agreements on the Azores.

20. More generally, Portugal out of NATO would be freed from constraints which even a maverick's role in the Alliance would impose on Lisbon, and would be cut off from moderating influences which could be important over the long term.

21. Whether Portugal stays in NATO as a full or partial partner, we will face a major proliferation of informal subgroups, partial exclusions (as from the NPG), and general debilitation of NATO's military and political institutional integrity that began with the French withdrawal and has deepened in the last year as result of difficulties with Greece and Portugal. Under either of these cases, the Azores might remain available to us.

IV. The Spanish Connection

22. Continued instability in Portugal will insure that Spanish interest will remain at a high level, increasing the potential for tension between the two governments. However, we believe that the Spanish Government will, despite such concern, maintain its present policy of preserving correct relations with Portugal and avoiding actions which would appear to indicate Spanish intervention. The durability of this policy will depend in large part on the willingness and capability of the Portuguese leaderships to hold a similar line vis-à-vis Spain. One irritant in governmental relations has been criticism of Spanish policies in Portugal's media, including Spanish-language radio broadcasts.

23. Any Spanish involvement in activities aimed at Portugal could prove embarrassing to the U.S. and to other Allies, putting a strain on bilateral relations with either Lisbon or Madrid. In the case of overt Spanish military action against Portugal, additional problems would be raised by Article V of the North Atlantic Treaty, by which an attack against one is considered an attack against all. (We would not overemphasize this legal point, which has also been raised in connection with Greek-Turkish hostilities, but it would place an added strain on the NATO framework.)

24. It is possible that, if Portugal opts out of NATO or is in increasingly bad odor in Brussels, Spain will see an opportunity for attaining membership in the Alliance more easily than otherwise, on the grounds of filling Portugal's previous role. Spain asked the U.S. to support its candidacy for NATO membership in last week's round of bilateral negotiations. The other Allies, however, are likely to take an extremely cautious view on Spanish membership, even in a post-Franco situation. Moreover, they would have before them the example of turmoil in post-authoritarian Portugal.

25. If it appears that the U.S. will lose access to the Azores, Spain may also see its hand strengthened in its base negotiations with the U.S. On the other hand, Spanish concerns over a radical Iberian neighbor

will increase their desire to avoid complete isolation from the West, and, on balance will probably make Spain more willing to accept an agreement on our terms.

V. The Azores

26. Regardless of actions Portugal may take with regard to its role in NATO, we will need to focus on the different alternatives for the relationship of the Azores with regard to mainland Portugal most compatible with our interests, and with overall policy considerations. Despite comments by local parties in the Azores, there is little possibility of an independence movement there having any success. Any indications that the USG was encouraging such a movement would play directly into the hands of the military leaders of the Azores, who are young AFM officers who take their orders directly from Lisbon.

27. Therefore, whatever arrangements we make for the Azores, [less than 1 line not declassified] will have to be with the Lisbon regime. Our principal hope is that the left-wing leadership in Portugal will choose to leave the problem alone. So long as Portugal maintains its present attitude toward NATO membership, it is probably that our position at Lajes will not be affected. Once NATO relationships come into question, the future of the base will also be at stake, although the possibility that Portugal would remain in NATO and not wish to have a foreign base on its soil cannot be excluded.

28. The U.S. should analyze quickly the value of Lajes base and decide where any of its operations could be transferred, if so required. It should be borne in mind that even if the new leftist regime in Lisbon does not ask us to leave, relations on the local scene will be more difficult. Anti-American trends, increasingly exported from Lisbon, have begun to be felt.

VI. The Soviet Dimension

29. Portuguese relations with the USSR and other Eastern Bloc countries have intensified steadily over the past year. This trend is certain to continue, and is likely to accelerate somewhat, in the wake of the abortive coup attempt. Commercial, aviation, and maritime agreements have been signed and are being considered and the Soviets are seeking Portuguese permission to use ports in mainland Portugal and Madeira for supporting their Atlantic fishing fleet. The Portuguese have told us that they are considering agreeing to this proposal, but it is not clear whether this would exceed the support routinely provided to the Soviet trawlers in other West European ports.

30. The Soviet Union must look on the Portuguese situation with a mixture of caution and hope. They, like Communists everywhere, have been led by their reading of events in Chile to avoid adventurous bids for power unless they can be sure that the levers of power—the police,

the armed forces—are in safe hands. The situation in Portugal today must look promising from this point of view but not yet conclusively favorable to an outright Communist bid for power. Continued close collaboration with the dominant faction of the AFM is thus the indicated policy.

31. The Soviets are also, no doubt, sensitive to the international implications of a Communist or radical left takeover of a NATO Ally. On the one hand the prospect must seem very pleasing to them. On the other they cannot but be conscious of the high stakes for them—however much they may deny any connection with Portuguese affairs—vis-à-vis the U.S. Their policy of consolidating the status quo in Europe, about to be crowned in their view by conclusion of the CSCE, might receive a serious jolt if they seemed to be conniving at, or even benefitting from, the defection of a U.S. Ally from NATO. So their line will be developed with one eye on Portugal itself and the other on the U.S. or U.S.-Europe response.

32. Within Portugal the Communists have so far played a limited but effective role on the fringes of the struggle, attempting to influence the main actors—the military—as much as possible and to maximize the benefit or limit the damage from the ebb and flow of the conflict. Although PCP Secretary General Alvaro Cunhal is the most Stalinist Communist leader in Western Europe, he has maintained a relatively moderate posture since the April 25, 1974 coup. A very cautious man, particularly after his many years in prison and exile, Cunhal is probably uneasy about the speed with which leftist AFM officers are moving to overturn the social and economic order. Moreover, while he is certain to be gratified by the consolidation of leftist power within the AFM, the increasing power of these military officers may also be causing him some concern since it raises the possibility at least that they could view the PCP as expendable.

VII. Courses of Action in the Short Term

33. We recognize that the abortive coup attempt of 11 March has discredited the parties of the center-right and given the left the occasion for limiting the activities of centrist forces. It does not appear to us, however, that the die is cast in final. The actions we take, bilaterally and multilaterally, should be aimed, we believe, at strengthening those essentially moderate centrist forces so as to prevent their knuckling under to the rampant left. If this fails—and we cannot really be certain of this until after the 12 April poll, at the earliest—our objective should, at a minimum, be to limit the damage where possible while reconsidering the entire problem in the light of what type of regime seems to be emerging in Lisbon.

34. The U.S. has diverse levers on Portuguese developments:

- Diplomatic pressure;
- Further economic assistance to help the Portuguese deal with the growing problems their own policies are likely to create;
- Sanctions aimed to weaken further the Portuguese economy (best applied in concert with the major Western European Allies);
- Mobilizing international opinion against Portugal's abandonment of the path to democracy;
- Military aid and perhaps an enhanced role in NATO to strengthen the ties of the Portuguese military with the West;
- Curtailing Portugal's participation in NATO even if Lisbon wishes to maintain it.

35. However, because the abortive coup attempt has led to a serious weakening of moderate forces and a resulting lurch to the political left, its effect has been to further weaken our already limited ability to influence events in Portugal.

—We continue to have access to and some leverage on a constricted circle of conservative and moderate leaders, few if any of whom appear to have any substantial impact on policy.

—We continue to have limited access to, but even more uncertain leverage than before on, the leftist military men (Goncalves, Carvalho, etc.) who are now, more than ever, in control.

36. Nonetheless, we should act now to deal with the present situation and to lay the groundwork for future contingencies. Following are action recommendations:

—(A) That you send Amb. Carlucci the guidance that appears at the end of this message, expressing to Costa Gomes and others our mounting concern with developments and particularly with the prospect of Portuguese elections that exclude major elements of the center. This firmer line, while perhaps risking impairment of U.S. influence with Costa Gomes, is nevertheless required in order to avoid impression that U.S. condones developments or is indifferent to them.

—(B) Authorize Ambassador Bruce to begin high level discussions in NATO with the UK, FRG, and France, and perhaps also with Italy, Luns, and the PermRep Dean de Staercke. Before this, Hartman and I would call in respective Ambassadors and explain plan.

These consultations on Portugal would be aimed at:

—Discussing various alternatives and implications of the Portuguese role in NATO and ways of dealing with contingencies.

—Establishing a more or less common set of views by the major responsible Western powers, and developing ways that these could be conveyed to Portugal to have the greatest influence (using talking points from your message to Costa Gomes).

—Examining how the major Western powers could coordinate to meet Portugal's economic crisis, or assert leverage or suasion on Portugal through economic means.

—(C) Encourage European Socialist leaders, including the Swedes, to use their good offices to counsel moderation in Lisbon and warn of the consequences otherwise. We would also want to raise this with Brandt during his visit here March 27.

—(D) That you make clear to Soviets soon, perhaps to Gromyko when you meet him next week that they should refrain from meddling in Portugal. However tempting the opportunities for outside interference in this period of instability, Soviets should be reminded that such interference could raise serious questions about principles on which U.S.-Soviet relations are based.

—(E) Have the NSC initiate an urgent DOD study on the Azores, to include military alternatives.

—(F) Begin immediate consultations with key Congressional leaders to apprise them of the Portuguese situation, to stimulate public statements of concern, and to consider with them alternatives for U.S. policy in light of various contingencies.

—(G) Our public posture should express increasing concern about developments. Exact recommendations being sent Septel.

37. On the assumption that the drift to the left in Portugal is likely to continue whatever we do, Dept is addressing further possible courses of action, as follows:

(1) Economic sanctions (both unilateral steps by the U.S. and measures that might be taken with the Allies);

(2) Terminating Portugal's active role in NATO;

(3) Examining the implications for the U.S. of a situation in which no other options remain except a radical non-aligned outcome in Portugal or a pro-Soviet outcome, and steps we might take (with and without other countries) to encourage the former if we conclude that we prefer it;

(4) Prospective cooperation with Spain.

Attachment:

Cable to be sent from Secretary to Ambassador Carlucci in Lisbon. Secret/Nodis. For Ambassador from Secretary.

1. I am deeply concerned about the leftist consolidation of power in Portugal, the impression that a radical military dictatorship is being established, reports of Soviet overtures to the Portuguese and the affect of all of these developments upon the character of the NATO Alliance.

In view of these events, you should call urgently upon President Costa Gomes and then Prime Minister Goncalves making the following points and solicit their candid reactions:

—(A) We have noted Portugal's statement that international agreements and treaties will be honored, which of course includes NATO, but we are disturbed by strident, anti-Western, anti-U.S., and anti-NATO tone of statements by various individuals in GOP as well as media. We hope that these statements do not represent a weakening of the GOP's determination to honor its commitments or a growing tendency on the part of the GOP to engage in dangerous flirtations with the Soviet Union and its Allies which might run counter to NATO commitments.

—(B) In particular, we must take exception to any statement made alleging or insinuating that the United States Government was involved in any way in the abortive coup attempt last week or that the United States Government is intervening in the internal affairs of Portugal.

—(C) On the contrary since the April 25 revolution the U.S. has consistently demonstrated its support for the efforts of the Portuguese revolution to build new institutions of government, based on a free choice of the Portuguese people. In this connection, we note that the GOP intends to proceed with the Constituent Assembly elections planned for April 12. We hope that it is also the GOP's intention to allow the fullest possible participation in those elections by the previously qualified political parties.

—(D) Our economic assistance program has been a further tangible evidence of our support for the efforts of the people and Government of Portugal to build a stronger economy, as we promised during President Costa Gomes' visit to Washington last October.

—(E) How Portugal manages its own affairs is its business alone, but impression abroad is that events may be strengthening elements opposed to democratic evolution.

—(F) We note that GOP plans full protection of all foreigners and their property. In this connection, statements such as the one by General Carvalho about Ambassador Carlucci, even though subsequently retracted, only serve to alarm Portugal's friends and to leave impression, that GOP not doing everything possible to calm situation down.

—(G) I am personally following situation closely and look forward to Costa Gomes' private assessment of what this means for Portugal in the future.

—(H) FYI: You may draw on these points as appropriate in contacts at all other levels.

Ingersoll

148. Telegram 607/Secto 437 From the Consulate in Jerusalem to the Department of State¹

Jerusalem, March 21, 1975, 1516Z.

For Sonnenfeldt from Borg/Adams. Subj: Portugal: Contingencies and Recommended Courses of Action (S/S 750446). Ref: Tosec 726.

1. The Secretary approved the actions in your memorandum as follows keyed to the respective subsections of paragraph 36:

(A) That he send Amb. Carlucci the guidance that appears at the end of this message. Approved as revised in paragraph 2 of this cable.

(B) Authorize Ambassador Bruce to begin high level discussions in NATO with the UK, FRG, and France, and perhaps also with Italy, Luns, and the PermRep Dean de Staercke. Before this, Hartman and Sonnenfeldt would call on respective Ambassadors and explain plan. Approved.

(C) Encourage European Socialist leaders, including the Swedes, to use their good offices to counsel moderation in Lisbon and warn of the consequences otherwise. Also raise this with Brandt during his visit here March 27. Disapproved. He added, quote, until I know what you have in mind. End quote.

(D) Make clear to Soviets soon, perhaps to Gromyko next week that they should refrain from meddling in Portugal. Disapproved. He wrote, quote, will decide then, end quote.

(E) Have the NSC initiate an urgent NSC repeat NSC study on the Azores, to include military alternatives. Approved. He wrote, quote, political and military significance, end quote.

(F) Begin immediate consultations with key Congressional leaders to appraise them of the Portuguese situation and to consider with them alternatives for U.S. policy in light of various contingencies. Approved.

¹Summary: The Consulate reported Kissinger's decisions on the action memorandum on Portugal.

Source: Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 17, Portugal 1975 (4) WH. Secret; Immediate; Nodis. In a March 21 message to Schmidt, Ford said that he shared Schmidt's view that events in Portugal were a "top priority" for NATO action. (Ibid., Kissinger-Scowcroft West Wing Office Files, Box 35, West Germany (3)) On March 24, Kissinger told Ford: "I think Schmidt is wrong about telling a country how to compose its Cabinet. We are sending the Ambassadors in in a general sense." Ford said, "There are some encouraging signs. These four in the Revolutionary Council." Kissinger replied, "Soares had a rally today for 30,000. If we had mounted a campaign. . . ." [Ellipsis in original.] Ford asked, "Should we do it now?" Kissinger responded, "I would wait until the Cabinet thing sorts out, then if there is a chance, we should move." (Memorandum of conversation, March 24; *ibid.*, Memoranda of Conversation, Box 10)

He deleted repeat deleted phrase quote: to stimulate public statements of concern. Unquote.

He further wrote quote: on a restricted basis. Show me proposal unquote.

2. Revisions in the letter to Ambassador Carlucci follow:

A. First paragraph: Quote we are all deeply concerned . . . unquote as opening sentence should replace quote I am deeply concerned unquote.

B. Paragraph G. Delete entire paragraph.

Kissinger

149. Memorandum of Conversation¹

Washington, March 27, 1975, 11 a.m.

PARTICIPANTS

Willy Brandt, Former Chancellor of the Federal Republic of Germany
President Ford

Amb. Berndt von Staden, Federal Republic of Germany Ambassador to the
United States

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

SUBJECT

Portugal; Middle East; Turkey; CSCE; Southeast Asia

¹ Summary: Ford, Kissinger, and Brandt discussed Portugal.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1975. Secret; Nodis. The meeting took place in the Oval Office, and ended at 11:45 a.m. (Ford Library, White House Central Files, President's Daily Diary) Earlier that morning, Kissinger told Ford that Brandt "says the Portuguese need some money." Kissinger continued, "They would like \$100,000. The Europeans have set themselves two objectives: elections, and no Communist takeover. I think we could get both those and still lose the country—because they [the Communists] will rule through the AFM. What do we do if this kind of government wants to stay in NATO? What does this do to Italy? France? We probably have to attack Portugal whatever the outcome and drive them from NATO." (Memorandum of conversation, March 27; *ibid.*, National Security Adviser, Memoranda of Conversation, Box 10) On April 12, Ford approved covertly providing [*text not declassified*] (Memorandum from Kissinger to Ford, April 11; National Security Council Files, Ford Intelligence Files, Portugal—GRF)

President: It is delightful to have you here. I had a fine opportunity to get to know the Chancellor. We talked economics, the situation in Europe, broad topics. We had a good opportunity to talk substance and to get acquainted.

I know you are interested in Portugal. I would appreciate your observations.

Brandt: The last word I have is that the new government has been formed but they haven't gone as far as might have been feared. Soares, with whom we Socialists have ties, is still in the Cabinet, as Minister without portfolio, so he can be in the campaign. Also, the Minister of Interior stayed in his post—that is important to the elections. We shouldn't give up. The question is what kind of moral and material help we can give. We have done a little. The Dutch did some and the Swedes did. I plan to get a little group of officers together to try to make contacts.

President: Are the military in the grip of the Communists?

Brandt: Some are Communists, some are Social Revolutionaries. Like Peron. There are Cubans among them. The Soviet Union may not be playing so critical a role. They may be playing a more minor role.

Kissinger: But wouldn't it be even harder to manage if they had a rabid left dictatorship?

Brandt: It's difficult to say, but it may go like Finland. They had a difficult period but got the Communists out eventually.

President: What effect will the election have?

Brandt: The Socialists will be stronger than the Communists if they don't falsify the results. They plus the PDP will be much stronger. Soares says he will be tough and if he doesn't get represented proportionally, he will go underground. But the Revolutionary Council looks like it will continue to play a dominant role.

President: What will be the parliamentary role?

Brandt: Their main task will be to draft a Constitution. Then they will have elections for parliament.

President: I have read that Cunhal is very able.

Brandt: He seems to be able and may be relatively independent vis-à-vis the Soviet Union.

President: It would certainly complicate our situation in NATO.

Kissinger: The Portuguese representative will also get MBFR information when it goes to the NAC.

President: I appreciate Schmidt's phone call. We certainly are willing to work with you.

Brandt: I talked to the Latin Americans about this, and the Venezuelans and Mexicans were very interested. They were concerned

about the influence on Spain. Spain is very different from Portugal, but it could have an impact. We would like to see a gradual evolution in Spain and I can eventually see them in the European Community.

[Omitted here is discussion unrelated to Portugal.]

150. Memorandum From Denis Clift of the National Security Council Staff to Secretary of State Kissinger¹

Washington, April 3, 1975.

SUBJECT

The Azores—Possible Armed Uprisings

On March 26 we briefed a sensitive CIA report (at Tab B) that Portuguese exile groups in Spain have reactivated long-dormant plans to infiltrate the Azores and Madeira islands for the purpose of seizing control of the islands and declaring their independence from the mainland government. At the same time that the uprising takes place on the islands, the plan calls for a diversionary military action to be staged at some unspecified location in northern Portugal to occupy the immediate attention of the government and allow the rebels to consolidate their position on the islands. The CIA commented that the plans seem somewhat farfetched, and that the groups appeared to be making the same mistake as the sponsors of the abortive March 11 coup in Lisbon—counting on spontaneous support rather than organization for success.

¹Summary: Clift discussed the possibility of armed uprisings in the Azores.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 1, Azores. Secret; Sensitive. Sent for action. Attached but not published is Tab A, telegram 1878 from Lisbon, April 2; and Tab B, a March 24 intelligence information cable. A handwritten notation at the top of Clift's memorandum reads, "Noted by HAK." Clift sent Kissinger the draft NSSM under cover of a March 24 memorandum that is *ibid.*, NSC Institutional Files (H-Files), Box 35, NSSM 221—U.S. Security Interests in the Azores (1). In an April 17 memorandum to Kissinger, Hartman requested his guidance on U.S. policy towards Azorean independence. On April 21, Kissinger approved this option: "That we continue to maintain a posture of neutrality towards these Azorean groups, advising them in response to any approaches that they are acting entirely on their own and that we do not intend to become involved; and that we respond to press questions about our position by saying that the status of the Azores is strictly an internal Portuguese matter." (Library of Congress, Manuscript Division, Kissinger Papers, Box CL 206, Portugal, April–June 1975)

Meanwhile, members of Azorean independence/autonomy groups have been active in Washington in recent weeks seeking U.S. support for their programs.

With the cable at Tab A, Ambassador Carlucci has expressed his own concern over these reports concerning armed action in the Azores. He comments that the assumption by the plotters in Spain that they will be able to stimulate a popular uprising in mainland Portugal after securing a base in the Azores is a “pipedream,” adding that such a plan would receive little popular support in Portugal and that the government is in a strong position to resist coup attempts from the right, particularly since the abortive attempt of March 11. The Ambassador believes that a safe assumption is that the exile groups have been successfully penetrated by leftists and that the Portuguese Government is well aware of their activities. This judgement is supported by the American consul in the Azores. *Ambassador Carlucci adds that if the Portuguese find substance to support their already existing suspicions that the United States is backing right-wing dissident groups, our base rights could be in danger of immediate termination.*

I agree with Ambassador Carlucci’s assessment of the situation concerning dissident right-wing exile groups in Spain and plots relating to the Azores. Recent intelligence supports his view that the Lisbon regime has not turned a blind eye to political developments in the Azores. I concur with his proposed course of action, namely:

—That we inform the exile group in Spain that the U.S. will not only not support them but might even be obliged to assist the GOP by providing transport and supplies should they try anything in the Azores. A firm warning of this nature may be the only thing that will dissuade this group.

—That Embassy, [*less than 1 line not declassified*] be authorized to inform the GOP that we have information that an unidentified group of plotters in Spain is planning something in the Azores and that we have tried to pass word to them that we will actively oppose their efforts in the fashion described above.

—That through appropriate channels we inform MAPA that the United States Government is firmly opposed to any separatist activities on their part and that Ambassador Carlucci be authorized to let the GOP know that we have done so.

Ambassador Carlucci’s cable raises anew the issue of U.S. security interests in the Azores. I recommend that you review earlier staffing on the subject and approve the Azores base NSSM forwarded with NSC Log #1790, March 24, 1975.

Recommendation

That you approve the Azores NSSM forwarded with NSC Log #1790.

151. National Security Study Memorandum 221¹

Washington, April 8, 1975.

TO

The Secretary of Defense
The Deputy Secretary of State
The Director of Central Intelligence

SUBJECT

U.S. Security Interests in the Azores

The President has directed a priority review of U.S. security interests in the Azores. The study should identify:

—The political and military significance of U.S. base rights and facilities in the Azores in terms of their contributions to both U.S. and NATO security interests.

—U.S. policy and options under the range of possible conditions including: continuation of existing base arrangements, a Portuguese request for more limited U.S. access and use, a Portuguese demand for U.S. withdrawal from the Azores, or a U.S. decision to withdraw.

—Alternative arrangements, if required, for the transfer of essential Azores operations to other locations, including an examination of the military and political implications of such relocation, and the pros and cons associated with various relocation sites.

The study should take into account, as appropriate, the work already carried out in response to NSSMs 189, 196 and 208.

The President has directed that the study be undertaken by an *ad hoc* NSC interagency group comprising representatives of the addressees of this memorandum and a representative of the NSC staff and under the chairmanship of the representative of the Department of State. The study should be forwarded no later than April 14, 1975, for consideration by the Senior Review Group.

Henry A. Kissinger

¹ Summary: The President directed a priority review of U.S. security interests in the Azores.

Source: Ford Library, NSC Institutional Files (H-Files), Box 35, NSSM 221—U.S. Security Interests in the Azores (2). Secret; Exdis. A copy was sent to the Chairman of the JCS.

152. Telegram 2395 From the Embassy in Portugal to the Department of State¹

Lisbon, April 26, 1975, 1304Z.

Subj: Initial Assessment Portuguese elections: Two Cheers for Democracy. Ref: Lisbon 2328.

1. As of early Saturday morning about three quarters of the votes have been counted. By and large rural areas reported earliest, and some urban votes are still to come. They are not expected to alter the known results significantly.

2. In a massive, orderly turnout Portuguese voters opted for democratic socialism. First free elections in almost half a century saw Socialists (38 percent) and Popular Democrats (26 percent) score impressively. Socialist Party ran strongly in almost all sections of country. Socialist vote exceeded party's fondest hopes and party has now emerged as Portugal's dominate, civilian political force.

3. Communist Party ran third (13 percent), slightly under expectations. While they hardly invested much moral fervor in free elections, vote nonetheless will be disappointing to party which pulled out all stops to stimulate the faithful and made strong organizational efforts to bring them to the polling booth on election day. Communist party can draw some solace from fact that their vote, plus that of fellow-traveling parties (MDP, FSP, MES and other splinters), will go over 20 percent.

4. Conservatives CDS took fourth (7 percent), mostly in the north, a respectable showing in view of harassment to which party was subjected and fact that party hardly campaigned in many parts of country.

5. Fellow-traveling MDP/CDE was a distant fifth (4 percent), confirming criticism of party as lacking popular base. Poor showing will call into question party's right to remain in present, four-party coalition—along with Socialists, Popular Democrats and Communists.

6. Leftist splinter parties, headed by FSP and MES, divided rest of vote (about 5 percent). Blank and void ballots ran about 7 percent, a low figure in view of AFM campaign in favor of blank vote.

7. Two key questions now emerge from these elections results: What conclusions will the AFM and the ruling Revolutionary Council draw from this moderate victory; how far and in what manner will the

¹ Summary: The Embassy provided an initial assessment of the April 25 Portuguese elections.

Source: National Archives, RG 59, Central Foreign Policy Files, 1975, [no film number]. Limited Official Use; Immediate. Sent for information to Bonn, London, Madrid, Paris, the Mission to NATO, and USCINCEUR.

non-Communists winners press their victory. The immediate outlook in our view is for a period of cautious probing, as the Socialists and Popular Democrats test the military mood and seek to embolden military moderates through their popular mandate. Attitude of Soares' Socialist Party will be critical, since it will be under heavy pressure to maintain largely-fictitious "unity of the left" with Cunhal's PCP, in support of the AFM.

8. Which conclusions the AFM draws from the elections will probably turn out to be the single most decisive factor over the short term. The radical wing may be tempted to see a defeat for the AFM, with all that implies, in a result about three-fourths non-Communist. But if it chooses, the AFM can interpret the elections result as a victory, indeed a sweeping victory; all of the top parties have signed the AFM's "pact of understanding" on the new constitution and all of the major parties, except for the CDS, espouse some version of "socialism". Hence the missing third cheer—which represents the unknown AFM reaction.

Carlucci

153. Memorandum of Conversation¹

Bonn, May 20, 1975.

SUBJECT

Secretary's Comments on Meeting with Gromyko and on Portugal

PARTICIPANTS

FRG

Federal Minister of Foreign Affairs Hans-Dietrich Genscher
Dr. Walter Gehlhoff, State Secretary, FRG Foreign Ministry
Dr. Guenther van Well, Ministerialdirektor, FRG Foreign Ministry
Dr. Peter Hermes, Ministerialdirektor, FRG Foreign Ministry
Dr. Fredo Dannenbring, VLR I, FRG Foreign Ministry
Herr Ruediger von Pachelbel-Gehag, Head of Press Office, FRG Foreign Ministry
Dr. Klaus Kinkel, Ministerialdirigent, Head of Office of Federal Minister
Ambassador Berndt von Staden, FRG Ambassador to the US

US

The Secretary
Joseph J. Sisco, Under Secretary for Political Affairs
Helmut Sonnenfeldt, Counselor
Arthur A. Hartman, Assistant Secretary for European Affairs
Martin J. Hillenbrand, US Ambassador to the FRG
Robert Anderson, Special Assistant to the Secretary for Press Relations
Mr. David Anderson, EUR/CE Director
Mr. Peter W. Rodman, National Security Council

[Omitted here is discussion unrelated to Portugal.]

(After dinner discussion)

The Secretary: I would now like to turn to the situation in Portugal.

Genscher: We consider the situation decisive at present. The entire matter is open, and we are trying to bring about economic stability so as to help the moderates and counter the expansion of the Communists, which would lead to a fiasco. We hope to create the possibilities for a moderate government in that country.

¹ Summary: Kissinger, Genscher, and U.S. and West German officials discussed Portugal, as well as Spain and NATO.

Source: National Archives, RG 59, Central Foreign Policy Files, P820125–0430. Secret; Nodis. Drafted by David Anderson in EUR/CE on June 6; cleared by Hartman; and approved in S on October 29. The meeting took place in the Schloss Gymnich. Kissinger was in Bonn from May 20 to 21; while there, he also met with Antunes to discuss the situation in Portugal. (Memorandum of conversation, May 20; *ibid.*, Records of Secretary of State Henry Kissinger, Entry 5403, Box 11, NODIS Memcons May 1975, Folder 1) On May 15, as a result of an exchange of messages between Kissinger and Schmidt, Van Well met with Hartman, Sonnenfeldt, and Hyland for what Sonnenfeldt characterized as a “pretty grim” discussion on Portugal. (Memorandum from Sonnenfeldt to Kissinger, May 15; *ibid.*, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1975)

The Secretary: I will give you my personal viewpoint on the situation, on which we are not acting since we have no European support. Obviously, we cannot act without the Europeans. We therefore are conducting a parallel policy with you, with us two steps behind. Let me say to start out with that I don't share the analysis of most Europeans about Portugal. Even if they are right, the measures that they are taking or are prepared to take are not the right ones. The Europeans seem to believe that a straight Communist takeover would be the greatest danger to Europe. They celebrate when the Communists do not win. I do not agree with this view. The most dangerous development would be Portugal's change into a system somewhere between that of Yugoslavia and Algeria, that is, not a Communist take-over, but a leftist neutralist regime remaining within NATO. It is in this direction that I see the present Portuguese system developing. If this becomes the case, this will be the greatest danger for Europe. The pressures here in Western Europe would be very serious—toward anti-NATO, anti-power, and anti-Atlantic countries tending toward Finlandization, intentionally or not. It used to be that participation in NATO was out of the question for the leftists. This may no longer be the case. Portugal could set the example for Italy in remaining in NATO and becoming anti-US and neutralist and also, among other things, able to get more economic help. For let us be honest. If the Christian Democrats had taken over in Portugal last year, economic assistance to Portugal would not be nearly as great as it is now. We are drifting toward participation of Communists in European governments which are members of NATO, and toward creating an alliance that will become unrecognizable, a group of nations that will be anti-US and focused on a European security system. I therefore consider the situation extremely dangerous. Even a fifty percent vote for the Socialists in Portugal is meaningless if they cannot effectively use their power.

Even if the Europeans' basic analysis is right and there is still hope of parliamentary democracy in Portugal, where is it to come from? Where are the leaders? Who is Antunes? He stands somewhere between the Communists and the left wing of the Socialists, a left wing that is far to the left of your own SPD or the Italian Socialists. There is no party on the right or even in the middle in Portugal. I simply do not understand how our economic help and yours will produce moderation. I would be willing to help Portugal if we could get it out of NATO. Put it in the record that we have told you what is coming. We see a leftward movement in Europe and Portugal's providing a legitimization of it. The problem now is to get them out of NATO. If we could have this done, we would gladly give them assistance.

Genscher: But is it not a paradox that NATO could have a right-wing regime participating in it, such as the previous Greek junta, yet we can't have the leftist regime?

The Secretary: The situation with Portugal is not at all the same as that which involved the Greeks. Here you have a government saying that membership in NATO is a defense against an attack by the U.S. This is bound to have great consequences for the Alliance, and reducing the influence on the Communists will not serve to reduce our fears.

Hartman: It is possible that the whole situation may soon break apart if the Communists show that they are not willing to take the election results seriously.

Genscher: No. But things are not yet that far. The position will only be clarified in the next few months and during that time we will have to try to take the proper measures.

The Secretary: We have deprived ourselves in the United States of opportunities to act and there is no European support for any action, so there is not much for us to do.

Genscher: Can we agree that the really important developments will take place in the months to come? That is the question.

The Secretary: I am just not impressed by Soares. He is the classical sociological type of victim. He won't win. He will always be a day too late or make a speech in the wrong place. Our aid won't help Soares. You have said that the real decisions will be made in the next few months, but I ask: what sort of decisions? Existing parties will be suppressed. The Communists will win or some left-wing dictator who will follow the Communist line. This will not change things. What do we do then?

Genscher: I do not have the feeling that the tempo toward a Communist takeover is picking up.

The Secretary: I have recently been talking to the British and they have the same position as you on Portugal, but they are much harder on Spain.

Genscher: If we can live with a right wing regime like Spain, can't we live with a left wing one in Portugal?

The Secretary: There is no comparison. Spain is not part of NATO.

Genscher: You have made the analogy between Portugal and Italy. A few months ago we were saying that Italy was developing in a leftward direction. After a few months this stopped. Could not the same thing happen in Portugal?

The Secretary: I do not think so. If a Communist regime becomes established in Portugal, this will be taken as an example of United States impotence and will speed the drift toward neutralism in Europe. This is very depressing. I do not know what to do: we should not have let Spinola be defeated last year.

Genscher: The alliance is not in such bad shape although there are problems. The German contribution is strong and there are countries, even in Scandinavia, such as Sweden, which are useful to NATO interests.

The Secretary: I have little experience with Sweden, but I can say that developments in Italy and Greece are disturbing. I can see in Greece, for example, developments similar to Portugal where a combination of Papandreu and left wing military forces may combine, because of their dissatisfaction with the right and with the United States, and come to power. Next year France will be in a parliamentary election. Looking at trends, the only country I am not worried about is the FRG.

Gehlhoff: We too consider developments in Portugal dangerous but differ with you in that we do not consider the outcome decided. It is too easy to say that by putting \$50 million into Portugal, the Soviets can simply make Portugal Communist and get it out of NATO.

The Secretary: But this is not the problem. The problem is if Portugal stays in NATO. If it gets out, then we can make aid dependent on democratic evolution as we have done in Spain.

Gehlhoff: But we are starting from the assumption that if a democratic government can be established in Portugal, then we should keep it in NATO—and we still think there is a chance to get one.

Hartman: I think we will soon know.

The Secretary: I do not believe that aid is relevant to democratic evolution in Portugal under present circumstances. But we will continue to press ahead with the \$25 million that we have budgeted for this year and may possibly do something next year as well.

Gehlhoff: We are not supporting a Boumedienne-style government. We want a democratic country within the NATO. The situation is dangerous but not finally decided.

The Secretary: I don't understand how you can justify Portugal's being in NATO and not Spain.

Gehlhoff: I cannot fully explain that, Mr. Secretary. One of the things we have decided in order to try to help the moderates is to announce financial aid but not give the aid unless the moderates' position is strengthened.

The Secretary: We have tried the same thing. I forced an aid package for Portugal through our government when Costa Gomes was in Washington, so that he could announce something he had achieved there. I was willing to give Soares every chance but we now think things have gone too far.

Gehlhoff: I am not convinced that is the case.

The Secretary: The question is what do we do when that point is reached.

Sonnenfeldt: There is also the question of NATO. We have to be clear what latitude we can accept in the NATO context.

The Secretary: I can see Portugal staying in NATO possibly as a member of the group of 77. We simply don't know how long the Portuguese will stay. The problem is that if the orientation of Europe is not toward its own security but is based on the belief that there is no communist danger, that the Marxists are on the right track and the U.S. on the wrong one, then there are enough elements in Europe to make this the dominant trend.

Genscher: I think we have to wait four or five months to see how the situation develops.

The Secretary: Can we agree that a Boumedienne style of government in Portugal should not remain in NATO? We don't have to decide now but let us agree to watch the situation and, if it develops in that direction, then we agree that Portugal should not be in the Alliance. Is that agreed?

Genscher: I agree. Let us now raise the problem of Spain.

Van Well: We have some question about recent developments in the DPC in Brussels.

Sonnenfeldt: I think you are referring to our proposal to have a sentence on US-Spanish ties and their importance for NATO in the DPC communiqué.

Van Well: Your present formulation seems to us too difficult to get through the other Allies without controversy. We think that you could get a reference to the US-Spain base negotiations and the bases' importance to security in the Mediterranean accepted, however.

The Secretary: If you can propose that sort of compromise, we will support it. I will count on your delegation's proposing such a formulation and I will tell our delegation to support it.

154. Memorandum of Conversation¹

Brussels, May 29, 1975, 3:30–4:30 p.m.

SUBJECT

Meeting with Portuguese

PARTICIPANTS

Portugal

Prime Minister Goncalves

Admiral Rosa Continho

F. Magalhaes Cruz, Ministry of Foreign Affairs

S. Sacadura Cabral, Ministry of Foreign Affairs

Commander Duarte Lima, Chief of Cabinet of Admiral Continho

Y. Maltos Procuca, Prime Minister's Cabinet

U.S.

The President

Secretary of State Kissinger

Counselor Sonnenfeldt

Lieutenant General Scowcroft

Assistant Secretary for European Affairs Hartman

U.S. Interpreter

President: Mr. Prime Minister, I want you to know how encouraged we are by the change that has taken place from the former regime in Portugal. I would very much like to have from you your appraisal of the situation in Portugal and some indication as far as you are concerned about your feelings on NATO.

Goncalves: First of all in all frankness let me say that we are not a trojan horse in NATO. As we have publicly stated, we will stand by our commitments and abide by our obligations in NATO. We feel that this is particularly important and we do not pretend that there should be a change in the balance of power.

On the contrary, we believe that by maintaining the balance of forces, the situation can be improved. What we want is a national independent policy and we believe that such independence goes hand in hand with an improvement in relations but not if the balance of forces is changed. We recognize the geopolitical context in which we fit. We are Europeans but we also have special ties to our former African terri-

¹ Summary: Ford, Kissinger, and Goncalves discussed Portugal and its relationship to NATO.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 23, Classified External Memcons, May–December 1975, Folder 2. Secret; Nodis. The meeting took place in Ambassador Firestone's residence. Ford and Kissinger were in Brussels from May 28 to 31, where they attended a NATO meeting and met with NATO leaders.

tories. We feel that we can make a contribution by becoming a link between the developed countries and the less developed countries in Africa. But I wish to stress again, that we are here to show that we abide by our commitments and that we do not wish to weaken NATO. Our new democratic regime in Portugal in fact, gives NATO a better overall impression than it had with the old regime.

President: The United States has strongly supported NATO as an alliance of free governments working together. We have invested much in this healthy relationship. The alliance was created to resist communism. We do not agree with the form or operations of the previous government and we are encouraged by the growth of democracy in Portugal. We were greatly encouraged by the vote in the referendum and feel that it is a genuine expression of the will of your people—an expression of will that occurred for the first time in many years. This is most encouraging to us. We believe that the voice of the people should be reflected in your government and we hope that your government will be a good partner in NATO. We are concerned, however, that the vote does not seem to be reflected by some elements and that, therefore, the potential exists that some elements will not be as good a NATO partner.

Goncalves: Mr. President are you referring to the presence of communists in the government?

President: Yes, specifically and this bothers us in NATO which was formed to meet the challenges of communism. This does not mean that we do not appreciate the progress made in détente too. What concerns us is that communist influences in Portugal will be reflected in NATO itself.

Goncalves: But that does not happen. The process is very complicated and it would take me some time to explain fully but let me try in a few words. With regard to the Treaty and the secrecy involved, we are now in a period of transition. It has been accepted by all political parties in our country that political power is separate from military power. The President is a military man and he wears another hat as chief of the joint staff—therefore on all matters dealing with NATO and military affairs they are run through this system. Then there is the provisional government. It also happens that I am a military man but all military matters run outside the provisional government. There is a clean cut separation. On top of this structure there is the Council of the Revolution which is composed only of military men. The Chairman of the Council is also President of the Republic. There can be no confusion about this and there will be no interference in NATO. What I am stating is the policy of the Council of the Revolution and of the provisional government. The communists have never raised any problems about these arrangements. They support our maintaining our international

agreements and commitments. The Portuguese people and the coalition government have accepted these facts. We would not be able to stay in NATO if it were otherwise.

President: You can appreciate that we cannot tolerate a communist influence in NATO.

Goncalves: There will be no such influence. Those who know can tell you this. You must also take account of the fact that the Council of the Revolution is composed only of military men who have their own ethics. They will be concerned about the welfare of our commitments.

President: Are you saying that there are no communists in the Armed Forces and therefore you are a reliable member of NATO.

Goncalves: You can rely on the military entirely. Our enemies have brandished the communist scarecrow. Of course, there is a struggle among the political parties. But our majority does not permit this struggle to affect the operations of the military part of our government.

President: Are you saying that the Armed Forces Movement is free and clear of communist influence?

Goncalves: Yes, we have political positions that are divorced from any party.

Secretary: May I ask a question? The complexity of the system you describe is beyond anything I studied as a political scientist. Why are communists in the government? Why is there pressure to take communists into the cabinet if there are no communists in the Armed Forces Movement?

Goncalves: The Armed Forces Movement (AFM) is strongly non-partisan. The military when we started the AFM committed on their honor to carry out a national program which would be anti-fascist and it would improve the standard of living of the poor people. The military agreed that they would have no party affiliation and that there would be democratic forces organized to carry out the program. The Armed Forces Movement program has been accepted by all the parties allowed in the provisional government.

President: When do you expect the provisional government to become an elected government?

Goncalves: This present government is democratic. It's carrying out a campaign to fight on all fronts to improve the economy, education, etc. Experience shows that you cannot turn over our country to political parties without a transition—they need the AFM. So, the real situation is as follows: The Armed Forces Movement is established to carry out and assure change. Then there are the political parties and that is the reality of Portuguese life. We are now framing the next constitution.

President: Who controls the government and what is the timetable to move toward democracy?

Goncalves: I believe this has all been described in the press. You may have heard that there was a pact agreed between the AFM and the political parties before the elections. This pact provided that the new interim constitution would have a legislative assembly which would be freely elected and in addition it would be an assembly of the AFM. The salient feature of our system is that there will be a legislative assembly elected by the people in addition to the assembly of the Armed Forces Movement. Both assemblies embody our sovereignty.

President: But which body controls the government?

Goncalves: The Council of the Revolution which is chaired by the President and that will continue during a transition period of 3–5 years then we will need a new constitution, but that requires time.

Secretary: As Professor of Political Sciences, I don't believe I have ever heard of a system which is quite so complex.

Goncalves: It is not complex if you understand that there is a collegial relationship between the two assemblies and that they both report to the President.

Secretary: Who thought up this system? All of us have much admiration for its complex nature.

Goncalves: To understand it would take a while to explanation. It is necessary to devote time but this conversation should help to clear the air and make it easier to understand.

President: I must re-emphasize that there cannot be a strong NATO for the purpose which it was formed and have communists in it.

Goncalves: I have already explained our situation. These institutions meet our own domestic national policy needs. But we are committed to NATO and we stand by our agreements and treaties. We believe we are in a position to contribute to an improvement of world relations. We can help NATO to clear the international air globally. We believe it is necessary to stay in NATO even though we have a different political system. We like the Soviets and the United States to reach agreements. We think that the CSCE is good and that our aims are not inconsistent with these. Our domestic politics may be different.

President: You can do what you wish domestically and if the communists have no influence in NATO you will be a stronger partner.

Goncalves: The communists are carrying out the program of the AFM but we have the final say and we are aware of our own responsibilities.

155. Summary of a Paper for the 40 Committee¹

Washington, undated.

PORTUGAL

CIA recommends [*dollar amount not declassified*] for a covert action program to:

- Protect the gains made by moderates in 25 April elections;
- Strengthen and develop democratic institutions and organizations;
- Develop relationships with and support Portuguese leaders who will work within the democratic system;
- Influence the Armed Forces Movement toward democratic, pluralist decisions.

Where possible, *third countries* would be used.

There would be *six major targets*:

—*Political parties*—determine needs, offer help for basic organization, seminars in political organization.

—*AFM*—work through [*less than 1 line not declassified*] to host AFM officers for seminars promoting democratic solutions; use unilateral and liaison contacts to promote same goals.

—[*less than 1 line not declassified*]—work through European [*less than 1 line not declassified*] to channel aid [*less than 1 line not declassified*]

—*Leaders*—tailor programs to bring leaders into contact with outside world and increase their organizational skills.

—*Constituent Assembly*—subsidize travel of foreign journalists to cover proceedings; support visits by European Parliamentary Union and individual parties.

—*Labor and Farmers*—support free trade unions; promote farmers' cooperatives.

¹ Summary: The paper summarized a proposal for covert action in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret. This paper summarizes a July 12 memorandum to the 40 Committee on "Proposals for Political Operations in Portugal;" a note on the memorandum reads, "Approved by higher authority on 8 August 1975." (Ibid.) On August 8, Kissinger told the 40 Committee that the proposal was "a scattering of effort." Hyland asked, "What are we trying to do? Do we want to back Soares, Antunes, or what? Maybe we ought to go to Antunes and say we are going to back you to the hilt." Colby replied, "We want to help the moderates and let them work out their own relationships." Kissinger said, "This they will never do." Kissinger instructed Hartman to chair a working group to devise an action and strategy plan, commenting, "Art, we want action, not philosophy. We've got to do something. The President has been bugging me to do something." (Ibid., 40 Committee Meetings, Minutes/Approvals, 1975 GRF) No record of an August 8 discussion between Kissinger and Ford on Portugal was found. Under cover of an August 11 memorandum, Hartman forwarded to Kissinger an undated paper entitled, "Proposal for Further Covert Action in Portugal." (National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 15, Misc Docs, Tels, Etc., 1975)

CIA also proposes a *media campaign* to show the AFM that there is international disapproval of the elimination of democratic processes.

These covert efforts are designed to complement overt program of the U.S. and European governments.

[less than 1 line not declassified] so higher authority approval would be required. A Presidential Finding and notification of Congressional committees would also be necessary.

156. Telegram 4127 From the Embassy in Portugal to the Department of State¹

Lisbon, July 22, 1975, 1700Z.

Dept please pass USMission NATO. Subj: Foreign Minister on Current Political Crisis. Refs: (A) State 170880, (B) State 170871 Notal.

1. Pursuant instructions in ref A, I called on FonMin Melo Antunes at 12:30 hours July 22. Told him I had sensitive matter to discuss, and he might not wish to reply directly, particularly since we were in his office (which may well be tapped).

2. Told him I had no intention of interfering in internal affairs, but that my personal observation of recent deterioration in Portuguese situation led me to believe that it could eventually have a serious impact on NATO and US security network. As he was aware from his conversations at Brussels we were not interested in interfering with Portuguese march toward Socialism, whatever AFM might mean by that, but we were concerned about Communist infiltration in a country which is a member of a defensive anti-Communist alliance. I had therefore reported to Secretary Kissinger that, in my judgment, Portugal was in its most serious crisis since the revolution. The Secretary had replied asking me to make several points to Melo Antunes. These follow:

3. Both in my judgment and in the judgment of the Department now was the time to act. If moderates did act to reduce influence of

¹ Summary: Carlucci reported his July 22 meeting with Antunes.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 11, Portugal—State Dept Tels To SECSTATE—NODIS (2). Secret; Immediate; Nodis. On July 11, Soares and the Socialists withdrew from the government. In telegram 170880 to Lisbon, July 19, Kissinger asked Carlucci to tell Costa Gomes and other moderates “that they will have our support if they decide to act to reduce the influence of radical elements” and to make similar points to those made to Antunes. (Ibid., Portugal—State Dept Tels From SECSTATE—NODIS (1))

Communist elements they would have our support, there are ways that we could demonstrate this, such as economic assistance.

4. On the other side of the coin continued deterioration of Portuguese political situation in favor of radical elements will make it difficult for us to get support from public and Congress for further American assistance. I also told Melo Antunes in confidence that we had discussed Portuguese situation with Soviets based on changed tone in *Pravda* and *Izvestia* articles. Antunes seemed familiar with these articles. He also indicated his appreciation of problems with public and Congress.

5. After listening to me carefully Antunes, who is normally quite reserved in conversations with foreigners, asked if I would like a cup of coffee and proceeded speak his mind. He began by noting my familiarity with situation and "I therefore don't need to tell you what my position has been." (FYI Antunes and Canto e Castro have been the two leaders in the Revolutionary Council in the attempt to oust Vasco Gonçalves.) What I can tell you is that we have not given up. We recognize the importance of the crisis and intend to fight to the end.

6. The second point he said he wished to make was that the Communists were better equipped technically than the "moderates," (a phrase he said he used for "want of a better term"). By this he meant that the PCP's organizational structure and their discipline allowed them to take advantage of many of the military figures who did not fully understand the ramifications of the present situation.

7. The third point was that he, Melo Antunes, had made an effort even before becoming Foreign Minister to elicit greater tangible support from the Europeans. Despite leftward drift in Portugal he felt that European aid continued to be a valuable tool for the moderates. He lamented that aid from Europe and the U.S. had not come quickly enough. Now, he noted, Europe and the U.S. will have to invest more to save Portugal than they might have had they moved at an earlier date.

8. Melo Antunes said he agreed with me that situation was the most serious since the revolution. The next twenty days or so would determine whether Portugal becomes a Communist or pro-Communist dictatorship or whether it ops for a democratic system. He also agreed when I noted that the Communists don't even understand the concepts of democracy and individual liberty. He assured me that he and his colleagues "who are not inconsiderable in number" are prepared to fight hard for a pluralist democracy. The ramifications of the present struggle in Portugal were so great, he said, that they could even affect CSCE.

9. I told him about my indirect contacts with Costa Gomes through Ferreira Da Cunha and Caldas. Said I had warned Costa Gomes that if he did not act I personally thought his position was in danger. He did

not respond directly, except to suggest that the United States not take any overt action right now at the heat of the crisis. "Give us 20 days, no, a month, and you will know if we have succeeded," he said. If moderates do succeed the U.S. and its Allies should then be prepared to come in with very substantial economic assistance. The moderates will need it if they are to have a chance of saving Portugal from the Communists.

10. Comment: While some Portuguese moderate leaders are becoming discouraged, particularly over Costa Gomes indecisiveness, Melo Antunes obviously has a lot of fight left in him. He is well respected in AFM and moderate party circles both for his intellectual ability and his revolutionary credentials. He probably has as good a chance of ousting Vasco Goncalves as anybody, although that will not be an easy task.

11. Melo Antunes clearly appreciated our approach and the fact that we took him into our confidence.

Carlucci

157. Memorandum From the 40 Committee Executive Secretary (Ratliff) to Secretary of State Kissinger¹

Washington, July 30, 1975.

SUBJECT

40 Committee Proposal for Aid to Spinoia

I circulated the proposal to give Spinoia up to [*dollar amount not declassified*] covert financial support to the other 40 Committee principals, requesting a prompt vote.

Mr. Clements is out of town and will vote after his return Monday (Secretary Schlesinger declined to vote in his stead). Mr. Clements ap-

¹ Summary: Ratliff discussed the provision of assistance to Spinoia.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; Eyes Only; Outside the System. Sent for action. Kissinger initialed his approval of holding the proposal for a meeting. Scowcroft wrote "OBE" on the memorandum. A July 25 memorandum to the 40 Committee proposed giving [*dollar amount not declassified*] to help Spinoia "liberate" Portugal." (Ibid.) On May 5, Rodman sent Kissinger an action plan that Spinoia had given to U.S. officials "as a result of our indication of interest—in principle—in providing support." On July 19, Rodman sent Kissinger a revised plan from Spinoia, who said "[*less than 1 line not declassified*]" (Memoranda from Rodman to Kissinger, May 5 and July 19, and Memorandum from Scowcroft to Kissinger, undated; *ibid.*)

proved the CIA proposal on Portugal tabled at the last Committee meeting, so it would not be unreasonable to expect that he might approve the current proposal.

In Mr. Sisco's absence, Mr. Hyland reports that State is *opposed*. State would prefer discussion at a formal meeting since the proposal opens a new line of policy, but pressed to vote, it says "No." State believes that Spínola is discredited and lacks reasonable prospects of success. It cites a recent "very negative" assessment of Spínola made by Ambassador Carlucci with which the Department agrees, and believes that the Ambassador's views should be sought. Finally, State believes that any assistance must be considered in the framework of an overall program and not evaluated in isolation. State concludes that it is not opposed in principle to operations in Portugal, and would consider proposals oriented to other groups closer to the current scene and with better political chances.

General Brown *approves*.

Mr. Colby votes "No." He believes support should go to the centerist political parties in Portugal which have the mandate of the people through an election (as proposed in the CIA political program submitted at the last 40 Committee meeting). Noting the unresolved situation in Portugal, CIA believes there is a good chance the moderates will win the next step, unseating Gonçalves and forcing the Communist Party to assume an appropriate parliamentary role. Even if the moderates are not able to do this, they continue to represent a strong opposition which we and NATO countries could support. Spínola, on the other hand, is discredited and during tenure as president proved incompetent as a political leader and organizer. Mr. Colby notes that Spínola has participated in other schemes recently and that his security has been notoriously poor. He believes that any support we gave to Spínola would quickly become a public matter, if not because of poor security then because he would need publicity to gain supporters, and such publicity would be exploited by communists against the moderates as well as Spínola emigres.

In summary, State and CIA vote against the proposal; General Brown approves; Mr. Clements will vote Monday.

Decision

The proposal is

Approved

Disapproved

Held for meeting when I return

Other

158. Memorandum of Conversation¹

Washington, August 12, 1975.

SUBJECT

Portugal

PARTICIPANTS

Henry A. Kissinger, Secretary of State
Joseph J. Sisco, Under Secretary for Political Affairs
Frank C. Carlucci, Ambassador to Portugal
Arthur A. Hartman, Assistant Secretary of State for European Affairs
William G. Hyland, Director of Intelligence and Research
L. Bruce Laingen, Deputy Assistant Secretary of State for European Affairs
L. Paul Bremer, III, Special Assistant to the Secretary

Amb. Carlucci: Let me briefly review the situation as I see it. For the first time since I have been in Portugal, with perhaps one exception, moderate elements seem to be pulling themselves together, in both civilian and military circles. At the same time the communists have been overplaying their hand and there is evident irritation with them among some in the AFM and in the government.

Secretary: Is there a government now?

Amb. Carlucci: No, but what passes for one is becoming very unpopular. The church is increasingly active. Military moderates are resentful at being linked to the CP. The Antunes manifesto was well written. Its authors have impeccable revolutionary credentials who speak for a good deal of the military. But let's not forget that even these people are clearly leftists.

Secretary: Yes, and a good way to the left of most of the European socialists. So I am not going to draw any unmitigated comfort from this.

Amb. Carlucci: We have had contact with Antunes who says he does not intend to give up his fight. Soares is with him and has taken a courageous public stand of support. So there is a fighting chance for the moderates, although the communists have strong assets in the media, labor groups, and still some within the AFM. The communists are a dedicated and tough element.

Secretary: But what will the outcome be?

¹ Summary: Kissinger, Sisco, Carlucci, Hartman, and Hyland discussed Portugal.

Source: Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 17, Portugal 1975 (10) WH. Secret; Nodis. Drafted by Deputy Assistant Secretary of State for European Affairs Bruce Laingen.

Amb. Carlucci: Antunes' objective is to get enough signatures for his manifesto to be able to go to Costa Gomes and say: Vasco has got to go. I think it may work.

Secretary: But then what?

Amb. Carlucci: I see several possible scenarios. One could be with Antunes becoming Prime Minister. Another would be for Costa Gomes to serve as both President and Prime Minister with either Antunes or Crespo as Deputy Prime Minister. But the communists will not give up without a fight; there could be more terrorism and civil war is possible although I don't personally adhere to that view.

Amb. Carlucci: The biggest danger is from right wing reaction, particularly if the ELP in Spain or Spínola tries something. Spínola is totally discredited in Portugal, and if he tries something I can see a repetition of the events that followed the March 11 abortive coup.

Secretary: That depends on whether he succeeds or not.

Amb. Carlucci: Yes, I agree but his track record is very bad.

Secretary: Are you sure he was behind the coup in March?

Mr. Hartman: Whatever the facts, he certainly lent himself to something or was tricked into it by the communists.

Amb. Carlucci: I agree he may well have been tricked into taking the stand he did, but one cannot be sure.

Secretary: I am not so much against a coup as such, shocking as it may sound to some of my colleagues . . .

Amb. Carlucci: No, I am also not against a coup if it worked. But if Spínola tries, it won't work. Antunes can command a following; Spínola cannot. He is a very dangerous man in my view.

Secretary: Well, we are not doing anything right now with Spínola.

Amb. Carlucci: I hope not. I have seen one CIA report out of Latin America that indicated some kind of contact and gave me some concern.

Secretary: Is that true?

Mr. Hyland: Not that I know of.

Amb. Carlucci: The other potential danger point is the Azores.

Secretary: I agree; *[less than 1 line not declassified]*

Mr. Hartman: That point is covered in our paper.

Secretary: I haven't read your paper. I haven't read any paper. Where would this paper be at this particular point in time?

Mr. Hartman: I think it is on your desk. I have not yet given a copy to JCS; only to the CIA.

(The Secretary reads through the paper.)

Secretary: Well frankly I regard a \$1.3 million program as an amateurish operation. It just amounts to permitting everybody to cover his

ass and being able to say he did something. If you can set things right with this kind of program then I don't think I understand what revolutions are all about.

Amb. Carlucci: The main thing is our offer of economic assistance.

Secretary: You have already told them that.

Amb. Carlucci: Yes, but we need to reiterate this position. We have pretty good contact with them. We should not offer covert financial assistance to Antunes or to other military contacts. I think they would resent that. Such help should be offered to the parties instead, with the understanding that they will support moderate elements in the AFM.

Secretary: Yes, but why not come up with an effective program and we will get the money we need. I still regard this Forty Committee paper as an amateurish, high school kind of program.

Mr. Hartman: But the point is that Antunes has come to us with a reminder that Portugal will need large economic assistance if he is successful.

Secretary: I told you that that is all right.

Mr. Hartman: He may come to us for really big money in that area.

Secretary: Look, I want to get it in Carlucci's head that we want an aggressive political program. We will get it one way or another. We will get it either around you or with you.

Mr. Hartman: It is understood that Antunes will come back to us if he really wants assistance of that kind.

Secretary: What do you think, Bill?

Mr. Hyland: I am not so sure that dollars or a covert program will make that much difference now. It's hard to say.

Secretary: I think that's right. We may be beyond that point. But suppose they ask for weapons?

Amb. Carlucci: That's possible. But they have not done so yet.

Secretary: But it is important that they shouldn't be turned off from such a request.

Amb. Carlucci: I agree but I have been very careful in considering requests I have had in this area to date. They have clearly not represented either Soares or Antunes. If it is clear that the requests come from them, then that will be a different matter. But that hasn't happened yet. And I don't want to start giving arms to irresponsible elements.

Secretary: I agree; obviously they should be a responsible group. But I have read a report of at least one of your talks on this subject with someone who made contact with your Mission and it was not self-evident to me that this was not someone working for Soares.

Amb. Carlucci: I disagree; I clearly established to my satisfaction in that instance that he was not speaking for Soares. They may begin asking for weapons if this thing turns into civil war. Where they can use money covertly is in the political field.

Secretary: I am more interested in organizational support for the parties than in money as such.

Amb. Carlucci: I agree, and Soares has problems on that score.

Mr. Hartman: The problem is that the British tell us he hasn't even used effectively the organizational help already offered, including some from them.

Amb. Carlucci: The PPD also needs assistance.

Secretary: I agree with that.

Amb. Carlucci: This is also covered in our paper.

Secretary: Let me say again that you should not be constrained by money. Whatever it costs, let us know and we will find the money.

Amb. Carlucci: O.K. One other thing; the situation has now changed so that I think we can be involved directly in political support of this kind rather than working through third countries. We have the contacts in Portugal and we should benefit from direct contact.

Secretary: I would have to follow your judgment on that. I would feel more comfortable if it is done through you.

Amb. Carlucci: O.K. So I have the green light to offer [*less than 1 line not declassified*] whatever they need in this area. As for weapons, we will examine any request that looks legitimate.

Secretary: Yes, if in your judgment the requests come from responsible elements.

Amb. Carlucci: I have told my military people who are getting some approaches that I have got to know exactly for whom they speak and what they have in mind before we even consider such requests.

Secretary: Yes, but your people should also know that you are ready to run some risks.

Amb. Carlucci: Yes, there are risks in this program, given the unpredictability of men like Carvalho and others. The risks are substantial but we have reached the point now where I think these risks are worth taking.

I also understand we are ready to move on the economic front.

Secretary: O.K., you put together a program that we can put to Congress fast when we are ready to move with it.

Mr. Hartman: Yes. We should do this and think in large figures.

Secretary: How much?

Amb. Carlucci: It should be at least in the \$60–70 million range.

Secretary: If we get an acceptable government in Portugal, we can easily get \$60 million—especially if this is matched by the Europeans.

Amb. Carlucci: It should be more than matched by the Europeans. Antunes and Soares have both taken this line with me.

Secretary: I am not worried about Congress. I think we can get as much as \$75 million.

Amb. Carlucci: One other problem is the danger of an over-embrace on our part of the moderates. But that is my problem.

Secretary: I agree. There should be no approaches to anyone in this program except through you but I want it confirmed that we are not running a seminar here of theological students. Your Mission must know that. All of you must know that we are clearly in a revolutionary situation where there are no rewards for losing moderately. I can't tell you how to run this thing locally but the last thing I want is a coup attempt of the type the communists can exploit the way they did after March 11.

What happens if Antunes wins?

Amb. Carlucci: First, we will be rid of Vasco. Secondly, he will move to get rid of the commie-lining Fifth Division. Third, Antunes will do what he can to end the present communist control of 90% of the press.

Secretary: That's fine.

Amb. Carlucci: Let me make it clear however that we cannot assume there will be no communist ministers at all in the kind of coalition government that Antunes may put together.

Secretary: But let's make sure that the Embassy doesn't start pushing for such.

Mr. Hartman: Don't forget that these guys are compromisers, all of them.

Secretary: But doesn't that depend on what we tell them? Obviously we'd just as soon have all the communists out of the government.

Mr. Hartman: They should be.

Amb. Carlucci: But looking at the situation frankly, getting rid of the Fifth Division and a communist-controlled press will be more important in the short run than worrying about a communist as possible Minister of Transport.

Secretary: I agree but why can't we get both results?

Amb. Carlucci: The communists are a powerful force. Portuguese people are not fighters; they are instinctively compromisers. The communists are fighters. But as Costa Gomes says, the current violence in the North may have helped clarify the situation for a lot of people.

Secretary: By the way, who did that memo to me on Soares?

Mr. Hartman: We did.

Secretary: I appreciated it; it was a good memo.

Amb. Carlucci: Soares has guts. He was ready to come to my house on Saturday night. He said he would back Antunes 100%.

Secretary: Imagine—a government in which Antunes is the hope of the future! But he is better than Goncalves.

Mr. Sisco: At least we can understand what Antunes says. That is impossible with Goncalves.

Amb. Carlucci: They are all naive in their political and economic theories. But Antunes at least is leaning in the right direction.

Secretary: When are you going back?

Amb. Carlucci: I leave town tomorrow and expect to be back in Lisbon on Friday.

Mr. Hartman: We also want you to look at these talking points for use with Costa Gomes.

Secretary: I have read that paper. It's O.K.

I saw Costa Gomes in Helsinki. He looked sad enough to weep on my shoulder. But there was no time to arrange a talk.

Amb. Carlucci: Costa Gomes says the right things but then never acts.

Secretary: We need to act in Portugal. I am reminded of Chile at an earlier time when Allende was contending for election. State did not want to support the only man who was capable of winning. That's how Allende got in in the first place. The only guy who had a chance of winning against him was Alexandre. The U.S. was supporting Frey, who had no chance to win but still we put all our money on him and that was a mistake.

Mr. Hartman: Can I raise a related matter . . .

Secretary: I want all this absolutely clear. You must understand what we want in Portugal. Do you understand, Art?

Mr. Hartman: Yes, we want the communists out!

Secretary: But we won't get this through handwringing! You *must* take some risks, Frank. I want you to stop short of any actions that might trigger some kind of March 11 event. But I want it understood that what we want in Portugal cannot be done without risks. I'll back you up if you get caught taking risks. I even back up incompetents if what they are doing succeeds.

Mr. Hartman: We also want you to look at these press talking points.

Secretary: I am giving a press conference in Birmingham.

Mr. Hartman: I think there is probably too much in these talking points that would suggest that we are embracing Antunes.

Secretary: Look, I won't mention names. And after all, this is Birmingham—they probably think Portugal is the name of some mid-western state.

I think I'll begin my press conference with a statement on Portugal. What do you think, Joe?

Mr. Sisco: I think the talking points are too much of a bear-hug for Antunes. I agree with the idea of an opening statement.

Secretary: I also want to include a swipe at the Soviets and get people off my back domestically.

Are the Soviets all that obtrusive in Portugal at the moment?

Mr. Hyland: I think they are trying to pull Cunhal back a bit.

Mr. Hartman: The way Cunhal is behaving he is becoming our best asset in Portugal!

Secretary: Do you suppose he really did talk the way it was reported in the Oriana Fallaci interview?

Amb. Carlucci: Yes. He is a hardliner.

Mr. Hartman: She claims to have the tapes.

Amb. Carlucci: [*1½ lines not declassified*] The Embassy has contacts with opposition figures [*less than 1 line not declassified*]

Mr. Hartman: [*2 lines not declassified*]

Secretary: That's fine.

Mr. Hartman: I want to mention two things about Angola. The Portuguese have asked us for help in getting delivery of a fourth Boeing 747 expedited.

Secretary: I am for that.

Mr. Hartman: They also want help in getting a tanker into Luanda port and berthed. But that is a security question and I gather there is some progress now relating to a fortress just alongside the berth.

Secretary: I don't know enough about that one.

Mr. Hartman: If we can be responsive on these points, it would be helpful, in addition to asking the Portuguese whether they want help in getting people airlifted out of Angola. This could have a useful impact in Portugal because these evacuees will tend to support the moderates but we should do this without appearing to be acting for political purposes.

Mr. Sisco: I think we should do both these things, i.e., the 747 and helping get some of these people back.

Secretary: I have got no problems with that.

Mr. Hyland: It would be good if we could get some impression from Soares and Antunes what they think we should be doing about Angola.

Secretary: Look, we should help in Angola. But we want it understood by the Portuguese if we do so we expect them to back off from supporting the MPLA.

Mr. Hartman: I will talk to General Pauley in J-5 at JCS about this paper we have been discussing. They have not yet seen it.

159. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, undated.

SUBJECT

U.S. Security Interests in the Azores

In response to NSSM 221, the Departments of State and Defense and the CIA have prepared a review of U.S. security interests in the Azores (at Tab I), with emphasis on:

—The political and military significance of U.S. base rights and facilities in the Azores;

—U.S. policy and options under the range of possible conditions extending from continuation of the *status quo* to complete U.S. withdrawal; and,

—Alternative arrangements for transfer of essential Azores operations to other locations, including the political and military considerations involved therein.

The participating agencies have also submitted formal comments and recommendations on the NSSM response (Tab II). Where there are differences among the agencies, they are differences of emphasis rather

¹ Summary: Kissinger discussed the study prepared in response to NSSM 221, U.S. Security Interests in the Azores.

Source: Ford Library, NSC Institutional Files (H-Files), Box 35, NSSM 221—U.S. Security Interests in the Azores (2). Top Secret; Sensitive. Sent for information. Attached but not published are Tabs I and II. Ford initialed the memorandum. Another copy of this memorandum bears the handwritten date of August 15. (Ibid., National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 18, Portugal 1975 (11) WH) During a July 24 discussion of Portugal with Kissinger and Scowcroft, Ford said, "If the triumvirate takes over, that is bad. [*less than 1 line not declassified*]" Kissinger agreed, saying, "We should have Colby prepare a plan. But we must think about timing. [*2 lines not declassified*]" Scowcroft said, "[*2 lines not declassified*]" Kissinger replied, "Let's get a plan, but don't get Defense involved yet. They will leak." (Memorandum of conversation, July 24; *ibid.*, Memoranda of Conversation, Box 14)

than substance with Defense taking an even more emphatic position on the importance of the Azores than was expressed in the NSSM response.

Background. U.S. security interests in the Azores center on the use of two key facilities—Lajes Air Base and a High Frequency/Direction Finding (HF/DF) station, both located on Terceira Island. Of lesser importance are the NATO-infrastructure-funded naval fuel storage facility located at Ponta Delgada on San Miguel Island, plus two Portuguese-operated LORAN air navigation sites on the islands of Flores and Santa Maria. U.S. forces are in the Azores under a *de facto* continuation of the present bases agreement with Portugal which expired in February 1974. The Portuguese are expected to call for formal negotiations on the Azores bases agreement late this year. In public statements, the Portuguese Prime Minister has stated that continued U.S. use of the Azores will be in the NATO context and that operations such as the airlift during the 1973 Arab-Israeli conflict will not be permitted in the future. Meanwhile, the Azores remain firmly under Lisbon's control.

Recent moves for independence by Azorean separatist groups have been poorly organized and have not had support from either the civilian populace or military garrison in the Azores.

The NSSM response, generally supported by agency comments and recommendations, expresses a consensus that now, and into the foreseeable future, the Azores remain an essential and irreplaceable link in our overseas basing structure for missions involving 1) anti-submarine warfare, 2) aircraft staging and en route support and 3) [less than 1 line not declassified]

1. *Anti-submarine Warfare (ASW).* The principal ASW forces employed from the Azores are long-range maritime patrol aircraft (P-3s) capable of detecting, tracking and, if necessary, attacking submarines. The study states that U.S. facilities in the Azores in support of ASW operations are of critical importance to our ability to deal with the Soviet submarine threat in the central Atlantic—ballistic missile submarines in the area of the mid-Atlantic ridge as well as attack submarines along the major mid-Atlantic convoy routes between North America and Europe which are essential for the reinforcement of NATO in time of war. The possible alternatives for the P-3 ASW operations—Rota, the Cape Verdes or the Spanish Canaries—all present political problems, and none would close the ASW coverage gap resulting from an Azores shutdown. *Defense adds that in the foreseeable future, there are no adequate technological or geographical alternatives for maritime patrol aircraft operations from Lajes Air Base.*

2. *Aircraft Staging and En Route Support.* The study implies that the Azores are more of a convenience than a necessity in supporting trans-Atlantic aircraft operations under a variety of conditions—general war,

contingency operations, and peacetime—recognizing that substitutes for the Azores exist, but not without considerable cost, dislocation, and mission degradation.

Lajes is one of several forward bases which are desired to support aircraft movements to Europe, the Middle East, and North Africa. During periods of intense air activity, such as the first 30 days following M-day, multiple staging bases would be needed to support the planned level of operations. Other bases planned for employment in support of the augmentation of Europe include Goose Bay, Keflavik, and Torrejon. Diversion to Goose Bay and/or Keflavik of missions currently planned through Lajes is possible, but some augmentation of facilities would be required. The greater likelihood of adverse weather conditions on the northern route makes total reliance on those bases undesirable.

Bases in Spain, i.e. Torrejon, Zaragoza, Moron, and Rota, could be used in lieu of Lajes for many missions, but some missions would require additional tanker support. Other aircraft, however, must deploy over the northern route, due to range limitations and an inability to refuel in the air. Increased reliance on tanker aircraft would not be desirable, due to many competing demands for this scarce resource.

Apart from the U.S. bases in Spain, the most likely alternative airfields to Lajes for support of contingency operations in the Middle East or North Africa lie in mainland Portugal, the Madeira Islands, the Canary Islands, Morocco, and Senegal. None of these, however, could duplicate the capabilities of Lajes or the Spanish bases without extensive augmentation and/or base development. Also, use of airfields in the Canary Islands and Senegal would be valuable only if overflight of several sub-Saharan African countries were also assured.

Defense emphasizes that alternatives to the Azores exist, but the suitability and availability of such alternatives are clouded by political and technological constraints, adding that loss of the Azores bases would result in less operational flexibility and could cause a significant decrease in current capability.

3. HF/DF [*less than 1 line not declassified*] The HF/DF station operates as part of the Atlantic Fleet HF/DF net [*3 lines not declassified*] The value of the Azores station lies in its location, providing north/south bearings which are required—in conjunction with east/west bearings from other stations—in constructing accurate positions. Loss of the Azores facility would degrade the accuracy of the “fix” information [*2 lines not declassified*] No seaborne HF/DF facility could provide the same capability as the Azores land installation. Computer studies are now under way to determine whether a fixed HF/DF facility in the Canary Islands, at Madeira, or in the Cape Verde Islands could provide the type of information now gained from the Azores. In any event, it

would cost approximately \$650,000 to phase out the present Azores installation, plus more than \$5 million to construct new facilities elsewhere. *The study—concurring in by all agencies—concludes that no suitable alternative currently exists for the performance of this function, and that loss of the station would result in severe degradation of mission capability.*

The study agrees that NATO fuel storage and SSBN command and control functions now supported from the Azores can be relocated elsewhere without any adverse impact on military capability.

The study provides a good response to the NSSM tasking. It should serve as a useful reference document in dealing with contingency situations relating to the Azores. We will maintain the study in an up-to-date status for contingency use should developments in Portugal and the Azores so require.

This memorandum is forwarded for your information; no action is required on your part at this time.

160. Memorandum of Conversation¹

Washington, September 15, 1975.

SUBJECT

Portugal

PARTICIPANTS

The Secretary

Under Secretary Joseph J. Sisco

Ambassador Frank C. Carlucci, Lisbon

Counselor Helmut Sonnenfeldt

¹ Summary: Kissinger, Sisco, Carlucci, Sonnenfeldt, Hartman, and Hyland discussed the possibility of civil war in Portugal, potential covert and overt assistance to non-Communists, and Angola.

Source: Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 18, Portugal 1975 (13) WH. Secret; Nodis. Drafted by Deputy Assistant Secretary of State for European Affairs Bruce Laingen. On September 10, Kissinger told Ford, "On Portugal. We are heading for a split with Europe and the liberals on having Communists in the government. I think we shouldn't give aid so long as Communists are in the government." Ford said, "On Portugal, the Portuguese group yesterday said Meany wanted to send some people. Let's work with him—can we use some 40 Committee money? If we work with him here it will show him we are tough. It will help with him with our things on the Soviet Union." (Memorandum of conversation, September 10; *ibid.*, Memoranda of Conversation, Box 15) George Meany was President of the AFL-CIO.

Arthur A. Hartman, Assistant Secretary of State for European Affairs
 William G. Hyland, Director of Intelligence and Research
 L. Bruce Laingen, Deputy Assistant Secretary of State for European Affairs
 L. Paul Bremer, III, Special Assistant

Amb. Carlucci: I very much appreciated your message of support.
 The Secretary: You deserved it. You have done a good job.

(There then followed a discussion of procedures regarding tomorrow's meeting with the French, German and British political directors, to discuss Portugal *inter alia*.)

The Secretary: Their principals wanted this discussion on Portugal, particularly as to what position we should take in the event of civil war there.

Amb. Carlucci: That possibility seems much less likely now.

The Secretary: At that time it wasn't all that clear, given Goncalves' activities. But I still think it would be useful to discuss what we might do should conditions lead to that kind of situation again. Our policy would be to assist the non-communists but the question would be how. We would be prepared to help with military equipment if necessary. So would Callaghan. I think the French would too but not as a part of a joint action. But the Germans?

Mr. Hyland: They may have problems with any military assistance which they wouldn't have with financial assistance.

Amb. Carlucci: Perhaps more important than military equipment as such would be the question of arming paramilitary forces. Small arms are available in Portugal. Small arms could be moved [*less than 1 line not declassified*] if we would choose to do so.

The Secretary: Are we doing that?

Amb. Carlucci: Well I need to discuss with you our general posture with the PPD and the Socialists. Should we, for example, leave the Socialist field entirely to the Europeans? I have hinted at financial assistance with Soares but he is reluctant. He clearly expects to get substantial financial assistance from his European friends and does not want to be identified, at least not personally, with us in the financial area. The Europeans don't want to pick up the PPD and the CDS.

The Secretary: What is the CDS?

Amb. Carlucci: They are a group to the right of the PPD, essentially equivalent to Christian Democrats elsewhere in Europe.

The Secretary: Why aren't the Europeans prepared to help them?

Amb. Carlucci: Basically because they are preoccupied and enamored with Soares.

The Secretary: How did that happen?

Mr. Sonnenfeldt: Because they had all known him before and is one of their own.

Mr. Hartman: But the Europeans accept our doing something for the CDS and the PPD because they are anxious to have a buffer to the right of the Socialists.

The Secretary: But what is the European objection to the CDS?

Amb. Carlucci: They don't object to them but they want to focus on the Socialists. The CDS has good leadership and should be preserved as a political force.

The Secretary: I agree. It is in any case a very dangerous political spectrum to leave it running from the communists on the left to the Socialists on the right. Besides I still think Soares is somewhat a fool, although I suppose no one around here will support that view now.

Amb. Carlucci: He's got courage.

The Secretary: Courage yes, but judgment?

Amb. Carlucci: That's not clear, I admit, and he is also a lousy administrator. But he clearly has shown a strong side in recent weeks and I think deserves our support.

The Secretary: I agree that he has done better in recent months.

Amb. Carlucci: In any event we have got channels available to him and his colleagues and we have established them now with both the PPD and CDS as well.

The Secretary: How much are we talking about in terms of assistance?

Amb. Carlucci: It could total anywhere from \$1.2 to \$1.4 million to all three political parties, although this depends in part on several uncertainties as yet, including what Soares wants.

The Secretary: Look, if he doesn't want our assistance there is no point in pressing it on him.

Mr. Hyland: [2 lines not declassified]

The Secretary: But why don't we ask them to provide some to the PPD and CDS as well.

Mr. Sonnenfeldt: Does Brandt know about this? He has his own contacts . . .

The Secretary: This is a separate operation we are talking about.

Mr. Hartman: I would like to see us have some contact with the Socialists and not leave it entirely to the Europeans.

Amb. Carlucci: I agree with that.

The Secretary: Look if Soares is getting millions from the Europeans already and if we only have a million and a half available, it is crazy for us to put any substantial amount with the Socialists. [2 lines not declassified] And I am assuming we can raise this total program if we need to.

Mr. Hyland: Shouldn't we make it clear to Soares by our comments to him that we can take some credit for arranging all this European money he is getting?

The Secretary: But is this the time to do that?

Amb. Carlucci: All we need to say is that we understand that you are getting financial assistance from the Europeans.

The Secretary: Well I agree with the views that have been expressed [4 lines not declassified]

Amb. Carlucci: He knows from what I have said that such help is available.

The Secretary: But I don't want any begging of him.

Mr. Sonnenfeldt: By the way, Mr. Ingersoll did talk to Palme regarding help to the newspaper *Journal Novo*.

The Secretary: That's fine. By the way does he have any instructions on what he says to the Swedes and others about Portugal?

Mr. Hartman: Yes. And I have gone over them carefully myself.

Amb. Carlucci: Could we discuss now the question of overt aid. There are a number of questions including whether we attach our request to the Middle East supplemental.

The Secretary: There is no supplemental for the Middle East.

Mr. Sisco: It is not a supplemental; it is a separate package specifically for the Middle East. I have discussed procedures and timing in some detail with Nooter of AID.

The Secretary: The President doesn't want to go forward with bits and pieces; he wants to go forward with the entire package when he does.

The Secretary: What about the airlift?

Mr. Hartman: You have indicated your agreement to double it from two to four planes.

The Secretary: Wait a minute; I haven't agreed to anything on this.

Mr. Hartman: Yes you did . . .

The Secretary: No. My first instructions haven't even been carried out yet. I am not going to agree with any increase until we have some better understanding with the Portuguese on Angola than we have now. I want the Portuguese to understand that we object to the role that they are playing there and particularly their help to the MPLA.

Amb. Carlucci: Well now wait . . . Costa Gomes made a démarche to us on Angola some weeks ago which we never answered. Basically they were asking us to help hold Mobuto off. They profess a policy of strict neutrality.

The Secretary: They may be but we have seen several reports to the contrary; involving military operations on the ground in Angola, which roads the Portuguese advise the MPLA to take, etc.

Amb. Carlucci: That's correct but we need to move carefully to be able to document our case in making any such presentation.

The Secretary: Well can we do that? The facts of the matter are that the MPLA went from being the third strongest force in Angola to the strongest one today. Somebody must have helped them accomplish that.

Amb. Carlucci: I don't object to discussing this with Antunes. I'll do that, but we need to be sure of our ground.

The Secretary: What's his view? He is probably for the MPLA too.

Amb. Carlucci: That's not so clear. The overriding objective of the Portuguese is to get out.

The Secretary: But I don't want to see them tipping the scales in favor of the MPLA while they are getting out and that's what they are doing.

Amb. Carlucci: If that's the case I think it is more a matter of omission than commission in specific actions.

Mr. Hyland: Well clearly ships can't offload in Angola military equipment like armored cars, etc., without the Portuguese knowing what is going on.

Amb. Carlucci: Yes but we need to be realistic about this . . .

The Secretary: We are being realistic. But we are not going to go further on the airlift unless they show some cooperation.

Mr. Hartman: I would object to that general proposition in the sense that the refugees are going to return in a mood of anger against the MPLA and so in that sense we want them back in Portugal.

The Secretary: Now wait, their return is obviously useful in Portugal but in Angola they can be helpful too because of their attitudes toward the MPLA and the FNLA.

Amb. Carlucci: But Art's point is well taken . . .

The Secretary: I repeat; their return will help us in Portugal but could hurt us in Angola.

Mr. Hyland: A good many of them have yet to be gotten out. Let's remember that November 11 is the date for independence; the date for Portuguese withdrawal is not until February.

The Secretary: We are not asking the Portuguese to push the MPLA out. We want three things of the Portuguese in Angola: we want them to be genuinely neutral, as they profess to be; we want them not to acquiesce as they are doing now in the shipment of arms to the MPLA; and we want them to stop pressuring Savimbi to come to terms with the MPLA in any kind of coalition. We'd like to see this reflected in their policy between now and November 11.

Mr. Hartman: If Antunes comes in as Foreign Minister we can discuss this with him.

The Secretary: Look, I have tried for six weeks to get this Department to prepare a clear instruction to Lisbon on what we expect of the Portuguese in Angola and we are not doing it.

Mr. Hartman: But Carlucci did take this up with Costa Gomes when he returned from his last consultations here.

The Secretary: Yes and probably with that communist Foreign Minister who was in office then!

Mr. Hartman: I think we can agree however that Antunes would be much more amenable to our representations.

The Secretary: We have got about eight weeks before the situation in Angola is irreversible. If we can't get to the Foreign Minister, go to the President. You have shown me Frank what you can do when your heart is in it. You have done a good job on the political situation. You know what I want you to do on this.

What's Coutinho up to?

Amb. Carlucci: Well he has been generally helpful to the MPLA.

The Secretary: I have no doubt of that. But what's he doing inside Portugal?

Amb. Carlucci: Not much of anything at this point.

The Secretary: Do they understand what we want of them in Lisbon; that we want them to start moving into a neutral position?

Amb. Carlucci: I think they understand what our desire is. Their doing something is another matter. We can strengthen our representations.

The Secretary: We should do that.

Mr. Sonnenfeldt: Our position ought to be reinforced with the Europeans too.

(At this point the Secretary left the office to take a phone call.)

Amb. Carlucci: I think a discussion with Antunes is now in order. The question is what special arrangements or benchmarks we want to put in play for any consideration of increase in aid.

The Secretary: We would like some assurance from them regarding the MPLA—that they are truly neutral with them. We want some concrete assurances as to what they are doing about Soviet arms deliveries. And we want to know what they are doing about the pressures being put on Savimbi.

Mr. Sonnenfeldt: You want me to raise this with the Europeans tomorrow?

Mr. Sisco: I would leave this to higher levels, although leaks are possible there as well.

Mr. Sonnenfeldt: The problem in delaying that long is one of timing.

The Secretary: When are you going back, Frank?

Amb. Carlucci: I hope to leave tomorrow night because I want to be there when McGovern arrives. He is going to be there five days.

The Secretary: Five days!

Amb. Carlucci: Yes and with me he will go straight to the question of what CIA is up to. He wants to see Cunhal?

The Secretary: Why?

Mr. Hyland: Fine, let him see Cunhal if he wants to.

The Secretary: But how can he be so crazy as to want to do that. In any event let him use his own channels to get the appointment. I don't want the American Embassy in any way to be assisting in arranging appointments with Cunhal. It's a nutty thing from a political point of view for him to see Cunhal.

Mr. Hartman: He probably wants to find a basis to claim that the U.S. is acting against its own interest and against those of Europe. He probably wouldn't even believe us if we told him of our contact with Soares.

Amb. Carlucci: If he asks about the CIA, I would like to say that he should discuss that with you.

The Secretary: You can tell him that those are your instructions.

Mr. Hyland: His Committee of course has been briefed at the appropriate level.

Amb. Carlucci: Yes, but I can't say that because that's a dead giveaway that something is going on. For that matter, if I say he should talk to the Secretary he might interpret that as a giveaway too.

Mr. Hartman: I think it important that we have an agreed position back here as to the kind of posture our Ambassadors should take in response to questions about CIA activity. There ought to be approved guidelines that Ambassadors decline to discuss such matters with visiting Congressional figures on grounds that there are established procedures as to how the Congress becomes engaged in such matters and the Ambassadors ought to leave it at that. They should be authorized to say that questions as to whether covert operations are or are not being conducted in a given country ought to be raised in Washington rather than in the field.

The Secretary: I agree completely; we need to issue that kind of instruction.

Amb. Carlucci: That's exactly what I need and the sooner, the better.

Mr. Hartman: When we are satisfied on political grounds to expand our Angolan airlift activity then we need also to consider the next stage of economic assistance which is refugee relief.

The Secretary: That I am ready to do immediately. Carlucci can go ahead on that. That's totally different from the Angolan thing. I am strongly in favor of relief to the refugees. This will help us in Portugal.

Mr. Sonnenfeldt: We have delayed any action on this to see how the new government would evolve.

Mr. Hartman: I would like to see a figure of \$35 million refugee relief put into the Congressional submission now . . .

The Secretary: But look, surely no one here thinks we need \$35 million for this.

Mr. Hartman: Oh yes! The total need is estimated at something well over \$100 million.

The Secretary: How much have we provided in Cyprus?

Mr. Hartman: The figure last year was \$25 million.

Mr. Sonnenfeldt: Shouldn't we also talk to the Europeans about this?

Amb. Carlucci: Yes I think we should.

Mr. Sisco: It would be hard to justify not moving now, assuming the new government is going in a positive direction, when we have not moved in the past.

The Secretary: I can understand the communists having one or perhaps two ministerial posts but only on condition that on the next turn of the wheel they get rid of them. But this would be participation on an individual basis and not a coalition government.

Amb. Carlucci: That's right, and I think the outlook is fairly good. It is most significant that the pro-Goncalves commander of the northern region, Carvacho, is gone. And the Fifth Division is out as a powerful influence.

The Secretary: What's happened to Goncalves?

Amb. Carlucci: There is talk of his returning to his military unit, but Soares told me he thought he might also be used in some way by the PCP. In any event he is not all that dead; he is still in the wings.

But there are other positive developments. Lourenco is restructuring the Revolutionary Council and that body remains much more important than the composition of the Cabinet. There is also some favorable movement in the labor area and there are efforts underway to get a more effective control over the press.

One final point; we are moving essentially from a power structure where the AFM radicals and the PCP dominated the situation to one

where the Socialists are in the power structure and the AFM moderate voice is strong.

The Secretary: Yes, but not all of these are necessarily great friends of ours.

Amb. Carlucci: Generally they are cooperative. The question now is whether we want to help this new government or not.

The Secretary: That's not the total question. The question really is are we now going to relax our efforts on the basis of this partial success and risk a situation developing like that in Italy six months hence, or are we going to keep the pressure up. Frankly I heard many of the same arguments six months ago that things were going our way, and that we should stick with the then Goncalves regime.

I would like to understand a bit better where this process is going before we make any final conclusions. You know that the Europeans are going to fall all over themselves now in rushing in to help Soares on the basis of an incomplete picture.

Amb. Carlucci: The problems this government faces are overwhelming, especially in the economic area. There are major disciplinary problems in the military. There is a weak Prime Minister and a President who at best is weak and at worst is a member of the PCP.

The Secretary: He certainly put on a great act when he was here.

Amb. Carlucci: Nonetheless a group is now in power with which I think we can work. We have made commitments to them in the process of their coming to power, especially in economic aid and I think it is now in our interest to help them.

The Secretary: What does that mean in dollars?

Amb. Carlucci: We are thinking of a program of \$70–75 million. That is a modest step up from our existing program and a symbolic act on our part that we believe things are going the right way.

The Secretary: What do you think Hal?

Mr. Sonnenfeldt: I think we need to go cautiously and with careful regard for who is pulling strings in the AFM. We can be supportive.

The Secretary: What do you think Bill?

Mr. Hyland: I agree, but we need to make it clear that we want to see communist participation cut back over time.

The Secretary: If that is made clear, then I agree we can go ahead.

Mr. Hartman: We need to move now with the \$35 million in refugee relief and then subsequently begin discussions on longer-term aid.

The Secretary: But won't we need to put the whole sum into the upcoming submission to the Congress?

Mr. Hartman: Yes we will.

Amb. Carlucci: We are talking about a relatively small portion of new appropriated money.

The Secretary: I still have problems, particularly since I remember that after the Portuguese leadership was here last fall, I myself made a major effort for assistance, but then the communists began to get into positions of influence shortly thereafter.

Amb. Carlucci: Yes, but I think our aid has been on the whole effective in keeping the pressure on with a view to maintaining and strengthening the moderates in the regime.

The Secretary: Oh, I think the real reason for the improved position of the moderates is that the communists overplayed their hand.

Amb. Carlucci: Yes, but the fact that we held in there and were ready to support was also helpful. Antunes has stood publicly on what amounts to an anti-communist line and we want to indicate our support to keep the momentum up. We need to remember that we will never get a government entirely to our liking. Goncalves is still in the wings. And we should remember that we may have a more fundamental question coming down the road later; i.e., that there may develop a falling out between Soares and Antunes . . .

The Secretary: My sympathies in that kind of situation would be with Antunes.

Amb. Carlucci: But the Europeans would be on the Socialists' side.

The Secretary: What is the European definition of help to the moderates?

Amb. Carlucci: The EC has been talking of aid in the order of \$300–400 million.

The Secretary: How would Soares organize the country?

Amb. Carlucci: This program is fairly reasonable, but of course strongly socialist in context.

The Secretary: But what is his political program?

Amb. Carlucci: He speaks of political pluralism, and access to the media by all parties, and a major effort to remove communist influence in both the labor unions and local government. He may be able to succeed but the economic problems Portugal faces will be overwhelming and could be seriously disruptive.

Mr. Sonnenfeldt: What is their gold reserves position?

Amb. Carlucci: They are drawing down on their regular foreign exchange by a hundred million a month and would probably need to begin drawing on their substantial gold reserves about January.

There is also a major question of investment confidence that needs to be examined. We should use the Export-Import Bank as a means of

giving a signal ourselves, provided the general political situation is moving in the right direction.

The Secretary: But how do we know we will move in the right direction?

Amb. Carlucci: We can't be entirely sure but the efforts to restructure the Revolutionary Council, the strength of the Socialists, the removal of Carvacho and the cutting of the wings of the Fifth Division are important developments.

The Secretary: But we risk slipping back, if we put too much stock in small signals.

Amb. Carlucci: I agree, and I think the American press has overplayed what is now described as a substantial victory by the non-communists. We do need to keep the pressure on. But let's remember too that the situation can't be cleaned up overnight. The Azevedo program that he announced on Saturday sounds good.

The Secretary: What will Cunhal do?

Amb. Carlucci: He has got his own problems in his party and for the moment is licking his wounds.

The Secretary: And then what?

Amb. Carlucci: If I were he, I would sit back for awhile.

Again on the whole I think we have a situation where we can take some calculated risks.

Mr. Sonnenfeldt: I agree; it amounts to a question of degree.

The Secretary: I just want to be sure that there is no misunderstanding that our basic objective is to get the communists out and that we are not going to play with the idea of coalition governments. I can understand playing this thing out for some time more with one or two communists in the government, but we have got to keep the pressure on.

Amb. Carlucci: Yes but this will take time and there will be a lot of problems in the process, including the task the GOP faces of absorbing up to 300,000 refugees from Angola.

The Secretary: No, I agree that we should go ahead with the \$35 million for refugee relief. But I know that everyone's instinct will now be to let up and relax. I agree with Hal that we have got to move by degrees.

Mr. Sonnenfeldt: I think the polarization that developed over the last several months and that we contributed to by our efforts helped achieve what we now have—although we may not have known at the time how this would develop.

The Secretary: I agree; our visible opposition to Goncalves helped.

Amb. Carlucci: That's correct. But we need now to move to begin to redeem our own commitments to those we have been backing.

The Secretary: All right, but let's keep up the pressure and not relax it too early.

What do you think Joe?

Mr. Sisco: I agree with that. I think Carlucci is right that we need to move this way but certainly keep up the pressure at the same time.

Amb. Carlucci: That will be no problem; the moderates know themselves that the ballgame is not yet finished.

161. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, October 9, 1975.

SUBJECT

Assistance to Portugal

The purpose of this memorandum is to elicit your decision on a proposal to increase Security Supporting Assistance to Portugal in FY '76 from \$20 million to \$55 million as a response to a Portuguese request for our aid in resettling Angolan refugees. Your decision is needed now so that we may discuss the proposed assistance level with Foreign Minister Antunes during his visit here October 10.

The current estimate is that 250,000 refugees will shortly be resident in Portugal. The 100,000 refugees now there have put serious strains on the Portuguese economy, already weakened by the continuing political unrest. The refugees also have shown themselves a po-

¹ Summary: Kissinger sought Ford's approval of an increase in security supporting assistance for Portugal.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 10, Portugal (6). Secret. Sent for action. Ford initialed his approval of Kissinger's recommendation. In telegram 5547 from Lisbon, September 20, the Embassy assessed the government reorganization that resulted in Azevedo's promotion to Prime Minister as "a sharp break with Goncalves' accelerating slide to the left and a stinging defeat for the Communists." The Embassy concurred in Antunes' suggestion that "US should understand that this is an important turning point in democratic evolution of Portugal;" the Embassy also agreed with assessment of Antunes and Soares that Azevedo's government "is worthy of immediate and substantial US support." (National Archives, RG 59, Central Foreign Policy Files, 1975, [no film number])

tent political force, willing to take political action to remedy what they see as government neglect of their needs.

Under these circumstances I believe we should increase our assistance to Portugal, both as a humanitarian gesture and to prevent the kind of refugee discontent which could further destabilize the new and struggling Azevedo Government. Moreover, I believe it would be useful to announce our decision on increased aid during the forthcoming visit of Portuguese Foreign Minister Antunes. This visit will permit us again to emphasize the significance we attach to a moderate, democratic Portuguese government—with Communists excluded from positions of influence. Our assistance to the Azevedo government will underscore our sincere interest in working with a moderate government.

In my opinion, an additional \$35 million of Security Supporting Assistance to Portugal would be adequate to assist the Portuguese in their resettlement effort, and would constitute an unambiguous political signal of our intent to work with moderate forces. Accordingly, I recommend that you approve increasing the Administration's proposed Security Support Assistance level for Portugal from \$20 million to \$55 million and approve the attached memorandum from me to Under Secretary of State Ingersoll authorizing the Department of State to discuss this proposal with Foreign Minister Antunes.

OMB interposes no objection.

**162. Letter From the Deputy Assistant Secretary of State for
European Affairs (Lowenstein) to Secretary of State
Kissinger¹**

Washington, October 9, 1975.

Mr. Secretary:

In connection with your meetings tomorrow with Foreign Minister Antunes, you may want to review the attached status report on our political action program in Portugal—prepared when Carlucci was here on consultations.

There have been no changes since then in the major outlines of the program and no significant problems in implementation. We expect a new status report from Carlucci shortly.

The Socialists have *not* picked up our offer to help—Carlucci believes Soares was at least temporarily deterred from doing so because of the Leslie Gelb story in the *Times*.

Our offer of assistance to the Antunes group, made before the present government came into office, has *not* been picked up—other than Antunes' request for help on the refugees.

James G. Lowenstein

¹Summary: Lowenstein discussed the status of the covert action program in Portugal.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 15, Misc Docs, Tels, etc., 1975. Secret; Sensitive. Attached but not published is an undated status report.

163. Memorandum of Conversation¹

Washington, October 10, 1975, 12:15 p.m.

PARTICIPANTS

President Ford

Maj. Gen. Ernesto de Melo Antunes, Minister of Foreign Affairs of Portugal

Amb. Joao Hall Themido, Portuguese Ambassador

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. Gen. Brent Scowcroft, Deputy Assistant to the President for National Security
Affairs

[The press entered for photographs. There was a discussion of the Kissinger/Antunes meeting in Bonn in May and Antunes' first visit to the United States. The press then left.]

The President: How long will you be here?

Antunes: I will be returning right away. There are many things pending in Lisbon. I am staying over a day, though, because you are kind enough to receive me.

The President: That was good of you. We have a great interest in developments in your country. We are encouraged by what has happened recently. We congratulate you on the strong stand that you and your associates have taken and we think it is very important to the West.

Antunes: Thank you. I am sure you know there are important things afoot and I am eminently aware of the importance of this to the West and I know you are aware of the role that I and my associates have played in the building of democracy. I want to assure you that we will continue.

The President: We want to support that in the proper way, and we agree the Portuguese people want to support that democratic development.

Antunes: Regarding those sentiments of the Portuguese people. I am convinced that the capacity of the Portuguese people is adequate to the task, and I think the sentiments of the people will be correctly confirmed in the coming elections. I think the people will justify the confidence of the West.

¹Summary: Ford and Antunes discussed the political situation in Portugal and Angola.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 16. Secret; Nodis. All brackets are in the original. The meeting took place in the Oval Office and ended at 1:05 p.m. (Ibid., White House Central Files, President's Daily Diary)

The President: I was pleased by the vote last spring and I was pleased to see that the most recent Cabinet was limited in Communist participation.

Secretary Kissinger is meeting with you again later today, but I want to say now that we are increasing our assistance to you, both for the refugees and to rebuild your economy.

Antunes: With regard to participation of Communists in the government, the recent prolonged crisis has revealed that the Communist Party does not represent the aspirations of the people. In another vote I am convinced they would get only 6–7%. The minor role they have in the government represents that minor role.

We appreciate your announcement of economic help. We are very grateful. But you should know that our needs are enormous—both as a result of the past government and the recent revolutionary governments. I will be talking to Secretary Kissinger about this.

The President: We are pleased to be able to help. We plan to help further with the evacuation of refugees, and I understand that this is on the basis that you will not leave military equipment in Angola, when you leave, for the MPLA.

Antunes: We are very grateful for the refugee assistance. It has been valuable, and anything you can do will be a vital help in stabilizing the situation in Portugal.

I already told your Ambassador that we won't help any of the factions in Angola, so we won't leave any equipment at all, based on our policy of neutrality among them.

The President: We deplore the fighting. Is there any prospect of a settlement prior to the independence date of November 11?

Antunes: As I said to the UN, our position remains in favor of a conference of the three movements, together with us and representatives of Africa chosen by the three, to settle the situation in accordance with this conference. There should be a settlement which would provide national unity and therefore there should be a government formed which can receive these powers. This is our last effort in Angola, but I am optimistic now, even if a political solution is achieved as a result of this conference. I think civil war will continue.

Kissinger: Do you think Neto is a Communist?

Antunes: I think he is pretty close, although it is difficult to classify him as an orthodox Communist. We all are aware of the support he has received from the Soviet Union and other Socialist countries, primarily from the Soviet Union.

The President: What about Roberto and Savimbi?

[Secretary Kissinger leaves the meeting at this point.]

Antunes: In regard to Roberto, he has no solid political background. He is easily corruptible and dependent on Mobutu. Of the three factions I would say Savimbi is the most intelligent, the most able and the strongest politically. Some question his political judgment. He has played on all sides and has switched supporters from outside. I think he will end up losing popularity because of these actions. But at the present moment he has considerable support from Zaire and Zambia, while Neto, because of his bull-headedness, has lost some of that support.

The President: They have all been involved in decolonization?

Antunes: Yes, so all of them have been involved in fighting against the Portuguese regime.

The President: With the refugees leaving, do they have the capability of running the economy?

Antunes: From what I know of Angola—and I am familiar with it in depth—we will see administrative and economic chaos. They don't have the numbers needed to maintain it.

The President: What will happen to Cabinda?

Antunes: Cabinda is now characterized by a separatist tendency, aided by native Cabindans, supported by Zaire and Congo-Brazzaville. So it will probably be separated, with grave consequences to Angola because of its economic value.

The President: We are very sympathetic with what you are doing, and I hope you will convey our support for what your group is doing and we will do our best to help. What you are doing is in the best interest of the West, and free societies around the world.

Antunes: Thank you for your expression of support. Our struggle is truly a difficult one. We will go the whole route to achieve a free society. We are facing a real struggle against obstructionist groups and we need all your help.

The President: This meeting with you is much more encouraging than the one I had in Brussels with Goncalves. It appeared then that the will of the Portuguese people was not being expressed. We will help all we can and I give you my very best wishes and those of the American people.

Antunes: Thank you, Mr. President. I want to say how much I appreciate your receiving me and your offer of help. This has been a fruitful dialogue which should lead to new cooperation.

164. Memorandum Prepared in the Department of State¹

Washington, October 10, 1975.

SUBJECT

Private Talk Between Secretary Kissinger and Foreign Minister Melo Antunes

The Secretary told Foreign Minister Antunes that we would support him and his associates in Portugal. He suggested a special channel of communication between him and the Foreign Minister, in case problems arose about which the Foreign Minister might desire to contact the Secretary directly. The Foreign Minister agreed to this. The Secretary asked the Foreign Minister if he had sufficient confidence in Ambassador Carlucci. The Foreign Minister indicated that he did, that he had no reason for any doubts about him, particularly if he enjoyed the Secretary's trust. The Secretary asked if the Foreign Minister thought it might be desirable for them to have an alternate channel as well. The Foreign Minister said he thought it would be, so as to facilitate overcoming any obstacles that might arise. The Secretary said he would designate the appropriate person, and asked how that person should communicate with the Foreign Minister. Antunes said that, since it would not be desirable to do it through direct contact, in view of his position, it should be through someone of his confidence: Major Gonçalves Da Costa, his staff director.

The Secretary, prefacing his next question by mentioning his inclination to consider even highly unlikely events, inquired as to what the Foreign Minister thought the possibility might still be for civil war to break out in Portugal. The Foreign Minister replied that it seemed certain to him that this could still happen. Although he considered that the highly critical period had passed, conditions still existed in Portugal for possible serious confrontations between certain population groups and the Armed Forces. But such a danger did not seem imminent. The Secretary indicated that, in the event of a tragedy, we would be ready to support the Foreign Minister and his group. But the Foreign Minister would have to tell us when. At any event, we had preliminary plans for this purpose. The Foreign Minister expressed gratitude for the intended support, which he said would of course be very helpful in the event of need. He went on to stress that the position of his group was

¹ Summary: Kissinger and Antunes discussed the political situation in Portugal.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron—Official, Oct–Dec 1975. Secret; Sensitive; Eyes Only; Nodis. Drafted by the interpreter, Neil Seidenman. A memorandum of conversation on the discussion among Kissinger, Antunes, and U.S. officials that preceded this talk is *ibid.*, Central Foreign Policy Files, P820123–2184.

clear and had been made so from the start; namely, that they stood ready to hold out to the very end, both politically and militarily, against any threat by the Communists to take over power in Portugal. The Secretary wished him the best, and said he looked forward to seeing him again at the Brussels meeting in December.

165. Memorandum From Denis Clift of the National Security Council Staff to Secretary of State Kissinger¹

Washington, October 11, 1975.

SUBJECT

The Situation in Portugal—WSAG Meeting Monday, October 13, 1975 at 10:15 a.m.

The Situation

The latest situation report on Portugal is at the immediate Tab so marked. *Director Colby is prepared to brief.*

The *main elements* of the situation are:

—The Azevedo government is caught in a crisis of authority which threatens its viability. It would be premature to count out Azevedo and the Moderates, but they face some critical challenges, even in the short run.

—Growing political instability stems from several sources:

1. Increasing politicization of the military with polarization between moderates and leftists, resulting in a serious breakdown in order and discipline. This is critical since stability in the military is necessary for stability in the government.

2. Subversive activities and demonstrations of the Portuguese Communist Party (PCP) and far left groups. Ex-Premier Goncalves and his supporters are suspected to be behind much of this activity.

¹ Summary: Clift briefed Kissinger on an upcoming WSAG meeting on the situation in Portugal.

Source: Ford Library, NSC Institutional Files (H-Files), Box 20, Washington Special Actions Group Meeting, 10/13/75—Lebanon, Portugal, and Italy (1). Secret. The tab was not attached; entitled, "Portugal: A New Crisis of Authority," it is attached to another copy. (Ibid., National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 18, Portugal 1975 (15) WH) No minutes of the WSAG meeting were found.

3. Worsening economic and social problems which are exacerbated by the influx of Angolan refugees (now approximately 175,000), many of whom blame their troubles on the radical governments which have dominated affairs over the past year.

—The present volatile situation could lead in any of several directions:

1. Survivability of the present government, albeit in a very shaky condition.

2. Return of a more radical government, either pro-communist or far-left.

3. Large-scale civil disorder, with possible civil war, or at least a leftist government in Lisbon and widespread disorder in the rest of the nation.

4. Attempted rightist takeover.

The Agency believes that the first alternative listed above is the most likely to pertain for at least the near term.

—In sum, the Agency notes:

The Portuguese talent for last-minute accommodation to avoid final showdowns may once again reassert itself, and head off any decisive resolution of these uncertainties at least for a time. The Azevedo government, and the moderate elements in the Armed Forces and political parties still have assets—including a majority of popular support. But the tendencies toward disintegration of institutions—especially the Armed Forces and the government's control over them—make the outlook more uncertain than ever.

You and the President met with Foreign Minister Antunes on October 10. In order to ease some of the pressures on Lisbon, the President is sending to the Congress an assistance program for Portugal which includes some \$35 million for relief and resettlement of Angolan refugees and some \$20 million for long-term economic assistance. We have also agreed to increase our airlift of Angolan refugees from 500 to 1000 evacuees per day. Since the first American aircrafts were provided on September 7, we have evacuated approximately 13,000 refugees from Angola to Portugal.

Angola. Angola is scheduled to become independent November 11. However, the three independence movements, the Soviet-supported Popular Movement on the one hand and the National Movement and Movement of National Union on the other, are engaged in an armed conflict that may become an all out effort to gain military predominance by November 11 and thus a claim to sole representation in Angola. A major U.S. concern is that in its haste Portugal will withdraw its troops from Angola leaving behind significant quantities of military equipment and material, most of which, situated in Angola, could fall into the hands of the Popular Movement. We have made clear to the

Portuguese Government that our agreement to double our airlift is predicated on its assurances the Popular Movement will not gain possession of Portuguese military stocks currently in Angola.

Following Director Colby's brief, you may wish to comment on your recent meetings with Portuguese Foreign Minister Antunes, and his assessment that there are serious obstacles in the road ahead for Portugal, but that the Moderates, with whom he is associated represent the democratic force in Portugal and they are determined to persevere and hold on to their position of leadership.

We need to ask some key questions:

—The rebellion and indiscipline in certain military units is leading to strife and disorder in the country. How has this affected the durability of the Azevedo government? Even if the Azevedo government survives, will it be so weakened that it will be unable to rule effectively?

—What are the Communists and the extreme left up to; what are the current activities of Goncalves, Carvalho, Coutinho?

—Do we still see the same basic political divisions along geographic lines with principal support for the moderates in the North?

—Has this moderate support been fragmented by leftist military dissidence within the northern troop commands?

—What is the likelihood of the current situation deteriorating into widespread civil strife or even civil war?

—What are the moderates doing to counter the current trend?

—Are the rightists seeking to take advantage of the current situation? Are they a viable force?

—What role can the United States and individual Western European nations play in strengthening the hand of the moderates? NATO? EC-9?

—How has the current situation in Lisbon influenced developments in Angola? The Azores/Madeira? Has the independence movement in the Azores been revived?

Immediate Issues

—It is mandatory that we keep track of Portuguese developments and actions we might take to advance our interest as carefully and systematically as possible.

—What steps are required to follow through on the current assistance program for the Azevedo government?

—*U.S. Installations.* We want to be sure that our military installations (particularly in the Azores) are protected if the situation so requires. We also want to be sure that alternate arrangements have been made if this becomes necessary.

—*E and E Plans*. Are our E and E plans up to date? (Ask State.) And are we fully prepared to implement them if this becomes necessary? Where do we stand on planning for RFE transmitter shifts?

—What is the current status of our Azores contingency planning?

166. Telegram 6965 From the Embassy in Portugal to the Department of State¹

Lisbon, November 21, 1975, 1855Z.

Subject: The Current Crisis; and Assessment. Refs (A) Lisbon 6953 DTG 211619Z Nov 75, (B) Lisbon 6211 DTG 211625Z Oct 75. Summary: The government's objectives in the current confrontation are to bring about major military command changes in the vital Lisbon area. The government is supported by the two democratic parties in the Cabinet, the Group of Nine, and Azevedo. It can count on the armed support of the commandos, Santarem Cavalry School, and some attack aircraft. Opposing the government are the Communists, the Far Left, Otelo, and perhaps the President. The opposition can count on Ralis, the military police, and elements of other commands in the Lisbon area. Various left wing militias are untested militarily but an important psychological factor. Although there is increasing talk of a showdown by force, both sides are anxious to avoid shedding blood and a negotiated solution is likely. While the Left seems to have achieved important concessions in today's Revolutionary Council decisions, we should not underestimate the significance of the Lourenco appointment as head of Lisbon Military Region. It is a major victory for the Nine. From the point of view of USG, a survival stance of limited gains that gets Azevedo through to elections that convey full legitimacy on the anti-Communist parties may be the best we can expect. End summary.

1. The problem: The problem facing the Azevedo government was generated by the progressive breakdown of cohesion in the armed

¹ Summary: The Embassy assessed the latest political crisis in Portugal.

Source: National Archives, RG 59, Central Foreign Policy Files, 1975, [no film number]. Confidential; Immediate. Sent for information to Bonn, London, Madrid, Moscow, the Consulate in Oporto, Paris, the Consulate in Ponta Delgada, Rome, Stockholm, the Mission to NATO, DIA, and USCINCEUR. Kissinger, Sonnenfeldt, Lowenstein, and Barbour discussed the U.S. position on the developing situation in Portugal on November 25. (Memorandum of conversation, November 25; *ibid.*, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 7, Southern Europe 1975)

forces movement coupled with increased Communist inspired labor unrest. The tactics were deliberately designed to back Azevedo into a corner. The situation reached the point where the Prime Minister found himself twice locked in by hostile crowds, and on the second occasion could not count on enough military support to effect his own release. Such events undermine totally the government's efforts to impose economic austerity, restore balance to the press and purge the PCP from the bureaucracy. Azevedo could no longer govern. Since resignation could lead to chaos and/or civil war, he tried another approach.

2. The government's objective in the confrontation: In suspending its operations, the government forced an indecisive President to focus on its demands:

(A) Removal of Army Chief Fabiao, COPCON and Lisbon Region Head Otelo Carvalho, Military Police Chief Campos Andrade, Ralis Operational Commander Dinis de Almeida, and the Head of the Infantry School.

(B) Transfer of crowd control function back to police from military.

3. Contending forces:

(A) Supporting the government on this issue are the PS and PPD, the Group of Nine, and Azevedo.

(B) Opposing the government are the Communists, the far left FUR Group, Otelo, Rosa Coutinho, and perhaps the President, although the latter has not shown his hand.

4. Balance of power: In a showdown, the government counts on solid support from the Popular Democrats and Socialists, neither of which has an effective armed organization. The GOP can also count on most of the army units north of the Mondego River, and general support from the population in the north. Militarily, the Group of Nine will have with them the Commandos, the Santarem Cavalry School, and some Air Force attack aircraft. The Marines may or may not stay loyal to their former commander, Azevedo.

5. The opposing forces can count on Ralis, the military police, and elements of various commands in the Lisbon area. It is likely that Army Chief Fabiao will follow the lead of the President. The President will attempt to avoid an armed confrontation—but probably at the expense of the government forces. Otelo may join the anti-government forces. The various armed militia of Left wing forces in the Lisbon area are a psychological factor of importance but their fighting ability is completely untested. Both the military and the democratic parties fear that the Left and their militias have the capability of taking control of Lisbon.

6. Likely outcomes: Although there is increasing talk of a showdown by force, both sides are anxious to avoid shedding blood. Thus, a negotiated solution is likely. Today's decisions by the Revolutionary

Council are the first steps in the process of reaching an accommodation (ref A). While the Left seems to have achieved important concessions, we should not underestimate the significance of the Lourenco appointment. It is a major victory for the Nine. Possible outcomes can be described as follows:

(A) Government resigns. Antunes becomes Prime Minister with Left-technocrat cabinet with heavy ex-mes influence. Some changes in military commands.

(B) Government restructured. Azevedo remains with a cabinet that includes increased PCP representation and dropping of Labor and Information Ministers. Military commanders, except the Lisbon region, remains largely unchanged.

(C) Azevedo reshuffles cabinet, eliminating some controversial Secretaries of State but holding to basic structure. Some military commanders are replaced with government supporters.

(D) Azevedo replaces President and most of the military changes demanded by the government are made. New Prime Minister is selected from military—perhaps Antunes. Cabinet party balance remains the same.

(E) Government stays same. President remains. Today's communiqué and passage of time resolve problem.

7. Likely evolution: President Costa Gomes, himself a public issue for the first time, will fight hard to survive and will seek a compromise favoring a continued important role for the PCP. He has on his side the authority of the presidency, the desire of all sides to avoid violence, and the exaggerated fear of the armed power of the PCP and its far left allies. He would probably favor solution (B), but Moderates may be able to hold on to Rosa or at least receive additional military concessions in exchange.

8. Socialist Leader Soares is not prepared for a full scale confrontation. The PS goal is for the government to survive until elections, but it still will not accept a coalition with the PCP alone (probably the President's preference). PPD is more militant but unprepared for all out fight and anxious as well to see elections held.

9. Group of Nine, hoping to avoid bloodshed and an inter-army firefight, may be satisfied with modest gains in its influence in Lisbon military commands.

10. Although PCP behavior in the past has often been self-damaging, it is unlikely that PCP would wish a suicidal showdown at this time. Without the PCP, the Far Left does not have the numbers or organization to undertake a showdown by force. The PCP and the Far Left could settle for a small reduction in their influence if the alternative

is confrontation and if it saves face. However they will fight hard to get PPD and Labor Minister out.

11. Antunes will be a key man in deciding the outcome. As the most political of the Nine, he is in a position of leadership. He clearly would like to be Prime Minister. If he could push Azevedo aside, it is conceivable that he would be able to convince his less sophisticated colleagues in the Nine that a Left technocratic solution is the best way to keep the Communists in line, but out of an excessively influential role.

12. From the point of view of USG interests, a “survival stance” of limited gains (the most likely outcome) on the part of the Azevedo government may be the best we can expect. The Azevedo government is nearing the two month mark. Our first-month assessment (ref B) noted that it had survived under stress and this was, perhaps, its principal achievement. The same is still true. I believe our interests are likely to be served if the Azevedo government merely survives until the elections for legislative assembly convey full legitimacy on the democratic political parties. Even this minimal requirement will be a tall order and will require help from Portugal’s Western friends. It will also require that we keep our own expectations fairly modest, while continuing to assist the Azevedo government economically and in other ways.

Carlucci

167. Telegram 7084 From the Embassy in Portugal to the Department of State¹

Lisbon, November 26, 1975, 1914Z.

Subj: Paratroop Mutiny: The Situation as of Evening Nov 26. Summary: Government forces are in control of country with a few possible pockets of resistance remaining. Communists are laying low. Moderates have just about won a striking victory militarily. Pro-government forces, while stretched thin, are on top and have the momentum bred by success. Politically, we expect Popular Democrats, Socialists, and Prime Minister to take tougher stance on Communist role in government, and Costa Gomes to resist expulsion of Communists from position of influence. Moderates will exploit victory but lurch to right will not take Portugal back to pre-March 11, 1975 situation. End summary.

1. Military situation: In early evening of Nov 26, loyal troops were fully in control of Lisbon and remainder of country. Only unit not in control of government is Almada Artillery Regiment. Army, with exception of Almada Artillery, has been pulling itself together and has moved against certain key leftist units in Lisbon. Navy is supporting Armed Forces Chief of Staff. Although there is some question over status of Montijo and Tancos units, Air Force has been able to fly aircraft over Lisbon at several points during the day in support of loyal troops.

2. Armed civilian militia have not been heard from, nor do we expect them to oppose government. There have been some rumors of attempts by civilians to get arms at Beirolas Arsenal and in Setubal, but this does not appear to be a serious development.

3. PCP lays low: Last Portuguese Communist Party (PCP) communiqué was issued late Nov 25. Drafted by the political commission of

¹ Summary: The Embassy reported the status of the Portuguese paratroop mutiny as of the evening of November 26.

Source: National Archives, RG 59, Central Foreign Policy Files, 1975, [no film number]. Confidential; Flash. Sent immediate for information to Bonn, London, Madrid, Moscow, the Consulate in Oporto, Paris, the Consulate in Ponta Delgada, Rome, Stockholm, the Mission to NATO, DIA, and USCINCEUR. In telegram 7090 from Lisbon, November 28, Carlucci recommended sending riot control equipment for the police as "a convincing demonstration of our desire to assist Azevedo and the GOP in a concrete fashion." (Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 11, Portugal—State Dept Tels To SECSTATE—NODIS (4)) On November 29, the Department instructed Carlucci to notify the Portuguese that the U.S. would send the equipment. On December 4, Carlucci reported that it had arrived. (Telegram 282402 to Lisbon, November 29, and telegram 7231 from Lisbon, December 4; *ibid.*, Portugal—State Dept Tels From SECSTATE—NODIS (2) and Portugal—State Dept Tels To SECSTATE—NODIS (5))

the Central Committee, the communiqué noted that “progressive forces were losing ground” as the crisis developed and cautioned that “leftist forces would be committing a grave error in overestimating their own force and attempting any desperate act.” The PCP called for a “political solution” to the crisis. These diffident statements were balanced by a warning to moderate forces, which stated that any attempt by the right “to impose a hegemony” would only aggravate the situation and would lead, “in the short run, to renewed and graver conflicts.” According to the PCP, the only solution to the crisis lay in the restructuring of the MFA and the VI Provisional Government along “progressive” lines. The communiqué added instructions to party members which said, in effect, sit still.

4. Comment: The moderates, led by Pinheiro de Azevedo, have just about won a striking victory. On the military side, however, it should be borne in mind that the pro-government forces—while uniformly successful—are stretched thin in the Lisbon area. The commandos and the Santarem Cavalry Regiment, which have carried most of the burden, are not heavily-manned outfits. But they are clearly on top and have the momentum bred by success.

5. On the political side, basic question is whether moderates will be able to exploit their victory to its full political advantage. Problems could arise out of misguided magnanimity, residual fears of a rightist counter-stroke, or just plain ineptness. We anticipate that Costa Gomes will resist the expulsion of the Communist Party and its allies from influential positions (he could argue even more strongly than before for a PCP–PS Government); it is likely, however, that Pinheiro de Azevedo, his prestige enhanced, will take a much tougher line. We would expect that both the Socialists and Popular Democrats will urge a strong stance. This time the moderates should be able to handle Costa Gomes if they remain firm and unified.

6. Early signs are that the moderates do intend to exploit their victory. Prisoners are being shipped up north. Otelo is in trouble, and Fábiao is vulnerable. The fatalities incurred by the commandos in taking the military police regiment are being stressed in GOP communiqués. This could provide the psychological spark necessary to restrict drastically radical-leftist influence in Portugal. We doubt whether the pendulum will swing back to the pre-March 11, 1975 situation, but expect that it will cut a deep and damaging swath through the left. The PCP will try to duck under the pendulum as it swings, laying the blame on the far left.

Carlucci

168. **Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford**¹

Washington, undated.

SUBJECT

Covert Action Proposals for Portugal

In August the 40 Committee recommended and you approved a [*dollar amount not declassified*] covert action program in Portugal designed to support moderates and resist Communist and other radical attempts to impose totalitarian rule. Some progress has been made toward achieving our objective. Only a small portion of the total you approved has been spent, but Ambassador Carlucci, with CIA concurrence, proposes some reprogramming and new funding.

The 40 Committee reviewed this program on 14 November and approved:

- Reprogramming of [*dollar amount not declassified*] of the funds previously approved;

- Release of [*dollar amount not declassified*] for labor operations (an amount which was included in the original approval, but which was suspended by OMB pending more specific justification); and,

- An additional [*dollar amount not declassified*] in new funding to continue the program.

At Tab A is a breakdown of how these funds would be utilized. OMB has reviewed these proposals and determined that the amounts requested appear to be reasonable, and that there are budget justifications for them.

You approved a Presidential Finding on 10 August that this covert action program was important to the national security of the U.S., and since there is no change in purpose or direction, it is not necessary that a new Presidential Finding be submitted to the Congress. [*less than 1 line not declassified*] appropriate committees of the Congress will be informed of this.

¹ Summary: Scowcroft sought Ford's approval of the reprogramming of previously approved covert funds for Portugal and a request for new funds.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; Eyes Only; Outside the System. Sent for action. Tab A was not attached. Ford initialed his approval of Scowcroft's recommendation; a handwritten note beside the initials reads, "12/4 (in China)." Minutes of the November 14 meeting of the 40 Committee are *ibid.*, 40 Committee Meetings, Minutes/Approvals, 1975 GRF.

Recommendation

That you approve the reprogramming of [*dollar amount not declassified*] reinstatement of [*dollar amount not declassified*] and the withdrawal of [*dollar amount not declassified*] in new funds from [*less than 1 line not declassified*] for continuation of the covert action program in Portugal.

169. Telegram 7272 From the Embassy in Portugal to the Department of State¹

Lisbon, December 5, 1975, 1759Z.

Subj: Support for Sixth Provisional Government. Ref: Lisbon 7270.

1. Reftel reports on my conversation December 5 with FonMin Melo Antunes. In discussing the possibility of what might have occurred had the Communists called their militants to the streets, Melo Antunes told me that they had in the back of their minds “Kissinger’s offer of assistance.” He did not elaborate but it was clear that he was thinking of military assistance during the heat of the fray.

2. I informed Melo Antunes of the assistance we had provided to Interior Minister Almeida e Costa. I also told him we had “another request” for equipment which we had turned down. He indicated that he was familiar with this latter request but did not pursue the subject.

3. Comment: Antunes’s comments on U.S. support demonstrate that our backing did have an effect at a critical moment. The GOP might not have been so decisive had it not known we were there. Melo Antunes’s comment in para 1 also suggests how close the struggle was.

Carlucci

¹Summary: Carlucci reported comments recently made to him by Antunes concerning the November crisis.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 11, Portugal—State Dept Tels To SECSTATE—NODIS (5). Secret; Nodis. In December 1975, the U.S. rejected a MFA request for a small amount of money to buy small arms. (Memorandum for the 40 Committee, November 5; National Security Council Files, Ford Intelligence Files, Portugal—GRF)

170. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, February 9, 1976.

SUBJECT

Portuguese Economic Situation

The Portuguese economy is in serious condition following the political instability of the past year. While the Portuguese are now announcing a variety of austerity measures, none are likely to remedy the enormous problems over the short term.

The United States provided \$25 million to Portugal in FY 1975; \$65 million is programmed for FY 1976. The EC-9 in October announced a modest program of economic assistance for Portugal which includes \$175 million in European Investment Bank loans (10 years at 6.5 percent annual interest), an "inventory" of Members' bilateral assistance programs for the purpose of identifying areas where individual nations could increase their help, and support for Portuguese requests to the IMF for balance of payments assistance. European nations have individually pledged approximately \$326 million in various types of aid over the next several years. Most observers believe that more aid is needed in the near term. The Azevedo government has made clear that the Portuguese economy is Lisbon's number one problem this year. It believes that economic disaster would surely strengthen the hand of the leftist forces which were badly weakened and discredited following their abortive coup attempt last November.

Against this background, I requested an interagency assessment of the current economic situation in Portugal, taking into account present and projected political developments to determine the extent of the problem and the possibilities of providing greater assistance.

¹ Summary: Scowcroft briefed Ford on the Portuguese economic situation.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 10, Portugal (8). Secret. Sent for information. Attached but not published is Tab A, an undated memorandum entitled, "Assessment of the Portuguese Economic Situation." A stamped notation on the memorandum indicates the President saw it. Ford initialed the memorandum. On March 16, Zenha told Kissinger that "while we have won the political battle, we can only hope that we can have equal success on the economic side." Zenha and Portuguese Secretary of State for Budget and Planning Vitor Constancio described Portugal's aid requests from the United States as AID, PL 480, and Commodity Credit Corporation aid; designation as a GSP beneficiary; and eventual balance of payments assistance. Kissinger promised to give them "all the support I can." (Memorandum of conversation, March 16; National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 Portugal)

The assessment (text at Tab A) was done by the Department of State in coordination with Treasury, Agriculture, AID and the Federal Reserve Board. It confirms our earlier judgment that Portugal is threatened by adverse economic conditions which, if not addressed before the April 1976 parliamentary elections, will diminish prospects for continued Portuguese political evolution along moderate lines.

Portugal is currently experiencing:

- a declining GNP;
- serious unemployment and underemployment;
- runaway inflation; and
- shortages of housing, health and educational facilities.

In addition, depletion of foreign exchange holdings has resulted in a serious temporary shortage of internationally liquid assets.

The assessment concludes that:

—The possibility of additional U.S. assistance (AID, PL 480) is poor, given current pressures on the budget.

—The most likely source of U.S. short-term credit is Agriculture's Commodity Credit Corporation.

—Strong U.S. support for a multilateral consultative group within the OECD would be beneficial for the politically crucial near term. Assuming reasonable political stability is maintained, Portugal can look to the World Bank, the European Investment Bank and other multilateral finance organizations to finance viable development projects.

At the suggestion of Portuguese Foreign Minister Melo Antunes, an informal US-Portuguese joint economic commission has been established to review programs for assistance to Portugal. Ambassador Carlucci heads the U.S. delegation. As the commission's findings emerge, we will develop a more detailed picture of Portuguese requirements, matching these against our own capabilities.

In a recent development, Mario Soares, the leader of the Portuguese Socialist Party, met with Secretary Kissinger in Washington on January 26 and praised the United States for "tact and understanding" in dealing with Portugal. *At his suggestion, the Portuguese Finance Minister will visit Washington in mid-March to discuss assistance programs with Administration officials.*

We will hope to be in position by the time of his visit to reach agreement on further U.S. assistance to Portugal.

This memorandum is provided for your information. No action is required on your part at this time.

171. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, April 26, 1976.

SUBJECT

Presidential Determination for an Increase in the PL 480 Program for Portugal

The Department of State (Tab C) recommends that you sign the determination (Tab A) to add up to \$5.0 million of agricultural commodities under Title I to the 1976 P.L. 480 program for Portugal.

Although the commodity composition of this additional assistance is not yet certain, I expect it will be used to finance the concessional sale of 16,000 bales of cotton.

After months of turmoil, Portugal is now governed by politically moderate elements. The greatest danger now facing Portugal is that serious economic difficulties—high unemployment, a large refugee relief burden, balance of payments problems—will rekindle political unrest. This modest increase in Title I concessional sales will assist in alleviating Portugal's liquidity crisis and will constitute further evidence of our willingness to be of assistance.

In order to amend our earlier P.L. 480 agreement to make the new sales, the law requires you to find that it is in the national interest to make the new sales agreements with a country which trades with Cuba (P.L. 480, Section 103(d)(3)). Portuguese nationalized firms exported to Cuba in 1975, and it is likely they will do so again this year. Therefore, in order to provide this additional assistance a Presidential finding and a determination is required under P.L. 480.

On February 3 you signed a national interest determination for 50,000 metric tons of rice (\$15 million) for Portugal. An agreement for this amount was signed on March 18.

There was no adverse Congressional reaction to the March 18 Title I agreement.

Amendments to the Foreign Assistance Act calling on the Administration "to take timely action" to alleviate Portugal's food needs

¹ Summary: Scowcroft sought Ford's approval of a Presidential Determination for an increase in the PL 480 program for Portugal.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 10, Portugal (9). Limited Office Use. Sent for action. Hyland initialed the memorandum for Scowcroft. Attached but not published is Tab A, Presidential Determination No. 76-13, April 27, signed by Ford; Tab B, an undated statement of reasons for the waiver; Tab C, an April 3 memorandum from Sisco to Ford; and Tab D, an April 23 memorandum from Lynn to Ford. A stamped notation on the memorandum indicates the President saw it.

passed both houses of Congress without opposition. On February 27, Senator Pell submitted a report to the Foreign Relations Committee based on his recent visit to Portugal and Spain urging that the United States play a supportive role in Portugal's consolidation of democracy by providing economic assistance.

Recommendation

That you sign the attached determination (Tab A) that it is in the national interest to add \$5.0 million of agricultural commodities under Title I to the 1976 P.L. 480 program for Portugal. OMB concurs (Tab D). A statement of reasons for the determination (Tab B) will accompany the determination to the Hill.

Max Friedersdorf and Jack Marsh concur.

172. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, June 22, 1976.

SUBJECT

Continuing Covert Political Action Program in Portugal

The Operations Advisory Group (OAG) has reviewed the covert political action program in Portugal which was initiated last August. Our efforts have made a positive contribution to the satisfactory outcome of the elections in Portugal, and have contributed to the devel-

¹ Summary: Scowcroft requested Ford's approval of the continuation of the covert action program in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Top Secret; Eyes Only; Outside the System. Sent for action. All brackets are in the original except those indicating text that remains classified. Attached but not published is Tab A, an April 20 memorandum for the OAG on "Portuguese Covert Action Program—Status Report and Forecast of Continued Needs;" Tab B, a June 11 memorandum from Bush to Scowcroft; and Tab C, the August 10, 1975 Presidential Finding on Portugal. Ford initiated his approval of Scowcroft's recommendation on June 22. The 40 Committee discussed the continuation of the Portuguese covert action program on May 20 and June 19. (Memoranda for the record, May 21 and June 19; *ibid.*, 40 Committee/OAG Meetings, Minutes/Approvals, 1976 GRF) In a September 23 memorandum to Scowcroft, NSC staff members Samuel Hoskinson and Ratliff discussed a proposal for a further minor reallocation of previously authorized funds, including a [text not declassified] (*Ibid.*, Portugal—GRF)

oping democratic, pro-Western orientation of the government there (see Tab A).

Following consultations with Ambassador Carlucci, a proposal to reprogram the [*dollar amount not declassified*] that remains from the original authorization of [*dollar amount not declassified*] million was submitted to the OAG (Tab B). The emphasis is upon supporting labor elements of selected political parties and other labor units. These efforts will help the political parties solidify their support, but also are expected to strengthen this important element of the private sector.

DCI Bush said that his reports to the Congress on the details of our efforts generally have been received favorably. It is the opinion of the OAG (including the observers [Attorney General and OMB]) that a new Presidential Finding is not necessary, because the proposed reprogramming of remaining funds is a continuation of the program which you previously approved and for which you made the required Presidential Finding (Tab C). However, if you approve the proposed reprogramming, Mr. Bush *will* brief the required Congressional Committees.

OAG Recommendation

The OAG supported this proposal at its meeting on 19 June without dissent and recommends your approval.

Recommendation

That you approve the reprogramming of [*dollar amount not declassified*] of the covert political action program in Portugal, as proposed in the Tab B request from CIA.

173. Memorandum From the President's Assistant for Economic Affairs (Seidman) to President Ford¹

Washington, August 13, 1976.

SUBJECT

Designation of Portugal as a GSP Beneficiary

The Trade Policy Committee has considered designation of Portugal as a beneficiary developing country eligible to receive duty free treatment from the United States on selected articles pursuant to the Generalized System of Preferences (GSP). A memorandum from Ambassador Dent on this issue, including the recommendation of the Trade Policy Committee is attached at Tab A.

The Trade Policy Committee unanimously recommends the designation of Portugal as a beneficiary of the Generalized System of Preferences.

Ambassador Dent's memorandum has been staffed to the appropriate White House offices not included on the Trade Policy Committee. Their comments and recommendations are as follows:

Philip Buchen	No comment or recommendation
James Cannon	Concur with Trade Policy Committee
John O. Marsh	Approve
Brent Scowcroft	I agree with the unanimous recommendation of the Trade Policy Committee that Portugal be designated as eligible to receive GSP. This is consistent with the important foreign policy interests we have in Portugal, our desire to assist that country economically, and the status of Portugal as a relatively poor country.
Max Friedersdorf	Concur with Trade Policy Committee

Recommendation: I recommend that you approve the recommendation of the Trade Policy Committee that Portugal be designated as a

¹ Summary: Seidman sought Ford's approval of the designation of Portugal as a GSP beneficiary.

Source: Ford Library, President's Handwriting File, Subject File, Box 7, Countries—Portugal. No classification marking. Sent for action. Attached but not published is Tab A, a July 14 memorandum from Dent to Ford on the designation of Portugal as a GSP beneficiary; and Tab B, two August 14 letters from Ford, one to the President of the Senate and the other to the Speaker of the House, both of which Ford signed. Ford initialed his approval of Seidman's recommendation.

beneficiary developing country eligible to receive duty free treatment from the United States on selected articles pursuant to the General System of Preferences (GSP).

If you approve this recommendation, the following documents are attached for your signature at Tab B:

1. A letter to the President of the Senate notifying him of your intention to designate Portugal as a beneficiary developing country for purposes of the General System of Preferences (GSP) provided for in Title V of the Trade Act of 1974.

2. A letter to the Speaker of the House notifying him of your intention to designate Portugal as a beneficiary developing country for purposes of the Generalized System of Preferences (GSP) provided for in Title V of the Trade Act of 1974.

174. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, August 28, 1976.

SUBJECT

Interagency Intelligence Memorandum on Portugal

The Director of Central Intelligence has forwarded for your information a July 30, 1976 interagency intelligence memorandum, "Portugal, a Mid-Range Assessment" (at Tab A). It concludes that the minority Socialist Government of Mario Soares has a better than even chance of survival in 1976. In addition, the assessment makes the following points:

—A minority government may be the most efficient to make the tough economic decisions that Portugal requires.

¹Summary: Scowcroft forwarded an interagency intelligence memorandum on Portugal.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 10, Portugal (11). Secret. Sent for information. Attached but not published is Tab A, Interagency Intelligence Memorandum NIO IIM 76-034. A stamped notation on Scowcroft's memorandum indicates the President saw it; Ford initialed the memorandum. The PSP won a plurality of votes in the April 25 legislative assembly elections; on July 22, Soares was sworn in as Prime Minister at the head of a minority government. Eanes won the June 27 presidential election and took office on July 14.

—Despite this, Soares' room for political maneuver is limited by President Eanes' popular mandate and strong military support, Soares' need for continued support from the two more conservative political parties, and resistance on the part of radical left wing elements within his own party.

—Soares administrative capabilities remain unproven.

—The threat of extraordinary action from the extreme right appears slim.

—The Communists remain strong despite election losses and can effectively use their strength in labor unions against the government's economic austerity programs.

—Solving Portugal's economic problems—which include a 10 percent decline in GNP, near 15 percent unemployment, 20 percent inflation, and a 50 percent foreign reserve decline—remains key to political stability. Soares has endorsed a program that would reduce worker control over firms, control prices and wages, cut the budget deficit, and adjust exchange rates in order to reduce inflation and the trade deficit.

—Soares' strength lies with the willingness of his Western allies to provide extensive economic support.

—Portugal's foreign and defense policies will move closer to the West European mainstream with emphasis on NATO and closer ties with the EC-9. Relations with the Soviets will be cooler and Portugal's Third World orientation will diminish.

—Portugal's policy toward the US will be friendly but will avoid excessive dependence. Portugal will favor a new Azores agreement but will avoid blanket assurances regarding resupply of Israel.

—If Soares' government fails, the two most likely alternatives are a Socialist coalition with a more conservative party or a military take over.

175. Memorandum From the Director of the Office of Management and Budget (Lynn) and the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, October 12, 1976.

SUBJECT

Military Assistance for Portugal, FY 77 Budget Supplemental

Attached is a request from the Department of State for a fiscal year 1977 budget supplemental of \$30 million to provide three C-130 transport aircraft to Portugal on a grant basis. This military assistance was originally requested in May (Tab A) to show political support for the newly emerging democratic forces in Portugal and as a catalyst for other NATO members' contributions to the equipping of a NATO-committed Portuguese Brigade. OMB requested additional information concerning the entire modernization program, other NATO members' proposed contributions, the Portuguese economic outlook, and the relationship of our aid to the Azores base negotiations.

In a September 15 letter (Tab B) the Departments of State and Defense outlined a Portuguese multi-year military modernization program currently estimated to cost over \$350 million. State and Defense are not currently requesting approval of U.S. funding of any portion of this modernization program beyond the \$30 million required for three C-130's. Any future U.S. contribution to the total program will be developed based on other NATO contributions and the U.S.-Azores base negotiations, scheduled to begin in early 1977. Accordingly, your approval of this \$30 million grant would not constitute approval of a multi-year commitment to fund the modernization program.

While OMB would normally recommend that a decision on this \$30 million package follow the regular fall budget review process, the Departments of State and Defense and Ambassador Carlucci urge approval now and authority to inform the Portuguese of your decision. OMB has no objection to this timing, since all concerned agencies agree on the importance of showing support for the democratic elements in the Portuguese military now.

¹Summary: Lynn and Scowcroft sought Ford's approval of a fiscal year 1977 budget supplemental of \$30 million in military assistance for Portugal.

Source: Ford Library, President's Handwriting File, Subject File, Box 22, Foreign Affairs—Foreign Aid: Portugal. Confidential. Attached but not published is Tab A, a May 6 letter from Under Secretary of State for Security Assistance Carlyle Maw to Lynn; and Tab B, a September 15 letter from Maw to Associate Director of OMB Donald Ogilvie. Ford initialed his approval of the military assistance for Portugal.

If you approve this assistance, authorizing legislation and a supplemental appropriation will be required. These can be transmitted to the Congress with the budget in January, 1977.

176. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, October 14, 1976.

SUBJECT

Presidential Determination Under the Agricultural Trade Development and Assistance Act (P.L. 480) to Permit the Sale of Agricultural Commodities to Portugal

Acting Secretary of State Robinson recommends that you exercise your authority under the Agricultural Trade Development and Assistance Act (P.L. 480) to determine that it is in the national interest to sell up to \$50 million worth of agricultural commodities to Portugal during Fiscal Year 1977 (Tab B). This Determination is required to waive a provision of the Act which excludes from eligibility for concessional sales countries such as Portugal which permit trade with Cuba. A proposed Determination and supporting statements is at Tab A.

As Mr. Robinson notes, Portugal is facing serious economic difficulties which could rekindle communist-led labor unrest and threaten the stability of the new democratically-elected government. This proposed concessional sale will respond in part to Portugal's food import needs, and will constitute further evidence of our support for Portuguese democracy. Also noted by Mr. Robinson is the broad, bipartisan Congressional support for providing economic assistance to Portugal, and the concurrence in this recommendation of the Department of Agriculture.

¹ Summary: Scowcroft sought Ford's approval of a Presidential Determination to permit the sale of agricultural commodities to Portugal.

Source: Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 19, Portugal 1976 (8) WH. Limited Official Use. Sent for action. Hyland initialed the memorandum on Scowcroft's behalf. Attached but not published is Tab A, Presidential Determination No. 77–1, dated October 18 and signed by Ford; Tab B, a September 22 memorandum from Robinson to Ford; and Tab C, an October 4 memorandum from Lynn to Ford. A stamped notation on Scowcroft's memorandum indicates the President saw it.

Section 103(d)(3) of P.L. 480 requires that any waiver thereunder be reported to Congress within 10 days of your making the Determination that such waiver is in the national interest. There is no requirement that a Statement of Reasons accompany the report to Congress under this section, but as a matter of policy, such a statement has been prepared to accompany the Determination. Formal notification to Congress after the Determination has been signed will be made by the Department of State.

Max Friedersdorf and Jack Marsh concur in this recommendation, as does OMB (Tab C).

Recommendation

That you sign the Determination at Tab A.

177. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, November 6, 1976.

SUBJECT

Emergency Balance of Payments Assistance for Portugal

Secretary of State Kissinger has written at Tab A requesting that you approve a three stage financial assistance package for Portugal. Secretary of the Treasury Simon concurs in this request (Tab B).

The Portuguese balance of payments ran a \$1.1 billion deficit in 1975 and a \$1.4 billion deficit is expected in 1976. Disposable foreign exchange reserves will be exhausted by the end of November. Secretary Kissinger concludes that the Portuguese success story threatens to un-

¹ Summary: Scowcroft sought Ford's approval of emergency balance of payments assistance for Portugal.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 10, Portugal (12). Secret. Sent for action. Attached but not published is Tab A, a November 1 memorandum from Kissinger to Ford; and Tab B, an undated memorandum from Simon to Ford. A stamped notation on Scowcroft's memorandum indicates the President saw it. Ford initialed his approval of Scowcroft's first recommendation. Yeo described the proposed emergency balance of payments assistance package for Portugal in an October 28 meeting with Kissinger and other U.S. officials. (Memorandum of conversation, October 28; National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 Portugal)

ravel within weeks unless the recently installed democratic government receives prompt assurances of balance of payments assistance.

The *first stage* of the proposed assistance package would offer a six month \$300 million gold loan from the Exchange Stabilization Fund (a “gold swap”) to be implemented this year. The *second stage* is a U.S. contribution of \$550 million to a \$1.5 billion US/European/Japanese medium-term market rate balance of payments loan to be disbursed over a three-year period, with the IMF monitoring Portuguese compliance with the conditions of the loan. The *third stage* consists of full reliance on normal sources of private capital and if necessary an IMF standby agreement. The Portuguese Government will be expected to develop satisfactory and increasingly tough stabilization programs during each stage of the assistance package.

Secretaries Kissinger and Simon request your consent to consult immediately with key Congressmen concerning U.S. contributions to the second stage of the program. Discussions with other potential donors would begin after initial contacts with the Congress. Discussions with the Portuguese would be held prior to November 15, when their 1977 budget is presented, and the entire package would be announced during the week of November 22.

The urgency of the Portuguese situation requires action prior to your FY 1978 budget review of U.S. foreign assistance programs, now scheduled for late November. It should be noted that your approval of the Portuguese package will increase the difficulty of meeting other priority aid requirements within budgetary constraints. A favorable decision on this proposal does *not* constitute approval of other assistance programs to Portugal, which will be reviewed in light of pending Azores base negotiations during the regular budget review process. Budgetary details of the financial aid package will be developed by concerned agencies in cooperation with OMB.

OMB concurs in the recommendations of the Secretaries of State and Treasury to provide \$550 million to Portugal as part of a consortium loan to be disbursed as follows: \$300 million in the current fiscal year, \$130 million in FY 1978, and \$120 million in FY 1979 (see Tab C).

OMB has reservations concerning the economic reform program that Portugal will be asked to adopt to qualify for the consortium loan. OMB believes that greater IMF participation and more stringent austerity measures during the second stage will be necessary to make Portuguese economic reforms successful since:

- the longer the new Socialist Government delays reforms the more they will be faulted for the pain of severe measures;

- politically it does not make sense to heighten psychological apprehensions by proposing increasingly drastic austerity measures; and

—Portuguese President Eanes is pressing Prime Minister Soares for rapid economic reforms.

State and Treasury believe that the proposed plan provides maximum feasible economic reform at this time considering Portugal's political situation since:

—negotiations with the IMF could delay needed economic assistance; and

—the stringent reforms required by the IMF for Portugal's socialist oriented economy would be politically unacceptable unless they are phased in more slowly.

I concur with the State/Treasury view.

Recommendation:

That you approve U.S. participation in the aid package to Portugal as proposed by State and Treasury and authorize consultation with Congress concerning legislative aspects of the program.

Or, alternatively,

That you approve U.S. participation but with the proviso that every effort should be made to reach agreement with the IMF in the second stage of Portugal's economic reform program (OMB view).

178. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, November 16, 1976.

SUBJECT

Continued Political Action Support in Portugal

Recent developments indicate that the struggle between democratic and communist forces in the labor unions of Portugal will intensify over the next few months. In order to bolster the labor programs undertaken by two democratic parties with our covert assistance, CIA

¹ Summary: Scowcroft sought Ford's approval of the continuation of the covert action program in Portugal.

Source: National Security Council Files, Ford Intelligence Files, Portugal—GRF. Secret; Eyes Only. Sent for action. Attached but not published is Tab A, a November 5 CIA memorandum for the OAG on "Portuguese Political Action Program—Request for FY 1977 Funds." Ford initialed his approval of Scowcroft's recommendation on November 16.

proposes additional covert aid amounting to [*dollar amount not declassified*] (Tab A).

The covert assistance you previously authorized has made a significant contribution to the pro-Western forces in Portugal. Your most recent approval has been used to [*less than 1 line not declassified*] train and field labor organizers, establish labor centers, establish labor publications and strengthen their labor organizational efforts. The communist-dominated labor organization has scheduled a national labor congress in January which will become a contest for influence between the Communist Party of Portugal and the democratic forces. It is important that the latter continue to strengthen their positions in order to hold to and improve the gains scored in recent national elections.

As a result of your earlier Presidential Finding that this activity was important to the national security of the U.S., the appropriate committees of the Congress have been briefed. If you approve, this proposal will be a continuation of that effort, and the Congress will be briefed on this supplemental funding. [*less than 1 line not declassified*]

CIA's Tab A proposal was considered by the Operations Advisory Group in a formal meeting on 8 November and your approval was recommended without dissent.

Recommendation:

That you approve the Tab A proposal to make an additional [*dollar amount not declassified*] available from [*less than 1 line not declassified*] for covert support to labor operations in Portugal.

Nordic Countries, 1973–1976

179. Memorandum From Helmut Sonnenfeldt of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, January 20, 1973.

SUBJECT

Visit of Icelandic Foreign Minister

From January 22–27, Icelandic Foreign Minister Agustsson will be in Washington for discussions with State and Defense on the role played by NATO's US-manned Icelandic Defense Force (IDF).

As I noted in my memorandum of January 17, Iceland's shaky three-party coalition government—with the Communist Labor Alliance Party as one of its members—is committed by a 1971 election plank to reviewing the current Defense Agreement with a view to gradual withdrawal of the IDF by 1975.

Until now, Agustsson has managed largely to avoid the issue, with Icelandic foreign affairs concentrated on the fisheries dispute with the UK and FRG. There have been recent indications that Agustsson not only wants the issue to be resolved in a way that is acceptable to the United States but also wants to avoid as long as possible the possibility of having a vote on the IDF in the Icelandic Parliament—his reasoning being that the Communists would break up the coalition rather than voting to keep the IDF and this would lead to the fall of his government.

However, Agustsson feels the need to show some movement on the defense question. Accordingly, he has asked for discussions—*not negotiations*—with Secretary Rogers and Defense officials, discussions aimed at providing him with the information he needs to be able to “argue” convincingly and in detail in his Parliament that he is, indeed,

¹ Summary: Sonnenfeldt discussed Agustsson's forthcoming visit.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 693, Country Files, Europe, Iceland, Vol. I. Secret. Sent for action. Concurred in by Richard T. Kennedy. Attached but not published is Tab A, a signed January 25 memorandum from Scowcroft to Eliot; and Tab B, a January 18 memorandum from Eliot to Kissinger. Scowcroft initialed approval of Sonnenfeldt's recommendation on Kissinger's behalf. Memoranda of conversation on Agustsson's January 24 meeting with Springsteen, Andersen's January 25 meeting with Assistant Secretary of State for Politico-Military Affairs Ronald Spiers, and Agustsson's January 26 meeting with Rush are *ibid.*, RG 59, Central Files 1970–1973, POL 7 ICE, POL ICE–US, and POL 7 ICE, respectively.

examining this issue that the threat to the security of Iceland and NATO still exists and that the IDF is therefore still required. Our Ambassador, and the US Commander of the IDF have already begun this educational process at Keflavik. While in Washington, Agustsson will meet on January 24 and 25 with Secretary Rogers, Stoessel and others at State to discuss the base issue. At his request, he will also have briefings on Vietnam and the Middle East by Assistant Secretaries Green and Sisco.

On January 26, the Pentagon has laid on a full day of briefings including meetings with Admiral Zumwalt, Admiral Moorer, Secretary Richardson and members of the Joint Staff.

State reviews its plans for the visit in the memorandum at Tab B. State's objective in the discussions will be: 1) to bolster Agustsson's image as a statesman by receiving him at a high-level in the United States, and 2) to educate him sufficiently to permit his arguing effectively for retention of the IDF.

The substance of the detailed US position on the strategic importance of the Keflavik base was developed in 1971 in the response to NSSM 134 on Policy Toward Iceland. This position has not changed in terms of the major roles played by the IDF and the nature of the strategic threat in the North Atlantic area.

As next week's discussions will involve no more than an exchange of views—and as they are in effect no more than a continuation at a higher level of the talks which have been going on at the Embassy and IDF levels in Iceland, I see no reason to recommend any change to State's plans for the Agustsson visit.

The memorandum for General Scowcroft's signature to State (with a copy to Defense) at Tab A would thank State for its memorandum and emphasize the continuing importance the President attaches to retention of the US-manned NATO base in Iceland.

Recommendation

That you approve the memorandum at Tab A.

180. Memorandum From Helmut Sonnenfeldt of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, February 21, 1973.

SUBJECT

US Aid to Iceland

The volcanic eruptions on Iceland's Westmann Islands are continuing, and it would now appear necessary to evacuate everything movable and usable from the Islands.

The US-manned Icelandic Defense Force (IDF) has been playing a very active role in assisting the Icelanders during this natural disaster. This role is contributing very positively to the Defense Force's image with the Icelanders at a time when, as you know, the Icelandic Government is wrestling with the issue of whether or not the Defense Force should be retained.

The costs involved with providing this assistance—particularly the C-130 operating expenses—require additional earmarking of funds by the U.S. Government if this assistance is to continue (see cable at Tab A). On February 20, AID agreed to set aside \$10 thousand which will provide for another day or two of operations. State and AID believe that DOD should pick up further expenses incurred in these assistance operations—i.e., some 90 additional C-130 flights at approximately \$200 thousand—and Deputy Secretary Rush plans to discuss this with Deputy Secretary Clements today.

Two points require attention: 1) Desirability of continued US assistance, and 2) Possibility of a White House statement with regard to this assistance.

1) *Continued US assistance.* Such assistance—humanitarian assistance to a NATO ally—is in the United States' best interests. Accordingly, it is important that State, DOD and AID work out the expenses problems expeditiously so that even a temporary halt or lag does not occur. The Icelanders are watching our operations appreciatively and closely. They would not understand such a halt, and it would undo the

¹ Summary: Sonnenfeldt discussed U.S. assistance to Iceland.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 693, Country Files, Europe, Iceland, Vol. I. Confidential. Sent for urgent action. Attached but not published is Tab A, telegram 168 from Reykjavik, February 20, on the relationship between IDF retention and volcanic disaster relief. Tab B was not attached. Kissinger initialed his approval of Sonnenfeldt's recommendation. An undated note from Scowcroft to Sonnenfeldt reads: "Done. DOD is funding \$200,000 to continue aid. DOD + State will draft an announcement of aid." (Ibid.) On January 23, a long-dormant volcano on the island of Heimaey erupted.

good work that has been done. This point should be impressed on State and Defense.

2) *White House statement.* On January 29, the President sent a message to Iceland's President Eldjarn (copy at Tab B) expressing his concern over the volcanic eruption. Once the above issue of operating expenses for continuing US assistance has been ironed out, the President may wish to have a White House statement issued on the humanitarian assistance being provided by the United States to Iceland. Such high-level publicity would undoubtedly be widely reported. It would make clear that the United States is once again embarked on a mission of humanitarian assistance. This information would not be lost on some of our shakier friends—including the Icelanders—and it should serve to further enhance the image of the Icelandic Defense Force.

Accordingly, I think State and Defense should be told that the White House may wish to issue a statement on this US assistance to Iceland, and that State, in coordination with Defense should forward a proposed statement for this purpose.

Considering the tight timing involved, I recommend that General Scowcroft call State and Defense on these issues.

Recommendation:

That you approve an immediate call by General Scowcroft to State and Defense emphasizing that:

- the White House wishes assistance to Iceland to continue uninterrupted, and

- the White House may wish to issue a statement on this assistance and, accordingly, requests State and DOD to submit proposed language for this purpose.

181. Memorandum of Conversation¹

Reykjavik, May 30, 1973, 9:05–9:55 p.m.

PARTICIPANTS

President Eldjarn
 Prime Minister Johannesson
 Foreign Minister Agustsson
 Ambassador to the USA Kroyer

President Nixon
 Secretary of State William P. Rogers
 Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs
 U.S. Ambassador to Iceland Irving

President Eldjarn welcomed President Nixon and his party to Iceland, and expressed satisfaction on behalf of his Government at the opportunity to have this talk with the President of the United States. He said it would be of particular interest for him and his Ministers to listen to what President Nixon might want to tell them.

President Nixon expressed thanks to President Eldjarn and his Government for hosting these talks between himself and President Pompidou, and said that he would express these thanks more formally at President Eldjarn's dinner the next evening. He explained that certain traditions of protocol had made it convenient for the two Presidents to meet this time in a third country, and Iceland had, by its geographical position, been an ideal site. Iceland was, moreover, an important link in the Atlantic Alliance, and it was the future of this Alliance which will be the main topic of the talks. The United States Government was well aware of the present strains on the Alliance, after so many years, and felt keenly that a new purpose, a new sense of direction were needed and would help to give the Alliance new value, both in terms of mutual security and economic cooperation and progress.

President Nixon stressed that his goal is to lessen tension between the superpowers. He recalled his visits to China and the Soviet Union in 1972, the important agreements concluded with the Soviet Union,

¹ Summary: Nixon, Rogers, Eldjarn, Johannesson, and Agustsson discussed the Western Alliance, Iceland, the UK-Iceland fisheries dispute, and the IDF retention issue.

Source: National Archives, Nixon Presidential Materials, White House Special Files, Staff Member & Office Files, President's Office Files, Memoranda for the President, Box 91, Beginning May 27 (1973). Confidential. The meeting took place in President Eldjarn's office at the State Council House. In telegram 573 from Reykjavik, May 22, the Embassy assessed the implications of the UK-Iceland fisheries dispute, including the implications for the IDF retention issue. (Ibid., RG 59, Central Files 1970–1973, POL 33–4 ICE–UK) Nixon, Rogers, and Kissinger were in Reykjavik from May 30 to June 1 to meet with Pompidou and other French officials.

and the culmination of his efforts in the conclusion of a ceasefire in Vietnam early this year.

He expressed understanding for the natural tendency among people to feel that now, because of the progress made toward relaxation of tension we can afford to let down our vigilance—that the world has changed so much that we can dispense with the Alliance. This is false thinking, President Nixon said, for we had gotten this far toward negotiations instead of confrontation through the strength of the Alliance.

President Nixon stressed that the Alliance must continue to negotiate from a position of strength, and successful results from CSCE and MBFR will depend on Soviet respect for the strength of the Alliance. So long as the Alliance remains strong, they will see that their only option is to negotiate.

President Nixon pointed out that he respected Brezhnev and Chou En-lai, although he did not hold the same views as they, and he felt they returned his respect. He said that this mutual respect held a unique opportunity now to limit arms and then move to the mutual reduction of arms. President Nixon acknowledged there exists today a widespread feeling that we can now relax and unilaterally reduce our strength, thereby concentrating on local problems of housing, roads, welfare, etc. But, he added, if we start reducing our armed strength unilaterally, there will be no mutual arms reduction, and there would then be no need for the Soviets to negotiate. Speaking as a pragmatist, he said, we have to be able to give something to gain something in a negotiation. He stressed again that the leaders of the U.S. and the USSR realize that they must get along, live together and cooperate.

Prime Minister Olafur Johannesson congratulated President Nixon on his achievements in the field of foreign policy. He then pointed out that Icelanders, being an island nation, were rather local-minded and preoccupied with domestic problems. Iceland sets one issue above all others, he said, namely the extension of Iceland's fisheries limit to 50 miles and the "invasion" of British warships into Icelandic waters.

He confirmed that the relations between Iceland and the U.S. have always been excellent, and stressed that he considered himself to be a real friend of the U.S. He had on many occasions said that Iceland owes the U.S. more than it owes any other nation in the United Nations family. He felt, however, that he had to state frankly that public opinion in Iceland was rapidly changing, that the tide was turning against the U.S., primarily because of the U.S.'s attitude toward the problem of Iceland's fisheries jurisdiction, which he described as being "too neutral."

Prime Minister Olafur Johannesson stated further that there was widespread opinion in Iceland that President Nixon would only have

to move his little finger to make the British remove their naval forces and settle the fisheries problem. The Prime Minister stated this might be an overestimation of the power of the President of the U.S. but this opinion in Iceland was widespread, and he felt he wanted to state it frankly.

President Nixon said that the present trouble in Iceland distresses the U.S. very much and asked the Icelandic Government what they expected the U.S. could do. He asked whether Iceland really felt that the Government of the U.S. could take sides in a dispute between two of its allies?

Olafur Johannesson replied by saying that Iceland had asked the U.S. for the lease of one or two of its surplus Coast Guard cutters, but had gotten turned down.

Secretary Rogers replied that the U.S. also had fisheries jurisdiction problems, but was looking to the Law of the Sea Conference to settle the problems. He asked why Iceland also could not wait to let the Conference settle Iceland's problem. He remarked that the U.S. worked out an arrangement with Brazil on the fisheries problem and asked why Iceland and the British could not do the same. Secretary Rogers also stated that the U.S. has problems with the unilateral establishment of fisheries limits.

The Prime Minister remarked that Canada had just established a 200-mile limit. Secretary Rogers remarked that the U.S. would have problems whether the limit was 50 miles or 200 miles. International law does not recognize either. The Prime Minister interjected by saying that opinions differ on that score.

Secretary Rogers urged that Iceland not press NATO to resolve the fisheries dispute because it could only lead to dissension within NATO at a time when NATO should be united. He urged that both Iceland and the UK try to settle the dispute amicably between them. If discussions at NATO are necessary, let it be in private at the NATO Ministerial meeting in mid-June and not as an agenda item.

Secretary Rogers acknowledged from reports he had received that Iceland was associating the IDF retention issue and the fisheries dispute. He said it was unfair for Iceland to blame the U.S. for its troubles with the UK. He remarked that relations between Iceland and the U.S. were always good and he felt they could not be better. He reminded Iceland of the amount of fish the U.S. buys, the high prices it is now getting in the U.S., and of the concessional air traffic rates Iceland's airline (Lotleidir) enjoys. He said the economics of Iceland's relations with the U.S. were overwhelmingly in Iceland's favor. Secretary Rogers asked that the IDF issue and the fisheries issue not be mixed; that the fisheries dispute with the UK not be allowed to sour the fine relationship that exists between Iceland and the U.S. Secretary Rogers also remarked

that it was unfair to the NATO Alliance to have the dispute over fisheries limits adversely affect NATO.

The Prime Minister, while agreeing with Secretary Rogers' statement on economic relations, said that public opinion regarding the U.S. is not as high today as it was a year ago because of the neutral attitude of the U.S. in the fisheries dispute and because the IDF did not "repel the British invaders" from Iceland's territory. He remarked this may not be logical, but it, nevertheless, is public opinion, and as a politician he has to act according to public opinion. He said public opinion is turning against the U.S. because the U.S. has not put pressure on the UK to remove its navy from Iceland's waters.

Secretary Rogers asked that Iceland not invoke Article VII of the Defense Agreement at this time because of what we are trying to do in Europe. He suggested Iceland discuss the subject at the NATO Ministerial meeting at Copenhagen next month.

The Prime Minister said that British military "spy planes" were flying over Icelandic waters to spy on the Icelandic Coast Guard and thus aid the British trawlers. All this was bound to have its effect on the problem of the Defense Base.

President Nixon said the U.S. did not want two friends blaming the U.S. for their problem. He added that to invoke Article VII, especially before the NATO Ministerial meeting, would be a very unfortunate move because it would tie together the fisheries dispute and NATO when in fact the issues were separate. He said that the fisheries problem must be solved in some way. He did not have a solution, but one must be found.

On the question of the base problem, he added that if Iceland moved toward isolation, this would be damaging not only for the Alliance but for Iceland as well. He reminded the Icelandic side that the situation of détente which we have today was achieved through negotiation based on strength, and added that even the People's Republic of China wants a strong NATO.

President Nixon remarked that we did not get where we were by "copping out," but by "playing the game, by being strong." He stressed that it was absolutely essential to move forward to relieve tension in the world and this required a strong Alliance. Reducing our forces unilaterally would be a mistake regretted even by Iceland because it would set back the cause of achieving a peaceful world. He asked Iceland to consider very seriously the harm it would be doing to Iceland as well as the Alliance if it took adverse action against NATO and the IDF.

The Prime Minister remarked that last May, when Secretary Rogers visited Iceland, he told him Iceland hoped to find a *modus vivendi* on the fisheries issue, but he regretted to say today that none has yet been found. Iceland will not negotiate with the UK until the UK

pulled back its navy. *Secretary Rogers* stated that it would be helpful if at least the shooting of vessels ended.

Foreign Minister Agustsson, referring to the Icelandic Government's plea to NATO in the fisheries dispute, informed President Nixon that NATO's Secretary General Luns had that same morning (May 30) informed the Icelandic Government that NATO had no power or authority to act in the British-Icelandic dispute, but had promised to use his good offices to try to influence the British Government to pull its naval vessels beyond 50 miles. The Minister added that any help from the U.S. Government in this effort would not only be valuable, it was almost essential in order to calm Icelandic emotion on NATO and the Base.

President Nixon said that he could not give any reply to this request at the moment. He would like to remind Iceland that Iceland and the U.S. need each other. He asked that the Icelandic Government not to do anything more that would be detrimental to U.S.-Icelandic relations, and in particular not let the fisheries dispute poison these relations. He added that it was sometimes necessary for Government leaders to lead public opinion. He remarked it was very important that nothing cause the deterioration of the Alliance.

182. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, September 28, 1973.

SUBJECT

US-Icelandic Defense Agreement Negotiations

I. *Background*

The Government of Iceland has requested that the United States enter into formal negotiations this October on the US-Icelandic Defense Agreement of 1951—including the specific issue of the future size

¹Summary: Kissinger discussed the U.S.-Icelandic Defense Agreement negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-242, Policy Papers, 1969–1974, NSDM-234. Secret. Sent for action. Attached but not published is Tab A, a September 20 memorandum from Rush to Nixon. Tab B is Document 183. A stamped notation on Kissinger's memorandum indicates the President saw it. Nixon initialed his approval of Kissinger's recommendation.

and shape of NATO's US-manned Icelandic Defense Force (IDF) at Keflavik.

On June 25, shortly after your visit to Reykjavik, Iceland invoked Article VII of the Agreement, setting into motion a review and negotiating process that could, in the worst circumstances, lead to termination of the Agreement and removal of the US forces. In NATO, the Military Committee has reviewed the need for continuing the NATO Base in Iceland and has concluded that, in light of current USSR operations and projected Soviet strategy, it is of the greatest importance that NATO operations at Keflavik continue. Secretary-General Luns presented the NATO report to the Government of Iceland in mid-September. Additionally, Norway has made a high-level *démarche* to Iceland stressing the importance of the base to Norway's security.

The forthcoming negotiations are greatly complicated by Iceland's fisheries dispute with the UK, a dispute which has led Iceland to the brink of severing relations with the UK, which has opened our forces to the charge that we are not protecting Iceland against foreign (UK) aggression, and which generally has strengthened the hand of the anti-NATO, Communist members of the Icelandic Government.

Within the U.S. Government, *the NSC Under Secretaries Committee, in keeping with the directives of NSDM 137, has developed a recommended U.S. position for the talks with the Icelanders, forwarded by the memorandum of Acting Secretary Rush at Tab A.*

II. Under Secretaries Committee Findings and Recommendations

The Under Secretaries Committee has determined, and I concur, that the Keflavik Base operations will continue to be of great importance to the United States, particularly those aspects relating to detection and surveillance of Soviet submarines in the North Atlantic.

The Committee recommends that we accede to the Icelandic request to enter into formal negotiations with a view to agreeing to certain reductions in US personnel and modifications to the base operations without any changes to the basic defense agreement.

III. Recommended Next Step

In my opinion, the position recommended by the Under Secretaries Committee is sound, providing as it does for no formal change in the US-Icelandic Defense Agreement, while at the same time offering considerable flexibility with regard to the several specific aspects of the Keflavik base arrangements, as outlined in the accompanying study.

The current Icelandic coalition government is so unstable and the UK-Iceland fishing dispute is sufficiently serious that we cannot enter into these negotiations assured of success. However, I believe that the

position as recommended takes accommodation of Icelandic interests properly into account while at the same time safeguarding US interests.

With your approval, I will sign the NSDM at Tab B approving the recommended US position for the US-Icelandic defense negotiations.

183. National Security Decision Memorandum 234¹

Washington, October 2, 1973.

TO

The Secretary of State
The Secretary of Defense
The Chairman, NSC Under Secretaries Committee

SUBJECT

US-Icelandic Defense Negotiations

The President has considered the review of U.S. Relations with Iceland forwarded by the Chairman, NSC Under Secretaries Committee on September 20, 1973.

The President has approved negotiations with Iceland relating to the US-Icelandic Defense Agreement as recommended by the Under Secretaries Committee, with the understanding that the following guidelines will shape the U.S. position:

—There should be no formal modifications to the US-Icelandic Defense Agreement of 1951.

—The United States will undertake to phase out certain military personnel in the manner recommended by the Under Secretaries Committee.

—The United States will undertake to have all U.S. IDF personnel housed on base within the next three years.

¹Summary: The President approved guidelines for the U.S.-Icelandic defense negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-242, Policy Papers, 1969–1974, NSDM-234. Secret. Copies were sent to the DCI and the Chairman of the JCS. The first round of negotiations was held in Washington. (Memorandum of conversation, October 4; Washington National Records Center, OSD Files: FRC 330–78–0001, Iceland 092 20 Oct 73)

—The United States will undertake other practical modifications, including the separation of the military and civilian air terminals and the increased contracting of Icelandic services.

—The United States will keep the Keflavik base television signal out of Reykjavik should the Government of Iceland so request.

—The United States will press the Government of Iceland to ease or eliminate current restrictions applying to U.S. personnel.

In approving the U.S. position for these negotiations, the President again emphasizes the importance of retaining Iceland in NATO and retaining US-manned NATO facilities in Iceland.

The President has directed that the senior U.S. Negotiator should submit a report on the results of these negotiations, including such *ad referendum* agreements as may be developed, for his review as soon as possible.

Henry A. Kissinger

184. Telegram 1349/Polto 2 From the Embassy in Iceland to the Department of State¹

Reykjavik, November 13, 1973, 1940Z.

Subject: Iceland Base Negotiations—First Meeting of Second Round.

1. Summary. Good atmosphere prevailed during first meeting of second round of negotiations which came on heels of Icelandic Parliament's approval of Iceland-UK Fisheries Agreement. FonMin showed great interest in civilianization of IDF, including employment of Icelanders, US civilians, US dependents of those already stationed in Iceland, and NATO civilians. While again mentioning GOI aim to get rid of IDF, for first time he accepted necessity of some military units remaining in Iceland and placed no time limits on civilianization process.

¹ Summary: The Embassy reported the first meeting of the second round of the U.S.-Iceland defense negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 693, Country Files, Europe, Iceland, Vol. I. Secret; Exdis. Sent for information to the Secretary of Defense, CINCLANT, the Mission to NATO, and COMICEDFOR. Telegrams 1357 and 1358, both November 15, discuss the second session of the second round. (Both *ibid.*) A memorandum of conversation on the November 15 session is also *ibid.* During an October 15 to 16 visit to London, Johannesson concluded a two-year agreement with Heath that temporarily settled the UK-Iceland fisheries dispute.

It was agreed both sides would avoid comment to press on substance of meeting, and that second session would be on Nov 15, with next round of talks to be held in mid-December, following NATO Ministerial. End summary.

2. FonMin Agustsson apologized that he was not well-prepared for this meeting because Iceland-UK Fisheries Agreement had absorbed his and GOI attention in recent weeks until vote in Parliament earlier this same day. Under Secretary therefore outlined philosophy of US approach, concentrating on demilitarization (reduction of military personnel) and accompanying civilianization, but on condition that IDF remain effective in defense of Iceland as well as US and NATO interests. Under Secretary then noted that as regards reductions of military personnel, 425 persons on rotational duty should be subtracted from IDF total.

3. With respect to civilianization, Under Secretary cited four categories: replacement of US military by Icelanders (with or without personnel security systems), by skilled US technicians, by dependents of those already with the IDF, or by civilians from other NATO countries. Key is replacement and number involved is in hundreds.

4. FonMin raised question about complete demilitarization. Under Secretary replied we could do considerable amount in this direction but the key is maintenance of defense capability. FonMin did not rule out employment of dependents and NATO civilians but expressed interest especially in employment of US civilians. He said establishment of personnel security system was not likely because of Icelandic reluctance to change laws. On Under Secretary's request for adequate time (up to four years) to recruit and train civilians, FonMin indicated understanding. FonMin also asked whether additional functions could be performed from elsewhere. Under Secretary cited SAR activity as an illustration, but stressed this represented downgrading of defense capability. He also noted some units (i.e. ASW) were already below normal strength. He cited several figures to suggest number of Icelandic nationals who could be employed as replacements in non-sensitive positions.

5. Under Secretary evoked no substantive reaction when he touched on separation of air terminal from base facilities, on liberalization of living and working conditions of IDF, and on application of Icelandic law to Icelanders employed by IDF. On question of type of agreement, Under Secretary mentioned exchange of notes on understanding as to Article VII Plus MOU on details. FonMin said he personally saw no problem with this and believed no new agreement was necessary.

6. FonMin emphasized (for first time) that GOI manifesto merely aimed at getting rid of IDF, but that one must be reasonable. He ob-

served he was “instructed” to say that IDF should be all out by mid-1975 but one must find ways to resolve this. Under Secretary pointed out that GOI would be able to see concrete results by mid-1975. FonMin noted he would talk to Prime Minister and others and hoped he could give us green light on some matters at next meeting on Nov 15.

7. On press guidance, it was agreed no substantive comment would be made and FonMin would merely state that another meeting will be held Nov 15.

8. Comment: We believe this session laid essential groundwork for useful progress on Nov 15 along lines of scenario developed in Washington. We do not plan to go beyond that scenario at this time.

Irving

185. Telegram 75494 From the Department of State to the Embassy in Iceland¹

Washington, April 12, 1974, 2252Z.

Subject: Iceland Base Negotiations—Summary of Third Round. Reference: State 073159. Summary—Purpose of third round was to receive GOI proposals, take them under advisement and avoid setting date for next round. Since both GOI and USG agreed on tactics, discussions went smoothly and efficiently. Foreign Minister left apparently well satisfied that he had achieved his purpose. Likewise, we believe we achieved our purpose which is to maintain effective base in Iceland and to avoid giving Communists in GOI any logical pretext to bring down government over defense issue. End summary.

1. Icelandic negotiating team under chairmanship of Foreign Minister Agustsson had meetings April 8 and 9 with USG team headed by Under Secretary Sisco, during which he formally presented GOI proposals which had previously been made available to NATO Embassies

¹ Summary: The Department summarized the third round of the U.S.-Iceland defense negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 693, Country Files, Europe, Iceland, Vol. I. Secret; Exdis. Sent for information to the Mission to NATO, London, Oslo, Copenhagen, and Bonn. Drafted by Nicholas Andrews in EUR/NE; cleared by Stabler, Irving, EUR/NE, and Fry in S/S; and approved by Sisco. A memorandum of conversation on Kissinger's April 10 meeting with Agustsson is *ibid.*, Box 1028, Presidential/HAK Memoranda of Conversation, Memcons—1 Mar 1974–8 May 1974, HAK + Presidential (2 of 4).

in Reykjavik and to Icelandic media. We posed several questions to probe meaning of proposals to which Agustsson replied in moderate and rather flexible terms. Our preliminary response was that purposes and activities of Iceland Defense Force would be severely affected by these proposals; that because of their ramifications they deserve serious and considerable study; and that we therefore take them under advisement. We do not expect to reply formally to these proposals for some time, and Agustsson made it clear that the GOI does not expect a quick reply, especially since it took the GOI a long time to formulate them.

2. We repeated our November 1973 proposals, and Agustsson said they were not acceptable to the GOI, although some aspects were interesting. He indicated readiness to consider new US proposals.

3. Agustsson expressed interest in working with Embassy Reykjavik on joint study of areas where Icelandic police, Coast Guard and civil aviation could take over some functions of the base, to which we agreed. He insisted this should be kept confidential. We said it would be timely to look into possibility of hiring more Icelandic nationals and training them to replace US military personnel, depending on availability of Icelandic labor.

4. We raised Icelandic request in the Iceland Defense Council for elimination of the base's TV signal from the Reykjavik area and said we were willing to comply. Agustsson seemed pleased but made clear there was no time limit on doing so. (Interestingly, next day he remarked that requesting elimination of TV signal was probably a tactical political error on part of GOI.)

5. We said we were ready to transfer to Iceland without charge air traffic control equipment on loan to Iceland from the FAA for many years.

6. Agustsson saw Acting Secretary Rush on April 8 who spoke on keeping up NATO strength during period of détente policy. (Under Secretary briefed Agustsson on Middle East, SALT and MBFR.) Secretary of Defense Schlesinger received Agustsson April 9.

7. Secretary received Foreign Minister April 10 for brief meeting in which Secretary impressed him with knowledge of details (employment of Icelandic civilians, TV signal) and continuing importance of Iceland base as key element of NATO strength. Secretary stressed he was following base negotiations closely, appreciated Icelandic concerns, and would do everything possible to bring negotiations to mutually acceptable conclusion.

Kissinger

186. Telegram 1209 From the Embassy in Iceland to the Department of State¹

Reykjavik, September 3, 1974, 1110Z.

Dept pass to COMICEDEFOR, CINCLANT and SecDef. Subject: IDF Retention Negotiations—Conversation with New Prime Minister. Ref: (A) Reykjavik 1185, (B) Reykjavik 1195, (C) State 179522, (D) Reykjavik 1157.

1. Begin summary: Prime Minister sees favorable conclusion of IDF retention negotiations if USG agrees (A) to reduce military manpower by 420 but not at a rate faster than Icelandic labor becomes available; (B) commence on-base housing construction for military personnel next year; and (C) separate military and civilian airports with USG financial involvement. For local reasons he would like to have a signed agreement by mid-October at latest, when Parliament is scheduled to convene its winter session. He asks assurance that USG will not make subsequent military operational and manpower reductions which will jeopardize the security and defense of Iceland. He believes it may be necessary, if FonMin feels strongly about it, to prepare formal reply to GOI's April proposals. Points (A) and (B) above reflect USG offers made during November 1973/April 1974 negotiation sessions. Point (C), airport separation, will cause USG some problems. End summary.

2. I had a very affable 45-minute private conversation with PrimeMin Geir Hallgrímsson Sep 2 during which he defined for me the vague terms of the GOI defense platform. He asked how soon I thought USG could proceed on separation of the airports. I replied that as soon as Iceland builds the new civilian airport we could construct the access road. He seemed puzzled by my response. Subsequent conversation brought out that he was under the impression USG would finance the new airport. He said he understood that the USG made such an offer "several years ago." When I remarked that I had never heard of such a proposal, he said it was well before my time here as Ambassador. I did not pursue the subject. I remarked that I was not prepared to talk de-

¹ Summary: Irving reported his September 2 discussion with Hallgrímsson on the U.S.-Iceland defense negotiations.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974, [no film number]. Confidential; Immediate; Exdis. Sent for information to the Mission to NATO, Copenhagen, Oslo, and Stockholm. Irving reported on his September 3 meeting with Agustsson in telegram 1216 from Reykjavik, September 3. (Ibid.) National elections held in Iceland on June 30 led to the formation of a new government headed by Hallgrímsson, who told Irving on the day before he became Prime Minister: "Our problems are over." Irving continued, "He said he was confident that we settle the base issue amicably." (Telegram 1185 from Reykjavik, August 28; *ibid.*)

tails of a defense settlement at this time, but I was interested in his views.

3. PrimeMin asked me what form the defense settlement should take. I told him GOI must first cancel the invocation of Article VII and that this can be done by a simple exchange of notes which take cognizance of understanding reached, etc., and a memorandum of understanding which spells out our intentions (comment: although I did not identify them to the PrimeMin I had in mind the two documents USG proposed during the November negotiation sessions).

4. PrimeMin requested that when I meet with FonMin Agustsson (which was put off until Sep 3) I not let him know we talked about defense matters, but describe my visit as simply a courtesy call. He said Agustsson still very upset that he had to agree to such a great about-face on defense issue and that for the sake of the new IP-PP coalition we should let him suggest some face-saving procedures. He warned, however, that we should not agree to any measures which will adversely effect the purposes and functions of the IDF. He hinted he might have to agree to request a formal USG response to the April GOI defense proposals if Agustsson wants it. PrimeMin suggested we have another meeting next week to discuss any specifics which FonMin might suggest but that such a meeting be kept in confidence. He repeated he would like to accommodate FonMin's wishes under certain circumstances.

5. During conversation when PrimeMin asked for assurance on maintaining an adequate defense of Iceland I remarked that he ought to leave the structure of the IDF up to USG on how best to accomplish this objective. I said that circumstances, for instance, might permit us to reduce some Marines or change the composition of the military force where we would reduce "a dozen or so" Marines but not reduce an equivalent number of another element. I was testing the waters about subject covered reftels (C) and (D). When I mentioned the "hypothetical" case of reducing some Marines I cannot say I received any encouragement. This subject may have to wait until we sign a Defense Agreement.

6. Comment: After I meet with FonMin I shall try to transmit some views on where we go from here. The airport separation will be troublesome and we should concentrate some effort on this. I believe the degree of US financial involvement might be negotiable, but at this point in time I think it may have to be greater than an access road. I can see many reasons why we should try to settle the defense issue by mid-October, if at all possible. Labor unions have already put the New Govt on notice that they will oppose GOI's economic stabilization program and we might again experience general strikes before end of year. This could generate new elections in the spring. Also, it is not incon-

ceivable for Iceland and UK, joined by FRG, to renew the “cod war” over the new govts 200 mile fishing limit declaration. We do not want to get caught up in this again. If we wait too long into the next session of Parliament to settle the defense issue circumstances might be less favorable. We have our maximum support now among members of Parliament and the general public.

Irving

187. Memorandum From the President’s Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, November 11, 1974.

SUBJECT

US-Iceland Defense Negotiations

In compliance with the instructions set forth in National Security Decision Memorandum 234 of October 2, 1973, “US-Icelandic Defense Negotiations,” the senior negotiator—Under Secretary of State Joseph Sisco—has submitted a report (at Tab A) on the negotiations for your review. *In brief, the negotiations have been successfully concluded assuring the continued operations of the US-manned NATO Icelandic Defense Force at Keflavik, Iceland.*

The Under Secretary’s report states that the negotiations were concluded *ad referendum* on September 26 in Washington and that the resulting understandings were signed in Iceland by Foreign Minister Einar Agustsson and our Ambassador to Iceland, Frederick Irving, on October 22. The understandings are not subject to Congressional approval in either country, although the Department of State will send a report to the Congress for its information.

Under Secretary Sisco informs you that the results of the negotiations are embodied in three documents (at Tab B) which conform ex-

¹ Summary: Kissinger discussed the successful conclusion of the U.S.-Iceland defense negotiations.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 7, Iceland. Confidential. Sent for information. Attached but not published is Tab A, an October 24 memorandum from Sisco to Kissinger; and Tab B. Scowcroft initialed the memorandum on Kissinger’s behalf. Ford initialed the memorandum.

actly to guidelines contained in NSDM 234. The Exchange of Notes concludes the review of the 1951 Defense Agreement, requested by Iceland in 1973 under Article VII of that Agreement, by stating that the present situation in world affairs calls for the continuation, without formal modification, of the Defense Agreement. The first objective outlined in NSDM 234 was thus attained.

The other documents, a Memorandum of Understanding and an Agreed Minute, provide that the United States will undertake to phase out 420 of its current military personnel in Iceland as fully-trained Icelanders become available to replace them in what are basically technical and administrative positions. In addition, the United States has undertaken to seek appropriations over the next three fiscal years to construct on-base housing for all U.S. military personnel stationed in Iceland. We have also agreed to cooperate with Iceland in the construction of a new civilian air terminal complex (not including a new civilian terminal building), which will separate military and civilian activities at Keflavik Airfield.

The Under Secretary's report concludes that, as a result of the negotiations, we have obtained the agreement of the new Icelandic Government that the US-manned NATO facilities will remain in Iceland for an indefinite period. In this regard, the new Government has announced as its stated policy that it will remain a member of NATO.

This memorandum is forwarded for your information to advise you that the negotiations, of importance to NATO's North Atlantic operations, have been successfully concluded. We have expressed your appreciation to Under Secretary Sisco for his report.

188. Memorandum From Denis Clift of the National Security Council Staff to Secretary of State Kissinger¹

Washington, September 26, 1975.

SUBJECT

Proposed NSSM on U.S. Policy Toward Svalbard/Spitzbergen

Spurred by negotiations with the USSR over division of the Barents Sea continental shelf and the international implications (because of the Spitzbergen Treaty) of oil exploration there, the Norwegian Government is now formulating long-term policies toward the Svalbard/Barents Sea region. Aware of the interest of principal NATO allies, including the United States, in the area for both strategic and economic reasons, the Norwegians asked for bilateral consultations during Deputy Secretary Ingersoll's recent visit to Oslo; *Foreign Minister Frydenlund also inquired about talks on Svalbard in his meeting with you in Helsinki on August 1.*

The Department of State strongly favors such consultations with the Norwegians, pointing out that because key Norwegian officials, including Prime Minister Bratteli and Frydenlund, are undecided on the basic issues, the U.S. has a good opportunity to influence the outcome of policy discussions in Oslo. State rightly suggests that a coordinated interagency view of the Svalbard issue is necessary before we can deal effectively with the Norwegians to protect our own economic and strategic interests, Alliance solidarity, and our preferred positions on related legal questions concerning law of the sea. To this end, the Department of State has asked informally at the EUR Bureau level for a NSSM to address the principal issues and U.S. interests in the Svalbard area preparatory to talks with the Norwegians.

I concur that a NSSM on the Svalbard problem would be appropriate and timely. The Soviets have approached the Norwegians already with hints of working out a bilateral condominium in the area which would exclude the U.S.

¹ Summary: Clift discussed a proposed NSSM on U.S. policy toward Svalbard.

Source: Ford Library, NSC Institutional Files (H-Files), Box 39, NSSM 232—U.S. Policy Toward Svalbard (Spitzbergen). Secret. Sent for action. Tab A is Document 189. Tab I was not attached. Kissinger wrote on the memorandum, "We don't need Presidential approval." On August 1, while in Helsinki for the CSCE Final Act signing ceremony, Kissinger met with Frydenlund and discussed North-South relations, MBFR, Spitzbergen, and Israel and the UN. (National Archives, RG 59, Central Foreign Policy Files, P820123–1956) In telegram 707 from Oslo, February 16, 1974, the Embassy forwarded an earlier request from Frydenlund for U.S. views on Soviets interests in north Norway and the vicinity. (Ibid., Nixon Presidential Materials, NSC Files, Box 698, Country Files, Europe, Norway, Vol. I (Jan 69–Apr 74)) The Department's response is contained in telegram 43807 to Oslo, March 5. (Ibid.)

and other signatories to the Spitzbergen Treaty from economic exploitation of the Svalbard continental shelf. The Soviets are also interested in maintaining the Barents Sea as a Soviet lake—with foreign economic presence excluded, and in weakening Norway's sovereignty over the Svalbard archipelago itself. The Soviets' large mining operation there and their demands in connection with the new international airport on Spitzbergen are evidence of their seriousness—as is their recent unprecedented launch of three ICBMs into that part of the Barents Sea contested with Norway.

The NSSM for your signature at Tab A would direct the NSC Under Secretaries Committee to prepare a study on U.S. policy toward Svalbard to be forwarded for consideration by the NSC Senior Review Group by November 1, 1975. The agencies would be asked to examine U.S. strategic and economic interests in the Svalbard area, legal questions growing out of Norway's boundary claims relevant to our interests and our positions in a law of the sea context, and the attitudes of our Allies who have interests in the Svalbard area. It would ask for recommendations for U.S. policy toward Svalbard, taking into account U.S., Soviet, Norwegian and Allied interests.

I recommend that you sign the NSSM at Tab A.

Alternatively, a memorandum is available for your signature to the President at Tab I which would forward the NSSM for his approval, prior to your signature.

Dick Boverie, Clint Granger and Bob Hormats concur.

Recommendation

That you sign the NSSM at Tab A.

189. National Security Study Memorandum 232¹

Washington, October 17, 1975.

TO

The Secretary of Defense
The Deputy Secretary of State

SUBJECT

U.S. Policy Toward Svalbard (Spitzbergen)

The President has directed that a comprehensive review be undertaken of U.S. policy toward the Norwegian Arctic dependency known as Svalbard. The study should examine U.S. strategic, economic and political interests (including the weight and importance of those interests), legal questions posed by Norway's boundary claims relevant to our interests in the archipelago and our positions in the law of the sea negotiations, and the attitudes of our Allies who have rights under the 1920 Spitzbergen Treaty. The study should provide recommendations for U.S. policy toward Svalbard, taking into account U.S., Soviet, Norwegian and Allied interests in the area.

The President has directed that the study be undertaken by the NSC Under Secretaries Committee. The study should be forwarded no later than December 1, 1975 for consideration by the Senior Review Group.

Henry A. Kissinger

¹ Summary: The President directed a comprehensive review of U.S. policy toward Svalbard.

Source: Ford Library, NSC Institutional Files (H-Files), Box 39, NSSM 232—U.S. Policy Toward Svalbard (Spitzbergen). Secret. Copies were sent to the Chairman of the JCS, the DCI, and the Chairman of the NSC Under Secretaries Committee.

190. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, April 19, 1976.

SUBJECT

United States Policy Toward Svalbard

I. *Introduction*

Norway's most immediate foreign policy problem is the Svalbard archipelago, a group of islands athwart the Arctic Circle over which Norway was granted sovereignty by international treaty in 1920 and which are presently the subject of active negotiations with the Soviet Union. Spurred by negotiations with the USSR over the Barents Sea continental shelf and the international implications of oil exploration and exploitation there, the Norwegian Government is now formulating long-term policies toward the Svalbard/Barents Sea region. Aware of the interest of principal NATO Allies, including the United States, in the area for both strategic and economic reasons, Norwegian Foreign Minister Frydenlund suggested bilateral talks on Svalbard in his meeting with Secretary Kissinger in Helsinki last August. The subject was also raised in your meeting with King Olav V and Frydenlund last October.

Following these requests for bilateral consultations, we began a study to examine US economic and strategic interests in Svalbard, Alliance solidarity in relation to the issues of the region, and our preferred positions on related legal questions concerning law of the sea.

The Acting Chairman of the NSC Under Secretaries Committee has forwarded the completed interagency review of US interests in Svalbard and recommendations for US policy. An analytical summary of the response—in which State, Defense, Interior, FEA, CIA and the National Science Foundation participated—is at Tab B and the study itself is at Tab II. A map of the Svalbard area is at Tab C. The following paragraphs summarize the NSSM response.

¹Summary: Scowcroft sought Ford's approval of a NSDM on policy toward Svalbard.

Source: Ford Library, NSC Institutional Files (H-Files), Box 65, NSDM 325—United States Policy Toward Svalbard (1). Secret. Sent for action. Tab A is Document 191. Attached but not published is Tab B, an undated analytical summary of the response to NSSM 232; Tab C, a map of Svalbard and the surrounding Arctic seas; and Tab II, an April 7 memorandum from Sisco to Ford forwarding the report prepared in response to NSSM 232. The April 5 report is not attached, but is *ibid.*, Box 65, NSDM 325—United States Policy Toward Svalbard (2). A stamped notation on Scowcroft's memorandum indicates the President saw it. Ford initialed his approval of Scowcroft's recommendation.

II. Background

Norway is negotiating with the Soviet Union to delineate the continental shelf between the USSR and Norway in the Barents Sea—which separates Norway from Svalbard (formerly called Spitsbergen). At stake is the right to exploit seabed resources in the contested area, thought to contain sizeable oil deposits. Additionally, Norway is concerned about the legal status of the Svalbard continental shelf, now at issue with all the other 1920 treaty signatories (of which there are now 41, including the U.S.). If the Svalbard shelf is determined to be an extension of Norway's continental shelf, Norway would have exclusive right to exploit its seabed resources. If not, however, that right of exploitation would have to be shared with the other signatories.

United States interests in Svalbard are threefold. Politically, the area is of particular importance to Norway, one of our closest NATO allies, which seeks our support in its negotiations with the USSR. Additionally, it is in our interest to prevent Soviet encroachments in the Svalbard area, which is in the NATO region; such encroachments could affect stability in the North and give rise to active East-West confrontation in the area. Militarily, the Svalbard archipelago has significance by virtue of its proximity to the Soviet Kola peninsula—which provides the Soviet Northern Fleet the USSR's only ice-free unrestricted access to the open ocean from European Russia—the importance of ice-free routes between the Barents and Norwegian Seas, and the possible use of these waters as patrol zones for ballistic missile submarines. Economically, the Svalbard area may have petroleum reserves as large as those of the North Sea or the United States—to which we legally have access as a signatory to the 1920 treaty.

The NSSM concludes that our interests in the northern area are better served by preventing Soviet encroachment and supporting the claims of a close NATO ally than by pressing to the limit our economic rights under the 1920 treaty. At the same time, we should be able to protect our economic rights in the area through bilateral arrangements with the Norwegians.

III. Recommended Next Steps

The principal conclusions of the NSSM response, in which all agencies concur, are:

—*The United States should seek to protect its economic and strategic interests on the Svalbard continental shelf and those of its Allies through guarantees by Norway (i.e., outside the provisions of the Spitsbergen Treaty) in the context of full acceptance of Norway's sovereignty rights over the continental shelf.* This approach would include maintaining our reservation of rights under the Spitsbergen Treaty to exploration and exploitation of mineral resources of the shelf while eliciting Norwegian views and

plans for a regulatory regime to guide exploitation of petroleum resources in the Svalbard region. If these discussions show promise of a regime satisfactory to the US, we should consider consultations with Norway and other Treaty signatories to formulate guidelines for regulation of the shelf with, at a minimum, some form of assured access to the final product.

—*With regard to the exercise of sovereignty on Svalbard, the United States should be guided by Norway's perception of its sovereignty needs.* The US should counsel firmness in defense of Norway's legitimate rights as the best means to secure those rights.

—*The United States should provide diplomatic support to Norway's efforts to assert more vigorously its sovereignty on Svalbard through expressions of support for Norway by our allies and other treaty signatories, and démarches to the Soviets.*

—The US should provide assurances to the Soviets that Norway seeks carefully delimited objectives without constraint on legitimate Soviet prerogatives. While démarches should draw on US-USSR mutual interest in relaxing tensions and maintaining stability in the northern area, it should be made clear that in any controversy with the Soviet Union, Norway does not stand alone.

—The US should urge Norway to continue to reject Soviet attempts to use the sector line approach to resolving their continental shelf boundary dispute. This approach would enhance other Soviet sector claims in the Arctic.

—To increase the non-Soviet presence on Svalbard, the US should undertake a program of expanded scientific effort in the region; additional funds should be provided for this increased activity as appropriate.

—Consideration should be given at a future time to a proposal for reciprocal US-USSR assurances in support of strict adherence to the principle of demilitarization of the Svalbard archipelago and its territorial waters; however, regardless of the regime eventually placed over the shelf, the demilitarization provision of the treaty should not be interpreted to limit US military activities offshore.

—An intelligence survey of present Soviet dispositions and activities in the Svalbard region should be carried out to provide a baseline against which to measure future Soviet activity.

In brief, the consensus expressed in the NSSM response is that US interests in the Svalbard area are best protected and advanced by supporting Norway's efforts to assert more vigorously its sovereignty on Svalbard and by a negotiated resolution of the continental shelf issue in which Norway obtains the desired recognition of its sovereign rights but provides guarantees of access. The NSDM for your approval at Tab A would set forth the prin-

cipal US objectives in the Svalbard area and, in keeping with the recommendations of the NSSM response, would provide guidance for realizing those objectives.

Recommendation

That you approve the NSDM at Tab A.

191. National Security Decision Memorandum 325¹

Washington, April 20, 1976.

TO

The Secretary of State
The Secretary of Defense
The Secretary of the Interior
The Administrator, Federal Energy Administration
The Director of Central Intelligence

SUBJECT

United States Policy Toward Svalbard

The President has considered the response to NSSM 232 on US policy toward Svalbard/Spitsbergen submitted by the Acting Chairman of the NSC Under Secretaries Committee on April 7, 1976, together with the recommendations relating thereto.

The President has decided that United States objectives with respect to Svalbard are to prevent Soviet encroachments in a region which is part of the NATO area and to protect commercial and scientific rights in the Svalbard area accruing to the United States as a signatory to the 1920 Treaty. The President directs that, in consultations with

¹ Summary: The President provided guidelines for U.S. policy toward Svalbard.

Source: Ford Library, NSC Institutional Files (H-Files), Box 65, NSDM 325—United States Policy Toward Svalbard (1). Secret. A copy was sent to the Chairman of the JCS. On May 7, Vine gave Sommerfelt an aide-mémoire outlining U.S. policy on Svalbard. (Telegram 113903 to Oslo, May 10; National Archives, RG 59, Central Foreign Policy Files, 1976, [no film number].) The text of the aide-mémoire is contained in telegram 114779 to Paris, May 17. (Ibid.) In an October 23 memorandum to Kissinger, Hartman reported on bilateral consultations between Vine and the Norwegians, the West Germans, the British, and the French on Svalbard. (Ibid., Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 Norway) The CIA intelligence survey was completed in May 1977 and is entitled “Soviet Presence in the Svalbard Region,” GC 77–10074J. (Central Intelligence Agency, Office of the Deputy Director for Intelligence, Job 78B02822A, Box 1, Svalbard—Norway)

Norway and other signatories to the Spitsbergen Treaty concerning Norwegian-Soviet negotiations on their Barents Sea boundary dispute and the broader question of the status of the Svalbard shelf, the following guidelines should shape the US position:

—The United States should counsel firmness in defense of Norway's legitimate rights and should provide diplomatic support to Norwegian efforts to assert more vigorously its sovereignty on Svalbard through expressions of support and encouragement to the Norwegians, encouragement of support for Norway by our allies and other Treaty signatories, and *démarches* to the USSR. *Démarches* to the USSR should draw on US-Soviet mutual interest in relaxing tensions and maintaining stability in the northern area and should include assurances that Norway seeks carefully delimited objectives without constraint on legitimate Soviet prerogatives.

—The United States should seek to protect its economic and strategic interests on the continental shelf and those of its allies through guarantees by Norway in the context of full acceptance of Norway's sovereignty rights over the shelf rather than through extension of Spitsbergen Treaty rights. The United States reservation of rights under the Treaty to exploration and exploitation of mineral resources of the continental shelf should be maintained while eliciting Norwegian views and plans for a regulatory regime to guide exploitation of hydrocarbon resources under the waters of the Svalbard region.

The President has directed that the following specific steps be taken to implement the above policy guidelines:

—The Department of State should inform the Norwegian Government of US views and policy toward Svalbard, consulting with the Department of Defense on related security matters including US law of the sea interests and demilitarization of Svalbard.

—The United States should urge Norway to continue to reject Soviet attempts to use the sector line approach to resolve their continental shelf boundary dispute.

—Discussions with the allies, the USSR and others in support of Norwegian assertions of sovereignty on Svalbard and with regard to the status of the Svalbard continental shelf should be undertaken by the Department of State.

—The Director of Central Intelligence should prepare an intelligence survey of present Soviet dispositions and activities in the Svalbard region to provide a base-line against which to measure future Soviet activity.

—The Department of State and the Federal Energy Administration should prepare a preliminary study of possible regulatory regimes that might be applied to exploration and exploitation of the hydrocarbon re-

sources in the waters of the Svalbard region under various types of jurisdiction.

Brent Scowcroft

192. Memorandum of Conversation¹

Oslo, May 22, 1976, 10:15 a.m.

PARTICIPANTS

Norwegian

Foreign Minister Frydenlund
Secretary General Sverre Gjøllum
Under Secretary Thorvald Stoltenberg
Defense Ministry Under Secretary Johan Holst
Norwegian Ambassador to U.S. Søren Christian Sommerfelt
Director General Political Affairs Kjeld Vibe
Director General Legal Affairs Kjell Eliassen
Polar Advisor Olav Bucher-Johannessen

American

The Secretary
Ambassador Anders
Helmut Sonnenfeldt
Arthur Hartman
L. Paul Bremer, III (Notetaker)

SUBJECT

Bilateral Talks—Secretary's Visit to Norway

Kissinger: I think, Mr. Minister, that you know all of my colleagues here. You know Mr. Hartman and Mr. Sonnenfeldt. Mr. Bremer was my Assistant before this. I had to let him go to regain a certain amount of freedom of action for myself.

Frydenlund: It was useful to get him here because he knew all of your likings and dislikings.

¹ Summary: Kissinger, Frydenlund, and U.S. and Norwegian officials discussed bilateral and multilateral issues.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 Norway. Confidential; Nodis. The meeting took place in Frydenlund's office. Kissinger was in Oslo from May 20 to 22 to attend a NATO Ministerial meeting and also met with Prime Minister Odvar Nordli, as well as with Defense Minister Rolf Hansen; memoranda of conversation on both May 22 meetings are *ibid*.

Kissinger: Aside from the fact that you have ruined my marriage, I think this visit has gone very well.

Frydenlund: I think it adds to your attractiveness. It's difficult to do it secretly with 8 Secret Service guys standing around you.

Kissinger: I'm saying that we discussed Spitsbergen.

Frydenlund: We are very happy to have you here. We know how busy you are and we're glad to have you in Oslo. I believe we have you this morning for 1½ hours.

Kissinger: You'll notice that the Minister has stored up so many resentments over the years that it all is coming out now.

Frydenlund: No, you know, several weeks ago I met with 200 press men who asked me what effect the elections would have on American foreign policy. Would there be no foreign policy at all? And I said that as long as Kissinger is there, there will be a foreign policy.

Kissinger: Yes, I saw it.

Frydenlund: Did you really?

Kissinger: Yes, I did. I sent it to my father, too. He keeps a scrapbook of nice things people say about me. (laughter)

Frydenlund: Perhaps Mr. Gjellum could introduce the people around the table. (Gjellum introduces the Norwegian side.)

Kissinger: Seriously, can I thank you for the way everything was organized at the NATO Meeting? It was beautifully done. I was here before in 1961, and I was touched by the very human warmth of the Norwegians at that time. I find the same atmosphere here now, too. We've been touched by the atmosphere of Norway.

Okay, Mr. Minister, now you can work me over again.

Frydenlund: Well, getting down to business. We've discussed before with you in the NATO Meeting, and you gave your analysis on the East-West relations and on Southern Africa. I think we could use those analyses as a starting point and talk perhaps a bit about the North and about the Law of the Sea and if time remains, about our relations with the less developed countries.

If you'll allow me to start. We're here to listen to you but give me a little time to explain our position on détente. Where we are located means that relations between the U.S. and USSR are of extreme importance to us. We are allied to the U.S. and a neighbor with the Soviets. It is always our policy to have good working relations with the Soviets, and to have some cooperation with the Soviets in the north, but to do that we must also have good close relations with the U.S., using that U.S. backing in our relations with the Soviets. To help compensate the gap between the size of the Soviet Union and Norway, my concept is to have good relations with the Soviets and with the U.S. Also, in terms of the internal Norwegian opinion, some people are critical of the U.S. but

the bigger part is critical of the Soviets. It is always tempting in running Norwegian foreign policy to attack one side and then the other. My concept is to reverse: to have good relations with both sides.

Kissinger: You could do alternatively what your neighbors did which was to attack only us. (laughter)

Frydenlund: Our model is more the Finnish one. They have close relations with the Soviets and good relations with the U.S. Ours is the same but the other way around.

At the same time, to keep the pro-U.S. sentiment here, we must not be so dependent on you as to have to follow you in every part of the world on every issue—for example, in Korea or UNCTAD, etc. We must have a gentleman's agreement that you will give us independent policy from time to time.

Kissinger: If we did not allow it, you would do it anyway. (laughter)

Frydenlund: I'm thinking, for example, on Korea after we had very strong pressure from the Embassy here, we voted with you, and when the next time you and I met, you criticized me for voting the wrong way. So we could have voted against you anyway. (laughter)

Kissinger: Hartman was mad that I wasn't hard enough on you at the time, as I remember.

Hartman: That's right.

Frydenlund: Anyway, we would like some independence.

Kissinger: We agree. We think it's in our mutual interest to have close ties to strengthen you in the north. Whenever pressure starts, other countries will be forced into an unambiguous position. We don't expect Norway to support us on every issue. There are issues on which we feel strongly and we will bring these to your attention. On North Atlantic issues we generally agree, I think. I can't think of any concrete issue on which the issue of your having an independent foreign policy is a problem.

Frydenlund: We've told the Soviets we are willing to develop contacts, but that the basis is the continued alliance with the United States so they get no illusions about it.

Kissinger: I think that's very smart because that way you can have a cooperation which doesn't lead to disappointment later on. The comparison with Finland is interesting, though we won't be as active in your domestic politics as the Soviets are in the Finns! (laughter)

Frydenlund: You don't have to be. You have your own pressure groups here anyway. (laughter)

From this starting point, I'd be interested if you could expand on the U.S.-Soviet "rapprochement," if you can use that word. I don't know about the word, "rapprochement." Are you permitted to use the word?

Kissinger: It's not forbidden. I told Giscard when he was in the United States just now that he should have done us the courtesy of using the phrase, "Peace through Strength," at least once in our talks. (laughter)

The basic problem in our Soviet relations is to stop the oscillation between excessively cooperative and excessively tough policies. If you look at our policy until 1971, the press' view and the view of the liberals in the United States was that the U.S. was responsible for the Cold War. We were war-mongers. Every Harvard professor who saw any Third Secretary in the Soviet Union was guaranteed that he would get front page *New York Times* coverage when he then asserted that the U.S. was missing an opportunity to improve relations with the Soviets. And periodically, we get spasms of extreme hostility to the Soviets. 1952 is a good example, and also now. It is dangerous when it starts to swing the other way. We want a steady course not dependent on the atmosphere of this or that negotiation. Many criticisms made today of détente are political. Some minority groups have the idea one way or another that they can thereby make points, many derived from the concept that there is peace. If there was a first-class crisis, then we would see a change in these attitudes.

We must resist Soviet expansionism in all places, other than the central part of Europe, too. This is the reason we were so concerned about Angola. I couldn't care less which Black faction governs in Angola; it's a matter of no significant interest to the United States. In Mozambique we did nothing, though FRELIMO was no friendlier to us than the MLPA. But if the Soviets can use military power there, then they can presumably use it even closer to home—in Yugoslavia, perhaps in the Middle East and closer to home still. That could be overwhelming. We're not asking for Norwegian support in Angola, but for its private understanding of what we are doing. We have to resist the Soviet temptation to use political power. Once the pattern is established it will be very hard to stop. This, even for Norway, could be of possible significance.

But it is also imperative for our government to show that we saw every chance for "rapprochement." It is easy to talk tough but when there is a crisis you have to show that you tried to avoid it. I think the Alliance is stronger now for our détente. Otherwise, in many countries, perhaps even in Norway, the problem now would be that the U.S. would be to blame for the failure of détente.

With the balance of power, the Soviets will be looking for accommodation. Pressures are already there in the Soviet society and they could come later from China, as well. I think it can be done as long as it can be done without great drama. The greatest danger in détente is a

weakening in the will to resist. A substantial defense is essential to détente. We have said that all along. Without it it cannot work.

Frydenlund: I agree with what you said about public opinion on NATO. We always had a debate on NATO in this country but in the last several years there has been almost none. The conceptions you mentioned are understood here. NATO gives security and the possibility for détente. That makes it difficult for people to fight NATO but with the reversal of détente, it might be more difficult to get support for NATO over the long-run.

Détente and the will to resist, I think, are understood here. And today, it is easier to get our defense budget through Congress than it was through the Storting three or four years ago.

Kissinger: Really?

Frydenlund: Yes, though it could change.

Vibe: Of course, this has been against the backdrop of very strong Soviet military activity all the time.

Frydenlund: People understand that to keep détente, you need to keep up defense.

Kissinger: If you have another Cold War blamed on us, we could even have trouble in the United States.

Sommerfelt: You have the problem additionally of oil defense, too.

Frydenlund: By the way, Mr. Secretary, we adhered yesterday to the IEA before you arrived. I thought we should have this out of the way before you came, though we did put in some reservations.

Kissinger: Pretty soon, we'll be the only ones who have not adhered. (to Hartman) Have they passed the safety net yet?

Hartman: No, not yet.

Kissinger: Part of the problem is that Proxmire wants me to go up there and testify, and I know he won't ask a single question about the safety net.

Frydenlund: If you have "rapproachment," this must affect the European scene, too, including Italy.

Kissinger: You contradicted me, my press tells me, on that subject.

Frydenlund: Yes, I was asked what the Norwegian position was and I told them.

Kissinger: There really are two problems. We can't tell the Italians how to vote; that is their business, but with respect to the foreign policy consequences we draw, that is our business. We accept the results of pluralistic election. No law says we have to maintain the same policy with a Communist government.

Frydenlund: I said in Parliament that the Secretary of State can express his views on the matter.

Kissinger: I'm not protesting your statement.

Frydenlund: I know.

Kissinger: Our press is really in a state of hysteria these days. They don't want to report the news; they want to make it. Almost every statement I make is provoked; the last one, for example. Three leading Democrats had told a meeting of press editors that it was "desirable," not just "acceptable" but "desirable," for the Communists to enter the Italian government. I went before the same group later in the day and I was naturally asked what I thought of what three Democrats had said. Obviously, to have not replied at all would have made a story, too. I simply had to answer. But we have not been going around making propaganda about Italy. I was asked about it yesterday in my press conference and I said nothing.

Frydenlund: I know, the journalists were disappointed. (laughter)

Kissinger: The fact is—and I think our friends must understand this—it is inconceivable to me that over time our relations with Europe in which several key countries have Communists in the government will be unchanged. That is not a policy statement but a fact of life.

I know all the intellectual theories about how the Communists in Italy will be trouble for Moscow. I heard the same arguments back in 1962 about the historical opening to the Left—the idea then being that the opening to the Left would knock off the Communists by strengthening the Socialists. They were wrong then, too. There is nothing we can do about it. We will simply have to face the fact if it happens but we cannot pretend it won't affect our relations with Italy. If it is followed by the same thing in France, I think we would find over time a change in the psychological basis for our relations in the U.S.

Frydenlund: What is the Soviet attitude towards the Communists in Italy?

Kissinger: I think they are not an adventurous group these days in the Soviet Union. Italian Communists in many ways will be a nuisance for Moscow. It will give them new problems in Eastern Europe, but if I were them, it would be a good problem to have. If we had parliamentary democracy in some Warsaw Pact country, it would give us trouble, but I wouldn't resist the problem itself. I would think the probable course of relations with Communists in Italy with Moscow would be sort of like our relations in the U.S. with DeGaulle. He was a pain in the neck but in a crisis he was always on our side as a man of the West. The Italian Communists would be trouble for the Soviets but in a crisis where would they stand? Tito, after all, is better than Kadar, but Tito in Rome would be lots of trouble for us. If the foreign policy of Rome slides towards the group of '77 which is the minimum that will happen, it will be unfortunate for us.

I have read the theories about how annoying it would be for the Soviets. In 1962 the idea was that by taking the Left-wing Socialists into the government in Italy, it would destroy the Communists. It did exactly the opposite, of course. It destroyed the Socialists.

Frydenlund: The problem is when you have 30–35% of the people in a democratic society and you leave them out of the democratic governing, it's a problem.

Kissinger: There is no question about that. And Italy's governing party has not done much to gain public support.

Frydenlund: Portugal's experience, I think, was more encouraging. There, they had the Communist threat, but it has worked well, so far.

Kissinger: But the U.S. position was the same as it was in Italy. Many Europeans were encouraging us to give money to the Goncalves government. We said we would cooperate with any government which did not have a major Communist role.

Frydenlund: You were lukewarm to Soares, too.

Kissinger: No, we liked Soares, but we thought he might be a Kerensky. Once we saw that he wasn't, we changed.

Sonnenfelt: He changed, too.

Frydenlund: I think his change had much to do with his contacts with European Social Democrats.

Kissinger: We always favored that. I wish there were a Social Democratic Party in Italy, too.

Frydenlund: All of the papers say that the main subject we will discuss will be the northern areas, so at the press conference you can say we did discuss it.

Kissinger: Let's discuss it then. I'd like to hear your views. I have not studied Svalbard really until this visit so I know very little. Two weeks ago, the Soviet Ambassador told me he heard we may be making a commitment here on Svalbard during my visit; proving again my colleagues' inability to keep their preparations to themselves. I told him I was studying the problem. I have trouble making up my mind.

I know your position with respect to Spitsbergen. As I understand it, there is no disagreement. On the Shelf you want exclusive sovereignty, and that the Spitsbergen Treaty should not apply to the Shelf. Is that correct?

Frydenlund: Yes, that is correct.

Kissinger: Here is my own thinking. We really have no clear-cut government position on this, but I start from the position that I want to strengthen the Norwegian position in the area to the maximum extent possible. My first instinct was to support your claim to full sovereignty.

In fact, we had developed a position in which we'd say we'd support sovereignty if you would give us guarantees for U.S. economic rights. I don't know what we mean by that frankly. Do you? (looking at Hartman) (Hartman shakes his head No.)

If we have a governmental position, we were certainly moving towards that position, but I'm not sure that's in your interest or ours. For example, what if the Soviets decide to claim that they will apply this Spitsbergen principle to that area and decide to challenge this interpretation. Who will defend that area then? Will you use force? Will we use force to support you?

Assuming we use the Spitsbergen principle on the Shelf and could get the other countries to put a presence into that area, what's more useful to you—to have a presence in the area and then appeal to the 40 signatories, or to say it's a purely Norwegian matter? The Soviets can either accept the principle in that case and demand bilateral talks or they can contest it and say they will act unilaterally. If we say you are sovereign there, then it's a question of whether we can get NATO to help you if you need help, if the Soviets challenge you.

This is just my own thinking and I must say I've changed my thinking. A week ago, if you'd have asked me, I might have said we'd support your sovereignty in return for economic guarantees. But I'd like your reaction. I agree that we want to strengthen your position. I talked briefly with my colleagues from the UK, the FRG and France about it, and I don't think they've made up their minds either. I asked if they were prepared to put a presence into the area, you know oceanographic research and that kind of thing. And I had the impression that they said "yes," but I could be talked into another position, too. I just have not thought it fully out yet.

My own thinking is that I'm uneasy about supporting your sovereignty—not on a legal basis; we're glad to find a legal position to support you. We have to strengthen the Western position there, and that's the most important thing.

Frydenlund: Thank you. I'm glad we've established these contacts on these questions. We think it is necessary to use the relatively low tension that already exists in these areas to find some way . . .

Kissinger: I was just looking at the map over your shoulder, Mr. Minister. I hadn't realized how far north all of Norway is.

Frydenlund: Spitsbergen is not even on that map. Of course, we have the Gulf Stream and that makes the climate milder. If you were here one day more, we would take you up there to the north. Perhaps we can do that the next time. Norway is so long that if you revolved it on its axis, it would reach all the way to the south to Sicily.

Bucher-Johannessen: Why don't we do it? (laughter)

Frydenlund: Anyway, we want to use the low tension in the area to find some settlement. I won't explain the legal basis for our reasoning. Mr. Eliassen can if you want. Our motive is essentially political. We see the situation there, if the Spitsbergen regime could be applied to the Shelf, as very complicated. If you have Western companies and Soviet companies and the various treaty parties acting on the same rules as the Spitsbergen situation it would be a very complicated situation to deal with.

Eliassen: It is true, because the only regulation we have is a 50-year old Mining Code which applies to the land territory. It is an automatic process. Any nation has the right to search under that law and the right for exploitation of anything it finds. There is no possibility, therefore, of a balanced development.

Kissinger: I am clear that to extend the Spitsbergen Treaty to the Shelf without arranging for a substantial Western presence would be trouble.

Frydenlund: That's what we're afraid of.

Kissinger: We'll have to have more consultations with the other countries and to stay in touch with you. Suppose we support your sovereignty claim here? In that case, we really have to think through what we do when it's challenged by the Soviets. We need for that a fair amount of unanimity among the allies. To accept the Spitsbergen Treaty in principle for the Shelf without commitments to move Western presence in fast would be a mistake. I'm not thinking of it economically but I'm thinking in terms of preventing Soviet encroachments.

Frydenlund: That would get into a real conflict with the Soviets who see the area as sensitive. It would lead to a competition and we have no regulations to prevent them.

Kissinger: What do the Soviets think?

Frydenlund: Well, as you know, you have reserved your position. They have actually disapproved of it on legal grounds. As opposed to reserving, they have actually disapproved.

Kissinger: Therefore, they insist on the Spitsbergen Treaty being applied?

Frydenlund: Yes, though they have indicated they can be flexible. We can see that they are possibly thinking of some kind of a linkage or a package deal. We have heard such statements from them anyway. But our notion is to prevent a klondike atmosphere up there.

Kissinger: What would you want us to do?

Frydenlund: We have received your paper.

Kissinger: Which one?

Anders: The aide-mémoire.

Sonnenfeldt: They got it in Washington about 10 days ago.

Kissinger: It reserves our position, you mean? (At this point, Mr. Atherton enters the room to show the Secretary a cable. They discussed the cable and Mr. Atherton leaves the room.)

Frydenlund: That's an interesting insight into what it's like to be in the center of things.

Kissinger: I just did it because I wanted to impress you. (laughter)

Frydenlund: I remember in our meeting at the State Department you had a secretary come in with some note to say the meeting was over.

Kissinger: I did?

Frydenlund: Yes, you know, it said something like "Get this guy out of here right now." (laughter)

We are satisfied with what you have said about preserving the calm up in the north. I'm glad of that.

Kissinger: Our line is to adopt a course which will strengthen your position up there. I'm not sure which the best course is. I'm agreeable with you that we should continue our discussion. We'll keep you informed of any talks we have with the other allies, too, and if you have any suggestions or ideas, we'll look at them very sympathetically. The objective is to strengthen the Western presence in the north, not economic objectives.

Frydenlund: We'll keep in contact and we'll need time to study your memo. We envisage a meeting in August or September in Oslo.

Kissinger: What level would that be at?

Hartman: Vine conducted the last meetings.

Kissinger: Well, those guys will just push papers all over the place unless we give them some guidance. This will get high-level attention, Mr. Minister, and you can be sure that our side will be more firmly instructed than the last time. Until three weeks ago, I really had no idea of the issues.

Frydenlund: The basic interest of all of us is to keep the tensions down. The Soviet Ambassador here has indicated that Gromyko might come sometime this autumn. He has a standing invitation, you know.

Kissinger: He doesn't recognize the Sonnenfeldt Doctrine, I don't think. (laughter)

Frydenlund: No, but he recognizes Sonnenfeldt. (laughter)

Kissinger: You should have seen him when Brezhnev and he went hunting together. It was the most awful slaughter. Sonnenfeldt shot only small boars and females. (laughter) He also gave Brezhnev his gold watch in return for nothing.

Sonnenfeldt: No, that's not true. I got an awful lot out of him for that gold watch. (laughter)

Frydenlund: To be serious, Mr. Secretary-General . . .

Kissinger: Why do you keep calling me Mr. Secretary-General? Are you preparing for your trip to the Soviet Union? (laughter)

Frydenlund: When I get letters from you, I know which ones are from you and which ones aren't. The ones that say "Dear Henry" must be the ones from the staff. The ones that say "Dear Mr. Minister" are the ones you send yourself.

Kissinger: Actually, it's the other way around.

Frydenlund: Anyway, I think it would be good to get our work done before Gromyko comes. There are 40 signatories to this treaty including the Chinese. If there is oil there, we will have a real run on the place. The Soviets already are in the area with 2,000 people.

Kissinger: How do you answer the British argument? They say "how can you have an island without a shelf?"

Eliassen: The general principles are set down in the Continental Shelf Convention of 1958. They say that there is a Continental Shelf to the distance at which the depth no longer permits exploitation. The depth between Norway and Svalbard is 500 meters.

Kissinger: What is the distance?

Eliassen: About 400 miles.

Sonnenfeldt: But your position is that this is the Shelf of Norway and not of Svalbard.

Eliassen: However you like it, whether you take it from Norway or Svalbard, it is our Shelf.

Kissinger: Your position would be that the regime on Svalbard is exceptional?

Eliassen: Yes, the only question is whether the regime applies to the part of the area around Spitsbergen where the Treaty signators have equal rights to mining. The Treaty says "on land and in the territorial waters."

Hartman: When the Treaty was written, the distance was 3 miles.

Eliassen: Actually, it was 4 miles.

Kissinger: Where is the sector line, and why should we reject it?

Eliassen: That has nothing to do with Spitsbergen. It was drawn by the Soviets in the Barents Sea in 1926. It goes straight north to the Pole with a slight deviation around the Svalbard area. The purpose at the time was simply to define which islands were Soviet and which were not.

Kissinger: As a practical question, please tell me why you reject that concept?

Eliassen: We haven't done so clearly yet.

Kissinger: I see it has no legal status but could it lend itself to the solution of the problem?

Eliassen: The purpose of the 1926 decree was to define which were Soviet islands. The sector was not applied to the seabed or to the sea itself. Now the Soviets want to apply it, though they have not said so in such terms. They say that "special circumstances" would justify a line which by coincidence follows the sector line. They have not actually said the sector line itself is applicable to the sea.

Kissinger: Well, when our consultations resume at the end of August, we'll have a clearer position.

Frydenlund: On the delineation, the limitation of the border question, we don't need a clearer position. You already support us.

Kissinger: We may consider sending higher level people here at those talks but we must get a governmental and allied position before the issue becomes acute.

Frydenlund: We do not want tension now.

Kissinger: Nor do we. What should we say to the press about this?

Frydenlund: I think we should say we discussed the questions and decided to keep up our contacts. The position on the U.S. side is still under study.

Kissinger: With all respect, I'm not sure if that's a good thing to say. If you say we have not taken a position, the Soviets will hit us. Next thing I know, Dobrynin will be in with an aide-mémoire to try to head us off which we will then have to answer. I think it might be best to say we are continuing our contacts on the issue but not to state that we've reached any conclusion because the Soviet Ambassador may come in with an aide-mémoire which I will have to answer.

Frydenlund: We need time to study your aide-mémoire, too.

[Omitted here is discussion of the OECD, 200-mile maritime sovereignty, Law of the Sea, the Cod War, Norwegian shipping, and remarks to be made to the press.]

193. Memorandum From the Acting Assistant Secretary of State for European and Canadian Affairs (Lowenstein) to Secretary of State Kissinger¹

Washington, November 4, 1976.

Support for Norwegian Foreign Minister

Background

A new, hard line Soviet policy in the northern region has emerged in recent months especially with respect to Soviet-Norwegian bilateral issues. Not only have the Soviets refused to give ground in their off-shore boundary negotiations with Norway, but they have seized every opportunity to testfire missiles directly into the disputed zone in the Barents Sea. Each Norwegian protest was rejected with the Soviet statement that this area in the Barents Sea is Soviet, not disputed territory and the Soviet hard-line was reiterated by Foreign Minister Gromyko to Foreign Minister Frydenlund at a secret meeting in Copenhagen October 6.

A similar pattern of Soviet behavior is apparent on Svalbard. The Soviets have consistently ignored Norwegian efforts to exercise sovereignty in accordance with their unchallenged legal responsibilities under Article II of the Spitzbergen Treaty of 1920. Recently the Soviets constructed a heliport and replaced small, aging helicopters with five new 30-man helicopters of the MI-8 type. In accomplishing this the Soviets made no move to inform the Norwegians or to comply with routine administrative procedures.

The Norwegian reaction has been disappointing; they are under strong domestic political pressure to adopt a firm line toward the USSR yet preoccupied with the stability of the northern region and fearful of possible Soviet reactions. Moreover, morale is extremely low and the Norwegians do not appear to be formulating coherent plans for coping with these problems—a discouraging prospect if we are counting

¹ Summary: Lowenstein suggested a U.S. show of support for Norway in the Svalbard matter.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 Norway. Secret; Exdis. Drafted by Don Donchi in EUR/NE on November 3. Sent through Sonnenfeldt. Lowenstein did not initial the memorandum and an unknown hand crossed out the approval and disapproval lines at the bottom of the memorandum, but the proposed attached telegram was sent as telegram 275619 to Oslo, November 9. (Ibid.) On December 8, while in Brussels for a NATO Ministerial meeting, Frydenlund gave Kissinger a letter dated December 8 expressing appreciation for the latter's message, as well as for bilateral consultations on Svalbard. (Memorandum of conversation, December 8; *ibid.*, Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Memcons, Dec. 1976)

on the Norwegians to prevent further Soviet encroachment on the Northern Flank.

Foreign Minister Frydenlund has been particularly disheartened by these recent developments. In view of the fact that Frydenlund remains an ardent admirer of yours and periodically inquires about you in Oslo, I believe it would be both useful and appropriate for you to send a brief personal note of reassurance to him at this time.

Recommendation:

That you authorize the transmission of the attached cable to Oslo instructing Ambassador Anders to deliver a personal message of reassurance to Frydenlund expressing our broad support for Norwegian policies *vis à vis* the Soviet Union and offering to assist in any way he might find helpful.

Spain, 1973–1976

194. Memorandum of Conversation¹

New York, October 4, 1973, 12:45–1:10 p.m.

PARTICIPANTS

Lopez Laureano Rodo, Spanish Foreign Minister
Ambassador Angel Sagaz
The Marquis de Perinat
Mr. Martinez-Caro (Spanish Notetaker)

Henry A. Kissinger, Secretary of State
Walter J. Stoessel, Assistant Secretary of State for European Affairs
Robert J. McCloskey, Ambassador to Cyprus
Elwood Rabenold (State Notetaker)
A. Denis Clift, NSC Staff

Kissinger: I believe this is our first meeting.

Rodo: Yes, I think it is. I would like to give you a letter from our President. (He handed Secretary Kissinger a document.)

I would also like to express our appreciation for having had the opportunity to review your draft declaration of principles. Spain wants to participate in the preparation and signing of this declaration.

Kissinger: This will lead to a new branch of theological studies, namely, how every country will participate in the declaration.

Rodo: But, the Common Market supports such participation.

Kissinger: The position of the EC is to place the blame on the United States in any instance where a country cannot sign. We are open-minded on this problem. In fact, we have the same problem with Canada and Norway as well as Spain.

Some formula has to be found that enables friendly countries to associate themselves with the declaration, directly if they wish. This might be done in two stages, first a US–EC stage and then another.

¹ Summary: Kissinger and Rodo discussed the Year of Europe, Spain, and Gibraltar.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1027, Presidential/HAK Memoranda of Conversation, Memcons—HAK + Presidential, April–November 1973 (2 of 5). Secret. The meeting took place in the Waldorf Towers. Attached but not published is an undated translation of a letter from Franco to Nixon; and an unofficial translation of an undated Spanish memorandum on Gibraltar. In telegram 179849 to Madrid, September 11, the Department reported that Springsteen gave a copy of the U.S. draft Declaration of Principles to Sagaz on September 5. (Ibid., Box 706, Country Files, Europe, Spain, Vol. IV, January 1972–(June 1974) (2 of 2)) In telegram 186211 to Madrid, September 19, the Department reported that on September 18, Sagaz gave Stabler a note indicating that the Spanish Government, having studied the draft declaration, “would be ready to subscribe to the principles contained” therein. (Ibid.)

Rodo: Would this involve Canada also?

Kissinger: There will be two documents, one involving the EC and one involving NATO. Canada can join in the NATO document but not in the other. The US–EC draft is not exactly suitable for Spain in that it speaks specifically of the United States and the EC.

Rodo: Our government believes that any document not involving Spain will have a very negative impact for Spain.

Kissinger: Walt (Assistant Secretary Stoessel) will you please study the problem of adhesion by other European countries. Intellectually I think it is fair to say that Canada might be about to associate itself with the EC document as now drafted. Spain and Norway probably could not. Japan could not. However, we see no reason to exclude Spain. (At this point, Foreign Minister Rodo gave Secretary Kissinger a paper relating to the declaration of principles, which the Secretary then read.) That last paragraph has slightly threatening overtones.

Rodo: But it is important.

Kissinger: I know. (Foreign Minister Rodo provided Secretary Kissinger with another document—a portion of a letter from Franco to the President.) Mr. Minister, let me be perfectly honest, there is no sense in being diplomatic. I have only been in this position for a short time and I will be more diplomatic next month. We have not studied the problem of how Spain might adhere to the declaration, but in principle we see no problem with some sort of association. There will be no trouble with Spain's associating itself as an equal, sovereign country. But you have to take into account the problem of existing institutions, the fact that these declarations are being developed in existing institutions.

Rodo: Perhaps it would be useful if you were to review this personally with our new Prime Minister Carrero Blanco. On your next trip to Europe we could meet with him. This would be in keeping with the tradition established by previous American Secretaries of State that of visiting Spain after visits to other European countries. We attach great importance to this tradition.

Kissinger: In mid-October I will only be coming to Europe to deliver a speech in London. While there, I will also be meeting with the heads of our European missions. Thus the visit will be 90% internal U.S. business. I may have meetings with the British Foreign Secretary and Prime Minister, and perhaps the German Chancellor. However, it will all be very brief. I have to return to the United States to accept an award, and then I will be preparing for my visit to China.

With your permission, I will defer my visit to Spain until after the NATO meeting this December. Then I will be honored to come.

Rodo: Good. Yes, this is important, not only as it relates to the declaration of principles but also for discussions on renewal of the United States-Spanish Agreement.

Kissinger: I have only been to Spain once, and that was with the President. You can imagine, it was a very busy time.

Rodo: Well, this will be a good visit, and we can look at Spain's place in the Atlantic area.

Kissinger: I would be prepared to have Secretary Stoessel come to Spain before my visit in order to assist in the preparations.

Stoessel: I will be glad to come.

Rodo: When you have occasion to speak with Sir Alec, you can give him this memo (the Spanish Foreign Minister hands Secretary Kissinger a document), and he can give you an explanation of the British position on the subject.

Kissinger: (Secretary read the document). I have never discussed this question with the British, but I have a pretty good idea of what their views are. (Laughter)

Rodo: It is our belief that Spain adheres to the Atlantic Alliance through this agreement with the United States of America. On the other hand, I beg of you through your good offices with the UK government, to help us find a good solution to the problem of Gibraltar. This is linked to the last item which I wish to raise, the conference on the Law of the Sea.

[Omitted here is discussion of the Middle East, Latin America, and a Presidential visit to Spain.]

Attachment

Memorandum From the Government of Spain to the Government of the United States

Undated.

MEMORANDUM

The Spanish Government concurs with the Government of the United States in the basic criteria put forth in the draft for a "Joint Declaration of Principles" handed by the Department of State to the Embassy of Spain in Washington on September 5, 1973. The Government of Spain assumes that the said Declaration will serve as the basis for dialogue and cooperation between North America and Europe, as separate entities joined together by historical and cultural ties and by common objectives and ideals. Both regard each other as equals and hold in mutual respect their independence, personality and aspirations, as well as those of each member nation.

Spain's past and her cultural and economic ways of life, make her a part of Europe. Spain wants, specifically, to become a member of the European Economic Community, once pertinent economic arrangements have been worked out and within a convenient period of time. Spain and the EEC have already subscribed to a preferential trade agreement and negotiations are presently under way to adapt it to the enlarging of the Community. The United States supports this position under the provisions of Article 24 of the Agreement of Friendship and Cooperation with Spain.

The Declaration purports, as its territorial latitude of application, the "Atlantic Area", in which Spain is included because of geographical, historical, ethnic, strategic and economic reasons.

Geographically, Spain controls the Strait of Gibraltar, the waters of which are a part of Spanish territory and her security is directly affected by transit along the Strait.

Atlantic area countries are therefore interested in linking Spain to their Community, in such a way that Spanish security in general, as well as in the zone of the Strait in particular, will be harmoniously integrated into the security system of the other countries in the North Atlantic area.

The Spanish Government, therefore, affirms that, as a matter of principle, Spain should participate in the Declaration, on an equal footing with other North American and European States who might subscribe to it.

From a procedural point of view, a solemn Declaration signed at the highest level by the countries of the Atlantic area, would appear most appropriate.

Spain believes that should the signing of the Declaration take place on a basis of inequality, this would call for an essential modification of the juridical nature and content of the Agreement of Friendship and Cooperation between Spain and the United States, which will expire on September 20, 1975.

195. Telegram 6750 From the Mission in Geneva to the Department of State¹

Geneva, December 22, 1973, 1635Z.

For Ops Center. Fol msg recd from Madrid this date h/w rptd for your action: Quote Madrid 7616. For Assistant Secretary Stoessel. Subject: Secvisit: Second Day of Secretary's Visit to Madrid (Dec 19). Request clearance on following draft message to be cabled to Washington:

Begin draft: 1. Following is summary of events of second day, Dec 19, of Secretary's visit to Madrid. Beginning at 0945 Secretary, accompanied by Ambassador Rivero and Mr. Eagleburger, had meeting of about 15 minutes with Chinese Ambassador to Madrid, whose office is located in Palace Hotel, where Secretary and his party were staying. Secretary met with President of Government Carrero Blanco from 1030 to 1100. After a visit to the Prado Museum, Secretary participated in a working session with the Spanish Foreign Minister and other Spanish and U.S. officials at the Ministry of Foreign Affairs, lasting from about 1220 to 1345. He then spent about 10 minutes talking to Section Chiefs of the U.S. Embassy and for about an hour hosted a working lunch at the Ambassador's residence attended by participants in the MFA working session. After proceeding from the residence to the airport, the Secretary and Foreign Minister spoke briefly there to news media representatives. The Secretary and party departed Madrid at 1600. A joint communiqué was issued following the Secretary's departure.

2. During meeting at Presidency, Secretary and Carrero discussed the current situation in the Middle East and Mediterranean security. Carrero noted that the USSR, while avoiding all out war, was pursuing its objectives through limited military operations in various areas and through subversion. The Russians, he said, were seeking to exploit the Middle East to increase their influence in the area. This implied a confrontation between NATO and the USSR and was also important to Mediterranean security. The security of the West, Carrero stated, would depend on keeping the Russians from having bases in North Af-

¹ Summary: The Mission forwarded a message from Madrid on the second day of Kissinger's visit to Spain.

Source: National Archives, RG 59, Central Foreign Policy Files, 1973. Secret; Niact Immediate; Exdis. From December 18 to 19, Kissinger visited Madrid. On December 18, he met with Franco and with Juan Carlos; memoranda of conversation recording these talks are *ibid.*, Nixon Presidential Materials, NSC Files, Box 706, Country Files, Europe, Spain, Vol. IV, January 1972–(June 1974) (1 of 2). According to telegram 7563 from Madrid, December 19, Kissinger also met privately with Lopez Rodo on December 18. (*Ibid.*, NSC Files, Kissinger Office Files, Box 43, HAK Trip Files, HAK Trip—Europe & Mid East, Dec 8–22, 1973, State Cables, Memos & Misc) No other record of this conversation was found.

rica, for which the West should try to get Arab support. The Secretary noted that the U.S. had supported Israel in order prevent the situation in the area from being determined by Soviet arms but the U.S. was also moving to develop closer relations with the Arabs. Carrero opined that while NATO had the structure of a military alliance, it ran into complications by mixing political and military considerations. The Secretary responded that military and political considerations could not be separated. Carrero pointed out that the Pyrenees could provide a second line of defense behind which Western forces could reorganize and receive supplies from America, if the first line of NATO defense was overrun; now, he noted, NATO had no second line of defense and no logistic coordination. Carrero emphasized that Spain could cooperate with Western defense only on a basis of equality.

3. At MFA working session:

A. FonMin set forth Spanish position along following lines: Spain could help overcome weak points in Western defense but it would do so only on basis of equality with other Western countries. If US could not provide assurance of Spain's admission to NATO as equal partner, Spain could contribute to Western defense through bilateral defense treaty with US. Such treaty would include a defense commitment to Spain as NATO countries had, granting of certain military facilities to US in Spain, and close cooperation in defense sectors. Spain no longer was interested in grant aid but wanted to purchase material, with credit and other terms, and to obtain technical assistance.

B. Secretary noted distinction had to be made between reality and form. He pointed out that submission of treaty proposal was not in interest of Spain or US because it was most difficult agreement on which to obtain Senate approval. The bases were advantageous to Spain as well as to the US. To obtain the more formal relationship desired by the Spanish, it would be best to search for something between a treaty and simple extension of the existing agreement, perhaps something like an Atlantic Declaration.

C. ForMin agreed on approach of working together to develop principles and content of Alliance, leaving aside its legal form for later determination. Secretary agreed to give agreement maximum legal form that congressional situation permitted.

D. The Spanish Chief of the High General Staff supported the FonMin's presentation and highlighted the need for provisions for joint planning for defense in areas of common interest. He emphasized Spanish interest in assistance for training, technology and logistic support.

E. The Secretary agreed that military assistance should not be considered simply as hardware provided in exchange for bases but that consideration should be given to the purpose it served. He and the For-

eign Minister were in accord that the agreement should contain provisions for cooperation in various non-military sectors as well as in defense.

F. The Secretary and Foreign Minister agreed that work on the new agreement could begin immediately by exchanges of views through Ambassadors and later through establishment of a working group.

G. The Secretary and Foreign Minister agreed that work would proceed on a bilateral declaration of principles as simultaneously as possible with the Atlantic and US–EC Declarations, with a view to adapting them to Spanish circumstances. The Foreign Minister gave the Secretary a draft of a proposed bilateral declaration based on a version of the Atlantic Declaration which the US had given the Spanish on Sept 5.

H. Two other subjects were briefly mentioned: the Foreign Minister stated that British retention of Gibraltar was an anachronism, that regaining Gibraltar was necessary to maintaining control of the Strait of Gibraltar, and that Spain wanted to convert this point of friction to a point of cooperation in the wider interests of Western defense. The Foreign Minister also pointed out the close relationship between Spain and Latin America, particularly in cultural and economic sectors. The Secretary indicated he wanted to invite the Foreign Minister to visit the US, as the negotiations developed, and the Foreign Minister accepted the invitation.

4. At Luncheon:

A. Secretary told Foreign Minister that Spanish would be informed in advance of declarations of principles texts worked out in NATO and between US and EC. He noted that more substantive content and emotion could be put in US-Spanish declaration than in US–EC draft.

B. Secretary indicated he might visit Argentina, Brazil and Peru prior to his Mexico meeting in late February with Latin American Foreign Ministers.

C. In reply to Lopez Rodo's question, Secretary explained there was no practical distinction between functioning of embassies and liaison offices exchanged between US and PRC but designation of liaison office enabled US maintain recognition of Taiwan.

D. Secretary told Foreign Minister US Ambassador would be sent to Stockholm if there were no inflammatory speeches following convening parliament next month.

E. Secretary observed to Foreign Minister that US had established principle that any country attacking US would pay a price; otherwise countries would feel free to hit US increasingly, which would stimulate left-wing elements in these countries.

F. Foreign Minister noted Mexico was only country that still recognized so-called Spanish Republican Government and latter's Ambassador in Mexico City controlled large amount of treasures looted from Spain. Secretary promised to speak to Mexican Foreign Minister about this and inform Lopez Rodo of response.

G. Lopez Rodo stated Spain and Poland would establish diplomatic relations next February and he expected similar action subsequently with some other East European countries.

5. In exchange of toasts at luncheon:

A. Secretary stated: He was moved by friendship he found here; it was expressed in program followed that morning and would be pursued next year to move forward in relationships in all sections; he could see from visit that Spanish nation was not decadent; US supported Spain's membership in EC to extent Spain worked it out; US also supported Spain's membership in NATO and in consultation with Spain would take steps to this end at an appropriate moment; US would work closely with Spanish on Atlantic Declaration; US would put its existing relationship with Spain in more concrete form; all could be achieved in a spirit of friendship.

B. The Foreign Minister responded: It was a great pleasure to receive the visit of a personality whom the whole world admired; all Spanish hopes placed in the visit were amply fulfilled; the talks with a great personality and great friend of Spain recalled a Spanish proverb "deeds are acts of love, not good reasons" (*"Obras son amores y no buenas razones"*); he trusted in the realistic diplomatic sense of the Secretary, who would translate into concrete action the friendship between the two nations which Spain extended sincerely.

6. Talking to news media representatives before departure:

A. Secretary stated: he had found substantial identity of views in intense and friendly conversations held during his visit to Madrid; Spain and the US had agreed to prepare a bilateral declaration of principles parallel to such declarations being developed between the US and other countries; it had been agreed to strengthen Spanish-US contacts at a high level; he was glad to note that the Foreign Minister had accepted his invitation to the US.

B. The Foreign Minister remarked: Professor Kissinger had a depth of knowledge, historic vision and sense of the future which enabled him to perceive problems of our time with clarity and assurance of correctness; looking at the present without taking account of the direction of the evolution of peoples risked making mistakes; but distinguishing between nations with a future and those in decadence would enable the

new international order to be established on solid foundations; a principle architect of this new order was Dr. Kissinger. Rivero. Unquote.

Bassin

196. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, December 21, 1973.

SUBJECT

Death of Spanish President Carrero Blanco

I. The Incident

On the morning of December 20, 1973, Spanish President (Prime Minister) Luis Carrero Blanco was killed when the automobile in which he was riding was demolished by an explosion. An investigation by Spanish officials has disclosed that an underground tunnel had been excavated from the basement of a house beneath a Madrid street regularly travelled by the President en route to and from mass, and that a powerful explosive device had been detonated as the President's car passed above.

The Basque Separatist Organization ETA has claimed responsibility for the bomb blast stating in a communiqué to a French newspaper that it had killed Carrero Blanco for three reasons:

- To aid in fighting repression in Spain;
- To revenge the death of nine Basque militants at the hands of the Spanish Government;
- And to eliminate the key, tough figure in that Government.

Carrero Blanco's death also coincided with the scheduled opening date of the trial in Madrid of the "Carabanchel Ten". Most of the ten defendants are prominent members of, or have close association with, the illegal Spanish Communist Party. All of them—including a Roman

¹ Summary: Kissinger sent Nixon a report on the death of Carrero Blanco and analyzed its repercussions for Spain.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 706, Country Files, Europe, Spain, Vol. IV, January 1972–(June 1974) (1 of 2). Secret. Sent for information. Scowcroft initialed the memorandum on Kissinger's behalf. A stamped notation on the memorandum indicates the President saw it.

Catholic priest—are associated with the clandestine Communist-dominated Workers' Commission which is also banned in Spain.

The "Carabanchel Ten" have been charged with illicit association with and leadership of an illegal group. The regime's request for unusually stiff penalties ranging from 12 to 20 years has aroused strong anti-government sentiment. Demonstrations had been expected in connection with the trial, however, there is no information yet specifically linking the killing to the trial.

II. *Impact of the Death on Spanish Politics*

Carrero Blanco's death this morning eliminates one-half of the dual succession that Franco had arranged to replace him. Carrero was to carry on as the head of government and Prince Juan Carlos, appointed king-designate in 1969, is slated to become chief of state after Franco dies or becomes incapacitated.

As provided for by the Spanish Constitution, Carrero Blanco has been replaced temporarily by Vice Premier Fernandez Miranda. The law requires Franco to appoint a new premier within ten days from three candidates proposed by the Counsel of the Realm, an advisory body composed of Spanish dignitaries from various walks of life.

In practice, Franco's wishes undoubtedly are incorporated into the choices the Council of the Realm makes. If they were not, he probably would ignore the legal procedures and simply appoint his own man. Fernandez Miranda will automatically be considered a likely replacement of Carrero. His conservative credentials and political philosophy make him a "safe" candidate and his elevation last June to deputy premier is a solid indication that he is in Franco's favor.

If today's incident develops into widespread terrorist activity, Franco might be inclined to turn to the military for the next premier. Under these circumstances, General Diaz-Alegria, current chief of staff, would be a likely candidate. He is a favorite among the military and he is notable for his pan-European outlook. However, he is reputed to favor gradual movement towards a freer society after Franco's departure, a factor that might make him too moderate in Franco's judgment.

It is also possible that Franco may be so shaken by the death of his most trusted colleague that he might consider resuming the role of premier that he turned over to Carrero last June. Carrero had been running the day-to-day business of the government since 1967, but Franco's decision to give up some of his power was notable because it marked the first time he had released any authority since he assumed control of Spain in 1936. Franco will have difficulty finding someone else in whom he can place that much confidence.

197. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, undated.

SUBJECT

U.S. Policy Toward Spain

The 1970 U.S.-Spanish Agreement of Friendship and Cooperation, which includes provisions for U.S. use of Spanish military facilities, is due to expire in 1975. The Spaniards have indicated that they would like to begin talks on extension or renegotiation of the agreement in Madrid in April 1974.

In response to NSSM 179 in mid 1973, the Departments of State and Defense and CIA submitted a study on U.S. Policy Toward Spain reviewing the Spanish political scene and the importance of Spain's military facilities to U.S. forces. In preparation for the U.S.-Spanish negotiations, it would be useful to have this study updated to take into account:

—The death of President Carrero Blanco, the resulting changes in the Spanish Government and the anticipated effect of these changes on Spain's position in the negotiations;

—Spain's policy toward use of its facilities by U.S. forces during the October 1973 war in the Middle East and the implications of this policy for the future usefulness of the facilities.

Additionally, it would be helpful to have an interdepartmental look at all recommended elements of the U.S. position for the negotiations—bearing in mind that the agreement includes several fields of bilateral cooperation.

With your approval, I will sign the NSSM at Tab A requesting that a supplementary response to NSSM 179 be submitted no later than March 15 for your consideration.

¹Summary: Kissinger suggested the need for a re-examination of U.S. policy toward Spain.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-202, Study Memorandums, 1969–1974, NSSM-193. Secret. Sent for action. Attached but not published is Tab A, an undated and unsigned draft NSSM. Kissinger did not initial the memorandum to Nixon. A handwritten notation on the approval line at the bottom of the memorandum reads, "HAK approved for." The NSSM approved by Kissinger, NSSM 193, is dated February 14 and entitled, "U.S. Policy Toward Spain." NSSM 193 supplemented NSSM 179, dated April 9, 1973, which was also entitled, "U.S. Policy Toward Spain." (Ibid., Box H-199, Study Memorandums, 1969–1974, NSSM-179)

198. Summary of a Study Prepared by the National Security Council Interdepartmental Group for Europe¹

Washington, undated.

SUMMARY

The transition to a new government headed by Carlos Arias Navarro, following the assassination of Carrero Blanco, took place in an atmosphere of calmness and confidence. The new Prime Minister is an experienced political hand and administrator who has proposed modest reforms which, if actually implemented, could make his government more acceptable both at home and abroad. No changes in Spanish foreign policy have been indicated, but in his public statements Arias has accorded Spain's agreement with the U.S. more recognition than has been customary in the recent past. Spain's attitude toward the U.S. and its objectives in the forthcoming base negotiations are expected to be essentially the same as those of the previous government. Spain's leading objective will be to obtain a security treaty, which would give Spain a status equal to—if apart from—that of our NATO allies.

During the October 1973 war in the Middle East the Spanish informed us that they were opposed to the use of the bases in support of Israel and sought assurances from us that they would not be so used. We declined to give them any assurances, but abstained from using the bases for the staging of aircraft en route to or from Israel. We did, however, increase the number of tankers at Torrejon and used them for aerial refueling of aircraft engaged in our Middle East operations. The logistics base and communications facilities located in Spain also made an important support contribution to the successful resupply of Israel. Nevertheless, the primary importance of the bases in Spain was and is their role as a deterrent vis-à-vis the USSR and as a means of supporting our forces in Europe in the event of a general war in Europe.

Our goal in the negotiations should be to obtain the longest possible extension of our rights to the facilities we now enjoy, provided the price we have to pay is reasonable. A security treaty, operative only in

¹ Summary: The study was prepared in response to NSSM 193, U.S. Policy Toward Spain.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-202, Study Memorandums, 1969–1974, NSSM-193. Secret. Forwarded to Scowcroft under cover of an April 23 memorandum from Hartman, who noted that this study “supplements the response to NSSM 179 submitted on August 30, 1973.” The study prepared in response to NSSM 179, dated August 9, is *ibid.*, Box H-199, Study Memorandums, 1969–1974, NSSM-179.

the event of a general attack on Western Europe by the Warsaw Pact, would be acceptable to the Spaniards as a *quid pro quo* and might even give us sufficient leverage with them to influence their position on the Law of the Sea. We should therefore consult with the Senate Foreign Relations Committee regarding the possibility of ratification of such a treaty. If these consultations reveal that ratification is unlikely, we will have to try to retain our base rights under an executive agreement by offering material assistance and whatever political support we might be able to accord Spain internationally. In order to enhance the value of such an executive agreement in the eyes of the Spanish and to avoid some of the Congressional problems we would otherwise face, we could voluntarily submit the agreement to the Congress for approval by joint or concurrent resolution.

[Omitted here is the remainder of the study.]

199. Minutes of Acting Secretary of State Sisco's Staff Meeting¹

Washington, July 9, 1974, 3:05 p.m.

PRESENT

The Acting Secretary—Mr. Sisco
Ambassador Brown
Mr. Lord
Mr. Maw
Mr. Springsteen
Mr. Stabler
Mr. Atherton
Mr. Sneider
Mr. Blake
Ambassador Bowdler

¹ Summary: Stabler discussed the U.S.-Spanish Declaration of Principles.

Source: National Archives, RG 59, Transcripts of Secretary of State Kissinger's Staff Meetings, 1973–1977, Entry 5177, Box 4, Acting Secretary's Principals' and Regionals' Staff Meeting, July 9, 1974. Secret. Attached but not published is a meeting summary, two agendas, and a list of meeting participants. Kissinger was in Madrid on July 9 to sign the U.S.-Spanish Declaration of Principles and to meet with Cortina. (Memorandum of conversation, July 9; *ibid.*, Nixon Presidential Materials, NSC Files, Box 1029, Presidential/HAK Memoranda of Conversation, Memcons—HAK + Presidential, 1 June 1974–(Aug. 8, 1974) (2 of 3))

PROCEEDINGS

Mr. Sisco: Wells, do you want to say a word about the Spanish declaration.

Mr. Stabler: Just very briefly—

Mr. Sisco: Did we get it up to the Hill?

Mr. Stabler: Yes. We provided copies, and I think it was going to go directly up. So they should have it. It was released in Madrid about eight o'clock our time here. But we were not going to release it through the press office until we had it on the tickers. So that people on the Hill should have it. It was signed this afternoon, Madrid time. And it is, I suppose, of some relevance that it happens also to have been signed on the day that Franco has been admitted to the hospital suffering from phlebitis. I don't know how serious it is. He went in under his own steam. They say that he will be there three or four days. But the relevance is really what the Secretary said at the briefing of the North Atlantic Council on the Fourth of July, when at the end of his account of the Moscow talks, he did say that "We consider Spain's relationship to the United States and NATO to be of great political and military importance. It is also important for all allies to recognize that biology will provide political evolution in Spain."

I think as one looks at this declaration, Franco's illness and the future—this probably could be quite relevant.

The declaration itself is one that follows in general terms the declaration of Atlantic relations.

As you recall, when the Year of Europe exercise was started, it was agreed that somehow Spain would be associated with that exercise either through—which is of course not possible—having Spain join an overall declaration, or as we finally achieved, a joint declaration with Spain.

When the Secretary was in Madrid in December, and then again in January, he discussed with the Spanish Foreign Minister—two different Ministers—the need of somehow bringing the security question into play here, as we go into the renegotiation of the agreement on friendship and cooperation, which expires a year from this coming September, on which negotiations were presumably opened this fall.

We will try to have some security statement which will perhaps not make it necessary to go into the whole question of treaty or not a treaty, and difficulties of getting agreement on the commitment.

So I think as far as the Spaniards are concerned, the important point really is the fact there is this declaration. It parallels that of the NATO declaration and does, in the security language, give them what I think—obviously, what satisfies them, in terms of equating mutual defense effort with that of existing security arrangements in the Atlantic

framework, and then adds equal treatment should be accorded to all countries of the region. That is important.

Then they intend that their defense cooperation be coordinated. Well, that went through a good many different changes. It might be alarming to some of the NATO members, the idea that we were going to actually coordinate our defense cooperation with NATO. But as written it is a statement of intention.

Then the Spanish wanted “promoting the appropriate agreements” which somehow meant that we were then to negotiate with Spain, I suppose, with NATO, some form of agreement which would, short of getting Spain into NATO—would relate Spain more specifically and juridically with NATO. We found that difficult, but at the end the Secretary did accept the language, “We intend the defense cooperation be coordinated—furthering the appropriate relationship with such arrangements,” whatever that means. If anybody stops to ask really what—

Mr. Brown: What language is this translated from?

Mr. Stabler: Curiously enough, it actually did start off with a translation of a Spanish document. As you go through it, there are times when the translation perhaps suffers somewhat. And “furthering the appropriate relationship” was again I think a translation from the Spanish. It doesn’t really say a great deal. But I think the Spanish would be able to point to it as something which does tie them in. And particularly they do not necessarily know this, although the Secretary may have alluded to it in Madrid today, in his briefing, he did also add and said that the allies believe it is most important for Spain to develop a political relationship with other countries. “The allies should begin to address themselves seriously to the modalities of that relationship.” We obviously hope that in connection with the forthcoming negotiations for the agreement on friendship and cooperation, that this will form a backdrop, and that we will not have to go through the whole exercise again in terms of introducing security language into that agreement.

Mr. Sisco: How much of a problem do you think there will be on the Hill, in your judgment?

Mr. Stabler: Well, Bob McCloskey touched base with a number of people on the Hill, and the ones who were perhaps the most skeptical of us—who were Fulbright and Case—Fulbright won’t be a problem, but Case will be. It was not so much with respect to the declaration itself, but he was focusing on the business of having the agreement submitted to the Senate. And of course Sparkman, when he had lunch with the Secretary and the Spanish Foreign Minister, indicated at that time that he promised Case that he would do everything he could to see to it that all of this was brought to the Senate.

Now, as you know, we take the view that this will not be submitted formally to the Senate. It is not an agreement or a treaty or anything of the sort. But quite clearly, as we go forward with the agreement on friendship and cooperation, this does become part of it, because it is the effort to provide the security language, not in a commitment form of security language, but to enable the Spanish anyway to demonstrate they have obtained something more specific in terms of security relationship than they had before. This, I may say, does go quite a bit further than the language that we had had in the '63 agreement, which was then taken out in the seventies, because of the very difficult time the Senate gave to us. And we have put in—well, the Spanish, of course, wanted defense “common and indivisible.” But that was much too close to NATO. That was not left in. Originally we wanted it reaffirmed as a threat to either country. But they wanted and insisted on a threat to or an attack on. Again, that is NATO language. So this goes considerably further. But it stops I think in any event way short of a commitment.

Mr. Sisco: Thank you.

[Omitted here is discussion unrelated to the U.S.-Spanish Declaration of Principles.]

200. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, August 12, 1974.

SUBJECT

General Franco's Health and the Spanish Succession

This memorandum provides a brief review of General Franco's present health and the prospects for post-Franco succession.

At the time of General Franco's hospitalization with phlebitis in July, he turned over the powers of Chief of State on an interim basis to

¹ Summary: Kissinger discussed Franco's health and the Spanish succession.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 12, Spain (1). Secret. Sent for information. A stamped notation on the memorandum indicates the President saw it. An earlier and more extensive version of this paper, in the form of a July 19 memorandum from Clift to Kissinger, is in National Archives, Nixon Presidential Materials, NSC Files, Box 706, Country Files, Europe, Spain, Vol. IV, January 1972–(June 1974) (1 of 2).

his designated successor, Prince Juan Carlos. Juan Carlos continues to hold those powers.

[*less than 1 line not declassified*] General Franco has far greater health problems than those posed by his recent bout with phlebitis. Franco, now 81, has progressive generalized arteriosclerosis affecting both the brain and heart. He has suffered recurrent blackouts for more than a decade and, in recent years, the frequency of his “bad days” has increased. There have been reports of attacks during which he is out of touch, many of which probably represent the temporary interruption of blood flow to the brain—although he may have suffered some small strokes. Don Juan, father of Prince Juan Carlos, recently cited reports—including one from Franco’s nephew—that the General is not expected to live beyond Christmas.

The Succession

Franco’s death will be followed by Juan Carlos’ elevation to the throne, apparently without serious challenge by rival claimants. Don Juan, long a pretender to the throne, told U.S. Embassy officials in Lisbon this week that he would not oppose his son’s succession, although continued support would be contingent upon Spain becoming a genuine democracy in the post-Franco period. It had been feared that Don Juan, who holds the loyalty of many monarchists and has wide support in financial circles, would contest the succession. As soon as Juan Carlos succeeds Franco, Don Juan plans to announce a program for democratic reforms as a guide for his son.

Thus, it is currently expected that Juan Carlos will succeed Franco with the General’s personal endorsement, recognition by present constitutional laws, the reasonable loyalty of the hierarchy of the “movement,” the support of the armed forces, and without serious challenge to the throne.

201. National Security Decision Memorandum 268¹

Washington, September 10, 1974.

TO

The Secretary of Defense
The Deputy Secretary of State

SUBJECT

Renegotiation of Bases Agreement With Spain

Taking into account the Joint Declaration of Principles signed by the United States and Spain on July 19, 1974, and with reference to the NSC Interdepartmental Group responses to NSSMs 179 and 193, together with agency views thereon, the President has decided that the United States should seek to extend the 1970 U.S.-Spanish Agreement of Friendship and Cooperation in its present form, subject to the following guidelines:

1. Given the importance of the bases in Spain to our security objectives, and the importance of the Joint Declaration of Principles to Spain, the U.S. negotiator should seek to retain the use of all the facilities presently available to the United States, provided the *quid pro quo* is acceptable. To the maximum extent possible, the United States should resist efforts to place restrictions on our use of the bases in possible future crises.

2. Should the Spanish raise the question of a formal U.S. security commitment to Spain, the U.S. negotiator should take the position that the Joint Declaration of Principles responds to Spanish desires for a strong statement of the US-Spanish security relationship and that therefore the security issue as it relates to extension of the bilateral agreement should be considered as resolved to our mutual satisfaction.

3. Should the question of removing the Tanker Wing from Torrejon arise during the negotiations, every effort should be made to avoid a move. If the Spanish remain adamant, the U.S. negotiator should seek agreement by the Spanish Government to bear the cost of any new fixed installations required by the move.

4. In the event Spain raises the issue of liability and indemnity guarantees with respect to nuclear-powered warship port entry and

¹ Summary: The President decided that the U.S. should seek to extend the 1970 U.S.-Spanish Agreement of Friendship and Cooperation and provided guidelines for the negotiations.

Source: Ford Library, NSC Institutional Files (H-Files), Box 54, NSDM 268—Renegotiation of Bases Agreement with Spain (2). Secret. Copies were sent to the DCI and the Chairman of the JCS.

visits of U.S. nuclear-powered warships, the U.S. negotiator should cite the unblemished safety record of U.S. warships and point out that the overwhelming political and moral obligation such an event would impose on the U.S. Government would provide the best insurance possible that any just claim would be met.

5. If the Spanish raise the question of Gibraltar during the negotiations, we should adhere firmly to our traditional position that this is a dispute between two friends in which we must remain neutral.

6. An additional objective should be to achieve Spain's support for the U.S. position in the Law of the Sea Conference concerning unimpeded transit for straits. Because we view this objective as related to our defense requirements, the subject may appropriately be raised in conjunction with the U.S. request for an extension of its base rights. The U.S. negotiator should make clear that the U.S. position on a maximum breadth for the territorial sea of 12 miles coupled with a guarantee of free transit through and over international straits is a basic element of U.S. oceans policy.

7. The U.S. negotiator should emphasize our willingness to continue non-military forms of cooperation with Spain, particularly in the areas of educational and cultural, scientific, technological and agricultural cooperation.

The President has directed that the senior U.S. negotiator should submit a report on the results of these negotiations, including any *ad referendum* agreement developed, for his review as soon as possible.

Henry A. Kissinger

202. Key Judgments of National Intelligence Analytical Memorandum 27.1–1–75¹

Washington, May 15, 1975.

SPAIN: PROBLEMS OF THE SUCCESSION

Key Judgments

1. The approaching end of the Franco era carries many uncertainties for Spain—both as to short-term succession and longer-term lines of development. The essential political dilemma is that the regime must change in order to survive but any real change carries threats to its existence.

2. *As for the short term*, our best estimate is:

—The odds are against a radical upheaval in Spanish political life during the twilight and succession periods.

—The most likely course is for a more or less controlled opening up of politics to accommodate the more moderate political groups previously suppressed.

—Chances are better than even that Juan Carlos and Prime Minister Arias (or someone like him), aided by common fears of the alternatives, including civil turmoil, can keep a fairly broad base of support while deterring all-out bids for control by any one faction.

—Chances of such a *modus vivendi* are greater if Franco departs soon. The Spaniards need time for building institutions and evolving new practices. The present period, with Franco hanging on, is not conducive to more than tentative efforts in this respect.

3. This estimate relies heavily on the deterrent role of the Spanish military, which appears united and disposed to accept political change and has generally wanted to stay out of politics, but would be disposed to intervene if a serious threat to law and order developed or if a radical left-wing regime seemed about to come to power.

¹ Summary: The memorandum analyzed problems of the Spanish succession.

Source: Central Intelligence Agency, History Staff Files. Secret. On March 28, Rockefeller told Ford, Kissinger, and Scowcroft: "I met with the Acting Foreign Minister of Spain. He is worried that the Communists are infiltrating all over the world. They are worried about their own transition. In the old days we would be planning how to have CIA help this transition." Ford asked, "Is the CIA or 40 Committee doing nothing on Spain?" Kissinger replied, "In your speech, you should say the CIA arrangements with Congress must be changed. So long as you must report to 60 Congressmen, we can do nothing. We don't need money right now—we need planning. I agree with Nelson—the Communists are on the march." After Rockefeller and Kissinger discussed Latin America and various forms of U.S. assistance, Ford said, "I think we should do whatever we need to in Spain." (Memorandum of conversation, March 28; Ford Library, National Security Adviser, Memoranda of Conversation, Box 10)

4. This estimate also relies heavily on a non-alarmist short-term economic forecast, i.e., that the rapid growth of the past decade is not in the cards, but the economy will stay healthy enough to avoid a major increase in labor unrest. Failure in this area could alter the odds significantly, and the magnitude of Spanish economic difficulties should not be minimized. Moreover, the decisions are not entirely in Spanish hands but also involve Europe's economic course.

5. Even in the short term, a radical polarization of Spanish politics, such as has happened in Portugal, cannot entirely be ruled out. Among the possible contingencies:

—A late bid for power by Franco's family or the conservative coterie around him. This would challenge the left and the moderates, whom the government might be unable to repress fully.

—A bid for power by the more radical left with support from elements of organized labor. Such a bid would invite vigorous response from the right and some of the center, and the military.

—In a direct contest in the short term, the odds would favor the right/military side over the less organized left.

6. Spain has significantly greater political and economic strengths than Portugal and Spanish leaders know this. Nevertheless, the turbulent developments there have heightened tensions in Spain: conservatives point to Portugal as an object lesson in the dangers of lifting the lid through liberalization; reformers argue that Portugal demonstrates the dangers of not liberalizing early enough. Whatever the merits of these arguments, the effect of Portuguese developments has been to harden attitudes on left and right and probably to compress the time Spain has to resolve its problems.

7. *Spain's longer-term outlook* is necessarily more problematical, but essentially involves the same dilemma—whether even a broadened establishment can, over time, gain adequately wide support without letting things get out of control. Opening up political life will easily, perhaps inevitably, give rise to escalating political demands stemming from labor-management differences, conflicts between different classes and age groups, and dissident regional loyalties. Resultant tensions will lead some in authority to advocate increased or recurrent repression, but it is questionable whether the government would have the will or capacity to carry it out.

—Economic conditions will play a major, not necessarily controlling, part in intensifying or ameliorating political strains.

—The armed forces will continue to be of central importance both as a deterrent against overt challenges from extremists and as arbiter or ultimate resort if turmoil does develop.

—The attitudes and policies of Western Europe and the US will be a factor in influencing Spain's political orientation over the long haul.

—Over the longer term, assuming increasing liberalization, there would be a growth of leftist and moderate strength. This would lead to increased turbulence in the Spanish political process, but the odds appear against the assumption of full power by either the extreme left or right.

8. Meanwhile, certain themes of Spanish foreign policy will continue—certainly in the short run, probably in the longer term as well. These include:

—Cautious efforts to develop closer relations with Western Europe, limited by fears of rebuff and some skepticism over where Europe is headed. The more liberal Spain becomes, the more a push-pull dynamic will bring it closer to Europe, but it has a long way to go in Europe's eyes and there are limits on how high a price Spain will pay.

—A wary concern about trends in Portugal compounded of intense concern over left radicalism there and a strong disinclination to interfere. Should Portugal leave the Western camp, Spain would look to its defenses and seek to strengthen its ties with Europe, but would not openly intervene in Portugal.

—Policy toward the US will depend on a number of variables. In general, the more isolated Spain remains in Europe, the more it will want to emphasize a special relationship with the US. A perceived threat from Portugal would have similar effects. As a practical matter, Spain has no alternative but to look to the US for most of its armament needs.

—Nevertheless, Spanish reservations about the US tie persist. Many Spaniards view US base rights in Spain as more important to the US than Spain, and some see them as an embarrassing symbol of US support for Franco.

[Omitted here is the remainder of the 14-page memorandum.]

203. Memorandum of Conversation¹

Paris, May 28, 1975, 5:00–5:25 p.m.

PARTICIPANTS

Pedro Cortina Mauri, Minister of Foreign Affairs of Spain
 Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
 National Security Affairs
 Helmut Sonnenfeldt, Counselor, Department of State
 Arthur A. Hartman, Assistant Secretary of State for European Affairs
 William Turner, U.S. Ambassador to OECD
 Martin Forester, US Mission to OECD (Interpreter)
 Peter W. Rodman, NSC Staff

Cortina: We have a problem in Madrid that I want to discuss with you, which I already discussed with the Foreign Ministers of Germany, France and Belgium. I also talked with Denmark but they haven't reached an understanding.

Kissinger: But I think I know which conclusion they will reach.

Cortina: I had instructions on leaving Madrid to find out what your reflections are on this matter.

Kissinger: Are you going to tell me your thoughts?

Cortina: It is not necessary to reiterate.

Kissinger: What I have not conveyed to the Foreign Minister is that I don't know what to yield to.

Cortina: I will speak French because you understand better: You understand it well.

Kissinger: I understand your theory but not the practice.

Cortina: You mean the practical consequences.

Kissinger: He speaks English better than I do.

Cortina: The practical consequences which I mean are following: As I told you, if from the Atlantic side one does not recognize that Spain is an element of the defense of Europe, then Spain will have to

¹ Summary: Kissinger and Cortina discussed the U.S.-Spanish base negotiations.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 23, Classified External Memcons, May–December 1975, Folder 1. Secret; Nodis. All brackets are in the original. The meeting took place in the U.S. Delegation Room at the OECD. Kissinger, Stabler, and Cortina discussed the base negotiations on May 23 at Torrejon Air Force Base. (Memorandum of conversation, May 23; *ibid.*) In telegram 3581 from Madrid, May 26, Stabler analyzed the Spanish negotiating position. (National Archives, RG 59, Central Foreign Policy Files, 1975) In telegram 3613 from Madrid, May 27, Stabler reported a meeting with Arias on the schedule for Ford's visit. (Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 12, Spain—State Dept Tels To SECSTATE—NODIS (1))

change its bilateral relations with the United States in accordance with this. The second point is that if Spain is not recognized as an element of the defense of Europe, from the point of view geographically, humanly, and economically—Europe is so constructed that the defense of Europe rests on us. We contribute without any compensation to the construction of Europe and the defense of Europe. We can be good Europeans. We have come to the end and we cannot continue in this situation because we will not accept it.

Kissinger: I agree with you. I have indeed told you that Europe is pursuing the wrong policy. What they are doing to Spain they should do to Portugal, and what they are doing to Portugal they should do to Spain. They should leave Portugal alone and move closer to Spain. What you are saying is, if they don't move to Spain in some formal way, (1) our bases will be reduced so that they can't help Europe and can only help Spain and the U.S., or (2) we can use our relations in some way to link Spain to Europe through the United States.

Cortina: How?

Kissinger: I don't know. It is my question to you. You have made a proposition to me last time [in conversation at Torrejon, May 23], in which you said there should be a defense arrangement between the United States and Spain and that defense arrangement should make an arrangement with NATO. You drew a diagram—which has occupied the best minds in the State Department.

There are two problems. I don't see how a defense arrangement can make a treaty, and I don't see how NATO can make a treaty. As an institution.

Cortina: It is a formal aspect, that we will study. First, if you agree it is necessary to establish links, and a need for these links is recognized by other members. It is not the first time we have discussed it. There is the Declaration of Principles.

Kissinger: Oh yes, we have talked about it but I never understood the practical consequences. [To the interpreter:] He knows but won't tell me until I am in total agony.

Cortina: I don't have all the documents with me.

Kissinger: We are interested.

Cortina: I think of another way. In a sense I haven't yet defined it; I am just thinking out loud. It is an element of European defense, in a sense. First, if one recognizes that Spain is making a contribution to the defense of Europe, that is the first idea, then, it is very easy to draw the consequences.

Kissinger: Like what?

Cortina: The first is, while recognizing this, that one must recognize also the facilities which the Americans enjoy in Spain are also enjoyed by NATO.

Kissinger: I understand all this. The easiest would be for Spain to join NATO but that isn't possible now. If it is not possible, I would look very sympathetically at any concrete proposal you could make.

Cortina: The facilities that the Alliance uses, even if they are American planes, on the other hand, there are decisions that have been taken in certain centers of decision in NATO. As a practical measure, one could have liaison and observers of Spain in NATO and NATO observers in Spain. In order to recognize Spain's role.

Kissinger: I think it will be very difficult. But let me think about it. I am seeing General Haig tonight.

Cortina: There has to be a prior recognition of Spain's contribution to the defense of Europe.

Kissinger: How do you do that?

Cortina: In a few days you are having a meeting in Brussels. That is the moment to discuss this question. If your President poses this question, without forcing it on others, just pointing to the reality of the facts that exist and a willingness to recognize consequences—the first consequence is recognition; the second and third consequences are pragmatic consequences.

Kissinger: I understand the practical aspect and I understand the theory that you want to express the importance of Spain's defense contribution. I will think about it; would you do us a favor and think about it too? And give us any ideas you have on a formal recognition?

Cortina: That is easy—it is a declaration, some expression of principle. Whether it is one, two, three instruments, it is the same thing. It is the political will to do it.

Kissinger: We have the political will but we don't know whether we can carry it out practically. I now understand completely what you have in mind. We can't carry it out at this meeting [in Brussels].

Cortina: You and President Ford will come to Madrid.

Kissinger: Yes. The President will be prepared to discuss it. But he is more given to practical discussions than to theoretical discussions.

Cortina: All right. You know he could say to us: Our allies recognize the importance of your contribution.

Kissinger: Let me understand: Is it enough for you if the President makes a declaration—maybe not this Saturday—that we recognize the importance of Spain for the defense of Europe, and so do our allies, and for this reason Spanish officers can join certain commands? Is this enough?

Cortina: I have to consult.

Kissinger: We can't do it in two days, but this is enough to work on. We can discuss it with our allies and then report to you on Saturday.

Cortina: Very good.

Your Ambassador Stabler yesterday visited the President of the Government to ask him if President Ford could meet with twenty members of the opposition.

Kissinger: Not the opposition, but twenty people who are not in the Government.

Cortina: I want to know what the opposition consists of. There is something original here. Chiefs of State represent the unity of the nation and state, and are symbolic of the sovereignty of a state. What goes on below them doesn't concern the Chiefs; it concerns the Government and Ministers but not the President. It would be something new.

Kissinger: So you are against it.

Cortina: Absolutely.

Kissinger: So we will drop it.

Now you want my coat? [Laughter]

Cortina: Coat and overcoat!

Kissinger: We will tell our Ambassador. You tell your President to forget it was raised.

Cortina: It will be very bad for our negotiations.

Kissinger: Don't threaten me! We have already dropped it.

Cortina: It would be difficult.

Kissinger: We have dropped it already. Don't raise it with the President.

Cortina: Your Ambassador won't insist.

Kissinger: Not only will he not insist; he won't discuss it.

We want to have a good visit and pay respect to your Government.

Cortina: We hope so too.

[The meeting ended.]

204. Memorandum of Conversation¹

Madrid, May 31, 1975, 3:45 p.m.

PARTICIPANTS*Spanish*

Prime Minister Arias
Foreign Minister Cortina
Ambassador Alba

U.S.

The President
Secretary Kissinger
Ambassador Stabler

Meeting divided in two parts. Later meeting participants same as above plus the Chiefs of the three services on the Spanish side and Mr. Perinat. On the U.S. side—General Scowcroft and Mr. Hartman.

(Ambassador Stabler will be sending notes on the first part of this conversation.)

Arias: As Prime Minister I am inviting in the Chiefs of the General Staff so that they can listen and hear directly from you Mr. President the results of your discussions in Brussels.

Cortina: I wonder Mr. Prime Minister, because of the shortage of time, instead of discussing those questions again could we talk about two specific details. We should try to define the new outlook of the American relations and especially the acknowledgement of the Spanish contribution to Western defense. It is clear that there is an American recognition of this contribution. I do not believe that we should put this in a communiqué but if it could be in your remarks Mr. President at the dinner tonight that would be best.

Secretary: I talked to the Foreign Minister in the car and I mentioned your intervention in Brussels and the fact that you had pointed out the contribution that Spain was making to Western defense. I told

¹Summary: Ford, Kissinger, and Cortina discussed U.S.-Spanish relations and NATO.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 12. Secret; Nodis. Drafted by Stabler; and approved by Covey in S. During the first portion of this meeting, before the arrival of U.S. and Spanish officials, Arias discussed Portugal, the Spanish domestic situation, U.S.-Spanish relations, and Spain's importance to the defense of the West. (Memorandum of conversation, May 31; National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 13, Misc. Docs, Tels, Etc., 1975, Folder 1. The meeting ended at 4:40 p.m. (Ford Library, White House Central Files, President's Daily Diary) Ford and Kissinger were in Madrid from May 31 to June 1. Ford and Franco met on May 31 at 1:30 p.m., when they discussed NATO, Spain, Communism, and Portugal. (Memorandum of conversation, May 31; *ibid.*, National Security Adviser, Memoranda of Conversation, Box 12)

the Foreign Minister that there was a consensus view reflected in a statement by Secretary General Luns that the U.S.-Spanish bilateral relationship is important to the defense of the West and I told the Foreign Minister that we would say something to this effect in the toast tonight.

President: In my opening statement at the meeting of the Alliance, I stated the importance of our bilateral military relationship with Spain and its direct connection with the defense of Western Europe. It is interesting to note that in the summary given by Secretary General Luns he noted that there was a consensus that there is a direct relationship between the security of Western Europe and the bilateral U.S./Spanish military relationship. He used the word "unanimous" (all 15) recognition of the importance of our bilateral relationship to the security of Western Europe. I am told that this is the first time that this has been recognized. It was of course stated in the Council—not publicly—but it is my impression that this change of attitude can only be beneficial for Western Europe. This new attitude is pleasing to me and I am sure it will bear fruit in the years ahead. With this impression of change in the attitude of alliance members I think it emphasizes the importance of continuing a strong military relationship between the United States and Spain. Our 20-year effort will pay dividends as other NATO countries recognize its need and importance. But I wish to emphasize the need for continuing our efforts in a strong and effective way. I am confident that we will do so in our mutual interests and also in the interest of Europe. I look forward to gradual inclusion of Spain in Western Europe so as to form a solid group which would meet the challenges from the Communist East.

Cortina: I agree on the principal points. There is a still larger difference inside NATO and outside. The United States has to acknowledge different moods. The United States has to adapt to the mood in Brussels. But here we have a press too. Our public and press are not always looking with favor on these arrangements. You could help to clarify this by a strong statement. You should make it clear that the U.S./Spanish relationship will reach a point where there must be practical consequences of the American recognition of the role played by the U.S.-Spain relationship. The Spanish public wants this. Your expression of recognition of this relationship and its importance must have practical consequences.

Secretary: Now you can see what I am up against (with the Foreign Minister). The Foreign Minister in Paris had two useful suggestions. First, the U.S. could make a statement—namely that our bilateral relationship is in the interests of Western defense and the Western European countries should not contradict this. We can work on this and there is a good chance of achieving it. Second there should be practical liaison with NATO commands. I have talked to Secretary General Luns

and General Haig. They think that something can be done but it would be a mistake to say anything prematurely before the allies are organized. We will study this but not announce anything until preparations have been made. But we can head in this direction and I think we can make progress.

President: Excuse me but I must leave to greet Prince Juan Carlos who is arriving in a few minutes and I will therefore have to leave after the interpretation of these last remarks.

Cortina: I do not wish that there be any mention at this time of the practical consequences.

205. Memorandum of Conversation¹

New York, September 22, 1975.

SUBJECT

Spanish Base Negotiations

PARTICIPANTS

The Secretary

Robert J. McCloskey, Assistant Secretary for Congressional Relations

Wells Stabler, American Ambassador to Spain

Arthur A. Hartman, Assistant Secretary for European Affairs

Robert E. Barbour, Director, EUR/WE

The Secretary: What is the status of this problem?

McCloskey: First of all, you should know that he wants to see you alone. He may not say anything, though. He will probably have Alba with him, and I suggest that you have Stabler with you. Cortina may

¹Summary: Kissinger, McCloskey, Stabler, and Hartman discussed the U.S.-Spanish base negotiations.

Source: National Archives, RG 59, Central Foreign Policy Files, P820123–1595. Secret; Nodis. Drafted by Barbour on October 1; and approved by Covey in S. The meeting took place in the Waldorf Towers. The paper to which Hartman and Kissinger refer was not found. The memorandum of conversation on the September 22 discussion between Kissinger and Cortina in New York is *ibid.*, P820123–1569. Kissinger and Cortina met again on September 26, September 30, and twice on October 4 to negotiate the agreement; memoranda of conversation on these meetings are *ibid.*, P820123–1606, P820123–2606, P820123–1595, and P820123–2406. Kissinger met with Stabler and McCloskey on September 26 and October 4 to discuss the base negotiations; memoranda of conversation on these discussions are *ibid.*, P820123–1628, P820123–1633, P820123–2398, and P820123–2395.

not insist. The main thing is that he does not want to have Rovira with him. The situation on the table is really at a standstill.

The Secretary: My problem is that I have never received a comprehensive paper on this subject. Where is this paper? Does it exist? You know I don't accept that the job is done when the paper is dropped in my office.

Hartman: You are going to make me shake up your office. There are some things you have to read. This is one of them. It is important and you should have been given it. (At Secretary's desk) Here it is!

The Secretary: Oh, yes, I have read this. What is the issue now?

McCloskey: Two things. First, we must find some way to pass the September 25 deadline via some kind of a gentlemen's agreement and without having them invoke the withdrawal part of the agreement. Maybe we can say that negotiations are continuing. The second thing is that we must deflect him from driving you into a bilateral security agreement or a phantom arrangement in NATO.

Stabler: The problem is that he is persuaded that they must get either an arrangement with NATO as a bilateral security guarantee or in any event something which can be presented as equality of treatment. He is sold on this idea of equality of treatment. He has looked into the Turkish situation and thinks that, because Spain is so important, you should go all out for them in the Senate as we have done for Turkey.

The Secretary: He's nuts! It is the Senate that is getting us out of Turkey.

Hartman: They have also looked at the agreement in an Israeli context.

The Secretary: You know, even those parts of the Israeli agreement that we gave the Senate earlier they now call "secret undertakings".

McCloskey: I think, as does Wells, that it has become important to this man to negotiate directly with you. His position is that we have ended phase one, and phase two will take place with you. If he is not disabused of this, he will want more meetings with you. You have to tell him that this is not possible.

Stabler: My impression is that they just do not understand that when you develop a formula for a military relationship you must say whether it is or not a security guarantee. We just say whether it is or not a security guarantee. We just can not get through their heads that the first is not possible, given the Congressional situation.

Hartman: But we will have to say it.

The Secretary: You know, personally, I think we should give one. Spain is more important than Portugal or most of the European countries with which we have a defense commitment.

McCloskey: There is just no chance for it on the Hill.

Hartman: They seem to want some kind of equivalence with NATO.

The Secretary: I think we are reducing our presence too much. Why are we doing all this for one base?

McCloskey: Two bases. There is Rota, and the Air Force will be protected at Zaragoza.

The Secretary: Why are we closing Torrejon?

McCloskey: Is the counter to Zaragoza. Defense said this will be O.K., but only if it is critical to reaching an agreement. Schlesinger and the JCS are willing to give it up, if necessary.

The Secretary: They are not all that eager.

Hartman: What the Spaniards really want is to have the tankers taken out.

The Secretary: What they really want is the apparatus of a security guarantee.

Stabler: He will try to put a lot of pressure on you, and he plans to be here 10 days. My own view is that we can not rule out the possibility that they will conclude that a disadvantageous agreement is worse than none at all. If it ends up with us still having two bases, if not four, and without anything looking like equal treatment, we can not exclude the possibility that they could cut off their noses to spite their faces.

McCloskey: As you know, the material demands went up, too. The best we can do is \$100 million MAP for each five years.

The Secretary: Why is that the best we can do?

McCloskey: Because the worldwide total is likely to be not more than \$800 million.

Hartman: There is going to be a problem here, especially if we tell Congress that we are keeping only two bases. Congress thinks that the Spaniards should give them away.

The Secretary: And so, what is the answer? MAP?

McCloskey: We offer 10 million a year for 5 years. That figure is stretched to the limit. Congress wants to get rid of military aid entirely.

Hartman: I do not have the impression that they are vitally interested in grant MAP.

Stabler: They want assistance in modernizing their Armed Forces, but what is really important is the general relationship between the two countries.

The Secretary: He is the biggest pain I ever dealt with.

Hartman: Even the French think so.

Stabler: Cortina thinks that Giscard and Schmidt will pick up the defense relationship if ours is dropped.

The Secretary: Fat chance. Giscard maybe, not Genscher.

Hartman: The fact of the matter is that he has talked himself into a position where the agreement becomes a vehicle for a new kind of relationship with us and others.

Stabler: We could also just pull back and appeal to Franco, but I have doubts about this. Maybe we should face the possibility that we may not be able to give him what he wants. This would be risky but . . .

Hartman: Finally, we can take the position that an agreement is possible with what we have, if they would be reasonable. The basis for this agreement is our reduced facilities, the military assistance and the institutional arrangements.

The Secretary: What kind of institutional arrangements do you have in mind?

Hartman: Look. Here is the diagram.

The Secretary: Don't show me any diagrams. I never understand them anyway.

McCloskey: Under the 1970 agreement there is a Joint Committee headed at the top by the American Ambassador and the Foreign Minister.

Stabler: It has not met since I have been there and possibly not for a year.

The Secretary: What does it do exactly?

McCloskey: It is the senior forum for general military policy talks and, theoretically, it covers a combined military staff to coordinate planning and open up lines of communication with some NATO commands.

The Secretary: What will we be willing to have the new Joint Committee do? Where is it located?

McCloskey: At Madrid.

Stabler: It is a planning device, but in wartime it turns into a kind of joint group with Joint Committee arrangements.

The Secretary: Is it legal, without Congressional approval?

McCloskey: There would be a commitment, but it would be a commitment to a military and political relationship and I would be willing to defend it on the Hill. I think that if this is in the agreement it might work.

Stabler: They take the view, a strange view, that article 5 in the NATO treaty is not a guarantee. They insist that for this reason we can give them the same things and still say we have given no commitment.

The Secretary: So, you are talking about two institutions. A kind of ministerial committee that would meet once or twice a year?

Stabler: Yes, then there would be things like Economic, Scientific and Cultural committees, and they would correspond more or less to similar NATO institutions.

The Secretary: Has this been put to him?

McCloskey: Rovira has a copy, but it is not a commitment on our part.

The Secretary: So, it will not be news to Cortina.

McCloskey: He may have looked at it, but, I doubt that he listened to any discussions of it.

Stabler: The planning group is an old idea. In the past they discussed it.

The Secretary: Maybe because they knew that they would not get everything they wanted. And, if they don't?

Stabler: In the final analysis, they will probably have to recede but, now they have NATO saying that if they had understood better what Spain wanted, they would have reacted differently. In Helsinki the Belgians and other Europeans were reported as saying to Arias that we had said they wanted full membership, when actually what we talked about was some kind of closer relationship that recognized the Spanish contribution to Western defense. This is all very ironic, because they would happily accept a statement from the Allies saying that they did recognize the Spanish contribution to Western defense. If we could get this, we would be home free.

McCloskey: Article 7 of the Declaration of Principles sounds like paragraph 5 of the NATO agreement. They want this written into a new agreement.

The Secretary: Even an executive agreement with this in it would have to go through Congress.

McCloskey: If this is written into the agreement, the Senate will insist that it is a treaty.

The Secretary: (Reading) That's pretty strong.

McCloskey: And look at what Pell is doing with the Israeli agreement.

The Secretary: And they want that as an integral part of the agreement?

Stabler: Yes, they wanted it in as part of it, and they do not want it debated.

The Secretary: Either it is a security commitment or it is not. We must say one or the other.

Stabler: We have told them that in 16 different ways, but Cortina does not believe it. They say that if the Secretary would only explain to the Senate how important it was, surely the Senate would understand.

The Secretary: Ha! That is why they would reject it. If they had Communists in office there, they could have it without difficulty. You know, I can't bear that man. Whom does he get along with? How did he get to be Foreign Minister?

Stabler: He stands in well with Franco and Franco's family, and this gives him a lot of power. His briefings of the Council of Ministers are very short. He seems to have brainwashed Arias and is now in a very strong position.

The Secretary: Lopez Rodo was someone you could talk to. I don't know what became of him. Even Lopez Bravo was realistic.

Stabler: Cortina may be reflecting a changing Spanish public opinion that has become anti-bases but not anti-American. Lopez Bravo is out of the picture. Lopez Rodo is an Opus Dei member who was ousted when Arias came in. Now people say he may become Mayor of Barcelona.

The Secretary: I only ask for reasons of nostalgia. I did not dislike them. You could talk to them.

(Continuation: following Secretary's meeting with Cortina)

The Secretary: I think it might be possible to put together something that would line up fairly well with his positions. If it turns out not to be possible, we shall just have to tell him so, but he doesn't seem to mind getting what he needs in a kind of security guarantee and then have us tell Congress it is not one.

I don't want to put this idea of a defense agreement up in the first paragraph, and I don't want a draft that is excessively legalistic. I don't mind referring to the declaration of principles, and to the objectives of the agreement, but I want something that recognizes the general importance of our relationship and agrees to improve the process of consultation, etc. Make defense one of the sub-headings, like economic relations, etc. I don't mind his paragraph 4. We can't be as specific as he would like about NATO, but I don't mind trying to give him some general political phrasing that will meet his purposes.

He thinks I am implementing his ideas. You know, I think he is eager to get off the hot seat. He thinks he can get from me what you refused him.

McCloskey: But, you know, giving him everything he wants would be enormously difficult. For \$750 million we would be buying back Torrejon. Do you think we can ask for that figure?

The Secretary: That is probably too high, but I don't think he is going to insist on that either.

Stabler: The important thing in his mind now seems to lie in the way it is presented. He wants it totally different from other agreements so as to bring out this idea of equality of treatment.

The Secretary: He doesn't seem to have any trouble about our saying it is not a defense agreement and describing it as an agreement for economic and political cooperation in Spain. The Liberals will scream, of course, but it does make sense. I think I can understand his objective.

Hartman: Did he say that if he did not get \$750 million he would give up?

The Secretary: No, but I think we can go higher than \$550. He started with a billion, but I turned him down. Then he said \$750. I think he would happily have settled for \$650, so let's go up to maybe \$575 FMS and \$75 MAP. I think he will be happy with this. I don't think we can give him \$750, but if we have found \$100, we can find \$115; if we have \$10, we can go to \$15. And, look, when you draw this thing up, keep it away from the lawyers.

Hartman: But, you know, all you have after the first year is a one-year commitment. We can't get multi-year funding commitments.

The Secretary: I don't really care about the bases, but I do care about our presence in Spain when the succession takes place and during what is going to be a critical period. We could tell them to go to hell without any great loss to the military security of the United States, but this would be no contribution to future political stability in Spain and, of course, it would be one more loss in the Mediterranean area. With an agreement on consultation and cooperation, with defense as one component of it, we could tell Congress that what is involved is a moral investment in Spain, and I would take that chance. We have now offered 550 for five years FMS and MAP. Let's get up another hundred.

Hartman: I gather he asked you about a special national security arrangement.

The Secretary: That egregious bore. He has dragged out a remark made by the President at Helsinki to the effect that, if necessary, we would put the thing back into the NSC and take another look. You know, it's mind-boggling to think that some remarks I made off the cuff in Spain are now quoted back to me as policy.

McCloskey: Will you see him again?

The Secretary: Yes, I have to see him, probably Friday in Washington.

McCloskey: That was quite a keen cut he took at his own negotiator, when he said he violated his instructions, that the communiqué had not been approved by the government, and that he insisted on reducing the bases. Imagine, he said that the spirit of negotiations had not been reflected in ten meetings. But you know, he has now done one thing, and that is that he has raised the negotiations to your level. That is probably what he wanted all along.

The Secretary: He is an egomaniac. I think he intended all along that he would be the one to negotiate it with me. All I did was give him back your ideas.

Stabler: It looks as though what he wants is to be able to go back to Madrid saying he got equality of treatment. I think next time you should have Bob there.

The Secretary: You know, Bob, all I gave him were your proposals. I told him why we want to avoid a debate in Congress and to emphasize our general relationship, and he didn't object. I didn't add anything, all I did was sell your package. He swore that your proposal, which I presented to him as my own, coincided exactly with what he had wanted all along.

Draft up for me a document with some of these basic ideas, emphasizing our general relationship and consultation in the various fields. Make defense one paragraph among several. I think it is doable. I promised him I would have a document for him to look at Thursday, so I need it by Tuesday night.

206. Memorandum of Conversation¹

Washington, November 3, 1975.

PARTICIPANTS

The Secretary, Henry A. Kissinger

Manuel De Prado

Mr. Hartman, Assistant Secretary for European Affairs—Notetaker

(The Secretary met for about two minutes with De Prado alone.)

De Prado: As I was saying the Prince, Juan Carlos, had the idea of sending me to you with a message that he wished to establish a private channel and also to take up a number of questions and get your advice. First, I should explain to you that I am not an official. I am a private friend of the Prince, whom I have known for 18 years. I have been working with him on a confidential basis since before the time he was named Prince. I have been introducing him to businessmen, bankers

¹ Summary: Kissinger and De Prado discussed Spain during the transition.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 23, Classified External Memcons. Secret; Sensitive. The meeting took place in the Secretary's Office.

and people with foreign experience. I myself am a businessman and a banker. I represent the Societe Generale which is one of the principal French banks (He said French—not Belgian). I am also a director of the Ford operation in Spain which has invested recently a billion dollars in an automobile production facility. I also am on the board of the Swedish Company Erikson and also Mitsubishi. As you can see, I am not in politics. My loyalty is only to the Prince. Now let me explain the situation as the Prince asked me to convey it to you. He has felt that there were only four solutions to his accession to power. The first, if Franco dies . . .

The Secretary: If or when?

De Prado: I have been on the telephone with the Prince this morning, and he says that all the medical evidence shows that he is dying. The problem is that with these modern techniques that they can keep a person living long beyond the point when he would ordinarily die. No one wants to take the decision to turn the machines off. The Prince was not interested in the article III procedure which was used last year because he felt it was not acceptable that he should temporarily take power with the possibility that it could be withdrawn. But this time he felt he had no right to refuse when the government asked him to take over because then he could be criticized of acting unconstitutionally because he had refused to take over when Franco was clearly incapacitated. Thus when he was convinced by the doctors that no recovery was possible, he accepted to be named as acting head of state. Now, however, this presents a difficulty on how he can manage when he cannot take decisions by himself.

The Secretary: Could Franco stay alive another month?

De Prado: I don't think so. The best advice is one or two weeks. But even supposing that he might recover in some way, the Prince assumes that he would at that point sign over full power.

The Secretary: I agree that being only a caretaker presents difficulties.

De Prado: He tries to show that he has power. That is why he flew to the Sahara and that is why he called the first meeting of ministers, not in Franco's palace—the Pardo—but instead at his own house. As I was saying if Franco dies, the transition is easy. The constitution says that during the eight days following his death the Prince should be sworn in before the Cortes. In fact, it has been decided that he should be sworn in after a three-day mourning period and that the funeral should be held the next day. Then seven days later there will be a religious ceremony—a Te Deum—to which top people from all over the world will be invited and this will be the equivalent of a formal taking of office by the Prince.

The Secretary: Then we would be expected to send a representative to the funeral and then one week later send someone else to the formal installation of the Prince?

De Prado: I have also been on instruction from the Prince in direct contact with the French President, Giscard D'Estaing and I have a direct personal contact in his office through Pierre Brosselette. I spent one hour with Giscard. The Prince has told me and he told me to say this to Giscard that he wants the French President's advice and your advice which he values very highly.

The Secretary: I agree that Giscard is extremely intelligent and sound.

De Prado: Giscard expects to send his foreign minister to the funeral only.

The Secretary: But let me get this straight.

De Prado: The Prince will be sworn in before the Cortes the day before the funeral. The Te Deum will be celebrated seven days after the funeral. Giscard says that he will send his foreign minister to the funeral and that his prime minister Chirac will come to the Te Deum. The Prince asked me to ask Giscard if he could come and he said he would think about it and see what others wish to do.

The Prince went to the Sahara yesterday. It is not his intention to get into a fight about the Sahara. He does not want this. He wants a negotiation with Morocco because he feels that the matter can be settled with King Hassan. The Prince feels that the government and particularly the foreign minister were wrong and were giving entirely too much attention to the views of Algeria. But the Prince has a problem. The army is very sensitive and they feel that the government may forget them. They see the government talking more about the feelings of Algeria and Morocco and they wonder whether the government there was thinking about how to save face for the army. The Prince has decided we must leave the Sahara but he wishes to give moral support to the army and he wishes to get out in peace. He does not wish it to appear that the army—and there are 1500 of them in the Sahara—has been forgotten. You should also remember that this is a selected group from the army made up of foreign legionnaires. When the Prince came back he immediately called together the National Defense Council and he was called on the telephone by King Hassan. Hassan said that he was sending his prime minister to Madrid today. What the Prince wants to do is to fix the last day on which Spain will withdraw from the Sahara and he wants to fix that day as December 15 of this year. What he wants is for Hassan to accept this decision on the part of Spain to get out. But what he will have to do in return is to stop the march. If they go into the Sahara, it will leave the Prince in a terrible position with the army. Thus, the problem is how to negotiate this arrangement with Hassan.

Giscard told me that even if something could be negotiated with Hassan, the Algerians would still present a problem but it is not 100 percent sure that the Algerians will fight.

The Secretary: Have we asked for the intelligence estimate that I requested this morning?

Hartman: Yes, Bill Hyland has already talked to the Agency about this and we will have an estimate of Algerian intentions and also what the force situation is.

The Secretary: I think we must meet again and I will give you our judgment on this. Do you have a secure means of communicating with the Prince?

De Prado: No, he doesn't have any telecommunications right yet so we talk on the telephone and we have known each other long enough so that we can talk in a kind of code.

The Secretary: Cortina tells us that the Sahara problem has run into difficulties.

De Prado: Yes, but the Prince refuses to cooperate with him because he feels that Cortina was the one responsible for the wrong turn that this whole matter took. Cortina is not a man who acts. He thinks in entirely too legalistic a way. There is nothing between them. The Prince wants to negotiate a solution, if he can find a reason to intervene. Otherwise, it is difficult for him to stop Cortina at the present time. If something should happen in the Sahara, he could not stop the army from reacting. But he feels that if a day can be fixed for Spanish withdrawal, that would give the Prince three or four weeks time to work out a solution and we save face.

The Secretary: I have a feeling that this is leading toward a conflict.

De Prado: The Prince feels that maybe he could negotiate some bases around Agadir, something to help Hassan. But if the Algerians want to fight . . .

The Secretary: There are two possibilities for us. Either we can wash our hands of the whole matter or we can do something to help move it along rapidly. I think myself that the best solution is if you could work out a rapid agreement perhaps with the Moroccans agreeing to demarcate their border with Algeria. The difficulty is that when the Arabs meet together, they will talk themselves into a crisis. But the Prince is right, something must be done to get Hassan to call off the march, or perhaps just allow it to go just a short distance into the Sahara but can he act?

De Prado: He can sign an agreement at this period but he cannot stop the army.

The Secretary: My instinct is that he ought to move to do what he can to get a settlement with Morocco as fast as possible.

De Prado: That is one reason why the Moroccan prime minister has been invited to Madrid.

Let me go back again. If Franco dies, there is going to be some difficulty for the Prince and how he puts into effect his ideas. It will be a little bit like Pompidou after De Gaulle.

The Secretary: Let me go back to the arrangements once again. We were thinking of sending the Vice President to the funeral and we have not thought of the possibility of a sort of coronation party afterward. Our President will probably be traveling in Asia at the later time, but we could always reduce our presence at the funeral or we could send the Vice President two times.

De Prado: Of course, if the President is on a trip, everyone would understand but what about you?

The Secretary: If the President is on a trip, I will be with him.

De Prado: You could reduce your representation at the funeral but on the other hand, your President when he was Vice President attended the funeral of our Prime Minister Carrero Blanco and therefore I think it would have to be the Vice President who goes to the funeral and then you should send him again if for some reason the President cannot attend the *Te Deum* 7 days later.

The Secretary: Let's see. We will have to see what the schedule is.

De Prado: I think it will be before your President's trip. In any case, I will try to get the real situation to you. Now going back to the procedures—when Franco dies, there will be a regency council that will take power and then within 8 days but as currently planned, after 3 days the Prince will be sworn in. He accepts the fact that there will not be important people from Europe at his swearing in and at the funeral.

The Secretary: The funeral will be four days after he dies and the Prince will be sworn in on the third day. As I understand you, the formal installation of Juan Carlos will be seven days after the funeral. If the President is in Europe at that time, as he may be for the summit meeting, it would be easy for him to go.

De Prado: If there is a possibility that the President could come, we might even reduce the number of days between the funeral and the *Te Deum* in order to accommodate him.

The Secretary: I am in favor of the President going to the *Te Deum* but I cannot tell you today if it will be possible, but I can assure you that we will have the highest possible representation, perhaps the Chief Justice along with the Vice President. I assume if you do that, this is not for the purpose of having discussions but that this delegation will go as a symbolic act. I want you to assure the Prince that we will do all that we can to strengthen him.

De Prado: That is most important and that is really the main object I have in coming here.

The Secretary: You can count on it. As you may know, I have the highest personal regard for the Prince. He represents the only institutional guarantee that there will be stability and progress.

De Prado: It is the only solution. If he fails, we could go in the way Portugal has gone.

The Secretary: You can count on us and I would like to discuss with you what we can do to be helpful. I am open-minded on what help we can give.

De Prado: This brings me to my next point. We have direct information that there will be a move in Portugal in the next two weeks.

The Secretary: From the right or the left?

De Prado: From the right. We understand that they intend to do something. The Prince does not want Portugal to go over to the Communists.

The Secretary: What does he think should be done?

De Prado: He believes that we have to do something but he recognizes that there could be a bad reaction. He feels that if something is going to happen, it is better that it happen now and not when he is King.

The Secretary: But when he is King he will have some executive power?

De Prado: Now the government is still made up of Franco people but the Prince believes that something could happen in the next two weeks.

The Secretary: My instinct is that there is no substitute for victory. No one will reward you for exercising moderation, but have you put this to Giscard? What did he say?

De Prado: Giscard felt that Portugal might be on its way to solving its problems. [1 line not declassified] The Prince feels that Portugal could be finished if the Communists make any further gains.

The Secretary: (To Hartman) I want an assessment of what the situation is in Portugal and how likely the present group is to succeed.

We do have to know what the plans are [4½ lines not declassified]

De Prado: [2 lines not declassified] They could get in touch through me. The Prince feels that with our 900 kilometer border, there are many risks if the Communists succeed in Portugal.

The Secretary: If the plan can succeed, we would look at it sympathetically.

De Prado: [2 lines not declassified] They are thinking of using Spínola as their leader.

The Secretary: This presents a very tough problem. I frankly think it can work.

De Prado: If not Spinola, they say it would be easy to find someone else.

The Secretary: I am going to send someone over to get the facts.

De Prado: To go back to the problem of transition, if Franco dies, the Prince will have difficulty getting his ideas across. He has to handle the situation very carefully because of the continued presence of strong Franco people. He will talk a little about democracy but open doors only a little. He will not be in favor and will accept legalization of the Communist party. He wants his first government to integrate political opinion but he does not wish it to move too far to the left. One of the men that he has been thinking about as his first prime minister is the Count de Motrico. He does not feel that Arias is strong enough. He changes his opinion every half hour and is controlled by his internal and press ministers. The Prince does not feel that he would be loyal. Also, he was involved in this terrorist execution business. Therefore, the Prince prefers to make a change. But Arias does not have to present his resignation. He has the choice. He could, if he wished, stay on to the end of his term which is four years more. But the Prince is determined to push him to resign. The question is who should succeed him. There is a possibility of Fraga, who is now our Ambassador in London. The difficulty here is that the Prince does not believe he would make a well-balanced prime minister. He acts too much according to his feelings and he gets excited. The Prince needs someone who is cold and loyal. He thought also of Lopez Rodo but that presents a problem because he is a member of the Opus Dei and people would take him for being in their control. I am not sure that would be a problem but it might look as though they would bring in only their team.

The Secretary: I know him and like him very much.

De Prado: Then there is also Lopez Bravo. But he had some unfortunate financial dealings and that probably would disqualify him because people remember that. This brings us back to Count de Motrico, who was as you will remember, Ambassador in Washington. But the Prince feels it is perhaps too early to have someone like that who has a political background. The Prince has the idea that what we need now is a cold, technocratic coordinator; someone who will take care of the economic side and build confidence and for this reason he is thinking seriously of Lopez de Letona, who was the industry minister. He has a very good image in Europe. He is not political and would be seen to be working for the country. He is serious and quiet. The Prince asked me to mention this to you and to see if you had any advice. I also talked to Giscard and he said that with an election coming up in France in 1978, there would be a terrible problem if both Spain and Portugal were

going in a bad direction. This would have a serious effect in France. That is why it is so important that Spain consolidate its position under the Prince. Giscard feels that most of the opposition will accept to allow the Prince six months so that he can get himself organized. After that there will be moves by the opposition and you could even have demonstrations with 100,000 people in the streets. Giscard's advice is that the only way to stop these developments is to keep in close contact with the army. He feels that the powers can be consolidated by the King if he calls for a referendum on whether Spain should continue to be governed by a King. This would give him time because he could announce the possibility of a referendum for some time in the future. Of course, there are risks. This would not be 100 percent sure. The risk is if the vote fails but Giscard seems to feel that if it takes place in the first three months, it will give the best chance for the population to give their full support to the King and that he will have the support. It also might help with another problem and that is Juan Carlos' father, who will not renounce his claims to the throne. He could create difficulties but a referendum would according to Giscard help confirm the plans. Another risk is that there could be another referendum five years from now and the results could go the other way. The Prince asked me to get your advice on this matter.

The Secretary: Let me think about this over night.

De Prado: Then there are the problems of the Basques and the Catalans. [1 line not declassified] They say that they will support him 100 percent on three conditions. First, that they should recover their historical symbolic rights. The Prince thinks that can be done. Second, that national Basque leaders in jail—but not terrorists—should be given an amnesty by the King. The Prince feels that this is possible but he will have to be careful. Third, that the terrorists should be tried by civil courts and not by the military. This the Prince has agreed to think about. He plans to make a surprise first trip to the Basque area as a sign that he understands their problem.

The Secretary: But why should the Basque support him if they want independence?

De Prado: They accept the Prince because they do not have to have 100 percent independence. What they want is integration in a federal-type system which enables them to recover some of their former historical rights. With respect to the Catalans, and here I am not too concerned, those who wish independence are a small group. The "liberals" have promised their full support to the Prince. They may have a problem in the future but for the moment they gave their support.

Now let me turn to the army. There is a movement in the army which wants to see progress toward political progress but of this group 80 percent accept the Prince and want him to succeed. At the same time

they do not wish to see Spain stay as it is but they want it to move toward a “kind of democracy”. I do not think that this is a very big problem. One of the reasons the Prince went to the Sahara was in order to assure that he would get the full support of the army and I think this was a good idea. Another thing the Prince wishes to do is to change Ambassadors here in Washington the day he gets power. He wants to send the very best and someone who will be able to communicate with us.

The Secretary: That is what we want. We would like to have someone who has his confidence. What about our Ambassador?

De Prado: The Prince has nothing against the US Ambassador. He wishes only to know whether or not he has your full confidence. When I have finished my missions, I will no longer be the channel. He will wish to communicate with you through your Ambassador.

The Secretary: But does he have that confidence from his side now in our Ambassador?

De Prado: He has no big problem but he is worried due to certain interconnected things. For example, there seems to be an effort to make more contact with the left. There is a labor attaché, for example, a man by the name of Winn, who is not connected with the labor unions. I know this because I am the head of the Federal Metal Laborers Association and I know he has had meetings with left wing groups.

Hartman: I am sure the embassy has contact with these people but that is not in any way intended to indicate our support.

De Prado: I want to assure you that the Prince has nothing against your Ambassador, but he wants to be sure that he has your confidence so that he can be sure he is talking directly to you.

The Secretary: I sent Stabler to Madrid in this transition period because I had full confidence in him and the work he had done for me here. What is the Prince’s problem. Has Stabler said something?

De Prado: I am not sure that the Prince feels he has your confidence and it is not clear to us if he works with the opposition, whether he is doing this because you wish him to. It is only a feeling we have but if you have confidence in him, we will work closely with him.

The Secretary: I am going to get Stabler back here. He did good work for me in the Department and I have confidence in him but I will have another talk with him and if he does not carry out what I tell you, you must let me know. Stabler is too important at this juncture for us to get involved in political science experiments. The Spanish situation is very important and we cannot afford mistakes.

De Prado: The Prince wants you to know that he will only talk a little about democracy but he will allow some openings.

The Secretary: My biggest worry—and I will be very frank with you—was that the Prince might have become too seduced by the liberals. I know that he must make some progress in liberalizing the regime in order to have good relations with Europe but he cannot open up the situation to the point that all these forces might erupt. The worst mistake we made in the 60's was when we encouraged an opening to the left in Italy which guaranteed that the Christian Democrats would sooner or later be undermined. I can assure you that there will be no pressure from us on making arrangements with Communists, even with socialists. Frankly, I do not know the situation in Spain well enough but I do know that the Prince needs a base from which to work and that he has to find friends to work with.

I have to go to NATO in mid-December. I had been thinking of taking a trip to the Hague but perhaps I should go to Spain instead.

De Prado: That would be most important.

The Secretary: Would one day be enough?

De Prado: One day would be fine and I believe it absolutely necessary that you come.

The Secretary: I might leave London on the evening of the 14th and spend the whole day of Monday the 15th in Madrid.

De Prado: We would arrange that that day was well spent. The Prince has great confidence in you.

The Secretary: I am glad to hear the direction he wants to move in. I am impressed by what you tell me. Frankly, I had feared he might be too adventuresome.

De Prado: The Prince wants to allow some political parties or associates and says that he would declare that it be in more than three such channels—the conservative, the Christian Democrats or Social Democrats and the other liberal. But he would not begin right away and instead he would move very slowly.

The Secretary: What about the role of the church?

De Prado: I think that the church has changed remarkably in the last four weeks and that they now support the Prince. You know that for a long time the Pope himself was against Spain and Franco—he lost a brother in the war—but even as far as the terrorist question is concerned, it seems that the Pope is now much more in favor of supporting the Prince in the aftermath of the Franco period.

The Secretary: I would like to meet again tomorrow at 11:00. How should we communicate? Hartman here can get in touch with you.

De Prado: I have an arrangement with the French President that I contact him through Brosselette.

The Secretary: Well, I will tell you tomorrow how we will communicate because I find that it is very difficult to keep a secret in this

building. Perhaps with all the telephoning it would be better not to do it downstairs (in Hartman's office) but instead to have the contact through General Scowcroft. But I will tell you tomorrow.

207. Memorandum of Conversation¹

Washington, November 4, 1975.

PARTICIPANTS

The Secretary

Manuel De Prado

Arthur Hartman, Assistant Secretary for European Affairs, Notetaker

De Prado: It was kind of you to see me in the middle of all the excitement going on here in Washington.

The Secretary: No, I want to assure you that the situation in Spain is as important as anything else. I am very pleased that the Prince sent you here so that we could have this talk.

De Prado: The Prince has called me to say that he agrees and is very pleased that you could come on December 15.

The Secretary: Yes, I may arrive in the evening of the 14th and I should be able to spend all day in discussions.

De Prado: The Prince will set aside all of his time for you and he very much looks forward to seeing you and discussing all of these issues.

The Secretary: (to Hartman) Did you get me that estimate on Algeria or are you afraid that Hyland is overworked?

Hartman: Yes, and it was included in the paper that you read. Basically what it says is that the Algerians have the capability. We are not sure of their intentions. (Secretary calls Hyland and discussed paper.)

The Secretary: On the Sahara, I am afraid there is not much more that I can say. Obviously the preferred solution is that it be settled quickly. In fact I must tell you very frankly that I have never understood the Spanish position on this and in fact, I think the Spanish Government was on the wrong wicket. After all, what does self-

¹ Summary: Kissinger and De Prado discussed Spain during the transition.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 20, Classified External Memcons. Secret; Sensitive. The meeting took place in the Secretary's Office. [text not declassified]

determination mean to a bunch of Bedouins wandering around in the desert?

De Prado: You are right on that and I can tell you it was mostly Cortina's fault.

The Secretary: But we have to deal with the present conditions and the question is can Algeria intervene?

De Prado: The final position taken by the Moroccan Prime Minister yesterday was that Morocco insists on a direct transfer of sovereignty from Spain to Morocco and they even suggest a joint "green march" where the Spanish and the Moroccan's would participate in the turn-over. The Spanish Government has said that they can only accept the Waldheim solution which is to transfer sovereignty through the United Nations. [2 lines not declassified] But I can tell you if the Moroccans go ahead with their march—and it really amounts to an invasion because there will be troops present—it will present the greatest problem to the Army and to the Prince. At the moment the Moroccan's are insisting that they will send 10 thousand into the Sahara each day.

The Secretary: How far in?

De Prado: I believe they are going all the way to the capital of the Sahara—Aluin—and that is about 250 kilometers.

The Secretary: I think it is closer than that.

De Prado: The Prince says that if the people march into the border area, that is all right but if they get closer to the area where Spanish troops are located, this can become a matter of prestige.

The Secretary: What did the Moroccan Prime Minister say was the reason that they feel they have go to ahead?

De Prado: They didn't really say. They just said that they feel very strongly that they must do this. When Solis went to see the King, we thought they might accept some limit on the territory but that does not seem to have happened.

The Secretary: Let us talk about some of the other issues you raised. Whether the President can go to the Te Deum will depend on timing and I will have to check with him on that. If the service could be the day after his meetings in Europe then he certainly could stop. What time of the day is it likely to be?

De Prado: Around noon.

The Secretary: That would mean an extra day in Europe but it might work. What time are you leaving today?

De Prado: 3:00 p.m. from Washington and 7:00 p.m. from Kennedy. You know it is quite incredible about Franco. He had a serious operation last night and today his pulse is normal and the bleeding seems to have stopped. But of course he is still in a coma.

The Secretary: Why don't they let him die?

De Prado: (shrugs)

The Secretary: (Secretary tries to get the President. Talks to General Scowcroft and asks to try out on the President a stop in Madrid on the way back from the Economic Summit.) On the political situation—you asked me what I thought about the referendum. That really depends on your assumption of how it might come out. My own inclination is that if a referendum is held quickly—say within a month—the Prince could probably win. That would have the advantage that the King would receive formal legitimacy to the fact that he would have been appointed by Franco. If you do it well, it can also have the advantage of making it look like the beginning of a democratic process. But you must be sure that you don't create the expectation that referendum would be held periodically. On the domestic situation, I must tell you quite frankly that you would find my views quite different from those of Western Europeans. You are going to find that they will want to push the Prince toward full democracy and probably as far left as he will go. I personally believe that that would be a disaster. I can tell you quite frankly that my impression about the Prince before I talked to you was that he might want to move too far too fast toward the left.

De Prado: I can confirm that that is not the case.

The Secretary: But you do have the problem that the Prince has to make some movement and this must be visible so that the people can see that the political process has been strengthened. I will control our Embassy and I can assure you that they will act under my instructions. I will set up a special channel for the Prince to use through General Scowcroft so that you can communicate with me if you think things are not going along properly. We will not tolerate any political science experiments. But I do want to assure you that I have every reason to believe you can have confidence of the actions of our Ambassador. I sent him to Spain because he did a good job for me here in the Department.

De Prado: We are just a little worried because of some of the people who are being seen by the Embassy.

The Secretary: I can see the advantages of our keeping in touch with many groups but I want to assure you that we will work to support the Prince. Now as far as the Prince is concerned—what he will need is support of the Army and he will have to be sure that the Army has not been infiltrated by the Left. Quite frankly, when I visit Madrid and I look around at your military officers, they look a little old to me. But that is something for the Prince to look at. Now what kind of political groups are acceptable?

De Prado: The Prince believes that he can accept certain groups over toward the center but he is worried about the intellectuals and the

leftists. He feels that he can accept up to border line of groups around Fraga and Areilza (Count de Motrico).

The Secretary: The main problem for the Prince is to get reliable power bases. What he should do is try to become like De Gaulle. That is a transnational figure who is above parties.

De Prado: I am sure he will have the complete support of the Army but this is where Morocco becomes very important.

The Secretary: Have you made that clear to the Moroccans?

De Prado: Yes, but apparently King Hassan has his own domestic problems.

The Secretary: But he can't possibly be interested in Spain being taken over by the Soviets or Communists.

De Prado: But the trouble with the Moroccans is that they can't see the forest for the trees. All the King can think about is "his victory."

The Secretary: Now on the Portuguese . . . (Calls Brent Scowcroft and asks him to get in touch with [name not declassified] to go to Madrid at the end of this week.) I will have [name not declassified] get in touch with you and then you can arrange meetings for him with this group that will be meeting in Madrid. (to Hartman) You get ahold of [name not declassified] and tell him what the background of this is.

On the Basques, I am afraid we will have to leave them to you. I don't have a very good judgement on that.

De Prado: I am part Basque and my wife is wholly Basque and I can tell you that it is a difficult but not an insoluble problem.

The Secretary: Do they look different?

De Prado: No, some of them have blonde hair and blue eyes and perhaps look a little more like Northern Europeans.

The Secretary: How far does it go back?

De Prado: It is a very old language which some people may think comes from Tibet.

Hartman: It is one of the basic Indo-European languages and has links to Finnish and Hungarian.

The Secretary: What about Korean?

De Prado: There are even some words in Japanese that are the same.

Hartman: Could we clarify what the Algerian Ambassador told you yesterday?

De Prado: [2 lines not declassified]

Hartman: [2 lines not declassified]

De Prado: [3½ lines not declassified]

The Secretary: No, do we have a report on this?

Hartman: No.

The Secretary: When [*name not declassified*] gets to Madrid he will examine the situation on the Portuguese and report to me. He will also tell you how to communicate through Scowcroft. Let me say that I think Stabler will be all right. I will get him back here and give him his instructions. For the Prince, the trick is going to be how to show some progress and movement but not to undermine the whole situation. He has to show that he is a strong man. If he agrees to make concessions, people will not have confidence in him.

(Hartman later called De Prado to tell him of the President's agreement to stop in Madrid on Tuesday, November 18 for the Te Deum if it could be arranged on that date. Hartman later gave him a hand-written note from the Secretary to the Prince.)

208. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, November 12, 1975.

SUBJECT

US-Spanish Bases Negotiations—Status Report

For the past year, we have been negotiating with Spain for renewal of the 1970 US-Spanish "Agreement of Friendship and Cooperation" which, among its most important provisions, authorizes the United States to operate from three major facilities on Spanish soil—the air-bases at Torrejon and Zaragoza and the naval base at Rota. The 1970 agreement expired on September 26; however, by agreement with the Government of Spain, we have been conducting normal operations while the negotiations continue.

Little progress was registered in the ten rounds of formal negotiations held with the Spanish between September 1974 and September 1975. This was due primarily to the fact that the Government of Spain was holding the bases negotiations "hostage" to its efforts to secure a

¹Summary: Kissinger reported the conclusion of the U.S.-Spanish base negotiations.

Source: Ford Library, NSC Institutional Files (H-Files), Box 54, NSDM 268—Renegotiation of Bases Agreement with Spain (1). Secret; Sensitive. Sent for information. Scowcroft initialed the memorandum on Kissinger's behalf. A stamped notation on the memorandum indicates the President saw it. Ford initialed the memorandum.

closer defense association with NATO and the United States, with a view to gaining recognition of Spain's contribution to Western defense. (The Spanish seemed either unwilling or unable to accept the reality of the deep-seated hostility to Spain by several countries in Western Europe.)

In order to break the impasse, I met with Spanish Foreign Minister Cortina on four occasions in late September-early October. We were able to reach agreement on the "framework" of a new five-year agreement covering the full range of US-Spanish relationships, including defense. In brief, we agreed to furnish Spain with \$600 million in foreign military sales credits and \$75 million in grant military assistance over the five-year period of the new agreement. In return, we will retain the continued use of Torrejon, Zaragoza and Rota. (This contrasts with the original Spanish request for \$1.5–\$2 billion in assistance and closure of one of our air bases.)

Additionally, we agreed to the withdrawal of our KC–135 tanker wing from Torrejon, with a small detachment operating out of the airfield at Rota. The balance of these aircraft will be relocated to other bases in Europe. [2½ lines not declassified]

We also agreed to provide about \$45 million in non-military assistance over a five year period. These funds would continue the scientific, technological, educational and cultural cooperation undertaken under the 1970 agreement and provide seed money for a solar energy project. (This contrasts favorably with the \$110 million originally sought by the Spanish in this area.)

We are working now to fill in the details of the "framework" agreement which Foreign Minister Cortina and I agreed to. The target for completion of a final text for signature by the parties is mid or late November. The head of the U.S. delegation at the talks will be submitting a formal report to you at that time.

In the meantime, we have been consulting with key Congressional leaders on the substance of the new "framework" agreement and on our next steps. *Congress is being assured that the new agreement involves no security commitment to Spain and that it will be submitted to Congress for full review.*

Several problems may arise when we seek Congressional support for implementing the new agreement:

—First, there is strong sentiment in Congress to eliminate *all* grant military assistance over the next two years. Congress also generally opposes making grant aid available to developed countries and Spain falls into that category.

—Second, the apparent face value of the *quid* agreement is substantial—\$675 million in military assistance (\$600 million in loans) and \$45 million in non-military assistance.

—Third, governing legislation calls for the United States to reduce or eliminate military assistance to governments that engage in a consistent pattern of violations of human rights. In the view of many, the Franco regime is one of those governments. The law, however, does permit giving such countries military assistance when there is a Presidential determination to the effect that “extraordinary circumstances” justify the assistance.

In the period ahead, the Departments of State and Defense will be working with the Congress to overcome these obstacles, pointing out that we gain much at relatively little cost under the terms of the new agreement and that the alternative—no agreement—would serve to further isolate Spain from the West during the current transition period as the Franco era ends and the country makes critical choices for the future.

This memorandum is provided for your information; no action is required on your part at this time.

209. Memorandum of Conversation¹

Washington, November 28, 1975.

SUBJECT

The Secretary's Meeting with Ambassador Stabler

PARTICIPANTS

The Secretary
Helmut Sonnenfeldt, C
Ambassador Wells Stabler
Arthur A. Hartman, EUR
Robert E. Barbour, EUR/WE (notetaker)

¹ Summary: Kissinger, Sonnenfeldt, Stabler, and Hartman discussed U.S.-Spanish relations.

Source: National Archives, RG 59, Central Foreign Policy Files, P840139–0556. Secret; Nodis. Drafted by Barbour; and approved in S on January 2, 1976. Franco died on November 20. On November 22, Rockefeller and Stabler attended Juan Carlos' investiture as Chief of State and proclamation as King. On November 23, they attended Franco's funeral. SNIE 27.1–2–75, November 20, explored Spain's short-term prospects in the wake of Franco's death. It suggested that “the critical question is whether a controlled liberalization can gain broader support for the regime, without triggering reactions from the Franquist right—which may still be able to obstruct political change—and without being exploited by Spain's clandestine Communist Party (PCE) and separatist groups.” (Central Intelligence Agency, History Staff Files)

The Secretary: Wells, how are you? It is good to see you. Tell me, how did the Vice President do?

Hartman: He did very well, especially with the crowds. He was well received everywhere he went; people seemed to know him. Sometimes they even knew his name.

Stabler: Yes, it was an enormous success. When I was with him yesterday, people were shouting his name.

The Secretary: What Europeans were there?

Stabler: Giscard d'Estaing, Scheel, Prince Philip, the President of Ireland and a lot of lesser lights.

The Secretary: Did the Vice President talk with any of them?

Stabler: He talked briefly with Giscard d'Estaing after the ceremony at the church, and he also chatted with Scheel and Prince Philip. I wasn't there, so I don't know what they talked about, but they were all very short. The Spaniards really appreciated his visit, that is, the fact that he came, that he went through all the ceremonies, including that very gloomy burial ceremony, and that he even stayed to participate in the events for Juan Carlos.

The Secretary: What did he do in between?

Stabler: He stayed in Madrid for the most part. One day he took a trip out to Segovia.

Hartman: He seemed to enjoy himself, even though he was going 15 hours at a stretch. He also had a talk with Constantine.

The Secretary: Why him? [*less than 1 line not declassified*]

Stabler: He was rather impressed by his views.

The Secretary: [*less than 1 line not declassified*] If he is impressed by him, I'll have to unimpress him.

Stabler: I think he meant by Constantine's view of the history of what might have been and how things might have been different. But I didn't hear him. On things in general, the transition has gone very smoothly, although the apparatus is no help to him. The old Franquists and those who were there before want to continue to act as they used to.

The Secretary: I know that experience.

Hartman: Not really, you have much better control.

The Secretary: Does he plan to get rid of the Prime Minister?

Stabler: It is not clear yet. His first problem is whether to replace the President of the Cortes, and the betting is that he will get rid of him, though it is not certain. If he replaces the President of the Cortes, then he will have to decide whether to do the same thing with the Prime Minister. If he does not do that, he might change some members of the

government—the Minister of Interior, the military chiefs, and maybe even your friend Cortina, who seems disliked by everybody.

The Secretary: Giscard d'Estaing thinks he is the most egregious fool he ever met. He knew him when he was Ambassador. He made a special point of telling me that a measure of his influence in Madrid will be whether the King gets rid of Cortina.

Stabler: He would love to stay on, and he acts as if he intends to.

The Secretary: The first thing is, if I go, what kind of situation can I expect? Will he try to sit in on everything?

Stabler: If there is no change, that is, if Cortina is still there, then he will indeed want to be or at least will try to be in on everything. Don't forget, Juan Carlos is a constitutional monarch, not a real ruler. He has important foreign policy obligations vis-à-vis the government, and he does not have the constitutional authority of his predecessor. He doesn't plan to preside over the Council of Ministers, for example.

The Secretary: [1 line not declassified]

Stabler: [4 lines not declassified]

The Secretary: [2 lines not declassified]

Hartman: [1 line not declassified]

Stabler: [5 lines not declassified]

The Secretary: [3 lines not declassified]

Stabler: The constitutional problem is a real one. Franco had the power to issue decrees; Juan Carlos does not.

The Secretary: If he doesn't preside over the Council of Ministers, he will soon become just a figurehead.

Stabler: No, not necessarily, if the Prime Minister carries out the King's wishes. In that case the Council of Ministers becomes a formality and the King is better off than if he were involved in every government decision.

Hartman: It all depends on his choice of people.

Stabler: If you go and if Cortina is there, it will be very difficult. If a change is coming, though, it might be better to go later, even if it is just slightly later.

The Secretary: But how would we get to Europe later, unless the conference is delayed. Besides, I don't want to go there just to see Juan Carlos. What is the situation on the bases?

Stabler: Cortina wants to press forward.

The Secretary: I want to press forward. If he wants to press forward and I want to press forward, why are we not doing it?

Stabler: The promises he gave to you, and the exact terms of the agreement that he and you reached, have not been given to anybody else.

The Secretary: That's his problem.

Stabler: I am not really sure he can deliver the goods. Besides, if there is a new foreign minister, he may want to take a new look at it.

The Secretary: So we are going to have to negotiate both sides of the agreement all over again?

Hartman: No, but we have been waiting for them to get ready.

The Secretary: And not going up to the Hill to testify, for we haven't done anything at all up there. And why haven't we pressed the Spaniards?

Hartman: I talked to Cortina about this myself Tuesday. He apologized for not following up on our request to get started again but said he hoped we understood how preoccupied they have been. He asked me what your plans were, and I said it would probably not be possible to wait until he had a chance to see you, and why not start again now? Cortina did not answer. Rovira seems to have no authority.

Stabler: I have talked to him at least six times, and each time they say that they are sorry, that they cannot yet finish.

The Secretary: Could you ask them a seventh time?

Stabler: Yes, and it would be good for you to be there.

Hartman: But suppose there is to be a change of government? Do we want to get involved with this one?

The Secretary: That makes it even easier. We should continue with this one and wrap it up to let the other sign. Or do you want me to wait until the Socialists are in the government?

Stabler: That would be a long wait; anything of that nature is a long way down the road. When they realize that there is not going to be any change, even then it is not inconceivable that we will not see some reductions asked.

The Secretary: I lack the subtlety to understand EUR's viewpoint. How will we find out if we don't ask? Will we gain anything by waiting?

Hartman: But in the points you sent to the Vice President you suggested he point out that we were not pressing and that he say that if they were not ready now we would wait until they were.

The Secretary: Don't put words in my mouth. You wrote that paper, not me. You knew I would be concentrating on domestic aspects. My position is that we should conclude now, but EUR does not want to. Isn't that true?

Hartman: But why conclude them with Rovira. If Cortina would just tell Rovira we could get on with it. I went over all this with Rovira at lunch the other day, but he kept saying that we should do more now

so that the King would get a better deal. They're leaking all over the place that we are going to make a better offer.

The Secretary: It gets worse and worse the longer we wait.

Stabler: No, I agree that we should go ahead.

Sonnenfeldt: In the staff meeting this morning Monroe Leigh said that the Spanish agreement is generating more and more rumblings up on the Hill that it ought to be a treaty. We will really have trouble if we have to change it.

Stabler: Whether it is a treaty or a joint resolution, it would still have a quality that the preceding arrangements did not have. I could talk to them again.

Hartman: I think we ought to tell Rovira that we are still prepared to continue on the other agreements at any time and ask him when they might want to do so. This would leave it open.

The Secretary: Would we conclude them?

Stabler: Between now and then we could do the work that has to be done and have them ready for you. Our people are available any time.

The Secretary: Why is it not a good thing, then, to finish them and sign them? What do you think, Hal?

Sonnenfeldt: I wish we had it buttoned up and in position. It may get more difficult over time. But maybe Cortina just has no one from whom he can get directions.

Stabler: His strong point was his relationship with Franco.

Sonnenfeldt: I don't think there is any question that the price is going to go up.

Hartman: The price may go up and we may have to drop a facility.

Stabler: We have already said that we were ready to drop a facility.

Hartman: Moron. It was Moron that we said we were prepared to give up. Maybe we shall just have to make clear that we are prepared to discuss it at any time.

The Secretary: Wasn't it clear before?

Stabler: Absolutely. On my very first day back I talked to Rovira and told him Bob was ready to come and said that we were prepared to wrap it up very quickly.

The Secretary: How come, then, that you gave them the impression that you didn't want to conclude then? Look, let's cut out the baloney. I told Juan Carlos I'd be there about the 15th. What are we going to do about that? Does Cortina know?

Stabler: I am certain Cortina does not know.

The Secretary: But you will admit that Juan Carlos knows? Since I told him so last week on the phone?

Stabler: Yes, of course. His Chief of Household told me that he was looking forward to seeing you.

The Secretary: So if this is the case, since I do not get back until the 8th, how long are we going to have to keep this thing open?

Hartman: I believe we should keep it open a little while longer to see if he moves on the Prime Minister.

Stabler: The first problem is the President of Parliament, then there is the possibility of changing the Prime Minister. There is a good deal of talk that this will be very soon, maybe sometime next week. My feeling is that if he makes any appointments in the next few days or weeks, the new people will start to focus on the agreement we have and on the fact we are able to keep all the facilities and then we shall begin to hear the same sort of criticism that we heard before you and the President went there, about our having four bases and 10,000 Americans in Spain. I think we could expect an effort by the Spaniards to want a new deal with a smaller American presence. This doesn't come from any official indications, it is just my honest opinion about how things might come out.

The Secretary: The situation is compounded by the fact that we have already briefed on the Hill. If we start making changes now, we shall really have a massive problem.

Hartman: I don't think there will be any flak if we drop that one base.

Sonnenfeldt: But if we have less and pay more. . . .

Stabler: I don't know; we've been prepared all along to drop that base and to pay that same amount.

The Secretary: I don't see it; are you trying to keep us in or get us out?

Hartman: We have to acknowledge that there is not likely to be a really functioning government for awhile.

The Secretary: Would there be any problem in my seeing Cortina?

Hartman: No, none. It was the first thing he told me that he wanted to do. He asked when he might be able to see you.

Sonnenfeldt: Somebody likes you.

The Secretary: [2 lines not declassified]

Stabler: [2½ lines not declassified]

The Secretary: But what should we do about that trip?

Hartman: I would hold the announcement until maybe the end of next week.

Sonnenfeldt: That would work out well with the EC Summit.

The Secretary: Keep me informed of how that goes. Now on the internal side. No. I must know why you think it is not important that the talks be ended early.

Hartman: It is important.

The Secretary: I am the one who has to pay the price. [1 line not declassified]

Hartman: The thing is that maybe we ought to hold off on the announcement to see whether there is a change. Why don't we just wait until the end of next week?

Stabler: Or even a week before you go.

The Secretary: I would like to know what I am supposed to do. It would be very rude to cancel just a few days before I am to go there. You don't seem to think it is important that I promised the King I would come.

Hartman: No, don't cancel, just don't announce it yet. It is important for you to see the King.

Stabler: Would there be any point in my seeing him and asking his views? Maybe he would want to wait himself.

The Secretary: Oddly enough, he telephoned to me and invited me to come, so there is no question of my going.

Sonnenfeldt: If there is no meeting in Paris, you could have lunch with the King and return here, or you could leave the Chiefs of Mission meeting and return here. But you don't want to be discourteous to the King.

The Secretary: I don't understand why it is that if Cortina is so eager to get on with it why I shouldn't [*less than 1 line not declassified*] get it over with. I am the one who suffers. What obstacle could there be?

Stabler: The problem is that I am not sure Cortina is capable of concluding.

Hartman: Would you object to our getting McCloskey over right away to start preparing the documents in detail?

The Secretary: Far be it from me to interfere in the regulated work of the Foreign Service. I should think now that there is only advantage in putting a deadline on the negotiations.

(There followed a discussion of possible schedule changes and time differences.)

I would rather see Juan Carlos without Cortina. Not necessarily alone, but not with Cortina.

Stabler: The King would just have to work it out. When the Vice President called on the King, Cortina was not invited but he showed up anyway. But he was just blocked out. What should we do about the announcement?

The Secretary: Ask his views. We can't treat him as though he were an errand boy. Tell him I am not sure of the exact dates because of the energy conference. It could be either Saturday and Sunday, the 13th

and 14th, or the 14th and 15th. Then we would leave again at mid-day on the 16th. Maybe I can skip the Chiefs of Mission conference. When will we know whether there is going to be an energy conference?

Hartman: We should know a few days after the European Council meeting. Before that if there isn't going to be one.

Stabler: Should I tell him what you are thinking?

The Secretary: Yes, I have told his emissary, and on the phone. Call on him. Can you do it without Cortina?

Stabler: Yes, but I shall tell Cortina that you are thinking of coming if we can first make a little progress in our talks.

The Secretary: Now on the internal side.

Stabler: The first problem involves the President of the Cortes. He is an old-line Franco follower. If Juan Carlos does decide to change him, he might then keep Arias. Arias' credentials aren't bad. About a year ago he favored some modest liberalization measures to broaden participation in elections, authorize the right to strike, etc. But if Juan Carlos doesn't change Arias he might still change some others in the government. His problem, as we've seen, lies in the old Franco apparatus, how they suspended newspapers, closed down the press center. The papers are full of it today. Then yesterday the King got a nice political science lecture from the Cardinal at the mass. The Cardinal told him what he thought his government should look like, and what his political philosophy should be.

The Secretary: I was not amused by that mass.

Stabler: But it isn't surprising. I have seen the Cardinal from time to time. He has always talked like that.

The Secretary: [*less than 1 line not declassified*] Did you ever tell him when you talked to him that you thought he was off base?

Stabler: Well, no, but he was always the most extreme, even before Franco.

The Secretary: Wells, let me give you my position. I shall have to do it in a rather brutal way, but I must have it. I will have it. I do not think the issue in Spain lies in accelerated democratization. I agree that there must be some democratization, but somehow we must find a position that lies between this and an Italian or a Portuguese situation. There must be authority, and people must know where we stand. I am not interested in the opinions of some of those fools in Congress. That is not our job. Our job is to lay down a policy. We must think this through, and I want to know where you think it is going to come out.

Stabler: I agree completely that we do not want him to go in any direction that is likely to slide into an Italian situation or chaos.

The Secretary: We just cannot have a democratization in a short time or the lid will blow off.

Stabler: But there must be a more open, more democratic society.

The Secretary: I agree with this. But if the King thinks you are playing the labor game, what will he think of what you tell him?

Stabler: I am not playing the labor game. The Labor Attaché does see them, and I think it is important to do so. It is not just to have a contact. It is to have some input from the beginning so that if they begin to develop a democratic labor movement, we shall have some input into it. And that is why I think we should maintain these contacts. It is also why, with my agreement, we invited two Socialist labor leaders to come to the United States last year.

The Secretary: Left wingers? Why them and not others?

Stabler: Well, because there just aren't any others. And if we don't have any capability to get something into the system, and I know here Meany and his people won't see them, we won't have any influence with them at all. I agree that we don't want to have a Portuguese situation. But we won't prevent that by not having any contact with them, because then we are just not to have any influence.

The Secretary: I agree with the contact, but we must build our policy on strength so that we do not become dependent on that kind of influence. This is much more important.

Hartman: If Juan Carlos acts strongly, he will introduce into the government new tendencies without calling them parties, and these will be visible in the government. There will be strong pressures on him not to overdo it because people like Valcarcel think very much about the political situation in Northern Europe and they don't want that.

Stabler: Yes, they talk about a German situation. But it will never happen. There will never be three parties. If those people are put into the government they will nonetheless open up new lines to the Basques, the Catalans and people like that.

The Secretary: There is just no point in it. I don't think conciliation will do it. The Basques have been fighting for 1,000 years and if they have their way they will go on fighting for another 1,000 years.

Stabler: The problem is that they can't ignore them.

The Secretary: But if there is to be any political payoff, it has to be on the basis of strength, and Juan Carlos can't do it by himself. [*less than 1 line not declassified*] I think he is going to do it if he doesn't know where he wants to come out and where to look for advice.

Stabler: Some of it will come from on-the-job training, and he has matured a lot.

The Secretary: [*2½ lines not declassified*]

Hartman: But his speech was good, it was very good. He said some things but he didn't go too far. But he has got to be strengthened and given a sense of political consciousness. If he doesn't have it, everyone

will go running to him with the latest hot ideas. There is the Army. It will be very present and maybe it could give him some leadership.

Stabler: Yes, some people in the Army say the change would be good, but others do not want to see any change at all.

The Secretary: If the King is not soon in a position to act from some recognizable political line, he will be engulfed. The British, the Socialists, the Basques, the Catalans will all be after him to do one thing or another and he will be engulfed. Even the Christian Democrats.

Stabler: He hasn't given any sign of going too fast. The first thing to do is get some support for himself by making some changes in the government as symbols of a change from the past.

The Secretary: I agree that there is a need for change, but there is also a need for strength. He depends on people.

Hartman: Yes, and much will depend on the kind of people he brings in. Under the constitution, he has much less power than Franco, so until he appoints his own government, it will be hard for him to have much personal support.

Sonnenfeldt: Constitutionally and in every other way he will be weaker than Franco.

Stabler: There is a base there now, but his break from the Franco image will have to be gradual.

Sonnenfeldt: It will blow up if it is not gradual.

The Secretary: My judgment is that he is looking for someone to counsel him. I would like him to look to you but before I let you loose on him, I want to know what you will tell him. Someone must tell him what to do. I don't know Spain but I know enough of its history and of revolution to know that if he tries to move from weakness or if he moves too fast, the lid will blow off. I agree he can't stay where he is, but before we encourage him to move, it must be clearer where he will be going.

Hartman: He knows strong men in the Army.

The Secretary: I am not advocating his going back to reaction.

Sonnenfeldt: Who would that be?

Stabler: Maybe the commanding general of the Presidio Ceuta, who was the chief military negotiator. He was thinking of naming him Vice Prime Minister and Minister of Defense, which would be a new portfolio. Gutierrez Mellado could do it even though he has no experience. What the King has said so far hasn't been bad. He said he would move without haste but without pause.

The Secretary: That doesn't mean anything.

Stabler: It means he understands that he must meet pressures, especially from the younger people, who will not accept his trying to copy Franco.

The Secretary: If Franco had been thirty years younger today they would have followed him happily.

Stabler: Yes, that's probably right, but now everyone says it went on too long, that Spain is not in its time. Yet they have no other experience and no idea of what they want.

The Secretary: Somebody has to advise Juan Carlos.

Hartman: That is why his choice of new people will be very important.

The Secretary: If it is not you, I will go myself. I am not just going there to have dinner. He needs help. I don't know who his advisers are, but I do know that if he tries to heed all the advice he gets, there will be disaster.

Hartman: He has already had a talk with Giscard. I think the major Europeans—the Germans, the French—will advise him to go slow and tell him to straighten out his economy and to bring in good people.

The Secretary: Yes, Giscard will be sensible.

Stabler: The French suggested that he get rid of the President of Parliament but that he keep Arias.

The Secretary: I don't want a frozen situation.

Stabler: There is no way he can be as autocratic as Franco was, but it is important that he put in some new people who will themselves embody a kind of moderate change and who will make up for some of his own weaknesses. He has to have a Prime Minister with charisma, for example, but I am told that he is thinking of putting his former tutor, a man named Torquata Alvarez Miranda, who has absolutely no charisma at all.

The Secretary: Is that the same as the Minister of Interior?

Stabler: No, that's his brother. There is Lopez Letona. No one knows him, but he was the King's go-between with the Socialists. The reason I know is because the King told me. But he hasn't mentioned him again.

The Secretary: What does he expect the Socialists to tell him? Does he think they won't push him? What I want to know is, what you would tell him. What kind of advice you would give him to give him a feeling he means business.

Stabler: If he hasn't made any decisions on those two positions, that is all important that he put in as Prime Minister someone in whom he has absolute confidence, not someone out of the 1939 mold. He must be his choice, have some charisma, have a past that he can put to work for himself. Not Torquata Alvarez Miranda, who has no past at all. It is only his tutor, and not someone whose captive he would become like Fraja. But it would be quite improper for me to try to tell him whom to select.

The Secretary: Yes, I agree you can't do that. My problem is that I am not sure myself how I would respond to his request, and since I don't know what to say to meet his problem, how could I tell him? It is vital to know in this kind of situation where things lead.

Stabler: It is difficult to believe that we ought to be in a position to tell Juan Carlos where he wants to come out. We bear a very heavy responsibility.

The Secretary: Bearing that kind of responsibility doesn't bother me. I much prefer it to having the Communists there.

Stabler: Yes, I agree. But I would not tell him or give him the sort of advice the Dutch gave him. You know they talked about free elections, about bringing the Socialists in, and things like that. It would really be necessary to sort out the route he should follow to see what sort of Spain he wants to have. There are already some good elements present.

Hartman: His speech was a very good charter. It was just right.

The Secretary: I am afraid I have to get back to the White House. Would you write out for me tonight where you think we want to go and send it to me on the airplane for me to edit. I wish I had more time now but we can meet again at the Chiefs of Mission conference. [*1½ lines not declassified*] He needs someone to give him strength, not 500 ideas. The Dutch, the British, the Germans, the French will all be trying to tell him what to do. He needs somewhere solid to turn.

Stabler: If he decides to change only one man, it is very important that he make the right choice.

The Secretary: He can put in ten representatives of ten associations if he wants to, and under this one cover he can still do what he needs to do and avoid chaos. But every association will be after him and if he acts the way they want him to, we shall have a government just like the Portuguese government.

Stabler: That is the image he has in mind and wants to avoid.

The Secretary: But is he governing?

Hartman: Maybe he needs to produce a Prime Minister who can also be a technician.

The Secretary: If he is not a technician, he will be a figurehead.

210. Telegram 283446 From the Department of State to the Embassy in Spain¹

Washington, December 2, 1975, 1137Z.

Following Secto 23011 sent action SecState Nov. 30; repeated to you. Quote. Secto 23011. Action: SecState, WashDC. From US Del Secretary on board 27000. Subject: Action Memo—Draft Instructions on Spain (S/S 7523824). For: Hartman, Stabler and Sonnenfeldt from the Secretary.

1. In the following paragraphs are the instructions which Stabler should use with Juan Carlos on Stabler's return to Madrid December 2. They are substantively the same instructions you cabled out in draft with, however, a number of deletions. You should not draw any conclusions from these deletions. They cover matters which in my judgement can not be set down adequately in writing and which I would like personally to discuss to the King when we meet.

Begin text of approved instructions for the Ambassador from the Secretary.

1. You should see Juan Carlos as soon as possible following your return to Madrid and tell him that I look forward to seeing him in Madrid on either December 13 and 14 or December 14 and 15, if these dates are convenient. The exact dates will depend on whether or not the consumer-producer conference is held in December and this we should know later in the week. Just as soon as something is determined I shall be back in touch with you to work out the final dates and the timing of the announcement agreeable to the King. You should tell Juan Carlos that I hope to meet privately with him at least once during my stay in Madrid (i.e. without government Ministers.)

2. You should also tell the King that I have instructed you to inform the Foreign Minister that we are prepared to resume discussions immediately with the GOS to complete the seven complimentary agreements under the framework agreement and that, assuming all the work will have been completed by then, I shall be prepared to sign the overall agreement with the Foreign Minister while I am in Madrid.

¹ Summary: The Department sent instructions for Stabler's meeting with Juan Carlos.

Source: National Archives, RG 59, Central Foreign Policy Files, N750006–0388. Secret; Cherokee; Immediate; Nodis. Drafted by Barbour in EUR/WE; cleared by Hoganson and Woods in S/S; and approved by Hartman. In telegram 284990 to the Secretary's Delegation, December 3, the Department forwarded to Kissinger a report from Stabler on his December 3 talk with Juan Carlos. (Ibid., N750006–0428) Kissinger's proposed trip to Madrid in December was postponed until January 1976.

3. I also wish you to convey the following thoughts to Juan Carlos. Tell him that these reflect some of the comments he made to the Vice President, with whom I have discussed his conversation and impressions. You should tell him that I look forward to full discussions with him on these matters during my visit.

(A) The most important objective must be to maintain stability and internal tranquility both politically and economically while moving slowly to adapt the political situation in a way acceptable to the Spanish people, but also in a way which will permit Spain in the near future to play a role within the Western European and Atlantic framework. But the King should understand that Europe cannot set the pace for Spain.

Spain has to find its own way to its own set of institutions at its own pace. In particular the King should not permit himself to be pressed to go faster than the stability and tranquility of Spain will be able to tolerate.

(B) It is essential that the King, by his actions, establish himself as quickly as possible as the undisputed leader of Spain. Decisiveness, such as that displayed by his trip to the Sahara, will give the King the image as well as the substance of leadership. He should seek to achieve promptly as wide a popular base as possible. The King may want to consider, once he has made the necessary decisions on the President of the Cortes, the President of the Government, and the composition of the Council of Ministers, undertaking a series of visits throughout Spain to capitalize on his popular appeal and to establish his own personal contacts, not only with the people but with local leaders in various fields. The creation of this wider national base will give him his own constituency and thus additional authority in the central decision making process.

(C) The first order of business (unless these decisions have already been made) must be the choice of President of the Cortes and a decision on whether or not to carry on with Arias for a few months longer. It is vital that the person chosen for the Cortes be the “King’s man” and that his designation be a clear signal of the King’s desire to pursue a gradual, prudently-paced evolutionary course. It is important that in this first decision the King have his way and that he not permit a decision to be forced on him.

(D) By the same token the Prime Minister and the key Cabinet Members must all be men who will be prepared to respond positively to the King’s leadership and be absolutely loyal.

(E) While the King may have chosen not to preside over the Council of Ministers meetings in the belief that he should not become involved in the routine conduct of government, he must be certain that his wishes and views are fully known and fully represented to the gov-

ernment as a whole. Here again the Prime Minister and the individual Ministers will play a key role. The King must take a special care to see to it that he will not be relegated to a “figure-head” role. In such a role he will be defenseless.

(F) The King would do well to create immediately in his household a small but highly competent “Private Council” which can follow in detail everything that is happening, prepare studies and options for him, and act as his independent channel into the government, the military and the private sector. He would do well not to rely on the bureaucracy as such for the necessary analyses and action recommendations, but rather on a small selected group of loyal, younger men who are completely trustworthy.

(G) In all of this it is useful that the King have the most favorable press possible. He should appoint a competent and respected Press Secretary who can have good access to both the domestic and foreign media. TV is also of particular importance and the Press Secretary would have a special role in serving as a direct link between the King and the Information Minister whose choice is also a particularly important one.

(H) Vice President Rockefeller mentioned to the King public opinion polls as a tool to determine what the people want and the possible direction of public policy. We are prepared to help in any way we can to advise on how these polls might be used and on the techniques. The King will want to have a polling mechanism on which he can personally rely and we are not certain that a mechanism presently exists in Spain which can be adapted for this purpose.

(I) The King should be careful not to move too fast with respect to the evolutionary process. His first decisions on the presidency of the Cortes and on the Prime Minister are crucial. He should reflect carefully on the sort of Spain he would like to see emerge in the next two or three years and then plot a program of gradual but sustained progress towards that goal. He must at all times work to maintain and to increase his own political base and strength in the country. Each action of an evolutionary nature should be accompanied by a period of consolidating and reinforcing his own personal position, through trips, through appointments to national and provincial positions of younger men linked to him both personally and as the leader of the younger generation in Spain, through media contact, through foreign visits, etc. Ultimately some thought might be given to a referendum but it is our belief that this should be kept in the background until the King’s position is so consolidated that its successful outcome cannot be in doubt (here again public opinion polls would be useful in making the necessary judgements).

(J) We recognize that one of the most difficult problems for the King will be the accurate measurement of the relative strength of the contending political forces. The fact is that the Franco institutions remain firmly in place and have a defined strength. The non-Communist opposition, while clearly existing, has not had its relative strength tested through any electoral process. We believe that there are many Spaniards who believe that evolution can be achieved through the gradual adaptation of the present system and that the notion of a “democratic rupture” is not only unnecessary but a dangerous way of thinking. With this we agree. The King may wish to consider the creation of some special commissions to study various political, regional, labor and economic problems. The appointment of such commissions would in themselves have a psychological impact, although if they should unduly prolong their deliberations, they could have ultimately a negative effect.

(K) We do not have, nor should we have, an ideal prescription for Spain. We know that there are vast numbers of Spaniards who do not want the pattern of the past years to remain unchanged in the future. However we are certain that the King recognizes that the problem is to relate changes to stability. This can only be assured if change is brought about gradually and in the full knowledge that the overwhelming majority of the Spanish people want to preserve the benefits of economic and social progress which they have achieved.

(L) The King well knows that he has our support as he moves forward and he should never hesitate to look to us for whatever advice and council we may be able to give him.

End approved instructions. Unquote.

Ingersoll

211. Memorandum of Conversation¹

Paris, December 16, 1975, 6:32–6:59 p.m.

PARTICIPANTS

Jose Maria de Areilza, Count of Motrico, Minister of Foreign Affairs of Spain
 Dr. Henry A. Kissinger, Secretary of State
 Helmut Sonnenfeldt, Counselor of State Department
 Arthur A. Hartman, Assistant Secretary for European Affairs
 Ambassador Wells Stabler, U.S. Ambassador to Spain
 Peter W. Rodman, NSC Staff

Kissinger: Mr. Foreign Minister.

Areilza: Mr. Secretary of State. It was an excellent speech [the Secretary's speech at CIEC]. Very substantial.

Kissinger: Substantial isn't the same as wonderful.

[Photographers came in briefly and then left].

I wanted to establish contact with you. I look forward to working with you.

Areilza: First of all, I have a message from the King for you. He asks me to convey his good wishes, his gratefulness for your helping him in his first days and the first steps. He would like to ask you to do something for the beginning of the new monarchy and his reign, something possible for him to achieve. He is realistic.

Kissinger: I know him. I had some exchanges with him. I know you were his first choice as Foreign Minister. So I know he has some influence. [Laughter].

Areilza: He asks you for help on something. I was in your country and helped develop the first agreement of 1953. The progress of those bases has been different; the equilibrium of nuclear warfare is very different—what you have written about in your many important speeches, which I have read with care. I won't say it is an unpopular issue, but it has to be handled with care.

Franco never wanted to bring international issues into domestic politics. The worst aspect of his secrecy was that he never explained anything. "This shouldn't be mentioned"—that was his approach.

¹ Summary: Kissinger, Stabler, Hartman, and Areilza discussed the U.S.-Spanish base negotiations, the Spanish Sahara, and the Spanish political situation.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 23, Classified External Memcons, May–December 1975, Folder 5. Secret; Nodis. All brackets are in the original. The meeting took place in the U.S. Ambassador's residence. Kissinger was in Paris from December 15 to 17 to attend the Conference on International Economic Cooperation.

Now the rounds have gone on and on. I have studied the papers with their author, Cortina. He is of a different character from me. He is more of an introvert; I am more open. He explained to me the framework and what is signed and agreed by both. We will honor that, of course, and won't even discuss it.

If I could digress for a moment: The Spanish translation is very bad. And I think if we are going to show it, we would want a better translation.

Kissinger: Why don't you do it, and show it to us.

Areilza: I am doing it.

The second thing is, a gesture that the King asks, a desideratum, is: I know that the situation in your country between the Congress and the President is very different from the 1950's. If I had my say, I would ask you very frankly: Could you get two-thirds of the Senate to give that Executive Agreement some higher formality?

Kissinger: I don't exclude it.

Areilza: We are going to look into the seven lateral agreements on education, etc., as well as the general agreement. We are looking at them and will check them. But what I am asking is to bring the agreements up to a higher level of treaty, ratified by the Senate.

Kissinger: [To Hartman:] How long does it take? Forever.

Hartman: It could be done.

Kissinger: I am sympathetic. My major concern is that I don't want to make a precedent that every base agreement should be a treaty. But this is more than a base agreement.

Areilza: Senators Scott and Mansfield said they wanted to help the new government. I know that isn't the same, but . . .

Kissinger: No, we could get two-thirds. I am sympathetic. My only concern is the precedent with respect to base agreements.

I will let you know in the New Year.

Areilza: Thank you. It would be an excellent gift for the Monarchy. It would be something he achieved.

Kissinger: We will talk to a number of Senators and let you know the first week of January.

Areilza: Thank you.

Our friends Perinat and Rovira have been looking at the draft on the U.S.-Spain Council.

Stabler: The overall coordinating body.

Areilza: They would like some reference to coordination with the Atlantic defensive system. I know the problem.

Kissinger: It is not the first time we have heard it.

Areilza: When I was in the United States, I always used to ask for a resolution from Congress to bring Spain into NATO. It was a utopian idea. General Franco always asked me why I asked for it.

We got out of the Sahara just in time. The last soldiers will leave the 20th or 21st of December.

Kissinger: Will the Moroccans get it all?

Areilza: The northern part. And Mauritania the southern part. And the Algerians will start a guerrilla war.

Sixty thousand of our men are now embarked. They are tough guys, good soldiers, practically the elite, the cream of the Spanish army. They didn't lose a war, but they are unhappy having to tiptoe out. My personal philosophy is, as I explained to the King, that if they go to small garrisons around Spain, there will be a kind of ferment. My idea is if you can give them the idea they should forget about Africa, and think about Europe, it would give them a positive future.

You understand what I mean.

The Spanish Army is, I would say, the most healthy in Europe, because there is not such infiltration of Communist groups, and there is much spirit. It could be a big help to the strategic defense of Europe. I understand the problem of all these small countries with one batallion riding on a bike, like Denmark or Luxembourg. We would like, in all this nexus, something about the joint attitude of Spain and the Atlantic system.

Kissinger: Between us?

Areilza: Yes.

Kissinger: I think that we can do. Don't we have it in the Basic Agreement?

Stabler: In the Framework Agreement. But the wording. . . .

Kissinger: We will take a look at it.

Areilza: There is a third point, last but not least, which is money. I am not a greedy man for myself, but for public opinion. This money is better: the Ex-Im Bank has been very helpful with higher lines of credit. And the Navy has been hiring things. If we could go up from \$675 million. . . .

Stabler: But there are other things added to it.

Areilza: If we could go up to a round figure, to \$1 billion, to impress public opinion, even if we can add in things that are already taken care of in other channels, this would be helpful.

Kissinger: One billion of new money we couldn't do. But we will look at the other items.

Hartman: The problem is to balance their need for a higher figure with our need. . . .

Areilza: If we could show a Treaty, the connection with the Atlantic, and money, it would help counter all things the Communist Party is saying. Because all the opposition is from the Communist Party.

Kissinger: The first, we can look at. The second, we can do. The third—we need for our public opinion a lower figure but we will look at it. We want to help.

Areilza: We will make a calendario, if Mr. Wells Stabler agrees.

Kissinger: We will make a calendario even if Stabler doesn't agree. [Laughter]

Areilza: We will go back and look at the translation of that paragraph.

Kissinger: The treaty we will have to speak to Senators about. We will get back to you in the first part of January.

Areilza: If all those things can be done the first half of January . . . We can send Rovira.

Kissinger: You are always welcome to come.

Areilza: Maybe. You can come to Spain and sign it.

Kissinger: All right.

Areilza: Because the King wants to see you. You can go on television. You are a big superstar. [Laughter]

Kissinger: What do I do? Fight a bull? [Laughter]

Areilza: If you went on television and explained the situation, it would be a tremendous shouldering of the monarchy. It would be helpful.

Kissinger: I will come on my way from Moscow. The 24th of January. May I interfere in your affairs? My European colleagues are always trying to push you. And there are some Americans. I want to tell you my view. As I look at Spanish history, the ability to compromise of Spanish individuals is not . . . what made Spain great. Therefore, to expect pluralism to come tomorrow is. . . I have long believed that one of the worst mistakes we ever made was to encourage the opening to the left in Italy. It made the Christian Democrats dependent on the Left and it excluded the Right. The analogy with Italy may not be right; maybe Portugal more.

But I want you to know you won't be under pressure from the United States. You know there must be some evolution, but you are doing it. These people take no responsibility if it blows up and they won't help you.

This is none of our business, but I wanted you to know my view. If some Americans press you, if they are State Department, let me know; if they are not State Department, ignore them.

Areilza: I agree with your words. We need to have some popular understanding. I was once discussing something with a Greek, and Henry Cabot Lodge was there. It was a translation problem about the word “compromise.” So he asked the Greek: What is the Spanish word for “compromise?” He said, “civil war.” [Laughter]

Kissinger: Yielding to pressure is not an outstanding Spanish characteristic.

[Secretary Kissinger walked the Minister downstairs to the door.]

212. Memorandum From the President’s Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, February 4, 1976.

SUBJECT

US-Spanish Treaty of Friendship and Cooperation

The Secretary of State and Spanish Foreign Minister signed the new Treaty of Friendship and Cooperation between the United States and Spain in Madrid on January 24. The treaty is the result of negotiations between the two countries initiated in November 1974 and replaces a previous agreement with Spain which expired in September 1975. (Since then, we have been continuing our operations on Spanish soil under an informal arrangement with Spain pending the conclusion of the new treaty.)

The treaty consists of the “framework agreement” initialed on October 4, 1975, and seven supplementary agreements negotiated since that date. The principal elements of the new treaty are as follows:

—Establishment of a strengthened security relationship between the United States and Spain, including provision for military coordination and planning related to Western defense matters. In this connec-

¹Summary: Scowcroft discussed the U.S.-Spanish Treaty of Friendship and Cooperation.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 12, Spain (3). Confidential. Sent for information. A stamped notation on the memorandum indicates the President saw it. Ford initialed the memorandum. On January 24, Kissinger met with Arias, as well as Juan Carlos; the following day he met with Areilza and Spanish Minister of the Interior Manuel Fraga Iribane. (Memoranda of conversation, January 24 and 25; National Archives, RG 59, Central Foreign Policy Files, P820117-0304, P820117-0517, and P820117-0385)

tion, the treaty does not establish a mutual defense obligation, but underscores the interests that the two nations share in having a strong and credible defense in the Western European/Atlantic area.

—An assistance package for Spain amounting to approximately \$770 million over the next five years—over \$600 million in loans and credits and the balance in various forms of grants. Independent of the treaty, we are planning to provide \$450 million in Export-Import Bank loans—thus explaining the total shown in press reports of \$1.2 billion for the agreement.

—Retention of all existing U.S. installations and facilities on Spanish soil, with the following exceptions. We have agreed to remove most of our tanker aircraft from Spain to locations elsewhere in Europe and to withdraw, by July 1, 1979, the ballistic missile submarines based at Rota. These revised basing arrangements reflect changes in military technology and requirements that have taken place over the last few years or are expected to occur in the near future.

The treaty, together with the seven supplementary agreements relating thereto, will be forwarded to you in the near future with the recommendation that it be submitted to the Senate for advice and consent to ratification. Initial soundings in the Senate Foreign Relations Committee indicate a generally cautious yet positive attitude toward the new treaty. Most members wish to provide every reasonable encouragement to Spain under Juan Carlos and see approval of the treaty as a means of doing this.

This memorandum is provided for your information. No action is required on this matter at this time.

213. Memorandum of Conversation¹

Washington, June 2, 1976, 11:05–11:58 a.m.

PARTICIPANTS

President Ford
 Juan Carlos I, King of Spain
 Dr. Henry A. Kissinger, Secretary of State
 Jose Maria de Areilza y Martinez-Rodas, Minister of Foreign Affairs
 Brent Scowcroft, Assistant to the President for National Security Affairs

SUBJECTS

Lebanon; Spain; Italy; Portugal

Areilza: I just heard your speech on television. It is being broadcast in Spain right now. The ceremony was beautiful.

President: We were very lucky about the weather. We have had to move a couple of them indoors. With the Emperor of Japan it rained right up to the moment of the ceremony.

Areilza: We are very pleased you can come to the Embassy tomorrow, as busy as you are. But you look very relaxed.

President: I am used to it. [They discussed the delegate situation.] We are very pleased to have you here with us.

Juan Carlos: We are delighted to be here.

President: We have been looking forward to it for a long time. We are sorry the Treaty is not completed, but it is not for any substantive problem.

Juan Carlos: The Foreign Minister told me it is only procedural.

President: And you will get a warm reception on the Hill.

Juan Carlos: I know it is an honor not given to many and I am very appreciative.

¹ Summary: Ford, Kissinger, Juan Carlos, and Areilza discussed Lebanon, Spain, Italy, and Portugal.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 19. Secret; Nodis. All brackets are in the original. The meeting took place in the Oval Office. Juan Carlos paid an official visit to Washington from June 1 to 4. On June 2, Kissinger briefed Ford on his forthcoming meeting with Juan Carlos and Areilza: "There is a difference between the King and the Foreign Minister. [1 line not declassified] The Foreign Minister sees the King as a constitutional monarch. The King sees himself as Giscard. Everyone is pressing Spain to move fast. Spain has fluctuated between authoritarianism and anarchy. There is no democratic tradition. They need time to develop the center. I would treat the King as if he had the authority, even though it might make the Foreign Minister restive. I would ask him his plans, but suggest he move fast enough to keep the pressure under control but not so fast to get out of control." (Memorandum of conversation, June 2; *ibid.*)

Lebanon

On substance, how do you see this latest move of Syria in the Middle East?

President: We would prefer that there be no intervention. But this does seem limited, and if it does facilitate the transfer of authority, it might be helpful.

Kissinger: We had no advance notice of it. But it doesn't look massive and as the President says, there is no central authority, so any one group can start the fighting all over again.

Areilza: Brezhnev is there, isn't he?

Kissinger: No, Kosygin. He was in Iraq yesterday and in Syria today. They would like to bring the two together.

President: It is a terrible tragedy there—over 30,000 killed. Anything which can be done to modify that would be helpful.

Spain

I would be very interested in hearing about developments in Spain since you came to power.

Juan Carlos: All the political groupings didn't want any abrupt change, so it has gone slowly but smoothly. I think it could have gone a little faster, but it is moving. We have had some troubled times—last February, for example. And the press has not been helpful.

President: It never is.

Juan Carlos: We have over 150 mini-political groups. We are telling them they must get together. We are having the national elections before the municipalities. That was a mistake my grandfather made in 1931. They will be this fall and the municipalities next spring.

President: We have been pleased to see the progress you have made. As you know, we have taken a strong position that Spain must be reintegrated into Europe. You know the stand I took last May at NATO. We feel some progress is being made.

Areilza: Yes. Secretary-General Luns and General Haig have said they would let some Spanish observers in NATO organizations.

Juan Carlos: And then we are starting talks with the Nine.

Areilza: All the Europeans are interested in the political progress we have made. We hope to begin negotiations for full entry into the Common Market—but that will take years.

Kissinger: The Dutch will give you problems.

Areilza: They weren't too bad.

Kissinger: The Foreign Minister is okay but the Prime Minister isn't.

Juan Carlos: The Swedes aren't very friendly—Palme.

Kissinger: But they are not in the Economic Community.

Italy

Areilza: What about the Italian elections?

President: We are slightly optimistic but only very cautiously so.

Kissinger: It will be difficult whatever the feasible outcome. A new government will be hard to form.

President: It is good to see that the Pope has spoken out. Does that go right down to the parish?

Kissinger: It is stronger in Italy than in Spain. But about one third of the clergy has separated itself. It is a disaster in Holland, but about one third in Italy.

Areilza: But the Pope's word gets right down to the parish in Italy. It will have a good effect.

Portugal

President: What about the situation in Portugal?

Juan Carlos: We think Eanes will do all right.

President: Is Carvalho a threat?

Juan Carlos: No, not really. We are still worried about Portugal, but we think it will come out all right.

President: It should be a good lesson for your people—all the chaos over a year ago.

Spain

Kissinger: Are you seeing George Meany?

Juan Carlos: Yes. That should be very helpful. He is anti-Communist, and that is our problem in the unions.

President: How about your economy?

Juan Carlos: We still have too much inflation.

President: [Described our inflation statistics, employment, sales and trade.]

Areilza: Is your recession over?

President: Definitely. Unless the Congress does something, we think we are on the way to a long-term stable progress. The OPEC decision [not to raise oil prices] was very helpful.

Juan Carlos: That was a blessing.

Kissinger: We worked very closely with the Saudis over it. They told us we could even announce it.

214. Memorandum From Denis Clift of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)¹

Washington, July 22, 1976.

SUBJECT

Senate Declarations Regarding the Spanish Treaty

You requested (Tab A) additional information regarding the five declarations included in the Senate's June 21 resolution giving its advice and consent to the Spanish Base Treaty and its related agreements and notes. The Senate gave its advice and consent subject to the declaration that:

(1) the United States, recognizing the aspiration of Spain to achieve full participation in the political and economic institutions of Western Europe, and recognizing further that the development of free institutions in Spain is a necessary aspect of Spain's full integration into European life, hopes and intends that this Treaty will serve to support and foster Spain's progress toward free institutions and toward Spain's participation in the institutions of Western European political and economic cooperation;

(2) the United States, while recognizing that this Treaty does not expand the existing United States defense commitment in the North Atlantic Treaty area or create a mutual defense commitment between the United States and Spain, looks forward to the development of such an expanded relationship between Western Europe and a democratic Spain as would be conducive to Spain's full cooperation with the North Atlantic Treaty Organization, its activities and mutual defense obligations;

(3) the United States, recognizing that this Treaty provides a framework for continued nuclear cooperation for peaceful purposes with Spain, looks forward to a continued relationship in this field commensurate with steps taken by Spain toward becoming a party to the Treaty on the Non-Proliferation of Nuclear Weapons or placing all of its nuclear facilities under safeguards administered by the International Atomic Energy Agency;

(4) Senate advice and consent to ratification shall be understood to apply only to the initial five-year period of the Treaty, so that any United States agreement to an extension of the Treaty shall require the further advice and consent of the Senate; and

(5) the sums referred to in the Supplementary Agreement on Cooperation Regarding Matériel for the Armed Forces and Notes of Jan-

¹ Summary: Clift discussed the Senate's declarations concerning the U.S.-Spanish Treaty of Friendship and Cooperation.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 12, Spain (4). Secret. Sent for information. Attached but not published is Tab A. Scowcroft initialed the memorandum.

uary 24, 1976, appended to the Treaty, shall be made available for obligation through the normal procedures of the Congress, including the process of prior authorization and annual appropriations, and shall be provided to Spain in accordance with the provisions of foreign assistance and related legislation.

Comment: The first three declarations are statements of principle and are not considered binding. The last two procedural declarations are consistent with our understanding with Congress. The question that arises is whether the declarations should be included in the instruments of ratification to be signed by the President. The Spanish would oppose their inclusion. State is in touch with Ambassador Stabler on this. State believes that we will not be required to include the declarations either for domestic or international legal reasons. We concur that it would be unwise to include specific reference to the Senate declarations in the instrument of ratification.

State informs us that the instrument of ratification will be sent to us next week with ratification planned for early August. A signing ceremony may not be appropriate since either the Spanish or the Senate will be upset regarding the decision on including the Senate declarations in the instrument of ratification.

215. Memorandum of Conversation¹

Mexico City, December 2, 1976, 10:20 a.m.

PARTICIPANTS

The Secretary
Manuel de Prado, Chairman of the Board of IBERIA
David Passage, Notetaker

SUBJECT

US-Spain

Prado: Thank you very much again, Mr. Secretary, for agreeing to receive me.

¹ Summary: Kissinger and De Prado discussed the Spanish political situation.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Briefing Memos, 1976, Folder 2. Secret; Sensitive. The meeting took place in the U.S. Ambassador's residence. Kissinger was in Mexico City from November 29 to December 2, where he attended the inauguration of President Jose Lopez Portillo.

The Secretary: Did you come to Mexico officially?

Prado: No, I could not come officially. I came “under the table” as it were. I was sent by the King and the Prime Minister to talk to the new President. I was invited by the new President, but as an unofficial guest.

The Secretary: In the inimitable fashion of the American Foreign Service, I was introduced promptly to the representatives of the Spanish Republic by one of the political officers from our embassy here at one of the Mexican receptions.

Prado: Yes, it is a madness. The last thing that Echeverria did was to invite all of the Spanish opposition. He invited Carillo and a number of others. The new President (Lopez Portillo) invited us privately.

The Secretary: Echeverria is a strange man. I’m not sure I know what he got out of it. Why would he do something deliberate like that, which could only complicate his relations with Spain. It certainly isn’t a question of playing to the Third World. You have perfectly good relations with the Third World.

Prado: I wonder whether it might be a question of the man’s sense of inferiority.

The Secretary: He was so eager to become Secretary General. If he had only behaved intelligently, he might have had a chance, but his essential lack of responsibility over these last few months has probably damaged his candidacy irreparably.

Prado: Do you think he has any chance?

The Secretary: No, I don’t think you can have someone as Secretary General of the United Nations who wants the job, especially someone who wants the job as badly as this one and who is willing to break all sorts of eggs in order to get it.

Prado: Who do you think will get it?

The Secretary: Oh, I think it will probably be Waldheim or possibly Amerasingi.

So tell me. How are things in Spain these days?

Prado: Well, first, the King sends his personal regards and his best wishes to you. He wants you to know that everything is under control, and the programs and reforms that he and you discussed when you met are on-going.

The Secretary: The King has shown a remarkable ability to control events to ensure a positive outcome.

Prado: You will recall that he told you in Washington that he wanted to change the Prime Minister, but he didn’t feel that he could at the time.

The Secretary: Arias actually was a rather decent man. He was probably very good for a transition period, but it was just as well that he got rid of the Foreign Minister, don’t you think?

Prado: Yes, absolutely.

The Secretary: I can tell you now something that I could not have told you before, but frankly, when the King was in Washington, we were all surprised and President Ford was absolutely shocked at the behavior of the Foreign Minister and the way he treated the King. President Ford would ask a question and the Foreign Minister would answer it for the King.

Prado: Yes.

Well, now we have the referendum on the 15th of December. After we get the approval from the Cortes on the new reform law, the government will be stronger. We will still have some opposition, but they are not very well organized. We have given permission to the socialists to have their congress on the 15th of December. I understand that Suarez, Mitterand, Kreisky, and Brandt will be there.

The Secretary: I suppose they want the socialists to go with the communists.

Prado: Brandt might encourage Suarez to make some moves towards the communists, but I doubt whether he will encourage Gonzalez to do the same. The King said to tell you that we will *never* give permission to the communists to join openly in the political process.

The Secretary: Well, you know my position. The American government cannot give the King of Spain advice on how he should run the internal affairs of his country. As far as I'm concerned, the decision you take should be whichever decision gives you the stablest government. You will simply have to weigh the pros and cons to see where the balance lies. Personally, I cannot shed tears over a party which declares all other parties illegal.

Prado: Our problem is the army. It would probably revolt if we legalized the communist party. Kreisky, who was with me in Las Palmas, said he thought it would probably be better to legalize the communist party, but I told him that our position was different from that of Austria. We simply do not have the tradition of compatibility which would allow us to take the same attitude. Carillo was in Madrid last week, illegally, as always. He wanted to get a passport to come to Mexico City. Frankly, we think he's pushing too fast. We don't want to declare the communist party official yet. On the other hand, we don't want to cause problems. The main thing right now is for us to win the referendum. We think we will probably get a good vote, and then there will be elections in April or May. Another problem for us of course is the right—the Alianza Popular, Fraga and Rodo.

The Secretary: Is he now rightist? The last time I talked to him he sounded like Echeverria—all for himself. I suspect he wants to reduce the King to nothing.

Prado: Yes, I agree. He is very much an opportunist. I think he would probably do whatever suited his needs the best. But we want to organize from here a central opposition. In order to have stability we have got to build some sort of core which is not seen to be completely government-sponsored. The King has in mind something like 30 percent to Fraga, 30 percent to the other parties, plus 40 percent split among the parties from which the government can draw a majority. The King you know is in Valencia and he is doing quite well. He's been accepted by the army which now gives him its complete support. The "warm autumn" (presumably referring to the anticipated strikes and opposition of last fall) produced nothing. We will see. After the referendum and the elections, there may be some changes.

The Secretary: Including changing the Prime Minister?

Prado: No. We don't want to lose his contribution to government. A year to a year and a half after the elections, we will then have to make some changes. The Prime Minister has been faithful and clever. He is not really very well informed about the economy, but then he has the benefit of relatively good economic and financial advisors.

The Secretary: What will the position of the King be after all these changes. Will he be a constitutional monarch?

(At this point, Nancy came in heavy laden with packages. Prado and the Secretary rise to greet her, Prado offering the greetings of the King. Following the small talk, Prado made a special point of inviting both Kissingers back to Spain for holidays or any other vacation. She left as quickly as she came.)

Prado: I think after two or three years the King would probably like to withdraw from active conduct of political affairs if we do well in setting up a stable government. Once the machinery has been made to run by itself, it is probably better for him not to be seen to be running things on a day-to-day basis.

The Secretary: I hope that the King will bear in mind the lesson of history. Spain without a very highly-developed central authority will become anarchic. Spain has always been strong only when the King was strong. Spain has always been weak whenever the central authority has been weak.

Prado: I think that you are right. I do not believe that we will have trouble. The King has a strong personal popularity and that will lend itself to a strong government. His job then will be to not become too involved.

The Secretary: It would be very wise for him not to become involved in party politics. He must maintain a position of sufficient neutrality so that the left can't attack him. I strongly believed at the time and I so told him, that Spain must have a strong central authority. You

know, I don't wish to sound condescending, but I am *really* very impressed with him, and I was not so at the beginning. He has managed very, very well. I think he was probably fortunate not to become deeply involved in things in the beginning. De Gaulle makes an interesting model. De Gaulle never allowed himself to be drawn into the internal party politics of France. De Gaulle in fact was never a member of the Gaullist party.

Prado: Yes, the King was lucky that Franco did not insist on turning power over to him before he died. Franco gave him a year in which to adjust to his new status.

The Secretary: I have just been reading some books on Franco. I really have to hand it to the old guy. He proved his stuff during his meetings with Hitler on World War II. He was really tough. He was no patsy.

Well, look. Let me speak to you now as a friend—not as Secretary of State. As the Secretary of State, I have to tell you that from our point of view the legal position of the communist party has to be a Spanish decision. It is not ours to take, and it is not one on which we can properly comment. But speaking as a political scientist, my judgment is that to the greater degree that you can have your system evolve internally before the changes take place the better off you will be. Let matters begin to sort themselves out. Let the system stabilize itself. But I don't think you need the communist party to do it. If I were the King, I wouldn't do it. You show your strength by not doing it. You will have a completely normal spectrum of political opposition and opinion without it. The left may yell, but they will yell anyway.

Prado: One other thing. The King asked me to tell you that he wants to maintain a special channel such as the one that I have to you. You can appreciate of course the importance of this to us and specifically to the King. He asks if you would mind mentioning this to President-elect Carter and to the new Secretary of State, whoever he is, to help us with this.

The Secretary: Yes, of course I will. Tell His Majesty that I will be glad to help. If I may make a suggestion, it would be let's wait to see who gets in. Obviously the person who is chosen (as Secretary of State) will be very important.

Say, I understand you have been named the Chairman of IATA. Now, if I have to travel commercially from time to time, perhaps you can help.

Prado: Of course. I would be delighted to give assistance wherever I can. The King appointed me Chairman of IBERIA so that I would have a pretext for the travels he calls upon me to undertake. This way there is no particular attention drawn to the fact that I do pop up in various capitals from time to time.

The Secretary: I will set up a channel and contact for you. (Turning to Passage—will you put this on the list of things for me to take up with my successor?)

Prado: I'm ready to travel to Washington when you're ready for me.

The Secretary: It would probably be best not to do it right away. Let's make it soon after he takes office.

Have you met Lopez Portillo yet?

Prado: No, I haven't met him yet, but an opportunity has been arranged. I look forward to it very much. He is apparently a very intelligent man and a very serious one. I would expect that we may be able to make some progress with him on recognition.

The Secretary: Yes, it would be my guess that shortly after he is sworn in, he will probably make some move toward you. It is simply senseless to have permitted this to drag on as long as it has. Echeverria had to be crazy.

When did you say the referendum was going to take place?

Prado: The referendum will be on December 15th. We will then form a new government before the elections take place in April. Our elections will then be in either April or May.

The Secretary: Will Suarez still be Prime Minister afterwards?

Prado: Yes, I think he probably will for a while. You know we went to Hartman a few weeks ago with the other problem. (Not clear what this was all about. Matrico—does that ring any bell?)

The Secretary: (indicating knowledge) Yes, I understand you did.

Prado: Well, Mr. Secretary. You have been very generous to give me your time. The King says to tell you that Spain is your country. We will never forget the help that you gave us when we were in need.

The Secretary: Well you can tell the King that I remember him with the greatest of respect. The thing I keep preaching to him is that he simply must remember Spanish history. The Spanish monarchy has never survived when it was weak. Spain has only been strong when the Spanish monarchy was strong. I mean this as no insult, and I do not mean to be condescending, but I want you to tell him that I have really been surprised by his performance. He has done an excellent job. He has manipulated the sources of power within Spain very well. He has performed very very credibly in a very difficult circumstance. Spain today is stronger for this. I want you to give him my warmest regards. Tell him that I will call on him when I am next in Spain.

Conversation ended at 10:50 am.

United Kingdom, 1973–1976

216. Memorandum for the President's File by the President's Assistant for National Security Affairs (Kissinger)¹

Washington, February 1, 1973.

SUBJECT

Meeting with British Prime Minister Heath and Sir Burke Trend, Thursday, February 1, 1973, 10:43 a.m.–12:25 p.m., The Oval Office, The White House

PARTICIPANTS

Prime Minister Heath
Sir Burke Trend
President Nixon
Dr. Henry Kissinger

The President opened the meeting by suggesting that they schedule a follow-up meeting for that afternoon at 4:00 o'clock. After some discussion of the Northern Ireland question and Senator Kennedy's desire to get involved in it, Prime Minister Heath congratulated the President on the tremendous achievement of the settlement in Vietnam. President Nixon thanked the Prime Minister for his words and said that we are very much aware that when we were under tremendous pressure, the British stuck with us. "What you did, did not go unnoticed, and what others did, did not go unnoticed either. It is hard to understand when allies turn on you." The President mentioned that he had said the same thing to former Prime Minister Sato. If the United States was not a dependable ally to a small country, how could the United States be a dependable ally to others? If we had bugged out of Vietnam we would not have been worth talking to. The President expressed his confidence that all would work out right. The Prime Minister agreed. He felt that the mining of Haiphong had been decisive, and that whole episode showed that the judgement of critics was always wrong. Dr. Kissinger remarked that North Vietnamese behavior was a standing assault on liberal ideology.

¹ Summary: Kissinger recorded a meeting among Heath, Trend, Nixon, and himself.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 62, Country Files, Europe, General, UK Memcons (Originals), January–April 1973 (2 of 2). Top Secret; Sensitive; Exclusively Eyes Only. Kissinger did not initial the memorandum. Heath made an official visit to the United States from February 1 to 2.

President Nixon expressed his confidence that it was basically a good agreement. It was the best attainable. Its provisions enabled the United States to withdraw honorably and also left the destiny of South Vietnam in the hands of the South Vietnamese government. The President foresaw a period of peace. Basically, of course, it depended on the will of the North Vietnamese to keep the peace. The economic assistance to North Vietnam could be used as a carrot in addition to the stick. Dr. Kissinger was going to Hanoi and address the Politboro directly so that they knew the risk they would run in breaking the agreement. The Soviet Union and the Chinese could also play an important part in this. Both China and the Soviet Union reacted less than the Canadians and the Australians to what we did in December, and we had received extremely cordial messages from both since the Agreement was reached.

Prime Minister Heath then asked the President what we would like to see come out of the International Conference on Vietnam. Dr. Kissinger explained that the Conference basically had five objectives: first, to endorse the agreement; secondly, to establish some kind of reporting machinery; third, to endorse a peaceful settlement of the Laos and Cambodia question; fourth, to set up some international machinery for reconstruction; and fifth, to encourage restraint on the supply of arms. Prime Minister Heath then asked about the prospects for the future. The President replied that he was optimistic about the prospects of success. The weakness of Hanoi was the best guarantee of this. Dr. Kissinger explained that if the North Vietnamese comply with the agreement, their forces in the South were in an extremely weak position. They were obligated to respect the DMZ, to abandon their base areas in Laos and Cambodia, and not resupply their forces in the South.

Prime Minister Heath mentioned in that part of the world we both had trouble with the Australians. The Australians had gone back into Fortress Australia. President Nixon said that he too found it hard to understand the Australian position. They should have an interest in keeping us there. He wondered whether Whitlam was an isolationist. Prime Minister Heath thought that Whitlam never even thought about this question; he just wanted to stay out of unpleasant situations. The Prime Minister asked the President about India. President Nixon said that we had to subordinate it to the Chinese game. He asked the Prime Minister's view. Prime Minister Heath replied that India seemed to be in a more reasonable frame of mind these days. Buttho recognized that recognition of Bangladesh was inevitable. Mujib would not meet him without recognition. There was a great danger that Bangladesh might disintegrate into chaos. Mujib was losing his grip on the civilian population.

The Prime Minister then referred to a related problem, the trouble in Britain over the influx of Asian immigrants. There were 1½ million

Asians in Britain now. But Britain could only take them now on regular quotas. The President asked if the Prime Minister needed Parliamentary action for this. The Prime Minister said yes, but he had much public support. Over 70 percent of the public was for this.

Prime Minister Heath then asked the President about the Soviet relationship. President Nixon said it was fragile. The surface was very good but he thought it was very brittle. The United States was highly skeptical about the European security conference. We would work for our self-interest. We would work very hard in the coming year to strengthen our relationships with our allies.

217. Memorandum for the President's File by the President's Assistant for National Security Affairs (Kissinger)¹

Washington, February 1, 1973.

SUBJECT

Meeting with Prime Minister Heath, Henry A. Kissinger and Sir Burke Trend, Thursday, February 1, 1973, 4:00 p.m. to 4:45 p.m., The Oval Office

The President and the Prime Minister discussed the issue of the modernization of the British nuclear submarine deterrent.

The Prime Minister referred to the three options which Britain had: one, hardening of the nose cones. This was not enough to be credible. Two, a Poseiden missile with MIRVs on the British submarine. And three, Poseiden missile with British warheads on it, a system called Super-Antelope. From the British point of view, Antelope was not enough because of the lack of range. There had to be an interchange of views at a high technical level. Britain must decide whether its deterrent could be continued under the present arrangements or whether it needed a new weapon. In the past, the United States had taken the view that an independent British deterrent was in the United States' interest.

¹Summary: Kissinger recorded a meeting among Heath, Trend, Nixon, and himself.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 62, Country Files, Europe, General, UK Memcons (Originals), January–April 1973 (2 of 2). Top Secret; Sensitive; Exclusively Eyes Only. Kissinger did not initial the memorandum. A tape recording of this conversation is *ibid.*, White House Tapes, Executive Office Building, Conversation 406–56; the tape also records a conversation among Heath, Trend, Nixon, and Shultz on economic issues that took place immediately after the meeting among Heath, Trend, Nixon, and Kissinger.

The French seemed ignorant of the real implications of the question. Debre might leave after the election and turn to nuclear matters himself. It was hard to know how to proceed with the French.

President Nixon emphasized that he was sympathetic with the idea of cooperation with the British. This presented problems with the Congress and also with the Soviets, but it had never made sense to him not to have this kind of cooperation with our closest allies. There was a question how the French fit into it. We had to have some fresh thinking about NATO, its structure and its role. In the new strategic situation, massive retaliation was not a viable strategy anymore. Therefore, a separate British nuclear deterrent was important.

The President mentioned that in Phase II of SALT, the Soviets would put a lot of emphasis on the question of forward-based systems. We would have to have the direct participation of the British in our own studies. The same was true of the forthcoming MBFR negotiations.

218. Memorandum for the President's File by the President's Assistant for National Security Affairs (Kissinger)¹

Camp David, Maryland, February 2, 1973.

SUBJECT

Meeting with Prime Minister Heath and Sir Burke Trend, Friday, February 2, 1973, 4:00 p.m. Camp David

The President began by expressing at length his views on the major East-West issues. He said he wanted to spend some time discussing the East-West situation generally and then to try to put into that the items that were uppermost in our mind. Secretary Schultz was now on board and would play a major role in coordinating our economic negotiations. The United States would keep the Prime Minister totally informed. On the matter of the British interest in Poseidons, Director Schlesinger had been directed to handle it all. The President's feeling

¹Summary: Kissinger recorded a meeting among Heath, Trend, Nixon, and himself.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 62, Country Files, Europe, General, UK Memcons (Originals), January–April 1973 (2 of 2). Top Secret; Sensitive; Exclusively Eyes Only. Kissinger did not initial the memorandum. The meeting began at 4:15 p.m. and ended at 6:45 p.m. (Ibid., White House Central Files, President's Daily Diary)

was that we would like to cooperate. We would like to handle it in the context of public opinion and the Soviet angle. We could handle it as an important bargaining chip.

The President saw the East-West situation in the following light: The Western heads of government would be meeting at a time when the Soviets had achieved strategic parity and had no public opinion to worry about. The Chinese were gaining ground in the world. There was a great isolationist current proceeding in the world, and the spreading fashionable view of *détente* at any price. This put the West at a serious bargaining disadvantage. On the plus side, there was the Sino-Soviet split. It was hard to understand the reasons for the Soviet view, given their style; the Chinese view of the situation was easier to comprehend. The President thought that this major split was likely to last. The Russians could never be too sure of Eastern Europe. Just as we in the West had the problem of a race to Moscow, in the East there was a race towards the West. At the Security Conference they wanted to talk about exchanges in contacts; this was for them running a risk of disintegration. That was our opportunity. There was a problem of Europe becoming inward-looking. We could stall on the European Conference, but public opinion would not permit it. People needed hope without giving up anything substantial.

The United States would play the Sino-Soviet game to the hilt. Their rivalry was desirable. We would reassure the Chinese in the case of Soviet attack.

The President then turned the discussion to the defense issues. As to forward-based systems, the problem was how to relate them to central systems which were the most important. On MBFR, the President emphasized that NATO needed substantial conventional forces. We had to be sure not to weaken this conventional strength through MBFR. The President also stressed the need for a strategy to take care of alliance concerns about SALT I and SALT II. The United States would not be trapped by the Soviets. Yet if we looked at reality we had to understand that we were limited in raising defense budgets. Dr. Kissinger explained that we were using SALT II and the MBFR negotiations partly as a way of getting the Europeans to address defense issues seriously, and focus on the real question of security. Hopefully we could use these negotiations in the same way at home and head off or postpone Congressional pressures for unilateral cuts in our forces.

The President emphasized that we had to get a common US/UK position. We should have joint study groups. Military men, of course, didn't think anything can change. But we would have to address these issues. The Prime Minister raised the question of briefing the Europeans on trends in Soviet missiles. The President said that this would

be done in the context of US/UK cooperation. With regard to SALT, MBFR and so forth, we had good communications.

The President emphasized his view that the worst solution in any of these areas was to take a spectacular initiative that failed, for example, as had happened in the Middle East.

The Prime Minister mentioned that the British were in communication with the Chinese on trade matters and wanted NATO to address the question of the COCOM restrictions. The British wanted to make deals with the Chinese for inertial navigation equipment related to the assembly of VC–10's.

The Prime Minister and the President then turned to economic issues. The President stressed his great confidence in Secretary Schultz. Dr. Kissinger mentioned that he was strengthening his own staff and thinking of bringing on a Deputy for economic affairs. The President mentioned that we were devoting special attention to the energy problem and had set up a top level group in the White House to be responsible for energy matters; namely, Dr. Kissinger, Secretary Schultz, and Mr. Ehrlichman. The Prime Minister wondered whether there was a real chance for the oil consuming countries to work together. He personally doubted it. But we could at least try to prevent individual countries from leap-frogging over the others. The consumers might agree on spheres of influence. We should certainly try to deal with the matter on a government-to-government basis rather than let the companies run loose. The President and the Prime Minister agreed that we had to exchange views on the energy problem. The Prime Minister said this subject and other subjects might be discussed at a summit meeting of the European Community.

219. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, March 6, 1973.

SUBJECT

U.S. Support for British Submarine Missile

Several discussions have been held recently with the British on alternatives for upgrading their Fleet Ballistic Missile strategic deterrent force. The British wish to decide on an upgrade option, acceptable to both governments, during the spring of 1973. The point has now been reached where they are ready formally to approach you on those alternatives requiring U.S. assistance of one form or another. However, they wish to avoid making a request which might cause you—or them—any embarrassment.

The current discussions have centered around the possibility of providing more sophisticated U.S. nuclear weapons technology and the sale of warhead and re-entry vehicle components not covered by the current agreements.

The British believe that they will have a suitable deterrent if they are able to penetrate the ABM system permitted by the SALT Agreement of 100 interceptors around Moscow. Their current capability, 3 soft and slow multiple re-entry vehicles per POLARIS missile, is generally agreed to have poor capability against the current Moscow GOLASH ABM system. A credible penetration capability against expected improvements in the Soviet ABM system requires more re-entry vehicles in order to saturate Soviet defenses. A greater lift capability, as represented by the POSEIDON or ULMS-1 missile, may also be necessary to afford stand-off range and minimize submarine vulnerability to Soviet ASW improvements. The British, however, do not necessarily need to penetrate the Moscow ABM system to have a credible deterrent. Other Soviet cities (Leningrad, Kiev, etc) are vulnerable.

Adverse reactions to providing assistance are possible in several areas: Congressionally, because of disclosure of advanced nuclear weapons information; domestically or internationally, over the sale of POSEIDON or ULMS-1 missiles (even without MIRV capability which

¹ Summary: Kissinger requested Nixon's guidance on U.S. support for a British submarine missile.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 63, Country Files, Europe, General, Exchanges with the UK—Nuclear. Top Secret; Sensitive. A stamped notation on the memorandum indicates the President saw it. Nixon initialed his approval of Kissinger's recommendation.

the British do not desire in any case); and by the USSR in SALT based on “strategic technology transfer” interpretations. It could be charged that the U.S. is escalating the arms race in direct contradiction of its avowed aims under SALT.

Another possible issue relates to underground nuclear testing. The British will want to test a warhead of their own manufacture, although it may be a direct copy of a U.S. warhead. They are concerned that a Comprehensive Test Ban Treaty may be sought by the U.S. before they could accomplish testing, probably in 1976. If it is decided to provide warhead technology we should give assurances to the British that we would not sign a treaty barring testing during your term of office.

Despite these potential problems I believe it is important for both military and political reasons to support our British ally in efforts to improve their missile capability against our major potential enemy. The Soviets continue to improve their own strategic missile capability, both qualitatively and quantitatively. As you know, they are building new missile submarines with a 4300 nautical mile range missile.

The choices for providing assistance, in ascending order of capability and political costs, are:

a. Provide only further assistance to the SUPER-ANTELOPE program (hardened and improved warhead and re-entry vehicle) and the STAG program (allows larger submarine operating area by providing a non-MIRV POSEIDON missile). With the SUPER-ANTELOPE improvements, missiles could probably penetrate the existing Moscow ABM system. No further Congressional approval would be necessary.

b. Provide MK3 warhead technology (fast warhead that could exhaust upgraded ABM defenses) and sell RV and warhead parts for UK manufacture and for application to UK POLARIS missiles. (Because the re-entry vehicle is light, 4 or 5 could be put on a POLARIS missile.) This option provides a high confidence of penetration of current and future Moscow ABM. Congressional approval would be needed for MK3 warhead assistance.

c. Sell non-MIRV POSEIDON missiles and MK3 RV’s and warhead parts. (Congressional approval needed and possibility of Soviet charge of “strategic technology transfer”.)

d. Sell non-MIRV ULMS-1 missiles and MK3 RV’s and warhead parts. (Same political considerations as in c. above.)

Recommendation:

Due to the high costs of options c. and d. (over ½ billion dollars), the British will probably select the improved warhead (option b) if given a choice. However, I recommend that we offer them all of the above options.

220. Message From British Prime Minister Heath to President Nixon¹

London, May 29, 1973.

Dear Mr. President,

I have sent you a separate message dealing with the main topics which I covered in my talks with President Pompidou. But I thought that I ought also to let you know, before you met him at the end of the month, that, in accordance with the understanding which you and I reached when we last discussed the subject, I took advantage of my visit to Paris to open up with him, in a very general and preliminary way and in the context of a more efficient system for the defence of Europe, the subject of possible Anglo/French collaboration on the nuclear deterrent.

I told him that, as he knew, we ourselves should shortly have to make up our minds about the next generation of British weapons and that one of the factors which we should have to take into account was the possibility of Anglo/French collaboration thereafter. And I explained to him that, if collaboration of this kind was to be related to the viability of our respective nuclear forces, it would probably have to begin around 1975 if it was to come to fruition in the form of a further generation of weapons at the right time.

President Pompidou agreed—and made it clear that this represented a change in the French attitude—that it was not in the interests of either of us to evade the issue which I had raised and that there was perhaps scope for exchanges between our respective experts in certain fields, if not by the exchange of information, at least in terms of developing a possible joint research effort. But he was emphatic about the need to avoid any reference to this subject in public; he was very alive to the possible German reaction to any Anglo/French initiative in this field; and I noted that he said nothing about the kind of tripartite arrangement (which you and I have mentioned from time to time)

¹ Summary: Heath discussed his recent talk with Pompidou on the possibility of UK-French nuclear collaboration.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 949, Pompidou/Nixon Mtg. Iceland PM JOHNANNESSON, May 31–June 1973 (1 of 3). Top Secret. Nixon underlined the first three words and the last four words of the first sentence of the third paragraph; he also underlined the phrase “about the need to avoid any reference to this subject in public” in the same paragraph. Kissinger forwarded this message to Nixon under cover of a May 29 memorandum, in which he also provided talking points for Nixon’s Reykjavik meeting with Pompidou. Kissinger forwarded the separate message from Heath concerning his non-nuclear discussions with Pompidou to Nixon under cover of a separate May 29 memorandum. (Ibid., Kissinger Office Files, Box 64, Country Files, Europe, General, Exchanges with the UK—Other, July 12, 1973 (1 of 3))

whereby the United States might be involved to some extent, perhaps through ourselves, in any Anglo/French exchanges.

We shall now have to consider how we are to follow up the President's suggestion of discussions between British and French experts. I will keep you in touch with developments; and I hope that, if this message is of any help to you in preparing for your Reykjavik meeting, you will let me know if anything emerges from that meeting which is relevant to this subject. I know that you will not give President Pompidou any indication that you are aware of my discussion with him; and we, here, will, of course, continue to take every precaution to ensure complete secrecy in this field.

With warmest personal regards,

Yours sincerely,

Edward Heath

221. Memorandum From the President's National Security Adviser (Kissinger) to President Nixon¹

Washington, May 30, 1973.

SUBJECT

Reply to Prime Minister Heath's Letter on Proposed UK Sale of Military Jet Engine to PRC

Prime Minister Heath has sent you the letter at Tab B setting forth the current thinking of his government with regard to COCOM and the future of the Western embargo on strategic exports, and seeking your

¹ Summary: Kissinger forwarded Heath's letter on the proposed British sale of Rolls Royce Spey airplane engines to China.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 764, Presidential Correspondence, United Kingdom, Prime Minister Edward Heath, 1972. Secret. Sent for action. Attached but not published is Tab A, a June 12 letter to Heath that Nixon signed; and Tab B, an April 25 letter from Heath to Nixon. On June 30, Kissinger spoke to Cromer about the Spey issue. Advising the UK to "stay cool," Kissinger asserted that after his August trip to China "we can overrule the bureaucracy. Can you wait that long? I'll talk to the Chinese." Cromer replied, "Well, I don't know. I hear rumblings from London that if the reply in COCOM is negative, our people will go ahead anyway." Kissinger asked Cromer whether he could wait two weeks; Cromer promised to check with London. (Memorandum of conversation, June 30; *ibid.*, NSC Files, Kissinger Office Files, Box 64, Country Files, Europe, General, Exchanges with the UK—Other, July 12, 1973 (1 of 3))

approval of Rolls Royce's proposed sale of the Spey 202 jet engine with afterburner to the People's Republic of China.

The Prime Minister recalls your Camp David discussions on COCOM, reviews the PRC's interest in acquiring new technology, notes that the PRC is very interested in buying the Spey 202 engine with afterburner, notes further that this transaction is precluded by current COCOM rules but suggests that this transaction would not, in fact, prejudice essential political and security interests—and would therefore be consistent with the US and UK policy toward the PRC.

It would not seem possible for the United States to give ready approval to the UK's proposal sale to the PRC. US and COCOM export controls are presently based on the premise that Western countries should restrict the sale of military equipment to Communist countries. Indeed, before selling goods which could under certain circumstances have strategic military use we request the purchasing country to certify that such items will be used *only for peaceful end uses*. Openly to approve, as the UK desires, the sale of the Spey 202 engine with afterburner would be to allow the sale of equipment which could be put to no other than a non-peaceful use. This would probably be the final blow to any system of strategic export controls on Communist countries—i.e., COCOM.

However, as a result of the recent interagency review of COCOM, we are now in position to inform the British of our current policy toward COCOM—a policy which looks to expansion of non-strategic trade with Communist countries, consistent with improvement in political relations. As this review of COCOM has just been completed, and as the British government has also undertaken a COCOM review, the time would seem right for early bilateral consultations at the expert level to develop a new US–UK coordinated approach to COCOM and, if possible, an agreed position on the Spey 202 engine either with or without the military afterburner.

The letter for your signature to Prime Minister Heath at Tab A would thank him for having raised this issue with you, note the steps you have taken with regard to US policy toward COCOM and recommend bilateral consultations at the expert level in the very near future to review the Spey 202 and other COCOM issues. Your letter has been coordinated with Dave Gergen.

Recommendation:

That you sign the letter to Prime Minister Heath at Tab A.

222. Memorandum From Helmut Sonnenfeldt of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, July 12, 1973.

SUBJECT

Proposed UK Sale of Spey 202 Engine to PRC

Following your July 10 conversation with Lord Cromer, Sykes of the UK Embassy called. London, he said, would prefer it if we could take a little extra time to persuade our agencies to withdraw their objections. *If, however, we must oppose the proposed sale in COCOM, London hopes we will do so in a low key—in that the British Government has already decided to go ahead with the sale.*

The British are planning to take the matter to COCOM on July 16. The text of the draft UK submission to COCOM, provided to you by Cromer, is at Tab B, together with an accompanying aide mémoire and background paper on the proposed sale.

While the UK's proposed sale makes sense from the viewpoint of our policy toward the PRC, it would be very difficult for our COCOM delegation to support the sale under the current COCOM ground rules. At this point, it would appear best to have our delegation instructed to do no more than oppose the sale in a very low key manner. *(However, unless our delegation receives policy guidance to the contrary, it can be expected to offer very strong opposition to the UK.)*

At Tab C, I have included a brief fact sheet on the mechanics of the COCOM system, including the clearance process for negotiating instructions within the U.S. Government. At this point, it is essential that you take up the delegation's instructions with Secretary Schlesinger

¹ Summary: Sonnenfeldt discussed the proposed British sale of Rolls Royce Spey airplane engines to China.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 64, Country Files, Europe, General, Exchanges with the UK—Other, July 12, 1973 (1 of 3). Secret. Sent for urgent action. Attached but not published is Tab A, a draft memorandum to Nixon; Tab B, the UK aide-mémoire and draft COCOM submission; and Tab C, an undated paper entitled, "Procedures on COCOM Exceptions Requests." Kissinger wrote at the top of the memorandum, "Put Pres. memo into files. Tell State + Defense to oppose low key. I'll handle with Rush." On July 10, Cromer told Kissinger that the UK wanted "to tie the Chinese into the West in a way that gets them on board, and incidentally it is of some commercial benefit to us." Kissinger replied, "Our problem is tactical. For reasons of our own we want to strengthen China." After noting DOD's opposition to the proposal, Kissinger stated, "We favor it. The only question is whether to give it a low-key protest or bless it." (Memorandum of conversation, July 10; *ibid.*)

and Deputy Secretary Rush, explain the rationale for having the U.S. confine itself to very low key opposition, and direct that Defense and State provide our COCOM delegation with the necessary instructions.

If you would prefer first to check this approach with the President, the memorandum for your signature at Tab A would do this: forwarding Prime Minister Heath's most recent message on the subject, reviewing the policy reasons supporting the sale and the current COCOM ground rules blocking the sale, and recommending that our delegation do no more than express low key opposition.

Recommendation:

1. If appropriate, that you sign the memorandum for the President at Tab A.
2. That you review the UK's proposed sale with Secretary Schlesinger and Deputy Secretary Rush and have them issue the necessary State/Defense instructions to our COCOM Delegation.

223. Memorandum From Philip Odeen of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, July 26, 1973.

SUBJECT

Modernization of the UK SLBM Force

I hear rumors to the effect that the British have reached a tentative decision to forego Poseidon and instead pursue their Super Antelope Polaris upgrade program. A Cabinet meeting is reportedly scheduled

¹ Summary: Odeen discussed the modernization of the UK SLBM force.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 63, Country Files, Europe, General, Exchange with the UK—SLBMs (2 of 2). Top Secret; Sensitive; Completely Outside the System. Sent for action. Attached but not published is Tab A. In a July 26 note to Kissinger, Sonnenfeldt wrote, "With the exchange with Heath now underway on Year of Europe and Trend coming over, I don't see how the message Phil suggests can now be sent." In an undated note to Kissinger, Scowcroft agreed with Sonnenfeldt and suggested talking to "Schlesinger, on whom we have depended for all our technical data and guidance." (Ibid.) Kissinger clarified the U.S. position on the MIRVed Poseidon in a July 30 talk with Trend; see Document 27. Memoranda of conversation on Kissinger's May 10 talks with UK officials are in National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 62, Country Files, Europe, General, UK Memcons HAK London Trip (originals), May 1973.

for early next week to reach the final decision. The British will inform us of this decision within the next few days and a request for U.S. assistance in Super Antelope will be forthcoming.

I have reviewed the information available to me on the negotiations (much of it handled by Jim Schlesinger) that led up to the decision. As I understand the background, a critical ground rule from the outset was that the U.S. would *not* sell the fully MIRVed Poseidon to the UK. *I suspect that the decision not to sell MIRV played an important role in influencing the British to choose the less capable Super Antelope system.* In the long run, this will reduce the capability and credibility of the British deterrent.

Background

The U.S. concluded in the mid 1960s that small, multiple RVs were a superior method of penetrating ABM defenses. Multiple RVs are insensitive to minor changes in the threat of the type which had been the bane of U.S. penetration aid programs. Thus Schlesinger and others who looked at the British penetration problem concluded that Poseidon with its small multiple RVs offered the highest confidence answer and was a logical choice. Moreover, Poseidon provides an increase in submarine operating area and hence improved survivability over Polaris. Super Antelope on the other hand decreases Polaris range cutting the available operating area in half. These conclusions were shared by the British but they also had to contend with strong internal governmental pressure in favor of Super Antelope, the anticipated high cost of acquiring Poseidon, and other considerations.

The cost problem was seriously and unknowingly compounded by the U.S. decision that we would not sell the MIRVed Poseidon to the UK. Schlesinger proposed the option of a “de-MIRVed” Poseidon. This was intended to give the British the desired penetration capability without raising the political problems perceived in transferring MIRVs.

Because he was operating under tight secrecy restrictions, Schlesinger involved only a handful of people in his studies and negotiations with the UK. It was assumed by Schlesinger and his small staff that Poseidon could credibly be “de-MIRVed” at slight additional cost. Schlesinger provided the UK with an estimate for procurement of de-MIRVed Poseidon of \$500–620 million, but Schlesinger added “plan on \$700 million.”

The British were frankly skeptical of Schlesinger’s estimate and the U.S. had little back-up data to support it. The British, though they did not have access to all the needed technical information on Poseidon, generated their own estimate of about \$1 billion to buy Poseidon in the de-MIRVed configuration. *This is about twice the estimated cost of Poseidon with MIRV.*

My own brief investigation into the matter suggests the British estimate is much closer to the mark than Schlesinger's. *In denying MIRV to the British we effectively doubled the price they perceived they would have to pay to buy the high confidence penetration of Poseidon.*

In May, you visited London after your Moscow trip. You told the UK that SALT and the Soviets should not impinge on the British options. We followed that up with a paper you gave to Cromer which reiterated that point.

As a result of these discussions, *the British thought you were indicating that we would consider selling Poseidon with MIRV.* They may have latched onto this idea because they were increasingly concerned about the added cost and feasibility of "de-MIRVing" Poseidon. Trend's June note to you asked for clarification on this point as, in his words: "If the President were ready to contemplate the possibility of offering the fully MIRVed Poseidon there would, as you will recognize, be substantial advantages for us which we should wish to have the opportunity of weighing up before finally making our choice of options."

The U.S. reply was that the British "should only consider the range of upgrade options offered in our past discussions," i.e., no MIRV capability. After our reply was transmitted to the British I heard that London now viewed things in a different light.

My Assessment

From the standpoint of military effectiveness and strengthening the British deterrent, there is no question that Poseidon is the preferred answer for the British as it is for the U.S.

Super Antelope, which the British have chosen, relies on decoys for penetration and is a technically complex and challenging undertaking. In fact, the U.S. technical evaluation has called its very feasibility into question.

Trend's note clearly implied a UK interest in buying Poseidon with MIRV. In turning them down we have unwittingly doubled the price they face from \$500 million for Poseidon *with* MIRV to \$1 billion for Poseidon *without* MIRV. This, in turn, may have been an important influence in causing them to fall back to the less capable Super Antelope.

While it is possible that other considerations swayed the UK to choose Super Antelope (e.g., prospects for future cooperation with France, internal "buy British" economic and political pressures), *it may also be that by refusing to sell them MIRV we have priced them out of the market, forcing them to fall back on a more limited and less capable option.*

If the latter is true, we should seriously reconsider the MIRV question. Circumstances, particularly at SALT have changed sufficiently since early this year to warrant re-examination on this issue.

Next Steps

There is certainly a risk that telling the British we will *now* sell them MIRVed Poseidon will precipitate problems in our relations and their Ministers may be reluctant to reconsider the question. On the other hand, our long term interests lie with supporting the British deterrent with the best support and advice available and we would be remiss if we failed them on this point.

If you agree that we should reconsider the MIRV issue, you should urgently contact Cromer and pass to Burke Trend the message that we will reconsider the MIRV question if they so request. A draft note for Trend is at Tab A.

Recommendation

That you call Cromer and pass him the note for Trend at Tab A.

224. Memorandum From the Deputy Assistant Secretary of State for European and Canadian Affairs (Springsteen) and the Director of the Bureau of Intelligence and Research (Cline) to the Under Secretary of State for Political Affairs (Porter)¹

Washington, September 24, 1973.

US Financial Support for the IRA

As directed by your memo of August 30, we have discussed with the FBI, the CIA and the Department of Justice the question of whether or not a justiciable case might be developed against Noraid and similar organizations which raise money in the US for the IRA. Officials at Justice who follow IRA activities believe that indictments might be

¹ Summary: Springsteen and Cline discussed whether legal action might be taken to impede the flow of private American financial support to the IRA.

Source: National Archives, RG 59, Central Files 1970–1973, POL 23–9 UK. Secret; Exdis. INR Deputy Director George C. Denney, Jr. initialed the memorandum on Cline's behalf. Drafted by Stephen Dawkins of EUR/NE; with concurrences in INR/DDC/OIL, EUR, H, and EUR/NE. In an August 30 memorandum to Stoessel and Cline, Porter noted recent assertions "that American money buys 75% of the guns and explosives used by the IRA Provisionals" and asserted that the U.S. had "to take new measures against this particular brand of terrorism." Porter asked whether the FBI could investigate the veracity of the financial information contained within the foreign agent registration forms filed by Noraid and INAC and, if it found that funds were being improperly used to buy weapons and explosives, take action. (Ibid.)

handed down for technical violations of the Foreign Agents Registration Act, and there might well be other statutes which would apply. But the evidence is thin and Justice is apparently under considerable pressure from the Hill not to impede these fund-raising activities. There appear to be strong incentives therefore not to move fast.

Officials at Justice plan to convene a meeting September 25 with State, CIA and the FBI to see which approaches appear promising. This meeting may prove helpful, but without a high-level push we doubt that much will happen.

We also believe that as a subsequent step, we should get a closer reading on Hill attitudes; providing, of course, that we have a clear idea of our case at law beforehand. State officials might then meet privately with certain Congressmen and Senators and brief them on where the money collected by Noraid and others actually winds up, and the violence, the dead and the maimed that result. If we have a legal case, so much the better; if not, we should stress the humanitarian aspect.

A later stage might involve public appeals by senior Administration officials similar to the one by Irish President Erskine Childers on American TV. But, for the present, we cannot report much progress.

225. Telegram 11720 From the Embassy in the United Kingdom to the Department of State

London, October 10, 1973, 2227Z.

[Source: National Archives, Nixon Presidential Materials, NSC Files, Box 730, Country Files, Europe, United Kingdom—Vol. #8 (October 1972–September 1973). Top Secret; Flash; Nodis. 4 pages not declassified.]

226. Briefing Memorandum From the Acting Assistant Secretary of State for European and Canadian Affairs (Springsteen) to Secretary of State Kissinger¹

Washington, October 30, 1973.

Possible Pressure Points on the U.K.

Some actions which might be taken against the United Kingdom to demonstrate our dissatisfaction with their performance as an ally are listed below in increasing order of severity. The more severe the measure, the more clearly can its punitive nature be seen, and as significant British interests become more seriously affected, the less becomes the likelihood that our actions will favorably influence future British actions. The opposite effect is, in fact, more probable: harsh actions on our part, particularly if they are perceived by the British as overreactions, are likely to produce either retaliation or non-support of our initiatives in other fields—or both. An erosion of the close working relationships we have with the British at all levels would be an inevitable result. The value of such actions on our part, even as object lessons to others, must, therefore, be weighed carefully against likely negative effects so that US interests are, on the whole, advanced, not set back.

In the case of the UK, our official contacts, cooperative defense arrangements, economic relationships, and scientific and cultural interchange are so multifaceted that it would be essentially impossible to draw up an exhaustive list of options. The responses outlined below are, therefore, illustrative of one graduated series, useful in that they probably would not require new or modified legislation.

Attachment

Paper Prepared in the Department of State

Washington, undated.

1. Call In the British Ambassador to Receive an Oral Démarche.

The simplest step of all, involving action only by the Secretary, or the Deputy Secretary, could make clear to Lord Cromer that we object

¹Summary: Springsteen discussed attached pressure point options in light of British policies during the October 1973 Middle East war.

Source: National Archives, RG 59, Central Files 1970–1973, POL UK–US. Secret; Exdis. Drafted by Carroll Floyd in EUR/NE on October 29; with concurrences by William A. Buell in EUR/NE and Stabler.

to the lack of support we received from the UK in our efforts to maintain the military balance in the Middle East and ask that our dissatisfaction be communicated to his authorities. This minimal response has the advantage of not rupturing any existing contact or cooperative US–UK arrangement.

Implementation: Delivery of démarche by the Secretary or Deputy Secretary at prearranged appointment.

Disadvantage: It is mild and may fail adequately to reflect the depth of our dissatisfaction.

2. *Cancel Any Scheduled Visits to the UK by US Cabinet and Sub-cabinet Officers and General Officers of the Armed Forces.*

Do the same with comparable UK visits to the US (none currently scheduled) or, should this prove impracticable, decline appointments for such visitors with US counterparts and restrict them to contacts lower in rank than themselves.

Implementation: Executive order to all agencies.

Disadvantage: This requires cooperation by other executive agencies and would necessitate White House coordination.

3. *Cancel Bilateral Contacts at International Meetings.*

The first such meeting now scheduled will be that between Dr. Schlesinger and Lord Carrington at the November NPG session.

Implementation: Executive order to all agencies.

Disadvantage: Dr. Schlesinger may have urgent business to conduct.

4. *Restrict UK Embassy Contacts to the Office Director Level, or Equivalent Throughout the Government.*

This has proved to be an effective signal of dissatisfaction.

Implementation: Same as above.

Disadvantage: Given the size of the UK Mission and the extensive range of its contacts, this would be difficult to coordinate with all agencies. Further, since the Mission maintains extensive congressional contacts, this would leave high-level consultations with the British to the Legislative Branch at the expense of the Executive.

5. *Cancel All Official Cultural Exchange and Leader-Grant Programs.*

This would be a signal easily visible to all of British officialdom. It would also be practically immune to direct retaliation.

Implementation: Same as above.

Disadvantage: It would deprive us of a valuable source of influence on middle-level leaders and executives, the full adverse impact of which would not become evident for several years.

6. *Delay as Long as Possible Favorable Action on Pending CAB Cases Concerning the UK.*

A good example of such a step would be delay, or unfavorable action, on the Laker charter aircraft case now before the Board.

Implementation: Executive order to CAB.

Disadvantage: The British would almost surely retaliate against our civil airlines if it became apparent that we were deliberately acting against their interests.

7. Refuse to Sell the British Satellite Launch Services at US Space Facilities.

This would deal a severe blow to the UK space effort.

Implementation: Executive order to NASA; info to Foreign Affairs agencies.

Disadvantage: This action entails almost total disadvantage to the US in that we very much want foreign participation in joint projects such as Space Lab. The future space shuttle, seen as an excellent foreign exchange earner from the sale of launch services, would also be adversely affected.

8. Encourage State and Municipal Authorities to Set Aircraft Noise and Engine Emission Standards (or Promulgate Federal Standards to the Same Effect) which Would Exclude the Concorde Supersonic Aircraft from Use of US Airports.

Inability to fly on the North Atlantic routes would probably be the final nail in the Concorde coffin. Although the project is unlikely to be commercially viable at any rate, US action in the standards field would be a clear blow to UK (and French) aspirations for the future of the European aircraft industry. Both countries are already fearful of US action in this area.

Implementation: Coordination with governors and mayors of major urban areas by selected federal agencies such as DOT, FAA, etc.

Disadvantage: Retaliation against US aircraft imports and/or civil airlines would be certain to follow.

9. Openly Support the Spanish Position on Gibraltar.

This action would be a clear signal to the British and, at the same time, gain us points with the Spanish.

Implementation: Telegraphic instructions to EUR posts to inform host countries of our position and to seek support for it. Public announcements by the President and the Secretaries of State and Defense.

Disadvantage: The use of Gibraltar by NATO naval units could be put in jeopardy.

10. Recall Ambassador Annenberg for Indefinite Consultations.

This would be a highly visible signal of US displeasure if coupled with a specific public announcement. Otherwise, it could be construed

as simply an unremarkable absence of the Ambassador on business or leave.

Implementation: Telegram from the Secretary to the Ambassador.

Disadvantage: Since the step would be unprecedented in recent times, if not indeed since 1812, it would result in violent damage to our close relations with the British.

11. *Use Bilateral Leverage With the Other Eight Community Members to Opt for Regional Policies Which Would Not Favor the UK.*

The British hope to see Community policy on regional development evolve along lines favorable to their depressed areas in Wales, Scotland, and certain parts of the Midlands. This was a selling point used by the Heath Administration before joining the EC. This could be accomplished either by altering the criteria used for qualifying investment projects for EC regional aid or by delaying full operation of the regional fund until late 1975 (Heath must hold a general election before June, 1975).

Implementation: Telegraphic instructions to EC Capitals, USEC, and NATO to use discreet influence to affect Commission decisions and Member positions. Great tact would be required.

Disadvantage: If our actions, which would go for Heath's political jugular, were perceived, severe retaliation against US interests would be swift and certain.

12. *Reimpose Agricultural Export Controls on Selected Products Such as Feed Grains.*

This could be done across the board or by application to the UK only. The latter would be most effective but difficult to apply since intra-Community trade flows in these products could still occur.

Implementation: Executive order to Department of Agriculture, Treasury, and Customs; info to Foreign Affairs Agencies. Prior consultation and liaison with the Congress would be essential and would have to be carried out principally by the White House staff, supplemented by Agriculture, Treasury and State.

Disadvantage: In either case, our action would strengthen protectionist forces in the Community in maintaining, or raising, CAP price supports. This would run counter to UK hopes to lower price supports and, hence, food costs to the UK consumer and impact adversely on the Heath administration.

13. *Cancel the Information Exchange Provisions of the US–UK Nuclear Agreement.*

Before the end of 1973 either side can give notice of cancellation; hence action would have to be taken before January 1, 1974.

Implementation: Executive order to State and Defense.

Disadvantage: Total unravelling of the present US–UK defense co-operation in nuclear affairs would be likely.

14. *Encourage and Aid US Pressure Groups Who are Anti-British on the Issue of Northern Ireland, and Officially Condemn Continued British Presence in the Province.*

This would complicate, and perhaps even nullify, British efforts to return the province to a state of law and order. The final result would likely be total British withdrawal.

Implementation: Coordination between domestic federal agencies, such as Justice, and congressional leaders already favorable to the “Irish Lobby.” Public announcements by the President and cabinet officers. Pressure on host governments by our Ambassador to support our efforts.

Disadvantage: Continued suffering by the Ulster population, and severe hostility to the US in the UK and elsewhere in Europe.

15. *Let Lapse the Nuclear Material Exchange Provisions in the US–UK Nuclear Agreement.*

This would signal the end of US–UK cooperation in this field and put into question the future of the UK nuclear deterrent. Ramifications for European defense are imponderable since all present Alliance arrangements would be called into question.

Implementation: Executive order to DOD and Foreign Affairs Agencies. Prior consultation and liaison with the Congress would be required.

Disadvantage: This step would totally unravel US–UK cooperative arrangements in the nuclear field.

16. *Cancel All Intelligence Exchange Between the US and UK.*

Such action would be severely disadvantageous to the UK, particularly as regards electronic and satellite intelligence gathering.

Implementation: Same as above.

Disadvantage: All US–UK defense cooperation would cease as a result.

227. Memorandum of Conversation¹

Washington, November 15, 1973, 4:05–5:00 p.m.

SUBJECT

SecDef Meeting with Lord Cromer (U)

PARTICIPANTS*UK*

Lord Cromer, British Ambassador
Richard C. Samuel, Counselor for Middle East Affairs
Charles Powell, Private Secretary to Lord Cromer

US

Secretary of Defense James R. Schlesinger
Ambassador Robert C. Hill, ASD/ISA
MG John A. Wickham, Jr., Military Assistant to SecDef
Mr. Harry E. Bergold, Jr., DASD/ISA/European and NATO Affairs

(S) Lord Cromer said he understood the NPG meeting in The Hague had been a good one. He observed this was important for the Alliance after what it had been through in the Middle East crisis. He thought there were important lessons to be learned from the Middle Eastern situation but also other matters which remained unexplained. He said British policy throughout the crisis was consistent with what it had been before the crisis, namely that instability in the Middle East would lead to conflict and a settlement guaranteeing the inviolability of Israel's frontiers had to be reached among the parties. In this spirit the British discussed with Secretary Kissinger the possibility of sponsoring a cease fire resolution in the Security Council. The British explored the possibility with Sadat in Cairo. Sadat said under no circumstances would he support such a resolution and if it were introduced he would have the Chinese veto it. Lord Cromer said one must assume that when a head of state speaks as Sadat had he means it. The British decided the resolution was a non-starter and so reported to Dr. Kissinger. It was Cromer's understanding that Ambassador Dobrynin later said he agreed that the British had been right in their assessment. Lord Cromer said it was difficult for the British to understand newspaper stories apparently coming from the State Department which suggested surprise

¹ Summary: Schlesinger and Cromer discussed U.S.–UK and U.S.–West European relations in the aftermath of the October 1973 Middle East war.

Source: Washington National Records Center, OASD/ISA Files: FRC 330–76–117, 333 UK 26 Nov 1973. Secret; Sensitive. Drafted by Deputy Assistant Secretary of Defense for International Security Affairs, European and NATO Affairs, Harry Bergold; coordinated by Wickham; and approved by Hill. The meeting took place in Schlesinger's office. A memorandum of conversation on Schlesinger's November 7 talk with Carrington in The Hague is *ibid.*, 333 UK Approved 26 Nov 1973.

that the British did not go ahead in the Security Council anyway after their full discussion, and apparent agreement, with Dr. Kissinger.

(S) Secretary Schlesinger said the newspaper stories reflected not surprise but pique and that it is not necessarily true that, faced with the reality of the resolution, Sadat would in fact have behaved in the way he said he would.

(S) On the alert of U.S. forces, Lord Cromer said he had no complaints in a bilateral sense but that he thought NATO had been insufficiently informed by the United States. He observed we had told the military and not the diplomatic side and Ambassador Rumsfeld had apparently received insufficiently precise instructions. Secretary Schlesinger said he understood Lord Cromer's point but that it seemed to differ from the one made to him by Lord Carrington in The Hague on 7 November. Carrington seemed to be concerned with the lack of bilateral consultation as well as the NATO problem. Secretary Schlesinger reminded Lord Cromer that Cromer had been telephoned from the White House before the alert was put into effect and that Carrington had been notified by DOD message. Despite that, the Foreign Secretary in his first statement on the subject suggested that he wasn't sure the alert was the appropriate response. Lord Cromer said that Sir Alec later said that the alert was a proper response and got the job done. On the consultation with NATO, Secretary Schlesinger said it had not been handled as well as it should have been and we were taking steps to improve our procedures. He underlined that the question of consultation was not an issue with us, we agreed it needs doing and we will see that it is done better.

(C) Lord Cromer raised the arms embargo policy of the UK and said it was necessary to cut off both the Arabs and Israelis. He believed that the Arabs lost more than Israel with the embargo.

(C) The Secretary said that was basically a British problem. He would not have recommended an embargo policy, but if one was adopted obviously it had to treat both sides the same.

(S/Sensitive) On the SR71 flights, Lord Cromer said that the UK had approved a flight and the US had elected not to make it. The Secretary said that two conditions were imposed by the UK: The product must go to the UK, and that it not be shared with Israel. The Secretary stated that the latter condition was non-standard and one we need not necessarily accept. He said he understood that the requirement to share with the UK was a standard one and fully acceptable. Lord Cromer countered with his view that the condition of non-sharing with the Israelis was relevant to the Middle East situation and based on the different approaches being taken by the US and UK. Nevertheless, he paid tribute to the intelligence exchange which had taken place during the crisis.

(C) Lord Cromer said he thought we must put the pieces together so we can work better for the future. The Secretary agreed and said the important point was that there are serious substantive problems within the Alliance which had been laid bare by the Middle Eastern crisis. Lord Cromer said that he thought it very harmful to make the Alliance split public in the newspapers. Secretary Schlesinger said he was not referring to some of the differences being made public but rather that the problems themselves exist and have to be faced. He said he was particularly perplexed by the British policy. Britain has taken the position, understandably and with a long history of being encouraged by the United States, that it must be in Europe. That position dates at least from 1962–63 with the unfortunate SKYBOLT incident and the de Gaulle veto. Part of the problem is proving to Europe (which means the French) that Britain is truly European. French policy (lately becoming somewhat ambivalent) is that the US should be cleared out of Europe so that French power will fill the leadership vacuum. The Secretary called attention to the Jobert speech before the National Assembly which he said was not very far from the old Gaullist rhetoric. On US presence in Europe, Jobert seemed to be saying we must stop sinning, but not just yet. It was clear that the belief persists that the United States should not be in Europe and this French attitude is not helpful from the aspect of US public opinion. The Secretary said that given French policy and the British intention to prove it is worthy of being in Europe we perceive a French/British relationship reminiscent of the “*entente cordiale*” of 1904. Secretary Schlesinger said he did not see how this squared with real British interests, a key aspect of which is to maintain a relationship with the United States that insures the US will continue to provide military support and the nuclear umbrella. From this point of view Secretary Schlesinger said he did not understand what Europe in general or Britain in particular accomplished by separating themselves from the United States during the Middle Eastern conflict.

(C) Lord Cromer said, “Who separated from whom? Our policy remained the same.” He said that the posture of the French in the Alliance is ambivalent and we must think if this can continue. He said that Britain must convince its EC partners that what might be appropriate for the ‘60s is not appropriate for the ‘70s. He said he believes the prospective summit meetings suggested by Pompidou may produce the political cohesion which will allow Europe to act more responsibly, but this will not happen overnight. He said that certainly France’s eight other partners in the EC believe that defense rests with the Alliance but they believe the defense relationship needs to be “full blown” with complete French participation.

(S) Secretary Schlesinger said that European actions during the Middle Eastern crisis only served to underscore the weakness of Eu-

rope and that the posture of European unity achieved in such instances as the 6 November Middle Eastern declaration by the EC–9 was achieved at the expense of European strength as perceived by other nations. Lord Cromer said it is well known that Europe has its fuel base in the Middle East. Europe's weakness, he said, was there all the time for anybody to see and was only shown up more clearly by the events of the Middle Eastern crisis. Lord Cromer said Britain had always recognized this weakness. Secretary Schlesinger said the Europeans in giving overt acquiescence to Arab demands have given the Arabs a whip hand in dealing with the Europeans. Lord Cromer said the 6 November declaration was a sign of European unity. Secretary Schlesinger said the Dutch and to some extent the Germans did not feel very happy about it.

(S/Sensitive) Secretary Schlesinger said the Arabs were probing and the results of their probing achieved results that must have been very high in their spectrum of hopes. They must feel that they can now humiliate Europe. Secretary Schlesinger said he was puzzled that Europe could put itself in a position of not being willing to look to its key security interests in Middle Eastern oil. Lord Cromer said Europeans lack a sufficient military presence in the area. Secretary Schlesinger said this was not a law of nature and that so far as he could see Europeans should be concerned with the security interests related to their oil supply. Lord Cromer said that if the Europeans had gotten difficult the Arabs would have turned even more toward the Soviets. Secretary Schlesinger said US policy in the Middle East has changed and that our relationships with the Arabs are a factor to be taken into account. Lord Cromer recognized that a change of thinking is going on in Washington and with another year of peace it might have been possible to work out a settlement without the bloodshed we have gone through. Secretary Schlesinger said that if the US could exercise its power over both sides in the Middle East then both sides must realize that the road to a settlement is through Washington. This he said cannot be adverse to the interests of Western Europe.

(S/Sensitive) Lord Cromer said he had no quarrel with that point. He believes a settlement can be reached and that it will require that guarantee troops be placed on the ground with contingents from the major powers. He said that peacekeeping cannot be left to the Irish and the Swedes. He said that if we had given more thought to the Middle East over the last few years we would not be so unprepared. Secretary Schlesinger reiterated that Britain cannot be in a position of such weakness that it can be blackmailed. Lord Cromer said this is not the 19th Century and not an era of gunboat diplomacy. He said we are not free to use our conventional forces and part of this is the result of US anti-colonial policy. Secretary Schlesinger said it was more the result of

adverse public opinion in Western countries. He said the present situation may bring a change in public attitudes. He said it is absolutely unacceptable that Western states should be subject to the whims of under-populated states for key resources such as oil. Lord Cromer replied that he personally agreed with this point, but part of the problem is who gets rough first.

228. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, undated.

SUBJECT

UK Decision on Polaris Improvement

Prime Minister Heath has sent you a message to inform you of the British Government's decision to continue with a program to improve their Polaris missile warheads rather than procure a modified Poseidon warhead (Tab C). He hopes that you will confirm your previous agreement in principle to collaborate on the Polaris improvement project and expresses his appreciation for your generous offer of the Poseidon system. Since the UK hopes to announce this decision in their annual Defense White Paper, subject to your agreement, the Prime Minister asks if you could indicate to him your decision by January 25, 1974.

The British decision is mainly motivated by economic considerations. The Prime Minister notes that domestic problems, including the energy crisis, have forced a retrenchment in spending, but that his government is determined that this retrenchment not affect the UK's

¹ Summary: Kissinger discussed the UK decision on Polaris improvement.

Source: Library of Congress, Manuscript Division, Kissinger Papers, Box TS 28, Great Britain, Chronological File, January–April 1974. Top Secret; Sensitive. Sent for action. Attached but not published is Tab A, an undated message from Nixon to Heath; and Tab B, an undated memorandum signed by Scowcroft on Kissinger's behalf to Schlesinger, Ray, and Rush. Tab C was not attached. Kissinger did not initial the memorandum and Nixon did not indicate his preferences among the recommendations; however, an attached undated note from Scowcroft reads, "Action approved verbally by the President, January 17, 1974." Heath's undated message to Nixon, sent under cover of a January 2 letter from Cromer, is in National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 63, Country Files, Europe, General, Exchange with the UK—SLBMs (2 of 2). Nixon's reply, in message WH40301 to Heath, January 19, is *ibid.*, NSC Files, Box 431, Backchannel, Hotlines (all circuits) PRESUS IN/OUT thru Aug. 9, 1974.

NATO commitments. Thus, he has decided on the less costly alternative of improving the existing Polaris warhead for the UK nuclear submarine fleet, rather than undergo the expense of converting to a non-MIRV version of our Poseidon missile.

The Polaris improvement program involves adding to the three multiple reentry vehicles (MRV) a package of penetration aids that will ensure a British capability to overcome the existing Soviet ABM defenses. We have been cooperating with British experts on the initial experimental phase of this improvement package, but have not made a further commitment to the development, pending a British decision on whether to shift to the Poseidon.

If you agree to proceed with the Polaris project, we will probably have to provide space in our underground nuclear testing program for some UK tests of their modified warhead and for testing of the missile itself on our test ranges. This was envisaged from the outset, though no formal commitment was made. Your agreement to the Prime Minister's request will permit the program to go forward. The British realize, however, that there is no guarantee that their modification of the Polaris warhead will succeed, since it is a new concept with which we are not thoroughly familiar.

There are no problems in agreeing to cooperate with the UK on this decision. From our standpoint, it is easier to accommodate the British decision on improving the Polaris than had the UK chosen to procure the Poseidon technology. Accordingly, I recommend that you confirm your agreement with the Prime Minister to collaborate in the project.

Recommendation:

1. That you authorize transmittal of the attached message via the Cabinet Line to the Prime Minister, confirming your agreement to collaborate with the UK on the Polaris improvement project (Message at Tab A).

2. That you authorize me to issue the memorandum at Tab B, instructing the relevant departments and agencies to proceed with the UK project and extend our cooperation.

229. Backchannel Message Tohak74/WH40189 From the President's Deputy Assistant for National Security Affairs (Scowcroft) to the President's Assistant for National Security Affairs (Kissinger) in Jerusalem¹

Washington, January 16, 1974, 2107Z.

Deliver in sealed envelope. Deliver immediately. To Larry Eagleburger for Sec. Kissinger.

January 16, 1974. To: Henry A. Kissinger. From: Brent Scowcroft.

Cromer asked to see me this morning to talk about our agreement to assist on the Super Antelope program and the expansion of facilities on Diego Garcia.

He passed me the following speaking notes:

Quote:

Diego Garcia:

"1. We are authorized to give the United States Government the assurance that HMG do not anticipate any major problems with regard to the U.S. Government's request for expanded facilities at Diego Garcia. Certain considerations are set out below.

"2. We recognize that, while HMG's agreement to the American request will be put into effect by confidential diplomatic exchanges, it is almost inevitable that some knowledge of it will become public. This could lead to adverse reactions from the Russians, the Indian Ocean littoral states and above all the Arabs. There is in particular the danger that the Arabs will conclude that expanded American facilities at Diego Garcia are related to the possibility of the use of force against Arab oil producing states. For this reason HMG attach very great importance to any public presentation of American intentions in regard to Diego Garcia, and to our agreement to the expanded facilities. They would like particularly to emphasize the following points:

(I) The expansion of the Diego Garcia facilities should be related to the long-held policy of safeguarding Western interests in the Indian Ocean as a whole, and not to recent Middle Eastern developments;

¹Summary: Scowcroft forwarded talking points concerning Diego Garcia and Super Antelope left with him by Cromer that morning.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 43, HAK Trip Files, HAK Trip—Europe & Mid East, Dec 8–22, 1973, TOHAK 71–124, January 10–20, 1974. Top Secret; Sensitive; Exclusively Eyes Only. Kissinger initialed his approval of Scowcroft's recommendation. During a January 17 meeting in the Oval Office, Nixon notified Cromer of his approval of U.S. assistance to the UK Super Antelope program. (Ibid., NSC Files, Box 1028, Presidential/HAK Memoranda of Conversation, Memcons, 1 Mar 1974–8 May 1974, HAK + Presidential (1 of 4))

(II) All arrangements in connection with the expansion of facilities should be carried out with a minimum of publicity. Statements which could become public would be jointly agreed;

(III) While the agreement would be confidential, both sides would need to be ready to acknowledge publicly its existence and broadly what it involved, including a provision that HMG's agreement for its use would be required in the same way as for U.S. bases in the UK.

"3. In addition, HMG would hope that our joint use of Diego Garcia would be accompanied by broad understanding on common goals and activities in the Indian Ocean area. HMG will have some proposals to make in this regard.

"4. We suggest that it would be useful for a small team of British officials to visit Washington in the near future, ideally next week, to explain our views on the points listed above more fully. We also propose that thereafter the US might like to send a team to London to discuss technical details of the expanded facilities."

End quote.

"1. HMG's agreement to the U.S. Government's request for the expansion of its facilities on Diego Garcia has been given against the background of Secretary Kissinger's statement to me on 9 January that he was confident that the request in the Prime Minister's message of 2 January to President Nixon, and the consequences which flow from it, would also be approved.

"2. We hope that it may be possible for the President to reply to the Prime Minister's message soon, in order that an appropriate passage can be drafted for the Defense White Paper."

It is interesting to note that the British themselves are doing what Schlesinger wanted to do—linking Diego Garcia with the nuclear programs.

Cromer is seeing the President at noon tomorrow for his farewell call. The package on US response on the Super Antelope Program is in your action folder. If you consider it worthwhile, and approve the package, I can get it into the President in the morning and let him tell Cromer that we were giving our approval.

Warm regards.

230. Telegram 4301 From the Embassy in the United Kingdom to the Department of State¹

London, April 5, 1974, 1143Z.

Subject: Reflections on US–UK Relations and EC Renegotiation.

1. Summary: The Labor Government apparently wants to revive something closely akin to Britain's erstwhile "special relationship" with the United States. We can only welcome this and should seize the opportunities it affords to further our policy objectives in a wide range of fields. At the same time, we should encourage Britain to view its ties with the US as complementary to, not a substitute for, its ties with the EC. If Britain remains in the Community, it would be a force for closer US–EC cooperation. Its withdrawal, though, could set in motion an unravelling of the entire structure of Atlantic cooperation. If the renegotiation on which the UK is now embarked shows signs of breaking down, the USG may have to go beyond simply voicing continued support for EC survival. We believe we should speak out clearly to the British Government, and particularly to Callaghan, to underscore our basic commitment to a strong Europe of which Britain is a part. End Summary

2. Although British officials have not as yet started to speak of a "special relationship" with the US, the words and actions of the Labor Government during its first month in office strongly suggest that it hopes to restore US–UK relations as closely as possible to what they were in the decade after World War II. Our contacts in the FCO tell us that one of Callaghan's first acts as Foreign Secretary was to pass down word that the highest priority was to be given to close relations with the US. Callaghan reaffirmed this privately and publicly on repeated occasions over the past month. Sources close to Callaghan have made a point of telling us that he likes and respects Dr. Kissinger and expects to get on well with him.

3. We have reported various deliberate gestures by the new government to be more helpful towards US forces stationed in UK (London

¹Summary: The Embassy forwarded its thoughts on U.S.–UK relations and EC renegotiation.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974, [no film number]. Secret; Immediate; Exdis. Sent for information to Bonn, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Paris, Rome, the Mission to the EC, the Mission to NATO, and the Mission to the OECD. As a result of the February 28 UK general election, Heath's majority Conservative government was replaced by a minority Labour government led by Harold Wilson on March 4. On March 28, Kissinger met with Callaghan and Wilson in London; memoranda of conversation on their talks are *ibid.*, Records of Secretary of State Henry Kissinger, Entry 5403, Box 7, Nodis Memcons, Mar. 1974, Folder 5.

4161 NOTAL). Ivor Richard, new UK PermRep to the UN, has told Ambassador Scali that he is under specific instructions to work as closely as possible with USUN (USUN 1093 NOTAL). On the critical question of defense spending, Lord Goronwy-Roberts, the government's Defense spokesman in the House of Lords, said on April 3 that Britain's defense effort should not be out of line with that of other European allies (the standard party line), but added the important qualification that the requirements of NATO would have first call. On the same day, in answer to a question in the Commons, Callaghan said in effect that there would be no problem about the retention of the US Polaris base in Scotland and expansion of base facilities in the Indian Ocean.

4. These are only straws and it is still early days, but clearly such a pronounced disposition to cooperate should be a useful adjunct to our diplomacy in many areas. The most critical area, however, is US-European relations, and here the British effort to renegotiate the terms of its EC membership presents complications.

5. The new British Government has made clear its desire to promote close consultation and cooperation between the EC and the US. It could be a powerful force for shaping US-EC partnership, and we have an obvious interest in seeing it remain an active member of the EC. We also have an interest in preventing a withdrawal that could precipitate a general unravelling of West European relationships, involving the partial or total disintegration of the EC, the revival of rivalries between NATO members, the growth of Nordic neutralism, and various other developments inimical to the preservation of a strong Western Alliance. A special relationship with an introspective Britain, cast adrift from Europe and operating from a contracting economic and military base, would be of dubious value to the United States.

6. Whether or not Britain ultimately withdraws from the EC will depend in large measure on its political will to do so. Callaghan has said and his closest advisers reiterate that he does not want to see Britain withdraw from the EC. He does wish to renegotiate the terms and get satisfaction on the issues which he spelled out this week in Luxembourg. He reportedly does not wish to press so hard that the UK in effect would be forced out of the EC because it is not able to attain its goals.

7. Assuming that Britain's partners are prepared to make some concessions, it will be up to the Labor Government to decide whether the concessions are sufficient to justify recommending their acceptance to the British electorate. At that point, the long postponed showdown between the pro- and anti-marketeters in the cabinet will come to a head, and Callaghan—the self-proclaimed agnostic—will clearly be the pivotal figure in making the final decision. Well before that day comes, the US should fully and frankly discuss with Callaghan and his prin-

cial advisers US interest in European unity and a strong community to which Britain belongs and which aims at a positive, dynamic, and co-operative relationship with the United States. While the strongest theme of Callaghan's foreign policy is friendship with the US, he reportedly does not look on this underlying consideration as involving a choice between the US and the EC. Both can be achieved, in Callaghan's judgment, and are mutually supporting. But Callaghan's views on US-European relationships are still in a formative stage, and a number of his closest advisers have pointedly suggested to us that it is of utmost importance for the US to spell out to him soon its views on the future of US-European relations. This is a suggestion that the Embassy strongly endorses. As Callaghan moves closer to the time of decision, he will be weighing many conflicting domestic and international considerations, and our conceptions of a vital US-European relationship in which Britain plays a major role might well tip the balance for him.

Sohm

231. Memorandum of Conversation¹

Washington, April 26, 1974, 1:25–2:45 p.m.

PARTICIPANTS

Sir John Hunt, Secretary to the Cabinet
 Sir Peter Ramsbotham, British Ambassador to the United States
 Richard Sykes, Minister, Embassy of Great Britain
 Charles Powell, First Secretary, Embassy of Great Britain
 Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
 National Security Affairs
 Major General Brent Scowcroft, USAF, Deputy Assistant to the President for
 National Security Affairs
 Helmut Sonnenfeldt, Counselor, Department of State
 Peter W. Rodman, NSC Staff

¹ Summary: Kissinger, Hunt, and other U.S. and UK officials discussed the U.S.–UK nuclear release agreement, the Labour government's defense review, and the UK Polaris program.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 24, United Kingdom (16). Secret; Nodis. All brackets are in the original except those indicating text remains classified, or omitted by the editors. The meeting took place during a luncheon in the Eighth Floor Dining Room at the Department.

SUBJECTS

Nuclear Release Agreement; Labour Government's Defense Review; UK Polaris Program; Diego Garcia; US-Soviet Threshold Test Ban; French Presidential Elections; Middle East; Washington Energy Conference

Secretary Kissinger: I talked to a group of Jewish leaders yesterday, knowing they would go right to the Israeli Embassy. In case there are difficulties with Israel. I told them what I think is necessary. So there is no doubt in Jerusalem that I have locked myself into a position semi-publicly.

Ambassador Ramsbotham: That resolution in the UN yesterday. I was astonished at the Israeli National Day yesterday, when their Ambassador congratulated me on supporting their amendment. He made no further comment.

Secretary Kissinger: They save their wrath for me. [laughter]

Ambassador Ramsbotham: We both put out a statement, the same as yours.

Sir John Hunt: It is extremely good of you to see me when you have to go off.

Secretary Kissinger: This will be the last quiet talk I will have for the next two weeks. [laughter]

Sir John Hunt: Really, there are four things I want to cover; (1) the conditions on the nuclear release agreement; (2) to tell you of our defense review, (3) Polaris, and (4) Diego Garcia.

Secretary Kissinger: Fine.

The Nuclear Release Agreement

Sir John Hunt: The first can be done quickly. On the nuclear release agreements, the Embassy has now got instructions from the Prime Minister to confirm what we have with you.

Secretary Kissinger: Have we received it?

Sir John Hunt: No, not yet.

Secretary Kissinger: As soon as we receive it, we will confirm it quickly and unchanged.

Ambassador Ramsbotham: We are repeating a little of the language; otherwise it repeats it by reference.

Secretary Kissinger: Does it refer to [*less than 1 line not declassified*]

Sir John Hunt: That is what I wanted to say. The Prime Minister tells me he wants to reconfirm that one too. It is not a new decision; it flows naturally from the other.

Secretary Kissinger: No problem. The only reason we did not raise it was that traditionally you took the initiative.

Sir John Hunt: Yes.

Minister Sykes: Should we take it up with Hal or Brent?

Secretary Kissinger: Brent. The best way is to use as close to the old texts as possible. Is there any reason to change the text at all?

Sir John Hunt: No.

Ambassador Ramsbotham: We will get on with that then.

The Labour Government's Defense Review

Sir John Hunt: Good. I would really like, rather privately, to tell you how we are handling the defense review. There will be lots of press stories; we have an active group of defense correspondents. We want you to know the truth.

The present government are committed to this review of defense expenditures. We are looking at all the priorities and commitments. I am chairing this review.

Secretary Kissinger: Isn't that unusual? Not the Defense Minister?

Sir John Hunt: Sir Burke always played a big role in it. The time scale we envisage is: That we will report to Ministers about mid-July. Then Ministers will have to consider all this and expect to take their decision in the autumn.

Secretary Kissinger: Will the budget be in October?

Sir John Hunt: Normally it will be in April.

The Prime Minister wanted me specifically to tell you that no decision will be taken on the defense review without consultation with you, and our other main allies.

We have not been given any specific target for expenditure.

Secretary Kissinger: When you say consultation, with whom? The Defense Department?

Sir John Hunt: There may be some contacts on a technical level, but with more important things, at the Ministerial level.

Secretary Kissinger: On nuclear matters, we can probably steer you in directions where you will not go wrong. Defense people have their own ideas. Check with us first.

Ambassador Ramsbotham: That will help me too.

Sir John Hunt: There is no target presented for savings.

Secretary Kissinger: But there has to be savings.

Mr. Sonnenfeldt: No percentage of GNP?

Ambassador Ramsbotham: That report was totally untrue. I told Schlesinger this.

Sir John Hunt: But we are very deliberately looking at everything, and putting together the building blocks, if I may use that expression. Instead of going for a percentage cut and how to achieve that, we are looking at the whole range of things. And unfortunately there will be a

horde of rumors coming out of London. Because we have this corps of defense correspondents.

Secretary Kissinger: We will take our decision on the basis of what you and Peter tell us.

Sir John Hunt: There was a story that we were leaving Malta and Cyprus. That is not true.

Mr. Sonnenfeldt: But it produced a plea by Mintoff that you stay. [laughter]

Sir John Hunt: Our ministers will not look at anything until mid-July, and there will be no decisions until autumn.

Secretary Kissinger: We will do nothing on the basis of reports.

Brent, can you tell Defense what our understanding with the British is and tell them to lay off?

General Scowcroft: Yes.

Sir John Hunt: We simply do not know at the moment, and there is the risk of scaring people or of making the wrong reassuring noises.

There is a possibility that a Minister may go out to the Far East to talk to the governments there. It will be to listen.

Secretary Kissinger: The Defense Secretary?

Sir John Hunt: Possibly, or another Minister.

Secretary Kissinger: You will have no problems with us.

Sir John Hunt: We are very grateful.

Secretary Kissinger: You may have problems when you present us your options, but not in the process of review.

Ambassador Ramsbotham: Roy Mason, the Secretary of State for Defense, is coming out the 29th or 30th of next month, at Schlesinger's request. So they can get to know each other before the DPC meeting.

Sir John Hunt: I am quite sure he will be giving no indications of what will be coming out of the defense review.

Secretary Kissinger: If you want me to see him, I will be glad to.

Ambassador Ramsbotham: Thank you.

U.K. Polaris Program

Sir John Hunt: Leading on from that, the Ministers have been looking at Polaris—the Prime Minister, Chancellor, Defense Minister and Foreign Minister. They were grateful for the support the President gave to Prime Minister Heath. They have now got to the state where they were in no desire to reverse the decision.

Secretary Kissinger: Good. Of course, we think you should have made the Poseidon decision.

Sir John Hunt: There will be no formal decision for a while, but I think they will agree. They have already given the authority for

spending for the next six months. They would not have done so if they were not so inclined. I am here to ask if you can ask Lockheed to go ahead full blast.

Secretary Kissinger: Absolutely. No problem.

It would really be a tragedy if Britain got out of the nuclear business. In spite of my hegemonic aspirations over Europe [laughter], I really think it will be better for Europe to have an independent nuclear deterrent.

Sir John Hunt: We will say nothing. If there are leaks or gossip that Ministers have to answer, we will say something banal about taking all steps necessary to maintain the credibility of our deterrent.

Secretary Kissinger: To the extent that we can control it, we will be helpful.

Sir John Hunt: There will be a problem with the firm.

Mr. Sonnenfeldt: There are thousands of people involved, once the decision is made to start up.

Secretary Kissinger: We can talk to the companies, but it is not in their nature.

We can guarantee what our formal response will be.

Brent, in my absence, can you coordinate in the Government?

General Scowcroft: Yes.

Secretary Kissinger: [to Ambassador Ramsbotham] You work with Brent, Peter.

When will Lockheed learn that you have asked them?

Ambassador Ramsbotham: Your Navy asks them.

Secretary Kissinger: First, we will work out some form of words with Peter. Before we tell the Defense Department anything. Then we will call Defense as soon as possible. On Monday.

Ambassador Ramsbotham: The sooner the better.

Secretary Kissinger: Tomorrow.

Ambassador Ramsbotham: Monday is fine.

We have this fellow, Chapman Pincher, who is the best—or worst—at finding out things.

Sir John Hunt: But I think we all have to live with our defense correspondents—I am sure you have them.

Ambassador Ramsbotham: I was impressed with the quality of the questions from them on your plane. They were well-informed questions.

Secretary Kissinger: They were the diplomatic correspondents.

Sir John Hunt: There is one particular problem on no announcement. That is, on May 22, there is a test in Nevada involving our thing.

What we were hoping is no announcement at all, or if it is necessary to say anything, that there be no mention of a British test.

Secretary Kissinger: What is the regular procedure?

Minister Sykes: Defense prefers, if it is a big test and especially if there is a possibility of venting, to announce it in advance.

Secretary Kissinger: What size will it be?

Minister Sykes: *[less than 1 line not declassified]*

Secretary Kissinger: That is no problem.

Sir John Hunt: We hope there is no announcement.

Secretary Kissinger: We should stick as close as possible to the normal procedure because otherwise it attracts attention. Do we announce whose it is?

Mr. Sonnenfeldt: Usually we do, I think.

Ambassador Ramsbotham: That is the problem.

Secretary Kissinger: We will talk to Dixy Lee Ray. Why do we have to announce it?

Mr. Sonnenfeldt: It has to do with the Joint Committee [on Atomic Energy].

Ambassador Ramsbotham: You can hold it up for a few months.

Sir John Hunt: Until 1975, or at least until late autumn.

Secretary Kissinger: Check it, Brent.

Minister Sykes: The people in the area will observe the arrival of the British scientists. But you can say there is a close continuing relationship with Britain and this is part of the normal liaison.

Secretary Kissinger: *[less than 1 line not declassified]*

Sir John Hunt: *[less than 1 line not declassified]*

Secretary Kissinger: *[less than 1 line not declassified]*

[Omitted here is discussion of Diego Garcia, a possible U.S.-Soviet threshold test ban, the upcoming French presidential election, the Middle East, and the Washington Energy Conference.]

232. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, undated.

SUBJECT

The British Elections

The British electorate returns to the polls on Thursday, October 10. Prime Minister Wilson, who has led a minority Labor government since early March, called the election on September 18 with the hope of receiving a majority mandate for a full five-year term. Labor is leading in the polls and is the likely victor, but it is not certain whether Wilson can win a majority. This memorandum assesses the election issues, the likely outcome, and the consequences of alternative results.

The Issues

The state of the British economy has been *the* issue in this election. Inflation, the cost of living and industrial relations preoccupy the voters. Foreign policy issues have not played an important role.

Labor has tried to persuade the electorate that its "Social Contract", in which the unions restrain wage demands in exchange for social legislation, will guarantee industrial peace. Labor has portrayed itself as the party concerned with people's needs, and has cited as examples its efforts to keep pensions abreast of the cost of living and to provide food subsidies. The party also has run against the EC, arguing that the organization is a shambles and pledging a referendum on British membership.

The Conservatives have sought to project a new image of moderation and non-confrontation with the unions, although they have done little to allay fears of renewed government-union struggle if they win. The Tories have emphasized their readiness to form a coalition government of national unity, presumably with the Liberals. They have also tried to stir the electorate on the EC issue, but, as with most other issues, have failed to arouse voter interest or passion.

¹ Summary: Kissinger discussed the forthcoming general election in the UK, set for October 10.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 15, UK (3). Confidential. Sent for information. Kissinger did not initial the memorandum. Scowcroft wrote at the top of the memorandum, "Pres. has seen." Wilson's Labour Party emerged from the October 10 general election with a slim majority government. On December 2, Kissinger sent Ford a memorandum, prepared at Ford's request, on the prospects for Heath and the Conservative Party. (Ibid.)

Who Will Win?

Wilson's Labor Party has held a consistent edge in the public opinion polls throughout the campaign, ranging from 4–14%. While the wide range of the polls reflects voter volatility and indecision, Labor's steady lead makes it the likely victor in the election. The key uncertainty, therefore, appears to be whether Labor can win a majority or must settle for a plurality. With 301 seats in Commons, Labor needs to win an additional 17 for a majority.

An important factor will be voter turnout. A large turnout would benefit Labor, but voter apathy—combined with Labor's steady lead in the polls—has Wilson and his political lieutenants concerned about getting out the vote. Another Labor worry is the resurgence of the Scottish nationalists. Labor has been strong in Scotland, and if the nationalist splinter party—which now has seven seats in Parliament—doubles or trebles its representation, it would badly hurt Labor's chances for a majority. On the other hand, Labor is apparently running strong in England, especially around London.

The question of a Labor majority thus is just too close to call. That very uncertainty poses the possibility that the UK will have a rerun of last February's election—no party with a mandate and another minority government for the country.

233. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, November 15, 1974.

SUBJECT

UK Defense Review

Because of Britain's economic difficulties and concerns that the British were attempting too ambitious a defense program, Prime Min-

¹ Summary: Kissinger forwarded for Ford's approval a message to Wilson concerning the UK defense review.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 24, UK (18). Secret; Eyes Only. Sent for action. Ford initialed his approval of the message, which he also signed. In telegram 252408 to London, November 15, the Department reported on the November 12 meeting referred to by Kissinger in his memorandum to Ford. (Ibid., Presidential Country Files for Europe and Canada, Box 15, UK—State Dept Tels from SECSTATE—NODIS (1)) In telegram 253747 to London, November 18, the Department forwarded detailed comments on the UK defense review. (Ibid.)

ister Wilson instructed his Ministries to undertake a review of Britain's world-wide defense efforts including both its commitments and its defense expenditures. This review has now been essentially completed except for final Cabinet decisions which are expected on November 20, and the provisional results were conveyed to me on November 12, by a British team headed by Sir John Hunt, Secretary of the British Cabinet and Sir Michael Carver, Chairman of the Defense Staff.

Broadly speaking, the British have decided to cut their defense expenditures over a ten-year period from approximately 6% of GNP to 4½%, to reduce the size of their defense force by some 40,000 men, and to cut back substantially all their force deployments outside the NATO treaty area. Their commitments to NATO have survived the review substantially intact, as have British nuclear deterrent forces. In the process of retrenchment, the British will largely abandon their ability to intervene militarily even on a token scale, anywhere outside of Europe.

I believe that you should send a letter to Prime Minister Wilson which would register your concern with the British retrenchment, while expressing understanding for the reasons which impelled it, and express reservations about the almost total British abandonment of any capability to project a British military presence on a global scale if needed in times of crisis. More specific comments will be made to the British by the Departments of State and Defense, and the British program, as regards its NATO elements, will be reviewed in the NATO framework.

Recommendation

That you approve the message at Tab A, which would be dispatched over the private Cabinet Line.

Attachment

Message From President Ford to British Prime Minister Wilson

Undated.

Dear Mr. Prime Minister,

The visit of Sir John Hunt and Sir Michael Carver and their team was most helpful in giving us an understanding of the questions which Her Majesty's Government has before them as a result of your defense review. I appreciate your sending them and enabling them to be both frank and comprehensive in their presentations to us.

I fully understand the political and economic factors which are leading you in the direction of retrenchment in your defense commit-

ments, and I appreciate the efforts your Government is making to limit the reductions which you feel obliged to make in your defense budget. At the same time the United States and nearly all other members of the Western Alliance are under pressure to reduce defense commitments and I am of course concerned about the cumulative effect of a series of reductions in defense expenditures in the Alliance.

In the case of the United Kingdom I am particularly concerned because Britain has traditionally been among the staunchest supporters of a strong NATO defense structure. I would regret very much if the example of the United Kingdom could be cited by other governments as justifying a series of unilateral cuts in defense capabilities. Moreover, the position of my Administration to maintain United States forces in Europe could be undercut if the public and Congress perceives that other members of the Western Alliance are not maintaining and improving their forces committed to NATO.

I wish to emphasize that I am aware that you have made great efforts to avoid cuts in NATO committed forces and I wholeheartedly support your determination to maintain a strong contribution to the common defense in Europe.

I would hope, however, that your priorities could be revised somewhat in the remainder of your Cabinet review of defense to permit, perhaps on a reduced scale, the continued ability of Britain to provide forces for emergencies which in the future may arise in areas outside of Europe. Over the long run, for obvious reasons, the United States should not be the only Western power which is capable of intervening on a worldwide scale. Furthermore, in particular I think it is undesirable for the Soviet Union to see the United States as the only check on Soviet ambitions outside of the immediate NATO area. I would hope therefore that it may be possible for you to retain greater intervention capability than I understand you are now planning for. We will have further comments on some of the details of your defense review and these will be conveyed to you separately through your Embassy here in Washington.

On one specific issue—Cyprus—we are concerned that current plans for eliminating UK capabilities on the Island will diminish future Western flexibility to react to unpredictable situations in the Eastern Mediterranean, and beyond. Given developments in Greece and the potential instabilities in Turkey we consider the Cyprus base quite crucial. Foreign Secretary Callaghan will shortly be receiving a letter from Secretary Kissinger on this subject.

Sincerely,

Gerald R. Ford

234. Message From British Prime Minister Wilson to President Ford¹

London, November 20, 1974, 2000Z.

Dear Mr. President,

Thank you for your message about our defence review. The talks in Washington were very useful to us, and I am glad to hear that they were helpful to you. I was particularly grateful to Dr. Kissinger and Dr. Schlesinger for giving of their time to Sir John Hunt and his team. We are still at work on the problem and, of course, our final decisions will not be announced until NATO consultation is complete. As I am sure you will recognise we shall do the best we can in the light of our common objectives to meet the considerations you have put forward.

I do not think that any of our Allies could justifiably use our proposed reductions as an excuse for cutting their contributions. For a long time we have carried a disproportionately heavy load, and there will be people who will argue, not without reason I think, that even when we have made the reductions we shall be carrying more than our share in view of our present economic problems. But we are determined, as you recognise, to pull our full weight in the common defence in Europe. We judge this to be the absolute priority, and that is why we have so little room to manoeuvre between our NATO and non-NATO commitments. In order to restore any of the non-NATO cuts which we are proposing we would be forced to cut further into our NATO contribution. There is simply no way out of this dilemma.

We have to be true to our priorities and cannot therefore keep forces stationed round the world and formally committed to non-NATO tasks. It is a hard decision to take, and I am sure we shall come in for some criticism here. But the fact is that we can no longer spread our forces round the world on the scale we have hitherto done, and we shall do better the things we must do if our own public opinion can be brought to recognise this.

Nevertheless we shall of course still have ships, troops and aircraft with the capability of going to other parts of the world, and in extreme

¹ Summary: Wilson replied to Ford's message on the UK defense review.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 24, UK (18). Secret. A notation at the top of the message indicates that Kennedy forwarded the message to Scowcroft for Kissinger. In telegram 15372 to London, January 22, 1975, the Department forwarded the British response to U.S. comments on the UK defense review. (Ibid., Presidential Country Files for Europe and Canada, Box 15, UK—State Department Telegrams NODIS—From SECSTATE (2)) In telegram 4000 from London, March 14, 1975, the Embassy assessed the UK defense review. (National Archives, RG 59, Central Foreign Policy Files, 1975, [no film number])

circumstances we might have to send them, even though they were committed to NATO.

There are three specific points.

First, I have noted very carefully what you say about Cyprus, and the statement on 3rd December will cause you no problems in this respect. Mr. Callaghan has received Dr. Kissinger's letter and will of course be sending a message to him in reply.

Second, we are ready to agree to your proposal about Diego Garcia although I should be grateful if you would keep this secret until 3rd December.

Third, we have received and are giving careful study to the detailed comments which you mentioned in your message.

I will ensure that your people are informed in advance of the full statement which we will be making on 3rd December, and we shall clear with them the text of the passage on Diego Garcia.

Yours sincerely,

Harold Wilson

235. Memorandum Prepared in the Central Intelligence Agency¹

Washington, January 23, 1975.

[less than 1 line not declassified]

[less than 1 line not declassified]

[4 paragraphs (40 lines) not declassified]

[1 paragraph (5 lines) not declassified]

THE UK: PRESENT PROBLEMS AND SHORT-TERM PROSPECTS

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¹ Summary: The memorandum explored the topic, "The UK: Present Problems and Short-Term Prospects."

Source: Central Intelligence Agency, History Staff Files. Secret; *[text not declassified]*

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PRINCIPAL CONCLUSIONS

1. During the next several months Prime Minister Wilson's government will be facing two major and potentially divisive problems:

- the worsening economic situation
- renegotiation of the terms of Britain's EC membership and a referendum on continued membership.

2. In 1974 the British economy had:

- price rises of nearly 20 percent;
- wage increases of more than 25 percent;
- gradually rising unemployment reaching close to three percent;
- falling gross private investment to a rate of less than four percent;
- a current account deficit of \$8.8 billion.

Without drastic new measures, the economy in 1975 will not perform better than last year.

3. High oil and other raw materials prices as well as the poor state of industrial relations, obsolescent machinery and equipment, and poor managerial practices largely account for Britain's poor economic prospects.

4. The deteriorating economic situation could result in an inability to borrow in private capital markets by mid-year and possibly to a devaluation of the pound. Britain may be forced to turn to the IMF for help.

5. The UK is looking to North Sea oil production to boost its economy by the end of the decade. The optimistic outlook for North Sea oil, however, has been clouded by rapidly rising costs of exploration and production and by oil industry fears about taxation and participation measures that are not yet spelled out.

6. The Wilson government has not been substantially more successful than its predecessors in improving industrial relations. The social contract—an informal pact between the unions and the government exchanging union wage restraints for certain government

concessions—appears to be collapsing. The unions are demanding large wage increases and are unable to prevent wildcat strikes. The government is warning the unions that this sort of behavior cannot be tolerated.

7. All this suggests that the social contract sooner or later will be replaced, probably by a reimposition of wage controls. Wilson first will try to come up with a plan more palatable to the unions.

8. Whether to continue EC membership is expected to be the principal foreign policy issue debated in the UK this year. Among the principal UK objectives during the renegotiations are:

- an adjustment in the EC budget mechanism that would link a country's payment to its gross domestic product;
- revision of the common agricultural policy;
- better safeguards for the interests of Commonwealth and developing countries;
- guarantees that Britain will retain control over regional, industrial, and fiscal policies.

Both pro- and anti-marketeers have begun to speak out, although the referendum will not be held until June. The anti-marketeers are concentrating their efforts on trying to convince the voters that EC membership will erode British sovereignty. Proponents of membership say Britain will have more control over its destiny if it remains in the EC.

9. The outcome of the referendum will be determined by:

- the state of the economy this spring;
- the willingness of the other Eight to make further concessions in the renegotiations that will make British participation in the EC more palatable to the electorate;
- the nature of government's pre-referendum campaign.

Wilson's attitude is especially important. Opinion polls suggest that voters will opt for continued membership if the government takes a strong stand. Yet Wilson will be reluctant to impose party discipline lest it lead to resignations and possible splits.

10. The outcome of the referendum cannot yet be predicted. Staying in the EC means Britain would have a larger voice, especially in European affairs, while pulling out would probably deprive Britain of financial assistance from the other Eight.

11. On the other problems facing Britain, the Labor government has made little progress toward reaching a political settlement in Ulster. Continued violence, both IRA- and Protestant-inspired, in Ulster and in English cities is likely to increase the pressures on the government to pull out British troops from the province.

12. The force reductions recommended in the defense review, yet to undergo parliamentary scrutiny, try to strike a balance between

Britain's poor economic situation and the country's defense obligations. Left-wing Laborites are going to press for additional cuts in the UK's defense expenditures. The defense issue may be divisive for both the government and the Labor Party.

13. The UK's foreign policy will be influenced by the interplay and possible competition of three forces: a desire for good relations with the US, European ties, and British self-interests. Britain wants to maintain good relations with the US but if the UK decides to remain in the EC, European ties are going to become more important. Also, British self-interest can be expected to win out even if they conflict with US or EC policies. This will be especially true in the case of the Middle East because Britain needs OPEC oil and OPEC money at least until 1980.

14. Wilson is not likely to call an early election because he will not want to risk having the electorate hold the Labor government responsible for the poor economic situation and possibly reducing the slim parliamentary majority his party now has. Wilson's energies over the next several months are going to be concentrated on holding his party and government together.

[Omitted here is the remainder of the 13-page memorandum.]

236. Memorandum From the Director of the Policy Planning Staff (Lord) to Secretary of State Kissinger¹

Washington, January 29, 1975.

Notes on the British: The Wilson Visit

At the risk of carrying coals to Newcastle, there are some points I think deserve underscoring as you move into the Wilson visit.

However far Great Britain has fallen, British support counts as much today—and in some ways more—than in the past. In the depths

¹Summary: Lord discussed the importance of the UK on the eve of a visit by Wilson.

Source: National Archives, RG 59, Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 352, Jan. 16–31, 1975. Confidential. Drafted by Bartholomew and John Kornblum in S/P. Wilson and Callaghan paid an official visit to Washington from January 29 to 31. Memoranda of conversation recording their January 30 and 31 meetings with Ford and Kissinger, which covered economic policy, energy, and the Middle East, among other issues, are in Ford Library, National Security Adviser, Memoranda of Conversation, Box 9.

of the Cold War British room for maneuver was very constrained on the issues that counted most in the international system. But on today's issues of energy and economic interdependence and the Atlantic connection, Great Britain has more freedom of action; her interests coincide less automatically with our own; and what she does can have greater effect.

Yet at the same time there are powerful pressures pushing Great Britain toward a grasping little Englandism and a not so splendid isolationism, which could be damaging for us as well as for them. For too many North Sea oil is the *deus ex machina* that will save them from their domestic disorders and permit them to cock a snoot at an unruly world. Wilson thus far seems to have escaped a fatal case of the disease. But UK Planning Chief James Cable painted a somber picture of a British political class shot through with this thinking. (See the report on my talks with Cable sent you earlier.)

I think we are doing about as much as we can to keep the British with us and constructively engaged in the international system. We cannot make British membership in the EC our decision (or our quarrel), wherever our sympathies lie. But we should continue to do what we can to encourage the British political establishment and public opinion to remain committed to an active international role. And I think we need to be careful lest our reserved stance on EC membership lead some to think we discount Great Britain's international role and stance.

In fact, I think we should not discount the possibility that Great Britain—however depressed it now is—will recover some of her past strength and influence in the years ahead. She does have some things going for her: the “natural relationship” with the US (more for what it does for her vis-à-vis others than us); her equally “natural” position between Germany and France in continental affairs; the stimulant of North Sea oil; the tendency of many in all parts of the world, given half a chance or reason, to respect them and believe they count. And one does not have to be a hopeless romantic to see some chance that the old civility, and order, and excellence will reassert itself. In sum, this time might appear some years hence as yet another crossing of the desert for the British. Even the possibility of this should give the British (and us) added reason to hang on to their international role and avoid irrevocably diminishing it.

237. **Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford**¹

Washington, undated.

SUBJECT

Crisis in Ulster

The off-and-on ceasefire that has prevailed in Northern Ireland since Christmas and the gradual erosion of popular support for terrorism have encouraged British hopes that a foundation for moderation can be built that eventually will permit establishment of a workable government in Ulster based on power-sharing between the Protestant majority and Catholic minority. The UK feels that if London can assert control throughout the province and if the truce holds, proposed elections for representatives to a constitutional convention may be held this year. However, those two ifs and the separate question of whether a convention could draft a constitution that would protect Catholic minority rights indicate the long odds the British face in resolving the Ulster crisis. *Religious differences and resulting hatred between Protestants and Catholics in Northern Ireland are so deep-rooted that the prospects of a settlement remain very slim.*

Background

The effects of the Catholic-Protestant feud are far-reaching. Catholic charges of discrimination in jobs, housing and other aspects of daily life are justified. On the other hand, hardline Protestants fear that Catholics will usurp their jobs and erode Protestant domination, and that the province will be annexed by the Republic of Ireland.

The current strife began in the late 1960s as a civil rights protest which quickly turned militant. The Provisional IRA, which split off from the parent organization in 1969, soon became the protector of Catholic interests in Ulster. Despite the fact that many early supporters of the IRA have sickened of the violence that has killed 1200 since 1969, so long as prospects for a just settlement appear dim, the IRA will have the support of many Catholics who see it as their last and only means of defense.

¹ Summary: Kissinger discussed the crisis in Northern Ireland.

Source: Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 12, Ireland (2) WH. Confidential. Sent for information. Kissinger did not initial the memorandum. Clift forwarded the memorandum to Kissinger for his signature under cover of a March 6 memorandum, on which Scowcroft wrote, "Discussed with the President."

London's efforts to play a constructive role in Ulster are deeply affected by ancient distrust between Britain and Ireland, and ingrained prejudices on both sides. The UK would like to rid itself of the Irish problem, but opinion at home would turn against a government which deserted the Ulster loyalists. Northern Ireland is in fact both an economic liability and a drain on British military manpower. Last year's subsidies cost London approximately \$700 million and some 15,000 British troops are presently stationed in Ulster. Dublin's interest in Ulster stems from its desire to protect the Catholic minority and its aspiration for an eventually united Ireland, a goal nearly all Irish Catholics in both the north and south at least tacitly support.

The Sunningdale Initiative

A plan for a viable government in Ulster worked out by representatives from London, Dublin and Belfast at the Sunningdale conference in 1973 collapsed last May only five months after it was offered. That plan called for a bisectarian 11-man Executive body to head the 78-member Belfast Assembly, Ulster's local government. In a second stage, a Council of Ireland—the so-called "Irish dimension"—would have been set up with representatives from both parts of Ireland. The new system seemed initially to hold some promise but failed because:

—a devastating general strike in May by dissident Protestant trade unionists brought the province to a standstill and forced the government, headed by moderate Protestant Brian Faulkner, to resign.

—London was too eager to push ahead with the Council of Ireland.

The power-sharing idea remains alive, however, and London has continued to put forward plans to implement it.

The Ceasefire

An opportunity temporarily to end the violence occurred early last December, when the IRA agreed to a Christmas truce. Although the ceasefire finally ran out on January 16, the IRA did not resume large-scale hostilities and talks continued, with a group of Protestant and Catholic clergymen acting as an intermediary between the IRA and the British authorities in Northern Ireland. On February 8, the IRA declared an open-ended truce. To obtain the ceasefire, London agreed to end the policy of internment of terrorists without trial and to the withdrawal of some British forces in Ulster.

One innovation in the ceasefire has been the establishment of "incident centers," manned by British authorities throughout Northern Ireland, to report minor incidents to a central authority so that troops or police can be dispatched to prevent the development of major crises. The new approach seems to be working, but a decision by the IRA to

establish its own incident centers now threatens the truce. The IRA centers in Belfast apparently have assumed some policing functions in the Catholic areas—causing Protestant extremists to announce that they, too, will begin policing their areas. In effect, the controversial “no go” areas that accompanied the previous strife are being reconstituted, thus increasing the possibility of renewed sectarian violence.

Current Political Initiatives

The current British plan calls for the election of a 78-man convention to draft a new constitution. The British and the loyalist hardliners want early elections. The Protestant hardliners are convinced, probably correctly, that if elections were held now their candidates would fare quite well, thus making it difficult—if not impossible—for a convention to come up with a constitution that would adequately protect the interests of the Catholic minority.

The Dublin government and most Ulster moderates would rather postpone the election until fall, thereby giving moderate politicians—particularly on the Protestant side—time to regain the credibility they lost when the Executive failed last May. A delay would afford voters the opportunity to become accustomed to peace, lend credence to the moderate line, and reduce the hardliners’ appeal. The moderate Catholics in Ulster have in fact improved their position in recent months. The moderate Protestants are not as fortunate. There has been little mention of Brian Faulkner and his followers since last spring, while Protestant hardliners such as Paisley have continued to enhance their image as champions of the majority. *Despite the probable advantages of delay described above, the British nevertheless seem intent on adhering to a schedule that calls for elections this spring and the convention in early summer.*

Prospects

If the ceasefire fails and the British are unable successfully to carry through their plan for the convention, or if that body fails to work out a satisfactory constitution, the prospects are grim. Short of complete abandonment, nearly all other options would result in Britain’s increased involvement. Most conceivable solutions would be so unacceptable to one side or the other that only the continued—and possibly strengthened—presence of British troops would insure compliance.

—Further integration into the UK would incite the IRA and probably increase violence.

—Restoration of the old Protestant-dominated Belfast government would have the same effect.

—Further partitioning to delineate officially the Protestant areas would result in isolated patches of loyalist territory that probably would never be safe from IRA harassment.

—A British pull-out could trigger a civil war, with the powerful Protestant militants in a good position to annihilate the Catholic minority.

In the event of a civil war, it would be difficult to prevent outsiders, such as the Dublin government and elements of the Irish-American community in the U.S., from supporting the Ulster Catholics. UN intercession is another possibility.

Before further progress can be realized, the hold of the extremists must be broken. Only this can clear the stage for a political campaign in which moderates would be able to regain their influence. At the same time, the British may have to abandon, at least for the time being, the concept of an “Irish dimension,” perceived by Protestants as the first step toward unification with the Irish Republic.

238. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, November 20, 1975.

Mr. Secretary:

The attached (Tab A) is a delicate matter. The British are clearly on the verge of a number of restrictive trade measures. These would be quite consistent with their internal economic actions, recently announced.

At Rambouillet, they resisted flat reaffirmations of the trade pledge and frankly indicated that they might have to take certain specific protective steps. The final statement was, in accordance with British wishes, drafted somewhat less categorically than we would have liked.

¹ Summary: Sonnenfeldt forwarded an attached memorandum concerning the possibility of UK restrictive trade measures.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, Britain 1975. Eyes Only. The attached memorandum is confidential, exdis; drafted by McCarthy in EUR/RPE on November 20; and concurred in by Glitman and Hormats. Also attached but not published is a draft telegram containing the text of a letter from Kissinger to Callaghan. Kissinger did not indicate his preferences among the options proposed in the attached memorandum. At the top of Sonnenfeldt’s memorandum, Kissinger wrote, “Hal—You do it with Ramsbotham.”

The President, in his trade presentation, referred to the possibility of limited emergency trade measures in particularly acute or unusual circumstances and through consultations. Seidman paraphrased this in his public press conference. I take it you heard no other Presidential statement in response to Wilson's own foreshadowing of possible trade actions. If so, my impression is that what the British contemplate would go beyond what the President was saying and the British are stretching the quote to bless what they have in mind.

For us, the problem will be that when our press, and others, get through with commenting on the British moves, they will quickly imply, or state explicitly, that this shows the fragility, if not futility, of the economic summit (except for the monetary agreement which is already either being minimized or pictured as showing that Giscard in fact got the monetary conference he originally proposed since this was the only concrete agreement). What has so far been on the whole a positive assessment, both inside and outside the Administration could thus gradually become sour.

On the other hand, it is very clear that for the British these proposed actions are highly important. As far as I know there is no great controversy about them in the Cabinet, except that some want even more. Consequently, a message from you to Callaghan, especially one that accuses the British of distorting the President's meaning—which they in fact have done—will not be welcome, nor helpful in internal British debates, if any remain.

I think there is a real dilemma. Possibly a less potentially explosive form of intervention by you would be a talk with Ramsbotham, making essentially the points in the note but less formally.

I do think we must make at least a record of having tried to forestall this British action.

Sonnenfeldt

Attachment

Action Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Hartman) and the Acting Assistant Secretary of State for Economic and Business Affairs (Katz) to Secretary of State Kissinger

Washington, November 20, 1975.

Letter to Callaghan on Possible British Trade Restrictions

There are new indications that the British are considering giving in to domestic pressures to adopt import restrictions in a few industry sectors, such as electronics, footwear and textiles. A senior British Treasury official hinted as much at an OECD meeting on Tuesday (and provoked a strong negative reaction from all).

Moreover, Prime Minister Wilson, in an apparent effort to give such action an American benediction, has just stated “We do not rule out protectionist measures for particular industries suffering or threatened with serious injury as a result of increased imports, on the basis of what President Ford described as particularly acute and unusual circumstances. There have been some signs of lethal attacks directed to destroying two or three sectors of industry for the permanent future.” In our view Wilson has taken the President’s remarks, which were designed to allow for limited anti-dumping, escape clause and counter-vailing duty type actions, where justified, considerably out of context in this reference.

Adoption by the British of restrictive measures would dash the hopes raised at the Summit, increase protectionist pressures in all the industrialized countries, and could lead to an avalanche of restrictions and the demise of the OECD trade pledge.

We recommend that you move now to reassert the U.S. position against trade restrictions in a letter to Foreign Minister Callaghan. Such a reassertion would also be helpful to those in HMG who oppose a UK resort to import restrictions.

Recommendation:

That you approve the attached telegram containing the text of a letter to Foreign Minister Callaghan.

239. Telegram 289664 From the Department of State to the Embassy in the United Kingdom¹

Washington, December 9, 1975, 1537Z.

Subject: Message from Secretary to Foreign Secretary Callaghan on British Defense Cuts. Refs: A. London 18789; B. NATO 6729 (both NOTAL). Embassy should convey following message to Foreign Secretary Callaghan:

Begin text.

Dear Jim:

Because I understand the British Cabinet will meet on December 9 and will address defense spending, I am writing you in advance of our meetings in Brussels and London to express concern over any further reductions in the UK defense budget.

As we have agreed in the past, our policy of détente can succeed only if we preserve an acceptable military balance. Congressional pressures on U.S. defense spending can only increase if our principal allies do not resist making cuts of their own.

The defense cuts your government made last year drastically reduced Britain's ability to play an international role, and cut to the minimum Britain's ability to maintain its forces and reinforcement ability in Europe and the Mediterranean. Any further defense reductions would weaken Britain's influence as a NATO ally, with important implications for future European stability. I am sure you are aware that America's long-term relations with the UK will inevitably have to take into account Britain's standing as a partner in our common security enterprise.

I hope you will be able to use your influence to stem any further reductions. I look forward to seeing you later this week.

Warm regards,

Henry A. Kissinger

End text.

Kissinger

¹ Summary: The Department forwarded a message from Kissinger for delivery to Callaghan concerning the possibility of further UK defense cuts.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 15, UK—State Department Telegrams from SECSTATE—NODIS (4). Secret; Flash; Nodis. Sent immediate for information to the Mission to NATO. Drafted by Vladimir Lehovitch and Gerald Helman in EUR/RPM; cleared by Lowenstein, Sonnenfeldt, and C. Arthur Borg in S/S; and approved by Kissinger. In a February 19 memorandum to Scowcroft, Clift summarized a February 17 message from Mason to Rumsfeld on the UK defense cuts. (Ibid., Box 15, UK (6))

240. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, March 11, 1976.

SUBJECT

Northern Ireland—Gun-Running and Other Foreign Support for the IRA

A terrorist incident in Northern Ireland on January 5, 1976 in which ten Protestants were killed provoked renewed British and Irish criticism of illicit American support for the Irish Republican Army (IRA). According to police reports, American Armalite rifles and M-1 carbines were used in the January 5 attack, weapons the police charge are bought in the United States with money provided by sympathizers of the IRA. Only two weeks before the attack, Prime Minister Wilson delivered a particularly harsh speech to the Association of American Correspondents in London, charging that most of the modern weapons now reaching the terrorists in Northern Ireland are of American origin—"possibly as much as 85 percent of them."

The following paragraphs summarize the investigations of both CIA and Justice and conclude that most weapons used by the IRA are obtained either in the UK, the Republic of Ireland or Ulster. As a result of Justice Department prosecutions, instances of American gun-running have declined, although the considerable funds collected in the U.S. by IRA sympathizers apparently are being used to purchase weapons elsewhere.

Despite the impression created by the frequency of incidents, terrorism in Northern Ireland involves relatively few people and modest amounts of matériel. The British suspect that small quantities of arms and explosives are regularly taken into Northern Ireland from Britain and the continent by private pleasure craft and airplane. Passengers on ferries plying the Irish Sea between England and the Republic of Ulster can bring in guns and ammunition in their luggage or hidden in their

¹ Summary: Scowcroft discussed gun-running and other foreign support for the IRA.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 7, Ireland (2). Secret. Sent for information. A stamped notation on the memorandum indicates the President saw it; Ford also initialed the memorandum. The January 22 CIA report on "Sources of Support for Dissidents in Ulster" and Attorney General Edward Levi's February 27 letter to Scowcroft reviewing the status of Northern Ireland gun-running investigations are both *ibid.* On March 20, UK official John Moreton thanked Scowcroft for "the forthright terms in which the President and the Prime Minister of Ireland condemned support for violent organizations operating in Northern Ireland in the joint communiqué which they issued on 18 March." (*Ibid.*, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (21)) The memorandum of conversation of Ford's March 17 meeting with Cosgrave is *ibid.*, Memoranda of Conversation, Box 18.

cars. With the exception of the north-south border, customs are relatively relaxed.

The British claim that 32 percent of the IRA's weapons come from the UK, 26 percent from the US, 9 percent from West Germany, 5.4 percent from Canada and lesser amounts from other countries. Less than one percent come from the USSR and China. The high percentage of American weapons alluded to by Prime Minister Wilson in his December speech actually refers only to "modern" weapons, a distinction the British occasionally blur.

The support arm of the IRA in the U.S. is the Irish Northern Aid Committee, registered here under the Foreign Agents Registration Act as an agent of the Northern Aid Committee, Belfast. According to required registration statements, the Committee has raised almost \$1.5 million, ostensibly for the relief of suffering in Northern Ireland.

U.S. Steps to Curb Gun-Running. In late 1971, a task force of officials from the Departments of Justice and Treasury was formed to supervise and coordinate all investigations and cases involving weapons violations by persons apparently acting to support the terrorism in Northern Ireland. Close liaison was established with the British Government. As of early this year, 12 indictments involving twenty-two individuals have been returned and one complaint filed as a result of these investigations. Two of the cases have resulted in convictions or pleas of guilty and two are pending trial. The charges in these prosecutions have primarily involved violations of the Gun Control Act of 1968, although in four cases the defendants were charged with the export of implements of war without the approval of the Secretary of State. Collectively, almost 700 weapons are involved in these cases. Additionally, investigations have been conducted in a number of cities but failed to produce sufficient evidence to warrant a grand jury investigation.

The Attorney General advises that the prosecutions undertaken by Justice have had a deterrent effect on American participation in supplying weapons to the terrorists in Northern Ireland. The Treasury Department's Bureau of Alcohol, Tobacco and Firearms reports that there is no evidence that large numbers of weapons for the IRA are currently being purchased in the U.S.—although the large scale of fund-raising activities probably provides money for the purchase of weapons and explosives both here and abroad.

This status report on U.S. and other foreign support for the IRA and efforts underway to combat American gun-running is provided for your information. Appropriate talking points will be included in the briefing paper for your meeting with Irish Prime Minister Cosgrave on March 17.

241. Telegram 4202 From the Embassy in the United Kingdom to the Department of State¹

London, March 17, 1976, 1814Z.

CINCUSAFE, USDOCOAIRSOUTH and CINCEUR for POLADS. Subject: Why Wilson Resigned and Some Implications. Ref: (A) London 4122 (NOTAL); (B) London 4140 (NOTAL); (C) State 64364.

Summary—In our view, Prime Minister Wilson resigned precisely for those reasons stated in his official statement: at age 60 he had led Labor Party for 13 years, 8 of them as Prime Minister; he did not wish to deny others a chance to serve; he felt it essential to allow successor to have time to make his (or her) imprint on government and party before facing general election; and he was concerned that continuation in office might preclude searching consideration of new solutions to recurring problems. We discount totally other reasons which have been suggested in public and private speculation. Health, last week's left-wing revolt, family pressures, or incipient scandal, among them. Foreign Secretary Callaghan is favorite to succeed Wilson but his election is by no means assured. Chancellor Healey, Employment Secretary Foot and Home Secretary Jenkins are other leading contenders. Whoever is selected, however, can probably count on honeymoon period in terms of internal Labor Party strife—Wilson resignation will be factor for cohesion. We also take issue with several specific points raised in INR's assessment (reftel C). End summary.

1. Wilson's March 16 announcement of his intention to resign as soon as Labor Party can choose successor came as surprise to everyone but Queen and his closest personal advisors whom he informed last December. Latter group included George Thomas, now Speaker of the House of Commons, Lord Goodman (his attorney), Joe Haines (press advisor) and Deputy Leader Ted Short. Foreign Secretary Callaghan, who appears to be Wilson's personal preference to succeed him, was also advised several days in advance, perhaps over previous weekend.

¹ Summary: The Embassy discussed the reasons behind, and implications of, Wilson's resignation as Prime Minister.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976, [no film number]. Confidential; Priority. Sent priority for information to Bonn, Brussels, Copenhagen, Dublin, The Hague, Luxembourg, Paris, Rome, Lisbon, Madrid, Oslo, Stockholm, Vienna, Helsinki, Cairo, New Delhi, Tokyo, Peking, the Mission to the EC, the Mission to NATO, the Mission to the OECD, CINCUSAFE, USDOCOSOUTH, USCINCEUR, CINCUSNAVEUR, CINCUSAREUR, and USNMR SHAPE. Wilson resigned on March 16; Callaghan took over as Prime Minister on April 5. In telegram 5600 from London, April 9, the Embassy concluded that Callaghan would "have little room to maneuver and that his capacity to impose significant change on current government policies and programs, should he desire to do so, will be severely limited." (Ibid.)

2. Wilson's formal announcement set forth four basic reasons for his decision, allegedly taken in March 1974, to resign near his sixtieth birthday which occurred last week. They were:

—He had led Labor Party for 13 years, 8 of them as Prime Minister, longer than any peacetime predecessor this century, and served on the Front Bench nearly 30 years;

—He had duty to country and party not to remain in office so long that others were denied chance to lead (at this point he made particular reference to age factor, asserting that while 60 was proper age for him to retire, it should have no bearing on question of his successor—this was generally regarded as boost for Callaghan who will be 64 this month);

—This is proper time for change, as it will allow successor to make his (or her) mark on government and party before having to face general election, and not prejudice next month's budget or upcoming negotiations with unions over next round of wage restraints; and

—He believes there is danger, to which he had always been alert, that long-time incumbents tend not to give fresh consideration to recurring problems.

3. Announcement immediately sparked speculation as to "real" reasons for Wilson's resignation—poor health, family pressures, last week's left-wing revolt which necessitated confidence vote and impending scandal involving Wilson were among the more popular possibilities suggested. Wilson denied them all, except the scandal hypothesis which was not raised publicly. His health, he said, was excellent, and he cited his last medical examination in support. His robust appearance provides further substantiation, if such is necessary. Family pressures, he said, played no role in his decision, and he asserted that "I always make such decisions in my family." This too would seem to be supported by observation during his 30 years in the public eye. He explicitly discounted suggestions that last week's revolt by tribune group MPS and the subsequent vote of confidence had anything to do with his decision. Indeed, he hinted that the rebellion and concern that resignation might weaken the pound on international financial markets actually delayed his announcement (we believe this to be the case). Some private speculation has centered on possible (but undefined) scandal involving Wilson, though there is not one shred of evidence that would support this suggestion.

4. We are inclined to accept reasons set forth in Wilson's statement at face value, adding only that throughout his long career he has had a penchant for the surprise masterstroke which left his adversaries confounded and, on closer examination, proved to be a brilliant maneuver. His snap resignation may well come to be regarded as one of his most astute moves. As he noted, it will give his successor a chance to make

his mark before elections. It should also increase internal cohesion, at least in short run. His successor is likely to enjoy a honeymoon period respite from Labor's left/right feuding, since all elements of the party are acutely aware that a general election immediately following a change in leadership could prove disastrous. TUC will be particularly conscious of this factor and it may well have bearing on outcome of government/TUC negotiations over next round of wage restraints. Finally, resignation provides a perfect opportunity to replace several of the older Cabinet members (e.g., Ted Short, Barbara Castle, Fred Peart, William Ross) without disturbing Labor's narrow majority.

5. It is too early to predict who will eventually emerge as next leader—indeed the candidates have yet to be identified—though Callaghan remains clear favorite. Other principal contenders, in accord with our current assessment of relative strength, are: Chancellor Healey, Employment Secretary Foot and Home Secretary Jenkins (Callaghan, Foot, and Tony Benn have already announced). Foot will clearly be strongest and perhaps only viable left-wing candidate. Jenkins may well run ahead of Healey on first ballot, but we believe latter is more likely to attract additional support in successive rounds, should they prove necessary. Other prospective candidates, all of whom must be considered long shots, include: Environment Secretary Crosland and Prices Secretary Shirley Williams.

6. INR's initial assessment (reftel C) arrived as this cable was being prepared. We would take exception to following points therein:

—Wilson's closest confidants, in addition to Queen, have been aware for several months of his intention to resign near his sixtieth birthday;

—Best explanation for resignation is the simplest, i.e., Wilson's own publicly announced reasons; recent left-wing revolt, if it had any effect, merely delayed announcement a few days;

—Michael Foot is favorite candidate of left-wing; Benn's candidacy will enjoy substantial left-wing support only if Foot does not stand;

—While Healey's brutal attack of last week on left-wing has hurt his chances, he cannot be entirely discounted if Callaghan fails to win on first ballot, especially if, as has been reported by some parliamentary Labor Party sources, Michael Foot would prefer him to Callaghan; Healey also enjoys close relationship with TUC leader Jack Jones;

—Election of new leader is likely to have positive effect on party cohesion, at least through October and perhaps later;

—While Conservative leader Thatcher has already called for general election, government will resist and we believe prospects for early election are remote; moreover, assumptions about outcome of general

election based on projection of five percent swing to conservatives are misleading, if only because of highly volatile situation in Scotland.

Armstrong

242. Briefing Memorandum From the Assistant Secretary of State for Economic and Business Affairs (Katz) to Secretary of State Kissinger¹

Washington, September 30, 1976.

U.K. Seeks Large IMF Loan

During the week ending September 28, the pound declined by nearly 8 cents to \$1.6378, a record low. This downward movement reflected general lack of confidence in British economic policies rather than any specific economic event. The Bank of England remained on the sidelines, making no real attempt to shore up sterling through exchange market intervention. In order to bolster confidence, however, the U.K. announced September 29 that it would seek to draw its remaining credit tranches from the IMF. Taking into account the 45 percent expansion of credit tranches agreed at Jamaica, these loans would total roughly \$3.9 billion. At least \$1 billion would be needed to repay earlier short-term credits from Group of 10 nations.

First reactions in the market to the British move were skeptical but the tone today was somewhat more positive with sterling rising sharply and topping \$1.70 at one point. In general, speculators are not yet convinced that the British Government can implement domestic economic measures tough enough to relieve pressure on the pound.

¹ Summary: Katz discussed the declining value of the British pound.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 United Kingdom. Limited Official Use. Drafted by Thomas Forbord in EB/IFD/OMA; cleared by Ernest Preeg in EB/IFD and Norman Achilles in EUR/NE. Katz did not initial the memorandum. In a July 22 message to Ford, Callaghan discussed the UK budget cuts announced that day. (Ibid., Box 4, Britain 1976) In a July 29 memorandum to Kissinger, Sonnenfeldt said “that the British economic actions are almost certainly right in economic terms;” however, he cautioned that “there should be no illusion as this process of retrenchment proceeds, hopefully bringing with it a measure of economic stability, the British defense and international role will continue to diminish. It may be quite true that there is no immediate impact on the UK NATO contribution but obviously there will be an impact as weapons and equipment procurement gets slowed down; and there is also a ripple effect as other countries similarly retrench.” (Ibid.)

Senior British officials have told our Embassy in London that there is no disposition in the British Government to change existing economic policies. The IMF will probably, however, insist on some tightening as a condition for the credit tranche drawings. Our Treasury has also been urging more restrictive policies in private talks with British counterparts. We are concerned that the Department has not been consulted sufficiently by Treasury on this sensitive issue and are taking steps to assure closer coordination.

If, as is likely, the IMF standby provides insufficient financing to get the British out of the current crisis, they will probably ask us for bilateral support in the form of medium-term credits. They have already made some tentative approaches along these lines. In addition, we will have to put up considerable money under the “General Agreements to Borrow” to provide the IMF with enough liquidity to meet yesterday’s British request for funds.

243. Memorandum From the President’s Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, undated.

SUBJECT

Message from Prime Minister Callaghan

Prime Minister Callaghan, via the Cabinet line, has sent you a message (Tab A) expressing gratitude for your sympathetic response to his

¹ Summary: Scowcroft discussed a message from Callaghan on the UK economic situation.

Source: Ford Library, National Security Adviser, NSC International Economic Affairs Staff Files, Box 3, Country File, United Kingdom (2). Secret. All brackets are in the original. Attached but not published is Tab A, a September 30 message from Callaghan to Ford. Scowcroft did not initial the memorandum. In an October 2 memorandum to Kissinger, Rogers reported that he, Scowcroft, Hormats, Greenspan, and Yeo, had concluded “that the U.S. Government must be exquisitely careful not to give a false signal to the British, publicly or privately, about our willingness to plead their case with the Fund” and “that this financial issue is becoming too important to be left exclusively to the Treasuries. We are therefore institutionalizing the interagency consultations.” (National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 18, NODIS Memcons, September 1976 (Folder 6)) Yeo discussed the situation in London with UK officials. (Backchannel message 325 from London, October 3; Ford Library, National Security Adviser, NSC International Economic Affairs Staff Files, Box 3, Country File, United Kingdom (2))

current difficulties and for your agreement that UK discussions with the IMF should be expedited.

Callaghan states that he is convinced that his general strategy is sound and that the pound's decline earlier this week has been almost wholly because of speculative selling. He points out that the UK has cut its rate of inflation by half in the last year, is reducing its government deficit next year to 3%, has announced a tight guideline for the money supply, obtained agreement of the trade unions to a tighter realm of incomes policy. He indicates, however, that the UK could not afford to continue support for sterling in the face of such speculation even though it realizes that a stable exchange rate is in its interest and that of the West in general. Callaghan believes that if he can get a quick and sympathetic response from the IMF *on the basis of its present policies and announced objectives*, the pressure of the pound should be eased, at least in the short term.

Callaghan adds, however, that sound UK policies are subject to special and separate risks resulting from the possibility of major withdrawal of sterling balances which currently overhang the market. These constantly threaten to magnify small decreases in the rate of exchange, creating chaotic conditions such as those experienced earlier this week. [There are roughly \$5.5 billion worth of sterling outstanding—held primarily by Nigeria (\$1.5 billion), Saudi Arabia (\$1.4 billion), and Kuwait and Abu Dhabi (\$2.2 billion).] Callaghan indicates that this overhang problem must be solved if the British economy is to be held on a straight course and if its policies are to be given a chance to succeed. He hopes that a solution could be found to this problem, which would not require any significant lending by the UK's partners over and above that being made available through the IMF and that the existence of a "contingent loan facility" linked to the sterling balances would suffice to exert a significant calming effect. Without such a solution the UK would be forced into action which would put at risk the UK's contribution "as an ally and a partner in the Western Alliance and its value as a member of the International Trading Community". He intends to do everything he can to fight against this, but it is not a problem the UK can "tackle by ourselves".

Callaghan would like to discuss these matters further with you in due course, and Denis Healey is thinking of talking to Bill Simon soon after Manila.

Comments on Message

The two essential points of the Callaghan message are: one, that present UK policies and objectives are adequate to deal with the UK problem, thus implying that the IMF should set no new conditions on UK policy or performance. In fact, it is likely that the IMF *will* insist on

greater restraint on public spending and slower growth in money supply. Callaghan doubtless fears that such measures would worsen Britain's unemployment level, which is at a 30-year high. Without such measures, however, Britain is likely to continue to have to borrow heavily. The difficult task will be to figure out a balance between measures necessary to achieve domestic stability and thus reduce Britain's dependence on external borrowing but which also avoids too sharp a cutback in public spending, too severe an increase in taxes, and too abrupt a drop in money creation, which would significantly worsen unemployment.

The second point is that the British are seeking a separate solution to the sterling overhang problem—the roughly \$5.5 billion held abroad which Callaghan fears could be sold in a way which would create chaotic conditions in the currency market. For a number of years, this has been a problem for Britain. The obvious answer to the problem is success by Britain in stabilizing its domestic economy in order to increase confidence in those countries which hold sterling, coupled with enough potential borrowing power from the IMF to avoid minor disruptions in the currency market which would cause sterling holders to dump their currency. We will have to explore this issue further with the British to determine just what they have in mind.

Ed Yeo is going to the UK tonight, and should gain a clearer picture of what the British have in mind on both issues.

The British are clearly at a critical stage in their economic decision-making. Their belt-tightening efforts of the last several months are perceived as inadequate by the international financial community—which is today less confident than in the recent past in the ability of the British government to hold down its wage and government spending policies. The settlement of the threatened seamen's strike last week was seen by a number of people as potentially inflationary; although the actual pay increase fell within the government's guidelines, fringe benefits included in the package will be very costly. In addition, the increase in the money supply for the three-month period ending in mid-August was at a rate of 16%, well above the target rate of 12%. Furthermore, roughly £900 were sold in the second quarter.

This data combined with no further progress in reducing the inflation contributed to the recent weakening of confidence in the British economic outlook. These overshadowed the recent successes of the British economy, such as lower than expected government borrowing requirement and some improvement in the trade balance. On top of these developments, pronouncements of the Labor Party conference regarding nationalization of banks and insurance companies, dissatisfaction with the government's restraint of the growth of public expenditures, and the strength of the left wing of the Labor Party in the election

of the party executive, even though these have little influence on the policy of the UK government, would appear to have had an adverse influence on the foreign exchange markets.

Thus, while the drop in sterling has been in part due to a psychological reaction, or as Callaghan calls it “almost wholly speculative selling, bearing little relationship to an underlying economic position and prospect”, it is also a result of the market’s perception that the British economic performance still leaves something to be desired. The major question which will have to be addressed by Britain and the IMF is what actions Britain must take to make greater progress toward stability, and which of these actions Britain believes to be politically tolerable in light of its domestic unemployment situation and labor pressures. *It is clearly undesirable for us to become involved in negotiations with the IMF.* If, for instance, we press the IMF to be more lenient on the UK, the result may be insufficient progress in the UK toward equilibrium and thus a continued reliance on foreign borrowing. This would only postpone the inevitable crisis. On the other hand, we should be as helpful as possible to the British in encouraging them to find the most satisfactory ways of reducing their monetary supply and curbing government expenditure. If Callaghan and Healey desire it, this could mean strengthening their hand versus the Labor left by applying a combination of pressure and support.

244. Memorandum From the President’s Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, October 3, 1976.

Secretary Simon has sent you the following message from Manila:

“In anticipation of your being asked about the United States attitude toward British financial difficulties, I wanted to bring you up to date about discussions which Arthur Burns, Bill Seidman, and I have had here in Manila with the British authorities.

¹ Summary: Scowcroft relayed a message from Simon on his discussions with UK officials concerning the pound’s declining value.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 15, United Kingdom (8). Secret. Sent for information. Simon was in Manila for the IMF and World Bank annual meetings.

“In June, 1976, the U.S. agreed to participate in a short-term (ending December 9, 1976) line of credit for the British in the amount of \$2 billion, our share of a total of \$5.3 billion. It was agreed that should the British be unable to repay any outstanding amounts, they would borrow from the IMF, on the basis of any economic program acceptable to the IMF.

“Last week, the British announced their intention to request a \$3.9 billion loan from the IMF, a portion of which would be used to repay outstanding obligations under the line of credit mentioned above. The British have not begun negotiations with the IMF as to the policy conditions that would be required by the IMF and we understand that such negotiations will not begin until November.

“We believe that you should avoid any suggestion that the United States will provide any direct financial assistance to the British beyond the line of credit mentioned above. Should you be asked about this matter, I suggest you make the following points:

“1. Although the British have announced their intention to seek additional financial resources, the details of the program that would be agreed with the IMF have not yet been worked out.

“2. The conditions with respect to economic policy will be negotiated between the British and the IMF. Such negotiations are the responsibility of the IMF.

“3. We continue to believe that countries in need of balance of payments financing, as in the case of the British, should seek such financing from the IMF, the multilateral institution created for the purpose.

“4. The United States will support a British request that is based on a program that is satisfactory to the IMF.”

245. Letter From British Prime Minister Callaghan to President Ford¹

London, November 12, 1976.

Dear Mr. President,

I was most grateful to you for agreeing that Harold Lever should come over to Washington at such short notice, and in particular for your willingness to see him yourself.

Harold comes very much as my personal emissary. He will not, of course, be expecting specific decisions during the course of his visit and we shall endeavour to play down the visit with the Press. Nevertheless the British Government is going to face critical decisions in the next ten days: and if we were forced to go in a certain direction it would be bad both for us and for the Alliance. I want you therefore to know what is in my mind and also the kind of help that would be most valuable.

At Puerto Rico I told you that we were determined to take firm action to get our economy back on course even if it meant delaying or sacrificing some of our political goals. We took this action in July when we chopped no less than £2 billion off the prospective Government deficit next year by cutting programmes and raising taxation. This was in addition to the £3 billion cuts made earlier in the year. In political terms this was difficult to do, particularly at a time of high unemployment: but nevertheless we did it, and hoped we were through the worst.

Since then, two things have gone against us. Firstly, the pace of world recovery has been less than we all expected and has thus helped us less: and due largely to the recession and the movement of interest rates, the Government deficit next year is now forecast to increase. Thus despite the July cuts we find ourselves running hard to stay in the same place. Secondly, we are living under the continual shadow of withdrawal of the sterling balances. As a result of these two factors we have had to apply to the I.M.F. in order to repay what we have drawn from the \$5.3 billion stand-by and to finance the deficit we expect next year.

The I.M.F. team are currently with us and we are discussing the situation very frankly with them. It may be—although we have not con-

¹ Summary: Callaghan discussed the UK economic situation.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 15, United Kingdom (9). Secret. A November 17 note from David Passage, Kissinger's Special Assistant, to Sonnenfeldt attached to another copy of this letter indicates that Lever brought the letter with him from London to Washington. (National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, Britain 1976) In a November 10 message to Ford, Callaghan proposed sending Lever to Washington to discuss the UK economic situation. (Ibid.)

ceded this yet—that we shall have to take some further action to reduce the Government deficit. I am however quite clear about one thing: the orthodox approach of the bankers and monetarists to solve the problem through massive deflation would be catastrophic, not just for this Government but in a wider sense. If we were to undertake further significant deflation, the economy would be on an unacceptable downward ratchet, with revenues down, unemployment up, and production hardly moving. We should be pressed to look at a strategy of long-term protection with all that that would imply. But I think that it could also strain the social cohesion of our people to a very dangerous extent. We have often talked privately about the problems of the Southern Flank: and I do not think you would want to see us either irresolute as an ally or turning to political extremes of either Left or Right.

In fact, our prospects are good provided we can get through to 1980 when we shall reap the benefits, both of North Sea oil and our industrial strategy. Furthermore, I am determined to see this through. Our recent Parliamentary difficulties have been exaggerated out of all proportion in the Press. But if we are to pursue our present path steadfastly, we need a new factor in the situation, and we shall need help from the major contributors to the I.M.F. to ensure that the latter do not try to push us too far.

Even so I will have a big political problem in carrying with my Cabinet and my Party the decisions we shall have to take in the next week or so unless I can feel assured that the action we take will not thereafter be undermined by having pressure arising from the overhang of the sterling balances. Harold Lever can explain our ideas to you, both as regards method and timing.

You have been a good friend to us, and I know that you remain so. What I am asking is that you and Henry will take a close interest in the discussions of our economic problems over the next few weeks, to ensure that the orthodoxy of the monetarists is tempered by wider political considerations that can have an effect not only on Britain's domestic scene but have repercussions in the broader world scene.

With warm regards

Yours v. sincerely

Jim Callaghan

246. Memorandum From Secretary of the Treasury Simon to President Ford¹

Washington, November 15, 1976.

Harold Lever is coming as a representative of Prime Minister Callaghan. His visit is delicately timed. After some days of essentially technical discussions, the IMF team (headed by Alan Whittome) is getting down to the key elements in its negotiations with HMG. The Lever visit is in the context of the meeting at Chequers between Prime Minister Callaghan and Chancellor Schmidt (October 10); the EC Finance Ministers' meeting (November 8); the Basle central bankers' meeting (November 8, 9), and Callaghan's meeting with President Giscard (November 12), at Rambouillet.

At each of the above meetings the British consistently pushed the view that much of their problem is the sterling balances, and that if these balances were "funded" by large scale international credit, this would go a long way toward alleviating the UK's problems. In a number of instances (Under Secretary Yeo's talks with Chancellor Schmidt, our spokesmen at the Basle central bankers' meeting) we have indicated that we felt the center of attention ought to be on the IMF negotiations, and that we shouldn't be diverted by talk of funding sterling balances.

Funding sterling balances is an elusive concept, particularly when one asks the British exactly what they mean. In the narrowest sense this can mean the British guaranteeing holders of official sterling balances against any further depreciation of the pound, and as a complement, her allies providing short-term credit designed to demonstrate to the holders of official sterling balances (central banks and other official bodies) that the UK has the capacity to repay.

In its broadest sense "funding sterling balances" can involve something like the suggestion the British submitted to the Germans—that private as well as official holders of sterling balances be guaranteed, and that the UK be granted for this purpose a \$10 billion line of credit, with amounts drawn down under this line to be repaid in ten years.

¹ Summary: Simon discussed Lever's visit to Washington and the UK economic situation.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 15, United Kingdom (9). Secret. On November 3, Yeo briefed Kissinger on his recent trip to Germany, where he discussed the UK economic situation with FRG officials. (Memorandum of conversation, November 3; National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Memcons, November 1976)

(The balances total about \$10 billion equivalent—half official, half private.)

On either the narrow or the broad basis, funding of sterling balances involves the extension of credit—perhaps \$5 billion if the purpose is only to “fund” official balances, or \$10 billion if the idea is to “fund” both official and private balances. This is separate and distinct from IMF loans, which if the \$3.9 billion package is successfully negotiated, will total \$5.9 billion. Britain borrowed \$2.0 billion from the Fund in January of this year. Another dimension is the *term* of the credit. The 1968 sterling guarantee operation involved short-term swaps—six month maturity. The recent British proposal to the Germans called for 10 year maturity.

In addition to official borrowings such as from the IMF, Britain has been borrowing huge amounts in the private capital markets over the past eighteen months. We estimate \$3.5 billion has been borrowed by British Government entities. This, plus a reduction of reserves of \$2 billion, official borrowings on the June swap line to date of \$1.5 billion, and an IMF drawing of \$2 billion, has provided the \$9 billion that has been used to support sterling which has fallen from \$2.32 to \$1.62 over the same time period.

The problem is not sterling balances. Focussing on that issue deflects scrutiny from UK economic policy and appeals to a limited component of UK public opinion that likes to ascribe its difficulties to an evil and insidious force like “sterling balances.” The real problems are:

1. The British have lost control over the budget. Since 1972 budget outlays have increased 129% to a point where they represent 59% of GDP at factor cost. The deficit has increased by 360% from 4.5% of GDP to 10.3%.

2. In the British system the linkage between the size of the deficit and monetary policy is more direct than in the U.S. It is extremely difficult to control monetary policy with a deficit equal to 10.3% of GDP. In the third quarter, money supply grew 27% despite repeated promises to us that monetary policy would be firm. This lack of monetary control was the principal reason for the sterling crisis this fall.

3. If the UK attempts to operate with a huge deficit, and at the same time conduct a firm monetary policy, the result is that there are not enough funds available to permit growth of the private sector—particularly in the vital investment area where the UK has lagged so badly. High interest rates are the symptom of this.

4. If the country operates with a huge budget deficit, and a monetary policy that does not squeeze out private investment, the result is likely to be a relatively high rate of inflation. As a result, sterling is likely to depreciate relative to other currencies. (The inflation rate in the UK is presently about 14% and rising.)

5. When the price of sterling falls, import prices rise and the general price level also rises. This in turn places even greater stress on HMG's incomes policy, because while the unions are exercising restraint on pay settlements their members are suffering an erosion in real wages. At some point the policy of wage restraint collapses.

The broad strategy of this Government and the one that preceded it has been to finesse substantive solutions and to borrow large quantities of money to try to hold sterling.

The issue is whether we are going to continue to be a party to this unsatisfactory approach. An even broader issue is whether a country like the UK can be encouraged to adopt an alternative strategy—one that combines money and changes in policy—which is the essence of the IMF approach. It is essential that the answer to this broader question be in the affirmative. If it is seen that the UK has not changed its basic strategy, the result is likely to be no more satisfactory than the record of the past 18 months. In fact, the result could be even less satisfactory, since the UK cannot continue to borrow funds at anything like the recent and contemplated rate. In financial markets their credit will collapse. In a political sense they have been drawing heavily on the stock of good will in principal countries around the world, and this too can be exhausted.

Unhappily the success or failure of the effort to nudge the British in a new direction has an even broader impact. The international monetary system is under enormous strain. Private lenders, including many of our principal banks, have been large lenders to many countries. If it becomes clear that a politically clever country like the UK can, with the help of its friends, continue to avoid dealing with its problems, lenders will have to question whether the formulation that you fashioned in Puerto Rico—based on support for effective policy changes—actually works in practice. In addition, other countries—notably Italy, Mexico and Brazil—will be forced to question whether they should undertake difficult measures if the British can avoid policy changes and the distasteful, short-term political consequences.

The reaction of lenders would probably be to slow down the rate at which they are providing credit to countries in deficit (on an individual basis and faced with such a situation they should). The result of this would be incredible monetary strains.

One of the tragedies in the present situation has been the time and energy devoted to finding ways of borrowing more money. If that same time and energy had been devoted to creating the political basis for the policies that ultimately must come, the outlook would be different. The signs are many that there is a considerable base of support in Britain for policies that deal with the real problems. But this latent support has not been translated in concrete terms and Britain's political crisis con-

tinues—indeed deepens. Harold Macmillan’s call for a coalition government is symptomatic of the crisis and the sense that the Government has not been dealing with the real problems.

In concrete terms this means supporting the IMF’s efforts to negotiate a sound stabilization program which will combine foreign financial support with UK policy changes, and avoid any commitment of even larger amounts of money. Whether further financial support is needed or desirable can only be gauged *after* the successful conclusion of the IMF–UK negotiations, and dependent on the emergence of strong political leadership directed at fostering support for policy changes which assures that a sincere and skillful effort is going to be made.

William E. Simon

247. Memorandum of Conversation¹

Washington, November 16, 1976, 11:00 a.m.–12:05 p.m.

PARTICIPANTS

American

President Ford
General Brent Scowcroft
Robert Hormats

British

Harold Lever, Chancellor of the Duchy of Lancaster
Sir Peter Ramsbotham, Ambassador to the US
William S. Ryrie Minister (Economic)

¹ Summary: Ford and Lever discussed the UK economic situation.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 15, United Kingdom (10). Secret. The meeting took place in the Oval Office. Earlier that day, Kissinger told Ford: “I would not weaken now. Tell Lever you will think about it and then write Callaghan to negotiate with the IMF. If that fails, you may have to tell Burns to roll over the debt for a couple of months. I don’t think you should have this on your hands—possibly the fall of a government under very adverse circumstances.” Kissinger added, “If we turn down the British, it should not be to Lever—he has a monumental ego and we don’t want him going back saying he was kicked in the teeth.” At that point, Callaghan telephoned; Ford said that “he would be sympathetic” and would write Callaghan after hearing Lever out. After the call, Kissinger said, “I don’t know if what Burns and Simon want is doable politically. Maybe it’s necessary, but I don’t see why you should cram it down their throats.” (Memorandum of conversation, November 16; *ibid.*, National Security Adviser, Memoranda of Conversation, Box 21) Lever briefed Kissinger on the UK economic situation on November 15. (Memorandum of conversation, November 15; National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Memcons, November 1976)

President Ford: I am delighted to see you. Jim Callaghan told me you were coming to give me his views on the British economic situation and I am pleased to have the opportunity to meet with you.

Chancellor Lever: Jim sends his best. He has a great deal of affection for you personally. You made a very deep impression on him and, I must say, on Denis Healey as well. In fact, Mr. President, if we took a vote in the Labour Cabinet you would certainly have been elected. I don't mean to say that you are a Fabian, or anything like that, but the Members of the Labour Cabinet hold you in very high esteem.

President Ford: Thank you. I believe Jim and I have established a close personal rapport. We do not discuss philosophy, but problems and pragmatic solutions. I hope my successor will do the same. We live in a world of reality, not in the world of text books. We must look for practical solutions to difficult problems.

Chancellor Lever: Yes, we in the British Government also favor fact to fantasy. I must tell you that when this Cabinet came in there were mixed views on how to proceed. And in our first year we faced a special situation. There was a sense of change; some members were a little bit divorced from reality. A number were simply ready to write out checks, and may have behaved a little too irrationally. But I can tell you that now we are all concerned with the economic difficulties Britain is in. In the US, I am not certain that everyone follows the details with the same care and attention that we do. I believe there are many who are not aware of reality breaking in very firmly in the UK—the breakthroughs—for instance, in public expenditure and industrial relations. I was also concerned when I came in about strikes and irresponsibility among the labour union people. This relationship has been transformed in a short time. It is remarkable to see the transformation of people like Jack Jones and Hugh Scanlon. Jones was on TV and said that if he were a foreigner he would buy pounds. I don't want to make too much of this, but the spirit is touching.

I don't think this spirit is taken fully into account in the US, nor is its effect on industrial relations. They are better than they have been in the last 25 years. I have been on the factory floors. The men there identify themselves with their bosses and with the future of their companies. They know they don't gain by wrecking the joint. I have never thought that the prospects were more hopeful than they are now. In addition, we have brought local government spending under control. It used to be a national scandal. Now the government has imposed cash limits. To be sure there are people who criticize limits on government spending saying you are too tough or are ruining services. But the Cabinet is determined in this area. The Cabinet has gone extensively into the area of expenditure control and has made considerable progress.

President Ford: I believe this is similar to the problem in New York City, but on a more limited basis. Unless we had stepped in and been firm, they would have kept going merrily on with mismanagement or ill-management.

Chancellor Lever: Has the trend reversed? I ask you this because I must say frankly that I still have some anxiety about our own affairs. But I feel now we have a grip on expenditure, but there is still room for some anxiety.

President Ford: Yes, New York is doing quite well. We loaned \$1.2 billion to New York City this year and they have repaid with interest. We will provide an additional loan of another billion dollars. I believe they are living up to the things that had to be done. The third year may provide problems because the necessary measures are not absolutely assured. Now I understand that the new Administration is suggesting extending the conditions from three to five years.

Chancellor Lever: I must say that the performance of New York before that must have been extremely disturbing to everyone in public office. The UK is not as bad as that, even the local authorities. We have made the tough decisions and put an end to excessive borrowing, and it will stay at an end.

People are startled when they say we are living beyond our means. Britain is still a productive society, although many people do not think there is very much activity. We deliver more goods and services abroad today than at any time in the last 50 years. The problem is that the terms of trade have turned against us. For a time we were doing very well, but in recent months the success of our export efforts have been reduced due to hesitations in the markets to which we sell.

President Ford: Our pause has lasted longer than we anticipated or wanted. But the fundamental factors of recovery and expansion are in place. We believe that the latter part of the fourth quarter will again see us moving out of the pause and into recovery; 1977 will be a year of continued economic progress.

Chancellor Lever: When Jim Callaghan asked me to come over here, the letter he wrote, reflecting the views of our Cabinet, was a determination to remain firm to the Alliance and to adhere strongly to our relationship. Our Cabinet is not looking for soft options nor are we looking only to material issues. We see the need to keep alive in the UK a sense of responsibility to our history and to our world role. We want to play a role consistent with the great history we have—it is not a question of extra color TV sets or motor cars. What bothers the Prime Minister is the development of a focus too much on bread-and-butter issues, and away from the purposes of our peoples.

President Ford: What is the status of your discussions with the IMF?

Chancellor Lever: We are asking for a \$3.9 billion standby agreement with the IMF, which will give us roughly \$2 billion once we have repaid our standby credits to the US and other countries. But we have got to satisfy the IMF on terms before we get the loan. We are frankly not at a point where we know precisely what the terms are. But the terms in the air might amount to pressure for a severe further deflation—greater cutbacks in government borrowing. It is not a problem of money supply. We can probably meet the requirements of the IMF on money supply. But spending cutbacks are a problem. It would have a negative visible public impact on demand at a time of high unemployment. It seems to the Cabinet, indeed to most Members of the Cabinet including Healey and Shirley Williams, that this would not have economic justification. I should also note that I have discussed this with Members of your Cabinet. To the man, I have found a fond affection for the UK and a genuine desire to be helpful.

President Ford: For good reason.

Chancellor Lever: There is no disagreement between your Cabinet and us on what we should do. The question is one of timing. They felt that further sharp action was necessary. Their feeling is that even if tough measures hurt in the short-term, they are to our long-term advantage.

President Ford: I must say (pulling out *New York Times*) that recent statements by Mr. Dell have not been very helpful.

Chancellor Lever: I agree nothing is to be gained by this. If things need to be said of this nature, they should be said privately.

President Ford: What is particularly bothersome is that he is criticizing the one decision that, from his point of view, did not go right, and ignoring the 10 or 15 other decisions that were free-trade oriented. I have very strong views on free trade—as in the shoes and auto decisions. I hope you can convey to Jim Callaghan that it would be desirable if he (Dell) would not say such things.

Chancellor Lever: I will certainly do that, Mr. President. God gave Dell a very fine baritone voice, and occasionally he over-uses it. I understand your point. Let me say also that we would be better able to object if we had an unblemished record. I personally support free trade. I have fought against trade restrictions. Undeniably they are attractive to some people in the short-term, but in the long-term they are harmful.

With all due modesty I am glad to be able to claim that Chrysler is operating in the UK today because of my intervention. The Cabinet was toying with the market of quotas on motor cars. If Chrysler had failed there would have been a move to restrict imports of autos into Great Britain; the only alternative to this was to keep Chrysler going. I supported this because of the import restrictions which would have resulted from Chrysler's failure. I must say that this was a first-class

success. Not only is a great American company now succeeding in Britain, but it is selling more cars and reducing imports as well as creating jobs. I am happy to say that it is contributing to the UK's economic welfare.

Dell is a good friend of mine; a close friend. But I certainly understand your point. I must say also, Mr. President, that he is the only Member of the Cabinet enthusiastic about taking additional deflationary action. Most Members of the Cabinet see this as politically disadvantageous and serving no economic advantage.

I must say also, Mr. President, as even our most pessimistic—*most* pessimistic—forecasts show, that we are going to have a current account surplus in 1978. They predict that by the end of 1978 we will have a current account surplus of \$1.5 billion. Other responsible forecasters, such as the Bank of England, say this surplus is coming earlier.

President Ford: What is the timing of your negotiations with the IMF?

Chancellor Lever: I think they will be through fairly soon; I am not certain. But I hope we can do them promptly because I think after they are concluded we will be able to turn to sterling balances. When these negotiations are over, then we can deal with the problem of sterling balances.

I should tell you, Mr. President, that I am a defender of stable parities. I believe that many people in the UK have under-estimated the harm of the instability of parities. The bill for this instability has come in late and I must say, with all due respect to my colleague (Ryrie), that it probably took the Treasury relatively unprepared. The decline of sterling was far greater than was justified. And the problem of sterling decline caused inflation, so that the decline in sterling was self-validating. In my view, we cannot stabilize the parity of sterling without stabilizing sterling balances. With sterling unstable, we cannot sell bonds to dry up currency. If we do not deal with the over all problem, we will be in a situation where sterling balances will be cashed out, then we will have to come to other countries for more money; more will be cashed out and we will have to come back again. We must work on this problem rapidly, as soon as we get the negotiations with the IMF out of the way.

I ask you to trust us, to trust our sense of judgment on the issue of timing with the IMF.

President Ford: Where is the IMF putting pressure on you?

Chancellor Lever: On the public sector of borrowing requirement—which you would call your budget deficit. The IMF wants it further reduced. The problem is that when you reduce your budget deficit, it is very hard to program. It cannot be done immediately. But I can as-

sure you, Mr. President, that we are determined to close the gap. There are differences of course on how to bring this about. If you do it wrong, if you put on the brakes too fast, you lose the gains we have so painstakingly made on incomes policy and the improvements we have made in the social and political process. This is important to us. For instance, the Confederation of British Industries, Trade Union Congress, and Government are all working together in a voluntary way. There is an atmosphere of determination. If we have too much of a deflation and workers suffer too much, the tasks of the union leaders will become impossible.

President Ford: What is the impact of budget limitations on defense?

Chancellor Lever: It is certain that if we are told to cut expenditures significantly at this time, a disproportionate share would be cut from the defense budget. I am strongly opposed to cuts in defense. In my view defense budgets are the expression of a united will of Europe to protect itself. I oppose cuts. I believe we have done too much already. If Prime Minister Callaghan came to the Cabinet now and said we must cut the budget because we have got to do it, the Cabinet would say let defense bear a heavy share. This is one of the central reasons for the Prime Minister's anxiety.

Another part of the price of getting cuts through the Cabinet would be a lurch toward protectionism. People would argue that since we are taking deflationary measures which will add to unemployment, we should help to protect against unemployment by cutting down foreign goods. I would certainly not like to see this happen.

Third, because there would be less employment and less investment as a result of such measures, people will argue for providing more money to the National Enterprise Board. We are opposed to this, I should say I am opposed to this because this is not the Government's point of view. If the Prime Minister would come to the Cabinet there would be strong emphasis on putting more money into the NEB. This is not desirable or particularly a positive way of attacking the problem, since it would shift investment from the private sector to the Government, distorting further the balance between public and private sectors.

I can assure you the Prime Minister hopes to avoid these things. But we are still faced with the problem of stabilizing our currency and after the IMF negotiations end to turn to the problem of sterling balances. All of the Cabinet is determined to make the necessary efforts to improve our economy.

The time may come when the Callaghan Government will be voted out of office; that is always possible. But it is important to the legitimate government which succeeds it that these problems are dealt with now. We want to be seen that the Labour Government has had a fair deal. We

do not propose to say that tough bankers have smacked Labour around. There is still of course a 50–50 chance, or maybe better than a 50–50 chance that the Government will break up as a result of attempting to respond to too tough demands by the IMF. But what is probable is that the adverse impact will fall on defense, import barriers, and further discredit of the mixed economy concept.

President Ford: As I told the Prime Minister in Puerto Rico, there is great sympathy in the US for the stability for the UK's economy. It is important from an international military, political, and economic point of view. We will do the very best we can. I told the Prime Minister I would drop him a line about my best judgments regarding this issue. On a personal basis, I will bend over backwards. As you know, there are pressures here which I have to deal with. But I am fully and deeply concerned about the UK and its ramifications on several other international problems. I will have to beat back some of the arguments that you are familiar with. I want to be as helpful as possible in enabling the UK to play the vital world role economically and militarily. I will do my best to be helpful. Please tell this to the Prime Minister.

Chancellor Lever: The Prime Minister has a great deal of confidence in you and a genuine feeling of affection. During the crisis he has turned instinctively to you as a friend. He hopes you will use your influence with the IMF.

I will certainly convey your best wishes to him.

248. Note From the Government of the United Kingdom to the White House¹

Washington, November 17, 1976.

1. At the Prime Minister's request, made during his telephone conversation with Mr. Lever on 17 November, Mr. Lever asked the Ambassador to convey the following to the White House.

¹ Summary: The note expanded on the issue of timing referred to in Callaghan's November 12 letter to Ford.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, Britain 1976. Secret. In a November 17 covering letter, Ramsbotham noted that Kissinger and Lever had spoken by telephone again before Lever's departure for London and that "an hour or so beforehand, Harold had had a word with Prime Minister Callaghan, the gist of which is indicated in the attached note. Harold put the point in paragraph two to the Secretary. But I thought it would be useful for you to have the whole note, particularly paragraph three, which amplifies the Prime

2. In amplification of the issue of timing referred to in the last paragraph of the Prime Minister's letter to the President, the Prime Minister's view is that, while initially the whole substance of the IMF terms could be agreed before there is agreement on how best to deal with the problem of the sterling balances, it is essential that the finalisation of the IMF loan and an agreement on the sterling balances should be announced simultaneously.

3. To give effect to the Prime Minister's view, the timing of the discussions on the two issues would need to be broadly as follows:

(a) HMG and the IMF reach substantial agreement, but leave outstanding some minor points which need to be settled before an announcement can be made;

(b) The Fed would then participate in the work already in progress among other central bankers to devise a sterling balance safety net;

(c) the outstanding IMF loan points would be settled at the same time as an agreement was reached on how to solve the sterling balances problem, with a view to a simultaneous announcement of an agreement on both issues.

Minister's perception of the timing which needs to be followed." (Ibid.) In a November 17 memorandum to Kissinger, Sonnenfeldt reported that Lever told him that morning that he would recommend that Callaghan not accept further deflationary conditions as they would result in defense cuts and protectionist actions that would damage U.S.-UK relations and the UK's position in the world. (Ibid., Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Memcons, November 1976)

249. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, November 21, 1976.

Mr. President:

I have reached accommodation with Treasury on the text of a message (attached) from you to Prime Minister Callaghan on the British fi-

¹ Summary: Scowcroft requested Ford's approval of an attached reply to Callaghan's November 12 letter.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (22). Secret. All brackets are in the original. Ford initialed his approval of the message including the bracketed phrase. Ford's reply was sent to London as message WH 61612 on November 22. (Ibid.)

nancial crisis, though Treasury is still opposed to specific mention of the sterling balance issue.

Agreement was reached ultimately by deletion of the phrase which I have included in brackets on page 2 “and we have confidence in prospects for success.” I *cannot*, in good conscience, recommend you accept deletion of this phrase. While it has no specific substantive significance, it does convey a greater sense of sympathy on your part for his problem. I agreed to its deletion only in order to give you the option of a message which had Treasury concurrence.

Arthur Burns believes the sentence on simultaneity to be unwise but he has not interposed a categorical objection. If you approve this message, either with or without the phrase in brackets, you could have the Military Aide or the Usher telephone me. I could then dispatch the message immediately to Callaghan in order that he would have it at opening of business in London on Monday.

Brent Scowcroft

Approve message *including* bracketed phrase

Approve message *excluding* bracketed phrase

Disapprove

Attachment

Message From President Ford to British Prime Minister Callaghan

Washington, November 20, 1976.

Dear Jim:

I want to extend my personal thanks for sending Harold Lever to meet with me and my colleagues. Harold articulated for us your political, financial, and economic situation. His charm was in clear evidence and he, as usual, was a very able representative.

As you are well aware, and as Harold will have reported to you, I have been concerned for some time, as a friend, by the difficulties you are facing. We have a sense here of the gravity of Britain’s struggle, not only for our own country but for the entire free world. We take heart that you are at the helm. I know they are extraordinarily difficult, but I believe the policies you have been elaborating are on the right path.

We are encouraged that your government is now actively involved in discussions with representatives of the IMF on your proposed drawing. I am persuaded that the IMF will bring its best judgment to

bear on that process. I am also persuaded that these discussions afford the most effective opportunity to deal with the problems Britain faces.

In the expectation that your government will, as your message of November 17 suggests, come to substantial agreement on conditions deemed necessary by the Fund to achieve stability, I can assure you that we will, once such agreement has been reached, work sympathetically with you on a responsible way of addressing various aspects of the sterling balances and related concerns. Should a resolution be reached, [and we have confidence in prospects for success,] it could be announced simultaneously with the announcement of your agreement with the Fund. As your efforts to achieve a major stabilization of Britain's internal and external positions proceed, we hope that you will be able to avoid injurious consequences in the defense and trade areas.

I have obtained support from my colleagues for this approach with a deep sense of your commitment, and that of your government, to a strong and vital Britain, and of appreciation for our nations' deep and long-standing friendship. I hope the negotiations will go well and look forward to hearing soon that agreement with the Fund has been reached.

My deepest personal regards.

Sincerely,

250. Message From British Prime Minister Callaghan to President Ford¹

London, November 23, 1976.

Dear Mr. President:

Thank you so much for your message of 20th November. What you say about the sterling balances is very encouraging.

We have however now reached a most critical point in our negotiations with the IMF. The Cabinet discussed the matter at length this morning and find the proposals unacceptable. They wish me to put the position before you.

On present forecasts our public sector borrowing requirement in 1977–78 will be pounds sterling 10 and one half billion. The IMF are saying that we should cut this to pounds sterling 8 and one half billion with a further reduction in 1978–79 to pounds 6 and one half billion. Our immediate problem concerns 1977–78. Denis Healey thinks that he can negotiate the IMF up to a figure of pounds sterling 9 billion and put this to Cabinet this morning. The Cabinet were however not prepared to agree to either pounds sterling 8 and one half billion or pounds sterling 9 billion. They feel that the lowest PSBR which is politically acceptable next year is pounds sterling 9 and one half billion. In other words they are willing to contemplate, with great difficulty, making a reduction in the PSBR next year of pounds sterling 1 billion of which half would be found from further cuts in public expenditure. There is no need for me to tell you how uncertain all these figures are.

The Cabinet's view is based on both economic and political reasoning.

First, economic. Unemployment here is higher than at any time since the 1930's and is forecast to rise again next year even on the basis

¹ Summary: Callaghan replied to Ford's recent message on the UK economic situation.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (23). Secret. Forwarded under cover of a November 23 memorandum from Scowcroft, on which a handwritten notation reads, "President has seen." In an undated memorandum, Scowcroft informed Ford: "We are in a difficult position. On one hand, pressure on the Fund to reduce their demands on the British could impair the credibility of the agreement and thus weaken confidence in sterling. On the other hand, Callaghan believes he is up against a dire political situation. The pivotal issue is 1/2 billion pounds." (Ibid., NSC International Economic Affairs Staff Files, Box 3, Country File, United Kingdom (5)) In his November 24 reply to Callaghan, Ford characterized any U.S. intervention in the UK-IMF negotiations as "inappropriate," but assured Callaghan that the U.S. would "move sympathetically" on sterling balances once the UK and the IMF had achieved substantial agreement. (Message WH61623 from Ford to Callaghan, November 25; Library of Congress, Manuscript Division, Kissinger Papers, Box CL 148, Great Britain, Chronological File, 15–30 November 1976)

of existing policies. This situation, which provides no case for a further release of resources into exports, would be worsened if we took the action the IMF recommend. In short the Cabinet's objection is to substantial deflation with even higher unemployment. The balance of payments is forecast to come into surplus next year. No independent economist here is advocating further substantial deflation on top of the pounds sterling 2 billion cut in the PSBR for next year which we made in July. The proposed deflation would reduce our expected rate of growth of GDP to no more than 1–1 and a half per cent.

Second, political. The Cabinet's view is that cutting the PSBR by more than pounds sterling 1 billion would utterly destroy the partnership with our trade unions upon which our successful policy of wage restraint depends. They do not believe that we would be able to carry the necessary legislation in the House of Commons. Even a reduction of pounds sterling 1 billion will involve very grave risks for us. In any case with cuts of the order the IMF are suggesting on top of those we made only four months ago it would be impossible to spare our defence programme.

Forgive me putting these points to you so tersely: But time is very short. Denis Healey is reporting the Cabinet's view to the leader of the IMF mission this afternoon and I shall be seeing him myself later today. I cannot of course forecast how Whittome will react but I thought I should let you know the position at once since the Cabinet will have to take a final decision on Thursday. I hope that you will feel able to intervene with the Managing Director of the Fund and impress on him the need to moderate their terms to what can be made politically acceptable in this country.

With best wishes and warm regards.

Yours sincerely,

Jim Callaghan

251. Memorandum of Conversation¹

Washington, November 23 [24], 1976.

PARTICIPANTS

President Ford
Helmut Schmidt, FRG Chancellor (by telephone)

The President: I hope our friendship will continue.

Schmidt: I am glad to hear that. I wrote a long letter in which I mentioned the same thing.

The President: I won't be in the government but I will be active and would like to maintain our close relations.

Schmidt: You are expressing my sentiments exactly. These things are bigger than the vicissitudes of political office. It was so close. I could have lost and you been elected.

The President: (Described what Callaghan said) My feeling is they should go back to try to accommodate on that half.

Schmidt: It is in the economic interest that we impose strong conditions on the British. We should not go so far as to overthrow this government. There is no one else to take the reins and there may be a period of disorder which could affect us all deeply.

The President: That is exactly what I told my people.

Schmidt: So we need to find a point which will do the job but not be politically unacceptable.

The President: That is what I think.

Schmidt: If Callaghan had to resign, that would set us back.

The President: Let's go on that basis. I think Jim may be able to go farther than 9.5 but maybe not to 9.

Schmidt: I replied in a similar way to Callaghan.

I will come as far as possible but not take final decisions. I will send Poehl to London to meet with the British and Yeo or Simon.

The President: That is very good. May I raise one additional point—oil prices, I am very worried.

¹ Summary: Ford and Schmidt discussed the UK economic situation, oil prices, and North-South relations.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 21. Secret; Nodis. The memorandum is incorrectly dated "November 23 (?)". Ford and Schmidt talked by telephone on November 24 from 9:22 a.m. to 9:38 a.m. (Ibid., White House Central Files, President's Daily Diary) Earlier that day, Ford sent Schmidt a message on the UK economic situation. (Message WH61616 from Ford to Schmidt, November 24; *ibid.*, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (23))

Schmidt: So am I.

The President: We have been working very hard on the key OPEC states. We were working for a zero increase but certainly no more than 5%. 10–15% would be disastrous.

Schmidt: I agree. And I would be ready to add my voice to yours. But if so, could we have the arguments you are using so we can take the same line?

The President: I have considered a high level delegation, but we will try everything else first. We don't want a delegation to go if it would only return empty handed.

Schmidt: Are you operating at the highest level with these countries?

The President: I have sent personal letters to Saudi Arabia, Iran, Venezuela.

Schmidt: Could I see what you have told them?

The President: Of course. Scowcroft will get them to you.

Schmidt: I am worried about UNCTAD, the CIEC meetings on raw material prices, the common fund, and debt settlement. Could we use the excuse of your new action to seek a postponement.

The President: All right if you do it. It wouldn't be right for me to do so.

Schmidt: Do you agree on a postponement?

The President: Absolutely.

Schmidt: One other point. Should I get in touch with Carter?

The President: I think it is slightly premature.

252. Memorandum From Secretary of the Treasury Simon to President Ford¹

Washington, undated.

SUBJECT

Visit to London

My contacts and those of my colleagues included talks with Karl Otto Poehl, State Secretary of Finance (Germany), and Alan Whittome, Director, European Department, IMF; private talks with Gordon Richardson, Governor, Bank of England, and Sir Derek Mitchell, H.M. Treasury; as well as the publicized meeting with Denis Healey, Chancellor of the Exchequer.

These conversations, plus a number of informal talks, produced the following impressions.

1. Chancellor of the Exchequer Healey is not far from the IMF, both in terms of overall approach and in terms of specifics. He would agree with the IMF that policies have to be put into effect that will enable the UK authorities to regain control over the rate of monetary expansion, shift resources from consumption to investment and export sectors, and restore confidence. Healey feels that a reduction in the budget deficit (which now equals over 10.5% of GDP) is essential to regain control over monetary policy. He also feels that this has an important effect on the exchange rate and on overall confidence. He is concerned about the durability of his incomes policy if economic results in terms of financial stabilization and economic growth are not forthcoming. In short, Healey sees the UK at a crisis point, with its international credit almost exhausted and the long-postponed adjustment and restructuring impossible to avoid—the only question remaining is whether it will occur in a deliberate way and in constructive channels.

While Healey and the IMF team agree on overall approach there is some disagreement on:

a. *Reductions in the budget deficit*—which the Treasury estimates at 10.5 billion pounds for '77/'78 (a private estimate places the likely outcome at 8.3 billion pounds). The Fund is asking for a slightly larger reduction than the 1.5 billion that Healey has offered—bargaining is continuing on this subject but both are agreed that the reduction in the deficit should not come about as a result of an increase in taxes.

¹ Summary: Simon reported on his recent trip to London.

Source: Ford Library, L. William Seidman Papers, Economic Policy Board Subject File, Box 77, Memoranda to the President, June 1976–Dec. 1976. No classification marking.

b. *Front end loading*—the question is how much of the \$3.9 billion which the UK hopes to borrow from the IMF should be available immediately. Here there appears to be a wide disparity in positions—the UK asking for \$2.5 billion—the Fund thinking in terms of just a fraction of that.

c. *Duration of the program*—The Fund has pushed for a two year program, arguing that the nature of the changes required are in large part structural and that a one year program is inadequate.

d. *Exchange rate policy*—The British feel that the IMF is trying to force them to pursue a policy of depressing the exchange rate in order to maintain constant competitiveness. The IMF on the other hand fears that the British will try and support sterling at unrealistic levels—wasting a lot of their borrowed reserves in the process—and ultimately fail.

I did not get drawn into a discussion on any aspect of the four basic areas of negotiations with the IMF. We made it clear that the negotiations were between the IMF and the UK. The need for a two year program does seem clear and I underlined that point with Denis Healey. I also suggested that Denis ought to regard the front end loading question as tradable and relate this to other elements in the negotiations.

2. Healey is in trouble with the cabinet although the degree of difficulty is hard to evaluate. Prime Minister Callaghan has involved the entire cabinet in the exercise, almost from the start. For weeks the cabinet was unwilling to authorize any substantive negotiation by Healey with the IMF. Finally, mid last week it permitted Healey to negotiate. The cabinet is divided into three segments, those who support Healey, those who want to do very little—such as Harold Lever—and the far left identified with Wedgewood Benn. The position of the Prime Minister is pivotal—if he put his full force behind a program he can probably command overall cabinet support. Even if there were defections from the cabinet the defectors would not necessarily vote against the Government in Parliament and thus bring it down. The Prime Minister has played his hand very closely. The Lever group has been very articulate, first arguing that Lever could borrow billions of dollars from the Americans and thus obviate the need for any change in policies. Secondly they have argued that budget cuts per se are “deflationary” and the British economy is already in desperate condition and does not need additional deflation. Thirdly, they are arguing that by selling a special price indexed bond the deficit need not be cut in order to regain control of monetary policy.

On the first, Lever was asked to validate his argument by obtaining the money—in fact he returned empty-handed. The second point is subject to much debate, although the evidence strongly suggests that careful deliberate cuts would not be deflationary. Indexed bonds would not pose a solution to the problem of control of monetary policy.

3. Healey asked if once they have reached an acceptable agreement with the IMF we would be willing to start discussions on “funding” sterling balances. I said we would abide by the President’s decision. I continued that it was my belief that if good policies are established I did not believe there would be a pound overhang.

Conclusion: Discouragement, even despair is dominant. The Government’s public support is badly diminished. The Labor Party is tortured by the tensions between the ideals embedded in its heritage and the cumulative evidence of a failure to get things right in terms of economic policy. The Conservatives appear unable to offer a coherent and integrated alternative.

William E. Simon

253. Memorandum From the President’s Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, December 2, 1976.

The following message from Prime Minister Callaghan has just been received:

“Dear Mr. President,

“I was very glad to have our telephone conversation last night and am most grateful for your continuing interest and our close contact during this difficult period.

“We had a long and difficult Cabinet Meeting this morning and I do not yet know whether I shall be able to carry all the Cabinet with me in accepting the final settlement. Nevertheless, Denis Healey has been authorized by a majority decision to put to the IMF an adjustment of one and a half billion pounds sterling which he and I had recommended. This would be achieved by the sale of assets worth half a bil-

¹ Summary: Scowcroft relayed a message from Callaghan on the UK negotiations with the IMF.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (23). Eyes Only. A handwritten notation at the top of the memorandum reads, “President has seen.” Ford and Callaghan talked by telephone on December 1 from 11:25 a.m. to 11:39 a.m. (Ibid., White House Central Files, President’s Daily Diary) No memorandum of conversation on this discussion was found. In a December 1 memorandum to Ford, Scowcroft and Greenspan provided talking points for Ford’s telephone call with Callaghan. (Ibid., President’s Handwriting File, Subject File, Box 1, Countries—United Kingdom)

lion pounds sterling and by fiscal changes—mainly public expenditure cuts—worth one billion pounds sterling. This would have the effect of reducing the PSBR in 1977–78 to 8.7 billion pounds sterling, a very substantial reduction. The IMF were asking for public expenditure cuts of one and a half to two billion pounds sterling but at the lower end of this range, there is a gap of half a billion pounds sterling between our position and their's, as I forecast to you when we spoke. There is not a cat in hell's chance of moving even an inch from this, and I am not positive that I can keep all the Cabinet on board even yet, until they see how the details of the savings are to be made. We are getting down to this next Monday. Denis Healey has been authorized to put the Cabinet's position to the Fund, and I will of course keep you posted of developments should it not be possible to reach agreement. I must tell you that I am not sanguine, and I can only hope the IMF really understands the consequences.

"Assuming, however, that agreement can be reached with the Fund in the next few days, I hope we can make rapid progress on the safety net. I well understand your position that agreement with the Fund is an essential prerequisite and also that there is a Congressional angle that must wait for January. But I think you also understand that if I am to have the best chance of acceptance of the package firstly in Cabinet and secondly in the country, I shall need to be able to say when we announce it something fairly positive about the safety net.

"As you know, what we have in mind is a multilateral facility arranged between central banks on which we would be able to draw in respect of any net fall in sterling balances which involved a cost to our official reserves. It would help me a good deal if in the announcement we plan to make on or around 15 December, if all goes well about an agreement with the IMF, we could include something on the following lines:

'President Ford has indicated to me that he will be recommending Congress to approve United States participation in this facility and I now expect that negotiations on it can be brought to a speedy conclusion.'

"We shall, of course, expect by 15 December to have secured the cooperation of the other countries involved.

"As regards import deposits, these were discussed at Cabinet today but no final decision was taken.

"Best wishes,

"Yours sincerely,

"Jim Callaghan"

254. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, December 9, 1976.

The following cable has just been received from Prime Minister Callaghan:

"Dear Mr. President,

"I am glad to be able to tell you that I have now secured the agreement of the Cabinet to the fiscal adjustments which Denis Healey and I thought necessary, and that we have heard from Dr. Witteveen today that he is content with these adjustments.

"You will understand that these decisions go against the grain of the Party and have not been taken without considerable political difficulty. I have now to persuade the trade unions and our supporters in Parliament to accept these measures and to carry conviction in the country as a whole. I can best succeed in this if we can make a concurrent announcement about a safety net for the sterling balances. Such an arrangement would give the country a real assurance that we shall be better able to manage our economy in a way which will give our policies for moving resources into investment and exports a real opportunity of success without being wrecked by speculative pressures on the exchange rate. There have already been useful preparatory discussions between the central banks about a safety net. These are to be carried forward at Basel over the forthcoming weekend and I hope that with your agreement we shall be able to include an appropriate passage in the statement which will be made to Parliament on Wednesday, 15 December.

"You will probably have heard from Bill Simon that we considered the necessity for introducing a scheme of import deposits. The Cabinet has decided to take the risk of not including this in our package.

"Finally I want to thank you once again for all your support and understanding. We are not on firm ground yet, but I now think we can get there and your help has been invaluable.

"With best wishes. Yours sincerely,

"Jim Callaghan"

¹ Summary: Scowcroft relayed a message from Callaghan on the UK negotiations with the IMF.

Source: Ford Library, National Security Adviser, Scowcroft Daily Work Files, Box 14. Secret. The memorandum is a copy without Scowcroft's initials.

255. Memorandum of Conversation¹

London, December 10, 1976, 10:40–11:20 p.m.

PARTICIPANTS

Dr. Henry A. Kissinger, Secretary of State
 Denis Healey, Chancellor of the Exchequer
 Peter W. Rodman, NSC Staff

[After the Prime Minister's dinner in honor of the Secretary and Mrs. Kissinger at Number Ten, the Healeys escorted the Kissingers through the passageway to Number Eleven and on a tour of the rooms. After general conversation, Mr. Healey and Dr. Kissinger spent about forty minutes on the economic problem, as follows:]

Kissinger: You think you've told Hal [Sonnenfeldt] everything.

Healey: Yes, let me tell you what the main problem is.

We got het up about sterling balances two months ago. Jim [Callaghan] raised it with President Ford and Helmut Schmidt and they took an interest in it.

Kissinger: In Puerto Rico.

Healey: That's right. Schmidt started working on it. But Arthur Burns took the view that sterling balances hurt you only if you were making a mess of your economy, and if you weren't making a mess he thought they help you.

But Jim has committed himself to this. What we are seeking is a safety net—a pledge to replace deposits, if they fall below a certain level, with short term lending. It is not the same as funding the balances; it's less complicated.

We pursued this in the B.I.S., the Bank of International Settlements, which produced a good paper which will be discussed Monday at a meeting in Bâle. The Germans are behind it. It's the sort of thing that has been done before. We agree with it. The Dutch Central Banker is for it.

¹ Summary: Kissinger and Healey discussed the UK economic situation.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (23). Secret; Nodis. All brackets are in the original. The meeting took place in 11 Downing Street. Attached but not published is Tab A, a November 25 memorandum entitled, "Aide Mémoire on a Safety Net for the Sterling Balances;" and Tab B, a reprinted version of a December 9 article by Edwin Dale in the *New York Times* entitled "British Sterling: Officials of U.S. Face 2 Options." Kissinger was in London from December 10 to 12, where he discussed Rhodesia with Crosland.

With your country, the problem has been that neither Treasury nor the Fed was willing to talk about it until we had an agreement with the [International Monetary] Fund.

Kissinger: Yes.

Healey: When on Wednesday Witteveen agreed the measures we've taken were adequate. . . .

Kissinger: Have you announced your measures?

Healey: No, next Wednesday. That unlocked the American door.

First of all you have a constitutional problem whether you can do it at all without using your. . . .

Kissinger: Exchange Stabilization Fund.

Healey: Yes. There might be problems with doing it with the Fed even if Arthur is willing; it might have to be done through Treasury and the Congress. I don't know.

I had a morning with Bill Simon when he was here on his trip to Moscow. I gave him and Ed Yeo this paper [Tab A]—it's about getting countries with reserves to accept a contingent liability. [He hands the Secretary Tab A, and the Secretary reads it.]

Kissinger: [Referring to paragraph 2(b) of Tab A:] Our people say we shouldn't cover private holdings.

Healey: They're going up. So they're not the problem. The problem is official holdings which are going down.

Confusing things have been happening. First, there was this leader in the *Times* [*New York Times* article by Edwin Dale, Tab B] which must have come from Ed [Yeo]—that the Administration doesn't know whether to do it by funding or by a safety net. And second, what is offensive is that it implies we were fuzzy about our own ideas.

Kissinger: [Reads over Tab B] Nor is it true we are not yet committed to anything. The President ordered us to work on the safety net.

Healey: The work that has been done by the B.I.S., which is to be discussed in Bâle on Monday and Tuesday, has had no U.S. input. But I know you have contingency plans for everything, worked out by very clever chaps. The leader suggests your people are thinking in terms of the more ambitious idea of funding—which would require the help of sterling holders, the Arabs.

But Jim needs something by Wednesday. The idea that we're fuzzy about what we want is the reverse of the case. It's been worked out by the B.I.S.

The latest is Derek Mitchell is flying over tomorrow to talk to Yeo. Poehl, who is Schmidt's confidant, is coming over.

Kissinger: They now say they're taking their time. We got word the Germans were cool on it. Scowcroft wondered if I shouldn't call Schmidt.

Healey: That's not the case. The Germans want to get it settled.

I think Ed [Yeo] is working to help us.

Kissinger: I think so. Maybe more so than Bill.

Healey: I don't know. He was helpful when I called him on this.

On Tuesday, deputies from the Bundesbank and the Bank of England will fly over to talk to the Fed. I don't want all this jeopardized by Treasury by trying to divert everything to the funding of balances, which could take months—which is still compatible with a safety net. We would like to get an agreement in principle on the safety net, which we could explain would operate in such and such a way as explained in the paper. I'm worried that we will get such a degree of delay that Jim will be uncertain on Wednesday.

Jim has a major problem in selling this to the party and unions. His view has always been that we needed three legs to the stool—something on imports, funding of balances, and the safety net. We dropped something on imports, and we have only a safety net. If he doesn't have this, he has nothing.

What I'm asking is when you go back, you get Arthur to help us on the B.I.S. formula, which is already worked out. His man Wallich, who is already attending at Bâle for the Fed, is going as an observer. This is progress. But we want him to be there as a participant.

So what we would like is that you:

—Talk to Arthur so that Wallich takes a constructive role in Bâle.

—Second, that we get something done by Tuesday with the B.I.S., so Jim can have something by Wednesday.

Jim has committed himself to this so it's a matter of his political credibility.

Jim has agonized over it, and he was worried about whether he could carry the unions and the party.

Kissinger: Why?

Healey: There was the mistaken belief they could ignore the money element in all this. Once he decided it has to be done, he's been brilliant in handling the Cabinet on this. We have not been offensive in how we went about the cuts in specific areas.

Kissinger: Would you be in more trouble if Heath were the opposition leader?

Healey: No, his position is weak. He is irrelevant.

I'm really worried, Henry, that the world economy may be heading in the direction of a downturn like the 30's.

Kissinger: Really? Why?

Healey: If you look at the indicators in most countries. First, too much attention is paid to Milton Friedman, and there is a pervasive lack of confidence. It's true even in Germany.

Second, politically, it is likely in the 80's that the Communists will be in power in Italy and even in France, particularly if Chirac and Giscard tangle. Portugal and Spain, you know as well as I.

If we get this together next week, we could be the only country headed in the right direction in a few years' time.

The French are going to hell in a handbasket.

Kissinger: Really?

Healey: Productivity is down.

The point I make is that it's very important if we can get an agreement in principle to move in this direction. And it doesn't rule out moving in a more fundamental direction eventually. But that requires the cooperation of sterling holders, which means negotiation with OPEC countries, which would take longer.

Do you think it is worth Jim asking Schmidt to send a letter to the President?

Kissinger: Yes. That would be even better than a letter from Jim.

Healey: I thought it was a mistake for Jim to send the letter last week.

Kissinger: No, it was helpful. A letter from Schmidt would help us.

Rodman: It would end this confusion about what the Germans want.

Kissinger: It would end this confusion and it would also carry great weight.

Good.

[The discussion ended.]

256. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, December 11, 1976.

The following cable has been received from Prime Minister Callaghan:

"Dear Mr. President:

"Since writing to you yesterday, I have learned of the arrangements being made to discuss a safety net or similar facility both at Basel on Sunday/Monday and in Washington on Monday/Tuesday. I have had an opportunity this evening to discuss the matter with Henry Kissinger and it is with his encouragement that I want to put to you a critical point on timing.

"A lot of work is being put into these consultations and I am grateful for the efforts being made. I am, however, troubled because the consultations yesterday between Ed Yeo and Derek Mitchell indicate that the approach being considered in Washington may differ from that on which a great deal of work has been done by the B.I.S. in Basel. The reconciliation of two different approaches could not be achieved without damaging delay.

"Our timetable for securing Parliamentary backing for the measures which we have agreed, must be secured before the House rises for Christmas. This requires that the Cabinet gives approval on Tuesday to the statement which Denis Healey will make in the House on Wednesday, 15 December. It may well be that the best solution to the problem of the sterling balances has yet to be evolved; and different approaches to the problem could perhaps be combined in due course to achieve a good solution. But I cannot overstate how damaging it would be to our statement on Wednesday if we cannot then include a positive announcement that the United States Government together with the

¹ Summary: Scowcroft relayed a December 10 message from Callaghan on a safety net for the UK.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (23). Top Secret. The memorandum is a copy without Scowcroft's initials. An unknown hand wrote "Dec. 10, 1976" at the beginning of Callaghan's message. In a December 12 message to Ford, Schmidt urged that the U.S. representative at the forthcoming Basel meeting be so instructed "as to enable the meeting to envisage the safety-net solution in so far as is necessary for Prime Minister Callaghan to tell the British Parliament on Wednesday about the fact that the safety-net is in the making." Then, Schmidt continued, FRG and U.S. officials, scheduled to meet in Washington on December 15, should "be in a position to draw up the agreement on the safety-net for sterling balances," enabling an announcement of "the principles of the safety-net in the later course of this week. One should hope that thereby any psychological danger for sterling balances can be avoided." (Ibid., Scowcroft Daily Work Files, Box 14)

other governments concerned in the B.I.S. have reached agreement in principle on an arrangement for dealing with the problem of the sterling balances, broadly on the lines of the note which Denis Healey has already given to Bill Simon. I hope you will feel able to ensure that the necessary consultations take place urgently to this end. Our representatives will of course be available in Washington as requested late on Saturday for this purpose. It will be helpful if you can use your influence to ensure that we have a response from you in time for me to inform the Cabinet on Tuesday, for this arrangement is an essential part of the package.

"I am reluctant to trouble you like this, but you have been so helpful that I venture to ask you now to see that this issue, which matters so much to us, is brought to a stage where I can make a positive statement to the Cabinet on Tuesday and to the country on Wednesday.

"Warm regards,

"With best wishes,

"Jim Callaghan."

257. Note From the Government of the United Kingdom to Secretary of State Kissinger¹

Washington, December 13, 1976.

THE PROBLEM OF THE STERLING BALANCES

1. The British proposal is for a "safety-net", ie a line of credit on which drawings might be made to the extent that sterling balances fell below an agreed starting level. It would cover official and private balances, which at present total some £5.9 billion (say \$10 billion). Drawings on the line of credit would be repaid for a period which might be 7 to 10 years. This would be like the arrangement in 1968 in which the US participated and which was managed by the Bank for International Settlements in Basle.

¹ Summary: The note discussed the sterling balances problem.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 United Kingdom. Secret. Sent to Kissinger under cover of a December 13 letter from Ramsbotham that reads, "You asked this morning if I could let you have a note on the problem of the sterling balances: the "safety-net" scheme; the alternative scheme of Mr. Yeo; and what we could and what we could not accept of the latter. Here it is."

2. The object would be to remove a source of instability in the international monetary system and of potential pressure on the pound sterling which may be unconnected with the condition of the British economy. A significant part of the pressure on the pound this year has come from withdrawals by official holders of sterling.

3. Discussions involving the central banks of the main countries have been taking place in Basle this weekend about a scheme on these lines. The representative of the Federal Reserve, however, is attending these discussions only as an observer.

4. The alternative scheme outlined to British representatives for the first time yesterday by Mr. Yeo appears to be radically different. It would involve:

(a) a new "trust fund" in the IMF on which drawings could be made under conditions which would be like the most severe ones required in relation to IMF drawings;

(b) an agreed programme for the run-down of the sterling balances;

(c) an element of "funding" (ie conversion of the debt from short-term to longer-term) undertaken by the British themselves, eg by offering sterling holders dollar-denominated bonds.

5. The third of these points raises no problem and the British feel it could be included in a scheme. The others raise three major problems:

(a) a solution involving the IMF would almost certainly take many months to negotiate and would therefore not meet the immediate need, even if the negotiations eventually succeeded;

(b) a programme for the run-down of the balances would mean interfering with the freedom of people to hold sterling and the attempt to impose or negotiate this would create alarm and make the problem worse. It would mean setting up a system of controls and although the scheme would be intended to apply only to official balances, it would be impossible to do this without imposing restrictions on private holders also. This would hardly be consistent with London remaining a major financial centre;

(c) there is no logical reason why borrowings to finance withdrawals of sterling balances should be linked to IMF conditions relating to the British economy; and this would not be politically tolerable.

258. Telegram 20294 From the Embassy in the United Kingdom to the Department of State¹

London, December 15, 1976, 2339Z.

Department pass Federal Reserve Board. Subject: Initial Embassy Comments on the Chancellor's mini-budget and IMF Letter.

1. The Chancellor's mini-budget in effect comprises three parts:

- A) His actual presentation to Parliament
- B) The text of the UK letter of application to the IMF
- C) A Treasury press release setting forth economic prospects to the end of 1977.

Separate messages deal with each of these in considerable detail and should be read in connection with this report.

2. The Chancellor was on his feet for 32 minutes in what appeared a particularly boistrous—sometimes raucous—House of Commons. His presentation stressed the cuts in public expenditure and PSBR with a note that direct taxes were not being raised because they are already too high. After going through the broad details of his public expenditure cuts and increases in excise taxes, he cited the employment saving elements in the program.

3. Will the Chancellor's package achieve its purpose? On narrow economic grounds, the answer is probably yes. The reductions in spending, the increase in excise taxation, and the proposed sale of BP shares will make it possible to reach the PSBR and DCE targets flowing from the agreement with the IMF. However, the package is also intended to restore confidence—that intangible but indispensable element—among Britain's foreign creditors, Britain's industrialists and the wider British public. That confidence depends in large part on the belief that HMG would finally take the hard measures (i.e., those which would reduce public sector employment).

4. It is very unlikely that there will be any significant reduction in public sector employment as a result of the public expenditure savings. Some may come in the next fiscal year from the (in millions of pounds

¹ Summary: The Embassy assessed Healey's mini-budget and the resolution of the UK negotiations with the IMF.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976, [no film number]. Confidential; Immediate. Also sent immediate to Treasury. Sent for information to Bonn, Paris, Rome, the Mission to the OECD, and the Mission to the EC. On December 16, Kissinger said to Ford, "I see your Treasury is taking full credit for the IMF deal." Ford responded, "I almost vomited when I read it." Kissinger replied, "If it had not been for you, we would have been in the worst crisis ever right now with the British." (Memorandum of conversation, December 16; Ford Library, National Security Adviser, Memoranda of Conversation, Box 21)

at 1976 survey prices) cuts in the defense budget (100) and overseas aid (50). The reductions in food subsidies (160) and regional employment premium (150) are just that; i.e., reductions in subsidies which, if they have an impact, will be in private sector employment rather than from the public sector. The same is true in reductions in road construction (75) and local sector construction and capital projects (50). The savings from nationalized industry requirements on government finance (110) would appear to be simply shifting the burden on the consumer through higher prices for nationalized industry services—which indeed is appropriate—but it is not a shift in resources away from the public sector. Shifting export credit financing to the banking sector can be viewed in the same vein, i.e. in terms of demands for resources it appears to be a bookkeeping shift rather than an actual reduction.

5. The economic package will have a deflationary impact which will give some aid to the balance of payments and will probably reduce real GDP by $\frac{1}{2}$ to $\frac{2}{3}$ of a percentage point from what it would have been in FY1977. The reduction in subsidies and increase in taxes will reduce disposable income and consequently aggregate demand for goods and services. The reduced public sector borrowing requirement should contribute substantially to controlling the growth of the money supply. These effects will naturally restrict the demand for imports of consumption and investment goods as well as new materials. The official forecast (see septel) of $8\frac{1}{2}$ percent export growth in second half 1977 over second half 1976 and imports in the same period increasing only $1\frac{1}{2}$ percent must be viewed critically.

6. The measures do not in themselves achieve the structural shift that would give the UK long term economic improvement. In particular the public sector's use of resources will be maintained, leaving the private sector to take up the brunt of the deflationary adjustment—in particular the brunt of unemployment.

7. When discussing the amounts that would be made available from the IMF (“\$1.15 billion immediately and over \$1 billion more before the end of 1977”) and in citing the US Treasury-Fed \$500 million swap line and the Bundesbank \$350 million standby, Healey did his best to give the impression this was an endorsement of his policies by the international financial community: “The endorsement of our policies by the International Monetary Fund and the members of the GAB will relieve the pressures on sterling which have damaged our economic prospects in the last 12 months while the prospective arrangement for the sterling balances will help to reduce the risk of such pressures in future years. This should do much to restore the confidence on which all aspects of our economic performance critically depend.”

8. The initial opposition reaction expressed by shadow Chancellor Sir Geoffrey Howe was that this is an IMF budget imposed by the IMF

and which will be monitored by the IMF. Operators in both gilt-edged and foreign exchange markets are much more critical. Especially on the failure to tackle what they consider to be overemployment in the public sector.

9. Sterling dropped 2 cents from roughly \$1.6850 to \$1.6650 on the strength of the Chancellor's pronouncement. Selling was not especially heavy and much of it appeared concentrated in London where UK bankers who had taken long positions in the morning were disappointed by the content of the package and therefore were seen to be reversing positions. Most critical reaction focused on the failure to reduce public expenditure in other areas rather than in reduction of PSBR. Senior trader in a major clearing bank summed up views heard reflecting the Foreign Exchange Market's disappointment by saying the "Chancellor had once again failed to grasp the nettle and once again come in with too little too late." One banker was surprised the UK could arrange an IMF loan on such easy conditions, adding that it was not the sort of package that would cause the pound to appreciate.

10. What is being initially perceived in the market and among economic commentators is that domestic political imperatives seem to have once again prevented a program sufficiently tough to convince the world that the needed structural changes are finally underway. This view, however, will not be entirely shared by TUC leaders and the left wing of the Parliamentary Labor Party, who have already complained about loss of sovereignty to the IMF.

11. The Chancellor has once again produced a package which pleases no one, neither the left wing of his party nor the opposition nor the markets. He obviously went to great pains to be able to demonstrate he had not increased unemployment, at least not in the public sector. On reflection, the markets may take a more favorable attitude given the longer term elements in the program. For the moment, they remain to be convinced by a package which appears despite the fire and brimstone and Cabinet battles to be the absolute minimum necessary to obtain IMF acquiescence.

12. Other messages in this series include UK letter of intent to IMF (London 20283): export credit in the mini-budget (London 20291); economic prospects to end 1977 (London 20292): and highlights of the Chancellor's mini-budget presentation to Parliament (London 20293).

Armstrong

259. Memorandum From Secretary of the Treasury Simon to President Ford¹

Washington, December 17, 1976.

SUBJECT

Alternative Proposals for Dealing with United Kingdom Sterling Balances

I. *Statement of the Problem*

The sterling balances consist of two parts:

—The *private* balances, which are mainly working balances of firms and individuals, and used to finance world trade. The private balances are *not* the volatile portion of sterling balances, and have not been included in previous international efforts to deal with the balances.

—The *official* balances, now £2.5 billion (about \$4 billion), held as currency reserves and investments by foreign governments, mainly OPEC. The official balances are the more volatile element, tending to increase when the U.K. economy is strong, and declining when the U.K. economy is weak. International assistance was provided on earlier occasions (1966 and 1968) to help deal with this problem.

At present, the British authorities are urgently interested in multilateral financial arrangements to deal with the sterling balance problem. The British have cited the balances as a major reason for U.K. financial difficulties—calling them “a millstone” around the U.K. neck. As seen by the British, the danger is that the balances could be offered for conversion into other currencies on a massive scale, with disruptive effects on the sterling exchange markets or on the international monetary system as a whole.

The United States is sympathetic to this desire and is prepared to participate, with others, in appropriate arrangements for dealing with the *official* sterling balances. The private balances are not the problem, and no official arrangements are needed for these balances. In considering the official balances, it is important—particularly at a time of widespread balance of payments difficulties in a number of countries and increasing strain on sources of official balance of payments fi-

¹ Summary: Simon discussed alternative proposals for dealing with the UK sterling balances issue.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (23). Confidential. Attached but not published is an undated memorandum entitled, “Outline of a Proposed Comprehensive Multilateral Approach to Resolution of the Sterling Balances Problem.” Sent to Ford under cover of a December 18 note from Scowcroft noting that “Simon wanted you to have this paper in connection with the 2:30 meeting today.”

nancing—that any arrangements established deal with this recurrent problem in a responsible and lasting way. Not all arrangements would accomplish this objective, and it is essential to examine the details of alternative proposals with care.

II. *Alternative Proposals*

Two basic proposals for financing the sterling balances have been advanced.

One proposal, pressed by Harold Lever and certain others in the U.K. Government, is the so-called “safety-net” approach. This would provide the U.K. with credit (nominally on a short-term basis) if needed to meet conversions of official (and perhaps also *private*) sterling balances. This technique has been used twice before (in 1966 and again in 1968) and, in retrospect, has proved to be the wrong way to approach the sterling balance problem. While the concern has always been that the official balances are a burden to the U.K. and a source of instability in the international monetary system, the effect of such arrangements has been perverse. They have led to sharp *increases* in the balances—and thus to sharp increases in the potential burdens to the U.K. and in the sources of instability to the system. In essence, the international community, through these and other financial arrangements for the U.K., has provided a continuous underwriting of the sterling balances throughout the post-war period, even though that support has only been evident periodically when sterling was in severe trouble. Further repetition of this approach would not be useful or appropriate.

In reality, Lever and the proponents of the “safety-net” approach are seeking large-scale access to *unconditional* credit. This form of “safety-net” would apparently have no policy conditionality of its own, and could undermine the recent IMF program (which Lever vigorously opposed) by making available alternative financing. Lever would apparently like to push the sterling exchange rate *up* (a move we would regard as artificial and certain to fail, with serious results for Britain’s competitiveness and financial position), and he would regard large unconditional credit as helpful for this purpose.

The *alternative* proposal, a “comprehensive funding” approach, which the U.S. has designed, attempts to provide a comprehensive and durable solution. This alternative proposal rests on several principles which distinguish it sharply from the “safety-net” approach.

1. *It supports IMF efforts to promote needed adjustment.* The IMF and the U.K. have negotiated policy conditions in connection with the U.K. request for a \$3.9 billion standby financing arrangement from the IMF. Actual drawings by the U.K. will be dependent on U.K. performance of these policy conditions. Such conditional financing is wholly appropriate and essential to the restoration of health to the U.K. economy and

confidence in U.K. economic policy. Any financing arrangement related to the sterling balance problem must complement and support this effort, not subvert it by providing easy and possibly large-scale access to *unconditional* credit.

2. *It recognizes the need for medium-term financing.* Any new arrangement must recognize explicitly that the official balances represent a medium-term financing problem, not a short-term problem. If the U.K. is compelled to draw upon the arrangement because of large conversions of official sterling, three- or six-month money is not going to be of measurable help. To be of meaningful help, the short-term debt represented by the balances must be funded and repaid over the medium-term, as U.K. corrective policies can be expected to take effect. The “safety-net” approach provides financing *nominally* on a short-term basis, but permits “rollover” or extension of such financing for several years. It is a medium-term facility in short-term clothing. The comprehensive funding approach would meet the need for medium-term financing in a forthright manner.

3. *It provides for sharing of responsibility for dealing with official sterling balances.* Any new arrangement must recognize that, broadly speaking, three different sets of countries stand to gain from the arrangement and should contribute something to it. The U.K. gains relief from large drawdowns of the balances; official holders of sterling—the bulk of which are wealthy OPEC countries—gain what is tantamount to a guarantee that the value of their holdings will not be eroded by large conversions of sterling by others or by themselves; and other countries gain from greater stability in the international monetary system. The “safety-net” approach places obligations only on the U.S. and other creditors—to provide financing to the U.K. It does not require the U.K. to accept policy conditions or to undertake responsibility for dealing with the balances. It also provides holders of sterling with the lucrative combination of sterling interest rates and effective sterling exchange rate guarantees—and no responsibilities.

The comprehensive funding approach involves a better balance. In addition to the obligation on creditors in the arrangement to provide financing, the U.K. would be expected to offer holders of official sterling an alternative “funding” security that could help remove the threat of large conversions of sterling; and to follow policies to deal more generally with its payments problems over the medium-term. Holders of official sterling would be asked to consider investment in the “funding” securities offered by the U.K., to reduce their holdings of sterling gradually and in an orderly fashion, and, on a selective basis, to participate in the multilateral financing arrangements.

4. *It provides a definitive solution—the orderly reduction of official sterling balances.* Any new financing arrangement must envisage an end to

the recurrent problem of the balances—an end to the officially-held balances themselves. As indicated above, the “safety-net” approach simply underpins the balances and perpetuates or increases them. It has been tested and has failed. It is not really a “safety-net” but a “trampoline” from which the balances can jump higher and higher. It is harmful rather than helpful in providing a definitive solution to the problem—or even in providing for improvement over an unsatisfactory past. The comprehensive funding approach would call for a gradual and orderly phase-out of official holdings of sterling.

Specific elements of our proposed approach are outlined in the attachment.

III. *Other Countries' Views*

Our discussions with the other major creditors—Germany and Japan—indicate that they agree very strongly with certain key elements of our approach. Specifically, they support the idea that any financing should be in the form of *conditional* rather than unconditional credit, and the idea of assuring a phased reduction in the level of the official sterling balances over time.

There remain some differences with respect to the institutional arrangements. The Germans, in particular, seek a major role for the BIS. I feel that while the BIS can participate, it is essential that the central organization, the “umbrella” for any facility, be the International Monetary Fund. My reasons are:

—The IMF is the focal point of our international financial system, has an excellent Congressional and public reputation as a sound institution, and should be used for implementing such a structural change in the monetary system.

—The IMF alone can introduce the needed “conditionality” underpinning any financial support.

—The IMF can better attract support from non-European creditors (e.g. Saudi Arabia) who regard the BIS as a bank of the major industrial powers.

—The IMF is not tainted with inadequate earlier attempts to solve this problem, as is the BIS.

IV. *Recommendation*

That we press for a solution to the sterling balance problem along the lines of our alternative proposal, as described above and in the attached memorandum.

William E. Simon

260. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, December 18, 1976.

I. *Purpose*

To review recent discussions with the British on sterling balances, to work out a compromise between the British and the US positions, and to emphasize the need for flexibility on the loan to Portugal.

II. *Background, Participants, and Press Plan*

A. *Background*: On Wednesday, Chancellor Healey announced to Parliament new measures to stabilize the UK economy and to qualify for a \$3.9 billion standby credit from the IMF. At that time he also indicated, with our concurrence, that talks in Basle in the Bank for International Settlement (BIS), and with the US Treasury and FED, have "revealed a general desire on the part of those concerned to achieve a satisfactory arrangement for the sterling balances". He also expressed his belief "that it will be possible to reach an agreement before long".

Subsequently, Callaghan wrote to you (Tab A), indicating his "strong preference" that "we should go ahead with the BIS scheme for a contingency safety net facility. This should be a forerunner to a longer-term funding scheme, if that proves to be workable; but such a scheme would take too long to negotiate to be a practical possibility for the immediate solution which is needed. We remain at risk until we have a good arrangement, and I still hope that this can be achieved quickly."

There are clearly major differences between the Treasury and FED on one hand, and the British on the other, with respect to the sterling balances issue. The FED and the Treasury have developed a proposal (Tab B, given to the British last week) for a longer-term arrangement to convert officially-held sterling balances (those in the hands of foreign governments) into long-term UK debt obligations, denominated in dollars or other hard currencies. This "funding" proposal would also require Britain, over a 10-year period, to reduce and eventually eliminate its holdings of official sterling balances. The approach would be

¹ Summary: Scowcroft briefed Ford on a forthcoming meeting on UK economic issues.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 25, UK (23). Secret. Attached but not published are Tabs A and B. A stamped notation on the memorandum indicates the President saw it. Ford met with Simon, Greenspan, Burns, Seidman, Yeo, Scowcroft, and Kissinger in the Oval Office at 2:35 p.m. The end-time of this meeting was not recorded and no other record of the meeting was found. (Ibid., White House Central Files, President's Daily Diary)

linked to the UK's domestic economic performance, which would be evaluated annually to determine whether new credit could be extended.

The British envisage a less ambitious scheme under which a line of credit would be provided on which the UK could draw in the event of large-scale withdrawals by official sterling holders. A scheme of this sort has been under discussion for several weeks at the BIS in Basle. Our Treasury and FED have indicated to the UK that the US could not participate in a scheme of this sort because it would mean extending short-term credit to Britain knowing that such credits would be rolled over every several months; such credits would thus constitute a long-term credit. The FED's "swap arrangements" are not designed to provide long-term credit. And the Treasury argues that it has been told by the Congress not to use the Exchange Stabilization Fund to extend credits of more than six-months in duration; although there is at present no legal restriction on its doing so. Ed Yeo has explained to his British counterpart, Derek Mitchell (who was here earlier this week), our objections to the BIS scheme and suggested that we begin discussions on a longer-term arrangement similar to the US proposal. Mitchell was apparently not instructed to begin such discussions, and left Washington on Tuesday without having commented on the US paper. As the Prime Minister's message to you indicates, the British believe that negotiations on a US-type scheme would take too long to serve their purposes, although they appear willing to discuss it as a long-term solution. They believe that in the near-term a safety net facility is still necessary as a protection against the withdrawal of sterling.

The Treasury-FED arguments in favor of a longer-term arrangement on sterling are essentially sound. And the Treasury is justifiably upset that Britain has not yet begun a serious discussion of it. On the other hand, the British apparently feel they need something quickly, especially since they will probably suffer a serious political embarrassment if nothing has been agreed on soon. In addition, those holders of sterling who have been led, rightly or wrongly, by Healey to believe that an agreement will be forthcoming are likely to become extremely nervous if no agreement is announced reasonably soon; the result might be significant sales of sterling. One possibility would be to develop a proposal for discussion with the British which would provide a short-term safety net facility as a first step, or a transitional device, to a longer-term arrangement of the type proposed by Treasury and the FED. Yeo leaves for Europe on Sunday and, given the urgency of the timing, failure to take advantage of his discussions there to make progress with the British, or at least move toward breaking the impasse, would mean a further, and perhaps dangerous, delay.

You might also raise the issue of *Portugal*. A Portuguese delegation was in Washington on December 15–16 to attempt to work out the first

step of a three-stage financial assistance package. (The second stage is a \$1.3 billion multilateral loan, and the third is full utilization of IMF's standby facilities.) Treasury has offered the Portuguese a \$300 million loan of gold (2.5 million ounces) which Portugal would then sell to raise necessary currency. Portugal would be obliged after a year to repay the gold or an equivalent amount of currency.

The Portuguese believe, however, that more conservative elements in the country would strongly object to sales of gold, even US gold, by the Government of Portugal. The Portuguese were seeking a dollar loan of roughly \$300 million instead. Treasury believes that a gold loan would have greater chances of repayment, and is better economically, if not politically, for the Portuguese; thus it has continued to insist on that approach. President Eanes believes, however, that gold sales would lead to unrest, which he cannot afford, Ambassador Carlucci believes that the government could fall if pushed to sell gold.

The Treasury-Portuguese negotiations broke down on Thursday morning. Portuguese experts will remain in Washington for the next several days to try to work out arrangements. Ed Yeo will visit Portugal on the 22nd to see if further progress can be made. Your emphasis, at this meeting, on the need for flexibility might encourage Treasury to come up with an approach which meets the needs of the Portuguese in a fashion consistent with Treasury's legitimate desire for security of its loan. The situation is urgent. Portugal's cash reserves are so low that they must either receive a loan soon or sell gold by the beginning of January.

B. *Participants*: Secretary Kissinger, Secretary Simon, Chairman Burns, Alan Greenspan, Ed Yeo, Brent Scowcroft.

C. *Press Plan*: No announcement.

III. *Talking Points*

1. I wanted to have this meeting because I will be leaving town tomorrow and would like to be brought up to date on where we stand with the British. These are difficult issues. I want to say how much I appreciate the efforts that Treasury and the FED have made to be supportive. I know that your financial experts are often concerned lest the politicians get too heavily involved in your work. I have, as you know, taken a hands-off attitude in letting the British and the Fund work out an agreement without American intervention.

2. I am aware that there are differences between the Treasury and FED on one hand and the British on the other regarding the sterling balances. (The British want support for a safety net arrangement, which they are discussing in Basle; Treasury and the FED favor a longer-term "funding" of sterling balances.) I am aware also that serious discus-

sions between ourselves and the British on the FED-Treasury plan have not yet taken place.

3. I would like to know the status of your discussions with the UK. What precisely are the differences between you? How far have discussions gotten in the BIS in Basle? What do the Germans, Japanese, and others think?

4. While I don't want to comment on the details of your differences with the UK, I want to make clear that the US has a commitment to the UK, and I have a personal commitment to Jim Callaghan, that we will be cooperative and sympathetic, and that we will work to resolve these issues as quickly as possible. I don't doubt that some of the problem lies with the way the British have handled the situation from their side. But it is extremely important to the United States, and to me personally, that we now make every effort to reach a reasonable compromise with the UK consistent both with our domestic interest and with our desire to be responsive to the British.

5. (This is illustrative. Your decision and instructions will depend in part on the course of the discussion.) I would like the FED and the Treasury to provide me as soon as possible a paper outlining an approach reconciling the British and the American positions. I would like to have this by early next week. I leave the details to you, but I want you to find some way of bridging these differences. I think it is essential to reach an agreement quickly. The longer we go without an agreement, the more difficult it is for the British politically, and the more vulnerable sterling is to lack of market confidence.

6. With respect to *Portugal*, I would like to know what the differences are between us and the Portuguese. I know that Ed Yeo will be in Portugal on the 22nd. These people have fought a courageous battle to restore democracy. It would be a historic miscalculation of the worst sort if, for want of adequate assistance, this heroic effort were to fail and the Portuguese political system were again to become unstable. If our terms on gold are too difficult for them to accept politically, however correct they are economically, we may end up with a Government which can take none of the reforms which we believe are necessary because it will be too weak. Frank Carlucci fears that the Government will fall if it is forced to sell gold. I think, therefore, it is essential to use our ingenuity to come up with a solution to this. What sort of thing might we do?

7. (Depending on the course of the discussion) I would like to see a plan for resolving this problem before your meetings begin with the Portuguese on the 22nd. We must be flexible. We must be able to come up with something.

**261. Message From President Ford to British Prime Minister
Callaghan¹**

Washington, December 19, 1976.

Dear Jim:

Thank you for your thoughtful message of December 16. You can be assured that our negotiators are prepared to be constructive in seeking a solution to the problem of the sterling balances.

We approach these issues in full understanding of the political problems you are facing. On our side, we also have our own political necessities; particularly to be able to demonstrate that we are dealing with the problem in a comprehensive rather than a stop-gap manner. My negotiator, Ed Yeo, will be meeting next Wednesday in Paris with your representatives as well as officials of the German Finance Ministry and Bundesbank. He will negotiate with sympathy, understanding and flexibility. It is my hope that all participants will be prepared to discuss the subject in similar fashion and with the authority to move toward a solution.

Sincerely,

Jerry Ford

¹ Summary: Ford replied to Callaghan's December 16 message on the UK economic situation.

Source: Ford Library, National Security Adviser, Scowcroft Daily Work Files, Box 14. Secret. In a December 16 message to Ford, Callaghan thanked him for the "agreed form of words on our arrangements for dealing with the sterling balances" and "the offer of the swap facility" arranged by Burns and Simon. Callaghan noted that the swap facility and a proposed FRG standby arrangement "will help to reinforce the confidence effect of the package." (Ibid.) In a December 22 memorandum to Kissinger, Rogers reported "a breakthrough" on sterling: "They agree in principle, first to phase out sterling as a reserve currency, second to conditionality for the supplementary assistance we and the other countries provide, and third to self-funding of the balances. The details—essentially how much conditionality on their side and how many dollars on ours—will be negotiated over the next several weeks." (National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 10, POL 2 United Kingdom)

Federal Republic of Germany, 1973–1976

262. Memorandum From the Acting Assistant Secretary of Defense for International Security Affairs (Eagleburger) to Secretary of Defense Richardson¹

Washington, February 22, 1973.

SUBJECT

US–FRG Bilateral Offset, FY 74–75 (U)

(C) DOD preparations began last summer for bilateral US–FRG offset negotiations scheduled to be completed prior to the 30 June 1973 expiration of the current agreement. The current agreement contains three basic elements: (1) FRG procurement in the US, (2) Bundesbank loan and payment of interest on the loan, and (3) direct support payments to rehabilitate US troop facilities. A background paper on previous agreements is attached.

(C) Mr. Laird reached an informal understanding with FRG Ministers Helmut Schmidt (Finance) in July 1972, and Georg Leber (Defense) in October that the next agreement would be similar in form to the current one and could include completion of the troop barracks rehabilitation program and some new family housing.

(C) Word from Embassy Bonn is that the FRG expects to conclude a new agreement with the US along the lines of the current one, and that the direct support component could involve completion of barracks rehabilitation and other projects, such as renovation of troop operating facilities.

(C) DOD expenditures in the FRG during FYs 74–75 are estimated at \$1.815 billion for FY 74 and \$2.0 billion for FY 75. Sales to the FRG, optimistically, will be about \$500 million for each of the two years. Following are ideas for FRG-funded items surfaced by Defense for consid-

¹ Summary: Eagleburger reported the status of U.S.–FRG offset.

Source: Washington National Records Center, OASD/ISA Files: FRC 330–76–117, 121 Germany 22 Feb 73. Confidential. Drafted by Arthur Chapa in ED/NATO on February 20. Attached but not published is an undated paper entitled, “US/FRG Bilateral Offset.” NSSM 170 is Document 8. On February 22, Eliot sent Kissinger the position paper on U.S.–FRG bilateral offset requested in NSSM 170; the paper recommended that the Embassy in Bonn engage the West German Foreign Office in a preliminary discussion of offset. (National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–196, Study Memorandums, 1969–1974, NSSM–170)

eration in this year's round of negotiations, principally to add to the direct support component of the offset:

- Completion of troop facilities rehabilitation program (\$117.5 million).

- Construction of new family housing (\$301 million maximum).

- Recurring costs for two years (taxes, rent, aircraft landing fees, etc.) (\$168.2 million).

- Ammunition storage safety projects (\$33.0 million).

- Environmental protection projects (\$36.0 million).

- Rehabilitation of family housing and community support facilities (\$342.0 million).

- Responsibility for maintaining US prepositioned equipment.

- FRG takeover of US heavy ordnance rebuild plants.

- FRG operation of supply depots.

- FRG takeover of air defense facilities.

(C) With the issuance of NSSM 170, Offsetting Costs of US Forces in Europe, 13 February 1973, the US–FRG offset is now being handled as part of a study covering both bilateral and multilateral burdensharing issues, under the direction of the NSC staff. We are actively involved in all phases of this effort.

Lawrence S. Eagleburger

Acting Assistant Secretary

263. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, March 15, 1973.

Here is a letter from a very well-known American novelist living in Germany. I think you will find it interesting, even though he has an obvious conservative bias.

Attachment**Letter From Hans Habe to the President's Assistant for National Security Affairs (Kissinger)**

Ascona, March 5, 1973.

Dear Mr. Kissinger:

Let me begin by saying that I have greatly appreciated your letters of June 14th and August 18th, 1971. *Wie Einst David* has been, incidentally, just published under the title *In King David's Footsteps* in England.

Once more I would like to say that this letter does not warrant an answer. I would, as a matter of fact, very well understand if you would consider it more opportune not to acknowledge it. I am perfectly satisfied to know that you take cognizance of the facts mentioned below.

Facts: here I already hesitate. What I have to tell you, are primarily opinions. But they are not the mere opinions of a writer, who is also an American citizen, a former officer of the US-Army and—in behalf of the American Army—the founder of the free press in the United States Zone of occupation. As the probably most read columnist of the Federal Republic—in *Welt Am Sonntag* and a number of other papers—it is

¹ Summary: Kissinger forwarded a letter he had received from the novelist Hans Habe.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 61, Country Files, Europe, General, Hans Habe. Confidential. Sent for information. A stamped notation on the memorandum indicates the President saw it. Nixon wrote on the bottom of the memorandum, "K—a very perceptive and very disturbing analysis—I think he is *too* close to the truth." Nixon underlined the portion of the seventh paragraph of the letter that begins "in the current of time" until the end of the sentence and wrote in the adjacent margin, "K—very perceptive." In the ninth paragraph, Nixon underlined the third sentence; in the tenth paragraph, he underlined the fourth sentence. In the thirteenth paragraph, Nixon underlined the sixth sentence, as well as the final sentence, and wrote a check mark in the margin. In the sixteenth paragraph, Nixon underlined the first sentence, writing in the adjacent margin, "K—one of our greatest mistakes. We must do everything possible to rectify it." Nixon also underlined substantial portions of the fourth and fifth sentences in the sixteenth paragraph.

my business to be informed. At a moment when American interests justly turn toward Europa, I feel it my duty to let you participate in my personal knowledge. This knowledge is certainly by far not as wide as the one transmitted to you through diplomatic sources. It might have the advantage of being personal and independent.

I am prompted by the feeling that Washington is not fully aware of the plans and intentions of the Brandt-government.

I am afraid that the ultimate aims of Willy Brandt are not fully recognized by the United States.

It sounds perhaps paradoxical if I say that the ultimate aim of Herr Brandt is the re-unification of Germany, for it was his *Ostpolitik*, which seem to have sealed the partition of Germany. It is, I believe, generally overlooked that only two independent countries can decide about their unification. Nobody could prevent, for instance, the unification of Italy and Switzerland, if the two countries would so decide.

Naturally, this is a long-term plan. In itself there is nothing to say against it. The utopistic idea determines, however, the policy of Herr Brandt today. He is convinced that if, in the current of time, he goes nine steps to the left, the DDR will go one step to the right, and so they two German states will meet in the middle. This looks like a very strange geometry, but it corresponds entirely to the Bismarckian dream of Herr Brandt.

For the time being it is not as absurd as it sounds—at least in the mind of Germany's present day ruler.

First, Herr Brandt is convinced—and rightly so—that he has far more to offer to Soviet Russia than Herr Honecker. Moscow has received from the DDR all that this country has to offer. Herr Brandt, on the other hand, is able to weaken the Western alliance, he is able to paralyze the NATO and transform the Common Market. He might be wrong in assuming that for all this he will receive ultimate concessions from Moscow—I think, he is—, but in the meantime the Russians, with his help, will have achieved everything they desire.

Secondly, Herr Brandt is no different from any other German ruler pursuing the *deutsche Hegemonie* in Europe. It is an old rule that families, otherwise divided, immediately become very close when they happily discover a forger in the family. For Europe—whether we like it or not—America is that forger. Herr Brandt's *Europapolitik* is based on anti-Americanism. For him, the former Communist, the program of Godesberg is out-dated. He is convinced that Germany will be at the helm of a Socialist Europe, primarily achieved with anti-American sentiments. Thus, he believes to have found the formula of pleasing the East and leading the West.

Let me add, in this connection, a topical item, that of the *Truppenabbau*. I don't believe that Brandt at this moment is particularly keen of

following the slogan of the left-wing of his party, voiced more and more: "*Hinaus mit den Amis aus Deutschland!*" This does not correspond to his time-table. As long as he wants concessions from the Soviets, he has to play both ends against the middle. Permit me to say, however, that it would be very unwise to demand high financial contributions from the Federal Republic. Such demands might prompt Herr Brandt to say today, what he definitely wants to say at a later, more appropriate date, namely that the Federal Republic, with deep regret, must agree to the reduction of American troops because their presence endangers the sound economy of Bonn. This, then, would be an extremely popular argument.

I don't have to tell to the probably best informed man of our days and to the learned professor of history, that the foreign policy of Herr Brandt cannot be achieved without establishing an uncontested rule in Germany itself. Just to quote one example: The new *Medienpolitik* is aimed at the destruction of the free press and free opinion in West Germany. If Washington believes that laws of this kind, as planned by Herr Brandt and his Government, are an "internal" affair, the United States will go badly wounded and fatally handicapped into a situation, which it will then—and too late—recognize as dangerous for its own security.

It would be futile to speculate at this moment about the question, what kind of person Willy Brandt is. I shall send you in May my new book, *Erfahrungen*, in which you will find a few remarks about this question. Here I am reproducing a long talk I had with Herr Brandt—and I am not doing it in the scandalous manner, in which Max Frisch in his *Tagebücher* reported about his meeting with you. At the present time I would not like to decide, whether Herr Brandt is a well-meaning dreamer, or a cynical politician. He won his election, in any case, with his gesture at the ghetto of Warsaw, when he took upon himself the guilt of the German people, playing, from this moment on, the part of Jesus Christ. The feeling of guilt as well as of gratitude—particularly toward the United States—is gone. Herr Brandt can do what he wants. Why he wants it, is immaterial, as it is immaterial, whether he sincerely believes in a Third-Force-Europe, basically neutral, or whether he wants to join the Eastern orbit. It is, furthermore, immaterial, whether he thinks that the Federal Republic can remain independent from Moscow by being, at the same time, independent from Washington. He is, under all circumstances, in the process of a divorce-suit brought against the United States.

Who am I to tell you whether all the intentions of Herr Brandt are feasible and what can be done to prevent their realization?

All I want to tell you, is the following.

Herr Brandt was elected with the unsaid blessing of America. The majority of the German people do not think as Herr Brandt does. You

must count to the 45 per cent pro-Western followers of the CDU/CSU at least 20 per cent of people, who, while having voted for the SPD or the FDP, are firmly opposed to all adventure and absolutely loyal to the Western alliance. It is significant that during the whole campaign the SPD did underline practically every hour that Willy Brandt has the full confidence of President Nixon and that he is hailed in America as the *Friedenskanzler*. It would be asking too much from the average German to realize that your own trip to Moscow means something entirely different than the flirtation between Moscow and Bonn. If in November 1972 one word of doubt would have emanated from Washington, Willy Brandt would not have been elected, certainly not with a wide margin. The extreme left, in other words, believes that America is too weak to intervene, the others think that Brandt's policy has the blessing of the United States. If these impressions are perpetuated, the Western alliance will soon be a memory of the past. We will have first a Socialist Europe under German leadership and ultimately a Socialist Europe under Soviet influence.

While saying this I fully realize that the German question is not an isolated one. The policy of *détente*, as pursued by our country, has its own rules. But the American *détente* is wrongly translated by the German *Entspannung*.

Allow me to finish by saying that I have written this letter to you not only as your admirer, or as a deeply concerned citizen of the United States. I am also a European and, to boot, a German language writer. I am just as worried about the future of Europe in general and of Germany in particular as I am about the part of the United States in European politics.

I could, from my knowledge and experience, go into details, which would take up even more of your time. I could point out, for instance, that for the observer from the outside it looks as if Herr Brandt would be the defender of Western ideals against the radical *Jusos* of his party, while all evidence proves that the "Young Turks" only betray at the present, what Willy Brandt has in mind for a better occasion.

I remember the days when Major Habe, editor of the *Neue Zeitung*, was pretty helpless when confronted with the German argument that in the days of Chamberlain and Daladier German resistance could hardly be demanded. I wonder, whether we will not be faced with the same justified excuses and reproaches in the not too far future. We cannot expect opposition against the determined anti-American policy of Herr Brandt in Germany, if he can pursue his policy of *Sozialisierung* as well as his *Ostpolitik* by pretending that he commands the respect, the hope and the support of the United States.

Please consider this letter as confidential, but please believe me at the same time that I would not have written it without considering the situation crucial to the point of a desperate development.

Respectfully yours

Hans Habe

264. Memorandum From R.G. Livingston of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, April 3, 1973.

SUBJECT

Our Embassy in Bonn Analyzes Anti-Americanism in the FRG

Marty Hillenbrand has sent in a searching and thoughtful analysis of anti-Americanism in West Germany. It is worth reading (Tab A). He concludes that we shall have to become used to an institutionalized radical left and to more anti-American sentiments, slogans, and actions but that the main lines of development in the FRG still favor good relations with the United States.

The major points in the message:

—West German media have been filled for months about anti-Americanism. This coverage may become a self-fulfilling prophecy, changing perceptions, and making the reality of attitudes toward us worse than it has been.

—The Embassy believes that anti-Americanism remains limited to a small if very vocal minority.

—Media reports often confuse anti-Americanism with lack of confidence in the U.S. commitment and growing public realization of U.S.

¹Summary: Livingston forwarded and summarized an analysis of anti-Americanism in the FRG by Hillenbrand.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 687, Country Files, Europe, Germany (Bonn) Vol. XIII, Jan–Sep 73 (2 of 3). Confidential. Sent for information. Attached but not published is Tab A, telegram 4477 from Bonn, March 27. Scowcroft wrote at the top of Livingston's memorandum, "HAK has seen." During a March 9 tour d'horizon discussion with Hillenbrand, Brandt discussed anti-Americanism in the FRG. (Telegram 3589 from Bonn, March 9; *ibid.*, RG 59, Central Foreign Policy Files, 1973, [no film number])

international monetary weakness, FRG power, and non-coincidence of US and FRG interest on some issues.

—Yet a new generation is coming to the fore in Germany without memory of the Third Reich or of the US role in postwar Europe, nurtured by anti-American reports in the media, and inclined to a fashionable rejection of the establishment and of neo-imperialistic capitalism, of which the United States is considered the world leader.

—Moreover, the Radical Left not only opposes the US, and NATO, but also wants the FRG to break entirely with its postwar past, of which the United States is so large a part. Once Vietnam is past us, emphasis on us as a target will shift to our alleged identification with neo-capitalism, to the US-dominated multi-national corporations, and to our links with Israeli interests.

—And the new fact is that the Radical Left for the first time has become institutionalized. Its existence and German political life within the SPD is accepted.

—The SPD leaders, however are alert to the problem but are optimistic that today's radicals will become tomorrow's moderates, as they themselves did once they had to cope with power.

—Brandt, Scheel, Schmidt and Leber have spoken out forcefully to counter impressions that US–FRG ties are deteriorating. Brandt has placed his full authority behind SPD national convention resolutions that back the US and NATO.

(Comment: With at least 25% of the delegates to the convention from the Jusos and other Leftist groups, however, Brandt will probably have to make concessions to them in the makeup of the party's organs and perhaps in its domestic policy program as well.)

265. Memorandum for the President's File by the President's Assistant for National Security Affairs (Kissinger)¹

Washington, May 1, 1973.

SUBJECT

Meeting with Chancellor Willy Brandt of the Federal Republic of Germany on Tuesday, May 1, 1973 at 10:45 a.m. to 12:25 p.m.

PARTICIPANTS

The President
Chancellor Brandt
Egon Bahr, Minister without Portfolio
Dr. Henry A. Kissinger

President Nixon greeted Chancellor Brandt. Domestic problems, he pointed out, were not so decisive as big play. He suggested they first go over the agenda for the meetings. Minister Bahr suggested that the Middle East should be discussed. The Chancellor deferred to the President, who suggested they start with Europe.

Chancellor Brandt [much more cryptic than in the past] suggested they take up West-West relations first, including Japan. The President agreed, and stressed his view that nothing would be a greater mistake than economic warfare between Europe and the United States. But Japan must be part of it. The Chancellor agreed. He noted that NATO was first priority. "I hope you can keep your determination not to cut forces unilaterally," the Chancellor stated. He then went over various topics raised by Dr. Kissinger's speech. The Chancellor accepted that there is linkage but not that one field should block the other. He hoped that in trade both of us would instruct our experts so that there would be more political direction.

¹ Summary: Kissinger reported on a meeting among Nixon, Brandt, Bahr, and himself.

Source: National Archives, Nixon Presidential Materials, White House Special Files, Staff Member & Office Files, President's Office Files, Memoranda for the President, Box 91, Beginning April 29 (1973). Secret; Sensitive; Exclusively Eyes Only. All brackets are in the original. The memorandum contains two sentences that were partially deleted by means of correction fluid; sufficient text remains to decipher them. The first appears at the end of the sixth paragraph: "[He was rambling almost incoherently.]" The second appears at the end of the tenth paragraph: "[A long anti-Israel speech.]" Nixon and Brandt entered the Oval Office, where this meeting took place, at 10:44 a.m.; Kissinger and Bahr joined them at 10:50 a.m. (Ibid., White House Central Files, President's Daily Diary) A tape recording of the full meeting, from 10:44 a.m. to 12:24 p.m., is *ibid.*, White House Tapes, Oval Office, Conversation 908–13. Nixon and Brandt met again on May 2; no memorandum of conversation on this meeting was found, but a tape recording of the talk is *ibid.*, Conversation 909–25. Memoranda of conversation on the talks between Scheel and Rogers are *ibid.*, RG 59, Central Files 1970–1973, POL 7 GER W.

France was still more inward-looking, the Chancellor remarked. But at the end of the decade France would be as powerful industrially as the Federal Republic of Germany. This may make them more outward-looking. So would Britain be. How would the US deal with Europe then? Would it deal with national governments or institutions?

The conversation turned to President Nixon's planned visit to Europe in the fall. The Chancellor thought that the President should meet with heads of government at NATO. "Should we go to NATO first or last?", the President asked. "Last", replied the Chancellor, "so that we can have considerable preparation." There was also the question whether the President should meet with the foreign ministers of the Community. The Chancellor asked if we could make sure that Rogers and Scheel are told not to plan a Foreign Ministers' meeting. There would be a meeting with NATO.

Regarding the East-West treaties, the Chancellor continued, Germany was near the end of the bilateral business. Soon there would be a treaty with Czechoslovakia; it was likely to be finished before the Foreign Ministers' conference at the CSCE. Brandt then described his agenda for the summit meeting with Brezhnev. It would deal mostly with bilateral technical matters, and would call for more political consultation. Brezhnev also had sent a note calling for a meeting of heads of state for the finale of the European Security Conference. Chancellor Brandt was dubious about the desirability of this. The President remarked that he was dubious about the Security Conference. The Chancellor said he believed they have proceeded not too badly. The Conference had an integrating effect in bringing Europeans together.

The President then referred to his difficulties domestically. This would not affect his foreign policy, he said. We must be tough internationally, but speak softly. The way to détente was through strength, not a naive soft-headed approach. Let them not divide Europe and the United States.

Chancellor Brandt then offered two remarks—one on public opinion. The President should know that there was anti-Americanism in Germany. A recent public opinion poll showed a major change from 1967 in European sympathy for America. Only 57 percent said relations were good; 36 percent said they were normal. But the problem should not be exaggerated. There were protests in Nuremberg, which had more to do with the environment issue than with anti-Americanism.

The objective of Brezhnev, the Chancellor continued, may be to divide the US and Europe. But the alliance was our top priority. We should not allow our Summits to undo it. NATO was a guarantee for the stability of the Warsaw Pact, however, because ending NATO would also mean the end of the Warsaw Pact. Minister Bahr commented that the Soviets now accept the US role in Europe. They now

accepted the US as an organic part of European Security Conference, and in MBFR, etc.

The President asked for the Chancellor's views on MBFR. The Chancellor said he didn't know too much about it but he favored cutting some indigenous forces together with stationed forces.

The conversation turned to Yugoslavia. The Chancellor thought that Tito was looking better. The President should know that the events were moving in a bad direction in the Middle East. Sadat may lose control. Moscow was willing to send troops. Libya was dangerous. There were more weapons, and more radicalism. All this should be a reason to try to influence things in a positive direction. The President replied, "Let's leave it to Bahr and Kissinger!" He emphasized that he considered a Middle East settlement as the highest priority in the year of 1973. We were not Israel's lawyer. Israel should make its deal now, the President felt, before the Arabs engulfed it. Israel could lick the whole Arab world, except for Soviet intervention. Israel had had it without US support. Israel couldn't count on the United States to fight a world war for Israel. The US would not risk confrontation with the Russians over the Middle East—it was as clear as this. For us, the Middle East now had top priority. The Israelis were the ablest people in the world, the President said. He admired them, but felt they were totally wrong in their strategy.

Chancellor Brandt then asked the President's views on energy. He had liked the President's message on energy. Dr. Kissinger explained that the message had dealt only with the domestic aspect. The White House was organizing itself to handle the foreign policy aspect. The President said there were too many companies and nations fighting with each other.

266. Memorandum for the Record by the Director of the Office of International Security Policy and Planning (Sloss)¹

Washington, July 18, 1973.

Meeting Between Secretary of Defense James Schlesinger and
German Minister of Defense Georg Leber

Participants: See Tab A.

General

The meeting was conducted in an informal and friendly atmosphere. The exchanges were extremely frank at times, but there seemed to be good understanding and mutual respect between the two Ministers who carried most of the conversation on their respective sides. Secretary Schlesinger opened the meeting at breakfast with a strong statement of US interests in Europe and support for NATO which was welcomed by the German side.

The Military Balance of Europe

Most of the morning session was devoted to briefings on the military balance in Europe. These were presented by officers from CIA, DIA, Systems Analysis, and JCS. While these were highly condensed versions of briefings given to the British MOD staff last week, they were crammed with data. In general, two somewhat contradictory trends emerged. First, the Soviet forces on the central front have grown by about 60,000 men in the past several years (the Germans were requested to hold this figure closely until it is revealed to our other NATO allies in MBFR). They have also increased their equipment holdings. On the other hand, DOD analyses have sharply reduced estimates of Soviet readiness and mobilization capability.

The German reactions to the briefings reflected a mixture of appreciation for being briefed so thoroughly and confusion at the large amount of data thrown in front of them in a relatively short period. Minister Leber asked for an opportunity for his experts to review the

¹ Summary: Sloss reported a meeting between Schlesinger and Leber.

Source: National Archives, RG 59, Central Files 1970–1973, POL GER W–US. Secret; Exdis. Sloss did not initial the memorandum which was sent to the Assistant Secretary of State for Politico-Military Affairs Spiers. The meeting was held on July 17. Attached but not published is Tab A, a list of participants and a schedule; and Tab C, an undated draft communiqué. A more detailed memorandum of conversation on this talk, prepared by DOD, is in Washington National Records Center, OSD Files: FRC 330–78–0011, Germany 091.112 30 Jul 73. In a July 18 discussion with Rush, Leber said that his July 17 discussions with Schlesinger had clarified all of the misunderstandings that had arisen in the FRG and Western Europe with respect to U.S. policy. (Memorandum of conversation, July 18; National Archives, RG 59, Central Files 1970–1973, POL GER W–US)

studies when they are completed, and urged that there be no further premature leaks until NATO had had an opportunity to fully evaluate these analyses. Underneath I detected some skepticism at some of the US findings but the German staffs were obviously impressed with the thoroughness of the analysis and were in full agreement with the new intelligence data. Perhaps the sharpest reaction came to some of the study assumptions regarding a prolonged conventional war in Central Europe. Minister Leber made clear that the Germans did not relish early use of nuclear weapons, but he also made clear that the German public would find it difficult to accept any strategy which contemplated a prolonged conventional war on German territory. Minister Leber also asked whether some of the classified figures on the Soviet buildup in Central Europe could be declassified and released in order to counteract some of the “peace euphoria” in Europe.

Secretary Schlesinger indicated that we would look into declassifying of the data. He also suggested more frequent NATO intelligence assessments provided these were conducted on a serious basis. He also stressed in his response to Leber’s comments that the prime US objective in Europe was to deter war, not to fight any type of war.

Agreement to Prevent Nuclear War

Minister Leber came prepared with a series of questions on the new US-Soviet agreement. He prefaced his questions by stating that there were many skeptics and questioners of the agreement in Germany, but he was not one of them. He made clear he was raising these questions so that he would be better able to rebut them when he went home. A list of Leber’s questions (paraphrased) is at Tab B. Secretary Schlesinger provided generally reassuring responses, particularly stressing the qualifications in Article VI of the agreement and Leber seemed satisfied. At the end of this discussion he made a point of turning to Admiral Zimmerman and asking if he had further questions. Zimmerman did not.

FRG-French Discussions (Sensitive)

Minister Leber stressed that he particularly wished to have this report on his conversations with French Defense Minister Galley held in confidence. He made three points. First Galley was more willing to discuss joint defense plans with the Germans than Debre had been. Leber was clear that this more forthcoming attitude had emerged after Galley had checked with Pompidou. Galley made a point of stating to Leber that “France could not be defended west of the Rhine.” Leber sees some encouraging movement on the part of the French. He has not yet pressed to get into details because he does not want the French to feel that they are being pressured. He did suggest to Galley closer dis-

cussions with Gen. Goodpaster. Galley replied that all Goodpaster has to do is call him. Goodpaster has been informed of this.

Secondly, they have found a willingness on the part of the French to discuss the deployment of PLUTON. They will be pursuing this. Third, the French have shown some interest in the Eurogroup. This has come after the FRG made clear to the French that growing coordination of defense production planning in the Eurogroup would necessarily narrow the range of French-FRG bilateral cooperation.

Cooperative Production

This led to a discussion of two potential cooperative production projects. Leber added it would be very helpful if the US could agree to the purchase of the French-German ROLAND air defense missile. This is important on political grounds because it would bring the French into a cooperative venture. Leber also said that the Germans were trying to reach NATO-wide agreement on a single weapon system for the Leopard II tank. While he did not suggest US purchase of the Leopard, he did suggest that the US consider putting the same gun on its future tank so as to standardize tank armament in NATO.

Mini-Nukes

Minister Leber noted recent press articles regarding US development of so-called “mini-nukes”, and asked what the US position was on this matter. Secretary Schlesinger stressed that we had no revolutionary concepts in mind. He said that we were continually examining possibilities for improving and modernizing our nuclear stockpile but that new concepts were still in research and development and before they were deployed, if they were, there would be consultations with our allies. Schlesinger and Adm. Moorer stated emphatically that command and control over any new nuclear weapons would be as tight as over present weapons. They added that we definitely did not see small nuclear weapons as a substitute for conventional forces. The German side appeared to be reassured by this statement of US views.

MBFR

Minister Leber restated the well-known German views regarding indigenous forces. He suggested that any agreement might call for reductions in indigenous forces after a stated period of years, say four or five years. He said this would help to reduce pressures for European force reductions in the interim. In reply, Secretary Schlesinger said that we understood the German view but he felt bound to note that there was a difference between withdrawals and reductions. If we did withdraw forces from Europe as a consequence of MBFR, we did not intend to demobilize (the Germans indicated some skepticism on this point). Schlesinger also noted that if our allies made reductions it would be im-

possible to resist Congressional pressures for US reductions. He also noted that equal percentage reductions in stationed forces were advantageous to NATO, while equal percentage reductions of indigenous forces were not. Schlesinger thought that something could certainly be worked out but we could not resolve it here. Leber agreed. Schlesinger suggested the possibility that if indigenous forces were reduced the Europeans might increase their reserve forces disproportionately to compensate. However, he added, we need to explore these matters with great care as reductions can be contagious.

Other Matters

There was also brief reference to burdensharing and offset; to reorganization of command and control for tactical air in Central Europe; and use of additional German air fields to alleviate the centralization of US augmentation forces. Minister Leber stated that the FRG was fully committed to negotiate in good faith on a new offset agreement, but they were not prepared to assume a great burden in relation to the European members of NATO. Leber expressed full agreement with the US views on reorganizing tactical air in Europe and expressed willingness to consider means of working out the air field overcrowding problem.

A copy of the communiqué is attached at Tab C.

Attachments

Attachment

List of German Minister of Defense Leber's Questions

Undated.

QUESTIONS

1. Why did US want this agreement?
2. Do Soviets know about NATO agreements, and are they taken into account?
3. Brezhnev stated agreement has started gradual disintegration of the deterrent. Do we agree?
4. Would this vitiate alliance strategy based on escalation because [they?] would know we had to consult before use of nuclear weapons?
5. Does this agreement imply a legal commitment or is there an unwritten agreement to consult after a conventional attack and before use of nuclear weapons? If not, is *status quo* unchanged?
6. Are there any agreed criteria as to what constitutes an imminent threat to peace?

7. Is it true that consultations are contemplated before *any* use of force, conventional or nuclear?

267. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, July 30, 1973.

SUBJECT

Balance of Payments Offset Negotiations with the FRG

We have recently begun renegotiating the balance of payments offset arrangements with West Germany (FRG). Under the offset, the Germans take special actions to compensate the U.S. for the balance of payments cost of our troops in Germany. We are also seeking a multi-lateral arrangement whereby the NATO countries would join the FRG in contributing towards actions to offset fully our troop costs as well as to shift a greater share of the burden for the defense of Europe to our Allies. The basic objectives of this effort were spelled out by NSDM 214 (Tab A).

Improved offset and burdensharing arrangements are one of the major security-related objectives of the "Year of Europe". They are important for two primary reasons:

(1) An improved offset and burdensharing arrangement is needed to place the economic aspects of our troops in Europe on a long-term footing compatible with the changed economic situation.

(2) A major factor in Congressional efforts to force unilateral cuts in our troop levels is the impact of deployments on our balance of payments.

We need to provide further guidance to our Embassy in Bonn and our NATO ambassador regarding our preferred offset and burdensharing arrangements. In developing the guidance cable, we encountered sharp differences in views among the agencies. Treasury is pri-

¹ Summary: Kissinger sought Nixon's decision on the issue of loans in the U.S.–FRG bilateral offset negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 264, Agency Files, NATO July–Sept 73, Vol. XV (2 of 3). Confidential. Sent for action. Tab A is Document 13. The initial "P" was written next to the first recommendation; a note by Scowcroft in the same file reads, "Per John Bennett, the President approved the delay of the mention of loans in offset negotiations."

marily concerned with maximizing the balance of payments and budgetary impact of the offset. Defense is more concerned with developing arrangements which give the appearance of broad coverage in order to undercut Congressional efforts to use this issue as a reason to reduce our forces. To give guidance to the negotiators, a decision is needed on the relative emphasis on the different types of offset actions the FRG might take.

The principal issue revolves around whether or not we should suggest to the FRG that we would be willing to consider loan arrangements as a viable means of offsetting our balance of payments costs. Loans have been used in the past, in part because it was expected that the balance of payments problem would be short-term. Since loans do not add to the FRG budget, they prefer this approach and would probably be willing to agree to a larger offset program if a loan provision is included.

The difficulty with loans is that they are only a short-term solution and must eventually be repaid. The political value of loans has also diminished as Congressional critics now understand their economic implications and are less willing to accept them as valid offsets.

There is general agreement that later in the negotiations we should consider incorporating loans of some type in the offset agreement in order to expand its scope and total dollar value. The immediate decision that is needed relates to the relative emphasis to be given to the loans in early discussions.

State, Treasury, and Defense believe that *no* mention should be made of loans until negotiations are well along and that loans should be accepted *only* after other hard offsets have been exhausted.

I agree with State, Treasury, and Defense that we should not mention loans until later in the negotiations. If we raise them early in the talks, the extent to which we are able to get the more economically valuable “hard” offsets will be limited. Moreover, most Congressmen now understand the shortcomings of loans, and, therefore, the value of an agreement with a heavy loan content in satisfying Congressional concerns is doubtful.

Your decision:

Delay the mention of loans (Rush, Shultz, Schlesinger, Ash, Timmons and Kissinger recommendation)

Allow loans to be discussed freely

268. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)

Washington, September 6, 1973.

[Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 24, Classified "C" Material. Secret; Sensitive; Eyes Only. 7 pages not declassified.]

269. Memorandum From Philip Odeen and Helmut Sonnenfeldt of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, September 20, 1973.

SUBJECT

Balance of Payments Offset Negotiations

The bilateral balance of payments offset negotiations with the FRG started this week (Monday, September 17) with Under Secretary Casey heading the U. S. delegation.

The BOP offset question is becoming increasingly large in the Congressional European troop debate this fall:

—*Secretary Schlesinger has promised in testimony full coverage of the roughly \$2.5B potential deficit (the last agreement covered less than half).*

—*Jackson-Nunn have introduced an amendment which would make troop reductions proportional to the military BOP deficit.* It looks as if this will be very hard to beat.

¹ Summary: Odeen and Sonnenfeldt briefed Kissinger on the status of the U.S.–FRG bilateral offset and NATO multilateral offset negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 688, Country Files, Europe, Germany (Bonn), February–December 31, 1973. Confidential. Sent for information. Copies were sent to Charles Cooper of the NSC staff and Eagleburger. All brackets were printed as footnotes in the original. Attached but not published is Tab A. Kissinger wrote at the top of the memorandum, "What need I do now?" In a September 23 memorandum to Kissinger, Sonnenfeldt discussed the first round of U.S.–FRG negotiations. (Ibid., NSC Files, NSC Institutional Files (H-Files), Box H-239, Policy Papers, NSDM-214) Memoranda of conversation on the first round are *ibid.*, NSC Files, Box 687, Country Files, Europe, Germany (Bonn) Vol. XIII, Jan–Sep 73 (2 of 3).

This memo brings you up to date on both the prospects for the bilateral negotiations with the FRG, the ongoing efforts to get a broader multilateral agreement including contribution from all the allies, and suggests ways you can help in overcoming some problems we are encountering, namely:

—*Treasury's intransigence and refusal to recognize that offset has a critical political component as well as an economic importance.*

—*The failure of the State Department bureaucracy to back the multilateral initiative.*

You will recall that the original NSDM 214 signed in May (Tab A) called for:

—*A new effort aimed at a multilateral offset covering as much as possible of the BOP costs (\$2.5–\$3.0) as well as all of the additional budgetary cost of keeping our troops in Europe rather than in the U.S. (\$440 annually).*

—*Renegotiation of the bilateral agreement with the FRG as a parallel effort. The bilateral agreement would ultimately be folded in with the multilateral arrangement once the multilateral arrangement was formed.*

An order of priority was established for the various actions which the allies could take to reduce our BOP deficit.

First priority was given to actions covering the additional budgetary costs of keeping the troops in Europe rather than the U.S. (e.g., FRG payment of land taxes for our bases, local civilian hire costs, etc.). These actions also reduce the BOP deficit.

Second priority was given to actions such as military procurement, which compensate for the BOP outflow but do not cover budget costs.

Finally, loans to the Treasury were to be included but only if interest rates were below market rates or subsidized by the FRG as they had been in the past.

It was agreed that loans would not be introduced until the other "hard" portion of the offset had been negotiated. In response to FRG inquiries, the negotiators would skirt the issue and take the line that we were interested in a "hard" offset.

Although they did not disagree to including loans in the agreement during preparation of the NSSM study, Treasury's position has hardened and they are now insisting that all loans are economically and politically worthless. This, of course, reflects the Treasury's fixation on the economic purposes of the offset agreement and failure to recognize that offset agreements are valued in Congress despite their lack of economic value.

Loans have little economic value and they should not be introduced early in the negotiations since this would erode chances of get-

ting maximum value for “hard” offset actions. However, we cannot afford to refuse to include loans at all—especially in view of Schlesinger’s statement and the Jackson-Nunn agreement. *Secretary Schlesinger has talked with Shultz several times on the need to soften the Treasury position and your support is needed.*

The Multilateral Offset Initiative

In calling for a new multilateral effort, we did not expect that a sophisticated payments union could be created but that a system in which each ally would contribute to a common fund covering only U.S. costs, would be within reach. This sort of limited multilateral scheme still looks feasible.

We wanted NATO to take the lead in coming up with the exact plan. A study group was formed within the NATO Eurogroup to do the ground work and Rumsfeld gave the effort maximum support in the NAC and in private. He and his staff drew up an ambitious action plan in Europe coupled with high level political support in Washington. Meanwhile, the NATO staff is working on an individual basis with NATO countries to get an estimate of their contribution.

According to Rumsfeld, budgetary relief from the multilateral effort of about \$75M–\$100M is possible (almost double the last bilateral effort) and significant BOP relief may be attainable.

The State bureaucracy predictably has been dragging their heels largely because they believe a multilateral push would detract from the bilateral agreement. [1 At first, State argued that if we pressed for a multilateral agreement the FRG would become vulnerable to claims by other NATO countries who also have small BOP deficits with the FRG. We should, therefore, soft peddle the multilateral negotiations until the new agreement was signed. These concerns were not borne out in practice.] For example, they objected to Rumsfeld’s plan to visit individual NATO capitals to discuss burdensharing issues and a presentation to the NAC of the specific offset actions we have in mind. Now State wants to hold back on the multilateral effort until the bilateral agreement has been negotiated. We see no reason for this. In fact, loss of the little momentum we now have would put the entire initiative in jeopardy.

During his recent visit to Washington, Rumsfeld complained of a lack of political support from Washington. Except for the dialogue on the Hill, there has been little publicity given the effort since your original Year of Europe speech. *To pick up the sagging momentum, a high-level political push is needed.*

In addition to your role, Schlesinger and Rush should be urged to provide the political support for this effort that Rumsfeld believes is

needed. This could include greater pressure on NATO ambassadors here in Washington, more public statements, etc.

**270. Memorandum From Helmut Sonnenfeldt and John Knubel
of the National Security Council Staff to Secretary of State
Kissinger¹**

Washington, October 12, 1973.

SUBJECT

Offset Arrangements with the NATO Allies

The first two rounds of the offset negotiations with the Germans have been completed with little progress beyond the initial German offer of 2.5 billion DM (\$1.04B) to cover total outlays of \$3.3B in FY 74–75. (This would constitute a 33% hard offset without loans.)

At the second round [1 Attended by Casey, Shultz and held in Bonn. (The next round is likely to take place in Washington in some two to three weeks.)] the U.S. proposed increased military procurement by some \$300—which would bring the “hard” offset to about 40%. The FRG also showed some interest in buying about \$70 million worth of uranium enrichment services.

Even if all U.S. proposals are accepted, it is now clear that we will not come close to the full offset called for by Congress unless some loans are included. [2 The intelligence is that the FRG would add about \$2.77B more in loans that would take us close to a “full” 80% offset.] If the FRG agreement falls short, we cannot expect to get full coverage from the multilateral effort (although this will provide some additional relief).

Meanwhile, Treasury remains opposed to including loans on any basis.

¹Summary: Sonnenfeldt and Knubel briefed Kissinger on the status of the U.S.–FRG bilateral offset negotiations and the NATO multilateral burdensharing discussions.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 265, Agency Files, NATO Oct 73–Dec 73, Vol. XVI (3 of 3). Confidential. Sent for urgent action. All brackets were printed as footnotes in the original. Tab A is an earlier draft of Document 271. Attached but not published is Tab B, an undated paper on “Loans in the German Offset;” and Tab C, telegram Brussels 439 from Rumsfeld to Kissinger, October 6. Kissinger did not indicate his preferences among the options presented in Sonnenfeldt’s and Knubel’s memorandum; see, however, Document 271.

While loans have no economic value, their importance has been greatly increased now that the Jackson-Nunn amendment has been adopted. Moreover, Secretary Schlesinger is firmly committed to including loans. Since the proposed NSSM study directive has not yet been signed, we have made little progress in resolving this issue. (Copy is at Tab A.)

It is critical that this loans issue be resolved soon. Schlesinger and Shultz are far apart in their views and last week Shultz asked his staff to set up a meeting between Schlesinger, Shultz, and yourself.

Assuming you plan to sign the study directive previously requested, you have two options:

—Meet with Shultz and Schlesinger to seek resolution of the issue. The meeting will be called after a paper based on the NSSM is coordinated between agencies.

—Authorize us to prepare a memo to the President based on the NSSM study.

We do not believe you should be placed in a position of adjudicating between Shultz and Schlesinger on this technical economic issue in a meeting. The two have met in the past without resolution and we doubt resolution will be accomplished without a Presidential decision.

We, therefore, recommend you sign the study directive at Tab A and authorize us to prepare a memo to the President based on it.

The study would be based on an NSC paper (Tab B) which has been received favorably by all agencies and would enable us to prepare a memo to the President in a week or so. Chuck Cooper concurs.

Your decision, assuming you sign the study directive at Tab A:

Prepare the memo to the President

Plan the meeting with Shultz and Schlesinger

Donald Rumsfeld recently sent a cable (Tab C) outlining his frustration with our inability to coordinate support in Washington on burdensharing and recommending that the President appoint a special ambassador for burdensharing. In view of the Jackson-Nunn amendment, this idea has a great deal of appeal. Burdensharing is a very broad topic covering not only offset but also the full range of logistics and deployments issues. For example, some have suggested that the Allies agree to fill certain wartime logistics functions thus allowing reductions in the U.S. budget.

If you approve, we will prepare a list of possible candidates.

Approve, prepare the list

Disapprove

271. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to Secretary of State Kissinger, Secretary of the Treasury Shultz, and Secretary of Defense Schlesinger¹

Washington, October 15, 1973.

SUBJECT

Balance of Payments Offset and Burdensharing Negotiations with NATO

The President has directed that a study be conducted on the unresolved issues which have arisen since the issuance of NSDM 214 covering negotiations of bilateral offset and burdensharing arrangements with the NATO Allies.

The study should be based on the existing guidance given in NSDM 214 and result in a paper for the President describing alternative decisions on the key issues which have arisen since NSDM 214 was issued; e.g., to what extent and on what terms financial arrangements will be accepted. The study should take into account (1) the results of the first rounds of bilateral negotiations with the FRG, (2) the status of efforts to develop a multilateral offset arrangement with the remainder of the NATO Allies, and (3) developments in Congress.

The study should be conducted by the existing DPRC Working Group on offset and burdensharing which comprises representatives of the addressees and is chaired by a representative of the NSC staff. A first draft of the study should be submitted by November 1, 1973.

Henry A. Kissinger

¹ Summary: The President requested a study on the unresolved issues arising from NSDM 214, Balance of Payments Offset and Burden-sharing Negotiations with NATO.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 265, Agency Files, NATO Oct 73–Dec 73, Vol. XVI (3 of 3). Secret. Copies were sent to the DCI, the Director of OMB, and the Chairman of the JCS.

272. Telegram 15456 From the Embassy in the Federal Republic of Germany to the Department of State¹

Bonn, October 25, 1973, 1613Z.

Subject: FRG Unmoving in Opposition to Further US Arms Shipments from FRG to Middle East. Ref: State 210441.

Summary: Ambassador Hillenbrand called on FRG Foreign Office State Secretary Frank October 25 to present US Government views contained reftel. Frank remained firm in expressing Federal government's position that no further US shipments to Israel should occur from FRG territory. He explained the "massive pressures" on the Federal government from the Arab governments and said that the FRG was particularly concerned about a possible Arab oil boycott. Frank asked that the USG, for whose interests the Federal government had shown full understanding in the earlier phases of the Middle East conflict, reciprocate by now showing understanding for the difficult German position. Ambassador Hillenbrand indicated that the German position would obviously cause great concern in Washington, particularly in view of indications that the situation in the Middle East is still far from settled.

1. Ambassador Hillenbrand presented the US position fully to State Secretary Frank in accordance with reftel. He added that contrary to Frank's apparent understanding of the situation in the Middle East, it was still far from settled, and there was every indication that the Israelis would require further resupplying. Ambassador Hillenbrand noted the seriousness of the situation by alluding to the US decision to place its troops in Germany on alert. He commented that this move hardly suggested that the conflict had been diffused, as Frank had suggested the previous evening (Bonn 15408). The Ambassador concluded by requesting that the Federal government reconsider its position.

2. Frank said that the German position had been taken by Chancellor Brandt, and that the position was firm. He referred to the understanding which Foreign Minister Scheel had expressed for the US position at the Ambassadors' meeting on October 16. Frank said that since then, the Federal government had come under massive pressure from

¹Summary: The Embassy reported Hillenbrand's October 25 conversation with West German State Secretary Frank.

Source: National Archives, RG 59, Central Foreign Policy Files, 1973, [no film number]. Secret; Immediate; Exdis. In telegram 15408 from Bonn, October 24, the Embassy reported that Frank, in a "strongly-worded request," asked "that US cease resupplying Israel with military goods from FRG." Frank also asserted "that, in view of the second ceasefire, there is no further need for German territory to be used by Israeli or any other carriers to resupply Israel." (Ibid.) In telegram 210441 to Bonn, October 25, the Department sent talking points for a follow-up démarche to Frank. (Ibid.)

the Arab States who had charged that the weapons deliveries effected from German soil had permitted the Israelis to mount the offensive which gave them the bridgehead on the West Bank of the Suez. He said the Arabs continued to exercise heavy pressure on the Federal government, with the Arabs now charging that German credibility was no longer to be trusted. Frank said that this latter charge stemmed from the fact that following his discussion with the Ambassador on October 23, he had informed the Egyptian Ambassador in Bonn that no further shipments to Israel would take place from FRG territory. The shipping of matériel in the past few days from Bremerhaven by Israeli ships had made nonsense of this statement to the Egyptian Ambassador.

3. Frank stated that at no time since the October 16 meeting between Scheel and the Ambassador had anyone on the German side conceived it possible that Israeli ships would be used to transport the arms and military goods from Bremerhaven. When the government learned of the Israeli ships involvement, it had immediately asked that the ship loading in Bremerhaven depart ASAP, and had made the decision that the ship presently lying in Bremen would not be allowed to load any goods. He said this decision had been made in order to try to restore some degree of credibility with the Arabs. He added that, in dealing with the Arabs, it was difficult for the FRG to assert that it had no knowledge as to exactly what was being shipped by the US from German territory, despite the fact that this was indeed the case. The Arabs simply did not believe this assertion.

4. Frank said that the Federal government had made its decision against further resupplying of Israel from FRG territory because of the awareness that an oil boycott by the Arab States would create chaos in Germany in a very short time. He said that German public opinion would not understand the government's allowing itself to be placed into such a situation. He asked that the US Government show the same high degree of understanding for the FRG position that the Federal government had accorded the US during the difficult days of the Arab-Israeli conflict earlier this month.

5. Frank asked whether the US side had been able to clarify the source of the German clearance for the Israeli shipping operation which Minister Cash had mentioned the previous evening (para 5, Bonn 15408). He said the German side would be extremely interested to know where the USG had obtained such assurances. Ambassador Hillenbrand undertook to try to find out this information.

6. Frank also asked whether the statement in Ambassador Hillenbrand's presentation, i.e., that the US would continue to maintain its supply effort (para 3 reftel), meant that this effort would be continued from German territory. Ambassador Hillenbrand said his instructions were not clear on this point, but obviously the ship now in Bremen

could hardly participate in the resupplying effort if its loading were not to be permitted by the FRG.

7. Frank closed the discussion by stressing his hope that the present difficult situation not burden US/FRG relations. He said the FRG had done its part to help the US in the period of emergency—something no other country in Western Europe had been willing to do—and now hoped that if further resupplying of Israel were necessary, other channels outside Germany be found to carry it out. Ambassador Hillenbrand said that this was not as easy as it sounded inasmuch as the arms and military goods in Europe were largely located in Germany, and not in other European countries: for example, the ammunition destined for Israel from the FRG was of a special nature and that he has been told it was apparently not readily available in the US or in other European countries. Frank indicated no sympathy for this aspect of the problem. Ambassador Hillenbrand stated in conclusion that he would report fully State Secretary Frank's expression of the German position, but noted that the US Government would be extremely disturbed by the seeming unwillingness of the Federal government to help out in what is obviously still a very difficult and uncertain situation in the Middle East.

8. Comment: Based on our several talks with Frank in the past few days, I am convinced that the prospects for moving the Germans to accept our position are bleak. They obviously perceive their basic interests quite differently from ours. I do not consider that further *démarches* to the Foreign Office will be useful. My view is that if we wish to press ahead with resupplying Israel through use of FRG facilities, territory, etc. only an approach at a high political level stands any chance of modifying the German stance.

9. What we are talking about, in the concrete, is 100 trucks and 75,000 rounds of 105 artillery ammunition which were to be picked up by the third of three Israeli vessels at Bremerhaven. As I am informed, the trucks are presently in Bremerhaven, while the ammunition is still at Kaiserslautern loaded on a special train. I did not mention to Frank that we are apparently currently air-shipping 10,000 rounds of 105 artillery ammunition directly out of Ramstein with completion scheduled for October 27. Germans would undoubtedly consider that their request to stop all shipments from German soil also covers this air activity.

Hillenbrand

273. Briefing Memorandum From the Acting Assistant Secretary of State for European and Canadian Affairs (Springsteen) to Secretary of State Kissinger¹

Washington, October 25, 1973.

POSSIBLE PRESSURE POINTS ON THE FRG

Numerous means exist to register our displeasure of recent FRG statements and actions connected with the current Near East crisis. Possible pressure points are divided in the listing that follows by category, with an explanation given of (a) the likely impact, (b) the advantages and disadvantages, and (c) the means of implementing each measure.

It should be recalled, however, that the Germans generally have better leverage in most areas than the US. In many instances we are in the position of *demandeur*. Acts on our part in many fields would likely bring on highly effective German retaliation and result in a net disadvantage for us.

Thus, prospects for a satisfactory new offset agreement with the FRG—already none too bright—would be greatly diminished, as would our chances of achieving a burdensharing arrangement in NATO. In the international monetary field, the German Bundesbank holds vast amounts of US dollars. It could precipitate a major dollar crisis overnight by embarking on dollar-dumping operations.

In trade and investment we have been anxious to expand our markets in Germany and, at the same time, to attract more German investment to the US. A German boycott of US goods would severely injure American private firms as well as our balance of payments position.

Military

Cancel Schlesinger Visit to FRG

The Secretary of Defense plans to visit German Defense Minister Leber in Bonn November 7–8 while on a trip to Europe to attend a meeting of the Nuclear Planning Group. Cancellation of the visit would be a quick, sharp demonstration of our unhappiness with the FRG, the effect of which can be overcome later if we wish. It would have the disadvantage of cancelling a useful working meeting. Moreover, this act would appear to be directed against Leber, who has been one of the

¹ Summary: Springsteen discussed possible pressure points on West Germany in light of its policies during the October 1973 Middle East war.

Source: National Archives, RG 59, Central Files 1970–1973, POL GER W–US. Secret. Springsteen did not initial the memorandum.

strongest supporters of our position within the German Government. *Means of implementation*—Call in German Ambassador in Washington, tell him the visit is cancelled, and explain why.

Cancel Visit of Admiral Zimmerman to US

Admiral Zimmerman, Chief of Staff of the German Federal Armed Forces, wants to visit the United States December 9–15 as the guest of Admiral Moorer. Cancellation would be a quick, sharp demonstration of our unhappiness with the FRG. *Means of implementation*—Have Admiral Moorer inform Zimmerman that his visit would not be convenient at the present time.

Cancel Sale of Four Destroyers

We are in the process of selling four destroyers to the FRG which are currently on loan to the German Navy. Cancellation would be a quick demonstration of our dissatisfaction with the German position on the Middle East. The act would create some ill will toward us by the German military, who would be less disposed to rely on us for future military equipment deliveries. It would also mean loss of a good sale. *Means of implementation*—DOD instruct MAAG, Germany to inform Germans that sale has been cancelled.

Withdraw Troops from the FRG

We are maintaining our current troop levels in the FRG at considerable economic and political cost, both domestically and internationally. The FRG strongly desires that we maintain present troop levels. If we told the FRG that we were withdrawing troops so that we could have more flexibility in their use, we would make a deep impression on the German government and public. This act, however, would be risky in that it would bring to the fore German fears about the reliability of our commitment to defend Europe, would run directly counter to a Presidential commitment to maintain and improve our troops in Europe, and would weaken alliance defense. We would implement the withdrawal by US means, and inform the FRG and NATO in Bonn and Brussels.

Economic

Withdraw US Government Participation in the Following German Trade Fairs

a) *Systems 73*—This is a computer fair to be held in November 1973 in Munich. Withdrawal of US Government support at this late date presumably would make it impossible for American firms to be represented. The political-psychological impact would be considerable. The obvious disadvantage lies in the damage US companies would suffer in a very important market.

b) *Berlin Industries Fair*—This annual fair will be held in Berlin from November 2–11, 1973. Again, withdrawal of US participation for the first time since this fair was started would clearly signal US displeasure with FRG actions. There would be no commercial disadvantages; however, to the extent that our participation served to underline US solidarity with Berlin, withdrawal would damage our Berlin posture to some degree.

c) *Berlin Green Week*—This annual agricultural fair will be held in late January. Continued participation would have been difficult in any event in view of US Department of Agriculture opposition. Our withdrawal would, however, be a highly visible move, especially when combined with simultaneous withdrawal from the Industries Fair. However, damage to our Berlin position and policy would be aggravated by the combined moves.

A general disadvantage from the above moves arises from the probability of German retaliation. Thus, we have been most anxious for FRG participation in the Spokane 1974 Industrial Exposition. Implementation of the above-suggested moves would kill any chance that the FRG would agree to participate.

Halt Negotiations of US–FRG Agreement on Environmental Protection

We have been engaged in negotiations concerning this treaty, which the FRG desires. Informing the Germans that we are suspending negotiations would have the advantage of signalling our displeasure with no disadvantages to ourselves. While under different circumstances we might have been favorably inclined toward concluding such an agreement, we are more interested in an international agreement in this field than in a growing number of bilateral treaties.

Reimpose Controls on US Agricultural Exports

The Germans have been particularly hard hit by export controls we found necessary to impose last summer on such commodities as soybeans. However, it is doubtful whether we could maintain such restrictions vis-à-vis Germany, once we had lifted the restrictions worldwide. If it could be done, the impact would be considerable; so, however, would be the German ability to hit back by boycotting US goods.

Impose Barriers to German Exports to the US

Despite sharp price increases due to currency realignments, German exports to the United States, especially in the automotive field, have continued to rise. A series of measures to impede, delay, and harass shipments on *Volkswagen*, *BMW* and other popular German makes would hurt the German automobile industry severely, but the effect would be extended over a considerable time period, thus losing visibility and impact in the political-psychological area. There would

be distinct advantages to our balance of trade/payments (except for the specter of predictable German retaliation), and our domestic automobile industry would benefit in terms of increased American small-car sales. On the negative side, such measures would fly in the face of our stated policy of tariff reductions and removal of non-tariff barriers.

Berlin Measures

Oppose Establishment of the FRG Environmental Protection Agency or Some Other FRG Proposed Office in Berlin

Our opposition could be announced in a closed meeting of the quadripartite Bonn Group, or reflected in some public statement. Such a stance on our part, which would doubtless parallel the Soviet position, would almost certainly prevent the establishment of the given office. Our action would signal a change in our attitude toward an issue crucial to the FRG, namely the maintenance of FRG-Berlin ties.

Withdraw our Support of FRG Efforts to Represent Berlin in Eastern Europe in all Consular Areas

This could be stated publicly or told the Soviets or Eastern Europeans quietly. The effect would be to frustrate a main plank of FRG policy, the achievement of which has thus far prevented normalization of FRG relations with Czechoslovakia, Hungary and Bulgaria.

Refuse to Attend Quadripartite Bonn Group Meetings

These are weekly meetings in Bonn to coordinate policy on Berlin matters. Our failure to attend meetings would disrupt a variety of FRG plans and programs. We could plead the press of other business in explaining our absence.

Refuse to Provide Air Transportation to Berlin for the FRG President and Chancellor Brandt

These courtesy flights by USAFE have been mounted for years, based on the inability of the Germans to fly themselves through the GDR to Berlin. Cancellation of these flights would mean that the FRG leaders could not travel quickly or conveniently to Berlin.

Stop Carrying German Mail on our Berlin Trains

This would annoy the FRG bureaucracy, which uses our “secure” trains to ship all material to FRG offices in West Berlin.

Move Troops or Equipment out of Berlin

This would be an extreme move which would frighten Berliners and the German government, who would assume we were abandoning or scaling down our commitments to the city.

Political Measures

Arrange with Soviets for Cancellation of Scheel's Late October Moscow Visit

This would be a painful slap at the German government, which is anxious to have the visit succeed in solving many key issues in Soviet-German relations. The major risk is that the USSR will reject our suggestion, and later use it against us with the FRG. We might implement this measure through a careful approach to the Soviets in Washington.

Cancel German/American Information Talks (November, 1973)

This is an easily implementable measure, which could be coordinated with USIA, followed by instruction to our Embassy in Bonn or notification to the Germans here.

Discourage High Level FRG Visits

As several Cabinet-level visits are pending and some twenty facilitative grants for lesser officials have already been processed, this step would be felt immediately by the German government coalition. Distinguishing between coalition and opposition party members would further emphasize this move. Our action could lead to possible retaliatory measures through German withdrawal of financial participation of Fulbright exchanges and other programs which provide study and travel grants to US scholars. Implementation would require coordination with USIA followed by instructions to Embassy Bonn.

Curtail FRG Privileges at Page Terminal, Dulles International Airport

Such a step would be felt by German officialdom, military and civilian (including dependents) immediately. Media reaction will undoubtedly follow closely and could be leaked by us. It would be a clear signal to the German government and official family of strong American irritation at FRG attitudes. This could lead, however, to retaliation by the FRG against our personnel in Germany.

Recall Ambassador Hillenbrand

This is a customary slap at a government and is immediately interpreted by media as a sign of displeasure. It can be accomplished on short notice and can later be explained away if circumstances warrant. It would, however, remove from Bonn the US government representative with the best access to and effective personal relations with German leaders.

Restrict FRG Embassy Official Calls and Social Contacts to Office Level

This will be very clear to German officialdom but unless leaked to media by us or the Germans will not be automatically evident to the public. This would be a clear signal to the German government of our

unhappiness with their position in the Middle East war. Also, it could be expanded to include the FRG Military Mission/DOD contacts. This step has the potential disadvantage of souring Department/Embassy working relations for an indeterminate period. An intra-departmental communication could implement this measure.

Actions Toward East Germany

Invite Ambassador Florin, GDR Permanent Representative to the UN, to Washington to Discuss the Next Move in the Establishment of US–GDR Diplomatic Relations

This would significantly escalate and accelerate the contact between the GDR and the US and in the present atmosphere would be a clear indication to the FRG that high level German contact with the US is no longer the private preserve of the West Germans. It would have the disadvantage of encouraging the GDR, a country which is firmly anchored in the Soviet camp and which opposes us on all basic issues, including the Near East conflict.

Tell the FRG we Intend to Exchange Ambassadors with the GDR Immediately After the Establishment of Diplomatic Relations, Irrespective of Whether the FRG's Permanent Representative is in Place

This move would not have any public impact, but it would be highly irritating to the Brandt government which on numerous occasions has asked the French, the UK and the US not to exchange Ambassadors with the GDR until the FRG is fully represented in East Berlin. *Implementation*—We could instruct our Ambassador in Bonn to inform the FRG of our decision on this matter.

274. Telegram 212618 From the Department of State to the Embassy in the Federal Republic of Germany¹

Washington, October 27, 1973, 2249Z.

Subject: Secretary's Meeting with FRG Ambassador Von Staden, October 26.

1. FRG Ambassador Von Staden expressed his gratitude for being received by the Secretary, and after a brief exchange (all covered in septel) concerning FRG Foreign Minister Scheel's forthcoming visit to Moscow, Soviet observers in Egypt, and the possibility of FRG transporting UN peacekeeping force personnel to the Middle East (the German Cabinet had agreed to do so), the discussion turned to the question of the FRG's attitude toward the military resupply of Israel from US stocks in Germany.

2. The Secretary said that he was astonished at the position the FRG had taken on this matter. We have no interest in a pro-Israeli policy per se. Once the ceasefire has been fully established, we intend to promote a political settlement, and in the process we will take positions which will not be fully acceptable to the Israelis.

3. What has been at issue in the near East for the past two weeks, he said, is the possibility of a victory by those aided by the Soviets. If these forces had been allowed to win, there would have been a radicalization of the entire area and a setback for the West.

4. The Secretary said that, given the lack of understanding of this point which our Allies have shown, we are asking ourselves fundamental questions about our Allies. He noted that when he had spoken publicly of Europe having only a regional interest. He was attacked by his European colleagues. Now when something happens in an area of interest to Europe, Europeans disassociate themselves completely. All

¹ Summary: The Department reported an October 26 discussion between Kissinger and Von Staden on the military resupply of Israel from U.S. stocks in Germany.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 1, NODIS Memcons, Sept–Dec 1973. Secret; Immediate; Nodis. Sent immediate for information to RUEHCR NATO and RUEHCR Mission to the EC in Brussels. Drafted by Nelson Ledsky in EUR/CE; cleared by Springsteen, Gammon, and Eagleburger; and approved by Eagleburger. On October 26, Schlesinger, McCloskey, and Nixon all publicly criticized the lack of West European support for the United States during the Middle East crisis; both Schlesinger and McCloskey made specific reference to the independent stance adopted by West Germany. On October 30, Frank proposed the convening of a secret U.S.–FRG working group on the resupply issue, which "would consider the whole problem with a view to arriving at agreed solutions." (Telegram 15715 from Bonn, October 30; *ibid.*, Central Foreign Policy Files, 1973, [no film number]) On November 2, the Department authorized Hillenbrand to agree to the working group, whose "terms of reference should be restricted to present Near East situation." (Telegram 216217 to Bonn, November 2; *ibid.*)

we asked for is understanding in the present situation, but we have been deliberately isolated. The Secretary said that he hoped the Ambassador would report that the Secretary is speaking on behalf of the President, who is prepared to address himself on this point directly to the Chancellor.

5. The Secretary emphasized that what was at issue was not the question of Israeli ships or individual arms shipments. We think our actions in the near East are in defense of Western interests generally. During the first week of the war, our objective was to insure that the Israelis were not defeated, our objective the second week was to prevent further Soviet intrusion in the area.

6. We recognize that the Europeans are more dependent upon Arab oil than we, but we disagree that your vulnerability is decreased by disassociating yourselves from us on a matter of this importance. Such disassociation will not help the Europeans in the Arab world. The Arabs know that only the US can provide the help to get a political settlement. Not only will European capitulation to the Arabs not result in their insuring their oil supply, but it can have disastrous consequences vis-à-vis the Soviet Union who, if allowed to succeed in the Near East, can be expected to mount ever more aggressive policies elsewhere. To degree Soviet influence can be reduced, we will gain a long term advantage even if we pay a short term price.

7. The Secretary said he wished to tell Ambassador Von Staden honestly that the US takes a dim view of what has happened, and he hoped that the Ambassador would convey his views confidentially to his authorities in Bonn. We had no wish of having this matter discussed further in the press.

8. Ambassador Von Staden expressed appreciation of the frankness with which the Secretary had spoken. He said the Secretary had done much to clarify the US position. Von Staden said he did not wish to repeat the arguments that had gone back and forth in Bonn between Ambassador Hillenbrand and FRG officials. He wished to recall, however, that following the first conversation between Ambassador Hillenbrand and Foreign Minister Scheel, the FRG had shown great understanding of the need to reestablish a military balance in the Middle East. The German Government had given this objective priority over all other questions. The FRG cooperated with US, and kept silent for many days. This resupply effort did not, however, go unnoticed. Arab pressure began almost immediately, and grew ever more intense. The FRG did not bow to such pressure, and made no move to interfere with the resupply effort. It was only after the ceasefire had been achieved that State Secretary Frank saw Ambassador Hillenbrand and asked that the operation end. A report of the Frank-Hillenbrand conversation was then passed to the Egyptians in Cairo. The next day the German Gov-

ernment learned through a North German newspaper that Israeli ships were involved in the resupply effort. This put the FRG in a difficult position. It was one thing if arms were transported by the US. Who could say to what destination US planes and ships were bound? There could, however, be only one interpretation if the vessels of one of the belligerents in the Middle East conflict were moving arms from FRG ports. What was at stake was the credibility of the FRG position and, in this situation, the FRG could not remain silent. Even then the FRG sought to prevent photographs of the arms resupply effort and sidestep the barrage of questions it was receiving. The FRG in the end issued no press statement, but merely directed its press spokesman to answer questions. This press play was regrettable, but clearly unavoidable.

9. Von Staden said what he was trying to explain was that the FRG showed as much solidarity as it could. It had displayed this solidarity in NATO as well. It had spoken out only when its credibility in the Arab world was at stake. Von Staden recalled that it took the FRG some 7 years after 1965 to reestablish relations with the Arab world. Von Staden reiterated that Bonn had always assumed the resupply effort would end with the ceasefire.

10. The FRG does not want this matter to become an Alliance issue, but hoped it can be kept in the framework of the present Near East crisis. Von Staden said that, speaking on a personal basis, he very much regretted the remarks today by Defense Secretary Schlesinger and Ambassador McCloskey, precisely because they had linked the Near East issue to broader Alliance questions. It was Von Staden's wish that these matters be kept separate.

11. The Secretary said he was not aware of what Schlesinger had said, but after glancing over notes of McCloskey's remarks, indicated that they did in fact reflect US views. It was true that each issue that had arisen with the FRG or our other European Allies is not an Alliance issue in itself. It is the overall position of our Allies that raises the most serious questions. Time and time again we have offered to consult and work out common positions. What we receive is the conspicuous disassociation of our Allies. We think we are engaged in an exercise to defend our common interests. What we have in the present instance is two weeks of intense crisis in which we sought to discourage Soviet adventurism. These are the facts however one views the merits of Israeli policy now and over the past six years. Once the war started, it was in no one's interests to see the Israelis defeated. We moved consciously to end the war at a time when the Israelis were winning, thus increasing the likelihood of moving later to some form of acceptable political settlement.

12. The Secretary repeated that the ships were themselves not an Alliance issue, but the general attitude our European Allies have

adopted is an issue. It is one that profoundly concerns us. It has happened with too much consistency, too many times. The Secretary said the Ambassador might deem him arrogant, but he asked that Von Staden understand the background from which he spoke, as one who has long favored European integration.

13. Ambassador Von Staden said he appreciated the frankness with which the Secretary spoke. He noted that McCloskey had specifically mentioned Germany and since the Secretary's schedule was public information, the possibility existed that he would perhaps be asked questions on his way out or later as to the content of his meeting with the Secretary. It would be useful therefore to agree on what we both might say.

14. The Secretary suggested that Von Staden say merely that the Ambassador had requested this meeting some time ago for a general review of international issues. The review today had also dealt, at some length, with the general Alliance relationship. He also said the Ambassador could add that it had been a useful and friendly talk.

15. Von Staden expressed appreciation, and said he would adhere to this line with the press.

16. The Secretary said he anticipated no questions on our side, but did wish to make certain that the FRG Ambassador understood that there were two separate things in question. We did not like what had happened with respect to the shipments. We would not however have called in the German Ambassador to discuss this issue alone, and indeed had not done so. Nonetheless this question may escalate to the President who may wish to communicate directly with the Chancellor.

17. What we really are concerned about is the total pattern of European behavior, which in the long term has disastrous potential consequences for the Alliance.

18. The German Ambassador said that there was a serious problem of communication which had developed in the last 14 days.

19. The Secretary said he recognized this aspect of the problem. He had given instructions that as negotiations for a solution in the Middle East develop, a means should be found to inform our European Allies more swiftly and completely. There was a problem here, however. It was difficult for the Allies to insist on a right to private briefings when their fundamental attitude was either slightly or openly hostile.

20. The German Ambassador insisted that if information were provided more promptly the policy adopted by the European Allies was less likely to be divergent. The Secretary said this was perhaps so, unless our underlying philosophies were divergent.

21. The German Ambassador said that although the traditional German spirit had a strong philosophical element, the present FRG

Government sought to be pragmatic. He wished again to note that there had been no problem with the resupply effort at the start. The only difficulty occurred after the ceasefire. Moreover, the first public statement by the FRG came after the press had obtained knowledge on its own of the presence of Israel ships in FRG waters. The real problem the FRG Ambassador insisted, was the serious lack of coordination and consultation between members of the Alliance.

22. The Secretary then raised the question of the EC/US Declaration. He said that he has begun to be bored by this project and was not sure it was worth further consultations. In its present shape it could not survive five let alone fifty years. It was ironic that the Europeans refused to accept words such as “partnership” and “consultations.” He too could be pragmatic and was aware that it did not matter what word we used in drafting a declaration, but the quarrel was symptomatic of what was going on. He wished to recall that the project for a declaration had begun on our initiative. We stand to get nothing from the effort but the possibility of closer cooperation.

23. The FRG Ambassador said that he was torn between two loyalties in replying. He did not know whether to speak in the singular or in the plural when discussing Europeans. He only wished to say again that he personally is with us on these issues and that his government would continue to do its best. Sometimes the results would be embarrassing to us; sometimes too it was embarrassing and difficult for the FRG. The objective to which he continued to be dedicated was the desire to build a united Europe.

24. The Secretary said that we too strongly favor this course. We wished to help promote European unity. It would be ironic now if the fathers of European unity in the US could see the united Europe they supported refusing to use the word “partnership”, or see that unity developing in opposition to the US, or that unity making cooperation with US more rather than less difficult. This too was one of the facts that may have a profound effect on our long-term relationship. As a historian, the Secretary said he simply did not know how the West could make it. It was claiming victories where there were no battles. We are bleeding ourselves slowly and unspectacularly. He said he was often struck by a profound sadness. In some of this, he thought FRG Foreign Minister Scheel shared his assessment.

25. The German Ambassador noted that it had taken years for the UK to join Europe and that much of the dialogue now present between the US and the Europeans is reminiscent of the discussions that took place in earlier days with the UK. Perhaps the problem would be solved if one only has patience.

26. The Secretary said the difficulty is that when the Europeans overcome their difficulties we may no longer be in a position to re-

spond. If one looks at the future of the US Government, one is impressed with the fact that this is the last administration which has an emotional commitment to Europe. Future administrations may have some intellectual commitment, but this may not be good enough. The Secretary said he was unable to point to anything positive in the Alliance relationship in the last few years. What of a positive nature could one show? The emotional aspect of policy is now in interest in trips to Peking and Moscow. This is all we can point to. This can kill us in the end.

27. The German Ambassador said that there was still a chance for substantial progress in the US/EC Declaration during the next meeting in November.

28. The Secretary concluded the meeting by saying he had spoken with profound sincerity. He said many things could be faked. We could get by with a declaration with little content and be assured it got good treatment in the press. But we do not want a fake partnership and cooperation. We want the real thing.

Kissinger

275. Memorandum of Conversation¹

The Hague, November 6, 1973, 8:15–9:45 a.m.

PARTICIPANTS

Secretary Schlesinger
Minister Leber
Lt. General Walters
Dr. Freudenstein

1. For the first few minutes Dr. Freudenstein was not present. Secretary Schlesinger told Minister Leber that we felt he had behaved very well during the recent crisis. We were grateful and anxious to do everything we could to strengthen his position in Germany and within the German government, without however giving him the “kiss of death”,

¹ Summary: Schlesinger and Leber discussed U.S.–FRG relations and the October 1973 Middle East war.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 232, Agency Files, Defense May 73–Dec 1973, Vol. #20 (1 of 2). Secret; Eyes Only. The meeting took place in the Promenade Hotel. Kissinger initialed the memorandum.

to use him as the main channel of our communication and to do what we could to make sure that no decisions were taken within the German Government behind his back. Minister Leber expressed his gratitude for this, said his position with the German Government was strong, that he had the complete backing of the Chancellor and that really no decisions had been taken behind his back. He was very grateful for the Secretary's interest.

2. At this point Dr. Freudenstein joined the group and Minister Leber said that there had been a number of misunderstandings, the first of which was to get the German Foreign Ministry involved in this matter at all that is, the resupply of ammunition from Germany to Israel. The matter should have been handled directly between the U.S. Army Germany and the German Armed Forces. Minister Leber had seen General Davidson and had had no indication of any difficulty arising. Subsequently a German officer had told him he had the impression that there was some difficulty arising on this matter. At this point he had discovered the U.S. had declared a general alert and had so informed the Chancellor. The Chancellor had told him that he had been informed of this by the German Press Agency two hours earlier. Minister Leber had then talked to Ambassador Hillenbrand who had confirmed this. (There was an unspoken feeling on Leber's part he felt he should have been told both by the U.S. and the Chancellor rather than learn this from the newspaper.) There had also been a regrettable statement by the German Foreign Ministry who he repeated should never have been involved in this matter in the first place. It was too bad in a sense that the ammunition could not have been shipped out either in German or American ships rather than have Israeli ships pick up the supplies. When this had leaked out it had caused some embarrassment. Secretary Schlesinger said that immediately on leaving the White House and returning to the Pentagon he had notified General Steinhoff and NATO. It had been perhaps unrealistic to expect Steinhoff would notify everyone due to the distance and problems of communication. This would not happen again should such a situation arise in the future. Minister Leber said perhaps one should not expect Steinhoff to make the communication and it would be better if the communication was directed to him, and Secretary Schlesinger agreed. The Secretary then said that problems had arisen from the handling of the matter from the German Foreign Office statement and from indiscreet remarks by a Defense Ministry spokesman. Defense-wise there had been an improvement in the situation in the U.S. Congress since the outbreak of the Middle East war. Some 70 Senators were strongly pro-Israel but not necessarily for NATO. The defection of some conservative Southern democratic Senators had required replacement by moderate and liberal members and there had been some carping at NATO. The Dutch had been steadfast and has resisted black mail but there was some dissatis-

faction in the Congress with the attitude of some of the major partners. Minister Leber had replied that in so far as the German Foreign Office statement was concerned the Secretary should remember that Germany was governed by a coalition. As far as the “indiscreet” remarks by a Defense Ministry spokesman he had carefully examined the transcript. The spokesman spoke excellent English and he, Minister Leber, would put his hand in the fire that the spokesman had not made the remarks attributed to him in the UPI story which was sensationalized.

3. The Secretary then said the U.S. kept in Germany the equipment for two and one-half Divisions prepositioned and that it was vital to them that they have access to this and be able to use it in case of need. He felt there should be some understanding between him and Minister Leber on this otherwise the U.S. would have to examine its readiness position. Minister Leber said he was quite aware of this and it was perfectly agreeable to him and he would attempt to obtain full power in the German Cabinet to deal with such matters. Up to now the Germans did not have any idea how large these equipment holdings were in Germany and during the recent crisis a number of his colleagues had asked him whether the U.S. withdrawals meant a weakening of the U.S. defense posture in Europe. He had covered this up by replying it did not even though he did not know what was actually being moved. He had felt throughout that he had the strong knowledge and support of the Chancellor. The Secretary then said that there were those who believed there was a crack in the NATO alliance and many in the U.S. were suspicious that the Finlandization of Germany might be well advanced and many in the U.S. had suspicions concerning the attitude of men like Egon Bahr and Herbert Wehner. It was true of course that nothing had been asked of a number [*member*] of the NATO alliance. Minister Leber replied that he was well informed on what went on inside the German Government, he could assure the Secretary that there was no question of the Finlandization of Germany, all members of the Government understood that the existence of their country was tied to close relations and alliance with the U.S. There was a wide spread feeling something should be done to try and diminish the tensions of the last 25 years but that no one, and that included Egon Bahr and Herbert Wehner, believed in the Finlandization of Germany.

4. Secretary Schlesinger then said that in regard to what Minister Leber said about the remarks attributed to the spokesman of the German Defense Ministry he had had a similar experience himself. On talking to the press before leaving Andrews Air Force Base he had expressed general agreement with Germany and the need for the alliance not to engage in recriminations. One of the newspapermen had asked whether this meant that he fully agreed with the German position on arms deliveries. The Secretary had indicated there were still one or two

matters which should be discussed and this had been promptly sensationalized in the press as a deep controversy between Germany and the U.S.; what was important was to avoid recriminations. Minister Leber agreed with this and said that in his view the important thing was to arrange good communications between them so that this type of situation could not develop in the future. Rather than engage in pointless recriminations Secretary Schlesinger would understand the importance of Germany with maintaining good relations with France and Europe. The Secretary said he did understand this but he felt it was important that in the present crisis solidarity should be shown with the Dutch who had resisted black mail and if they were not shown between European partners it could create a crack in the alliance. Minister Leber felt that this was so and required us to maintain closer communication than before and consult on methods of resisting black mail. He looked forward to the occasion of future talks with the Secretary before the end of the current meetings.

276. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon¹

Washington, January 16, 1974.

SUBJECT

Letter to Chancellor Brandt on Offset

The negotiations with the Germans on the bilateral offset agreement for fiscal years 1974–1975 are stalled. So far, the Germans have of-

¹Summary: Scowcroft reported the state of the U.S.–FRG bilateral offset negotiations.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 754, Presidential Correspondence, Germany, Willy Brandt 1972 (1 of 3). Confidential. A stamped notation on the memorandum indicates the President saw it. Attached but not published is the letter to Brandt, which Nixon signed. In his reply to Nixon, Brandt said that FRG negotiators, who would be ready to resume talks by mid-February, would “be guided by the view that the undiminished presence of United States forces in Europe is of overriding importance to the security of our two countries and the alliance.” He also suggested that “since the conditions of all our offset agreements as laid down by NATO in 1957, i.e. serious balance of payments difficulties on the party of a stationing country, no longer seem to exist, allowance should be made for this fact in the negotiations.” (Letter from Von Staden to Nixon, January 29; *ibid.*, NSC Files, Kissinger Office Files, Box 61, Country Files, Europe, General, German Exchange (1 of 3))

ferred to offset only about 40 percent of our estimated expenditures of \$3.3 billion for the two fiscal years.

Time is working against us. U.S. balance-of-payments (BOP) figures are strengthening while the FRG is heading toward an economic downturn, largely due to the energy crisis. The worsening situation will increasingly reduce our leverage in getting a good agreement. Furthermore, the increasing appreciation of the dollar vs. the mark will lower the dollar offset for a given contribution in marks.

In parallel with the German offset, we are proceeding in NATO to reach a multilateral offset arrangement. This effort has taken on added significance in light of the Jackson-Nunn Amendment. The Amendment requires withdrawal of U.S. troops from Europe in the same percentage as the NATO allies fail to offset our NATO-Europe BOP deficit on military account in FY 74. The multilateral effort in NATO is marking time, however, pending conclusion of the German offset negotiations, which will create the target figure for the NATO effort.

In light of this situation, we face the risk of having to withdraw troops from Europe pursuant to the Jackson-Nunn Amendment unless we move quickly to get the German offset negotiations back on the track.

I am convinced it will take a letter from you to Chancellor Brandt to get the negotiations moving again quickly. I thus recommend that you sign the attached letter. This letter:

- stresses your interest in speedy conclusion of the offset agreement;

- assures Brandt that the Germans will not have to pay twice for offset—once bilaterally and once in the NATO multilateral effort—except for a slightly increased German share in NATO infrastructure costs, of which they are already aware;

- reiterates the importance of meeting the requirements of the Jackson-Nunn Amendment, to avoid mandatory, unilateral U.S. force reductions in Europe;

- requests that Brandt review the German position and renew negotiations so that the offset agreement can be concluded within the next several weeks.

Recommendation

That you sign the attached letter to Chancellor Brandt.

Secretaries Kissinger, Schlesinger and Shultz concur. The text has been cleared with Ray Price's office.

277. Memorandum From Denis Clift and Jan Lodol of the National Security Council Staff to Secretary of State Kissinger¹

Washington, February 6, 1974.

SUBJECT

Guidance for Secretary Shultz on Offset Talks

We are entering the decisive phase of the offset negotiations. Secretary Shultz has asked that you be informed (memorandum at Tab A) that Helmut Schmidt will be arriving in Washington on February 10 authorized by the Chancellor to negotiate the offset agreement—and that this is the FRG's response to the President's recent message to Brandt urging a speedy and positive conclusion to the negotiations.

Brandt in his reply to the President's message on offset conceded that the overriding priority is to maintain U.S. troop levels in Europe. Thus, it is probably safe to assume that Schmidt will be authorized to agree to 100% offset recognizing the need to satisfy the Jackson-Nunn amendment, but the FRG will insist on being allowed to include a substantial amount of soft items in the agreement.

Treasury has now largely abandoned its earlier opposition to inclusion of "soft items"—e.g., barracks, rehabilitation, loans and flow-back—in the offset agreement. Thus, there is now a generally agreed U.S. position.

You may wish to touch base with Secretary Shultz before he meets with Schmidt. Your Talking Points:

—You appreciate his letting you know that Schmidt is arriving authorized to negotiate the offset agreement. While you know that Volker and Casey are preparing him for the talks, you want to touch base briefly on the following fundamental considerations.

—As a result of the President's recent exchange with Chancellor Brandt, the FRG appears ready to satisfy our basic offset requirements.

—In particular, Brandt recognizes, as we do, the overriding political necessity for keeping U. S. troops at their present levels—and the resulting need to satisfy the provisions of the Jackson-Nunn amendment.

—The FRG, accordingly, knows we need 100 percent offset.

¹ Summary: Clift and Lodol advised Kissinger to give guidance to Shultz on his upcoming bilateral offset discussion with Schmidt.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 290, Agency Files, U.S. Treasury Jan. 1974–, Vol. V. Confidential; Sensitive; Eyes Only. Sent for action. Attached but not published is Tab A, a February 4 memorandum for the record.

—If they are to give us 100 percent offset, we will have to agree to a substantial percentage in soft items.

—With this in mind, it is important that Secretary Shultz work out an accommodation with Schmidt that gives us our 100 percent offset, with soft items included as required.

Recommendation

That you raise the above offset considerations with Secretary Shultz prior to his meetings beginning February 10 with Helmut Schmidt.

278. Telegram 57527 From the Department of State to the Embassy in the Federal Republic of Germany¹

Washington, March 22, 1974, 0159Z.

57527. Subject: Offset

1. Following is provided for addressees' information only.

2. At March 19 meeting Secretary Shultz, FRG Finance Minister Schmidt and Under Secretary Casey reached agreement in principle on magnitude and components of bilateral offset agreement covering fiscal years 1974 and 1975. We anticipate that any remaining questions can now be resolved and agreement signed very shortly.

3. Breakthrough resulted largely from Schmidt's offer to purchase DM 2,250 million in seven-year, two and one-half percent, dollar-denominated USG securities by June 30, 1975, with at least one-half purchase before June 30, 1974. Seven year term, however, will require Chancellor Brandt's approval. Magnitude and terms are such as to yield nearly dols 300 million in concessional value over the life of the loans. Together with dols 225 million in troop facilities rehabilitation and dols 8 million in assimilation of land taxes and airport fees, this

¹ Summary: The Department reported that Shultz, Casey, and Schmidt had reached agreement in principle on the magnitude and components of a bilateral U.S.–FRG offset agreement.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974. Confidential; Immediate. Sent immediate for information to the Mission to NATO. Drafted by Lucian Heichler in EUR/CE; cleared in EUR/CE, EUR/RPM, E, Defense, Treasury, S/S, and by Sonnenfeldt; and approved by Hartman. Delegations of American and West German experts met over the subsequent weeks to finalize the details of the agreement, which was signed in Bonn on April 25.

figure brings us close to covering two-year estimate of dols 620 million in incremental troop stationing costs in FRG, thus satisfying a prime objective both of the administration and the Jackson-Nunn amendment.

4. With inclusion of loan, German offset offer comprising military procurement, rehabilitation of troop facilities, taxes and airport fees, uranium enrichment services and R and D projects now totals dols 2,218 million (DM 5,920 million at exchange rate of dols 1 equals DM 2.669). With estimated US military expenditures in FRG at dols 3.3 billion over two-year period, this leaves dols 1,082 million to be covered. Deduction of certain items such as non-NATO costs (dols 160 million), retired pay (dols 20 million) and POL expenditures (dols 50 million—which would be made regardless of whether troops assigned in US or Europe) leaves a residual of dols 852 million (dols 426 million on an annual basis) which can easily be covered by other NATO procurement and as necessary be “reflow” credit, thus enabling US to meet Jackson-Nunn target and preclude force reductions. (In Schmidt/Shultz discussions we acceded to 20 percent flowback figure at Schmidt’s insistence since he stressed cosmetic importance of this for internal FRG purposes. However, we will not repeat not use this percentage in our NATO or Congressional presentations.) NATO procurement (other than FRG) in excess of dols 650 million annually will further enable US to reduce BOP flowback percentage figure for purpose of more persuasive defense of new offset agreement to Congress.

5. US offset requirements as modified by exclusion of above-mentioned items will not repeat not appear in offset agreement. These calculations will be treated as internal and confidential.

6. Draft of new offset agreement in form of minute along lines of 1971 agreement has been pouched to Bonn for Embassy’s information only. Uncleared draft has been given to FRG Embassy here for transmission to FRG Government.

Kissinger

279. Telegram 7304 From the Embassy in the Federal Republic of Germany to the Department of State¹

Bonn, May 7, 1974, 1455Z.

Subject: Brandt's Resignation: An Explanation and Preliminary Assessment. Ref: A. Bonn 7277; B. State 93432.

Summary: We have talked with several sources close to Brandt and the SPD leadership in an effort to assess his resignation and the likely impact on the German political scene. Schmidt will almost certainly take over as Chancellor, Genscher will—despite some difficulties with the SPD over his role in the recent spy case—become Vice-Chancellor and Foreign Minister, and Scheel will become President. Some shakeup in the Chancellery and Cabinet will take place, although Schmidt will have to move carefully for he cannot afford to alienate Brandt and Wehner, neither of whom particularly likes the prospective Chancellor. Brandt will remain SPD Party chairman but possibly only for a limited time. Schmidt's domestic policies will probably be trimmed somewhat to take account of FDP pressures since he knows the SPD cannot afford an intra-coalition ideological confrontation at this point. On foreign policy, Schmidt is a sound pro-US and pro-Alliance politician and cool toward the EC and France, and Genscher will be likely to share these views. Brandt's resignation may in the end strengthen the SPD, if not in time for the June elections in Lower Saxony, perhaps over the longer run, for Schmidt will be a strong and more aggressive leader who could prove an attractive SPD Chancellor candidate in 1976. End summary.

1. We talked with several sources close to Brandt and the SPD leadership early May 7 in an effort to find a reasonable explanation for his resignation and to assess what it means for the party and for the future. We have also discussed what sort of domestic and foreign policies we can expect with the new Federal government under Schmidt's leadership. Following is the gist of our findings so far.

2. Our sources, who are reliable and close to Brandt and his inner circle, told us that Brandt's decision to resign was taken on Sunday,

¹ Summary: The Embassy discussed Brandt's May 6 resignation as Chancellor.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974, [no film number]. Confidential; Immediate. Sent immediate for information to Damascus, Tel Aviv, Nicosia, Moscow, and Jerusalem. Sent priority for information to Vienna, Stockholm, the Mission in Geneva, the Mission to the EC, and the Mission to NATO. Sent for information to Ankara, Athens, Brussels, Copenhagen, The Hague, Lisbon, London, Luxembourg, Oslo, Ottawa, Paris, Reykjavik, Rome, Belgrade, Bucharest, Budapest, Prague, Sofia, Warsaw, the Mission in Berlin, Bremen, Dusseldorf, Frankfurt, Hamburg, Munich, Stuttgart, CINCUSAFE Ramstein, CINCEUR Vaihingen, CINCUSAREUR Heidelberg, and USNMR SHAPE.

May 5. During a session at the Chancellery aimed at working out a government report on the Guillaume spy affair for presentation to the Bundestag this week, Brandt reportedly saw that all of his advisers, both SPD and FDP, were clearly out to save their own skins and that no account was being taken of Brandt's own vulnerable position. At that point, he decided finally and firmly to take the resignation step which (as we reported in Bonn 2677 some three months ago) has been in the back of his mind for some time.

3. One source, who talked with Brandt on May 4, said the Chancellor was even then quite down in spirits. Brandt viewed the Guillaume spy affair as simply the last factor in an essentially negative situation for the SPD. The party was not doing well in local elections and showed few prospects of improving its position in the June Land election in lower Saxony, Brandt's electioneering efforts there notwithstanding. Inflation continued as a major problem, the Jusos were a headache and were complicating the SPD's election campaign, the FRG's foreign policy—both its Westpolitik and Ostpolitik—were not now successful.

4. In sum, our sources said Brandt simply carried through to the logical conclusion the instincts and feelings he has had for some months, namely that for the sake of the SPD it was time for him to step down. He reportedly knew that no other sacrificial figure would serve the SPD as well. According to one source close to Brandt, the basic element involved in the decision was not so much the East German spy case itself, although this had hurt Brandt personally: it was, above all, the feeling of loneliness and non-support from his close colleagues in hard times that made up his mind.

5. According to our sources, both Brandt and Wehner dislike the heir-apparent, Schmidt, but will rally round in order to preserve and hopefully strengthen the SPD in these present difficult days. Our sources expect that Schmidt will move quickly, once in power, to reinvigorate the government. His shakeup of the Chancellery, the Cabinet and the bureaucracies will go a good deal beyond anything that Brandt originally had in mind after Scheel's departure for the Presidency. Our sources expect Chancellery aides Grabert and Harprecht to be dropped. Gaus's position is unclear. A Hamburger like Schmidt, he may well end up as government press spokesman (replacing Von Wechmar) instead of going to head the FRG mission in East Berlin, as he is presently scheduled to do. Bahr may be kept on for optical reasons, since Schmidt will want to avoid the implication that he is dumping all of Brandt's aides. Our sources have stressed that Schmidt will not have an entirely free hand in revamping the Chancellery and government. He will have to take account of Brandt's and Wehner's sensitivities, without whose support he will not be able to carry

through a personnel or political program of any magnitude. He simply does not have sufficient control of the party at this early juncture, as our contacts have pointed out.

6. According to our sources, several ministers will be dropped: Jahn (Justice), Eppler (Economic Cooperation), Von Dohnyani (Education and Science), for Schmidt is said to consider them too weak and/or not attuned to his own views. Among the key ministers that will remain are Leber (Defense), Arendt (Social Welfare) and Friderichs (Economics). It is also expected that Ehmke (Research and Technology) will survive, partly because Schmidt respects his toughness and partly because Ehmke would be difficult to dump without a fight, something the SPD does not now need. It is expected, we are told, that Foreign State Secretary Apel (another Hamburger) can be expected to move into a more senior position since he is close to Schmidt.

7. One question that remains somewhat open, according to our contacts, is that of Interior Minister Genscher's position. Although the SPD, and Brandt in particular, are irritated over Genscher's attempt to shift the blame for the Guillaume case from himself to the Chancellery, our sources consider that the practical facts of political life are such that Genscher will emerge intact as Vice-Chancellor and Foreign [garble] have to make do with Genscher. One of our sources said that it was even conceivable that Schmidt and Genscher two tough and able politicians, might even develop into a very powerful team: their relationship might not be as warm as that of Brandt and Scheel but the end effect could be a more hard-hitting and effective FRG leadership.

8. A large question that remains open is just how long Brandt will stay on as SPD Party chairman. His term expires in 1975. Our sources expect him to try to play an elder statesman's role in upcoming Land and local elections in an effort to strengthen the SPD. Should this effort fail, however, one source believes that the SPD leadership—and Brandt himself—will see the handwriting on the wall and call for a special party convention, perhaps even late this year, in order to elect a new chairman. This is a delicate task, obviously, for Schmidt cannot appear to be acting too hastily to dump a man who was after all a popular German and SPD leader. Moreover, as one source pointed out, the new party chairman would be the SPD Chancellor candidate in 1976 and Schmidt cannot appear too eager to push himself forward too quickly. So, the feeling is that Schmidt will move slowly in this area.

9. This factor has certain implications for the SPD's future, however, since Brandt (and Wehner) will then be charged with handling the Jusos. Our sources said that while Schmidt, for domestic political reasons, might like to dump a few hundred of the more extreme leftists, Brandt and Wehner will probably be more cautious. One of our contacts said that there seemed to be some general agreement at the top in

the SPD, however, that a few of the “uglier” far-out Jusos would have to be expelled from the party simply to assure the population that the SPD is taking the leftist radicalism issue seriously.

10. As far as domestic policy is concerned, our sources are told that Schmidt and Genscher will try to arrive at practical solutions on a variety of outstanding issues, with Schmidt probably being prepared, for the sake of preserving unity, to avoid unseemly and potentially dangerous intra-coalition disputes at a time when the coalition cannot afford them. Thus, one source said that he expected Schmidt to take on the SPD’s trade union leadership fairly soon, for example, on the problem of industrial co-determination: Schmidt would reportedly tell the leadership to stop making trouble otherwise the SPD would find itself in deep trouble with its coalition partner. The same is said to be true of Schmidt’s attitude toward other domestic reforms. He reportedly wants no difficulties at this point with the FDP on ideological grounds. He is looking more at the practical political problems he will face in coming weeks.

11. On foreign policy, Schmidt’s positions are well-known. Our sources expect him to maintain his pro-US, pro-Alliance stance, his rather cool view of the EC, and his disdain for the French—although he does claim to have a good personal and working relationship with Giscard d’Estaing which could be useful if the latter beats Mitterrand. It is rather less clear where Schmidt stands on Ostpolitik, for he has tended to keep a certain distance from that area of Foreign Affairs. Our sources, when queried, conceded that they were not aware of his feelings on the subject. They did feel that he would be more tight-fisted than Brandt and Scheel as far as extension of credits to the East was concerned.

12. Comment: While the above comments come from persons sympathetic to the SPD, their views sound credible for the most part and fit in with what we hear from local German and foreign sources. Some of the assertions in this message represent speedy reactions to fast-moving events and may change as new developments occur and as the result of the present jockeying for power becomes known.

13. One point is perhaps worth making: Brandt’s decision to resign was obviously building up for some time, and the Guillaume affair simply served to overburden a man who already felt he was shouldering an enormous load. It is no secret that he was becoming physically and mentally drained after five years in office. The old energy and drive, which used to emerge in times of stress, were no longer there, and he apparently knew it. So he has departed the scene with some dignity and dispatch. In the end, he may have made a major and positive contribution to the SPD by doing so. Even CDU sympathizers fear that

a possible wave of sympathy may affect the forthcoming lower Saxony elections favorably for the SPD.

Hillenbrand

280. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, undated.

SUBJECT

Brandt Resignation—Possibility of Sex Scandal

Until now, it has been supposed by many that Chancellor Brandt resigned in the belief that it was his duty to bear responsibility for the Guillaume spy case. There are now reports in the German press that the threat of blackmail by the East German agent Guillaume was a major factor in Brandt's decision to resign. The reports allege that Guillaume was aware that Brandt was having extra-marital relations and that he threatened to expose Brandt if he were not released to East Germany without being subject to prosecution.

It is being reported that CDU/CSU circles and their supporters, including the Springer press, are in possession of the details which underlie these reports, and it is quite possible that they will unleash a campaign against Brandt. These possibilities may well have moved Brandt to take the decision to resign.

We have obtained information on this matter from a German security official who has been participating directly in the Guillaume investigation. This source reports that German Security Group personnel assigned as bodyguard detail to former Chancellor Brandt have been questioned under oath. These interrogations brought to light the fact that numerous females had been brought to Brandt's quarters both at home and in hotels while he was away. Guillaume was present on most of these occasions. The guard personnel were not able in most instances

¹ Summary: Kissinger discussed Brandt's resignation as West German Chancellor. Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 61, Country Files, Europe, General, German Exchange (1 of 3). Secret; Sensitive; Eyes Only. Outside the System. Sent for information. Scowcroft initialed the memorandum on Kissinger's behalf. Brandt resigned on May 6. He was succeeded as Chancellor by Helmut Schmidt on May 16.

to identify the females but the guards' statements specify that the women visited Brandt and Guillaume for periods up to six hours, mostly at night.

281. Memorandum of Conversation¹

Washington, December 5, 1974, 11 a.m.

PARTICIPANTS

Helmut Schmidt, Chancellor, Federal Republic of Germany

Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs

Berndt von Staden, Ambassador to the United States

President Gerald R. Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Ambassador Martin J. Hillenbrand, Ambassador to the Federal Republic of
Germany

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

[The press was admitted briefly for photos and then dismissed.]

Kissinger: This office has just been redecorated.

President: It is surprising how much difference a rug makes.

I am very pleased to meet with you, Mr. Chancellor. I have heard so much about you. I am looking forward to my discussion with you.

[General Scowcroft left the meeting for a few minutes and missed part of the conversation.]

President: Henry is just back from the PRC. I hear now you are going.

Kissinger: [to Schmidt] They are waiting for you.

Schmidt: I am not sure I will go.

¹ Summary: Schmidt, Ford, and Kissinger discussed Ford's November 19 to 24 trip to Japan, South Korea, and the USSR, as well as the U.S. and FRG economies.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 7. Secret; Sensitive. All brackets are in the original except those indicating text omitted by the editors. The meeting took place in the Oval Office, and ended at 1:05 p.m. (Ibid., White House Central Files, President's Daily Diary) For the portion of the conversation on energy cooperation, see Document 22 in *Foreign Relations, 1969–1976*, vol. XXXVII, Energy Crisis, 1974–1980.

I would like to set aside considerable time in our discussions for economics. I think we are in a recession and on the brink of a world-wide depression. It is not inevitable but it is possible. Our two countries are the biggest weight in the world's economy. I would like to discuss this.

President: That is fine. A discussion of what we can do to avoid a depression would be useful.

Schmidt: Secretary Kissinger and Minister Genscher can discuss the other things.

There is an economic meeting this afternoon. If there is a press statement, I would hope it would include a number of economic aspects.

Giscard is looking forward to what I can tell him. He as a person is willing to be helpful. It is his domestic situation which is his problem. He needs the Gaullist votes. If you need an emissary to him, you should think of sending Shultz.

President: I have complete confidence in George.

Schmidt: I only mention it because if anything arises which needs a judgment, he can get one from Giscard.

President: First, let me say a word about my Japan trip. I was under some pressure here to cancel it. But it was very productive. We went beyond the traditional security concerns; both of us are deeply concerned with the energy problem and they are interested in the stability of food supply. It's a consensus government. That's how they operate. And we were able to establish a rapport with the government.

There were few demonstrations.

Kissinger: Kyoto was the worst, and there was a sound track that said, "Go home as soon as you can." [Laughter]

President: I had to go to South Korea. Otherwise it would have been seen as a withdrawal of support. We had to establish support for such a strong leader. At Vladivostok. . . .

Schmidt: [interrupting] Whose idea was it to go to Vladivostok?

Kissinger: They proposed Europe. But that wasn't a good idea. The President would have had to meet with Brezhnev either before or after meeting with allied leaders, and it would have overshadowed the meetings with the allied leaders. Then they proposed Vladivostok. We checked with the PRC and they preferred Vladivostok to Europe.

President: Brezhnev was the only one who had been to Vladivostok.

Schmidt: I saw him just before you, and he gave me a lecture about East Siberia.

Kissinger: It is the prettiest city I have seen. Like San Francisco.

President: We drove around at dusk.

We had done much SALT preparation, culminating in Dr. Kissinger's October trip. So we didn't have to spend much preliminary time jockeying.

Schmidt: Brezhnev seemed to me to be certain there would be an agreement. More so than Kissinger.

Kissinger: He knew the concessions!

Schmidt: You did too.

Kissinger: No. We didn't know that they would change their positions on FBS and the British and French systems.

President: We spent six hours and then broke up without an agreement. We solved it the next morning. Then we talked CSCE and Middle East.

Schmidt: How do you have discussions among yourselves?

Kissinger: We use babblers.

Schmidt: We used the microphones in Lenin Hills to tell them what we wanted.

President: We reached an agreement on equal ceilings of 2400, covering ICBMs, SLBMs, and missiles on heavy bombers.

Kissinger: We have a dispute about the type of missiles permitted on bombers. That must be worked out. We are not sure we should stick on it.

Schmidt: There is no agreement on reentry vehicles.

Kissinger: No, but there is much nonsense being said on this point. We are far ahead in warheads and will stay so for the foreseeable future. We can assume they don't deploy any on missiles on which they have not tested them.

Schmidt: Is there a definition to distinguish between long-range and short-range bombers?

Kissinger: Not yet, but probably the long-range would include the Bison, Bear, B-52, B-1, and not the Backfire.

Schmidt: I used to be Defense Secretary. That is why I am interested in this.

Kissinger: To get to 2400 they have to cut. They are planning new missiles and will have to cut for that.

Schmidt: They are building submarine missiles.

President: They are counted.

Schmidt: But they may move in that direction.

Kissinger: They should if they are smart.

Schmidt: You don't have to reassure us; we have no doubts.

Kissinger: We can put three times the throwweight in the Minuteman holes if we wish. If they don't move to sea they will be 85 percent vulnerable. Their submarine missiles are not very good.

Schmidt: Did you discuss the Middle East?

President: Yes. He wanted to go to Geneva right away. We felt that it would be fruitless at the present time. We will act vigorously to get another Israeli-Egyptian agreement. Because that area is a tinderbox.

Kissinger: It would be helpful if you don't mention this to anyone. Egypt needs this negotiation to go on with no appearance of it until it is almost completed.

Schmidt: I am worried. The state of Israel's mind is a concern itself. There is some capability there for taking decisions out of desperation.

Kissinger: They must know that a military victory could be dangerous if the Soviets intervene and there is an oil cutoff.

Schmidt: They are talking of taking all means within their reach. What does that mean? The second danger is the Soviets maneuvering behind the lines to counter your efforts. The last is the French countering your efforts. We feel soon we may have to split with France on the Middle East. We are deeply disturbed about the French behavior in the U.N. We went out of our way to have a unified position, then at the last minute they switched. Through the Sauvagnargues/Arafat meeting.

Kissinger: We have also heard about the activities of their ambassadors in the area.

Schmidt: They are back on the Jobert track.

Kissinger: They are fairly impotent, but more persistently hostile than the Soviet Union.

Schmidt: We are worried about the Soviet role. What is their role? And how do you, for their face, let them play some role and yet limit their behind-the-scenes negative maneuvering?

Kissinger: Gromyko has no understanding of the Middle East. He has it organized as if it were CSCE, and his points are the same as the Arabs. The Arabs at least know the difference between rhetoric and reality. He won't split it into parts. He tells the Arabs everything we tell him. Otherwise we would bring them in.

Schmidt: How about Brezhnev? They seem to have divided the world. Gromyko handles some, Brezhnev some. We have detected a difference of views between them on some areas. For example: Gromyko is in charge on Berlin.

They can't—despite what your newspapers say—get a single cent of credit from us over the next years. But economic relations with us is a Brezhnev area.

Von Staden: Brezhnev is dominant in SALT.

Kissinger: CSCE and MBFR are handled by Gromyko. Also the Middle East problem, but Brezhnev may be getting into that.

Don't tell the Europeans, but we are hoping for an Israeli-Egyptian agreement. That would separate Syria, because Egypt probably wouldn't go to war for them. That would take it past the UNDOF extension and then we go back to Geneva.

Schmidt: I think this should be talked over privately between you and Giscard. Without Sauvagnargues. You should show him how far you're going and the dangers of their Middle East policy. Kissinger can't talk with Sauvagnargues. Giscard wants to cooperate and I would ask you to try.

President: After the SALT discussion, Brezhnev gave more participation to Gromyko.

Kissinger: In this vein, we had to tell Brezhnev implicitly that we didn't like Gromyko's approach and would be receptive to another approach. Gromyko wants to settle everything at once. That means an explosion. Israel can deal with only so many issues at once. If there are too many, they will go to war.

Schmidt: We are not interested in supporting the Soviet Union in regaining Soviet positions in the Middle East. But if there is a conflict, we might be very exposed quickly, though Schlesinger didn't stress this. Therefore, we hope you will do your best for a tacit understanding.

Kissinger: We think we have 4–6 months. There was no real war danger in November. It was very irresponsible of Israel.

Schmidt: But they will be more irresponsible in the future because they are so deeply in despair and the Government is not strong.

Kissinger: In the 6 months we should arrange a settlement and work with the Soviet Union.

Schmidt: In Israel, there was some concern about a U.N. speech. Genscher and I didn't clear it and we don't approve it. Israel was told the same thing.

Now about oil. The explosion of oil prices has added to the downward development of the world economy that was already under way.

The breakdown of Bretton Woods between 1971 and 1973 had already indicated the basic problem. The U.S. balance of payments deficit for 3 years, etc., contributed. Then the oil prices on top of that. For the first time since World War II, a number of countries may be unable to produce a real income increase for their workers. Some have avoided the situation so far by borrowing abroad, but that is only a temporary solution.

I think the psychology is as important as mechanical moves. The big companies are reluctant to invest. Labor is not used to not getting increases. Social strife will increase, in Italy and especially France.

Kissinger: We have seen a report of a systematic attempt to infiltrate the military and police.

Schmidt: I haven't seen that. If we don't tell the enterprises we will move upward, we will be in for self-fulfilling bad prophecies. I am really worried. I told my public that we are prepared to take decisive measures when I return from here and the EC Summit. I am prepared to take a number of steps, but I want to consult:

(1) To embark on a path of monetary and credit growth, probably at 8% per year. I would prefer 10%, but my Central Bank won't.

(2) A tax cut in January '75, for the working and lower middle class, of 14 billion marks. This is in an economy five times smaller than yours.

(3) The longest budget deficit since the war.

(4) We would pay a premium to any investment between this Wednesday and June 1975 of 2.5% of the value of the investment if it is completed within a certain period, depending on the types of investment.

(5) We will also launch a small-scale public works investment and a few other similar measures.

This is to show that we have shifted from inflation-fighting to recession-fighting and that the increase in investment is our number-one priority. One slogan will include "upward movement and stability" (which means price stability).

We can do it easier because our inflation is one half of yours (6.5%), and because we have taken strong measures already and must end this phase. It is not a complete turnaround, but a change of emphasis.

Kissinger: What inflation rate will you get?

Schmidt: Not over 8%.

President: Let me review our situation. On August 9, our economy was badly deteriorating—inflation was burgeoning, the interest rate was at an all-time high. Burns was making the only effective effort to do something. There was no serious deterioration in employment at that point. I tried to get a consensus with the Congress. I held a series of meetings, and so on, I recommended a program to Congress saying that we felt inflation was the number one problem. We put a ceiling on the budget of \$300 million—5–6 billion below the estimated budget. We needed some relief for the low-income people so I recommended tax relief for them. To offset this and help the deficit I asked for a surtax of 5%—this hit only 28% of the wage earners—and a ten-percent investment tax credit to stimulate industry (up from 7%). I must say my advisors did not foresee, among other things, the loss of consumer confidence.

Schmidt: Investors confidence?

President: Not like the consumers. Now we have a crisis in the auto industry.

Schmidt: We also are producing at only two-thirds capacity.

President: I have asked for a new analysis from the Council of Economic Advisers by next week. I think he will recommend a rigid limitation on expenditures. We can get only to \$306 billion, even with Congressional cooperation.

Schmidt: How much of a deficit will this be?

President: At \$302 billion, it would have been a \$9.4 billion deficit, which could be okay. At the rates we expect, the deficit will be somewhat stimulative. He will probably recommend a tax cut instead of government spending.

Schmidt: It depends. If it is on consumption, yes; if on investment it is not good.

President: Yes, but the Congress wants to put it on an income supplement. The new Congress is an unknown quantity. The House is probably more Liberal (in our sense), with the Senate the more conservative. We will probably submit a program to deal with the same kind of problem that you point out.

He thinks we can get inflation down to 7–8% by summer. Unemployment this month may be up to 6.5%. That is bad.

Schmidt: It could go to 7% by February.

President: Yes, and that may launch Congress into a stimulative program of expanding the income supplement. We will make recommendations in the State of the Union Address, which is around 14 January. One other point: Burns was tightening the money supply all summer.

Schmidt: Eighteen months too late.

President: I won't judge, but he wouldn't change until we negotiated a plan and got a hand on spending.

Schmidt: The same with us. If I had seen the steep decline of the economy, I would have acted differently.

Kissinger: How do you explain it?

Schmidt: It is psychological. The enterprises of the U.S. are one of the decisive forces of the world; the next is ours. It is in your hands. Whatever we do, if you don't, we can't do by ourselves. I think you should have a budget deficit for investment. It would show leadership. Otherwise, a world depression will be blamed again on the United States. It will destroy your world foreign policy leadership.

Kissinger: Please tell the President candidly tomorrow what you think, after talking with our economic people.

Schmidt: Yes. But I think we need a press statement talking about the economy—also something on oil, which has not been discussed yet. You are such a great weight in the world.

President: We recognize that. I must be careful in a statement now because of the Congress. I have to be careful to avoid specifics at this time.

Schmidt: I understand. Countries in surplus should step up demand; countries in deficit (except from imports of oil) should get their houses in order. I would endorse—don't write this down—a request for Germany to step up demand.

President: In defense of the October plan, . . .

Schmidt: Don't explain. I made the same mistake. The downward development came much quicker than anyone expected.

President: If we hadn't hit inflation, no one knows what the Congress would do in an election time. We do need to adjust the October program, but we have to get Congress out of time.

[Omitted here is discussion of energy cooperation.]

282. Memorandum of Conversation¹

Washington, December 6, 1974, 11:04 a.m.–1:04 p.m.

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

SUBJECTS

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

¹ Summary: Schmidt, Ford, and Kissinger discussed economic policy.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 7. Secret; Nodis. All brackets are in the original except those indicating text omitted by the editors, and "[blank in original]", added for clarity. The meeting took place in the Oval Office.

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]

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 [blank in original] and other industries.

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

[Omitted here is discussion of energy cooperation, CSCE, Poland, the United Nations, and Cyprus.]

283. Memorandum of Conversation¹

Bonn, February 16, 1975.

PARTICIPANTS

Helmut Schmidt, Chancellor, Federal Republic of Germany
Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs
Henry A. Kissinger, Secretary of State
Joseph J. Sisco, Under Secretary for Political Affairs

¹Summary: Schmidt and Kissinger discussed U.S.–FRG defense relations in the event of another war in the Middle East.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 10, NODIS Memcons Feb. 1975, Folder 3. Secret; Nodis. The meeting took place in Schmidt's home. A memorandum of conversation on the rest of Kissinger's and Schmidt's February 16 talk is *ibid.*, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1975. Kissinger stopped in Bonn from February 15 to 16 after his February 10 to 15 trip to the Middle East. In a November 15, 1974 memorandum to Kissinger, Colby reported that Schmidt had recently told a U.S. official "that in the event of another Middle East War, he could not permit the use of Frankfurt airfield by the U.S. for resupply operations," suggesting that the U.S. use a FRG airbase in Portugal should the Azores base become unavailable. (Central Intelligence Agency, Office of the Director of Central Intelligence, Job 80M01048A, Box 3, Germany)

In the course of the conversation with the Secretary on February 16, Chancellor Schmidt said he wanted to bring to his attention a very disturbing matter on which he was writing a letter to President Ford.

He said that during a recent visit of Defense Minister Leber to the Pentagon, he was told some things which were dynamite and could cause the most serious problem for Schmidt and have a very adverse affect on US–FRG relations. He spoke from a telegraphic report from Ambassador Von Staden who had been present at the following talk in the Pentagon.

He reported that General Elder, of Joint Plans and Strategy, had made some comments regarding U.S. plans in the event of a Middle Eastern war. Elder said that in the event of war that military supplies on German territory were a necessary part of our plans for intervention and part of the necessary supply of Israel. Elder went on to say that such supply from Europe raises military questions as to the effect on the central European theatre of sending necessary military equipment from Europe to Israel. Schmidt says Elder went on to say that in case of a Middle East war, in order to maintain the Israeli pipeline the U.S. would have to take weapons and supplies earmarked for central Europe, thus weakening its defense. Elder is reported also to have said that airports in the FRG would have to be used for refueling our transports because in-flight refueling is inadequate. Elder also said, according to Schmidt, that as in the past there would be need for Israeli ships to pick up supplies in FRG ports as in the '73 war.

The Secretary responded strongly that this is not the policy of the U.S., neither the President's nor his own.

Schmidt said the Defense Minister cannot do anything without his approval, and that he has made this clear to Leber and thereby undermined a close friendship of ten years. Schmidt said the above to Leber, when Leber had suggested to Schmidt that he might take such a decision on his own, and then Schmidt could reverse him. Schmidt said to the Secretary this whole matter is very serious, and it places good German/American friendship at risk. The Secretary said we cannot risk German involvement in any Middle Eastern war without your (Schmidt) approval. The Secretary said it is not our intention to intervene directly in a Middle Eastern war unless there is Soviet troop intervention. We have to consider the whole problem of supply of Israel in the event of a Middle Eastern war. The Secretary said he would have to discuss the matter with the President. Schmidt suggested the Secretary talk to Von Staden to get a first-hand impression of the Elder/Leber conversation. Schmidt concluded by saying he was writing a letter to the President on the whole matter.

284. Letter From West German Chancellor Schmidt to President Ford¹

Bonn, February 25, 1975.

Dear Mr. President,

I would like to address myself to you in a matter which gives me concern. It has been reported to me that Mr. Woerner, Member of Parliament, has had conversations in the Department of Defense in Washington on January 30th, 1975 in the course of which topics of the highest political delicacy have been discussed with great frankness. The question of the use of American installations and material in the Federal Republic of Germany for the supply of Israel in case of necessity allegedly played a particularly important role. If these reports are correct, and I have no reason to doubt it, then the circle of those, who should be informed on these highly difficult issues, would in my opinion have been regrettably widened.

I should like to avail myself of this opportunity to confirm the agreement with you that in this matter only those in our two countries, who bear highest political responsibility should remain in contact. I do not think that representatives of our opposition notwithstanding their personal standing in the political spectrum should be included in the official considerations of the two governments.

With kindest regards

¹ Summary: Schmidt discussed U.S.–FRG defense relations in the event of another war in the Middle East.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 35, West Germany (3) (1/3/75–5/23/75). No classification marking. A handwritten notation at the top of the letter reads, "Hand delivered by Amb Von Staden 4:30 pm 3/4/75 to Gen Scowcroft." Attached but not published is the signed letter in German. Attached to the letter is a handwritten note by Ford that reads, "General Scowcroft—You better keep this." A record of the January 30 conversation to which Schmidt refers was not found.

**285. Letter From President Ford to West German
Chancellor Schmidt¹**

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

¹Summary: Ford urged the conclusion of a new U.S.–FRG bilateral offset agreement.

Source: Ford Library, NSC Institutional Files (H-Files), Box 59, NSDM 293—U.S. Approach Toward Enhancing the Allied Contribution to the Defense of NATO (1). No classification marking. On Ford's decision to send this letter to Schmidt, see Documents 68 and 69. On May 21, Schmidt told Kissinger: "Some time ago I received a letter from your President concerning another of these horrible offset agreements. My idea, frankly, is not to answer the letter. We already have piles of money in your treasury, in bonds and so on and I will not buy anything that I do not need. If you insist, I could transfer some of the money I already have over there into some other account but I simply will not go through buying things that are not needed." (Memorandum of conversation, May 21; National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 23, Classified External Memcons, May–December 1975, Folder 1)

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

286. Memorandum of Conversation¹

Brussels, May 29, 1975, 1:30 p.m.

PARTICIPANTS

Helmut Schmidt, Chancellor of the Federal Republic of Germany
Hans-Dietrich Genscher, Deputy Chancellor and Minister of Foreign Affairs
President Gerald R. Ford
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs
Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs
Helmut Sonnenfeldt, Counselor to the Department of State

[There was considerable small talk over luncheon for about 20 minutes before the business discussion began.]

¹ Summary: Ford, Kissinger, and Schmidt discussed Spain, the U.S. and FRG economies, energy, raw materials, the Middle East, CSCE, and the USSR.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1975. Secret; Nodis. All brackets are in the original. The meeting took place in the Ambassador's residence. It began at 1:37 p.m. and ended at 3:05 p.m. (Ford Library, White House Central Files, President's Daily Diary) From May 29 to 31, Ford and Kissinger were in Brussels to attend a NATO summit meeting.

Schmidt: What role do you have for us? To play the triangle or finish ahead of you?

Kissinger: We gave you an early draft.

Schmidt: Yes. And I ask that you give care to the paragraph on Spain. It is perilous to push that too hard in Europe. Please give some thought to redrafting it so as not to ask too much of your allies. It is very difficult for us, as is your trip there. My people drafted my comments to agree with you except on Spain. It is clear the Franco era is coming to an end. It is not clear that there will be an orderly transition. I hope Juan Carlos can help it come out. I think Arias will not be in office many months after Franco's death.

The President: Do you think Juan Carlos would perpetuate the Franco system?

Schmidt: No. He will move toward a weaker state, but Arias is too allied with the Franco forces. But we should give the democratic forces the idea that we will be helpful and that we won't slap them in the face as Franco leaves. Don't get yourself in the position where the comments of your allies will hurt and not help your cause.

The President: We are renegotiating for the bases, and we must balance that need for NATO with the problems you cite.

Schmidt: But to make all of this valid, you need not only the consent of the present rulers but of those who come after.

Kissinger: The two are not exclusive. Our Ambassador is in touch with the other group.

Schmidt: It also relates to the President's image in Europe. You can't afford to be allied with the wrong regime. You have to deal with the existing regime. But don't give the Dutch, and Danes, and the others the idea that we are embracing it.

Kissinger: The policy that the Europeans are applying to Portugal we would apply to Spain, and the policy the Europeans are applying to Spain, we think should be applied to Portugal. We are trying to avoid a rush to the extremes all over Europe. The Spanish have a tendency to draw lines and rush to extremes.

The President: Let's turn to economic issues. We deliberately tailored our economic proposals to the package you discussed with me last December. The net result is that all our economists—even those who don't agree with us—agree that we have largely bottomed out. There are substantially more good signs than bad signs.

Schmidt: How sure are you that the American economy will resume progress by the end of this year?

The President: If I judged by their record of predictions last fall I would doubt it, but the situation now is different. The unemployment statistics, new orders, and so on, are good.

Schmidt: But orders being placed in Germany are dropping badly.

The President: Housing and autos are not doing well. The income tax refund will help. I didn't want to bring inflation; I proposed up to \$100 rather than the \$200 that Congress approved.

There is a bonus connected to a 5.7 percent increase in the money supply.

The rate of inflation has dropped from 18 percent to 6½ percent. But I'm afraid if we stimulate it too much, we'd get a return of inflation.

Schmidt: Your statistics are persuasive. But this is the greatest depression since 1932. And in some countries we can expect social unrest. I am deeply worried. 1975 is very different from 1932, but the behavior of governments—trying to ride it out—could be similar. We can't use the methods of recent years for a situation that none of us have lived through. The situation has led to an enormous drop in real wages—which is unprecedented.

This is happening in a monetary system of floating rates, which compounds every problem.

I really don't know why this is happening. Japan is looking to New York. Britain is a shambles.

Kissinger: There is no theory for dealing with endemic inflation.

Schmidt: Yes. Keynes' methods worked in the 1930's; they don't today, and there is no new Keynes.

It is possible we will get our economy going this year. But the possibility is better that our economies will lapse back next year.

The President: We won't stand idly by if the upturn doesn't come or if it doesn't stay. I have a labor-management board which is making recommendations—they're not radical but they are good. I will likely follow some of their recommendations this summer in my tax reform proposals.

Schmidt: We have lowered taxes January 1 by a considerable amount. It would be about \$30 billion for you. The effect is zero—people are saving it. Savings is the highest in history.

Kissinger: It means they think things will get worse.

Schmidt: Yes. Savings is approaching 17 percent—it is astonishing.

The President: Our Savings and Loan institutions had the highest rate of inflation—our highest in 20 or so years. That is good, for houses. The money is there.

Schmidt: And with us.

The President: But you must have the confidence. The Sindlinger poll shows a steady rise in confidence recently.

Schmidt: Do they separate confidence in policy from confidence in the future?

The President: I can't say. But they ask if people are going to buy cars, appliances, etc. Both the Presidents of Sears and General Electric feel we are bottoming out and the momentum will increase.

Schmidt: The problem is to stop labor from asking for even higher wages and business from granting it instead of putting funds into investment. I am not confident.

The U.S. is the world's biggest economy. Internally it hasn't played a big role by volume but psychologically you do. What your New York boards expect trends to be are the expectation of the rest of the world. What they have been doing too much in the last period is to confirm other countries in their pessimism.

The President: There is validity in the skepticism about Britain but for the U.S., I don't think so.

Kissinger: I told the Chancellor your idea of calling together a group of private international economists. Any ideas, we would welcome.

Schmidt: That would be good. There shouldn't be much publicity—and not too many people—and they should be the best. One or two from Britain, France, Germany, Benelux, Japan. Altogether not more than 15 or 20. They may end up with nothing.

Kissinger: But it would be good to get a diagnosis, even if there is no prescription. There is no theory for the present situation.

Schmidt: Also this is the first global business cycle.

The President: In 1973–74 we had an increase in food prices. In 1974 we expected a worse crop than we got. This year so far it looks like the best. If this continues, we will have a great year. That is a confidence factor.

Kissinger: There are other things you wanted to raise. We raised the energy conference with Giscard. He feels better about it. Sauvagnargues will come to Washington the end of June and we will then propose about what I outlined in IEA.

Schmidt: Will they stick with Iran and the Saudis and not go with Algeria?

Kissinger: I think so . . .

Schmidt: That is encouraging. But we can't stand another failure.

Kissinger: We have written to Colombia.

Schmidt: But they will insist on more oil-LDCs.

Kissinger: They could be in the raw materials commission.

Schmidt: True. But it must not break up again.

Kissinger: We can't guarantee that Iran and the Saudis won't come to Algeria, but we think they won't.

While we are interested in helping, the talk about a new economic order is a red flag to our economists.

Schmidt: Yes. These catch words are bad. Also we don't accept indexing and the linking of monetary reform and economic aid.

Kissinger: When the procedure is set up, maybe we should have some talks.

Schmidt: This brings me back to the proposal of December. Before we get to those giant conferences, I think we should have the private brains meet and talk to their governments to avoid failure, confrontation, etc.

Kissinger: The George Shultz idea.

Schmidt: Yes. But they didn't have anyone from Venezuela, the Algerians, the Saudis.

Kissinger: Should we ask the Algerians? We don't mind being rebuffed.

Schmidt: I will talk to Giscard and give you a signal.

[General Scowcroft left briefly and then returned.]

The President: Egypt is really in economic trouble.

Kissinger: We have \$250 million we will put in.

Schmidt: I have seen the cables. We need to help Sadat—economically also. If the Europeans can do something too, that would help. \$250 million is a lot, even for you. But the figure you have in mind for us is too high. But we will try. I think we should encourage some other European countries—not the EC. I will try.

Kissinger: We have \$250 million from the Saudis and \$100 million from Japan.

Schmidt: One question is, should we put all our eggs in one basket? We have enormous foreign currency reserves and considerable gold. All this is at the service of the United States. We could diversify between the others. We could put some in Egypt. The idea of using currency reserves this way is not a new one, but could help. It is a political question, not a new one.

The President: Would that help?

Kissinger: Yes, but it would run into the offset problem.

Schmidt: We did do something with the Italians, and they are close to losing their gold. Would you think over this question with your experts and let me know what you think?

From the point of view of risks, it is not good to have all the eggs in one basket.

Kissinger: Washington is better than Cairo.

Schmidt: If it doesn't hurt you, it could give us some flexibility.

Regarding Moscow—is there a change coming or are they going to stick to their strategy?

The President: We are prepared to go to the Summit for the CSCE but there is not much movement.

Kissinger: There were some concessions in Basket III. If there are more in CBM, there may be a chance. If they extend the territory to about 300 kilometers . . .

Schmidt: That is the only real issue. Because of the relations to MBFR.

Kissinger: Now I think the chances of a summit in July are slightly better than 50–50.

Schmidt: Brezhnev is coming to see you this fall?

The President: Yes.

Kissinger: Mr. President, the Soviet press is now becoming very positive about you, since my meeting with Gromyko. They specifically mention SALT.

Schmidt: Is this to bolster Brezhnev because he is going out because of illness, or to bolster him because he is weak? I get the impression Gromyko is handling more now.

Kissinger: Our experience is Gromyko becomes insistently petty when Brezhnev is not around.

Schmidt: You want the Helsinki meeting to be short; I agree on an official basis. But you see how hard it is to get the bilaterals in. I want to talk to the Poles and East Germans. You will want to talk to many of them. So I think it should be 3½ days.

Kissinger: The trouble is if you sit at that conference for five days with such meager results, when the press has to report each day, it would be bad.

But we could divide it into parts, so the President doesn't have to be there five days. Let's keep the speeches down.

[The meeting ended.]

287. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, June 9, 1975.

SUBJECT

FRG Reactor Sale to the USSR

The US has refused to grant an exception in the International Coordinating Committee (COCOM) which would permit a West German firm to sell a nuclear power reactor to the USSR. Nuclear reactors are on the COCOM embargo list and, under the COCOM unanimity rule, the US has an effective veto on granting an exception. Our position in COCOM has been to condition approval of the FRG application on acceptance by the Soviet Union of International Atomic Energy Agency (IAEA) safeguards on the reactor. At our request, Chancellor Schmidt asked the Soviet leaders in Moscow last October to accept IAEA safeguards on the reactor, but the Soviets refused, arguing that safeguards are not required by the Non-Proliferation Treaty for weapons states. All other COCOM members are prepared to approve the FRG reactor sale.

The sale of this reactor to the USSR is of particular importance to the FRG because part of the generated power would be transmitted to West Berlin and the FRG. Not only would this arrangement help to satisfy a need for more power in West Berlin but it would also involve Soviet participation in a tangible link between Berlin and the FRG. Schmidt, who has mentioned this project to you, personally attached great importance to it, as do Brezhnev and other Soviet leaders who have undertaken to negotiate with Poland and the GDR the requisite rights-of-way for the power transmission.

The question is whether we should continue to insist on safeguards and block the sale or modify our stand and grant the exception.

¹ Summary: Kissinger requested Ford's approval of U.S. acquiescence in the sale of a FRG nuclear reactor to the USSR.

Source: Ford Library, NSC Institutional Files (H-Files), Box 60, NSDM 298—FRG Reactor Sale to the USSR. Secret. Sent for action. Tab A is Document 288. Attached but not published is Tab B, an undated paper entitled, "Options Paper—Proposed FRG Nuclear Reactor Sale to USSR"; and Tab C, consisting of memoranda from ERDA Administrator Robert Seamans, Clements, Acting ACDA Director J. F. Lehman, Colby, and Ingersoll, May 14, 14, 12, 12, and 16, respectively. A stamped notation on the memorandum indicates the President saw it. Ford initialed his approval of Kissinger's recommendation. In October 1974, Schmidt and Kissinger exchanged correspondence about this sale; both letters are in telegram 233648 to Bonn, October 23, 1974. (Ibid., National Security Adviser, Presidential Country Files for Europe and Canada, Box 6, Germany—State Department Telegram from SECSTATE—NODIS (1))

The NSC Verification Panel has prepared an analysis and options paper dealing with this issue (Tab B).

The Strategic Issue

The strategic issue is very largely confined to such indirect assistance as the proposed sale might provide to Soviet military programs through transfer of western technology. Soviet stockpiles and production of fissionable material are considered more than adequate for both military and civil requirements. The probability of diversion of the fissionable reactor products to Soviet military programs is therefore considered to be very low.

The technology involved in the FRG reactor is unclassified and dated (pre-1968). However, if the FRG sale becomes a precedent for further sales of reactors of a more advanced design, there is some concern that the interrelationship between commercial and military nuclear systems technology could permit, through person-to-person contact over a lengthy period of time, inadvertent Soviet access to information which could be helpful to them—particularly to their naval nuclear program. But for this particular reactor sale, there is no real concern about the transfer of any significant technology or know-how.

The Safeguards Issue

The most important point, however, is that even if there were a technology transfer problem, insisting on safeguards would not solve it. The acceptance of IAEA safeguards by the USSR as a condition of sale would have no significant effect in reducing or controlling the risk that unclassified but strategically sensitive technology and engineering know-how would be gained by the Soviets.

Our national policy both in COCOM and our own nuclear export programs has been to require the application of IAEA safeguards to all nuclear sales, including nuclear weapon states, even though the latter are not required to accept safeguards under the NPT. We have felt, inter alia, that this approach reduces the discriminatory aspects of the NPT to which many non-nuclear weapons states object. However, since the purpose of COCOM is specifically to protect western *strategic* interests by common agreement on embargoes to Communist countries, it is probably unsupportable logically and politically to attempt to obtain adherence to United States policies by other western nations through COCOM.

Agency Positions (Tab C)

ERDA has no objection to the FRG sale provided safeguards are applied.

DOD concluded that the technology involved would probably constitute a minimal threat to national security, but DOD would none-

theless condition approval of the export both on acceptance of safeguards and completion of a study of the broader implications of nuclear trade with the USSR.

ACDA has not made specific recommendations but urges that our position on the reactor sale be consistent with our objectives at, and timed with respect to our actions in, the nuclear suppliers conference.

CIA believes that the adverse impact on U.S.–FRG relations of a U.S. veto outweighs the substantive dangers of technology transfer, diversion, or any compromise of our non-proliferation stand.

State recommends a modification of existing U.S. policy within COCOM so as to require the acceptance of IAEA safeguards by the recipient country only in cases where the nuclear export concerned would create a substantial risk of diversion of fissionable materials to non-peaceful uses. The practical effect of the recommended change in policy would be to remove the IAEA safeguards requirements as a condition of U.S. agreement in COCOM to the export of nuclear power reactors or slightly enriched fuel to the Soviet Union, but to retain it in the case of all such sales to Communist non-nuclear weapon states. The PRC is a special case since it is a weapon state but does not possess a substantial plutonium production capability. The proposed approach does raise the possibility that some future nuclear exports might pose different risks vis-à-vis the PRC than in the USSR, and hence result in “discriminatory” treatment. However, this does not appear likely to arise in the foreseeable future and could be handled on a case-by-case basis.

For the specific FRG reactor case at hand, State recommends that there be further bilateral discussions with the FRG in which we would urge them to explore with the Soviet Union some arrangement under which the substance of safeguards would be realized without actual inspection on Soviet territory. However, State does not propose that this arrangement should be a U.S. condition for COCOM approval.

Discussion

I believe we are in an untenable position in blocking the FRG sale. We should, however, require the USSR to supply the uranium for the fuel and to provide a peaceful uses assurance, which is consistent with the COCOM practice regarding end-use assurance. For our more general policy in COCOM, we should insist upon IAEA safeguards as a condition of export only where the risk of diversion of fissionable materials can be persuasively argued to exist (*always* in the case of non-nuclear weapons states). Where other strategic concerns such as technology transfer justified a veto, we would continue to disapprove COCOM exceptions.

In withdrawing our COCOM veto we will face some concern from our own nuclear industry that a precedent is being established whereby European reactors can be sold to the USSR without safeguards while our domestic regulations still require a similar U.S. sale to be safeguarded. To consider this problem a review is needed of our present policy toward nuclear exports to Communist countries. The draft NSDM approves the FRG sale and directs such a study.

Recommendation:

That you approve the NSDM at Tab A.

288. National Security Decision Memorandum 298¹

Washington, June 14, 1975.

TO

The Secretary of Defense
The Deputy Secretary of State
The Director, Arms Control and Disarmament Agency
The Administrator, Energy Research and Development Administration

SUBJECT

FRG Reactor Sale to the USSR

The President has reviewed the paper prepared by the NSC Verification Panel Working Group on the above subject, and has noted the views of the addressees. He has decided that:

—The U.S. is prepared to grant an exemption for the FRG reactor sale now pending before COCOM if the USSR will supply the uranium for the fuel and give a peaceful purposes assurance for the reactor and its produced plutonium.

—IAEA safeguards should be required in future COCOM cases for weapon states only where the nuclear export concerned would reasonably be expected to create a significant risk of diversion of fissionable materials to non-peaceful uses.

¹ Summary: The President directed that a COCOM exemption be granted to allow the sale of a FRG nuclear reactor to the USSR, provided certain safeguard measures were met.

Source: Ford Library, NSC Institutional Files (H-Files), Box 60, NSDM 298—FRG Reactor Sale to the USSR. Secret. Copy sent to the DCI.

The President has also directed that the working group prepare a study of the prospects and implications of U.S. nuclear trade with Communist countries, with a view to reconciling our national and COCOM positions.

Henry A. Kissinger

289. Memorandum From the Director of the Policy Planning Staff (Lord) to Secretary of State Kissinger¹

Washington, June 16, 1975.

IMPLICATIONS OF FRG-BRAZIL NUCLEAR SALE

For President Scheel's visit, you have already received memoranda from George Vest, Art Hartman, and myself providing background on the FRG-Brazil nuclear sale and the broader multinational suppliers' efforts. In recent days, particularly over the weekend, there has clearly been intensified press and Congressional concerns over the German nuclear sale. Questions have arisen as to whether US views have been made known to the Federal Republic at sufficiently high political levels, specifically by you or the President. German officials are apparently claiming in private that the absence of such direct interventions demonstrates that the US is not overly concerned. (Consistent with this belief, today's *Washington Post* editorial urges President Ford to raise the Brazilian sale with President Scheel.)

I therefore thought it would be helpful to you—and important—to pull together exactly what is involved in this issue and why it has stirred so much controversy, as background for your discussions with Scheel and Genscher.

¹ Summary: Lord discussed the implications of a proposed FRG nuclear reactor sale to Brazil.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 14, Briefing Memos, 1975, Folder 4. Secret; Nodis. Two of the memoranda to which Lord refers, a June 14 memorandum from Lord to Kissinger and a June 12 memorandum from Hartman to Kissinger, are *ibid.*, Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 356, Jun. 1–15, 1975; both provide guidance on the reactor sale issue for Scheel's June 16 to 18 state visit to Washington. Kissinger and Genscher discussed the issue briefly on June 16, but reached no conclusions. (Memorandum of conversation, June 16, *ibid.*; Central Foreign Policy Files, P820123–1320)

The FRG-Brazilian sale represents a serious and unprecedented step in international nuclear transfers and, as you know, comes at a particularly unfortunate time—in the midst of complex diplomatic and technical effort to reach agreement among major suppliers on strengthened and standardized nuclear export controls. This is why we have, in recent months, sought to induce the FRG to reconsider transfers of sensitive enrichment and reprocessing technology to Brazil, or, if such transfers could not be stopped, to impose the strictest safeguards possible.

In my judgment, the following four implications of the FRG-Brazil sale are of special significance:

1. While the reactors involved pose a normal and containable risk, the sale of uranium enrichment and plutonium reprocessing technology presents particular proliferation problems. These facilities either produce or process weapons-usable material and are therefore difficult to safeguard. However strict the controls may be, small diversions within the margins of inspection error can be dangerous and potential abrogations of agreements would leave sensitive material in the hand of the recipient.

2. As the particular recipient in question, Brazil's situation is less than desirable. The GOB has not only refused to join the NPT and the Latin American Nuclear Free Zone, but has been openly hostile to both treaties. Further, Brazil continues to express interest in following India's lead by developing a "peaceful" nuclear device. Even if the FRG assistance is well safeguarded, there are always problems of technology "leakage" and abrogation to consider.

3. Under the German sale, Brazil would become the first non-nuclear weapons state to have received external assistance in acquiring a complete nuclear fuel cycle, including enrichment and reprocessing plants. This event, occurring at this juncture, will make it more difficult for us in our multilateral meetings to persuade other suppliers, notably the French, to follow our national policy and refrain from assisting countries in establishing national enrichment and reprocessing capabilities, when not economically justified and when proliferation concerns are greater than normal. Depending upon the actual safeguards concluded by the FRG and Brazil, the sale may or may not damage our minimum goal of ensuring the tightest possible agreed controls over sensitive transfers.

4. Reactions in Congress to the sale can take two opposite courses, neither of which would be desirable from the perspective of sound national policy. On the one hand, "liberals" could accuse the Executive Branch of being too relaxed about the sale and of defending both the FRG and Brazil. This could lead to tougher Congressional legislation to cripple US nuclear export policies as a means of attempting to coerce

other suppliers and punish recipients. On the other hand, “conservatives” could argue that the US lost billions of dollars of reactor sales to Brazil, since the FRG took commercial advantage of our restraint by offering sensitive technology as a “sweetener” to negotiate lucrative reactor sales. This could lead to pressure for this nation to aggressively enter the international market for enrichment and reprocessing technology—in contrast to our present policy of providing fuel services and encouraging commercial-scale regional fuel cycle facilities.

Our frequent approaches to the FRG on the Brazilian sale, consistent with your guidance, have been made in Washington, London, and Bonn by the Deputy Secretary, George Vest, and the Embassy (most recently in instructions to Ambassador Hillenbrand). It is difficult to believe that top officials in the German Government have not received a clear signal from the US or that they doubt your personal concern over this issue. A cabinet decision was nevertheless made in Bonn last month to go forward with the sale, including enrichment and reprocessing technology, and the final government agreement will be signed in a few weeks when a Brazilian official visits Germany.

As a practical matter, it may be too late to halt the FRG commitment to transfer sensitive technology, although there may be flexibility both in the government agreement and the subsequent detailed contract arrangements. Your talking points for President Scheel deal with the nuclear issue, should it arise. In view of recent events, it now seems particularly important to remove any possible misunderstanding Scheel and Genscher may have regarding (1) our regret over the FRG decision to sell enrichment and reprocessing technology to Brazil; and (2) the significance we attach at this stage to

- slowing the pace of providing this technology and limiting its scope to the pilot level, while working toward multilateral plants to serve regional commercial needs; and

- placing tight safeguards over such transfers, including the active involvement of the FRG in the management and operation of resultant facilities.

I am aware of the undesirability of putting excessive pressure on Bonn, particularly in light of recent publicity over the Brazil sale. But it should be stressed that, while expressing regret at the decision to export sensitive technology, we have *not* sought to publicly embarrass the FRG. Indeed, we tried to accurately portray the German safeguards arrangements, and, if we succeed in persuading the FRG to incorporate all our suggested controls, we may increasingly be placed in the position of *defending* the sale—against expected intensified Congressional and press criticism in the US. Moreover, despite some German concerns that the US has sought “commercial advantage”, it was the FRG agreement to provide sensitive technology (which we would not

supply) that resulted in Westinghouse and GE losing American reactor sales to German firms in Brazil. Finally, as I indicated in a recent memorandum, the FRG needs our support in COCOM for a reactor sale to the Soviet Union without safeguards. It is therefore both responsible and reasonable for us to make our objections to the Brazilian sale clearly known to top FRG officials, and, at the very least, to induce them to impose all possible safeguards.

290. Memorandum of Conversation¹

Bonn, July 27, 1975, 9:50–10:45 a.m.

PARTICIPANTS

Helmut Schmidt, Chancellor, FRG

Hans-Dietrich Genscher, Deputy Chancellor and Minister of Foreign Affairs,
FRG

President Gerald Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

[Secretary Kissinger told stories about Adenauer.]

Schmidt: Confidence and discretion are rare qualities.

These are special paintings. This one is by Nolde. He is not known in your country. This other one has no artistic value, but is by the founder of the German Social Democratic party over 100 years ago. It did not stem from Marxism. He in fact criticized it.

[There was a discussion about the suffrage.]

¹ Summary: Schmidt, Ford, and Kissinger discussed Turkey, Greece, Portugal, and Italy.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 14. Secret; Nodis. All brackets are in the original except those indicating text omitted by the editors. The meeting took place in the Chancellery. According to the President's Daily Diary, the conversation lasted from 10:00 a.m. until 11:45 a.m. (*Ibid.*, White House Central Files, President's Daily Diary) A memorandum of conversation prepared by Hartman that covers in greater detail that portion of the talks that occurred after Schmidt, Ford, and Kissinger joined the plenary meeting is *ibid.*, National Security Adviser, Memoranda of Conversation, Box 14. A memorandum of conversation recording a brief July 28 discussion among Schmidt, Ford, and Kissinger on Portugal, energy, and MBFR is *ibid.* Ford and Kissinger visited West Germany from July 26 to 28.

Schmidt: We had Giscard here yesterday. This is a regular thing. Every six months our Cabinets meet.

Kissinger: What language do you use?

Schmidt: Giscard and I always talk in English. He has a very elegant vocabulary. It is clear to me that in his attitudes toward the U.S. he is different from any French leader you have met.

The President: I feel we have a good relationship. Of course I didn't really know his predecessors.

Schmidt: He thinks highly of you and Secretary Kissinger.

[There was a discussion of Giscard and the next French elections, and Chirac.]

The President: We had a difficult situation in Congress on this Turkish aid matter. It's the most irresponsible matter in my 20-odd years in government. The Speaker worked hard with me, but we lost 216 to 206.

Schmidt: [To Genscher] Will you tell the President what Demirel said about Turkish aid?

Genscher: [Translation inaudible.]

Schmidt: May I add a bit about the situation in Turkey? Demirel has only a slim majority and elections are required within a year. Ecevit is considered to be associated with the Social Democratic parties in Europe. He is making a clear threat to overthrow Demirel if there are any concessions on Cyprus. We have tried to dissuade him from this, but without success. So if Demirel is to come forward with concessions, he must be able to have some success with regard to America.

Kissinger: That is exactly correct.

Schmidt: Giscard didn't understand this.

The President: We tried to explain this to over 300 people in the House, at three breakfasts at the White House. But the Greek-Americans have a very effective lobby in AHEPA. It was more effective in this case than the Israeli lobby. They were intelligent; well organized and emotional.

Kissinger: And there was nothing specific on which to negotiate.

Schmidt: The facts are the Turks are behaving badly, and then there is this dangerous Makarios. Karamanlis is afraid of Makarios.

The President: The Greek-American community kept saying Turkey had to make concessions prior to moving, but for the reasons you gave, it could not be done.

Schmidt: Demirel is a serious man and you should show him you understand his problems.

The President: Papandreou is a very bad influence. If the Greek situation ever went that way, it would be bad.

Kissinger: If we could get a negotiation going, we think it would move fast. The dispute over territory is now between 25% and 32%. The one big problem is that Makarios would have to leave. Ecevit though wants to use Cyprus to break up the Demirel coalition.

Schmidt: Ecevit will even threaten an anti-NATO direction. In Greece also there is a strong current against NATO.

Kissinger: My fear in Greece is the young army officers will be like in Portugal.

Schmidt: Papandreou is a very dangerous man, but very skillful.

Kissinger: He is viciously anti-American. He has an American wife.

The President: Any new developments in Portugal?

Kissinger: Our analysis is that Carvalho gained.

Schmidt: Among the three, Costa Gomes is the most moderate. Goncalves is an idiot. Don't write that down.

Kissinger: Antunes didn't go to the last Council meeting for fear of arrest.

Schmidt: Antunes made a bad tactical move at the last meeting by asking for the removal of Goncalves. But the Portugal situation is still not clear. A rightist reaction is not to be excluded after the economic unrest. Even the brave Socialist Gomes won't be able to govern. No one there understands how to govern, especially in the economy. Even the Communists don't understand the economy and would have to rely on the outside and I don't think the Soviet Union is eager for that.

Kissinger: I think if we make clear we would help the moderates but not the radicals, then we have a chance.

Schmidt: Giscard is of your thinking on Portugal—more pessimistic than the rest of us.

More serious is Italy. The Christian Democratic Party is worn out. There are only two people who have a chance—Colombo, who is weak, and Carli, head of the Bank of Italy, who is on his way out. I think we should get the Socialists and Social Democrats to join the Christian Democrats or else the Communists will enter the government.

Kissinger: We are exploring getting Martini, the Socialist, to the U.S. It is a delicate move, though. The new head of the Christian Democrats is an ally of Moro but not strong.

Schmidt: The whole economic situation in Italy, despite the appearance over the last year, is deteriorating. Unemployment will rise, the differences between North and South will grow; the Communists have shown themselves excellent administrators and have detached themselves from Moscow to become more attractive.

If the economic situation of the world were going up, the economic situation in Italy would be drawn up with the rest. If that doesn't

happen, the economic situation in Italy would deteriorate rapidly. But let's save the economic situation for the broader meeting.

Giscard says what I have been saying since a year ago May. I have kept quiet currently because I too am pessimistic. He says the greatest threat to the West is not the Communists or the Southern flank of NATO, but the economic ability of the West. If it were a political or military crisis, the leaders would get together and act. Since it is economic, we leave it to our Finance Ministers. If we leave it this way for five years, there will be a political disaster. He thinks the Western leaders have to get together to make a last attempt. He thinks it is a dramatic situation.

Wilson is more hesitant because he fears creating expectations.

The President: His situation is different.

Kissinger: He is already in the situation Giscard wants to prevent.

Schmidt: His inflation rate is twenty percent. The Saudis are losing their money at twelve percent because of inflation. How long will they continue that? The British are aware of it—Callaghan is more afraid than Wilson.

The President: Wilson may be afraid of a meeting to expose what the situation is and raise expectations.

Schmidt: Wilson would come, but he is not enthusiastic. This is one topic for the Quadripartite lunch at Helsinki.

Let me speak a few frank words. The leadership here should be by the United States. Your strong leadership is needed, without appearing to do so.

The President: That is difficult. What would you recommend?

Schmidt: The British will have unemployment—it will soon be six percent. In France, it is also too high. Ours is too high, slightly over one million, and by February it could go to 1.5. Don't take this down. We are an export economy. Our exports to the U.S. have fallen to less than 50 percent over the last year. Our industrial activity is down to 65 percent of capacity. It is the same with France.

The President: Ours is about 75 percent.

Schmidt: My obsession is with the fact that the economic leaders in the U.S.—Simon, Greenspan, and regrettably even Burns—look too much to domestic problems and not to world effects. For example, New York City banks are 3 percent higher, so people sell German bonds back in order to get the higher New York rates. Also the dollar is rising so people seek profit by switching from marks and francs into dollars. So floating currencies—of which I was a great advocate—when the rate is so volatile, could destroy the Western economies.

The President: I read a piece by Laffer, who is opposed to the float. But the American consensus in the United States is to float.

Kissinger: But five years ago they were all for rigid rates. The Chancellor's point is that the uncertainties of fluctuating rates could undermine political stability.

Schmidt: In all of Europe, the boards of the big industrial companies are so skeptical they do not invest, so employment stays low. My program to create domestic demand—we lowered taxes, made money cheap, we gave investment credit, we held back wage requests by persuasion—didn't work because foreign demand for goods dropped badly. Domestic demand reacted well, but about two-thirds of the total demand is foreign, so that is the critical aspect. Also, many of the consumers saved rather than investing. Savings are the highest since Kreisler.

The President: The same with us. Heavy investment goods aren't selling. Housing.

Kissinger: What is your solution?

Schmidt: There is another negotiation coming. If OPEC announces a ten percent price hike—the Shah wants 30 percent—the increase will add to this pessimism. In order to get things under control, we first must show that we want no confrontation with OPEC but we will cooperate to work things out. Second, if we could tell the world we see the dangers eye to eye and will concert our actions to meet it—even if we don't actually do it.

Kissinger: We will be under domestic pressure for a confrontation with OPEC. Would you explain this to the President and also the need to concert?

Schmidt: We would react negatively in Europe to a confrontation with OPEC. If oil prices go up, it eventually benefits the U.S. and the Soviet Union, who are rich in raw materials. But there is no chance for Europe, who could not stand a confrontation. They need stable prices and assured supply.

If there is any different outlook on oil in Europe, it is in Great Britain, which will soon have its own supply. The Europeans want to come to terms with the energy suppliers.

The President: Is there a negotiating area with respect to price and supply?

Schmidt: Yes, but we can't join a policy of confrontation. It would so raise unemployment as to be disastrous.

The President: My immediate reaction is favorable to a meeting. Simon is a hard liner. My tendency is to work closely—on the economic side the perception of us working closely would help us with the producers and the Soviets.

Kissinger: But we should prepare carefully so there are results.

Schmidt: We have confidence in Shultz. Simon and Greenspan are domestically oriented.

Kissinger: But Shultz is difficult to use in a governmental body. Could we use a private group.

Schmidt: I agree that a meeting should be carefully prepared. Heads of government are not equipped to discuss such matters without preparation.

The President: I have full confidence in Shultz, but we couldn't, we use him officially. He has the confidence of the Congress also.

Schmidt: If an economic conference should take place this year, we shouldn't expect too many results. If we could create the impression we intend to work together and coordinate our policies, that will be enough. It should be done before the real winter comes.

The President: What do you think OPEC will do?

Schmidt: The Saudis will try to retard any such step until the end of the year. Not so with the Shah and Algeria. Of Perez I am not sure—he is annoyed with the United States.

Kissinger: Mostly for domestic reasons.

Schmidt: We are having a study completed now. I think there are differences opening up among the OPEC countries.

Kissinger: If we stick together.

Schmidt: Yes.

Kissinger: We have looked at commodity agreements to see how we could split up the producers.

Schmidt: I think we could separate the poor, non-oil countries from OPEC.

Kissinger: And some non-oil commodity countries. Right now they are all tied up together.

Schmidt: What is the situation in Japan?

The President: We have a meeting with Miki the day we get back. I had a good trip there last fall. I think it was a good trip and it reassured them. Economically, I think they are better off than Europe. They have oil agreements with China. I think they are better off now than a year ago.

Kissinger: The collapse of Indochina has had a more profound effect in Japan than anywhere else.

Schmidt: In what direction?

Kissinger: In a more self-assertive way to separate from the U.S. For the first time they have asked to discuss defense matters at the Prime Minister level.

The President: Yes. With Tanaka, we didn't discuss defense.

[The party then joined the plenary meeting.]

[Omitted here is discussion of economic issues.]

291. Memorandum From Denis Clift of the National Security Council Staff to Secretary of State Kissinger¹

Washington, September 8, 1975.

SUBJECT

Contacts with FRG on Offset

I would like to comment on the memorandum at Tab I which poses for you several options for dealing with the FRG on Offset.

To me it is clear that Chancellor Schmidt, an offset veteran and expert, is reserving the offset issue for his personal attention. It is also evident from his conversations with you in May and July that Schmidt does not want to take this up with the President again until some mutually satisfactory new approach is found. For these reasons I rule out the proposals that the President, Secretary Schlesinger or Ambassador Hillenbrand take the next step on offset with Schmidt. *As Schmidt has chosen to pursue this issue personally with you on two occasions since the President's letter of May 3, I believe he would be most receptive if the next U.S. approach to the FRG were to be made by you to him, further to your recent conversations.*

The Sonnenfeldt/Lodal memorandum attaches a DPRC working group paper with five policy options for a new US/FRG Offset Agreement. I recommend that you task the DPRC working group with developing an approach that would combine Option Two, a scaled-back bilateral agreement with the FRG, and Option Five, Approach the Allies

¹ Summary: Clift discussed the possibility of another approach to the FRG on the issue of a U.S.–FRG bilateral offset agreement.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 35, West Germany (4) (6/7/75–12/10/75). Confidential. Sent for action. Tab A of the Sonnenfeldt/Lodal memorandum is Document 285. Attached but not published is Tab B of the same memorandum, an undated paper entitled, “US Policy Options for a New US/FRG Offset Agreement.” An undated note from Scowcroft attached to Clift’s memorandum reads, “HAK wishes to follow Denis Clift’s recommendation at Tab I.” Schmidt replied to Ford’s May 3 letter on September 26, suggesting that they discuss offset during their October 3 talk in Washington. (Letter from Von Staden to Ford, September 26; Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 35, West Germany (4) (6/7/75–12/10/75))

on a NATO-wide basis with a new multiple-phase transitional agreement or understanding which would include targets of achievement for rationalization/standardization and force improvement measures in the near and longer term, preceded by a transitional bilateral agreement with the FRG which emphasizes budgetary support while providing some balance of payments relief. This combined approval would form the content of a message from you to Chancellor Schmidt proposing a way of breaking the current offset impasse.

Attachment

Memorandum From Jan Lodal and Helmut Sonnenfeldt of the National Security Council Staff to Secretary of State Kissinger

Washington, September 5, 1975.

SUBJECT

Contacts with the FRG on Another Offset Agreement

The FY 74–75 US/FRG Offset Agreement expired on June 30. We have not received a formal reply to the President's letter of May 3 (Tab A) suggesting to Chancellor Schmidt that we begin negotiations on a new offset agreement. However, Schmidt has indicated to you privately on two occasions that he sees no need for another agreement.

We have been relatively free from Congressional troop cut pressures this year, but there is some risk that these pressures would be revived if we appear to have dropped the idea of pursuing a new agreement. In June, when a *New York Times* article suggested that the Administration had decided not to press the Germans on the offset issue, Senators Mansfield and Nunn threatened to sponsor legislation that would require a unilateral troop reduction or at least full balance of payments offset from the Allies (a new Jackson-Nunn Amendment). Evans and Novak are expected to discuss the lack of progress toward a new US/FRG offset agreement in their column sometime next week. Their column will reportedly include the fact that the President sent a letter to which Schmidt has not replied. We can expect some reaction from Mansfield and Nunn, but it is unclear how concerned the rest of the Congress will be with this issue.

Schmidt's resistance to a new agreement is understandable. He has domestic economic and budgetary difficulties, and recent changes in the international monetary order make our past emphasis on "offsetting" US military balance of payments costs particularly objectionable

to him. But we are prepared to be flexible on the components of a new agreement. Further, there are costs the FRG will incur even without another formal agreement (procurement of US military hardware for the FRG armed forces, provision of facilities for the new US combat brigades stationed in northern and central Germany), and we might as well use them to advantage with the Congress. As to the balance of payments aspect, even Senator Nunn has acknowledged that BOP offset no longer makes economic sense. But he insists that we obtain some form of support arrangement bilaterally from the Germans. In the paper at Tab B, the DPRC Working Group has analyzed a range of options that could satisfy Nunn's concern but at minimum cost to the FRG.

Aside from the Congressional aspect, the offset issue is not important enough to be allowed to become a major irritant in our bilateral relations with the FRG. On the other hand, Schmidt has so far refused to give a fair hearing to our position. We have received some informal reports that the Germans would consider a new offset agreement as long as it did not impose significant additional burdens on them. Finally, even if it is ultimately decided to drop offset altogether, we will want to have made our best efforts on the issue and to defer this decision as long as possible in hopes of minimizing its impact on the Congress.

For these reasons, we should consider how best to follow up on offset with the Germans. We have several options:

—*Keep the issue at the highest levels between the two governments, and hold off on raising it until the next meeting between you or the President and Chancellor Schmidt.* This approach assumes that we need Schmidt's personal approval before it makes any sense to initiate lower level discussions.

—*Ask Secretary Schlesinger to raise the offset issue in his meetings with Defense Minister Leber later this month.* Schlesinger could point to the costs that the FRG will incur anyway (procurement, support for the new US combat brigades) and suggest an offset arrangement as a way of getting political credit for these expenditures. Leber might then become a sponsor for offset within the German Government.

—*Have Ambassador Hillenbrand see Chancellor Schmidt or Foreign Minister Genscher and outline to him a "scaled-down" offset arrangement that avoids imposing any major additional burden on the FRG.* This would give Schmidt a better idea of what we have in mind and should allay some of his fears. However, he may give Hillenbrand short shrift. If you adopt this approach, we can have the DPRC Working Group develop an offset proposal, drawing from the paper at Tab B.

—*Have Hillenbrand make a pro forma intervention at the sub-cabinet level expressing our continued interest in offset and our desire to begin discussions.* This approach would indicate that we hadn't given up on offset,

but in view of the high level of our earlier offset interventions the Germans would probably conclude that we attach only limited importance to the issue.

—Avoid any further discussions with the Germans at this time and await developments on the Hill that might clarify the mood of Congress on the offset/troop cut issue. This approach might be preliminary to dropping the issue of another offset agreement altogether.

Your Decision

Wait until our next high level meeting with Chancellor Schmidt.

Ask Secretary Schlesinger to raise it with Leber on his visit to the FRG. (Brent could call Wickham and arrange it.)

Have the DPRC Working Group prepare a “scaled-down” offset arrangement for presentation by Amb. Hillenbrand to either Schmidt or Genscher.

Prepare an intervention by our ambassador at the sub-cabinet level expressing our continued desire to begin discussions on offset.

Plan no further discussions with the FRG at this time.

Other.

292. Memorandum From the Assistant Secretary of State for European and Canadian Affairs (Hartman) to the Deputy Under Secretary of State for Management (Eagleburger)¹

Washington, September 30, 1975.

SUBJECT

Some Findings of the Church Multinational Subcommittee Staff

Jim Lowenstein and David Anderson have been talking separately with Jack Blum of the Church Subcommittee staff about Blum’s investi-

¹ Summary: Hartman reported some findings of the Church Multinational Subcommittee staff concerning West Germany.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 24, Classified “C” Material. Secret; Eyes Only. Drafted by David Anderson in EUR/CE. At the end of the final sentence of the final paragraph, an unknown hand added the word “orally.”

gations into Lockheed payoffs in Western Europe. Blum has some fairly explosive stuff, which he has already informed the Subcommittee about. Following are the highlights:

A. During the early 60's, Lockheed paid bribes to Franz Josef Strauss, his wife and the CSU. Such payments coming when Strauss was Defense Minister paved the way for the sale of the Starfighter to the FRG. Every time the West Germans became nervous about the costs of the Starfighter and then its flightworthiness, Lockheed poured more money into German hands. There is apparently a retired CIA agent in Phoenix who is aware of the procedures for paying Strauss. There is a German investigative group which also has some information on Lockheed's various bribery efforts. The Subcommittee has already asked the German Government to provide it with the information available to that investigative group.

B. According to Blum, in late 1962 or thereabouts, i.e. while Strauss was still Defense Minister, two German auditors were in Burbank, California to go over Lockheed's books concerning Starfighter overruns. One of the auditors found the CSU connection and informed Strauss. The Germans allegedly sent a military aircraft to Burbank with some agent aboard who took the auditor forceably from Burbank, put him aboard the airplane and flew him back to Germany. In Germany, the auditor was put in an insane asylum for about one year. He was released after he signed various papers to the effect that he would not discuss any of his findings. An unlikely story, I admit, but Blum is not one to exaggerate.

C. At another point during German dissatisfaction with the Starfighter in the early 60's, Lockheed decided that the way to put pressure on the Germans was via the Dutch. At that point apparently, Lockheed bribed Prince Bernard to weigh in with the Germans. According to Blum, Lockheed paid Bernard for years. Blum has discussed this matter with Ambassador Gould.

D. Blum said there may also be a Swiss connection, with a German lobbyist having paid off certain Swiss officials or parliamentarians to buy from American aircraft companies. This particular aspect is rather fuzzy since the Swiss authorities have refused Blum access to Americans residing in Switzerland.

Comment: All of this stuff could have serious repercussions—most notably Prince Bernard's role—should it become public. Blum has told us that so far the Subcommittee is unable to decide whether to pursue this subject. Blum has told us that he would be in touch with us once he knows how the Subcommittee intends to act, if at all.

I frankly do not believe that there is anything useful we can do at this point. Nonetheless, I thought you should be aware of the dimen-

sions of the potential problem with a view to your possibly briefing the Secretary on it.

293. Memorandum From the Deputy Assistant Secretary of State for European and Canadian Affairs (Lowenstein) to the Deputy Under Secretary of State for Management (Eagleburger)¹

Washington, October 7, 1975.

SUBJECT

Church MNC Subcommittee—Further Developments

REFERENCE

My Memorandum of October 3

Dave Anderson met with Jack Blum of the Church MNC Subcommittee staff on October 7 to hear about most recent developments. These are:

1. The Subcommittee met in executive session October 6 to hear the ex-OSS and ex-CIA agent, Hauser, now resident in Phoenix explain his ties with Strauss and the CSU and the latter's ties to Lockheed. Hauser bore out what he had previously told Blum, but he did provide some embellishment and more precise dates and information under examination in the closed session.

2. Hauser reconfirmed the kidnapping story of late 1962, when an FRG auditor was removed from the Lockheed plant at Burbank by FRG

¹ Summary: Lowenstein reported findings of the Church Multinational Subcommittee staff concerning West Germany.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 24, Classified "C" Material. Secret; Eyes Only. Drafted by David Anderson in EUR/CE. Forwarded to Kissinger, with an October 3 memorandum from Lowenstein to Eagleburger and Document 292, under cover of an October 7 note from Eagleburger. Kissinger wrote on the bottom of Eagleburger's note, "Want to take up tomorrow with President." (Ibid.) On October 8, Kissinger told Ford: "We have a potentially embarrassing problem. Bribes to Prince Berhanrd and Franz Josef Strauss of the CSU from Lockheed. We must do everything possible to keep this quiet. If the CSU is destroyed in Germany it will really shake Germany and strengthen the left." Ford replied, "You are saying we have to keep that from getting into print. How much is involved?" Kissinger responded, "Yes. It runs into millions. It involved the F-104." (Memorandum of conversation, October 8; Ford Library, National Security Adviser, Memoranda of Conversation, Box 15)

agents, put aboard an FRG military aircraft and returned to Germany, where he was put in a mental institution for six months (*not* one year as originally reported). The auditor was allowed to go free after he signed documents stating that he had been blackmailing Strauss. The auditor's wife had been unaware of her husband's forced departure. When she learned of it, she asked Lockheed to be in touch with the FBI. This was apparently done, then the matter was covered up and the wife told that he had to return to the FRG unexpectedly. There are apparently sources in California that can corroborate this strange tale, according to Blum.

3. Hauser also spoke to the Subcommittee frankly about Prince Bernhard's dealings with Lockheed. He described the manner of payment and the bagman, a U.S. citizen named Maeuser resident in St. Moritz.

4. There is also apparently evidence of MacDonnell-Douglas having paid off the CSU in the matter of the sales of the F-5 to the FRG. CSU Treasurer (and close friend of Strauss) Zimmermann was named repeatedly by Hauser as the man who accepted the money. Apparently the CSU rakeoff was two percent of the total deal. There are also indications that FRG General Steinhoff, formerly the NATO MC Chief, was on the take from MacDonnell-Douglas.

5. Pressing Blum, I found him uneasy about actually proving that Strauss could be shown to have received money—although the CSU certainly was in there. On the other names (except Steinhoff), Blum was far more certain.

6. *Next Moves.* Blum said the Subcommittee members were astounded at what they were uncovering. They want to have an open hearing but before doing so, wish the staff to track down some of Hauser's leads. The staff investigators will go first to California, to Lockheed's Burbank headquarters, probably next week. After that, Blum wants to return to Germany. He wants to offer the German authorities a summary computer record of the Lockheed and other documents in exchange for some German documents of interest to the Subcommittee.

Blum said that Hauser's testimony yesterday was being treated as super-secret and was on an extremely tight hold. He worried that some leak might develop, however. He asked that everything he was telling me be protected most strictly. I gave the necessary assurances.

294. Memorandum From the Counselor (Sonnenfeldt) and Jan Lodal of the National Security Council Staff to Secretary of State Kissinger¹

Washington, October 10, 1975.

SUBJECT

Offset

You will recall that during Chancellor Schmidt's visit last week offset did not come up in discussions with you or the President. However, in conversations with Sonnenfeldt, Schmidt's assistant Hiss and then Schmidt himself indicated that he would not object to private and limited exploration of what might be done. Schmidt stated that any talks which might be initiated would be without prejudice to his position that "he will not pay an additional cent."

It may be that an arrangement can be worked out in the context of financing facilities for the additional brigade which will be deployed in Northern Germany. There are of course political problems on both sides. For domestic reasons the FRG does not wish to appear to be involved in negotiations. The converse is true for us. We want to demonstrate that we are making some progress on this issue in order to head off another Jackson-Nunn Amendment or legislated unilateral withdrawals from our forces in Europe. The Germans yesterday put out a low-key announcement that they expect "middle-level" official discussions on offset to take place. This is helpful.

On October 8 Von Staden informed Sonnenfeldt that Hermes of the FRG Foreign Ministry wants to visit Washington during the week of October 20 to cover a number of issues and will be prepared to discuss offset.

In order to ease things in the US bureaucracy and protect the privacy of these talks, it might be useful to have as the US representative someone outside the regular bureaucratic structure. Nat Samuels would be ideal for the job. Presumably he could be assisted by one or two experts with the required financial and technical background.

¹ Summary: Sonnenfeldt discussed the status of the U.S. request for a new bilateral offset agreement with the FRG.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1975. Secret; Exclusively Eyes Only. Sonnenfeldt initialed the memorandum on Lodal's behalf. Kissinger initialed his approval of the first recommendation. Schmidt and Ford met in Washington on October 3; a memorandum of conversation on their talks, during which they discussed the economic summit, Spain, arms sales policy, and SALT II, is in Ford Library, National Security Adviser, Memoranda of Conversation, Box 15.

Recommendation

That you approve initiation of talks on offset during the Hermes' visit along the lines described above. (We prefer.)

Alternatively, that two officers from the Department (e.g., Jules Katz and George Vest) be authorized to conduct a preliminary discussion with Hermes after which we take stock and decide on how and with what cast of characters to proceed.

295. Telegram 59654 From the Department of State to the Embassy in the Federal Republic of Germany¹

Washington, March 11, 1976, 2031Z.

Subject: Pakistani Nuclear Facilities. Refs: State 38095, 40475. For Ambassador.

1. Please deliver following confidential letter from Secretary to Foreign Minister Genscher as soon as possible.

Quote. Dear Hans-Dietrich:

I know that you are aware of our concern over the Government of Pakistan's plans to acquire a pilot reprocessing plant from France and a heavy water plant from the Federal Republic. I have personally discussed the matter with Prime Minister Bhutto but have not yet received a definitive response. In the meantime, I wanted to ensure that you understand the importance we attach to this matter, and to ask that in reaching a decision on this transaction, you take into account not only the immediate risks which we perceive but some of the longer-term implications which in my view must be considered.

In reviewing the totality of Pakistan's planned nuclear program, we find it difficult to avoid the conclusion that there is a substantial risk of nuclear proliferation. Neither a chemical reprocessing nor a heavy water production capability are needed to meet Pakistan's civil nuclear needs. Both facilities would, however, provide important elements in

¹ Summary: The Department forwarded a letter from Kissinger to Genscher concerning the possible sale by the FRG of a heavy water plant to Pakistan.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976, [no film number]. Secret; Immediate; Exdis. Sent immediate for information to Paris, Ottawa, Islamabad, and Tehran. Drafted by Gerald Oplinger in PM/NPO; cleared by Passage in S, Vest, Ortiz in S/S, Bartholomew, EUR, NEA/PAB, OES, H, and EA; and approved by Sonnenfeldt.

an indigenous capability to produce nuclear explosives. Whether or not Pakistan in fact chooses to produce explosives, I believe the capability to do so would in itself contribute to a highly unstable situation in South Asia, with sharply increased danger that other nations will feel impelled to take countermeasures. In such circumstances, there would inevitably be a greater risk of conflict, which because of its nuclear aspect could threaten the security of countries both within and without the area.

I am also concerned that our long-term mutual objective of developing nuclear power as an alternative world energy source may be prejudiced if we fail to contain the proliferation problem. This has been an important consideration in pursuing greater cooperation among major nuclear suppliers. The recent London guidelines, in which the FRG played an important role, are an impressive start toward such cooperation. However, I cannot stress too strongly the growing apprehension in this country about the dangers of nuclear proliferation, and my own view that unless supplier governments deal adequately and convincingly with those dangers in pursuing peaceful nuclear transfers, our long-term economic interests as well as our security may be affected.

I am grateful for your government's recent decision to defer further action on the proposed heavy water sale until we have received the reactions of France and Pakistan to our recent approaches. As you may be aware, we had hoped to seek deferral of the French/Pakistani safeguards agreement at the recent IAEA Board of Governors meeting in Vienna, in order to allow us more time to convince Pakistan that it is in its own interest not to acquire sensitive nuclear facilities at this time. This did not prove feasible.

For Pakistan, an independent ability to produce heavy water would be a critical link in an indigenous fuel cycle which would give Pakistan the ability to develop nuclear explosives. Therefore, I would appreciate your personally reviewing this problem irrespective of what positions other governments may adopt. Warm regards, Henry A. Kissinger. Unquote. Signed original follows in pouch.

2. Ambassador should underline seriousness with which USG views sensitive nuclear transactions (even under IAEA safeguards) to sensitive countries such as Pakistan, which has security incentive to match Indian nuclear capabilities and which lacks credible economic justification for acquiring complete nuclear fuel cycle.

3. Ambassador may note that Secretary Kissinger, in March 9 appearance before Senate Government Operations Committee stressed importance USG attaches to supplier consultations on sensitive nuclear transactions and noted strong U.S. preference for restraint on such transactions, particularly in case of countries such as Pakistan, and U.S.

support for exploring regional multinational alternatives as needed. In context of emphasizing non-proliferation as a central U.S. policy objective, Secretary expressed common concern of administration and Congress on need to constrain spread of national reprocessing and other sensitive nuclear facilities, and confirmed U.S. policy of avoiding export of sensitive nuclear technology.

4. For Ottawa. Department intends to inform Canadian Embassy of Secretary's letter to Foreign Minister and to indicate that any supportive actions Canada might take would of course be welcomed.

Ingersoll

296. Memorandum From the Director of the Policy Planning Staff (Lord) to Secretary of State Kissinger¹

Washington, April 15, 1976.

THE NEW GERMANY, EUROPEAN STABILITY AND
THE ACHESON SYSTEM

We are hearing a good deal these days concerning a "sea change" in Germany, about the Germans "feeling their oats" again and even of the return of German "arrogance." There also is some concern that, having done penance in the third quarter of this century for their deeds of the second quarter, the Germans somehow may become again an unmanageable force in the last 25 years of the 20th century. Others, eschewing such sweeping conclusions, nonetheless perceive a "New Germany" posing questions about the future balance of power in Europe. The attached paper, written by a member of my staff, argues that these concerns are both overdrawn and misleading.

Summary of the Paper

The paper argues that we are in fact dealing with a "New Germany":

¹ Summary: Lord summarized a memorandum written by a member of his staff entitled, "The New Germany, European Stability and the Acheson System."

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Briefing Memos, 1976, Folder 1. Secret. Drafted by Phillip Kaplan in S/P. Attached but not published is the paper, which was drafted by Kaplan on April 5.

—A West German Federal Republic which has legitimated itself both internally and externally as a result of a quarter century of exemplary international behavior, of solid political and economic success and of Brandt's decision, confirmed in the 1972 election, to subordinate the dream of German reunification to the identity of the FRG system.

—To our credit and good fortune, that successful evolution has occurred within what we may call the Acheson system—the post-1945 Atlantic order designed, *inter alia*, to channel West German political, economic, and military power into Western multilateral institutions and thereby to afford post-war West Germany a legitimate home in lieu of national unification.

—Besides the FRG's tangible achievements and growing power relative to America and other West European states, the Germans also have freed themselves from their post-war sense of moral inferiority, partly due to generational change but also because of the perceived decline of American predominance and moral authority.

The character of US/FRG relations has evolved:

—The US/FRG relationship has shifted over the post-war years from one of substantial German dependence to a curious amalgam of FRG security dependence and genuine if still asymmetrical interdependence.

—Bonn generally continues to be a very cooperative supporter of US political and economic initiatives, but does of late drive a harder bargain, especially when considerations of FRG national sovereignty, vestiges of occupation, and money come together on any given issue; (German resistance to the Offset/Northag concept is a recent illustration).

—German cooperation is premised on Bonn's continued dependence on the American security guarantee.

—But the decline of German assurance in the diplomatic purpose, military power and political capacity of the United States, flowing out of the tough chain of events in America since 1963, and from growing signs of US neo-isolationism is causing significant erosion of German confidence in the US defense guarantee.

—In reaction, Brandt sought reinsurance in the early 70's through the now stalled Ostpolitik, a policy also used to legitimize the FRG system and to complement and reinforce the Alliance with America.

—Of late, Schmidt has also explored a bit more with France the possibilities in the European option, only to find that the European pillar is becoming increasingly soft;

—Finally, Bonn knows that neither of these approaches can replace the US security umbrella and that either of them, carried too far, could disrupt the Acheson system.

The epiphenomena of German assertiveness thus reflect only dimly more salient and still gathering forces:

—The real problem for the New Germany lies in the danger that a future vacuum may be opening on the western side of the East-West equation.

—Rather than a New Germany grasping for power, we are witnessing a Federal Republic, as the strongest European “middle power,” which fears that it could be drawn, essentially against its will, into compensating for current US and West European weakness.

—As a result, the FRG could become increasingly vulnerable to charges of political ambition from both East and West in Europe.

The central problem for future American policy lies in the resultant modification and erosion of the Acheson system. The paper concludes (at pages 21–25) with a 10-point strategy for addressing US/FRG relations. These elements, many of which continue present policy, should be adequate for the management of our German connection if, the paper states, the larger American decline can be checked.

The paper does delineate a further scenario—a deepening of present trends and major shocks to the Acheson system that could force Bonn to basic choices. An annex briefly examines possible German choices in such an extreme “what if” situation.

Comment

As you can see, the study’s focus on the “New Germany and the Acheson system” raises some of the basic questions concerning future European stability and security. There inevitably will be room for differences of judgment, particularly in the paper’s judgments on the motivations behind Ostpolitik and the extent of “the American decline” and its weight in German policy. But the analysis is pointed and interesting.

297. Memorandum of Conversation¹

Bonn, May 23, 1976, 3:00–3:20 p.m.

PARTICIPANTS

Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs
Peter Hermes, State Secretary
Guenter van Well, Political Director
Hans Lautenschlager, Assistant Secretary for Economic Affairs
Dr. Heinz Weber, Minister of Foreign Affairs

Secretary Henry A. Kissinger
Helmut Sonnenfeldt, Counselor of the Department
Arthur A. Hartman, Assistant Secretary for European Affairs
Peter W. Rodman, NSC Staff

SUBJECT

Nuclear Non-proliferation

Genscher: Following our conversation here on the offset matter I will not have had an opportunity to talk to the Chancellor, and therefore I would appreciate it if you do not raise the question with him later this afternoon. Now can we spend a moment on the nuclear issue?

Kissinger: Yes. I'd like to talk to you about the Iranian agreement.

Genscher: Perhaps I should let Hermes tell you where it stands.

Hermes: As you know, we have been negotiating for more than a year with Iran and I think the main outstanding problem has to do with a reprocessing plant which the Iranians want to have as a part of the agreement. The current status of the matter is that we would agree now not to include for the present a provision for a reprocessing plant, but that after a period of time we would be prepared to examine the question. What we would do would be to exchange letters which would say that when the economic conditions are right we would be prepared to examine the question to supply a reprocessing plant under conditions to be agreed.

Kissinger: How long a period would that be?

Hermes: At least 10 years.

¹Summary: Genscher, Hermes, Kissinger, and Sonnenfeldt discussed nuclear non-proliferation.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1976. Secret; Nodis. All brackets are in the original. The meeting took place in the Sitting Room at Schloss Gymnich. In his opening comments, Genscher referred to a discussion with Kissinger concerning offset. No record of this conversation was found. Kissinger was in Bonn on May 23 to meet with Schmidt and Genscher. In a May 11 memorandum to Kissinger, Sonnenfeldt discussed the proposed nuclear agreement between the FRG and Iran. (Ibid.)

Kissinger: We have two problems. First, there is the question of agreed conditions. My people have three technical conditions that they want to hand over to you to include in the Iranian agreement, but I thought that they would probably leak and therefore lead to controversy which I would like to avoid. But if I stop it, it will probably also be leaked, so what I really want to do was talk to you first. Now that I have mentioned it to you, I will have them pass these three conditions to you and then we can discuss it further as a technical matter.

We are basically against the sale of reprocessing plants. During the discussions with Giscard in Washington I got the feeling that he would be prepared to say that they will not sell [reprocessing plants] any more. That is, they would agree to a moratorium for some period of time.

Genscher: That is a very difficult question.

Hermes: In other words, this would apply to the future and the Iran agreement, for example, but not to our agreement with Brazil.

Kissinger: Yes. I guess that is right. And there is not yet a formal understanding between us and France. We'll have to have more technical talks.

Genscher: Were you present when Giscard made this statement? We will have to discuss it ourselves.

Kissinger: Giscard doesn't want it in his bureaucracy. His bureaucracy is against it. How should we conduct this? Will the Political Directors meet in July?

Hermes: In London.

Sonnenfeldt: To get an enlargement of the suppliers conference.

Hermes: With the GDR, etc.

Kissinger: But how will we discuss it? I'd rather have the moratorium issue in a more restricted forum. If you talk with Vest about this issue, you should do it without delegations. Tell Sonnenfeldt what your position is.

Hermes: For London, we have no formal position.

Kissinger: That's what we want you to tell us. Tell Sonnenfeldt and he will tell you how to proceed with it.

We'll send you the aide-mémoire on Iran, which has nothing to do with the moratorium issue. Our people want to make binational an earlier part of the fuel cycle. We will pass this to you.

I can tell you, anything that looks like another German sale of a reprocessing plant will be a difficult political issue in America.

Sonnenfeldt: If you see Carter's speech [of May 13 in New York]. . . .

Kissinger: The more I think about regional reprocessing, the less I like it. Maybe we shouldn't sell any.

Hermes: Is that being realistic?

Kissinger: How will they get them?

Hermes: In ten years, the need for reprocessing is there.

Kissinger: Binational plants don't help because if they try to kick you out—Brazil, Iran—what can you do?

Genscher: It's a question of confidence.

Kissinger: It's very hard to predict what they'll do.

Hermes: The controls are not just binational, but international.

Sonnenfeldt: But there is no sanction.

Genscher: That's the problem—execution.

Sonnenfeldt: It's a problem even with regional plants.

Kissinger: If Pakistan and Iran make them together, that complicates it. If Saudi Arabia joins, it will be worse. In Latin America, who do you trust? Who's a brake on Brazil? If Argentina and Bolivia join, they may have a vested interest to kick you—or us—out.

Genscher: We'll let you soon have our position.

Kissinger: A moratorium acceptance would help. Moratorium acceptance plus some of these three other things would help with your Iran agreement.

Hermes: On July 1, the time runs out for the contract for the reactors. If we don't do it, the French will.

Kissinger: The French told us the opposite. That you were pushing them.

Genscher: Not without reason I asked you if you were present when Giscard said it.

Kissinger: I was present. They said you don't have it yet. He said he would be prepared to entertain a moratorium. He didn't say how long.

My idea is a moratorium and some of the additional safeguards as in the Iran agreement. All these safeguards Iran accepted in our agreement, so it's not an issue of principle.

I did not want to submit the long memorandum without talking to you.

[To Sonnenfeldt:] You can tell Ikle he can submit the memo.

298. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, May 28, 1976.

SUBJECT

FRG Response on Reprocessing Moratorium

Von Staden called on me to provide the German response resulting from your conversation with Genscher May 23, in which you broached the idea of a moratorium on export of reprocessing plants.

The essence of the German response is that:

—the FRG would adopt an “open minded attitude” to discussions of a moratorium in the June 3 and 4 London Suppliers meeting;

—a moratorium could be successful only if accepted by all principal suppliers;

—an important issue will be the duration of any moratorium (two years has been raised in bilateral talks to date);

—the Brazil and Iranian negotiations would not be affected retroactively by a moratorium;

—a final FRG decision would have to be reviewed by the German Cabinet and the appropriate committees of the Bundestag, on a schedule which is uncertain.

There is no surprise in the German response. It probably reflects the fact that the Germans have no further deals on the horizon beyond the current negotiation with Iran.

During the Giscard visit, the French told us that they would respond on the reprocessing moratorium and perhaps propose technical discussions. We have had no word from the French to date, unless Sauvagnargues told you something.

In preliminary discussions with the UK, the British have seemed less receptive than either the French or the Germans. They claim that a moratorium agreed by the suppliers could inject a confrontational aspect into the relations between the suppliers and recipient nations.

¹ Summary: Sonnenfeldt passed on, with comments, the FRG response to Kissinger's suggestion of a reprocessing moratorium.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1976. Secret; Sensitive; Eyes Only. Kissinger initialed his approval of Sonnenfeldt's recommendation. A handwritten notation at the bottom of the memorandum reads, “rec'd 6/2. JK [?] will inform Vest on his return.”

On May 21 you approved the instructions for George Vest and our Delegation to the June 3–4 London meeting. These included, inter alia, authorization for Vest to explore with other suppliers in bilaterals and if necessary in the full meeting itself the US approach to implementing your commitment to the Senate Government Operations Committee that we would make additional moves to promote restraint. This would include low key discussions of the moratorium on transfer of re-processing facilities. It is highly unlikely that even a tentative agreement will emerge in London. Thus we will have an opportunity to review this matter again based on the results of Vest's consultations there.

Recommendation

That you authorize me to inform Vest of the substance of the FRG response and authorize him to continue low key discussions with the other major suppliers in London.

299. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, June 30, 1976.

SUBJECT

Proposed FRG Agreement with Iran on Nuclear Reprocessing

The attached memo from George Vest lays out our record of objections which we have made to the Germans. The Germans have not responded to our aide mémoire or to your comments to Genscher in Bonn. Vest's memo proposes various alternative courses of action which would attempt to forestall signature of the agreement this weekend.

¹ Summary: Sonnenfeldt discussed the proposed FRG agreement with Iran on nuclear reprocessing.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1976. Secret; Eyes Only. Attached but not published is an undated memorandum from Vest. The aide-mémoire to which Sonnenfeldt refers is attached as Tab 3 to Vest's memorandum; it is telegram 128397 to Tehran, May 25, which expresses U.S. reservations concerning the proposed FRG-Iran Nuclear Cooperation Agreement. Kissinger wrote at the bottom of Sonnenfeldt's memorandum, "I will meet Von Staden."

You asked about German motivations. As far as I can tell they are driven by commercial and psychological reasons, since conclusion of this agreement will mean billions of dollars of export sales for the FRG. Schmidt faces considerable unemployment now. The German civil nuclear industry is faced with retrenchment because the FRG domestic market for reactors has been shrinking for the same environmental and safety reasons we face here. Thus if Schmidt is to avoid layoffs in that sector, he needs export sales to protect himself.

The Shah has been after us to commit ourselves to some sort of reprocessing deal which we have resisted.

If the FRG signs an agreement with Iran which does contemplate reprocessing, there will be a great uproar here. *Ribicoff, Percy and others have written you asking you to make clear to Schmidt our objections to the sale.*

Win Lord and George Vest believe that it would be important for you to meet personally with Von Staden to convey your unhappiness over the absence of meaningful prior consultations and your concern over the scope of the FRG nuclear cooperation agreement with Iran. They recall that in the case of the FRG/Brazil nuclear agreement, the FRG used to our disadvantage allegations that you were not personally involved in conveying our strong reservations about the nature of the accord. In addition, Win Lord believes that you should consider a written message to Foreign Minister Genscher confirming the US position. George Vest believes an oral representation is sufficient and a written representation by you could be criticized as inadequate.

300. Memorandum of Conversation¹

Washington, July 2, 1976, 4:30 p.m.

SUBJECT

The Secretary's Meeting with FRG Ambassador Von Staden on the FRG/Iran Agreement for Nuclear Cooperation

PARTICIPANTS

Federal Republic of Germany
Berndt von Staden, Ambassador

United States
The Secretary
Helmut Sonnenfeldt, Counselor
Louis V. Nosenzo, PM/NPO, (notetaker)

The Secretary called in Ambassador Von Staden to discuss the FRG/Iranian Agreement for Nuclear Cooperation. As background, we had confirmed earlier this week that this agreement had been initiated on June 18 and would be signed on July 3 in Tehran. Earlier in the day, the Ambassador had given the Department copies of the text of the agreement, related confidential letters to be exchanged between the FRG and Iran, and an aide mémoire explaining the agreement but not explicitly responding to the US aide mémoire of May on this subject. Just prior to this meeting, the Ambassador had given Mr. Sonnenfeldt a copy of guidance from Bonn concerning public statements by the Embassy with regard to the agreement.

The Secretary: Welcome Mr. Ambassador. We don't need to spend much time on this. I want to discuss your nuclear agreement with Iran. I want to make the US position very clear so that there is no misunderstanding in Bonn. You know what is going to happen when this matter becomes public.

Mr. Sonnenfeldt: The Ambassador just gave us a copy of what they intend to say publicly. Paragraph 6 deals with how sensitive transfers would be handled.

¹ Summary: Kissinger and Von Staden discussed the FRG/Iran Agreement for Nuclear Cooperation.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1976. Secret; Nodis. Drafted by Louis Nosenzo in PM/NPO on July 6; and cleared by Leon Fuerth in C. The meeting took place in the Secretary's Office. In an undated memorandum to Kissinger, Vest analyzed the documents on the FRG/Iran agreement given to the Department by Von Staden on July 2. (Ibid.)

The Secretary scanned the document for a few moments and then continued.

The Secretary: We have stated our views in our aide mémoire to the FRG; in there, we had strongly urged that the FRG not transfer reprocessing to Iran. You know our position in this matter. I don't want anyone in the FRG to say he didn't know.

Von Staden: I understand your concern, Mr. Secretary. My government has tried to ensure that any transfer of reprocessing would be conditioned on Iran meeting a certain number of stringent requirements which we have done successfully. I was surprised that our negotiators were able to go so far in view of the Shah's strongly nationalistic views. As a result, the reprocessing transfer issue should be no problem before the 1990's.

The Secretary: Not for you, perhaps, but what do we do? Does this mean a commitment or not.

Von Staden: We could not deny that it is a commitment. There is clearly a difference in view between our two governments as to whether one should take on any obligation at all. As far as conditions of the agreement for such transfers, however, we believe we are breaking new important ground and that these conditions would serve as a useful precedent.

The Secretary: It will still look like Brazil. What do you think will happen publicly?

Mr. Sonnenfeldt: More than likely, after the 4th of July, the *New York Times* and other papers will pick it up. Congress will then pick it up because of strong Congressional interest in this area.

The Secretary: Would it be true to say that the FRG is not obligated to go through with reprocessing transfers in the future.

Von Staden: No. We would have to say that, as a matter of principle:

1) we are prepared to cooperate as long as certain conditions are met, such as several reactor stations in service in Iran. The two FRG reactors, however, would not make it economic;

2) if in the future such transfers come up for consideration, they will require special arrangements and international agreements as agreed in the confidential exchange of letters.

The Secretary: What about conditions for third country reprocessing?

Von Staden: Here we successfully negotiated two provisions:

—reprocessing in COCOM-embargoed countries is excluded; and

—with regard to other third countries, Iran has to consult with the FRG.

The Secretary: Iran needs your consent for third country reprocessing?

Von Staden: Not exactly. If Iran wants to reprocess in a third country, the FRG has the right to object and offer a substitute country.

This would apply prior to reprocessing in Iran.

The Secretary: Are you saying that you can say no to reprocessing in Iran?

Von Staden: No.

The Secretary: This agreement is not greeted with enthusiasm by the US. We are not looking for controversy with the FRG but we cannot avoid saying that we did not approve of this agreement.

Mr. Sonnenfeldt: We may be able to note that the FRG has made efforts to provide for strong safeguards and other controls.

Von Staden: The conditions are stringent. Iran is obliged to negotiate and meet certain stringent conditions as called for in the confidential letters. These are not in the agreement, but the words "fuel cycle" only appear once in the actual agreement.

The Secretary: You should be under no illusions as to what will happen when the agreement is announced. The last thing we want is trouble between our two countries.

Mr. Sonnenfeldt: We will have to say that we have made clear our objections to the agreement. Within these objections, we can note its good aspects.

The Secretary: I recommend that there not be guidance in Bonn that we agree with this arrangement. Otherwise, you will force us to say publicly the nature of our objections. In any event, we will have to make our position on this matter clear.

Von Staden: I understand your concerns and will convey them to Bonn. The press will probably make it seem as if tomorrow the FRG is going to sell Iran a reprocessing plant. The fact is, however, that there is lots of time for suppliers and recipients to come to international arrangements and to do those things necessary to make the system better.

The Secretary: I notice that the agreement was initialed on June 18 but we were not told of this at Gymnich on May 23 or in Paris or Puerto Rico.

Von Staden: There never seems to be enough time to do all the State business that needs to be done.

The Secretary, Sonnenfeldt and Von Staden then discussed some arrangements for the upcoming visit of the German Chancellor.

301. Memorandum of Conversation¹

Washington, July 15, 1976, 11:00 a.m.–12:38 p.m.

PARTICIPANTS

President Ford
Helmut Schmidt, Chancellor of the Federal Republic of Germany
Dr. Henry A. Kissinger, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs

SUBJECTS

Bilateral Relations; Nuclear Weapons Use; Italy; Portugal and Spain; Soviet Union

[The press came in for photos. There was light discussion of German politics. The press then departed.]

Bilateral Relations

The President: Mr. Chancellor, it is great to see you again. We are grateful for the outstanding generosity of the German people. I look forward to continuing this fine relationship.

Schmidt: Thank you, Mr. President. You should have no doubt I meant what I said on the lawn. It is a most valuable relationship for me. We had a poll in Germany as to who was the most valuable friend of Germany. The United States won over 60%.

The President: Our first meeting was in December 1974. It set the ground work for the economic recovery which has followed.

Schmidt: How do we get this out? The economic recovery is the result of actions taken by the United States, the Federal Republic, France and Japan. It did not happen by accident and people don't realize that.

The President: History will show it.

Schmidt: But that won't help our elections.

The President: What should we discuss?

¹ Summary: Schmidt, Ford, and Kissinger discussed U.S.–FRG bilateral relations, the Olympics, U.S.–FRG defense relations, Italy, Portugal and Spain, the Soviet Union, and SALT.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 20. Secret; Nodis. All brackets are in the original except those indicating text that remains classified. The meeting took place in the Oval Office. Schmidt paid an official visit to Washington from July 15 to 17. A memorandum of conversation recording a July 16 meeting among Schmidt, Ford, Kissinger, Scowcroft, and Genscher, during which they discussed offset, the Olympics, aid to Africa, SALT, CSCE, southern Africa, Greece and Turkey, and Saudi Arabia, is *ibid*.

Schmidt: I think we have no bilateral issues worth discussion—except maybe things among the ministers and the Northern Brigade. I am interested in the broader aspect of that.

I would be interested in the Olympic situation and Canada's curious position.

The President: [Describes the current situation.]

Schmidt: I was not aware of the heating up of the situation and the immediate reasoning for the decision. I gather you feel governments should stay out of this. On the other hand, the breakup of the Olympic games would have a great international impact—I can't even judge what it would be.

Kissinger: It would have a great impact in Peking. It is hard to figure Canada out. It could create precedents for 1980.

Schmidt: It could even result in our exclusion in 1980. I wonder if our aides shouldn't discuss this. Once this precedent is set, host countries will almost be forced to discriminate by their own politics. Let me think aloud. If I had known this beforehand, I would have called Trudeau to tell him he could be putting us in a difficult position in the 1980s.

Kissinger: It could create problems for the Soviet Union with a number of countries—Israel, South Africa, and so on.

Schmidt: Herr Genscher, would you give more thought to it over lunch? I may want to call Trudeau this afternoon. It gives us real problems with Berlin.

Nuclear Weapons Use

Kissinger: On the Chancellery. On the first point, the financing you both needn't discuss. The other point is consultation over the use of US troops committed to NATO. I told Genscher we wouldn't give a veto over the use of our forces, but there would be an exchange of letters.

Schmidt: There is a precedent. I believe it is the exchange between Johnson and Kiesinger on consultation prior to the use of nuclear weapons on German soil.

Genscher: I think the Johnson-Kiesinger letters give us a veto over the use.

Schmidt: We are not talking about veto but consultation. The two Foreign Ministers can work it out—you send us four or five lines and I will respond with two or three lines. We have no intention of making the earlier letters known. I think we are thinking of two exchanges—but on the brigade the President and I don't need to be involved.

The President: I had a nice meeting with Leber.

Schmidt: He was delighted.

The President: He's a good man.

Schmidt: He is a reliable person. The opposite of an intellectual.

Kissinger: Are you saying intellectuals aren't? [Laughter]

Schmidt: They tend to be so.

Italy

The President: I am always impressed that when you travel you have labor people and industrialists with you.

Schmidt: Why don't you adopt it in your next term? We can't succeed unless we can get our trade unions to act responsibly. The fact that you shake hands with the leader of the world's largest trade union—bigger than yours—means a great deal to them. It really makes a difference.

Kissinger: You also have two scientists.

Schmidt: [Describes the two scientists.]

The President: I think it is an excellent idea and I am seriously thinking of adopting it.

Schmidt: I draw your attention also to the "thick" man. He is on the board of Mercedes. He is the German counterpart to George Meany.

The President: How are we coming in our approach to Italy?

Kissinger: There was a meeting this week, and we agreed on a common approach. Each country will send people to talk to different groups in Italy. We are sending Bill Scranton, Cabot Lodge, and George Meany. The instructions are: we are opposed to having Communists in the government, and we are opposed to a common program because we are afraid the Communists will get credit for any success. I think there is a reluctance in Great Britain—Crosland at least seems reluctant.

Schmidt: I think you will have to get to Callaghan. One thing is important. In my discussions with three Italian leaders, they have said no economic program has a chance unless labor cooperates somewhat. And they are Communist. Henry, you should talk to my union people. I suspect it is an accurate appraisal. So the question is how to pull in the trade unions. It argues for some sort of Communist involvement.

The President: Are they all Communist?

Schmidt: There are three—Christian Democrat, Catholic and Communist. They are all very left, though.

Kissinger: There is no doubt it is easiest to work it out with the Communists, but our worry is the Communists are taking credit for any joint program. If we can get their abstinence or acquiescence in a Christian Democratic program, fine; but otherwise, what do we achieve?

Schmidt: I don't know the answer. We must not encourage Communist influence. Henry, please talk to my two labor people.

Kissinger: I will mention it tonight and set up a meeting tomorrow.

Schmidt: We had an EC meeting this last week. Rumor and Moro were there and they said nothing at all which made sense. I don't know how they govern. I think it would be helpful if the US passed word to the EC Commission to fall in line. They are already preparing a Marshall Plan for Italy. We have done it, but I think if you add your word it would be helpful. If the Italians think this will happen, nothing at all will happen in Italy.

Portugal and Spain

The President: I think things in Portugal are working out well.

Schmidt: I am quite proud of it, but I am afraid they will make great mistakes in the economy. Soares is not an economist and he is an ideologist. They are already nationalizing too much—they should be going the other way.

Kissinger: The best would be a coalition between the Socialists and the PPD.

Schmidt: If only the leaders would like each other a little.

The President: What do you think of what Juan Carlos has done?

Schmidt: I can't judge.

Kissinger: He wanted to get rid of the Prime Minister, and he has done it. But he didn't count on the resignation of the Foreign Minister and Interior Minister.

Schmidt: The question is whether this young man has enough strength.

The President: I was impressed with the King. Areilza was quite rude to him. I think we are in for some good progress, but their inflation is worrisome.

Soviet Union

Schmidt: Would you tell me about the Soviet Union and your personal relations with Brezhnev?

The President: I haven't seen him since Helsinki. We are now in the process of deciding what to do on SALT.

Schmidt: Please don't write this down, but Gierek—I really think quite highly of him—told me that he guesses you show me satellite photos from time to time and brief me on developments. That, anyway, Brezhnev does it for him and he, Gierek, frankly doesn't believe what he is told. Brezhnev tells him that the United States has a massive building program under way and is making major new efforts in the strategic field.

Kissinger: [Discussed the Defense briefings of the same type.]

The President: My impression is Brezhnev really wants an agreement on SALT. I would say the chances are about 50–50. Isn't that what you would say?

Kissinger: There are only a few points left—Backfire and cruise missiles. Since Vladivostok, 90% of the concessions have been made by the Soviet Union. In fact, I can't think of any we have made. They have given us the MIRV counting rules, and throwweight limitations.

Schmidt: Are the Soviets changing to a mobile posture? The Pentagon deeply impressed upon Leber that that is what was happening.

Kissinger: Not at all. [He described the SS–16 and the SS–20 programs.] [*less than 1 line not declassified*]

Schmidt: If it is the same team which briefed Leber, I'm not interested. I think it was biased.

The President: [*less than 1 line not declassified*]

Schmidt: May I come back to Brezhnev. Is he more on his own than at the beginning of the year, or is his health increasingly limiting him?

The President: I would have answered affirmatively, only a short time ago, but his health seems to be improving now.

Kissinger: I think he is more in charge now, but his health gives more freedom to Gromyko.

Schmidt: I had invited Brezhnev for a visit, but during my campaign I didn't want such close identification, so I postponed it. Brezhnev was a little annoyed. The Conference of Communist Parties which was recently held was a curious phenomenon.

The President: Why did Brezhnev hold it?

Schmidt: I think he had so much prestige involved that he felt he could not cancel it. It is hard to assess how much it means, but Berlinguer sounded like Tito in the late 40's.

Genscher: You have a 12:30 appointment, Mr. Chancellor.

**302. Letter From President Ford to West German
Chancellor Schmidt¹**

Washington, August 30, 1976.

Dear Mr. Chancellor:

Thank you for your letter of July 29 concerning our discussions on defense issues during your recent visit. I wish to confirm your understanding that the traditional balance of payments offset arrangements, typified by those implemented between 1961 and 1975 pursuant to the NATO Resolutions of July 26, 1957, are no longer relevant.

I note with pleasure your expectation that military procurement by the Armed Forces of the Federal Republic in the United States, which has formed the basic element of such agreements, can be expected to continue as in the past.

I confirm with you the importance which both our governments attach to the transfer of a United States combat brigade to North Germany, and I welcome your offer to contribute an amount of DM 171.2 million toward the costs of the brigade's initial relocation. Continuing stationing costs are, of course, under the Status of Forces Agreement and the supplementary agreement thereto, the responsibility of the stationing power.

Finally, I also confirm our understanding that your government does not rule out the possibility of contributions being considered in future exceptional cases which lie in the interests of collective defense.

With kind regards.

Sincerely,

Gerald R. Ford

¹ Summary: Ford replied to Schmidt's July 29 letter on U.S.–FRG bilateral offset and NORTHAG.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 35, West Germany (7) (7/16/76–11/23/76). Secret. In a July 29 letter to Ford, Schmidt noted that Kissinger and Scheel had recently agreed that the traditional U.S.–FRG offset arrangement was "no longer applicable in view of significant improvements in the fields of international monetary and economic policy." Nevertheless, Schmidt continued, FRG military procurement in the U.S. "can be expected to continue as in the past." Schmidt also said that while the FRG would pay DM 171.2 million towards the military accommodation of the NORTHAG brigade, this did not commit the FRG to pay brigade stationing costs, which were the responsibility of the U.S. Schmidt concluded by noting that the FRG would not rule out consideration of contributions "in future exceptional cases which lie in the interests of collective defense." (Ibid.)

**303. Memorandum From the Deputy Secretary of State
(Robinson) to Secretary of State Kissinger¹**

Washington, December 4, 1976.

Your Meeting with Genscher and Next
Steps on FRG/Brazil Nuclear Issues

This memorandum brings you up to date on the openings we discern for postponing and reshaping the sensitive elements of the FRG/Brazil nuclear deal, in the light of the strategy you intend to pursue vis-à-vis France and Pakistan. It recommends points for you to make to Hans-Dietrich Genscher in Brussels and suggests deferring any approach to Brazil pending your return from Europe.

Framework and Background

You already have our proposed strategy for your meeting with Louis de Guiringaud, in which we note that U.S. readiness to tackle the FRG/Brazil nuclear deal could have an important effect on what the French are prepared to do in Pakistan. Ideally, we favor a sequence in which a general understanding between us and the French is the basis for further U.S. initiatives on the FRG/Brazil nuclear deal.

This by no means rules out exploring any openings in the Brazilian and FRG posture and encouraging both parties to reconsider their stance toward sensitive nuclear projects in Brazil. To the best of our knowledge, the FRG has not yet transferred sensitive nuclear equipment to Brazil; construction of the enrichment facility is expected to begin next year, and the pilot reprocessing plant one or two years after that. It is in that context that we should weigh the following developments and possibilities:

—While the Brazilians have publicly reaffirmed their view that their nuclear projects are a *fait accompli* and appear prepared to strongly resist U.S. pressure, I have reported to you that Ambassador Pinheiro expressed through Lincoln Gordon an interest in avoiding a confrontation with the new Administration, by agreeing on a moratorium on the FRG sale of enrichment and reprocessing facilities pending determination of the kind of international regime which could assure Brazil of its nuclear fuel requirements.

¹ Summary: Robinson briefed Kissinger on FRG-Brazil nuclear issues.

Source: National Archives, RG 59, Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 367, WL Sensitive/Non-China 12/76. Top Secret; Nodis. Drafted by Jan Kalicki in S/P. Attached but not published are undated proposed talking points.

—We know from London and Bonn that the Germans anticipate high-level bilateral discussions on Brazil. They are worried about the impact of French reconsideration of the Pakistani contract and are anxious to minimize confrontation with the new Administration. [*less than 1 line not declassified*] intelligence indicates that they have confided their concerns to the Brazilians about the implications of confrontation for the U.S. security commitment to the FRG. Following the November 26 article along similar lines in *Die Zeit* which we reported to you, the chief of the Foreign Office's Science and Technology Division expressed concern to our people in Bonn about high-level confrontation and suggested that we explore "flexibility" in implementation rather than cancellation of the nuclear accord. I understand that this message has been confirmed in private conversations with visiting Americans by FRG officials in the foreign and technology ministries and Chancellor's office.

—It should be underlined that these indications are not directly attributable to Geisel and Schmidt, who would be personally responsible for any shift in these nuclear projects. While we would expect their first inclination to be to insist on fulfilling their commitments, both their interest in good relations with us and the specific factors noted below might well make them amenable to some form of compromise.

—Geisel and Schmidt's first economic priority is to ensure enriched uranium supply for the first four nuclear power reactors to be constructed in Brazil. Given the uncertainty of German Becker nozzle enrichment technology, Brazil and the FRG recognize that they may have to turn to U.S. or European enrichment sources for the necessary reactor fuel. An offer of guaranteed reactor fuel could therefore act as an attractive incentive for locating the Brazilian enrichment facility in the FRG or, at least, increasing FRG involvement in a Brazil-based but binational facility. Such an offer could prove commercially attractive to the two parties, open the possibility of French fuel services through Eurordif (in addition to U.S. and Urenco services), and would *not* require cancelling the FRG enrichment commitment to Brazil.

—While the enrichment project is more time-urgent than FRG reprocessing assistance, and apparently of greater concern to the French, Brazilian reprocessing is both less safeguardable and more susceptible to deferral. Therefore, even if we make relatively little headway on enrichment, we might still be able to secure indefinite deferral of reprocessing along the Iranian lines you will be exploring with the French. This will be important because there is no provision for enduring FRG participation in the initial, pilot reprocessing plant, although our first preference remains avoidance of both enrichment or reprocessing plants in Brazil because of the risk of abrogation of safeguards agree-

ments. (In the event of abrogation, the enrichment facility could prove the more immediate proliferation threat.)

—If the incentive for deferring or reshaping sensitive Brazilian nuclear projects is assured reactor fuel supply, the penalty for impasse could be U.S., French and British/Dutch refusal to provide enriched uranium capacity through American, Eurodif and Urenco sources. In addition, Bonn and Brasilia would have to calculate that the Symington Amendment and possibly additional punitive legislation could be triggered by sensitive nuclear transfers.

—Finally, we continue to receive intelligence of Argentine and Brazilian military interest in a nuclear weapons option, including GOA efforts to acquire a heavy water production plant and to proceed with national reprocessing of its own, undoubtedly inspired by Brazilian plans. We can use this disturbing intelligence to maximize FRG restraint, in the context of an overall effort to forestall nuclear proliferation in Latin America with its immediate implications for U.S. security.

Suggested Approach

I will not take any action on the Brazilian front pending your return from Europe. However, I continue to feel that we should explore possibilities for an indefinite moratorium on enrichment and reprocessing facilities to avoid the political “fall out” from unilateral U.S. action which is almost certain in the next Administration—either through executive or legislative action.

When you see Genscher in Brussels, I believe it will be important for him to understand that we are sharing with both Brazil and the FRG our view of the need to arrive at a durable and reassuring compromise without publicity, and that we should plan on discussing ways of arriving at this result without impairing our bilateral relationships. Proposed talking points along these lines are attached.

The initial approach is designed to give you maximum flexibility in deciding on next steps following your key meeting with de Guiringaud. It creates an opening for German suggestions at the highest level, while hedging against distorted reports reaching Bonn from Brazil. (We should bear in mind, in this connection, the good communications the Brazilians have with both the Germans and Pakistanis.)

If Genscher wishes to pursue concrete possibilities and you do not believe that it will impair our leverage with the French, you might float the possibility of deferring sensitive nuclear transfers while the FRG and Brazil discuss fuel assurance alternatives with us. In any event, we will be able to better determine on the basis of these discussions whether and how to engage on the substantive formulas outlined above.

Win Lord and Hal Sonnenfeldt concur in this memorandum.

France, 1973–1976

304. Memorandum From Secretary of Defense Laird to President Nixon¹

Washington, January 23, 1973.

SUBJECT

US-French Relations: The Defense Dimension

From the outset of your administration you have made clear your determination to place US-French relations on a better footing. During the past four years the Department of Defense has done what it could to help realize this objective. This memorandum is intended as:

- a brief review of the part DOD has played;
- a sketch of the basic choices we now confront in US defense policy toward France, especially in the missile assistance area; and
- a vehicle for making some recommendations on the future of the programs of particular interest to this Department.

Strategic Missile Assistance

The limited program of strategic missile assistance to France which began in 1970 was a decisive step on the path toward a new relationship with France. Nothing established more clearly for the French our willingness to turn the page on the past record, particularly because we did not seek any immediate quid pro quo. We have given the French considerable help within the limits of your guidance, and have saved them appreciable time and money (as the report at Tab A indicates). The main emphasis of the assistance has been on improving the operability and reliability of their current missiles (e.g., propulsion, hydraulic systems, electrical systems, ignition safety procedures, materials, test, checkout and quality control procedures). That the program has achieved its purpose is clear from the expressions of appreciation we have received from people such as Debre.

During the summer and fall the French launched a concerted effort to secure missile assistance in new areas (e.g., re-entry vehicle hard-

¹ Summary: Laird discussed the defense dimension of the U.S.-French relationship. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-198, Study Memorandums, 1969–1974, NSSM-175. Top Secret; Sensitive. Attached but not published is Tab A, an undated paper entitled “Ballistic Missile Assistance.” Tab B, a draft NSSM, is *ibid*. Nixon did not indicate his preferences regarding Laird’s recommendations. Sonnenfeldt forwarded Laird’s memorandum to Kissinger under cover of a February 3 memorandum; he also forwarded, for Kissinger’s signature, Documents 305 and 306. Kissinger signed both documents.

ening, penetration aids, Soviet ABM information) clearly beyond the previously agreed limits. We have indicated to the French, in response, that we are not prepared for the moment, to go beyond our current guidelines. Any decision on whether we should go further, and if so how far, must be yours to make.

Nuclear Safety Talks

In addition to missile assistance, you also authorized us in 1970 to begin a dialogue with the French on nuclear safety. Because of the need to brief the Joint Committee on Atomic Energy prior to actually beginning any discussions with the French, our first exchanges did not occur until after we had initiated our missile assistance talks. We have now held two conferences on the safety issue with officials of the French defense and atomic energy establishments, and have found the information exchange useful to both sides. To date there have been no substantial problems in keeping within our guidance, and there are additional subjects (still within current guidelines) on which further exchanges would be useful.

During Debre's visit last July, I sought to build on this good beginning by initiating discussions on other bilateral defense subjects on which I believed progress would be to our mutual benefit, and consistent with our basic objectives vis-à-vis France.

FRELOC and LOC

Since then—and at least partly because of my talks with Debre—discussions have gone forward on:

- a settlement on the US claims against France for the costs of relocating our forces in 1966 (FRELOC);
- a military line of communication (LOC) across France.

In my view these two efforts share a common logic consistent with our larger French policy. We cannot go very far in developing a solid relationship without a *mutual* effort in the defense area, i.e., without concrete steps by the French that demonstrate a willingness on their part to move with us in new directions. The Congress will need some solid evidence of French support for our presence in Europe if it, in turn, is to support forward movement in our relations with France.

You have been informed of our progress on FRELOC. I am reasonably optimistic about the prospects for a satisfactory settlement. French acceptance of the fact that we do have a legitimate claim, and their agreement to work with us toward a political settlement of the issue are, in themselves, important evidence of their willingness to turn the page on an unhappy period in our history.

As for the LOC question, a line through France could improve and make more secure support for our forces in Germany. We have been

seeking to open technical discussions with the French on the feasibility of such a line, and have developed papers on the kind of logistic assistance that might be useful should the French be prepared to provide it. During the course of our conversations with the French thus far, we have emphasized that LOC assistance is a matter of *mutual* interest since US forces are in Europe for the common defense.

We have, of course, encountered the well known French position that there can be no automatic commitment to make the LOC available in war time, as well as French reserve on the question of US military personnel and installations on French soil. My own view is that even within these constraints we may be able to lead them to agree to plan *in advance* what LOC facilities would be available to us in the event we were both engaged in hostilities. This would be of substantial political and some military value, and could set the stage for further steps as the Franco-American atmosphere continues to improve.

Other Issues

In addition to these contacts with the French on FRELOC and LOC, we have also discussed possible coordination of nuclear planning (e.g., tactical nuclear doctrine and planning, strategic nuclear doctrine and planning, and perhaps nuclear targeting), a matter I first raised with Debre. Debre was noncommittal, and French reticence since then indicates that the time may not now be ripe to push the matter further. But we should keep this issue in reserve, and move it forward as soon as they evidence a willingness to pursue it.

One of the important by-products of contacts between DOD and the French MOD in the strategic missile program and on FRELOC and LOC has been the development of a pattern of contacts and confident dealings that should be an important asset in moving further in defense cooperation. The French, for their part, have chosen this channel to raise two issues of interest to them: competition in international arms sales and consultations on COCOM cases. No significant new ground has been broken on either, but channels are open, and useful exchanges may develop.

The Future

We have pursued the opening phase of our effort to improve defense relationships with the French about as far as we can within existing guidelines. As I see it, the key issue on which most other questions depend is the future of our missile assistance program. And, as I indicated earlier, the decision on whether and how far to expand our cooperation is one only you can make. In making that decision, you will want to consider:

—the degree of linkage between movement on our part and progress in other areas of defense cooperation;

—the SALT implications, and the broader political effects on US-Soviet relations;

—the program's place and contribution in the broad framework of our European policy (with particular reference to the UK and FRG);

—the implications for the security and vulnerability of our own weapons systems.

As I see it, there are three fundamental alternatives for future US nuclear relationships with Europe:

—a continued emphasis on the special relationship with the UK, albeit with some efforts to extend an olive branch to France in this area;

—the development of roughly equivalent nuclear assistance efforts with the UK and France on a bilateral basis; or

—the development of a new US nuclear relationship with the two countries based on their agreement to develop their nuclear programs in concert.

On our side, this latter trilateral alternative would involve some momentous changes in policy, further complicated by necessary changes in legislation. In any case, we cannot give an adequate answer to the question of how far and fast we are prepared to proceed with the French in missile assistance without coming to grips with identical questions where the UK is concerned, and without more clearly identifying how these programs fit into our overall European and SALT policies.

These are substantial policy questions that it will take some time to analyze adequately. In the interim, however, I do not believe that we can, or should, either cut off assistance at the current level or continue to hold the French off for too long in the face of their desire to move into new areas of cooperation. There are some limited steps forward we can take to maintain the momentum of our improving relations without preempting the more fundamental decisions on overall policy direction. These steps could include:

—information on nuclear effects simulator types, characteristics and usage;

—the sale of small simulators;

—general hardening technology (as opposed to design specifics or design assistance) applicable to missiles, reentry vehicles and silos;

—Soviet ABM information which could be conveyed without an intelligence code-word designator.

Finally, I think it essential that we key any expansion of missile assistance to France—even of an interim nature—to continued movement on their side on issues of importance to us (particularly the claims question). This is not a matter of explicit quids or linkages, nor should it be presented to the French as such. It is simply that the measure of value of providing substantial assistance to the French cannot simply be a matter of better feelings between the two nations. The French have

come to understand this, as evidenced by their movement on claims. We ought not now, after having broken the logjam, give them any reason to feel they can get something without continuing to give in return.

I fully realize that there are policy areas in which the French could take steps of great use to us—particularly in the areas of trade and international finance. However, I think it would be unwise to use strategic missile assistance as an instrument for these purposes to the detriment of its logical role in developing a better defense relationship between us.

Recommendations:

1. That you authorize the Department of Defense to expand US missile assistance to France, on an interim basis, to include: (a) information on nuclear effects simulator types, characteristics and usage; (b) the sale of small simulators; (c) general hardening technology applicable to missiles, reentry vehicles and silos; (d) Soviet ABM information which can be conveyed without an intelligence code-word designator.

2. That you order an inter-agency study of US defense policy toward France (a draft NSSM is at Tab B).

Melvin R. Laird

305. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to Secretary of Defense Richardson¹

Washington, March 9, 1973.

SUBJECT

US Assistance to the French Missile Program

The President has directed the Department of Defense to proceed on an interim basis with limited assistance to France in the areas of

¹ Summary: The President directed the Department of Defense to proceed on an interim basis with limited assistance to the French missile program.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-198, Study Memorandums, 1969–1974, NSSM-175. Top Secret; Sensitive. Copies were sent to the Secretary of State and the DCI.

(a) information on nuclear effects simulator types, characteristics and usage; (b) the sale of small simulators; (c) general hardening technology applicable to missiles, reentry vehicles and silos; and (d) Soviet ABM information.

All information passed to France on Soviet ABM systems should be developed jointly by the Director of Central Intelligence and the Department of Defense.

This authority for proceeding with limited assistance will remain valid until a basic study has completed and new Presidential guidance has been issued.

Henry A. Kissinger

306. National Security Study Memorandum 175¹

Washington, March 13, 1973.

TO

The Secretary of State
The Secretary of Defense

SUBJECT

U.S. Nuclear Defense Policy Toward France

1. The President has directed that a study be prepared to review all aspects of the present and alternative U.S. nuclear defense relationships with France. The study should be conducted in two parts.

Part I. This part of the study should include:

a. A concise description of accomplishments under NSDMs 103 and 104, together with a statement of practical and substantive difficulties encountered due to the constraints included in the NSDMs.

¹ Summary: The President directed a review of U.S. nuclear defense policy toward France.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-198, Study Memorandums, 1969–1974, NSSM-175. Top Secret; Sensitive. Copies were sent to the DCI and the Chairman of the JCS. For NSDM 103, Military Cooperation with France, and NSDM 104, Cooperation with France on Nuclear Safety, see Documents 153 and 154, *Foreign Relations*, 1969–1976, vol. XLI, Western Europe; NATO, 1969–1972.

b. A report on the items of current interest to France in the missile area now precluded by the NSDMs, and an analysis of the pros and cons of expanding the assistance into these areas, including:

—an evaluation of the benefits to France and the impact on the effectiveness of French strategic forces;

—an evaluation of the security risks inherent in furnishing assistance on each of the items in question; and

—an analysis of changes in legislation, if any, necessary to carry out such assistance, and the likely reactions of the Congress.

c. An examination of the feasibility of a U.S. offer to France to conduct future French nuclear tests at U.S. underground nuclear test facilities in Nevada.

d. An evaluation of the advantages and disadvantages of renewing the nuclear information exchange agreement with France to permit transmission of RD/FRD information.

Part II. This part of the study should include:

a. An evaluation of the potential reactions of the Soviet Union in the SALT II context to expanded U.S. missile assistance to France, and an evaluation of UK, FRG and other European reactions to such expanded assistance.

b. An analysis of overall defense policy alternatives available to the U.S. within which U.S.-French nuclear defense relations might develop, as well as the political objectives appropriate to each, including:

—the preservation of the UK “special relationship” as the main vehicle for U.S.-European nuclear relations;

—the development of roughly equivalent nuclear relationships with the UK and France on a bilateral basis;

—the development of new U.S. nuclear relationships with both countries based on their agreement to pursue their nuclear development efforts in concert.

2. In view of the sensitivity of this subject, participation in the work of the study must be strictly limited and the entire subject handled on a highly classified, restricted access basis.

3. This study will be prepared by ad hoc groups comprising representatives of the addressees and the NSC staff. The ad hoc group for Part I of the study should be chaired by the representative of the Department of Defense; the ad hoc group for Part II of the study should be chaired by the representative of the Secretary of State. The completed studies should be forwarded not later than April 15, 1973 to the Assistant to the President for National Security Affairs for consideration by the NSC Senior Review Group.

Henry A. Kissinger

307. Analytical Summary of a Study Prepared by the Ad Hoc Interdepartmental Group for Europe¹

Washington, undated.

ANALYTICAL SUMMARY

Review of US-French Bilateral Issues

Background and Summary

NSSM 166 of December 26, 1972 requested the agencies to submit a review of all bilateral and multilateral issues either currently under discussion or likely to be the subject of discussion between the United States and France during the first half of 1973.

The NSSM 166 response has been prepared by the IG/EUR and has been forwarded by State for consideration by the Senior Review Group. State has also forwarded a summary of the response identifying interrelationships among the more significant issues.

In format, the NSSM response is as follows: I. Summary, pages 1–5; II.A. Bilateral Political Issues, pages 6–12; II.B. Bilateral Economic Issues, pages 13–25; II.C. Bilateral Politico-Military Issues, pages 27–43. Section III, Multilateral Issues, is organized as follows: A. Air Security Enforcement Convention, pages 45–46; B. Trade Issues, pages 48–52; C. EC Trade Issues, pages 53–57; D. Monetary Reform, pages 58–59; and E. Post-Apollo Space Program, page 60. It also includes as an appendix Section IV listing additional, non-controversial US-French Issues.

The paper is summarized below with our comments in parentheses. (While some of the material has understandably been overtaken by events, the NSSM 166 response provides a useful catalogue of bilateral and multilateral issues currently under active consideration by the United States and France. Most of the material will *not* require consideration during the SRG meeting.) *As noted in my covering memorandum, you will probably wish to focus the meeting on bilateral political-military issues such as negotiation of the FRELOC Claim and the Military Line of*

¹ Summary: The paper provided an analytical summary of the study prepared in response to NSSM 166, Review of U.S.-French Bilateral Issues.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H–67, Meeting Files, SRG Meeting—NSSM 166 US-France Bilateral Issues 4/24/73. Secret. Sent by Sonnenfeldt as an attachment to an April 23 briefing memorandum to Kissinger covering the April 24 SRG meeting on NSSM 166. Attached but not published is the 62-page study prepared in response to NSSM 166. For NSSM 166, see Document 163, *Foreign Relations*, 1969–1976, vol. XLI, Western Europe; NATO, 1969–1972.

Communication through France as well as certain of the bilateral economic issues including GE–SNECMA, EXIM Financing of Aircraft Components and the multilateral EC Trade Issues.

I. Overview and Interrelationship Among Issues (pp. 1–5)

French foreign policy is currently affected by three important political considerations: US–Soviet entente in key areas of security policy, the de facto resolution of the German problem and the concomitant removal of postwar restraints on the Germans, and the détente atmosphere likely to be induced by the CSCE. The French thus see a Europe emerging in which there will be a resurgent and economically dominant FRG, and in which there is the fear that the United States may withdraw or diminish its presence—US security presence is, therefore, important in French priorities.

Continuing French insistence upon independence in the defense and economic fields has led to the sharpest areas of conflict between the United States and France. At the same time, the French are reacting pragmatically to the current international political realities: for example, by encouraging British entry into the EC as a counterweight to the Germans and by expanding their cooperation in security matters with the United States.

Over the past two years, the French have attached priority to reestablishing US–French military relations—accounting for recent movement on FRELOC and the Lines of Communications issues. We have also experienced increased cooperation on narcotics enforcement, as the French have come to recognize that their citizens as well as ours are threatened by drug abuse.

At present, the sharpest areas of US–French conflict stem from economic causes. The French wish either to establish or maintain advanced technologically based industries which are independent of the United States. This has translated into three specific problem areas:

—*Aviation questions*, including Concorde, GE–SNECMA licensing arrangements and Eximbank financing of aircraft components—with the French determined to maintain an independent aviation industry;

—*Export of aircraft and arms*: France, the third largest exporter behind the US and USSR is extremely sensitive to any moves that might further damage lagging aircraft and arms export sales; and linked to these two issues,

—*US Policy on strategic trade controls and export of technology*, with the French chaffing at US policy that blocks French sales of high-technology items to Communist countries.

Added to these specific problems are *US–French differences on international monetary reform, France’s policy of preferential trading arrange-*

ments with its old colonies, and France's policy on agriculture, transformed as it has been into the EC's Common Agricultural Policy.

The NSSM response notes that virtually all these trade problems emerge within the EC context where they are magnified in importance and effect as they influence the views of other EC members. *This suggests that prior to the forthcoming multilateral trade negotiations, advance bilateral preparation and consultations with the French should be held if we are to expect a successful multilateral outcome.*

(While making these points, the study does not do a satisfactory job of underlining that France has as one of her fundamental foreign policy objectives that of being the driving and guiding force in the EC. Nor does it point out how France's desires in this regard have been complicated by the UK's entry into the EC. Both points, of course, are of central importance to the United States at this point in our dealings with France in bilateral and multilateral forums.)

II. *Bilateral Issues*

Rather than analyze the 36 separate issues, some of them minor or overtaken, which are described in the NSSM, the following treats only those which are likely to come up at the meeting. The presentation format in the NSSM response (for each issue, *description, status, and prospects for agreement*) lends itself to easy analysis of other issues that might arise for discussion.

II.A. *Political*

Narcotics Cooperation (p. 12)

Cooperation between American and French officials has improved, as a heroin problem has emerged in France itself. We have often indicated our satisfaction publicly about the level and intensity of cooperation. Problems arise when the French seek extradition of French criminals whom we have sentenced here on narcotics charges. In some cases imminent extradition will be possible only in the case of a Presidential pardon.

(There may be scope for Presidential action on the extradition cases.)

II.B. *Economic*

GE–SNECMA (p. 16)

GE and the French aircraft engine manufacturer SNECMA have agreed to develop and produce jointly a 10-ton thrust jet engine. The issue for the US government is whether to license export of the "core" for this engine, which GE developed with government money for the B–1 bomber.

DoD has security reservations, which may be lessened by a compromise which CIEP is trying to arrange with the manufacturers to proceed with the project mainly in the US, delaying the export of the core until 1974. This compromise might be acceptable to DoD which, joined by Treasury, now believes that an effort must be made to “recoup” the costs to the American taxpayer of R&D on the core. Secretary Shultz is strong for recoupment, we understand.

(CIEP seems to be working toward acceptance of the compromise, but Treasury’s insistence on a large amount for recoupment may delay resolution of the issue. There is no indication yet of (a) what amount we might ask for—perhaps in the range of \$100 million; or (b) how the French will react to our demand, which is unprecedented.)

Exim Financing of Aircraft Components (p. 19)

EXIM’s Advisory Council last year rejected a French request to help finance the US content of the European Airbus and the Dassault Mercure, both transport aircraft. The main reason was that sales of these European planes might weaken the potential sales of competitive American-built aircraft. However, the Bank promised to keep its decision under review, since GE is interested in supplying the European aircraft. Requested by the French to reconsider, Treasury believes that EXIM’s decision should stand and is about to inform the French by letter.

(This is probably not a high priority item in the French catalogue of economic desiderata. Treasury could be requested to defer its reply, however, and EXIM to review the decision again.)

II.C. Politico-Military

FRELOC (p. 28)

After years of silence, the French offered last year to settle our claim (originally \$378 million) for \$40 million. We countered with a request for about \$200 million and have heard nothing from the French yet. The French interest in a “political” rather than a narrow legal-financial settlement is evident.

(This could be brought to early resolution if a decision were made to do so. Defense and State are both interested in a quick decision. The main problem will probably be with Treasury, which will want to keep the settlement sum high. An issue which much concerned former Secretary Laird is what amount will be sellable to the Congress, which in the past has taken an interest in this problem. Laird thought \$100 million was right.)

LOC (p. 29)

Secretary Laird raised with Debre last July our wish to re-establish a wartime line of communication through France, since our military be-

lieve that the planned LOC through the Low Countries would be easily attacked in hostilities. The French Chief of Staff has received from us information on the nature of the LOC in which we are interested. He may discuss it when he is here this week.

(Defense wants to push on this. State believes that it would be possible to negotiate some definitive contingency arrangements for war-time availability, provided we accept the long-standing French view that French agreement at the time would be necessary for our use of the LOC. A French agreement would certainly require prior decision by President Pompidou.)

Nuclear Testing (p. 37)

France intends to continue its nuclear test program this year. It may begin soon. The AEC would like to announce the French tests on the same basis as we do Soviet and Chinese. Repeatedly in the past the French have expressed appreciation at a high level for our policy of silence.

(It is unlikely that any other agencies will support the AEC. If we changed our silence policy, the French would be upset, since it would complicate their relations with the Latin Americans, New Zealand, and Australia.)

III. *Multilateral Issues*

French EC Trade Policy (pp. 47–57)

France is the critical country on most of the EC economic policies that damage our interests. Its reaction to the Trade Reform Bill has not been favorable.

The NSSM response discusses France's role in preparing for the multilateral trade negotiations (pp. 48–50), its position on agriculture (p. 49), its attitude toward our view that the EC owes us compensation for the non-application of concessions which we previously negotiated with countries which later became EC members (p. 49), tariffs (pp. 49–50), preferences and reverse preferences (p. 50 and pp. 55–56), commodity agreements (pp. 51–52), arrangements between the EC and EFTA non-applicants which we feel impair our trade (p. 54), citrus (p. 56) and French opposition to our DISC program (p. 57).

(The NSSM does not sufficiently stress France's spearhead role on issues such as agricultural protectionism in Europe and preferences-reverse preferences. Nor does it try to rank these economic issues in terms of their relative importance to us or their capability of resolution. If we accept the NSSM point that bilateral preparations with France in advance of the multilateral trade negotiations are important, such a rank ordering is important. What is it that we most want the French to

do for us on EC economic policies that they can do politically? Probably alter the preferences and reverse preferences policy?)

308. Minutes of Senior Review Group Meeting¹

Washington, April 24, 1973, 3:18–3:45 p.m.

SUBJECT

U.S.-French Bilateral Issues: NSSM 166

PARTICIPANTS

Chairman—Henry A. Kissinger	<i>Treasury</i>
<i>State</i>	Jack F. Bennett
William Porter	John Hart
Wells Stabler	ACDA
Richard Vine	Philip Farley
<i>Defense</i>	CIEP
William Clements	Peter Flanigan
Lawrence Eagleburger	NSC
Charles Lloyd	B/Gen. Brent Scowcroft
JCS	Helmut Sonnenfeldt
Adm. Thomas H. Moorer	William Hyland
Brig. Gen. Keith Christensen	Gerald Livingston
CIA	Robert Hormats
Lt. Gen. Vernon B. Walters	Jeanne W. Davis
[name not declassified]	

SUMMARY OF CONCLUSIONS

1) Each agency will prepare a paper on what they consider the most important issues in U.S.-French bilateral relations for the President to discuss with President Pompidou.

¹ Summary: The Senior Review Group considered the study prepared in response to NSSM 166, Review of U.S.-French Bilateral Issues.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-113, SRG Minutes (Originals) 1972–1973 (3 of 4). Secret; Sensitive. The meeting took place in the White House Situation Room. Attached but not published is Walters' briefing text, an April 23 paper entitled "Franco-American Relations." In his briefing, Walters predicted that the recent easing of U.S.-French tensions would continue, but cautioned that some U.S.-French differences would remain, particularly regarding the U.S. role both in Europe and the world. The papers requested at this meeting were sent to Kissinger under cover of a May 11 memorandum from Eliot. (Ibid., Box H-195, Study Memorandums, 1969–1974, NSSM-166)

2) No major decisions will be made on these issues pending such a meeting.

Mr. Kissinger: I thought we might quickly run over some issues in U.S.-French bilateral relations prior to a possible Presidential meeting with Pompidou later in the year. Dick (Walters), can you give us five minutes worth?

(General Walters briefed from the attached text.)

Mr. Kissinger: Bill (Porter), do you have anything?

Mr. Porter: Well, we could run through the list. I wish we had the French reaction to your speech (Mr. Kissinger's April 23 speech on Europe). That will reveal a great deal about their future attitudes.

Mr. Sonnenfeldt: There was a long *Figaro* article this morning.

Gen. Walters: It's hard to interpret. Some of it was government, some non-government.

Mr. Porter: The French may be getting ready for a tough negotiation. We had just supplied them with \$8 million worth of soybeans and they issued a statement saying they can't tolerate having the U.S. as a monopoly supplier. They're showing their teeth. When we get our trade legislation we can straighten it out.

Mr. Kissinger: First they complain about neglect then they complain about solicitude.

Gen. Walters: The AP reports that the French reaction ranges from skepticism to hostility. (reading excerpts from ticker) They doubt it is acceptable to the French. Approach similar to that of JFK. Attempt to reduce resistance to the American presence in Europe.

Mr. Kissinger: Well, my speech is not the main substance of this meeting.

Mr. Porter: [*less than 1 line not declassified*] There are five or six categories of issues. We can discuss any one of them. None of them seem to have any particular emphasis that we should dwell on.

Mr. Kissinger: Basically we do want a serious dialogue with the French on how they might respond to an initiative. After the initial reaction, we will require exploration with the various countries on how we might work it out—get their specific ideas. I don't believe the official French reaction will be as hostile as the press, although it may be on specific issues. The President has always had the idea of attempting to cooperate with the French if possible; to get away from the theological concept of cooperation versus confrontation. We will want to start a discussion with them in a forthcoming spirit. Where do we stand on various issues? The Defense talks on FRELOC, for example.

Mr. Clements: FRELOC is State's.

Mr. Porter: We have an offer from them of \$40 million. We had originally asked for \$300 million. We have heard nothing from the new

government and will have to probe again. We have let them know their offer was not forthcoming.

Adm. Moorer: Our previous discussions were with Debre. We will have to start all over.

Mr. Porter: We will invoke another offer. Then we will have to consult and decide whether to grab the dough and call it quits. Bill Clements is shaking his head.

Mr. Clements: Maybe we can get some considerations for this. Tom (Moorer) will be talking to Maurin (French Armed Forces Chief of Staff) tomorrow.

Adm. Moorer: I'll be talking about a line of communication through the Bay of Biscay. I expect two or three days of talks. I'm told Maurin is more outgoing than his predecessor.

Mr. Kissinger: If we get a line of communication across France would we give up our claims?

Adm. Moorer: No. We'll try to find out what their position is.

Gen. Walters: The new Defense Minister hasn't been in long enough unless Pompidou has some strong views.

Mr. Clements: Claims are in the Foreign Ministry. Do they talk to each other?

Mr. Stabler: Sometimes we wonder.

Mr. Porter: The military told us where the Libyan Mirages were. The Quai had told us something different.

Mr. Clements: They may not talk about Mirages.

Adm. Moorer: We'll talk about LOC, joint planning, nuclear policy, French Army relations with NATO.

Mr. Clements: We'll pose the Mirage question unless you don't want us to.

Mr. Kissinger: I have no objection.

Mr. Clements: We might also raise the Persian Gulf area.

Mr. Porter: (to Clements) We'll be in touch with you on Mirage, etc. through other channels. We'll give you something.

Mr. Kissinger: Isn't the Persian Gulf question more one State should raise?

Mr. Clements: Could be.

Mr. Kissinger: What are we raising?

Mr. Porter: Supply of arms?

Mr. Clements: Yes, particularly in Oman.

Mr. Porter: They have a helluva strong export policy and it will take a helluva lot to stop them from selling planes.

Gen. Walters: [*1½ lines not declassified*]

Mr. Kissinger: What is the implication of that?

Gen. Walters: [*less than 1 line not declassified*]

Mr. Porter: We have a number of things to discuss with them.

Mr. Kissinger: If this meeting has any point at all, let's find out what those things are that we're going to discuss.

Mr. Porter: The purpose of this meeting was not explained to me. We have no outstanding points. The issues are the same ones that are in the paper. Poseidon—Bill Clements knows all about that.

Mr. Kissinger: I don't. Who's asking?

Mr. Clements: The French are asking our military people. They want the same thing we give the British.

Adm. Moorer: The French are asking technical questions and we decide whether or not to give them the information.

Mr. Eagleburger: That's discussed under another NSSM.

Mr. Kissinger: We're not going to discuss nuclear policy with the Chief of Staff until we get the work on NSSM 175.

Mr. Eagleburger: No.

Adm. Moorer: This has nothing to do with technical assistance.

Mr. Flanigan: There is one question in that area—the degree to which we want to discuss centrifuge enrichment technology with them. The President offered to share some technology with them and the French and Germans are working together. But we should not offer to share centrifuge technology on which we are significantly ahead. We shouldn't do what we did in aerospace and earlier diffusion technology.

Mr. Kissinger: When does the issue come up?

Mr. Flanigan: I'll put in a paper for the Pompidou briefing book, unless there's a debate on our position.

Mr. Kissinger: There's one issue Pompidou is bugging us on—GE/SNECMA.

Mr. Flanigan: We're waiting for an Air Force paper which should be available within a week for discussion in the interagency group. If the proposed compromise is acceptable, we should have a forthcoming position.

Mr. Kissinger: We need some paper geared to the President's meeting with Pompidou so we know what we're aiming for.

Mr. Porter: That's easy.

Mr. Kissinger: Let's prepare for that. Each agency should do something on what are the most important issues for the President to take up with Pompidou. What do we fundamentally want from the French for a meeting now and a trip to Europe in the fall. This suggests that no major decisions should be made unilaterally before the end of May or whenever they meet.

Mr. Clements: The Chief of Staff will be in the Pentagon tomorrow. We could pursue LOC.

Mr. Kissinger: That's a technical issue—that's okay. But you should convey a sense of cooperation rather than hostility.

Mr. Flanigan: We're also coming to negotiations with the European Community on what we should get for the expansion of the Community. That could set the tone for negotiations in the fall. We might have a CIEP meeting prior to the end of May.

Mr. Kissinger: That would be desirable.

309. Memorandum From Denis Clift of the National Security Council Staff to the President's Deputy Assistant for National Security Affairs (Scowcroft)¹

Washington, May 19, 1973.

SUBJECT

SRG Meeting on NSSM 175 Response

We have received the interagency response to NSSM 175 on US-French nuclear defense cooperation. The question arises as to whether or not Mr. Kissinger will wish to hold an SRG meeting on this very complex issue in the few days between his return from Paris and his departure for the President's Reykjavik talks with President Pompidou. It theoretically would be desirable as a basis for agreement on what

¹ Summary: Clift discussed the studies prepared in response to NSSM 175, U.S. Nuclear Defense Policy Toward France.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-198, Study Memorandums, 1969–1974, NSSM-175. Top Secret; Sensitive; Exclusively Eyes Only. Sent for action. Attached but not published is Tab A, message Tohak 106 from Scowcroft to Kissinger, May 19; at the bottom of the message is a checkmark next to the option to postpone the meeting. Richardson forwarded Part I of the study prepared in response to NSSM 175 to Kissinger under cover of a May 11 memorandum, and Director of the Bureau of Politic-Military Affairs Ronald Spiers forwarded Part II of the study to Kissinger under cover of a May 15 memorandum; both documents are *ibid*. No record of a SRG meeting on these studies was found. Citing the U.S. interest in an independent French, as well as British, nuclear capability, Nixon offered Pompidou U.S. assistance for the French nuclear program on June 1; Nixon noted that his offer carried no "political price, with nothing attached to it." Pompidou agreed to send French experts for discussions in Washington. (Memorandum of conversation, June 1; Library of Congress, Manuscript Division, Kissinger Papers, Box TS 26, France Meetings, 1973, May–June (Reykjavik, Iceland))

might be put forward by the US side at the Reykjavik talks. There is an on-going and forthcoming program now being pursued by DOD. But given the present state of play, complexity of the issues, and strong agency views, it is doubtful that a positive result further advancing the program can be achieved in a single meeting.

—The response notes that as a result of Mr. Kissinger's memorandum of March 9, Defense has just advised the French that we are willing to enter into four new areas of cooperation: information on nuclear effects simulators, sale of small simulators, general hardening technology and information on Soviet ABMs. Defense estimates that this newly authorized assistance will carry the program forward for at least six more months while the longer-term alternatives for cooperation are being considered within the US government.

—The response raises several serious questions about the desirability of agreeing to more advanced and intensive missile assistance cooperation with the French—questions relating to French motivations and the stability and reliability of French Government, problems this will pose for NATO, for other important US allies such as UK and FRG, problems this would pose in terms of US compliance with Limited Test Ban Treaty, the need for consultation with the Congress, and the known Congressional opposition to such cooperation with the French.

—An SRG meeting has been tentatively scheduled for May 24 on the NSSM 175 response. Considering the issues raised in the response, the need for Mr. Kissinger to give careful attention to these issues before taking them up with State, Defense, the Joint Chiefs and CIA, and the near-certainty that the questions raised cannot be resolved in a May 24 SRG, it seems neither desirable nor realistic to plan on holding the meeting before the Reykjavik talks with Pompidou. *With regard to the Reykjavik talks, the United States will be in a very strong and positive position as Defense has just informed the French of our willingness to move ahead in the new areas of cooperation identified above.*

Accordingly, we recommend that you send the cable at Tab A to Mr. Kissinger reviewing the considerations outlined above, recommending that an SRG meeting on NSSM 175 be postponed until after the Reykjavik talks and requesting his guidance.

Dick Kennedy and Bill Hyland concur.

Recommendation

That you approve the TOHAK message at Tab A.

310. Memorandum From the President's Assistant for International Economic Affairs (Flanigan) to President Nixon¹

Washington, May 25, 1973.

SUBJECT

Revised Proposal for Export of the B-1 Bomber Engine to France

Background. In 1972, General Electric and SNECMA (the French national engine manufacturer) proposed to develop jointly a new commercial jet engine. This engine is based on the core section of the engine for the B-1 bomber. Under the original plan the core was to have been exported to France in 1973, to be assembled with French components to complete the engine. For national security reasons, the GE export license request was denied.

In early 1973 GE unofficially submitted a compromise plan designed to meet our objections to the original export proposal. The compromise would postpone export of the B-1 core until late 1974. Further, GE would take charge of engine integration, and the most sensitive testing would be done in the U.S. rather than France.

National Security Issues. The revised GE proposal reduces many of the national security risks associated with the original plan, but it does not eliminate them. In the opinion of the Department of Defense, the revised license request does not yet provide adequate physical safeguards for the engine technology. Defense believes a formal government-to-government agreement guaranteeing safeguards would lessen these security risks still further.

Economic Issues. GE and its major domestic competitor, the Pratt & Whitney Division of United Aircraft, are both seeking foreign joint ventures for the development of new commercial engines. Because of the large investment required and long term character of the pay-back, neither firm seems willing to use solely its own funds. (It will cost about \$350 million to develop this new engine.) Further, Congressional sup-

¹ Summary: Flanigan requested Nixon's decision on a revised proposal for export of the B-1 bomber engine to France.

Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-240, Policy Papers, 1969–1974, NSDM-220. Confidential. The draft decision memorandum was not attached. Nixon approved the second option. Nixon's decision was conveyed in NSDM 220/CIEPDM 18, June 4, entitled "GE-SNECMA, CFM-56 Jet Engine Joint Development," in which he approved the license subject to the conclusion of an agreement with France on physical security and protection of technology and an understanding that France would not seek new tariffs against U.S. aircraft imports into the EC. (Ibid.)

port for an all-U.S. engine development appears insufficient to support the next generation of military engines that would later yield commercial versions. Last, both GE and P&W wish to ensure their access to foreign markets, and both have concluded that joint ventures abroad are necessary for that purpose. Therefore, foreign joint ventures do provide some positive trade and employment returns to the U.S. These returns are particularly important because U.S. participation abroad will tend to forestall the formation of an all-European engine consortium. It thus seems economically desirable, if measured against the likely alternative of no all-U.S. engine program.

Although economic calculations indicate the U.S. will gain from the proposed ventures, it may cost us some of our traditional market and will enhance the longer term competitive strength of foreign manufacturers (e.g., SNECMA), (DoD would prefer to continue pressing for an all-U.S. engine program and to deny the GE license request.)

Research and Development Recoupment. The U.S. has invested about \$100 million in that part of the B–1 core applicable to the proposed GE–SNECMA engine. Under the terms of the U.S. contract with GE covering development of the B–1 engine, the U.S. is entitled to recover the R&D applicable to foreign commercial sales (in this case, about \$45–50 million over the market life of the engine).

However, the B–1 export is a special case, because its release under the compromise plan would be three years earlier than DoD practice usually permits. It is therefore argued that more should be recovered by the U.S. than that called for in the B–1 contract formula (e.g., \$75 to \$80 million, if *domestic* and foreign sales are included in calculating recoupment). GE has offered to pay the U.S. a royalty of \$20,000 per engine. Based on their market estimates, the U.S. would receive about \$80 million total recovery.

At issue is the adequacy of that offer, given the early release of the B–1 core, the importance of recovery, as well as other considerations of U.S. relations with France and Europe. Defense recommends that the U.S. obtain about \$100 million, \$50 million in an initial payment prior to any sales and \$50 million from royalty on actual sales. However, under current law, license approval cannot explicitly be denied because of inadequate recoupment. License approval can only be made conditional on negotiation of a contract satisfactory to the United States. Since GE now has a valid government contract for this engine, the government cannot compel it to pay higher recoupment.

We are launching a study of the broad issue of recoupment of government investment in projects of this type. However, this effort will take several months. In the meantime, the French have indicated President Pompidou's personal interest in this engine venture and their

need to have a U.S. decision for purposes of their internal civil aviation planning.

You have the following options:

1. Grant the license as requested by GE. This is the Department of State position.

2. Grant the license on terms now proposed by GE, subject to an appropriate agreement concerning the physical security of the engine technology.

(Under either option granting the license, also seek assurances from the French that they will not seek EC tariffs against U.S. aircraft imports.)

3. Make no decision on this project for the Summit, but note that the U.S. is completing its analysis for a decision sometime after the Summit. This is the DoD position.

Recommendation:

That you approve Option 2. Messrs. Kissinger and Shultz and Ash concur.

311. Memorandum of Conversation¹

Reykjavik, June 1, 1973, 12:00–12:45 p.m.

PARTICIPANTS

President Pompidou
Foreign Minister Michel Jobert
Finance Minister Giscard d'Estaing

¹ Summary: Nixon, Pompidou, and U.S. and French officials reviewed their May 31 to June 1 talks.

Source: National Archives, Nixon Presidential Materials, White House Special Files, Staff Member & Office Files, President's Office Files, Memoranda for the President, Box 91, Beginning May 27 (1973). Top Secret; Sensitive. All brackets are in the original. The meeting took place in Kjarvalsstadir. For the May 31 discussions among Pompidou, Nixon, and Kissinger, see Documents 20 and 21; see also Document 41 in *Foreign Relations*, 1969–1976, vol. XXXI, Foreign Economic Policy, 1973–1976. A memorandum of conversation recording a meeting among Pompidou, Nixon, and Kissinger on June 1 from 10:15 until 11:45 a.m. is in Library of Congress, Manuscript Division, Kissinger Papers, Box TS 26, France Meetings, 1973, May–June (Reykjavik, Iceland). For the May 31 discussion between Giscard and Shultz, see Document 40 in *Foreign Relations*, 1969–1976, vol. XXXI, Foreign Economic Policy, 1973–1976. Memoranda of conversation recording the May 31 and June 1 talks between Jobert and Rogers are in Washington National Records Center, OSD Files: FRC 330–78–0001, France 337 31 May 73 and *ibid.*, 1 June 73.

President Nixon

Secretary of State William P. Rogers

Secretary of Treasury George Shultz

Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs

President Nixon: President Pompidou and I feel that it would be useful to have a brief report from the Foreign Ministers and the Finance Ministers on their sessions. The President and I have discussed some of these same problems but it would be useful to have some account of these meetings.

Secretary Rogers: The newer Foreign Minister speaks first.

Foreign Minister Jobert: I want to thank Secretary Rogers for giving me the floor first to speak about our three sessions, even though he outranks me in both seniority and competence. It may sound unoriginal but I say it very sincerely; our meetings were very interesting.

On a number of points we spelled out traditional positions as well as positions we will take in coming months. Our choice of subjects was not very original, but then the world is what it is. We spoke of the Middle East within the context of the forthcoming Security Council meeting and we described what would be an ideal, practical settlement in that part of the world. I think I understand U.S. policies and Secretary Rogers sees why we act as we do, what trends we follow, what aims we pursue. The Secretary and I concur that the time has now come to get the two parties to understand they must begin a direct, but equal dialogue to find conditions for an agreement. I told him this demonstration must be done not in a cruel but in a friendly manner. Do you wish to add anything, Mr. Secretary?

Secretary Rogers: Mr. President has described fully through his words. We agree that one reason the parties do not even wish to talk about the problem is that the Egyptians think somebody else can solve the problem for them: the permanent members of the Security Council, the Security Council itself, the U.S. or some other. If we get to the point and they realize that their own actions can lead the way, then it is possible to pave the way for an interim settlement.

Foreign Minister Jobert: We talked at great length about Southeast Asia and the prospects for settlement. We attempted to describe the conditions that could prevail there in coming months. I drew Secretary Rogers' attention particularly to Cambodia. General Haig made his contribution to our meeting on the basis of his own experience in Cambodia. I reminded Mr. Rogers that we want Cambodia to be neutral and independent. It would be useful to see whether countries like China, for instance, have the same requirement. We looked into what would be the way to set up a stable, if transitional, government in Phnom Penh and we explored the prospects of Prince Sihanouk, not to name him. We asked ourselves about the peaceful intentions of the North Viet-

namese and the actuality of North Vietnamese troop movements or of supplies and personnel. We will study this further. We talked of Japan and how the world community can help these countries who have succeeded from such a long war to recover. We talked about the recent Paris talks which will be resumed next week, of course.

Secretary Rogers: On Egypt we agreed that it is vital that the Alliance not be weakened. I explained the domestic problems you face, Mr. President, and the fight you wage. We talked of the forthcoming Alliance meeting and we see eye to eye. We talked about the CSCE and how long it might go on. We felt that MBFR should not be put off beyond October 31 and that we must not be misled by Soviet insistence that CSCE end before MBFR begins. Minister Jobert gave us extensive and useful presentations of his views on Europe. We talked about Latin America, in particular our interests in Mexico and Brazil. On the question of Europe and a conflict between France and the U.S. regarding our policy in Latin America, the answer was that there is none. Our talks were very full and very satisfactory.

President Pompidou: You worked very hard. In the meantime, President Nixon and I were matching Gaullisms but there was neither victor or vanquished.

President Nixon: Shall we listen to the Finance Ministers?

President Pompidou: If Secretary Shultz will agree to a date for convertibility then Giscard will agree to raise the price of gold.

Secretary Shultz: I will be brief. First the points of convergence. There was a consensus that convertibility is a rough and ready means of bringing discipline especially to deficit countries and that it is desirable to make discipline symmetrical, bringing it to surplus countries also where convertibility would not apply. The U.S. method to attain this through objective indicators is not accepted, but we agree on the objectives.

The second point of divergence is that roles must apply evenly to all countries. This implies a reduced role for reserve currency; there were different views on the elasticity of those holding the currencies. Reference was made to consolidating surplus balances. I believe there is also general agreement on creating SDRs or some such instrument as a worldwide currency to act as "numeraire" for the whole world. It is felt that the interim arrangements are reasonably satisfactory. Of course, the question is what is a transitional period? It is good to have a chance to observe them while talking about going towards a more fixed system.

On many questions there was no convergence. These included sharing exchange risks—the interchange or relationship with SDRs. But if a broad outline can be settled, then we can solve the technical problems.

On other points, such as the emphasis placed upon the flexibility of exchange rates, we narrowed our differences by focusing on the exchange rate relationships between the European Community, the U.S. and Japan as differentiated from all other associated countries. We talked about the scheduling for the new system. Our consensus is that it will not be before Nairobi, and that it will be a good idea to have the Ministers meet before that. We advocate a “no communiqué” approach because on the basis of my own experience much time that could otherwise be devoted to substance is usually devoted to drafting a communiqué. We can accomplish more more without a communiqué.

We also talked about the commercial area, both European Community enlargement and compensations for it. We did not come to an agreement but we talked about it. We also talked about forthcoming multilateral negotiations and I should like to point out two characteristic features of such talks. First I quickly come to prickly matters of detail; then after, the clear overriding gains from trade. It remains to translate these, the latter, into a political will to settle the details on the prickly issue. I am pleased that Giscard d’Estaing will attend the opening of the Tokyo meeting. If he brings the same skill and expertise there that he brings to commercial matters, it bodes well. Finally, this was one in a series of similar or larger meetings with Giscard d’Estaing. I always find him an interesting, stimulating and most pleasant person to be associated with.

Finance Minister d’Estaing: I have almost nothing to add because of the precision and high quality of Secretary Shultz’ statement. Since President Pompidou said last night that he was going to switch Finance Minister, I would like to say that Secretary Shultz spoke for both of us.

Let me give a few political indications. We agreed that we must work towards a world monetary order in sub-term measures. Convertibility is accepted by our U.S. partners in that new system. The SDR’s must be a value that is sought after. Gold was mentioned, but in a system based mainly upon the laws of the markets it is unlikely that gold would remain at a level too far divorced from reality.

As to timing, we have no interest in pushing things. We see the end of 1973 or early 1974 as the soonest moment. On trade, we agree with our partners on reciprocity of concessions and that the CAP will not be questioned again. We note the desires of the U.S. to study all non-tariff barriers. This is all I have to add to the very exact report of my friend and colleague, Mr. Shultz.

President Nixon: One significant thought occurs to me after these brief but important reports. It is that they tell us something about our two countries that we should always keep in mind. We both are not parochial. We look to the world. Consider the range of questions studied

by the President and me, the Foreign Ministers and the Finance Ministers. We have surveyed the world geographically and economically.

The President and I talked about Southeast Asia, Japan and its links to Europe, the Middle East and Europe, East-West relations, SALT, MBFR, as well as the world monetary and trade system. You see the wide range of interest in subjects that go far beyond our own two countries. Although at times we may disagree on techniques, there is no disagreement about our interests which are very close.

I should like to conclude on a personal note and an observation directed at the U.S. side.

I look forward to returning to Paris in the fall when we can continue our dialogue. I want to be sure all in the U.S. Government understand my position on Franco-U.S. relations. I do not speak for those who are in this room here with me, because they share my view. The President said that French and frank are the same. I want to speak very frankly too. U.S. policies vis-à-vis France before 1969 were wrong and disastrous. There was a tendency to blame General de Gaulle's stubbornness for the breakdown in Franco-U.S. relations, but those responsible for these policies in the U.S. must take a large share of that responsibility. When I first came to Paris in 1969 and had a long talk with de Gaulle, I started then to work towards an objective and I have made progress towards it in the last four years and will make more progress in the next four years. My aim is to return to a strong, friendly basis for our relations such as we enjoyed in the past. I don't mean total agreement but I do mean trust and cooperation. I want to be sure that all U.S. Government officials reflect that spirit in their dealings with their French counterparts, because the legacy of the early 1960s has left a residue at the lower level. Needless to say, that residue is in the press because every time we have a meeting with our French friends, the press say there will be a confrontation and every time we disappoint the press. I do not suggest total agreement, which could never be the case between two free countries.

It is customary to say after meetings such as this that a new era has begun. In my mind it began the day I was first inaugurated and it will continue now because my goal in foreign policy for the eight years which I hope to be in office is to leave French and U.S. policy on the basis which we enjoyed until that difficult period in the 1960's that pulled us apart. A close personal relationship the President and I enjoy will help achieve that.

President Pompidou: May I add a few words to what is for us a very moving statement, Mr. President. The expectations with which we came to these meetings have been fulfilled. First we did not try to decide anything. We exchanged details on a number of bilateral matters. I did not speak for Europe although I did not forget Europe. What Dr.

Kissinger would call the regional European reality. I speak not on behalf of others, nor for the people of France—correction, I speak for France.

In the second place, thanks to the type of relations you mentioned and to the policies you pursued we were able to take up the more serious issues and explore their substance as never before in the past. We have explored them very deeply and have looked into the future.

May I say to Secretary Shultz that indeed we do not need a communiqué. We share our inner thoughts, we did not agree on all the methods, but we do agree on our general interests and that France and the U.S. are guided not only by a sentimental tradition but by a community of deep interests. I am convinced that this conference has not given birth to anything, but it bears a seed for the future, and conception is more fun than delivering.

I want to thank you Mr. President for the friendship and the frankness you have displayed and which I have tried to reciprocate. These meetings have been useful for our two countries and for the world, for the relations between the European Community and the U.S. and to promote the cause of détente and peace where we are so active and violent. I look forward to receiving you in Paris with all the honors and tributes that are yours by right.

[The meeting ended at 12:45 p.m.]

312. Memorandum of Conversation¹

Washington, August 17, 1973.

PARTICIPANTS

Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs
 Dr. James R. Schlesinger, Secretary of Defense
 Dr. John S. Foster, Jr., Director, Defense Research and Engineering
 Martin R. Hoffman, Special Assistant to Sec. of Defense
 Lt. Gen. Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

SUBJECTS

Visit of French Defense Minister Galley; Strategic Programs

Kissinger: Let's talk about the French program. We are having massive problems with the Europeans. This is a totally cynical exercise. But we don't want them to duplicate our mistakes, and if they price themselves out of the nuclear business . . . If they are going to build a deterrent, it ought to be good.

[Talked about current problems with the Europeans]

We are going to try to bust the Europeans. The French can be useful in this. We will hit the British, ignore the French and deal with the Germans and Italians.

What we would like with Galley is what looks like a step forward but doesn't give them anything yet. I think that if we could give Galley an explanation of their problem and how we might tackle it. We do want to be helpful though. We want a point-by-point analysis. Get the testing in Nevada approved. For October. I want to tell them in August.

Schlesinger: They will want monitoring equipment for the test. We could give them something here which wouldn't cost much.

Foster: It is of advantage to us to have them keep testing in the atmosphere.

The French program is the worst nuclear program in the world. The Chinese one is the best. Progress from test to test has to do with the quality of the people.

¹ Summary: Kissinger, Schlesinger, Foster, and Hoffman discussed an upcoming visit by Galley and U.S.-French nuclear cooperation.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1027, Presidential/HAK Memoranda of Conversation, Memcons, April–Nov 1973, HAK + Presidential (3 of 5). Secret. All brackets are in the original except those indicating text omitted by the editors. The memorandum incorrectly identifies the location of the meeting as the Western White House; the meeting took place in the Pentagon from 12:15 until 2:22 p.m. (Library of Congress, Manuscript Division, Kissinger Papers, Box 438, Miscellany, Record of Schedule) Scowcroft forwarded Kissinger the meeting materials he requested, as well as the French requirements list, under cover of an August 30 note. (National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 56, Country Files, Europe, General, French Exchanges (1 of 2))

Kissinger: Can we speed up their rate of progress?

Foster: Yes. The best thing would be to look at their designs, without a commitment.

Kissinger: Galley said he would like to have us tell them if they are on the right track.

Foster: One thing would be to get them to refine their objectives and give them ideas to reach it.

Kissinger: We want to whet their appetites in August.

Hoffman: They are being driven by the technicians. They don't have their strategic objectives clear.

Foster: If you would agree to spend six months so they would understand the existing capability and its limitations and how to fix it, and of alternatives for the future, and which one makes sense and is working. . . .

One of their needs is tactical warning. The solution is either to build their own radar and give up because of the expense, or else we give them the satellite readout from our capability.

For the Year of Europe, you might want to offer this down. Link it to all of NATO.

Kissinger: If we can use the French and break their unity, we can deal with the Europeans.

I wouldn't agree with the down link. It would be a conceptual presentation, just to say this might be available.

Is it possible to have a presentation part for me, part for Jim and Foster? I've studied your paper. Tell them: "This is what we think of your capability." I would say we are not against the French deterrent and it should be a useful one. We would first discuss its strategic doctrine, and second, its vulnerabilities and how to relieve them.

How do we proceed? Jim, you would discuss measures to cope with the vulnerabilities. We wouldn't give them anything but tidbits.

We should look more competent than they. Give them the idea it is attainable and we can make progress.

Foster: For example, their missiles might be vulnerable to ENP. We could test this for a few million dollars.

Kissinger: Don't say "if we were going to help" or "we are going to help." Just give them the impression.

Foster: The problem is no matter how careful I am, they turn it later into an implied commitment.

Kissinger: We must be fully cold-blooded. Tell them they have an overall strategic urgent problem and we could help them to overcome it. Then there are vulnerabilities and there are things which can help them.

We would like them to be over the hump by '76. If the program is a failure by the next election, the French might get a neutralist government.

We must break up the Europeans. And the French are essential.

Schlesinger: We could always use the Germans.

Kissinger: That is dangerous. The Germans would use it for nationalist purposes.

Could we have an outline of a presentation by Monday?

Foster: Yes.

Kissinger: I start with a conceptual presentational approach, Jim will discuss strategy, and Foster the technical part, with some things we could do which might help.

Foster: Could we indicate that we don't mind their atmospheric testing?

Kissinger: We didn't object to others' tests.

[Omitted here is discussion unrelated to U.S.-French nuclear cooperation.]

313. Memorandum of Conversation¹

San Clemente, California, August 31, 1973, 10:15 a.m.–12:45 p.m.

PARTICIPANTS

Robert Galley, French Minister of the Armed Forces

Jean Blancard, Ministerial Delegate for Armaments

Henry A. Kissinger, Assistant to the President for National Security Affairs

Dr. John S. Foster, Jr.

Helmut Sonnenfeldt, NSC Senior Staff

General Vernon Walters, Dep DCI (interpreter)

General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

Peter W. Rodman, NSC Staff

¹ Summary: Kissinger, Galley, and U.S. and French officials discussed U.S.-French nuclear cooperation.

Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 56, Country Files, Europe, General, French Exchanges (2 of 2). Top Secret; Sensitive; Exclusively Eyes Only. All brackets are in the original except those indicating text that remains classified, "[the]", and "[be]", added for clarity. The meeting took place on the patio of Kissinger's office in the Western White House. On July 27, Kissinger, Schlesinger, Galley, and U.S. and French officials held an exploratory meeting in Washington, where they discussed French requests and future procedures. (Ibid.)

Kissinger: If anything should get out to the press, we'll just say that you stopped here on your way back from Tahiti.

Galley: We took every precaution to insure secrecy. I'm sure no one knows on our side.

Kissinger: The trouble on our side is that the Air Force people see your plane.

Walters: We can just say the plane landed here because the other field was closed. It was to land at March but it had to go to El Toro instead.

Kissinger: We'll say you are an old acquaintance, your plane was diverted to El Toro, you called to pay your respects, and I asked you down. There is very little possibility that this will happen, but I like to be prepared.

Galley: The press is not interested in things on weekends.

Kissinger: Here they're focussing on personnel for the State Department! I'm sure you are not interested. [Laughter]

Mr. Minister, we've had several discussions here and today we will give you our general thought. I understand you will be here September 23 for a visit with our Defense Minister; you can reflect on what we've said here by then.

We have taken on Foster as a Special Consultant to the Secretary of Defense to handle this proposal. You know him.

Galley: And we appreciate it.

Kissinger: So we're all dealing among friends.

Let me first give you some of our general views—our strategic assessments—and then I will ask Mr. Foster to give you some specific observations. That is, if we may. Would you like to say anything first?

Galley: There are two small things. First, our President in the last meeting with me put a very big importance to our meeting. Second, as I told Dr. Foster we are more prepared after our last tests to discuss the subject, because it seems to us now that we are more prepared to have another step, after tests—particularly [*less than 1 line not declassified*]

Kissinger: Good, I'm delighted.

I will be very open with you on our general approach. As our President said to your President, and as I explained last time, we are sympathetic to your program. A strong France, no matter how difficult it may be sometimes, is in our interest—a strong France that is interested in its own defense—and we are particularly disquieted by trends in other countries to neutralism. And if the French program fails, and if France were driven to a sense of impotence, it would be to the disadvantage of all of us. This is in the context of overall agreement between us on political issues and a generally favorable relationship between our two countries.

Let me give you our general assessment. As we work together, we will have to refine our joint strategic assessment. Because we can't be very helpful on projects unless we know what you're trying to do.

Our assessment is that the Soviet offensive capability is growing rapidly. When the Soviets have deployed accurate MIRVs, in the late '70s and early '80s, the vulnerability of all land-based forces will increase, especially without warning. So one of our preliminary assessments is, if one looks at your problem as a system, we think—subject to your comments—that finding some method of warning will become of some consequence. Mr. Foster will have some observations on that.

Galley: *[6 lines not declassified]*

Second, I have the idea that everything is in the grasp of [the] French but early warning. And I told our President this many times.

Kissinger: That was our assessment. We are in principle willing to discuss some ideas we have in a preliminary way.

Today I thought we'd discuss categories. And we are prepared to have Dr. Foster come over.

Galley: Thank you.

Kissinger: We see no possibility for you—and decreasing possibility for ourselves—of achieving a counterforce capability. Therefore we look at your force as a deterrent force. This is our analysis. We're prepared to hear a different view.

Galley: That is the view of our force and our President. But it seems to us that we have to be prepared to have deterrent forces at every level. Not just strategic deterrence. This may be an error.

That's why in '76 we will stop new submarine-based systems.

Kissinger: Why?

Galley: We'll have six by then. But the priority by then will be tactical, multipurpose, to prepare our air and ground forces for this.

Kissinger: You don't have an Admiral Rickover. Then you would never stop building submarines.

Galley: You were very lucky to have Admiral Rickover.

Kissinger: But the trick is to get great men to retire at the appropriate point!

Galley: This orientation of defense policy will not only have to take the strategic deterrent but the rest. The necessity is really to have four deployed—120 missiles. The seventh submarine is not totally excluded but it is up in the clouds.

Kissinger: That is considerable. Will you be able to put larger missiles on it?

Blancard: Our missiles have a diameter of *[less than 1 line not declassified]*. We can get up to 1.92 meters, which we foresee for multiple warheads, starting in 1984 when we will begin rebuilding.

Kissinger: You can get a longer range in your submarine missiles.

Foster: Or more payload.

Blancard: [*less than 1 line not declassified*]. As the Minister said, the favorable result of the test campaign just taken place enables us to make considerable gains in range. One of our handicaps was that our warheads are much heavier than yours. But it will improve—even with the present systems.

Galley: I am completely convinced that the weakness of our submarines is the short range missiles, and we need to go to [*less than 1 line not declassified*]

The first objective for distance and range is the distance from [*less than 1 line not declassified*] the Soviet Union. It will be obtained only by the lightening of the warheads of the present systems. [*less than 1 line not declassified*]

Kissinger: But it means you need some warning.

Galley: Exactly.

Kissinger: We believe it is within your capacity to achieve a deterrent system. The key improvements you need are the removal of certain vulnerabilities of design, some tactical warning, and selection of various penetration devices—such as decoys, chaff and maybe some cruise missiles.

We can't get our own Air Force to build them. Because if they do, they are afraid we will kill their new bomber. Not until 1980!

We think we can intensify some of our present exchanges, to have discussions on general strategic objectives, to discuss frankly what we consider your weaknesses and what can be done to overcome them, and to help on some specific projects to be mutually agreed. For example, as we discussed the last time, we are prepared to agree now to let you use our underground testing facilities.

It will require an exchange of information on what you want to test, and we have to tell you about our facilities.

One problem is, before we do it—and it is agreed we'll do it—but we'll have to brief a few Congressmen. We don't think it will create an enormous uproar. And it needn't go further than that we are exploring the possibility of your use of our underground facilities. No other subjects will be the subject of briefing.

Galley: [*4 lines not declassified*]

Kissinger: When are your next atmospheric tests?

Galley: Next year.

Kissinger: As long as you keep Mr. Whitlam's moral energies absorbed, it's in our interest. [Laughter]

Galley: That fact that the French are continuing tests is itself a form of deterrence. Many people see that we don't care. Yesterday I told the press in Tahiti that we would not agree to stop our atmospheric test program.

Kissinger: I think that's right. If one has an international position that one is unyielding, the other has to make concessions. Just don't try it with us! I, too, was a student of DeGaulle. [Laughter]

Galley: Excellent. It's why your meetings with Jobert are so interesting. [Laughter]

Kissinger: And fruitless! [Laughter] My problem with Jobert is something else. He wants to show that he extorted from me what I already offered. [Laughter]

Our assessment is: 38 SS-11s could remove your land-based forces, with a 95% probability—unless you obtain tactical warning, and a certain amount of intelligence information as to targets, will also be useful.

On multiple warheads, our own preliminary view is that the advantage of MIRV is really primarily in accuracy. Multiple warheads are better than penetration aids and chaff, but whether a deterrent force needs a high degree of accuracy we're not sure about. This is our judgment. You know this is a Protestant country, with a certain missionary streak. So when some of our experts talk, it may be that they can't resist saying they know best. If that happens, you can get in touch with me. But it's our honest judgment—including my own—that if one doesn't aim for counterforce, MIRV may not be necessary but MRV is necessary.

Galley: We understand that the deterrent power of an MRV relative to a single warhead is tremendous, because of the difficulty of stopping all of them. But whether MIRV adds to the deterrent power of the MRV isn't clear.

Kissinger: Yes. Unless the target is a silo.

Galley: [draws diagram] With MRV, and a certain trajectory, the defender can know something about where it comes and can prepare the defense. But with MIRV, the trajectories are all different and it is much harder to prepare the defense.

Kissinger: That's a very interesting point. We should discuss this. MIRV, even in a deterrent mode, increases the problem of unpredictability for the defense.

Galley: As a deterrent. Independently of accuracy.

Kissinger: [to Foster:] That is an interesting point.

Foster: Let me give you a slightly different view. If we want to attack [*less than 1 line not declassified*] it's a big area—we have two choices, one warhead or many, say 10. If we use one, it's large—[*less than 1 line not declassified*]. The warhead and many other objects—chaff—are used.

So the defense doesn't know where the warhead is. Also we release many other clouds of chaff, all into the target area, one after the other. The enemy doesn't know which one has the warhead. If we make many warheads, each one again can have a chaff cloud—but there also are many warheads with many chaff clouds, MIRV or MRV. In both cases the enemy has to shoot down every object to have a high confidence.

Kissinger: That's the difference between one warhead and MRV. What about between MIRV and MRV?

Foster: MIRV permits us to send one of these objects to another city.

Galley: It is very important for us to have the possibility to launch an appreciable number of missiles before the submarine is destroyed.

Foster: A good point.

Galley: The number of submarines then will be limited. We have no Admiral Rickover. The problem for our type of deterrent is that it is better to have a small number of missiles but [missiles which are] very difficult to intercept or destroy.

Kissinger: MRV can only increase the possibility of destroying one target, while MIRV permits you to attack more targets. And you can package some chaff even with MIRV.

Foster: Oh yes.

Kissinger: Foster's point is that if you have 10 targets, with MRV you would give each target to a missile, and each missile with several warheads has an increased possibility of hitting. With MIRV, each missile can hit several targets and they would cross over.

Foster: Yes. It is a more complicated way of doing the same thing.

Kissinger: I would like to see an analysis. Isn't the damage different?

Foster: About the same.

Galley: It is a very important point for us.

Kissinger: Orally it's impressive but it must be subject to analysis. There must be a numerical answer.

Galley: Exactly.

Kissinger: Let's do it. Jointly.

Foster: Certainly.

Galley: This is something we French can't answer ourselves because we need to know the defenses.

Kissinger: We will work with you on it.

Blancard: We believe we cannot go beyond three MRV's because the lack of precision might go beyond the boundaries of a large city.

Foster: We can work that out.

Kissinger: We can't solve it here.

Galley: We will have a complete discussion on what is appropriate for French forces.

Kissinger: Exactly.

Galley: Thank you.

Kissinger: We will need this before we can consider what information you and we need.

Galley: We need to know about MIRV and MRV. We need to increase the diameter and lighten the load. Probably our capability now is to make seven MRVs in one warhead, after our recent tests. MIRV is different.

Kissinger: What accuracy with seven?

Galley: *[less than 1 line not declassified]*

Sonnenfeldt: *[less than 1 line not declassified]*. One-half of them in that range.

Blancard: The question of chaff: I am very anxious to know where in this technique I should spend my money to get the greatest efficiency. I fear that to develop decoy and chaff technology will cost a great deal of money, because it will take a great many tests and I will never have definite proof that what I have is effective.

[Dr. Kissinger goes inside his office for a moment.]

Foster: We will probably have an opportunity to help you on this problem. As Dr. Kissinger mentioned, we have not only Rickover but many technical zealots. We have had a single warhead with decoys and chaff; and we have had multiple warheads with decoys and chaff; and MIRV with decoys and chaff. When you look back on it and see the cost, sometimes you wonder whether you should have done it differently. But you still have to live with your technical zealots—and you may not be able to use our experience. You may have to do what you want to do!

[There was a brief discussion between Galley, Scowcroft, and Walters on arrangements for their staying overnight in Los Angeles. Dr. Kissinger then returned.]

Kissinger: We should get it analyzed numerically. You give us the basic information; we will give you the information on defenses—so you can judge for yourselves too. It is not a question of judgment. If we make certain assumptions of accuracy and defenses, *[it can be analyzed]*.

You will factor in your targets. If you don't want to give us all your targets, you can give us more than you have! The analysis will be the same.

Galley: What is important is not the targets but the objective of defense.

We are interested in your SALT because some Soviet cities will not be defended.

Sonnenfeldt: None will be, except Moscow, and that only with 100 missiles.

Galley: Why aim at defended cities?

Foster: Exactly.

Kissinger: The British always tell us they have to hit [*less than 1 line not declassified*]. I don't know why.

Galley: I am not sure that in ten years other cities won't be defended.

Kissinger: I agree. They are not prohibited from testing and research and development. So it is not impossible that they will develop something and deploy it very rapidly. We will know. We will know whether they are developing and deploying. But the problem is whether they can do it so rapidly that we can't do anything about it. Now it takes three to five years to build a radar. If we see them building radar in areas that are prohibited, we would have a reasonable lead time. [Foster nods yes.] But suppose they develop transportable radar. They could deploy it in three months.

So if I were designing a force, I wouldn't do it on the assumption that only one city would be defended. [to Foster:] Do you agree?

Foster: Yes.

Kissinger: It is our problem. You have the same problem, and less information.

Let Johnny talk more precisely.

Foster: Let me start by saying I believe, from the discussion of Minister Galley and Dr. Kissinger, that we are in for a change in the way we look at this joint effort. Let me review the kinds of things we have done in the past. For example, we have exchanged some information on propulsion, the propulsion of missile systems, where we were able to assist French technicians in bonding the propellant to the case. There was a problem about navigation systems, gyros; it was a problem of reliability. If the gyro begins to drift off target, the submarine must surface, to look at the stars—which makes the submarine very vulnerable. It can be crucial to the survival of the force. We think that is fixed. There was a problem about the high-pressure nitrogen tanks and corrosion of the tanks. That is fixed. There was concern over the safety of the missile while in the submarine—accidental launch. We have had the same concern. We think that that problem has gone away. There were problems with electrical connectors and hydraulic systems. Our exchanges have been helpful. The most difficult area has been the question of vulnerability of systems to nuclear effects. It is difficult because we have to know what we are talking about, and that requires tests that are unique

to the problem that one thinks one has. We are just starting that, and it is much more difficult than the others.

We think you have gained: Your anxieties have decreased in a number of areas, for example, reliability, safety, deterioration, vulnerability, and hardening. Second, we have highlighted in your mind the problem of Soviet defenses, and we believe we have saved you some time and some money.

Galley: In telling us about Soviet defenses, which was unknown, you have encouraged us.

Blancard: Dr. Foster's information helped us to clarify on many points we hadn't known. We will use this in the third group of missiles, and later redo the others.

Foster: In these exchanges, the objectives I have in carrying out Dr. Kissinger's instructions are that we provide what is authorized and follow through on our commitments, that we don't give you more than you can digest, and that the information not become generally known.

Kissinger: While we are on this subject—we have a weird governmental setup—I am maintaining supervision of this in my capacity as Assistant to the President, not in State. So this is not in normal channels. The executive agency for the President is the Department of Defense, but we will pass it on to Defense. General Walters will represent intelligence, and Sonnenfeldt will represent me, and Scowcroft is my deputy.

So keep it in this channel.

Galley: Jobert does it for us, not because he is Secretary of State but because he was formerly Secretary of the President. In the Department of Defense, the only people who know of it are the people who were in Debré's office. Boidevaix.

Blancard: The question of organization you have brought out is fundamental to this, so I want to be sure. We had a certain organization since our agreement, the agreement between Blancard and Foster in November 1971. There was a pivot in each country. Dr. Kissinger will conduct this as Assistant to the President. What is the role of the American Minister of Defense?

Kissinger: He is bureaucratically in charge, under the authority of the President, which I exercise. The basic policy questions I am responsible for. But once policy is set, the majority of exchanges will be conducted by the Minister of Defense. If any policy question comes up, refer it to me.

Galley: On our side, I am responsible for the complete job.

Sonnenfeldt: It is important to get communications straight.

Kissinger: Communications should come to my office. There is no other way to keep the communications restricted. Just keep using the

channels you are now using. Send it to me; I'll get it to Schlesinger and Foster.

Foster: In these exchanges we have had so far, discussion was straightforward. But what we have outlined here will lead to a substantial broadening of the range of information involved. In the United States, 100,000 people are working in the area on which you will have a number of questions. So the problem is to take from all of the information of the last fifteen years, plus the information that comes every day from the 100,000, to find what you really need and supply that to you.

Galley: It's a major problem for everybody. Let me give you my approach. The subject is the fabrication of warheads; it is out of the question that more than two or three French will be in contact with your people, if we want to keep security in each category. In warheads, only two people . . .

Kissinger: And in some cases we may not be able to give you information, but we can critique what you are doing. We can say "That's the wrong way." So there are many ways to give you the information. Because we have to be in a domestic situation we can defend. It can be like a seminar; you can say you have three possibilities and we can tell you, "That's wrong; that's complicated," etc.

Galley: We tested two different triggers, and both were successful.

Foster: That's no good!

Kissinger: The Russians are testing two missiles that are alternatives.

Blancard: We had agreed with Foster that contacts would only take place on the state-to-state level and never on an industry-to-industry level. Is this still correct?

Foster: Generally yes.

Dr. Kissinger mentioned your concerns—warning, and vulnerability of missiles to very long-range nuclear effects. If an explosion takes place in outer space, the nature of the electronics is such that a missile could go crazy even if it is 1000 miles away and the missile is still deep in the atmosphere. This phenomenon is well understood. We can fix it provided we know what it is we want to fix. We have to submit to tests. Our technical people tend to put it off until very late. Maybe you have this problem too. Solid-state electronics is very vulnerable. Any burst makes currents run up and down the missile.

Kissinger: A French missile exploding in the Soviet Union may affect a follow-on French missile, or a Soviet missile exploding in France?

Foster: Yes. It is not hard to fix. Airplanes have to fly through lightning; we've fixed it. It can be done through underground tests or simulators. It can be done better in tests in the atmosphere.

One area is penetrating Soviet defenses. You have to know, one, what effect the defenses will create and how to get through. And, two,

to have enough payload flexibility in the missile to do it. You will have to choose where to make the weight reductions. The technicians will have their own ideas of how to do it.

Galley: The question is whether to take weight from warheads or chaff.

Foster: Yes, and to find the correct balance.

Let me go back to the question of management. This [schedule chart] is a plan of your sea-based missiles. In a few years you will make new a missile with a new second stage. Then the new system will come in.

Blancard: By 1976 we will have decoys. But no chaff.

Foster: We have agreed to have exchanges in this area. And still another development, multiples. This is similar to the plan for land-based force.

My problem is: We have the problem of vulnerability of the present forces, which we have to solve. And we have to solve the problem of a new system in an orderly way. And the system in 1984 that we have to look at.

In each area—an example is RV's—there are problems on seven different systems simultaneously—operational ones that relate to our experience ten years ago and ones with respect to 1984 that relate to problems we're still suffering. So it's very harmful to try to help a man with problems with a currently operational system by telling him the whole world of technology.

Kissinger: Let's discuss between Foster and Blancard about what you have to mind, what problems we see, and spend the next weeks to work out the correct methods. John?

Foster: Perfect.

Kissinger: You have to know what really will help you, and we should work it out between the experts. What do you think?

Galley: Exactly. I understand you are decided to help us as much as possible, so that at the end, we will be able to make more deterrent weapons. But also that we will be able to make in 1978 and 1979 the weapons otherwise we would make in 1984. And the third objective is to make it less expensive. So we cannot fix our objective without a complete discussion. For example, you say MIRV: If you tell us you can't help us in this, we would chose another objective that is less ambitious, because we are alone. So we should use the next six weeks to find out how far you are prepared to go.

Kissinger: On MIRV and MRV, the question has first a technical aspect and second a political aspect. The technical aspect we will handle with the experts. The political aspect we have to handle in the context of West-West relations. If we gave you MIRV, that would affect our re-

lations with the Soviet Union. If we helped you speed up your own development, the inhibition would be less. We have to assume our cooperation will sooner or later become known, and it has to be such that we can survive its becoming known. We have no fixed idea. So we should look at the technical side first. You may decide you can achieve your objective without MIRV. Then the problem will disappear. If you decide on MIRV, then we will have a frank political discussion. I'm not saying we won't do it. There are Congressional constraints. It is always easier to transfer information than hardware.

Galley: Discussions between Foster and Blancard won't have to be submitted to Congress.

Kissinger: No, absolutely not. It would be better if we operated within limits that don't have to be submitted to Congress. This is a bad year. It may be better later. This is why it is important to keep the channels we mentioned. Nothing has leaked from my office.

On underground tests, we will have to inform Congress.

Foster: But only that we are considering it.

Galley: We will meet all the conditions to avoid having to use it.

Kissinger: No, we are prepared to consider it; we are prepared to go beyond what needs Congressional approval. But not for the next three to six months. At that point we don't object to doing it.

Galley: For the next months, we have to discuss our objectives.

Kissinger: Second, after that, the passing of intelligence information, information on early warning, critiquing your program—none of this requires the approval of Congress.

Galley: For example, choosing between two ways of triggering doesn't need Congressional approval.

Foster: I don't think so.

Sonnenfeldt: And there is a distinction between getting approval and just informing.

Galley: And you use this method, I understand, in passing on information to the French and the British.

Foster: Yes, and they've been good.

Kissinger: I don't think any of this requires Congressional approval.

Galley: What is critical will be to be able to buy in your country equipment for underground testing.

Foster: Diagnostic equipment.

Kissinger: I think that's a bureaucratic decision. If Schlesinger and I agree, given the President's attitude, I don't think it's difficult. I'll have to look into it.

Foster: It's unclassified information.

Blancard: We have a number of programs underway, 1976, 1980, 1984.

Sonnenfeldt: Those are presidential elections years!

Blancard: We have presently fission nuclear weapons. From 1976 on, we will have thermonuclear warheads, single warheads, with decoys—of which we are not terribly proud. We forecast for submarines in 1984 multiple warheads, which we don't know whether it will be MRV or MIRV. We are anxious to talk about this. For land-based weapons, it will be very expensive. Debré decided a change in silos. In 1980, the same warheads, with decoys and perhaps chaff.

Sonnenfeldt: Why do you call your missile Albion?

Blancard: It's a plateau in Haute Provence. It has nothing to do with England.

Kissinger: Sonnenfeldt will [be] sent to diplomatic school.

Blancard: Single but thermonuclear warheads in 1980. It would be important to know if in 1980 we can have, with your help, a multiple warhead. It is worrying for us not to have it in 1980 a multiple warhead you had in 1963.

Kissinger: Draw up in the next weeks the questions on which you have to make decisions, and the dates by which you need our answers. Then we can tell you whether we can give you an answer, and then we will undertake to give you an answer by a specific time. But our attitude will be the one I've described—to attempt to be positive and make your decision easier.

[Dr. Kissinger was then called to the President's office. The discussion continued in his absence.]

Sonnenfeldt: When the information gets into your system, I assume the source of it is "caché" [concealed].

Galley: Absolutely. It will be presented as our reflections on the results of our studies of our tests this year. And the general conclusions from the tests will be restricted. It is harder to do this on the technical side than on the scientific side.

Sonnenfeldt: [to Scowcroft:] That's what I'm getting at. It's much harder to do this on the missile side.

Blancard: To be frank, it is more applicable to the atomic area than to the technical. One reason I've kept it through Brunay—because if a technician says, "We've got 3 possible ways to do it," Brunay can say "I want it done this way."

Galley: I think one way to solve it is to explain to our people that we have a good intelligence service.

Sonnenfeldt: We'll have to catch a few French spies and try them!

Blancard: [to Foster:] I have a question I meant to put to Dr. Kissinger. You remember our agreement of November 1971. It says exchanges of information will be only on existing systems.

Foster: “Not be directed at developing the next generation.”

Blancard: But that’s what we are now asking.

Foster: As I understand Dr. Kissinger, MRV and the single war-head are the same system. But whether we have to revise the agreement depends on our review of objectives in the next six weeks. It may be that you don’t need it. If you decide you want MIRV, we can consider it. That’s what we will jointly review.

Blancard: We will have as soon as possible general discussions of our objectives, and then we will see what are our needs.

Foster: Right.

Galley: It might be a good idea for Dr. Foster to come to France for 10–15 days, to spend 1 to 3 days with us—before I come back here. So we can answer a number of questions. So we can have the first step by Christmas. Because by then we will be making decisions for our 1974 test campaign. For example, on the triggering in September.

Foster: Of course. I am not employed at the moment, and I have to arrange it between Mr. Schlesinger and my new employer. But I anticipate no problem.

Galley: You are not employed?

Foster: Not at the moment.

Galley: May I make you an offer? [Laughter]

[The meeting then broke up. When Dr. Kissinger came out of the President’s office, the group went into luncheon.]

314. Memorandum From A.W. Marshall of the National Security Council Staff to the President’s Assistant for National Security Affairs (Kissinger)

Washington, September 19, 1973.

[Source: National Archives, Nixon Presidential Materials, NSC Files, Box 679, Country Files, Europe, France Vol. XI (2 of 2). Secret. 1 page not declassified.]

315. Memorandum of Conversation¹

Washington, September 25, 1973.

SUBJECT

Secretary Schlesinger's meeting with French MOD Galley in SecDef office, 25 September 1973

ATTENDEES

US

Secretary Schlesinger
Ambassador Hill
Major General Wickham
Lt. General Vernon Walters

French

Minister of Defense Galley
Ambassador Kosciusko-Morizet

1. LOC

SecDef proposed that staffs meet on developing contingency plans for use of LOC facilities through France. He emphasized that effectiveness of the NATO deterrent depends in large part on the perception by the USSR of the availability of LOC through France.

Galley said that there are two different attitudes on this matter. First, is that the availability of the LOC for conventional war purposes over several months just doesn't make sense. However, the French are and will be good allies. It would, of course, be impossible to fight a war against the USSR and not allow the use of the French LOC for supplying allied forces which would be fighting along side French forces. I can give assurances that all facilities in France would be available in the event of war. We can have staff contacts to see how this can be arranged. However, I cannot envisage the use of LOC facilities for a long war as the briefings this morning suggested.

SecDef replied that it would be better not to forecast any circumstances for use of LOC. Rather, staffs should examine simply what could be done if circumstances warranted use of the LOCs. It would be important in our planning to know what would be available, in order to save time and confusion after the outbreak of hostilities.

¹Summary: Schlesinger, Hill, Galley, and Kosciusko-Morizet discussed LOC, NATO strategy, and the FRELOC claim.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 12, France—Nuclear Matters (1) (8/15/72–12/6/74). Secret; Sensitive. Drafted by Wickham on September 28. The meeting took place in the Secretary of Defense's office. In telegram 203419 to Paris, October 12, the Department noted "that until the total amount of a settlement is agreed to, it is premature to discuss in any detail arrangements for payment (such as down payment or timing of payments.)" France had originally proposed a one-time lump settlement and so "therefore the principal question at issue is the total amount of that settlement." (National Archives, Nixon Presidential Materials, NSC Files, Box 679, Country Files, Europe, France Vol. XI (2 of 2))

Galley: I would prefer this simple staff approach to planning. Also, if the French are to build new depots, why not build them in a way to satisfy both needs? However, there should be no US troops stationed there, and we know now that US forces are gone certain bases no longer are targets for Soviet attack.

SecDef pointed out that the staff work would merely identify facilities and not involve construction or presence of US forces.

Ambassador Kosciusko-Morizet supported the idea of staff contacts, although the principal responsibility would be that of the French in determining availability of facilities. The French organization would have to be developed to coordinate facilities made available to the allies in time of war. However, this must not pre-judge French reactions because, bluntly speaking, the French do not believe in flexible response.

2. NATO Strategy

SecDef noted that when we talk of a 90-day war, we do not necessarily mean a war limited to that period of time or a longer war. The Soviet logistical position is a peculiar one and their strategy is to come on in a big rush. Their sustaining capability is limited. What I am saying is that the Soviets should perceive no opportunities for them to reach conventionally for gains in the West on the supposition that NATO would be afraid to use nuclear weapons and does not have the power to resist conventionally. We want to present the Soviets with no easy temptations. If they perceive a solid deterrent, they won't undertake aggression. The availability of the LOC through France would add to that perception.

Galley replied that there is a great doctrinal difference between the US and France on this point. He recognized that the lives of US soldiers are at stake, but the Soviets are only 300 kilometers from the French border and, therefore, there is a higher urgency on the part of the French to use nuclear weapons quickly. The French cannot allow the Soviets to attack.

Galley went on to explain the importance of resolve by indicating that the FRG had refused to allow pre-chambering of bridges and passes (although this is required by law in France). He felt that this curious attitude of the FRG reflected a lack of will which would be apparent to the Soviets. Thus, if they commit French troops they will fight immediately under nuclear weapons. That resolution on our part would be the strongest deterrent, we believe. This is what governs our whole attitude on the matter.

SecDef: The French position does contribute to deterrence and the Soviets must recognize the declared French policy. But I would point out that there are circumstances where a nation may hesitate to use nuclear weapons despite its declared policy. Therefore, the better one's

conventional capabilities, the better one can plug the hole which the Soviets may perceive. I can understand the necessity for Soviet recognition of your willingness to employ nuclear weapons. However, the presence of US forces in Europe and the flexible response strategy calls for a credible conventional defense capability. Our Congress is in no mood to maintain a large conventional force in Europe if nuclear war is to occur quickly and the conventional defense option is not viable.

Galley: You must look at this from the European point of view. We believe that the nuclear deterrent is tied to a large presence of US troops in Europe.

SecDef: To maintain large US forces in Europe, which you want to stay and as you say are necessary for an effective deterrent, you must tolerate the conventional defense basis for their staying in Europe. The Congress will not tolerate \$2.5 billion annual expenses to maintain a large US military establishment in Europe if nuclear war is considered to occur early in hostilities.

Galley: It is possible that within 6 to 12 hours or maybe 24 hours French forces would be in contact with invading Soviet troops. We would use nuclear weapons at that time. It is more important that the Soviets believe this than for your Congress to be persuaded.

SecDef: There appear to be two aspects of the deterrent. First, is the Soviet conviction that the French will use nuclear weapons early. The other is the presence of US forces in Europe. Both have deterrent effects. Your desire is to have both.

Galley: For the moment both are necessary. We do not have a strategic deterrent capability.

SecDef: Withdrawal of US forces would lead to collapse of the Alliance. I can conceive of circumstances where US forces have been removed, NATO collapses, and the Soviets move relatively unopposed to the French borders. I hope you will recognize that if there is no consensus that conventional forces contribute to deterrence, they will be withdrawn in whole or in part.

Galley: OK.

SecDef: The LOC through France would contribute to deterrence regardless of the length of war.

Galley: As to the discussions concerning the LOC, they can begin on a bilateral basis of perhaps two officers from Admiral Moorer's staff and two officers from Gen. Maurin's staff.

Amb. Hill: Are the French media reflecting Congressional attitudes reasonably accurately? It is not that we seek to blame Congress with difficulties we face in maintaining forces in Europe but we are in a critical position—almost a touch and go situation.

SecDef: I believe the mood of Congress is changing. My preference is for a stalwart conventional defense and a coherent NATO strategy. We must have a common perception of the threat and of the strategy for defense. For example, the FRG wants early use of nuclear weapons but doesn't want to use them on FRG soil.

Galley: I recognize this, and in our talks with the Germans they mention the need for using all weapons, except on the matter of nuclear weapons where they say this must be a matter for discussion between French and FRG Governments.

SecDef: I am delighted to talk with you on contingency plans for the LOC. We understand your attitudes and it would be helpful to indicate to our Congress that we have this understanding with you on the use of the LOC facilities. Quite candidly, when we talk of US troops in Europe, Congress says that the allies are not doing enough. If we can say that we are discussing the LOC matter privately, it would be helpful.

3. FRELOC

Galley: If you tell Congress, it will be in the news promptly and lead to opposition problems in France with a worse result than if we had not mentioned the discussions. A better signal to your Congress would be the FRELOC reimbursement issue. I propose to you that in the months ahead we discuss reimbursement issue. In this connection, my Prime Minister proposes to put in the 1973 budget 50 million francs for partial payment to the US by the end of 1973.

SecDef: If the sum is too small, you must recognize that we will have a greater problem with Congress.

Galley: This would be merely a down payment while we discuss the matter of establishing an agreed residual value.

SecDef: As you know, the original value is estimated to be \$378 million. Were we to accept your offer, it would be necessary to be clear that the discussions would be on the basis of determining a residual value and that the 50 million franc initial contribution would be regarded only as partial payment.

Amb. Kosciusko-Morizet: That is correct. The 50 million would be an initial payment until we reach agreement on the final value. However, initiation of discussions does not necessarily mean that we agree with the \$300 million level.

Galley: In summary, let me say that we prefer the phrase ally of the US rather than ally of the allies.

John A. Wickham, Jr.
Major General, USA
Military Assistant

316. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, October 13, 1973.

Henry,

Attached is the memcon of Schlesinger's meeting with Galley.

Note Schlesinger's concern on item 4, "negative guidance" on nuclear warheads. This apparently is the most urgent need of the French at the moment and the one which will save them the most time and money. It is an area which involves legal restrictions on Restricted Data, however, and Defense is concerned about proceeding without a formal Presidential Determination.

As I understand it, Schlesinger does not plan to go further on "negative guidance" at least without word from you. Defense now plans further exchanges, therefore, only on items 1, 2, 5, 6. However, according to Defense the meeting requested by the French for 10 October (which we have postponed until after 18 October) was sought by the French for the sole purpose of talking about item 4. If we are not willing to go further on this point, we should at least tell them there will be a delay.

Brent

¹Summary: Scowcroft sought Kissinger's instructions on U.S.-French nuclear cooperation.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 12, France—Nuclear Matters (1) (8/15/72–12/6/74). Top Secret; Sensitive. Sent for information. At the bottom of the memorandum, Scowcroft wrote four options: "Tell Defense to proceed," "I will talk to Schlesinger," "Have Foster say we cannot yet proceed," and "Hold for now." Kissinger initialed his approval of the option, "I will talk to Schlesinger." In a September 24 memorandum to Kissinger, Sonnenfeldt asserted that the scope and pace of the proposed six-point cooperation program "appears to fit what you said in San Clemente." He also recommended, and Kissinger approved, that Schlesinger be told that U.S.-French nuclear cooperation "must be an operation totally controlled as to pace and scope by the President and you" and "that no meeting must go forward at any level without prior notification and approval" from Scowcroft or Sonnenfeldt. (National Archives, Nixon Presidential Materials, NSC Files, Box 679, Country Files, Europe, France Vol. XI (2 of 2))

Attachment

Memorandum for the Record From the Deputy Director of the Office of Strategic and Space Systems, Department of Defense (Walsh)

Washington, September 26, 1973.

SUBJECT

Meeting with Minister Galley

On September 24, 1973, a meeting was held between Secretary Schlesinger and French Minister of Defense Galley, in Secretary Schlesinger's office. Also attending were:

Lt Gen Vernon A. Walters
Dr. John S. Foster, Jr.
Mr. Helmut Sonnenfeldt
Mr. John B. Walsh
Maj Gen John Wickham
Capt F.A. Carrier

The meeting commenced at 0945. After a brief exchange of pleasantries, Secretary Schlesinger opened the meeting by reviewing the six areas in which agreement to cooperate was tentatively reached in the September 10 meeting in Paris:

1. The methodology of missile effectiveness analysis.
2. Warning, and its relevance to the effectiveness of strategic forces.
3. Feasibility assessment of the French MIRV program approach and schedule.
4. "Negative guidance" on nuclear warheads.
5. Underground testing assistance.
6. Penetration aids.

As he listed these the Secretary stated that in four of the areas we were prepared to provide assistance; however, two of them, MIRV-related assistance and warhead assistance, posed some difficulties which required elaboration. He also added that the need for closely holding this information would result in only one file being maintained in the U.S.—in Gen Wickham's office.

He stated that the degree to which we can assist in a true MIRV development had not yet been determined, because it requires Presidential guidance. We have no authority for all-out assistance. However, he thought we would be allowed to assist by examining the proposed S-3 (1980) MIRV program to determine if it were soundly constructed and to assess the likelihood of it being accomplished on schedule.

With respect to assistance on warheads, the President has only limited authority, inasmuch as he is specifically constrained by legislation and treaty: the Atomic Energy Act and the Non Proliferation Treaty (NPT).

The Atomic Energy Act, in order to permit communication of Restricted Data to an ally, requires a Presidential determination that this will not constitute an unreasonable risk, and that such nation “is participating with the U.S. pursuant to an international arrangement by substantial and material contributions to the mutual defense and security.” (The Secretary read the pertinent passage.)

The constraints of the NPT are obscure as we read the legislation. The problem that may exist (“and I say it very carefully”) is that if following such assistance tests were conducted in the atmosphere, some persons would frown. However, he added, I do not believe this to be a major barrier.

Thus, we must watch these two aspects of the law with care. Nonetheless, we can probably give “negative guidance” without running into the legal issue, but it is a delicate matter.

In response M. Galley, after assuring that the existence of any exchanges would be treated with the utmost circumspection, expressed his strong thanks for the improving attitude of the U.S. toward France and for the assistance already given by Dr. Foster and his organization. That assistance was extremely useful, and the forthcoming assistance is expected to be more so. President Pompidou is fully aware of its value.

With respect to future French atmospheric testing, there will be another series of atmospheric tests in 1974, but subsequent testing is expected to be underground. However, the French are making no public announcement of this, lest it stimulate public pressure to abandon the 1974 atmospheric series, and because there are still technical problems which might delay going underground (i.e., calibrating yield).

He stated that the French would be willing to present *all* their atomic data in order to obtain “negative advice,” adding that it was a sign of their great trust in Dr. Foster.

Secretary Schlesinger noted that if a U.S.-French association on nuclear matters became public, it would be advantageous for it to be known that it was to facilitate French tests going underground; M. Galley responded that except that they are buying drilling rigs from U.S. companies, any other cooperation will not become public knowledge for years.

The Secretary reiterated that if we are accused of helping French atmospheric tests it will be a source of unnecessary embarrassment. Moreover, the Joint Committee on Atomic Energy is likely to be very aware of the phrase in the law which refers to “substantial contribu-

tions to the common defense,” and we would hope to be in a good position with respect to the emerging cooperation.

Mr. Sonnenfeldt noted the extreme delicacy of the matter of assistance in MIRV development, which the President wants to study very carefully in all its phases before authorizing any assistance. This was made quite clear by Gen Walters in his translation. Dr. Foster suggested that as a preliminary step we should hold exchanges on the analysis of targeting and penetration, as a prelude to MIRV technology assistance.

M. Galley then paused to express the French philosophy—in French, “to express himself clearly” and in a spirit of great frankness.

Although the French attitude will change as this cooperation develops, the basic policy is unchanged. Faced with either buying missiles from the U.S. as the British do, or continuing to play the card of independence—with France itself manufacturing everything necessary for the defense of France—they chose the latter course. However, to save the time, resources and money resulting from false starts, they are dependent upon American assistance. However, recognizing the need for delicacy, there will be no written trace of what assistance is given.

The French view their needs in priority as follows:

1. Assistance in choosing the proper of three warhead (primary) approaches; we would not ask how to design a warhead if we had never designed one, but we believe you would give advice under the circumstances.

2. Assistance on MRV's and MIRV's.

3. Assistance on missile design, with particular emphasis on nuclear hardening.

4. Penetration aids.

5. Intelligence on Soviet ABM's.

He acknowledged that it was easier to give assistance in some areas than in others, but stressed:

1. Only “negative advice” appeared feasible legally and would be invaluable in warhead design.

2. For the present, only general information is needed on how to proceed with MIRV's, although with the expectation of greater information as we go down the line.

“Putting myself in your place, I would do it that way.”

Secretary Schlesinger recapitulated by stating that although the President had considerable latitude under the law in all except the warhead area (where the Atomic Energy Act of 1958 and the NPT governed), we still did not have full authorization for MIRV assistance.

After some inconclusive discussions on arrangements to carry out the approved exchanges, the meeting ended at 1100.

John B. Walsh

317. Telegram 30644 From the Embassy in France to the Department of State¹

Paris, November 29, 1973, 1819Z.

Subject: The French view of US-Soviet détente.

1. Summary: Jobert's hard-hitting criticism of US-Soviet détente in his November 12 speech was clearly designed primarily for European consumption. It fits into current French campaign to promote their own leadership ambitions in Europe by alleging that our détente policy neglects European interests. While this campaign points up the inherent difficulties in reconciling an active détente policy with close Alliance relations, we believe they can be overcome by careful management. Given the European consensus, shared by the French, that European security requires our continued strategic protection and our troops, and in view of those détente goals we hold in common, we think a steady effort by US can succeed in blunting the edge of the French campaign. End summary.

2. French concern over US-Soviet détente was given the strongest expression yet by Foreign Minister Jobert in his remarks to the National Assembly November 12. Following in the wake of Pompidou's call for vigilance in his September 27 press conference (Paris 25565), and his October 31 warning on the risks of US-Soviet bilateral dealings (Paris 28215), Jobert charged that the "effective condominium" of the US and the USSR had reduced the international community to impotence. He claimed that Europe had been "brushed aside," "treated as a 'non-person,'" and "humiliated" during the Middle East crisis. The lesson he drew for France was the need "to pursue the construction of Europe and our national defense efforts."

3. The Jobert speech provides a good opportunity to re-examine the reasons for French concern, their motives in articulating it and the measures we might take to allay its potentially harmful effects on the NATO Alliance. It raises the larger question of how an active US policy of détente with the USSR can best be managed so as to preserve close Alliance relationships.

¹ Summary: The Embassy discussed the French view of détente.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 679, Country Files, Europe, France Vol. XI (2 of 2). Confidential; Exdis. Sent for information to the Mission to NATO, London, Bonn, and Moscow. In an October 30 memorandum to Kissinger, Springsteen discussed possible pressure points on France in light of its policies during the October 1973 Middle East war. (Ibid., RG 59, Central Files 1970–1973, POL FR–US) In telegram 29954 from Paris, November 20, Irwin offered instances of French co-operation with the U.S. during the Middle East war. (Ibid., Central Foreign Policy Files, 1973)

4. France's concern over US-Soviet "condominium" is rooted in its grand design for Europe. Beginning under De Gaulle, détente has consistently played a key role in the French scheme. The French have seen the development of close relations with the USSR as a means of increasing their independence of action and of inflating their role on the world scene, allowing them to exploit their heightened prestige and authority in working to create a European system in which they would be dominant and through which they could pursue national objectives. Thus, the basic French purpose in détente is different from ours.

5. Coming on the heels of Brandt's apparently successful *ostpolitik*, the US-Soviet détente has had a dampening effect on French plans. No longer able to claim a privileged position with Moscow, and having earlier chosen to assert more independence from US and from NATO in the pursuit of its great-power ambitions, France has been brought face-to-face with the possibility that its voice may simply be disregarded in matters of global importance, such as the Middle East. The French have reacted by seeking to build the EC-Nine into a force which can be used as a sounding-board for their national objectives. Admittedly this is a long-range and somewhat contradictory process. The French must walk a thin line between preserving their independence and trying to develop a European confederation as a counterweight to the influence of the "super-powers." Nevertheless, they have clearly come to believe that the pursuit of greater influence in world councils is worth the risk and the effort. Accordingly, they are endeavoring to use the EC-Nine as a base on which to conduct their discussions with us. As Jobert said in his speech, what the French want is "not a negotiation among ten, but a dialogue between two." By the same token, Paris sees the EC-Nine as a means of increasing its authority vis-à-vis Moscow.

6. Jobert's pique over US-Soviet détente seemed calculated for the effect it would have on the other Europeans in promoting French goals. For some time we have observed how the French use to their advantage what they see as our sins of omission in Europe in the pursuit of détente with Moscow. By interpreting the purpose of US-Soviet détente as a scheme to sacrifice European interests and establish a condominium, the French seem to be saying to their European partners that the only reliable way to strengthen their own security is to band more closely together under the leadership of France. At the European "summit" conference December 14–15, we foresee the French taking a hard line on the need for the EC-Nine to move toward closer political cooperation so as to make its voice heard in world councils. The French will doubtless exploit to the utmost their charges that the Middle East crisis showed the danger of super-power diplomacy for Europe—that Europe's interests were neglected, its counsel not sought and its lack of blind obedience criticized.

7. There are, of course, inherent problems in reconciling a active détente policy and close Alliance relations. The very success of détente tends to erode Alliance solidarity by moderating the perceived threat it was designed to oppose. In implementing a détente policy our flexibility is hampered when, as in MBFR and the CSCE, we are constrained by engaging in diplomacy by committee, and when détente is threatened, the imperatives of crisis consultation with Moscow militate against the multinational coordination of our actions, which, as experience shows, is time-consuming, frustrating, cumbersome, and carries the risk that confidence will be violated.

8. The problem is thus how best to balance the two sets of considerations—détente and the Alliance. As seen from this vantage point, there is a present need to redress the balance somewhat in countering French efforts to sow suspicion over our intentions among the other Allies. European concern is that we recognize their global interests, and that these interests will be considered, protected and preferably discussed with them before we treat with the Soviets. At times, this may require more restraint in dealing with Moscow than we would prefer, but we believe such restraint can be justified by the increased bargaining leverage gained in facing the Soviets from a position of strength within the Alliance. This should also reduce Moscow's temptation to foment discord and exploit targets of opportunity in Europe. To this end we believe that we should persevere in our current endeavor to redefine Atlantic relationships.

9. We will be aided in this effort by the fact that even the French want and need us to remain engaged in Europe. Furthermore, while we have differences of purpose with the French in our respective détente policies, it is important to remember that we also hold certain objectives in common. We both seek to moderate aggressive Soviet behavior, to encourage the erosion of ideological dogma, and to foster more openness in Soviet society. Neither of us labors under illusions of a quick "peace in our time" and we both limit our initiatives to that which is possible and realistic. If the French accuse us of going too far with détente, it is worth recalling that they themselves are author of the slogan to go beyond it to "entente and cooperation."

10. In approaching the immediate task of limiting the damage France can cause to Atlantic relationships by exploiting the "super-power condominium" theme, we think it important to use the NATO frame work to the maximum. Failing this, there is a risk that the French will gain ground in promoting the EC as a political body to adopt "European" positions under their tutelage which are inimical to our interests, such as the Nov 6 declaration on the Middle East.

11. The December NATO Ministerial, coming on the eve of the EC Summit, should provide an excellent opportunity to give our misun-

derstandings and genuine differences of view on détente a thorough airing. We think an effective approach might be for the Secretary to state our perception of détente, drawing on his *pacem in terris* speech. He then might move to the specifics of our relations with the USSR, especially during the Middle East crisis and conclude by welcoming a discussion and by soliciting views on how best to define what each of us seeks from détente and how we should proceed with the Communist countries and with each other. We think it is in our interest to make a strong effort just now to allay European concerns. We believe such an effort can succeed in convincing the NATO countries that we share the goal of a strong and free Europe, made more secure by our joint and separate attempts to achieve genuine détente.

Stone

318. Telegram 38057 From the Department of State to the Embassy in France¹

Washington, February 26, 1974, 1837Z.

Subject: Sonnenfeldt conversation with French Ambassador.

1. Pursuant to the Secretary's instruction just before his departure for the Middle East, Hal Sonnenfeldt February 25 told the French Ambassador who is returning to Paris and will see Pompidou February 26, that there should be no doubt in Paris about the steady deterioration in US-French relations due to the tone and content of French policies on such matters as energy, the Middle East and US-European relations. We had also noted that the French continued to spread erroneous interpretations of the June 22 US-Soviet agreement. The Counselor pointed out that this state of affairs was bound to have adverse effects on other aspects of our relations. The Ambassador said that our relations undoubtedly had worsened and he personally regretted it. He cited domestic French problems, "libelous" attacks on France in the US press

¹ Summary: The Department reported a February 25 conversation between Sonnenfeldt and Kosciuko-Morizet.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 731, Country Files, Europe, United Kingdom, October 73–, Vol. 9c. Secret; Priority; Nodis. Drafted by Sonnenfeldt; cleared by Luers in S/S; and approved by Sonnenfeldt. A more detailed account of this conversation is in message WH40528/Tohak 16 from Scowcroft to Kissinger, February 26. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL 139, France, Chronological File, 8 January–29 May 1974)

and general “frustration” in Paris. The Ambassador wondered what could be done to reverse the trend. Sonnenfeldt said a beginning might be made by getting someone in Paris to make more objective assessments of US policies and purposes so that the constant questioning of US motives would stop. He said we simply could not see why acknowledged differences in view and even interests should be turned into clashes and outright opposition. In any event, if matters continued as at present, the effects would spread.

Casey

319. Memorandum From the President’s Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, February 28, 1974.

SUBJECT

French Cabinet Shuffle

On the morning of February 27, President Pompidou accepted the resignation of Prime Minister Pierre Messmer’s government. Only a few hours later Pompidou renamed Messmer as his new Prime Minister.

The announcement of the other French Cabinet appointment is not expected until Friday morning, March 1; however, the current indications are that Foreign Minister Michael Jobert and Finance Minister Giscard d’Estaing will be renamed to their current posts. With no major changes expected in the shuffle, it would appear that the French President may have made this move:

—to demonstrate to an increasingly disenchanted French public that his Government is effective and able to meet current problems. It is possible that he will name a new Minister for Energy, and he may take this opportunity to drop Interior Minister Marcellin who has been linked publicly to the bugging of a French newspaper’s offices.

¹ Summary: Kissinger discussed the implications of Pompidou’s cabinet shuffle.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 680, Country Files, Europe, France GE SNECMA 1972 (Jan 74–Jul 74) (1 of 1). Confidential. Sent for information. Scowcroft initialed the memorandum on Kissinger’s behalf. A stamped notation on the memorandum indicates the President saw it.

—additionally, to demonstrate in the face of continuing speculation about his failing health that he, Pompidou, is firmly in control and that his Ministers' actions are subject to his approval.

Both of these possible motives are supported by the tone of Messmer's statement on his reappointment:

"The President of the Republic has again appointed me Premier. It is an honor of which I am proud. At the same time, the President of the Republic gave me his directives for the formation of the new government. It is his wish that it be a small ministerial team. A team with the best possible cohesion and effectiveness to decide and take action. This is the government I shall now form."

There had earlier been speculation that President Pompidou would move to name d'Estaing Prime Minister to prepare him for a bid for the French Presidency. With the reappointment of Messmer, it would appear either that the timing is not yet right for this move or that Pompidou has not yet decided how to counter opposition to d'Estaing within the Gaullist Party where former Prime Minister Chaban-Delmas remains the first choice as Presidential candidate. Additionally, Messmer's reappointment leaves open the question as to whether President Pompidou will be forced for reasons of health to call for early elections.

There are no indications that the Cabinet shuffle will involve any change in French foreign and defense policies.

320. Memorandum From the Deputy Director of the Office of Strategic and Space Systems, Department of Defense (Walsh) to Secretary of Defense Schlesinger¹

Washington, March 6, 1974.

SUBJECT

Missile Cooperation With France

This is in response to MGen Wickham's request for a memorandum summarizing current status of our ballistic missile cooperation

¹ Summary: Walsh discussed the status of U.S.-French nuclear cooperation and potential U.S. actions in light of France's posture during the Washington Energy Conference.

Source: Washington National Records Center, OSD Files: FRC 330-78-0010, France 471.94 6 Mar 74. Top Secret; Sensitive. Prepared by George Barse and Bartholomew. A stamped notation on the memorandum reads, "Sec Def Has Seen." Wickham wrote at the end of the memorandum, "I opt for (a). Firm, clear message. Also, as the paper indicates,

with France, considering the possibility of suspension of the missile and nuclear safety programs with France, suggesting possible mechanisms available for implementation, and including comment as appropriate.

Current status of the missile cooperation program is that no action has been taken to implement any of the six new initiatives you discussed with M. Galley. The existing program has continued in line with the guidance in Dr. Kissinger's March 9, 1973, memo. Principal topics at present relate to nuclear hardening [3 lines not declassified]

On nuclear safety, the U.S. consensus is that there is very little of technical value to be gained by us in future exchanges. We also are convinced that French safety designs and practices are adequate, and that we have gone as far as practicable, under current ground-rules, in assuring ourselves thereof. The French consider their safety designs to have profited by the exchanges, and would like to continue in greater depth. They also have suggested expansion of the scope into operational matters, including items such as military personnel training and noninterference between strategic submarines.

French technical circles clearly recognize the extensive information potentially available to them from us, the value thereof to their missile programs, and the fact that we have yet but scratched the surface. At the meeting in Paris last October they recognized the need, based upon our inputs, [1½ lines not declassified] They suggested informally that they would like the U.S. to assist essentially as a design partner. On the other hand, based upon recent appearances, it is not clear that the value has been appreciated by French political and diplomatic circles.

Potential Courses of Action

To continue business as usual without some reaction, after the Washington Energy Conference, could encourage a French view that the security component of our relationship can be isolated from all others, or that recalcitrance is cost-free, and even has its rewards. Two courses of action suggest themselves:

- (a) Suspend the entire program.
- (b) Suspend any consideration of new initiatives, and serve warning on suspension of both the ongoing missile program and the safety program. For the present, though, we would continue these ongoing programs as planned.

French political authorities do not regard the on-going program of safety and warhead handling as particularly valuable." Schlesinger did not indicate his preferences with respect to either recommendation. For Kissinger's March 9, 1973 memorandum to Richardson, see Document 305. In a March 13 memorandum to Schlesinger, Bartholomew discussed the DOD plan "to implement the guidance to hold off new initiatives with France and freeze/slow down current efforts in the missile assistance and nuclear safety programs." (Washington National Records Center, OSD Files: FRC 330-78-0010, France 471.61 13 Mar 74)

If we choose option (a), then a straightforward letter of notification would seem appropriate. I would suggest letters from Dick Barse and Don Cotter to M. Brunet and M. Baron, the points of contact on missiles and safety respectively. (A letter from you to Galley would put you personally up front and give the French MOD no place to go if they want to appeal the decision and offer reasons for our reconsideration.) We can expect the Defense letters to be relayed to responsible French political levels and we may be asked for “clarification” either in high political channels or in Defense channels. We can decide how to respond if it comes.

If we adopt (b), a verbal exchange seems more appropriate. It would sharpen the sense of potential loss among the technical people, and give them added incentive and strength to press their case at the political levels. To implement it, I would suggest placing it in the hands of Barse and Bartholomew, to hold a meeting in Paris with Brunet, Baron and Seilliere (Galley’s diplomatic advisor). This course still reserves direct contact between you and the French as a court of higher authority.

Possible French Reactions

Either action might surprise some Frenchmen. In the most hard-headed French view, the U.S. security commitment to Europe is in U.S. interests; therefore, they feel they do not need to “compensate” us for it in other areas, and indeed, can pursue their own interests in them, however abrasively, without concern for the impact on our security connection. Similarly, they may see our help for the French nuclear force as primarily a matter of U.S. interest in the contribution it makes to the Western deterrent; certainly the U.S. has made positive noises about this, unlike past American condemnations.

For the more Gaullist among the French, our action probably would be cited as another piece of evidence that the U.S. will not tolerate a truly independent France (or Europe) and has hegemonic designs on the continent. And if and when the French learn of our recent decision to help the UK with the Polaris Improvement Program, this could further sharpen their reaction.

As to the specific steps the French might take politically, they could:

- Tell the other EC members of our decision, citing it as an example of U.S. pressure and designs (with a flavor of U.S. double-dealing, since NATO was not informed of the programs).
- Take an even more rigid stance on the Atlantic and U.S.–EC declarations (though probably not to the point of breaking them off).
- Create difficulties concerning the President’s visit to Europe.

In the military and defense area, it is quite possible that the French would:

- Put the FRELOC claim into an even deeper freeze than it now is.
- Suspend or further slow down the LOC talks.
- Be less cooperative in (or cancel) the SACEUR talks on expanding the Lemnitzer-Ailleret agreement on the role of French forces and their cooperation with NATO in various contingencies.
- Suspend the discussions with NATO's 4th ATAF on collocated operating bases.

How far the French will go in these directions will depend on just how deep a break with us, and return to the Gaullist era, they are prepared to tolerate. Their recent actions and the current pressures of French domestic politics suggest a pessimistic prediction, albeit a cautious one.

Evaluation

Choosing option (b) keeps these programs open as potential incentives and levers that can be worth something if the French come to their senses—and conceivably may even help them regain some of their senses through holding out the potential loss of something which their technical circles have come to realize is quite valuable. Also, this option puts the onus squarely on the French and denies the Gaullists an opportunity to capitalize on our “unreliability.”

From a practical standpoint, the French can cause us additional problems this spring. They could block or further disrupt the Atlantic and US–EC–9 declarations and could oppose—or refuse to participate in—the President's trip. They could well take these actions whatever we do, but keeping our programs partially alive at this time might help deter them. It seems worth the try, in any case.

On balance, option (b) seems best at this time. It holds back definitely on some important things the French want (new initiatives) and serves warning on the rest. If their behavior this spring continues downhill, with no sign of recovery, then we always have available the unilateral option of taking the second step of total suspension. In effect, this gives us a more flexible position, since the effectiveness of this second step will not have been diluted by adoption now of option (b).

Recommendation

I recommend adoption of option (b) now, for suspension of new initiatives and warning on the remainder of the programs. In accordance therewith, I further recommend we task Mr. Barse and Mr. Bartholomew to travel to Paris to implement the option, as discussed above. Don Cotter concurs.

John B. Walsh

Deputy Director

Strategic and Space Systems

321. Telegram 6595 From the Embassy in France to the Department of State¹

Paris, March 15, 1974, 1828Z.

Subject: Pompidou's declining health—contingency preparations for his succession.

1. During past several months, and with increasing frequency since early January, we have received variety of reports, [*less than 1 line not declassified*] indicating that President Pompidou is afflicted with malignant, incurable disease which could well require him to resign prior to end of his term of office in 1976. While reliability of our sources varies, as do estimates of Pompidou's life span; public indications of Pompidou's work pattern—greatly shortened hours, efforts to spare physical exertion—sustain the thesis that his ability to carry the burdens of the Presidency is declining sharply.

2. While reports of Pompidou's deteriorating health have been circulating for some time, it was only in February that we first began to hear that Elysee political strategists close to Pompidou were beginning to discuss the succession problem. The most recent report was received on March 14 from Georges Suffert, Deputy Editor-in-Chief of *Le Point* magazine. He told PolCouns that he had certain knowledge that Pierre Juillet, Pompidou's principal domestic political advisor in the Elysee, is already preparing contingency plans for Pompidou's succession. According to Suffert, since "Pompidou is slipping rapidly," Juillet believes that he might have to resign as early as within the next two to four months. (Another reliable journalist, just back from accompanying Pompidou to USSR, showed us March 15 his confidential report to his editor, in which he reported that "unanimous view" of senior journalists on Soviet trip (including Michel Tatu, Raymond Rounoux, Roland Faure) is that "this is Pompidou's last foreign trip" and that he would resign before summer or early fall at the latest.) Juillet's principal concern, said Suffert, is to insure the candidacy of Pierre Messmer as the leader of the majority forces. To illustrate the type of contingency planning that is reportedly going on, Suffert said that press release timing is seen as all-important; i.e., it would be necessary for an Elysee announcement of Pompidou's resignation to be followed instantly by a Matignon announcement of Messmer's candidacy for the Presidency.

¹ Summary: The Embassy discussed Pompidou's declining health.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 680, Country Files, Europe, France Vol. XII (June 1969–April 1974). Secret; Nodis. Pompidou died on April 2.

This would effectively “neutralize”—it is hoped in the Elysee—the candidacy of other aspirants, especially Chaban-Delmas.

3. We are not able to verify the accuracy of these reports, particularly re length of time Pompidou can remain in office—weeks, months, or longer according to some speculation. From all indications, he appears to be in complete command of his mental faculties. Nevertheless, given the burden of evidence available to the Mission, it seems highly plausible that Elysee political intimates of the President should already be engaged in contingency planning. We will report further as information becomes available.

Stone

322. Memorandum From the President’s Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, May 24, 1974.

SUBJECT

The New French President

Valéry Giscard d’Estaing has been elected President of France by some 50.7 percent of the vote. He will enter office as the leader of a loosely allied center-right coalition with a mandate for social and economic change.

The timetable for the new government is as follows:

- election results will be officially announced on May 24;
- Giscard will take office on May 27;
- he has declared that he will announce his Prime Minister on May 27 and his new government shortly thereafter; (Giscard has said that his choice for Prime Minister will be a major surprise and that his Cabinet will reflect youth and change.)

¹ Summary: Kissinger briefed Nixon on the new French President, Valéry Giscard d’Estaing.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 680, Country Files, Europe, France GE SNECMA 1972 (Jan 74–Jul 74) (1 of 1). Confidential. Sent for information. Scowcroft initialed the memorandum on Kissinger’s behalf. A stamped notation on the memorandum indicates the President saw it. In telegram 12295 from Paris, May 21, the Embassy offered its assessment of the likely attitude of the Giscard government toward the U.S. and Europe. (Ibid., RG 59, Central Foreign Policy Files, 1974)

—his first Cabinet meeting is scheduled for May 29;

—when his government has been formed, the French Parliament will resume its Spring session and the new Prime Minister will make a general policy statement.

—Thus, by the end of this month, the new government should be ready to take up the important business before France, Europe and the Atlantic Alliance.

Giscard's coming to power marks a new phase in the Fifth Republic and a weakening of Gaullist control. Nonetheless, his coalition is dominated numerically by his reluctant Gaullist supporters and they will undoubtedly seek to maximize their influence on him. Giscard is unlikely to change the broad outlines of French foreign and defense policy. U.S.-French relations may improve in tone but substantive changes, if any, will be minimal. He will not reenter the NATO military command. Neither will he make any immediate change in France's policy of non-signature of multilateral disarmament agreements. He will maintain the nuclear strike force.

Despite the broad powers of his office, Giscard can, in the long run, govern effectively only with Gaullist support. His own power base is small; his Independent Republican Party holds only some 55 of the 490 National Assembly seats. In view of the closeness of the race, he will have to move quickly and perhaps further in these fields than he would like in order to avoid the possibility of serious social unrest. Communist Party Secretary General Marchais has already stated that the opposition would hold Giscard to his campaign promises.

323. Paper Prepared in the Department of State¹

Washington, undated.

Issues Paper for the Secretary's Briefing of the President

FRANCE

Background

Over the past five years we have attempted to put our relations with France on a sounder footing compared with the low point reached

¹ Summary: The paper discussed current issues in U.S.-French relations.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 3, France (1). Secret. Sent to Scowcroft under cover of an August 21 memorandum from Springsteen that reads, "Attached is the Issues Paper on France for use by the Secretary in his briefing of the President."

in 1966–1967 when the French withdrew from the integrated military structure of NATO. To carry out this policy, we a) avoided provoking France by not openly challenging the Gaullist view of French “independence”; b) did not press France to rejoin NATO and publicly countenanced the deterrent value of the French nuclear force; and c) did not openly contest French leadership ambitions in Europe (confident that the other European countries would themselves “contain” French initiatives that might jeopardize the broader Atlantic relationship). In addition, we sought to recast our dialogue with the French by adopting a more conciliatory, more constructive tone to supplant previously acrimonious exchanges. President Nixon’s call on President de Gaulle in March, 1969 symbolized the betterment of relations we envisioned. Moreover, we tried to develop constructive ties with France, particularly in the military field, which would provide inducement for still further cooperation.

Since these approaches meshed with President Pompidou’s own lower-key approach to relations with the US, there was a distinct improvement in US-French relations between 1969 and last year.

In 1973 the French and in particular the new French Foreign Minister, Michel Jobert, began to reemphasize a policy of “European identity,” which seemed to mean that France—and Europe—could pursue their distinctive interests only by adopting a hostile or adversary relationship with the US. The result was a negative French approach to the Year of Europe initiative, harsh criticism of what they alleged was a US-Soviet “condominium,” and rejection of concerted action to deal with the energy crisis. US-French relations thus entered a period of severe strain which reached a climax when the French pursued generally disruptive policies in the Middle East after the October war and apparently encouraged certain Arab producer countries to maintain an oil embargo against the US.

The Situation Now

Since Giscard d’Estaing’s election as President in May, the tone and, to a lesser extent, the substance of US-French relations have improved markedly. Acerbic references toward US policies have been absent and a more pragmatic, unemotional approach to our relations is evident. Together, we have negotiated an acceptable text of the Atlantic Declaration and a pragmatic procedure on the issue of US-EC consultations, which had become the focus of the US-French disagreement early this year. There are also signs of a more pragmatic French approach to such other issues as the question of association with the ongoing work of the ECG. Consultations between us and the French (in their role as EC Council President for the last half of 1974) on Cyprus and other issues have increased substantially.

This turn for the better reflects the fact that Giscard, though a man of the center-right, is not a Gaullist and does not have a Gaullist ideological outlook. Probably more significantly, several important developments have caused the French to reorient their relations with the US:

a) As a result of the oil crisis, the relative economic positions of the US and Europe have changed. Giscard's government is absorbed with an austerity program designed to curb inflation (about 16% per annum) and turn around a projected trade deficit of \$6.5 billion, largely oil-induced. More broadly, Europe is now perceived—in France and elsewhere—to be considerably more dependent economically and financially upon the US than last year at this time and not to be able to handle its problems without cooperation with the US.

b) Our successful strategy in the Middle East cooled off hostilities, dramatically improved the US position relative to the USSR, and highlighted relative European weakness.

c) For these and other reasons, the French (under Pompidou) clearly failed to organize the Europeans against the US. The French appear to have decided that pursuing their anti-US line would be costly for their European policy. In particular, it would not be consistent with the kind of close French-German cooperation that Giscard thinks essential for both economic and political reasons. The personal relationship between Giscard and Helmut Schmidt seems warmer than the relationship between their predecessors. With the deteriorating economic and political situation in Italy and the UK, and France's own economic problems, the French have every reason to cooperate with Germany in reversing the steady erosion of the EC. With Franco-German competition subordinated to cooperation, there is no place at present for exaggerated French leadership claims or for quarrels with the US.

There are now powerful factors operating to improve US-French relations. Important differences remain, however. In the short term, the legacy of Gaullism will continue to influence French foreign and defense policy and there are other important domestic constraints limiting Giscard's freedom of action. The Left as well as many Gaullists do not welcome rapprochement with the US. Further, in all probability Giscard himself—like most French leaders—has ambitions for France to play a leadership role in Europe and shares traditional French concerns that France might be dangerously overshadowed if it moved too close to the US.

It is prudent, therefore, to assume that the present improvement in US-French relations may someday be followed by renewed difficulties, but to assume also that there is an opportunity now to establish better understanding with France, at least on specific current issues, if not on long-range conceptions of how Europe and the US-European relationship should be structured.

Strategy

If we assume that we will continue to have to deal—as we have since the war—with a France whose policies alternate between cooperation with the United States and efforts to assert French independence and leadership of Europe, then our long-range strategy for dealing with this problem would include such elements as these:

1) At all times deal with France as it is, an important second-level European power with considerable ability to thwart or contribute to US policies, particularly in multilateral organizations, but without the strength to achieve its own wider ambitions.

2) Recognize that France has failed in several attempts to lead its European partners into systematic opposition to the US and that future attempts are no more likely to be successful, at least as long as Europeans remain aware of their security dependence on, and economic interdependence with, the US.

3) Assume that France will not give up its aspirations to autonomy and leadership and will therefore remain a difficult partner, but more or less difficult depending on changing circumstances. We should therefore achieve as wide agreement as possible in the cooperative phases, and even in difficult times try to work with France in those areas where it is willing to work with us, while contesting its more dangerous policies and claims.

In the period which is now beginning, it is in our interest to nurture our relations with Giscard in a way which neither jeopardizes his political base at home nor forces him into unnecessarily rigid positions to satisfy domestic political forces. Improved consultations are basic to our relationship with France because they help to allay French suspicions of US-Soviet bilateralism as well as doubts about US intentions toward Europe. The greater the degree of consultation, the more likely the possibility of future constructive work together.

*Issues, Choices and Next Steps**Bilateral*

There are few contentious bilateral issues between the US and France. In recent years cooperation in the narcotics field has improved so enormously that it now represents a cementing rather than a divisive factor. The only major bilateral issue is the FRELOC claim against France for almost \$400 million as reimbursement for eviction of the US military presence from France when the French left the NATO integrated military command in 1966. The last offer from the French was for \$50 million; the last US proposal was for \$200 million. Failure to settle could make it more difficult to enlist Congressional and public support for any closer cooperation with France, especially in the military field.

Multilateral

Most of our problems with France arise in the multilateral context, in organizations where France, acting on its own or in cooperation with its EC partners, can have major influence. Many of these points are discussed in a separate paper on Atlantic relations. There are selected issues, however, on which conflicts arise because of a differing political approach to certain problems. The more significant of these problems are:

a) Energy Cooperation

France chose not to participate in the ECG. The French maintain that they will not associate themselves with the ongoing work of the ECG, i.e., the Integrated Emergency Program (IEP), until the EC can participate on the basis of a common energy policy. There are, however, indications that France may yet decide to associate itself with the IEP. We and other members of the ECG are briefing France fully on the status of the IEP and it is possible that the French will give a clear indication of their intentions prior to the ECG meeting of September 19–21.

Finding a satisfactory formula to permit the French to participate in the ongoing work would be a major step toward establishing sound French (and European) relations with us.

b) Economic and Financial Matters

The energy crisis, and its financial sequel, have highlighted the fact that the key Western industrial countries must increasingly make tough decisions to coordinate international financial and monetary matters and to coordinate efforts to reduce inflation while maintaining reasonable employment levels. The passage of our trade bill and diminished friction with the Europeans over US agricultural exports will facilitate a coordinated approach to the Multilateral Trade Negotiations. France is also a key participant in both the ongoing management of the international financial system and in the effort to reorganize it. Close US-French cooperation is essential to both efforts.

c) The Military Field: Cooperation and Competition

This has been the area of most significant innovation in relations with France in recent years. The French have quietly continued to expand areas of cooperation with NATO commands in their intelligence, surveillance and air defense activities, as well as in contingency planning for the possible employment of French forces in Germany. They have resumed bilateral military exchanges with us, and regular visits now take place at the Chiefs of Staff and Defense Minister level. Admiral Moorer and General Maurin concluded a draft agreement on contingent use of line of communication facilities in France in the event of

war—for which French political approval is now pending. Approval of this agreement could open the way to further possibilities for closer cooperation. In addition, we have undertaken some cooperation in certain aspects of their weapons program which has remained very secret and unpublicized. The French have emphasized that our cooperation saved them considerable time and money. We should examine whether we wish to continue or expand this program.

Giscard is currently conducting a major review of French defense policy. Certain indications of future French policy may come out of this review. For example, given the introduction of tactical missiles into the French inventory this year, they may decide whether to take up our long-standing proposal for coordination of the use of tactical nuclear weapons with other NATO forces, especially with the Germans.

France and the US are at present competing to sell aircraft replacing obsolescent F-104 inventories of four NATO countries. This multi-billion dollar competition is being watched closely at the highest levels in France. While we see many obvious benefits to us and to NATO if an American aircraft is selected, there would be a cost in our relations with France, while if the French aircraft is selected there might be an outcry in the United States which would also negatively affect US-French relations.

This case illustrates the wider competition between the US and France for worldwide arms sales. France has a sizeable industry and is the world's third most important supplier. Such competition is likely to continue because of the economic importance of such sales for both countries. But it might be possible, if relations continue to improve, to establish closer consultation with respect to sales to politically sensitive countries.

d) *MBFR*

Pompidou opposed French participation in MBFR since France had no desire to see any further reduction in its own conventional forces. There has been no change in the French position under Giscard. We would like to see French participation in the MBFR talks, though we have not pressed the matter with them.

e) *Non-Proliferation Issue*

The French were never interested in the Limited Test Ban Treaty or the Non-Proliferation Treaty while they were building up their own nuclear forces. They have conducted atmospheric nuclear tests in the Pacific this year in order to perfect and miniaturize tactical and strategic weapons. Giscard said just after his election, however, that to the extent possible the tests will go underground next year. In the light of his statement, and of the implications of the Indian nuclear explosion, it

may now be possible for us to obtain French cooperation with respect to the Limited Test Ban and Non-Proliferation Treaties.

324. Telegram 27772 From the Embassy in France to the Department of State¹

Paris, November 20, 1974, 1909Z.

Subject: FRELOC claim.

1. Begin summary: French have offered \$100 million over ten years to settle FRELOC claim. We believe \$100 million is probably best figure we can obtain under present circumstances. If this figure meets Washington's assessment of U.S. needs, we recommend it be accepted. We recommend we test French flexibility on shortening ten year payment formula. French apparently desire settle FRELOC issue before Martinique summit. End summary.

2. At request of Quai Secretary General de Courcel, Chargé met with him November 20 to discuss subject of FRELOC claim. Recalling earlier exchanges between our two governments on this subject, de Courcel said that the GOF is ready to pay \$100 million to bring this subject to a close. He added that France cannot pay \$100 million in one lump sum and therefore proposes to phase the payments over ten years.

3. In response to Chargé's question whether ten-year payment period could be shortened, de Courcel indicated that if this aspect posed problems for USG, he would be prepared refer counter-proposal to appropriate authorities (Ministry of Finance).

4. De Courcel added that, if agreement reached on French proposal, it would be desirable announce agreement publicly before Martinique summit so that FRELOC claim need not burden the agenda. De Courcel agreed to the Chargé's suggestion that any eventual public announcement should be closely coordinated.

¹ Summary: The Embassy reported a French offer to pay \$100 million in payment of the FRELOC claim.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974. Secret; Immediate; Exdis. In a December 10 memorandum to Ingersoll, Kissinger reported Ford's acceptance of the French offer. (Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 3, France (2))

5. De Courcel underlined that the GOF's new proposal was completely separate from the bilateral claim issue between France and Canada and the multilateral claim issue between France and NATO. He said that the French wanted to see how the FRELOC claim was resolved before making any movement on the other two claims. In passing, he noted that the Canadian claim was much smaller than either the U.S. or NATO claims, and the Canadians have not been putting much pressure on the French to resolve the issue.

6. Comment: We believe that total figure of \$100 million proposed by de Courcel is probably about the best that we can expect from the GOF in the current situation. If Washington believes that this amount would be manageable in terms of USG considerations (e.g., Congress), we recommend that the Embassy be authorized to respond to the French that we accept \$100 million as an agreed figure to represent the total amount to be paid by the GOF to the U.S. in settlement of our bilateral claim. Concerning the method of payment, we do not know how much flexibility the French might be prepared to show on their proposal for payment over a period of ten years. However, we recommend we be instructed to respond that the U.S. Government proposes a somewhat shorter period (e.g., five years). We hope Department will agree, that satisfactory resolution to FRELOC claim issue should not be made rigidly dependent on shorter period of payment than suggested by GOF. If Department agrees with de Courcel's opinion that it would be best to resolve the question of the total sum and perhaps the formula for payment prior to the Martinique summit, it would be desirable have earliest possible response. Prolonged negotiations over total sum and/or method of payment could mean of course, that subject will be carried over for possible discussion at the summit.

Rush

325. Briefing Memorandum From the Counselor (Sonnenfeldt) and the Director of the Policy Planning Staff (Lord) to Secretary of State Kissinger¹

Washington, undated.

MISSILE ASSISTANCE AT MARTINIQUE

Giscard will almost certainly raise missile assistance at Martinique, probably under the “nuclear cooperation” heading the French have placed on the agenda. We should in any event play this card as part of our overall strategy for the meeting. *This memorandum develops an approach* for doing so. It is based on:

—A Defense report (Tab A) on missile assistance sent to Scowcroft.

—A more comprehensive and analytical paper (Tab B) we have prepared (and strongly recommend you read) examining: a) the French strategic objectives that shape their requests; b) what the French want and its worth to them; c) what we could give them and the possible constraints.

Where We Stand With the French

We agreed with Brossolette shortly after Giscard’s election that any contacts on new missile assistance should come from him through White House channels before any exchanges at the technical level. We have not heard further from Brossolette. But on a few occasions this autumn French technicians at their initiative have informally told their Defense counterpart what further help they would like, including some new and sensitive areas. We have gotten an informal read-out of these contacts from the Defense man which is more complete and precise than the Defense report and have incorporated it in our paper (Tab B). We have had no other contact with Defense about missile assistance and the Defense man who gave us this information should be protected.

On 7 November, Francois Delpech (the Ministerial Delegate for Armaments) told the Defense man that he *had just recently briefed Gis-*

¹ Summary: Sonnenfeldt and Lord discussed the status of U.S.-French nuclear missile cooperation.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 14, Unfiled material. Top Secret; Nodis; Exclusively Eyes Only. Sonnenfeldt did not initial the memorandum. Bartholomew initialed the memorandum on Lord’s behalf. Drafted by Bartholomew on December 9. Attached but not published is Tab A, a December 6 information memorandum from Walsh to Schlesinger entitled, “Ballistic Missile and Nuclear Safety Programs;” and Tab B, a November 30 paper drafted by Bartholomew entitled, “Missile Cooperation with France.”

card about US assistance. He said Giscard was “very happy” about the program and gave him a “completely free hand” in it, which Defense Minister Soufflet confirmed in a subsequent conversation with Giscard. Giscard told Delpech he wanted no formal reports to him, only periodic informal briefings, and that neither Prime Minister nor Foreign Minister were to know for security. *Delpech sketched several areas of expanded assistance* that interested him and spoke of discussing them further and more formally in the next US-French missile assistance managers meeting in mid-January. He was unsure whether Giscard would raise the matter at Martinique, but now we understand one of his men coming here for technical meetings starting 10 December may bring “agenda details”.

In a 5 December talk which touched on Martinique topics, *Soufflet told Rush he hoped for a step-up in cooperation on nuclear weapons* to avoid costly duplication, and said the French were particularly interested in MIRV technology.

Our assistance to France has, of course, been limited since the Summer 1973 meetings and your February 1974 guidance. As you will recall, Jobert told Irwin in June that Pompidou felt he had been misled in his expectations of US willingness to cooperate in the defense area, particularly after mid-1973, and that this “great disappointment” had seriously affected Pompidou’s attitude during his last year. Be that as it may, the French did get some valuable help over the past year, particularly in [1½ lines not declassified] and the French on the hook within strict limits.

Though some of the areas addressed in the Summer 1973 meetings appear overtaken, clearly the *French Defense and Atomic Energy officials now are eager to expand our assistance and will press for as much as they can get* to achieve their strategic objectives (Tab B, pp. 1–2). They have shown particular interest in nuclear effects hardening, underground testing and MIRV technology, and in advanced computers (CDC 7600) for weapons programs, updated Soviet ABM information, and guidance and accuracy information (Tab B, pp. 3–7). There is little they can offer directly in return, but as a “token of gratitude” for past help (and stimulant for more) [3 lines not declassified]

Our Approach at Martinique

There is much we could do of considerable value for the French though exactly *how much, in what areas, and the limits involved would have to be worked out with Defense and AEC*, and we would first need to pin the French down more precisely (Tab B, pp. 7–12). Thus, missile assistance should be *an incentive for Giscard* to be more cooperative and to think twice about the costs of opposing us. Giscard could be wary of casting himself as demandeur, given our brake on assistance following the Summer 1973 meetings. Giving Delpech a “free-hand” smacks of

marking his distance and leaving it to the technicians to get as much as they can (as we said, Brossolette has not followed up on earlier contacts). But the odds clearly are that the French will raise the question at Martinique and perhaps even ask for help in specific categories, possibly underground testing and MIRV technology. Soufflet's remarks to Rush could mean this.

In any event, *the basic message we should convey at Martinique* is that:

—Our general approach in missile assistance, as with other subjects, will depend on the kind of overall relationship we establish.

—We cannot make a general commitment to provide help across the board or in any specific category of assistance, given the sensitivity and possible security and legal restraints involved, which the French understand.

—But if broad cooperation is the guiding concept for our overall relationship, we will consider specific French requests for missile assistance in that spirit and context.

We should *avoid a blanket commitment to any catalogue or category (e.g., MIRV technology or underground testing) of assistance* the French may come up with at Martinique or after, or any implication that we are ready to do everything they ask. What we can offer is an *understanding on general approach* rather than specifics that will let us adapt what we actually do to the state of things between us without leaving us open to the charge of backing-off specific commitments. If we move ahead in missile assistance our *strategy should be to open-up gradually and spin-out over time whatever we do for them*, rather than committing ourselves to a general program of assistance at the outset.

We should *also leave the French with the understanding* that:

—It is up to them to make the first move and tell us what further assistance they would like.

—But the matter is not to be left to the technicians; there must be prior political agreement at the political level setting the framework for any technical exchanges.

—This should be done through the Brossolette-White House channel.

This will give the business the necessary *political context and control* and help ensure that the Elysee appreciates what they are asking for or getting—and curtail the shot-gunning tactics of the technicians.

One last consideration: *the French may try to link specific missile assistance to specific quids*, particularly underground test help from us for French participation in our proposed nuclear suppliers conference. The French AEC has responsibilities in both areas and Giraud has talked about both with Dixie Lee Ray with some suggestion of linkage. Moreover, Soufflet's remarks to Rush on nuclear non-proliferation safeguards and their juxtaposition with his talk of expanding missile assistance imply the same. *We should avoid any direct and explicit linkage*

because it is inconsistent with our broader missile assistance strategy; the French have their own stake in non-proliferation; and broad underground test help is worth more to them and could pose some problems for us (e.g., a possible TTB connection). If the French try to make any such connection, *we should reiterate our line* relating our general approach to missile assistance (as opposed to specific commitments) to broad cooperation across the span of our relationship.

326. Memorandum of Conversation¹

Trois Ilets, Martinique, December 15, 1974, 4:30–6:30 p.m.

PARTICIPANTS

Valéry Giscard d'Estaing, President of the French Republic
Jean Sauvagnargues, Minister of Foreign Affairs
Jean-Pierre Fourcade, Minister of Economy and Finance (Second Half)
President Gerald R. Ford
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs
William Simon, Secretary of the Treasury (Second Half)
Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

SUBJECTS

Defense Cooperation; CSCE; F-104 Replacement; Monetary Issues

Defense Cooperation

Giscard: Should we discuss security matters?

[General Scowcroft left the room for about one minute and then returned.]

¹ Summary: Giscard, Ford, Kissinger, and Sauvagnargues discussed defense cooperation, CSCE, the F-104 replacement issue, and monetary issues.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 8. Secret; Sensitive. All brackets are in the original except those indicating text omitted by the editors. The meeting took place in the Hotel Meridien. For the portion of the conversation dealing with monetary issues, see Document 80 in *Foreign Relations, 1969–1976*, vol. XXXI, Foreign Economic Policy, 1973–1976. For a December 15 discussion between Ford and Giscard on energy cooperation, see Document 24 *ibid.*, vol. XXXVII, Energy Crisis, 1974–1980. A memorandum of conversation recording a December 16 discussion between Ford and Giscard on European unity and nuclear proliferation is in Ford Library, National Security Adviser, Memoranda of Conversation, Box 8.

President: There are other issues, not always directly involving you—MBFR, F–104 replacement, logistics through France. Anything else?

Kissinger: NATO military cooperation, nuclear cooperation, a possible nuclear suppliers conference to prevent proliferation. This is the general area related to military matters.

President: Then there is the FRELOC settlement issue. Then I could give you my appraisal of Valdivostok. We hope an agreement would be ready for signing next June. There must be additional give by both sides in units and numbers in MBFR. We think there must be percentages, not equality in numbers. You are not directly involved.

On F–104 replacement, we don't think the decision should be political, but rather a technical military one. You have yours, we have ours. We will decide on ours after the first of the year. The arrangement with our NATO allies on maintenance, supply and part of the assembly process. It is a major procurement of approximately 2,000 aircraft for replacement of our obsolescent aircraft and should be made on a military basis.

The overall strength of NATO has to be maintained, in equipment also. There is pressure from the Congress to withdraw 50–100,000 people. I am strongly opposed to this, as I was when I was in the Congress. It will be a tough fight, but I will vigorously oppose it. But it does provide the impetus for MBFR because that would relieve some of the pressure. The new Congress looks like it will be more difficult to get through the military appropriation.

I am now making decisions for our Defense budget. On research and development (R&D) and long-range weapon development we must be prepared for the present and get ready for the future.

We made progress in Vladivostok in putting a cap on the strategic arms race. We omitted forward-based systems and the British and French nuclear forces from the calculation. There was some disagreement on counting long-range air-to-surface missiles. But I want to assure you I will make sure our budget provides for adequate strategic forces.

Giscard: How do you explain Soviet agreement not to include forward-based systems?

President: We were very firm.

Kissinger: They had to deal with President Ford as the new President. He has a reputation for favoring a high defense budget. They had to plan on maybe six years and with a President maybe not committed to détente. The President told them he hadn't made his decisions yet on the defense budget. They were concerned at the prospect of Senator Jackson having a radical anti-Soviet position, and they wanted to de-

fend against it. If there is not an agreement in '75, '76 was an election year and the interim agreement lapsed in '77.

At one meeting in June with President Nixon in the Crimea, they had two generals who kept jumping up behind Brezhnev whenever he seemed to be making a concession. They always jumped up at precisely the point when our generals would have jumped up if they had been there.

I think these were the major reasons. Our worry now is our domestic debate, with Jackson now on the side of a low defense budget. It was helpful to have him on the right, but it is worrisome now.

President: Jackson is critical of SALT I because the Soviets had more launchers and we had more MIRVs. Now we have equality of both, so now they are alleging the numbers are too high. It's pure demagoguery.

Kissinger: At the level of 1320 for MIRVs, it leaves us in a better situation anyway. The Soviets have to decide how to allocate their missiles, between land and sea. The land ones will be more vulnerable.

Giscard: How many warheads are there?

Kissinger: There are 10 on our SLBM's, three on our Minuteman but it can have seven. They have four and six on theirs.

President: Our critics argue because they have more throw weight, it's a bad deal. But we can increase it if needed.

Kissinger: Don't believe the *Herald Tribune*—it publishes all the demagogic articles. The agreement shows the value the Soviets put on détente.

Giscard: And the desire to limit military expenditures.

Kissinger: Yes. With fixed numbers you can't demonstrate strategic superiority. And we have a much more versatile force: Theirs is 85% land-based; ours is 25% land-based. Of course, even 75% can do tremendous damage.

President: Brezhnev, I think, came with a desire to stabilize the military balance in a worldwide context. If SALT I had expired in '77 and both had gone on without limitation, the financial burden would have been staggering—at least \$2–5 billion a year.

Kissinger: Probably more for them. We estimate their MIRV force will cost \$35 billion.

President: By any standards it was successful. It was not a victory for either but an advantage for the world as a whole. We hope then to move into MBFR.

Giscard: Brezhnev reported to us. He was pleased but without any impression of a victory over you. He presented 2400 as the ceiling below what they had planned to make.

Kissinger: It is 200 below the present and way below what they planned.

Giscard: He looked pleased but not victorious.

We are not a military member of NATO. We have a national military nuclear force. It was looked at skeptically for years. I was impressed by our ability. Our submarines are of the same class of yours—though not your latest. Each one has 16 launchers. We are giving them longer range so they can launch from just outside Brest. We are working on MIRV—we call it the M-4. We just started. It will also be on our land-based force. We stopped our land-based force at 18. We will have six submarines, giving us four always on station.

The British will have submarines with American launchers. For our force it would be useful to have American cooperation. Under your predecessor there were contacts. The difficulty is on your side because of your laws. It was interrupted last fall. There have been some technical contacts recently. We are interested in the question of MIRVs—the warheads, hardening of the warheads. We are interested also in the warhead itself—which may be a problem with your Congress. There is also the question of underground testing—either information on instruments or using your facilities before we start our own site. And the question of the disposition of Soviet missiles.

Kissinger: That we gave you.

Giscard: Some.

Kissinger: The ABM locations.

Giscard: We know it is a problem with the Congress, and it is one-way cooperation because we have nothing in return.

President: I believe some of the discussions over the past several months are aimed at the possibility of that cooperation. I suggest they proceed.

Kissinger: May I raise one point? On the sensitive or policy aspects of any nuclear cooperation, it should go through the White House. Otherwise we lose control and it ends up in *Aviation Week*. In the field of strategic forces, the first approach is through . . .

Giscard: Currie and Barse were the ones.

Kissinger: Yes. Routine matters like safety can continue.

But let me review what happened last year. President Nixon held the view, which I share, that a strong Europe and a strong France are in our interest. He told President Pompidou we didn't exclude nuclear cooperation. He sent Galley to meet me out to San Clemente. Now this gives us two problems: Congress and our other allies. France sometimes is our most fractious ally; it could look like we were rewarding recalcitrance. Also there is a small Soviet problem, but that is manage-

able. Negative guidance was an important aspect of what we were doing.

Then came the October war and Jobert made a number of inflammatory statements—about condominium and so on. In November there was a series of unremitting differences. France was telling our allies, “You cooperate and you are taken for granted; we don’t and we are rewarded.” We were ready to go ahead in December but the energy imbroglio started and Jobert went on a trip through the Middle East criticizing us. That is the history. We never asked for a quid pro quo for our cooperation, but we couldn’t move under such constant criticism.

We believe that as long as France has a nuclear force it should be a good one, and it is senseless for you to have to spend billions learning what the Soviets already know. President Nixon didn’t ask for total agreement.

Giscard: It will not change our program but it will save money and time. Some will be ready in 1981, 1985, and will make a contribution to the West. We will send our technical expert to meet with your people.

Kissinger: On these matters use the direct White House line. But keep it quiet or the Soviets may want to count your forces.

Giscard: I didn’t ask why Brezhnev didn’t count us.

Kissinger: He gave up on FBS in October but wanted to count you. We said since they are not MIRVed, why should we? He gave up about midnight, and we don’t know why. We gave no quid pro quo.

President: Not on MBFR or any other.

Giscard: The British have MIRV prospects.

Kissinger: The British have made every wrong decision. We offered them the warhead but they refused on cost grounds. It was a short-sighted decision. They are testing a warhead we had ten years ago.

Giscard: We are working on a 7–8-warhead design. The number is not definitely decided but we have the capability definitely for 6 or 7.

Kissinger: What yield?

Giscard: I don’t know off-hand.

You mentioned cooperation with NATO on technical cooperation. Pipeline sharing has been solved. Logistical supplies and air defense are close to agreement. On FRELOC we suggested \$100 million. If you agree, we are ready to start payment.

President: We agree.

Giscard: Then the only question is of starting payment. You can use our logistic facilities in case of a conflict, in case we are implicated, but it must be kept secret. We will agree within Article 5 [of the North Atlantic Treaty] on us being implicated.

Kissinger: We understand there is some chance of coordinating your First Army plans with NATO. We would propose Haig as the contact with your Chief of Staff as a technical, not a legal problem. Haig understands the political context better than Goodpaster.

President: He is an outstanding person with hard understanding. He will do an outstanding job in NATO as he did in the White House during a terrible time. To have come out of that with an impeccable reputation is terrific.

Giscard: We will probably have to engage in a discussion with the Germans on tactical nuclear weapons for the 40-kiloton Pluton. If it is moved forward, they could be used on Czechoslovak or Polish soil. I don't know the form the agreement will take but probably we'll move forward.

Next, the environment is not as secure as it was 5 years ago. Portugal, for example, is confused and unstable. I am convinced we will have problems in Spain and Spain is much more violent. Italy is unpredictable—there is no authority of any kind. We are in an unstable environment, so we have to give more value to defense—not for strategic purposes but for social stability. So we will try to improve our own forces. We should enhance our mobility. This should help the West have part of a navy from the Atlantic to the Mediterranean: It adds two aircraft carriers and others to the Western Mediterranean.

President: We are concerned about the northern Mediterranean also. I am encouraged by what you say. We are in touch with Spain and if they had competent military leaders, but they don't . . . I am not confident Juan Carlos has the ability or the strength. Franco's successor has only a limited chance to survive.

Kissinger: You would find in Spain like in Portugal that the Communist Party is the best organized force except for the Army.

Giscard: They don't have a colonial problem, but the upper classes have taken advantage of the situation.

CSCE

Giscard: Let me turn to CSCE for a moment. I had a long talk with Brezhnev on this. I studied it before, and was not confident about our claims that the Basket III problems—education, information—I am not sure the thing can be solved this way. The same practical technical solution can be made without having to have the principle of free access. What irritates Brezhnev is the linking of inviolability of borders with peaceful change.

Kissinger: As I understand the German position, the sentence as written is okay if it follows the inviolability of frontiers. If it is in the section on security, then they want a change. I think it is absurd. No frontier will change on the basis of a sentence in a document.

Giscard: We did not commit ourselves to a summit meeting, but I said we would try to find a solution to the several problems. I don't know why Brezhnev would like a summit in April . . .

Kissinger: He wants it before the anniversary of the end of the Second World War.

President: We had a 45-minute presentation by Gromyko on CSCE. We feel strongly about SALT. He went into great detail. On CSCE we think we must move in conjunction with our allies. We told them June–July.

Kissinger: We would prefer after the anniversary; they want a joint celebration. They want to reenact the meeting of American and Soviet troops on the Elbe. We have refused a celebration on German soil.

On the whole, we think it is better to end in May or June rather than April, but not to say that—just to conduct the negotiation so it works out that way.

Giscard: They think this is the final price of the war, and that is why they want it before May. It is for him the last price of détente also.

Kissinger: We could finish Phase II in April and announce it for June.

Giscard: We need to work it out with the allies . . .

Sauvagnargues: We did not enter into specific drafting on peaceful change.

Kissinger: The Soviets say you did. This is a case where consultation would help.

Sauvagnargues: We will give you the notes of the meeting.

Kissinger: If we just move so that Phase II ends in April.

Giscard: Yes, it would take at least a month to set it up. I asked Brezhnev how he envisaged the signature. He said he would speak five minutes. He is afraid of reopening the negotiations so he wants just a formal meeting.

[General Scowcroft left the room for a minute, and then returned together with Secretary Simon and Minister Fourcade.]

F-104 Replacement

Giscard: It is difficult to resolve this question [F-104 replacement] on technical grounds. There are areas where there is no edge of one over another. There will be resentment in Europe that it doesn't have its own aircraft. There is pressure by American companies. If there was some possibility of some kind of cooperation. Market sharing is difficult and I have nothing specific to suggest. It is difficult for American companies not to compete because on two out of four points the American planes are ahead.

President: I agree that market sharing is not practical for your reasons, as well as deciding who would get the inferior plane. Let's see what can be done as things go on.

Giscard: Keep in mind the usefulness for Europe to have an aircraft industry. The American share is now very high.

President: Your Concorde is the only SST available. I bled for our SST in the Congress.

Giscard: We should keep in touch on this question. We think our aircraft industry is entitled to have some independent development and market.

President: As the decision gets closer, let's keep in contact. I am not in a position now to see how we could mollify any adverse reaction.

Giscard: Perhaps some could do helicopters, some the "air bus" . . . I would prefer to push the aircraft industry to sell its products. On the military side, I am trying to moderate the export sale of military aircraft.

President: Generally I think the Concorde created a favorable impression except for those who are opposed to any SST at all. The Federal Government doesn't control noise, etc., but I think the SST has a future.

[Omitted here is discussion of monetary issues.]

327. Memorandum of Conversation¹

Washington, January 29, 1975, 9:28–10:25 a.m.

PARTICIPANTS

President Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

[Omitted here is discussion unrelated to U.S.-French missile cooperation.]

Kissinger: [Omitted here is additional discussion unrelated to U.S.-French missile cooperation.]

The French sent someone here to talk about nuclear cooperation. If we do it, I have to talk to Schlesinger about pacing it carefully. There is no way to guarantee in this climate that it won't get out. Some we can do; warhead guidance is difficult. We could save that to last. You will have to deal with the Brits. The French don't want the British to know. Since it is not finalized, you are right for the Wilson visit, but at the same time you must decide what to tell them.

The President: How long will this take?

Kissinger: It depends on how well we can control Schlesinger. But we want to get something for it.

The President: Absolutely. We want help on energy cooperation.

Kissinger: They want help on MRV guidance. They are not going MIRV. They gave us a 5-page list.

The President: As long as we stay away from warheads we are okay with the British?

¹ Summary: Ford and Kissinger discussed U.S.-French nuclear cooperation.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 8. Secret; Nodis. In a January 28 memorandum to Kissinger, Sonnenfeldt discussed the status of U.S.-French nuclear cooperation. (National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 14, Unfiled material) On February 8, Kissinger and Schlesinger discussed U.S.-French nuclear cooperation, Kissinger asserting, "We have to dribble this out so we look forthcoming but maintain control and leverage." Schlesinger agreed to the resumption of cooperation, noting that while warhead discussions raised legal problems, "aside from that we can have a low-key relationship." At Kissinger's request, Schlesinger agreed to "space it out at least over a year" and that all French requests should be sent first to the NSC. (Memorandum of conversation, February 8; Ford Library, National Security Adviser, Memoranda of Conversation, Box 9)

Kissinger: You can tell them we have talked to them about hardening and command and control security.

The President: It is okay if we do it slowly.

[Omitted here is discussion unrelated to U.S.-French missile cooperation.]

328. Telegram 2935 From the Embassy in France to the Department of State¹

Paris, February 4, 1975, 1135Z.

Geneva for CSCE Del. Subject: Giscard's foreign policy after eight months.

1. Summary: Eight months of Giscard's policy of "change without risk" have shown the general outlines of how he proposes to bring "change" to French foreign policy without "risking" the independence and authority of France. While much of the basic thrust conforms to sixteen years of Gaullist foreign policy, Giscard has brought a new spirit of compromise, pragmatism, and relaxation to the description and implementation of his foreign policy. Particularly since the Martinique and EC summits, this new style has produced some effect on the substance of French foreign policy. This evolution indicates that it should be easier and more fruitful for us to engage the French in a comprehensive pattern of bilateral, informal and candid consultations now than at any previous period since 1958. End summary.

2. Sixteen years of Gaullist foreign policy: The object of French foreign policy under de Gaulle was to establish France as the predominant power in Western Europe. His particular vision of France's "independence" and its "grandeur" was designed to support that objective. Under de Gaulle, France opposed the political integration of Europe, posed as the sole legitimate spokesman for "Europe," sought to mini-

¹ Summary: The Embassy assessed Giscard's foreign policy after 8 months.

Source: National Archives, RG 59, Central Foreign Policy Files, 1975. Confidential; Noform; Immediate. Sent for information to Ankara, Athens, Bonn, Brussels, Copenhagen, Lisbon, London, Luxembourg, Oslo, Ottawa, Reykjavik, Rome, The Hague, the Mission to NATO, Dublin, the Mission to the EC, the Mission in Geneva, Moscow, the MBFR delegation in Vienna, USCINCEUR, CINCUSAFE, CINCUSAREUR, USNMR SHAPE, and the consulates in Bordeaux, Lyon, Marseille, Strasbourg, and Nice. In telegram 5534 from Paris, March 4, the Embassy provided a more detailed discussion of Giscard's changes by geographic region and functional area. (Ibid.)

mize the role of the United States in Europe (except in defense), and avoided multilateral diplomacy. While Pompidou tailored French goals to a somewhat more realistic appraisal of French resources and interests, his foreign policy conformed to the main thrust of de Gaulle's. Under both de Gaulle and Pompidou the French frequently went out of their way to stimulate mistrust of U.S. objectives in Europe and the world. Beneath their [*less than 1 line not declassified*] preoccupation with U.S. "domination" was the Gaullists' concern that the United States opposed their fundamental objective of France's becoming the predominant power in Europe. Ironically, France's strident anti-American tone helped to insure that France could never dominate Europe. Rather than cementing French leadership in Europe, it often fragmented Europe by forcing the other Europeans to choose between Washington and Paris on major issues where the Europeans had to choose Washington. How has Giscard changed this Gaullist approach?

3. Object of Giscard's foreign policy: Eight months of Giscard's government suggests that he has not abandoned several aims of Gaullist foreign policy: Maintaining France's independence and strengthening its leadership role in Europe. His method of pursuing these objectives, however, is quite different. Where style and substance are so interwoven, as in France's policies toward the U.S. and toward Europe, Giscard's changes in style may also mean changes in substance. In addition, there is a greater equilibrium between domestic and foreign policies in Giscard's stewardship than in de Gaulle's. In fact, a case could be made for the argument that Giscard's major priority since taking office—the need to redress France's economy—has been as much a factor in his foreign policies as the continuing Gaullist objective mentioned above.

4. Franco-American relations: Giscard recognizes that France cannot establish French leadership in Europe through confrontation with the United States. Consequently, he has moderated the anti-American style of his Gaullist predecessors, and adopted a conciliatory stance. This was borne out by the French performance at Martinique. Since then, he and his Foreign Minister have been under great pressure to criticize U.S. policies that—in the past—would have drawn rapid and acerbic GOF condemnations. When baited by the Foreign Relations Committee of the National Assembly and by a *Le Monde* interviewer to criticize Secretary Kissinger's *Business Week* statements on possible military action in the Middle East, however, Sauvagnargues' responses were remarkable in their balance and restraint. One cannot imagine Jobert resisting such an opportunity to blast the United States. Similarly, our recent experience with U.S. Marine training in southern France (Paris 2034) showed that the GOF is prepared to confront hostile political opposition in its pursuit of Franco-American cooperation. Finally,

Giscard is replacing some key Gaullists at the Quai (e.g., Jobert, Puaux, Brunet), generally with moderates. Consequently, at the working level we find a growing appreciation by our Quai counterparts that Franco-American relations are improving.

5. Franco-European relations: Here again, Giscard has significantly reduced French dogmatism. His “initiatives” on European Union (European Council, direct election of European Parliament, and relaxed EC voting procedures) suggest a commitment to a united—if confederal—Europe. This contrasts with the endless series of phony issues conjured up in the past by the Gaullists to defeat Europe’s hopes for political union. Moreover, France’s self-appointed role as spokesman for “Europe” has atrophied. To be sure, vestiges survive: Chirac continues to confuse Dassault with the “European aircraft industry,” and the French may have toyed with the December EC summit communiqué after it had been approved by heads of government. But these patterns are increasingly the exception, not the rule. Furthermore, America’s role in Europe is no longer an emotional focal point for GOF sniping because Giscard has a more profound understanding of the realities of interdependence than his predecessors even though his definition of “interdependence” may vary from ours. While Giscard maintains that France has a legitimate interest in many areas around the globe, he has shorn this globalism of much of the “grandeur” which de Gaulle had manufactured and which was often focused against the U.S. His global style is more pragmatic, much less hortatory, but always ambitious. In relations with his key neighbors in Europe—FRG, USSR and UK—his policies seem generally indistinguishable from Pompidou’s, with the important exception that Giscard is seeking to establish Bonn as its privileged partner in Europe, while the London-Paris axis is waning.

6. Giscard’s energy policy: On energy questions, the Giscard government came to office with fewer illusions than its predecessors that it would receive preferential access to oil as a result of its Middle East policy. At the same time, it seemed more disposed to cooperate in the establishment of consumer solidarity. Its consequent initial openness toward the international energy agency was, however, diminished through Giscard’s subsequent realization that important long-term French interests were served by remaining on particularly close terms with developing countries; by its wish to maintain an “honest broker” role between oil producers and consumers; and by domestic political considerations. Although they have decided not to join the IEA, the French had made clear even before Martinique that they would not obstruct its work. They have adhered so far to the agreement reached in Martinique on timing for a producer-consumer conference, and have recognized—both bilaterally and with their EC partners—that satisfactory progress toward consumer cooperation must be reached before a

preparatory conference can be held. This is, of course, a question of simple necessity, since the French know that a producer-consumer conference without U.S. participation is impossible. They have tried to influence the IEA's work through prior consultation with their EC partners, but we have no reason to believe that they intend to use this channel to obstruct the agency's work. In fact, in bilateral contacts with us they have shown considerable understanding of the agency's goals and have expressed interest in finding ways to coordinate French energy policies with IEA objectives. We believe that they can be expected to continue seeking parallel progress with that of the IEA as long as they perceive that the agency is working toward a non-confrontational negotiation with the oil producers.

7. Giscard's monetary policy: Following the Martinique summit, we have been able to set up new mechanisms of financial solidarity within the framework of efforts to deal with the energy problem. The French gave measured endorsement to our safety net proposal. Even the GOF's presentation to the French people and world opinion of its gold revaluation carefully avoided language that might have stirred up gold and exchange markets. On both issues, their behavior was fully consistent with the Martinique agreement on the desirability of close financial cooperation.

8. Domestic impact: Giscard's foreign policies do not appear to have hurt him domestically. On the contrary, despite a deepening recession and growing unemployment, Giscard's popularity has gone up in the opinion polls since the key summit meetings with the Soviets, Europeans and Americans in December. In his monthly fireside chat for January, Giscard emphasized the importance of his initiatives with the oil producing states in seeking a solution to France's economic problems. Essentially, Giscard is telling the French people that France's major internal problems are externally caused, and his foreign policy is designed to solve those problems as quickly as possible. Problem solving can only take place in an atmosphere of conciliation, and Giscard's emphasis on conciliation during the December summit meetings has clearly had a favorable impact on the majority of Frenchmen.

9. Speculation on the future: In coming months—and barring political reversals in France that would undercut his political strength—we expect Giscard to pursue his goal of a strong, independent France exercising the predominant leadership role in Europe. Like his Gaullist predecessors' he will be more comfortable in bilateral relationships than in multilateral ones where he could be more easily outgunned. Reflecting his natural pragmatism, he is likely to be prepared to search for bilateral detours around potential multilateral confrontations. This is clearly one of the messages in my series of frank meetings with Gis-

card, Chirac, Sauvagnargues and other governmental leaders. For example, while we do not foresee France's direct association with the IEA, bilateral routes offer opportunities to achieve a higher degree of cooperation than would otherwise be the case. The same is true for attempts to associate the French with urgent non-proliferation efforts: the bilateral path may offer solutions that are unavailable multilaterally. (For example, see Sauvagnargues' remarks to me concerning French approach to safeguards in Egyptian case—Paris 2551 Limdis Notal.) In defense affairs, Giscard recognizes the sweeping inconsistencies between Gaullist defense theory and the realities of today's world. Any Giscardian changes to key elements of Gaullist defense policy are unlikely to weaken France's freedom of action or move France closer to multilateral answers to defense problems. Nevertheless, if we accept the parameters of Giscard's pragmatic and relaxed form of cooperation—no dramatic changes and a preference for bilateralism—we can expect a higher degree of real cooperation from France on political, economic and defense issues.

10. Recommendation: To foster this atmosphere of Franco-American cooperation, we should construct a broad, habitual pattern of bilateral consultations with the French—here and in Washington—designed to avoid the pitfalls of misunderstanding, to endure the strains of disagreement and to buttress the interdependence that binds us together.

Rush

329. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford¹

Washington, June 19, 1975.

SUBJECT

Cooperation Programs with the French

You will recall that at the December meeting with French President Giscard he raised the issue of an expanded program of assistance

¹ Summary: Kissinger sought Ford's approval of new guidance for the U.S.-French nuclear cooperation programs.

Source: Ford Library, NSC Institutional Files (H-Files), Box 60, NSDM 299—Cooperation with France (3). Top Secret; Sensitive. Tab 1 is published as Document 330. Tab 2 is published as Document 331. Ford initialed his approval of Kissinger's signature of the NSDM and signed the memorandum to Schlesinger.

to their missile and underground testing programs. At that time we agreed to undertake an expanded program with the details to be worked out through subsequent exchanges.

In late January we received a list of suggested topics for technical discussions from the French. The list is very extensive and goes far beyond the scope of the assistance which we are currently providing. Of particular significance are the requests for assistance in:

- MRV system development for their new M-4 SLBM system.
- Assessment of the vulnerability of their strategic systems to Soviet attack.
- Nuclear warhead design.
- Testing of French nuclear devices and RV material at the Nevada Test Site.
- Underground nuclear testing technology.

In view of the sensitivity of these topics, we have reviewed the French request in detail to determine what constraints should be imposed on an expanded program of cooperation. We found that many of the suggested topics involved areas in which:

- Cooperation would require Congressional approval under the Atomic Energy Act.
- Cooperation would risk compromise of either sensitive US strategic system design features or sensitive intelligence on Soviet capabilities.

For example, we would not be able to assist the French in nuclear weapon design or test French nuclear warheads at the Nevada Test Site without a formal program of cooperation requiring Congressional approval.

I recommend that we do not pursue discussion of those topics requiring Congressional approval and those involving particularly sensitive information at this time. Secretary Schlesinger also believes that this is the preferable approach. This will still allow us to provide assistance on most of the topics on the French list and result in a significant expansion in the current program. Furthermore, we will be able to be somewhat more forthcoming later in the area where there are no legal constraints, as the program progresses and as US-French relations warrant.

We have drafted guidance along these lines at Tabs 1 and 2. Tab 2 contains a memorandum to Secretary Schlesinger on an expanded program of missile assistance. I believe this is preferable to a NSDM in view of the sensitivity of this program. Tab 1 contains a NSDM to cover cooperation on nuclear safety and underground testing.

Recommendation

- That you authorize me to sign the NSDM at Tab 1.

—That you sign the memorandum to Secretary Schlesinger at Tab 2.

330. National Security Decision Memorandum 299¹

Washington, June 23, 1975.

TO

The Secretary of Defense
The Deputy Secretary of State

SUBJECT

Cooperation with France

The President has directed that discussions with the Government of France concerning nuclear safety cooperation (currently being conducted under NSDM 104) be expanded to include assistance in the area of underground testing. The purpose of this expanded program is to provide assistance for French efforts to increase nuclear safety in underground testing and to encourage the French to refrain from further atmospheric testing through the adoption of an underground testing program for all of its nuclear explosives tests. In implementing this expanded program, technical information on instrumentation, containment, and other pertinent technology which will serve to improve the efficacy of the French underground test program may be exchanged. The President has authorized disclosure of unclassified information and classified information through Secret, but not including Restricted Data, for this purpose.

Discussions with the French Government concerning nuclear safety in other areas may be continued within the limits provided in NSDM 104. The President has decided that no French nuclear explosive devices of any type may be accepted for test by the US.

In specific implementation of this decision, the President directs that:

¹ Summary: The President directed the expansion of the U.S.-French discussions concerning nuclear safety cooperation.

Source: Ford Library, NSC Institutional Files (H-Files), Box 60, NSDM 299—Cooperation with France (3). Top Secret; Sensitive. Copies were sent to the DCI, the ERDA Administrator, the Director of ACDA, and the Chairman of the JCS.

1. The Secretary of State, in coordination with the Secretary of Defense, inform the French Government of our willingness to expand the current nuclear safety cooperation program as generally described above.

2. The Secretary of Defense, in coordination with the Administrator of the Energy Research and Development Administration and the Secretary of State, develop a specific program of cooperation for nuclear safety and underground testing assistance, including consideration of any constraints which might be placed on such cooperation by our obligations under the Limited Test Ban Treaty and the Atomic Energy Act.

3. The Secretary of Defense and the Administrator, Energy Research and Development Administration, inform the Joint Committee on Atomic Energy of our extension of the current program and that no exchange of Restricted Data will be involved.

Henry A. Kissinger

331. Memorandum From President Ford to Secretary of Defense Schlesinger¹

Washington, June 23, 1975.

SUBJECT

Missile Cooperation with France

I hereby authorize the following program of missile assistance to the Government of France:

—Extension of the current assistance program conducted under NSDM 103 to cover the new generation of French missiles, in particular the M-4 SLBM. Areas in which assistance may be provided include basic missile design, guidance, propellants, reliability, flight testing, and RV and missile hardening to nuclear effects. Assistance in MRV system design may also be provided on the condition that such assistance not provide information applicable to French development of MIRV capability. Assistance on MRV systems should therefore be restricted to multiple RV release mechanisms and other information necessary to develop an MRV system in which each RV presents a separate

¹Summary: The President authorized a program of U.S. missile assistance to France.

Source: Ford Library, NSC Institutional Files (H-Files), Box 60, NSDM 299—Cooperation with France (3). Top Secret; Sensitive. A copy was sent to the Secretary of State.

aim point to the existing Soviet ABM system; assistance in methods of providing additional flexibility in RV separation and targeting may not be provided.

—Provision of information on penetration aid technology, exclusive of that which might reveal specific characteristics of US operational systems. An update of the 1973 briefing on the Soviet ABM system may also be provided. However, this update should be restricted to a description of those changes, if any, which have taken place since 1973 in the basic characteristics of this system.

—Discussion of possible scenarios for Soviet attack of French strategic systems including command and control communications.

—Provision of information which will assist the French in assessing the vulnerabilities of their strategic missile forces to Soviet attack. In this context, limited exchanges on methods of decreasing these vulnerabilities, to include improved submarine quieting and tactics and improved missile silo hardness, may also be undertaken. However, exchange of specific information on US ASW and hard target capabilities, Soviet strategic system vulnerabilities, or US SLBM or ICBM procedures and system vulnerabilities is not authorized.

—Provision of information on basic knowledge in the fields of materials behavior related to nuclear weapons design.

The intent of this expanded program of cooperation is to improve the operability and reliability, and decrease the nuclear vulnerability, of French strategic nuclear missile forces. The President has authorized the disclosure of unclassified information and classified information through Secret, but not including Restricted Data, for this purpose.

Exposure of French RV components and materials at the U.S. Nevada Test Site may not be undertaken.

The French Government should be informed through the established channels for the existing program of our willingness to extend the missile assistance program as generally described above. You should determine, within the above guidelines, the more specific and detailed technical areas on which we will share information with France. However, in order to insure coordination with other diplomatic efforts with the French, agendas for all proposed meetings should be submitted to the Assistant to the President for National Security Affairs for prior approval, and Memoranda of Conversation should be provided after each meeting.

Gerald R. Ford

332. Memorandum From Secretary of Defense Schlesinger to President Ford¹

Washington, undated.

SUBJECT

Missile Cooperation with France

In response to your memorandum of June 23, we will take necessary action through established channels to advise the French Government of our willingness to extend the Missile Assistance Program as you have authorized. We envision this as not requiring a new formal agreement between our two nations, but rather that a simple letter will be sufficient.

There are several points in your memorandum on which we would like to comment:

- We understand fully the guidance concerning providing no information applicable to French development of MIRV capability and will insure compliance therewith.

- With respect to exchanges in the areas of improved submarine quieting and tactics, we plan no specific action or discussions at this time. The sensitivity of certain aspects of these topics suggests we delay them for as long as possible.

- Regarding your prohibition of exposure of French RV components and materials at our Nevada test site, we recommend a reconsideration of this point, with a view towards approval thereof, for the following reasons:

—No Restricted Data nor any actions prohibited by the Atomic Energy Act would be involved. No French warheads, per se, would be involved.

—The French urgently need this type of information for design verification; the theoretical state of the art is not presently adequate to

¹Summary: Schlesinger discussed the expansion of U.S.-French missile cooperation.

Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 13, France—Nuclear Matters (4) (6/23/75–8/28/75). Top Secret; Sensitive; Eyes Only. Schlesinger did not sign the memorandum. Forwarded to Scowcroft under cover of a July 3 memorandum from Wickham. On August 1, Giscard told Ford and Kissinger that the missile cooperation talks were progressing “very slowly” and asked for negative guidance on submarines and MIRVs, as well as help on solid fuel. Kissinger agreed that there was “footdragging.” When Giscard asked about a proposed French purchase of a CDC–7600 computer, Kissinger noted bureaucratic and Congressional opposition; however, both he and Ford suggested that the sale might be possible “in conjunction with a foreign policy success.” (Memorandum of conversation, August 1; *ibid.*, Memoranda of Conversation, Box 14)

provide needed design confidence without this type of testing. Validation tests of U.S. materials and structural samples, even though seemingly well characterized, frequently have disclosed hardness levels significantly at variance with theoretical values.

—Such testing probably is not feasible at the French Pacific underground test site because of the water environment in the soil. Our refusal to accommodate them could, therefore, lead to a possible extension of their atmospheric test program.

—Since we have provided such test services to the British, and since the French can readily infer this, even if they do not actually know it, such denial probably would be a particular source of unhappiness on the part of France.

—We believe the possibility of a security leak is low, since all samples are presented to the test site as Defense Nuclear Agency (DNA) material, and DNA has an already-established reputation for fielding tests on many different types of hardware, the origin of which frequently is shrouded in secrecy. These would fall in the same category. Knowledgeable access within DNA is held very low.

In view of the above, we propose to continue with the process of readying their samples for exposure on the underground test this October, but will not implement such sample exposure without your specific approval.

There is some urgency in deciding this question. The X-ray environment most needed by the French is a “cold” spectrum, which is the effects test we will be running the latter part of this year. (Samples for the test are already on hand.) Since the United States has no further test of this nature scheduled for at least another five years, if we do not place their samples on this next test, we will be unable to help—even if we should change our mind—unless we were to run a specific test solely for French purposes.

We do not, at this time, have a specific meeting scheduled with France in connection with the Missile Cooperation Program. We will now proceed to arrange another meeting and will forward to your Assistant for National Security Affairs a proposed agenda and date for prior approval.

333. Memorandum From Jan Lodal of the National Security Council Staff and the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, September 10, 1975.

SUBJECT

Cooperation with France

The missile and nuclear safety cooperation programs with France have been progressing under the new instructions approved by the President in June (Tabs A and B). A meeting on nuclear safety and underground testing was held on July 21–24 with the next meeting on these subjects scheduled for mid-October.

The first meeting on missile cooperation under the new guidance is tentatively planned for the first week in October. We have received a proposed agenda for this meeting from DOD (Tab C); the meeting will be devoted principally to a French description of their new M-4 missile system and the results of recent missile tests. The memo from DOD implies that unless they hear differently from the White House, they will proceed under the proposed agenda. In order to establish the precedent that explicit White House approval is required for the agendas for these meetings, we have drafted a memo from Scowcroft to Wickham (Tab D) which formally approves the agenda for the upcoming meeting. However, before transmitting this approval we plan to insist that DOD provide:

- A more complete description of their scenario for implementing the President's instructions on missile cooperation.

- An analysis of the assistance which could be provided in the area of submarine survivability.

- A detailed legal analysis of the issue of assistance in RV component and materials testing at the Nevada Test Site (see discussion below).

We requested that they provide this information over a month ago, but it has not as yet been received.

¹ Summary: Lodal and Sonnenfeldt sought Kissinger's approval of several recommendations concerning U.S.-French nuclear cooperation.

Source: Ford Library, NSC Institutional Files (H-Files), Box 60, NSDM 299—Cooperation with France (2). Top Secret; Sensitive; Completely Outside the System. Sent for action. Tabs A and B are Documents 330 and 331. Tab H is Document 30 in *Foreign Relations*, 1964–1968, vol. XII, Western Europe. Attached but not published are Tabs C through G and I through J. Kissinger initialed his approval of the first, second, and third recommendations, writing in the margin next to the second recommendation, "See me." Kissinger initialed his disapproval of the fourth recommendation.

Tests of French RV Components and Materials

The Presidential guidance on missile cooperation precludes testing of French RV components and materials at the Nevada Test Site. We decided not to undertake such tests because of our concern about the legal issues with respect to the Atomic Energy Act.

DOD is currently in a somewhat awkward situation with the French since they accepted some French RV components and materials samples about nine months ago in anticipation of receiving authority to expose these samples in Nevada. (At the time, DOD did, however, inform the French that they could not guarantee that authority to expose the samples would be received and that in either case the samples would not be returned.) The French have been inquiring about these samples and the more general question of RV materials and components tests in Nevada, but we have informed them that as yet we have no authority to proceed with such tests and that there are problems under the Atomic Energy Act.

In October there will be an opportunity to test these samples in the radiation environment of a nuclear weapon of unique design—an opportunity which is unlikely to arise again for 4–5 years. Since this test would be particularly relevant to the survival of French RVs against Soviet ABM systems and may provide some technical information of interest to the US, DOD is recommending that we go ahead and expose the materials samples which we have in hand, without telling the French we have done so. (A memo from Wickham to Scowcroft on this subject is at Tab E.) DOD argues that their legal review shows no conflict with the Atomic Energy Act or the Non-Proliferation Treaty, and thus, that reconsideration by the President could lead to a future decision to provide the test results to the French.

Since future authorization for release of the desired test information remains a possibility, we believe it would be acceptable to take advantage of the opportunity to expose the French RV samples to the October test. (DOD needs to be notified by September 19 in order to insure that the samples are inserted in the test hole.) A memorandum from Scowcroft to Wickham approving exposure of the samples is at Tab F. It also directs DOD to submit their legal review of this issue to the White House for independent examination. The memorandum also admonishes DOD that under no circumstances should the French be told that the samples have been exposed, much less the results of the tests.

Regarding this issue you should be aware that all the French need is a simple confirmation of the acceptability of the material and components for use in RVs. As a consequence, it will be extremely difficult to insure that the results of the tests are not passed to the French by an overenthusiastic DOD staff member. This could be a particular problem since DOD is already on the hook to the French for accepting the

samples and pushed hard to get authority to expose these samples in the new guidance which went out in June. However, even if the French were covertly informed of the results of the test, it is very unlikely that this would leak to the public so that the risk is very small.

Sale of a CDC-7600 Computer for Use in the French Nuclear Weapons Design Program

Another issue regarding cooperation with the French which falls outside the scope of the guidance contained in Tabs A and B is the sale of a CDC-7600 for use in the French nuclear weapons design program. There has been much confusion about this issue since last year when you indicated to the French that we would give sympathetic consideration to a request for this computer. On this basis, along with an indication from DOD that there would be no problem with the purchase of this computer, the French went ahead and ordered the computer through a French Control Data Corporation (CDC) affiliate. Somewhere along the line IBM got wind of this deal and raised strong objections since they had been told consistently that sale of advanced computers to the French for nuclear weapons design was forbidden. (The Vice-Chairman of IBM confronted Ingersoll on this issue.)

In July, CDC requested an export license for the 7600 through normal channels; however, the bureaucracy in State, ERDA and Commerce is balking at granting the request since the only guidance they have on such matters, the Fowler-Debre arrangement (Tab G) and NSAM 294 (signed in April of 1964, at Tab H), is very explicit in stating that advanced computers should not be exported to the French for use in nuclear weapons design. In the Fowler-Debre exchange of letters, the Limited Test Ban Treaty and prevailing US policy were cited by the US as barriers to assistance to the French nuclear weapons development program.

The LTBT article (I.2) which Fowler claimed could be interpreted as prohibiting export of advanced computers to the French nuclear weapons development program reads as follows:

2. Each of the Parties to this Treaty undertakes furthermore to refrain from causing, encouraging, or in any way participating in, the carrying out of any nuclear weapons test explosion, or any other nuclear explosion, anywhere which would take place in any of the environments described, or have the effect referred to, in Paragraph 1 of this Article.

We see little basis for interpreting this article as prohibiting the desired export of advanced computers. However, the position taken by Fowler on the French request for advanced computers did have a strong basis in prevailing US policy as put forward in NSAM 294 which explicitly prohibited assistance of any type to the French nuclear weapons program.

If we decide to relax the current restrictions on computer exports to the French nuclear weapons program, new guidance will have to be issued to free up this issue in the bureaucracy. There are three alternatives:

- Formally modify the current policy through a Presidential directive which lifts the current embargo on exporting advanced computers to the French nuclear weapons program. (In effect, terminate the Fowler-Debre arrangement and the policy set forth in NSAM 294.)

- Make the CDC sale a one-time exception to the prevailing guidance.

- Decide to approve the export of a large computer to the French nuclear weapons program, but leave it up to the French as to whether it is a CDC computer, an IBM computer, etc.

The first approach has the disadvantage of representing a major change in US policy toward the French nuclear weapons program, with no obvious rationale for this change. The second approach (which the State bureaucracy favors as indicated in the memorandum at Tab I) would provide the least exposure politically but it is probably not feasible since IBM is certain to get wind of the decision and protest loudly. For these reasons, we favor the third approach as a means of avoiding criticism from IBM while at the same time offering the French the opportunity to purchase an advanced computer for their weapons program. A draft Presidential directive along these lines with a cover memo to the President is at Tab J.

On a related issue, there has been strong interest in the bureaucracy in linking any relaxation of the current restrictions on computer exports to the French nuclear weapons program to either:

- French signing of the Limited Test Ban Treaty, or

- A more forthcoming French position on civil nuclear exports in the Nuclear Suppliers Conference.

The LTBT linkage is favored by the bureaucracy as a vehicle for mitigating any political objections which might arise when existence of the computer sale becomes public as it undoubtedly will. However, we believe that it is extremely unlikely that the French would accept such linkage since signature of the LTBT is a much larger issue than sale of a single computer. A linkage to the French position at the Nuclear Suppliers Conference is potentially of greater feasibility, although again there is probably not enough leverage in the sale of one computer to effect any significant change in the current French position at that Conference.

Sale or Use of US Plasma Generators for Testing of French Materials

The French have also indicated that they would like either to purchase or to use US plasma generators for French RV tests. While these

generators are not explicitly covered in the Presidential decision on missile cooperation (Tab A), they do fall within that guidance since the President authorized extension of assistance in the area of RV hardening to nuclear effect which is the purpose of the plasma generators. As a consequence we believe that DOD can be informed that French purchase or use of these generators falls within the scope of the approved Presidential guidance on missile cooperation. There remains the possibility, however, that sale of these generators may be subject to normal export regulations so that approval may be required through normal Commerce Department channels.

Cover Story for the Missile Cooperation Program

The French are continuing to express a strong interest in having a cover story for the talks on missile cooperation. This will be very difficult because of the association (strategic missile development) of the individuals involved in the discussions. The only idea that shows any potential feasibility is that, when necessary, these discussions could be described as an extension of the Currie-French discussions on tactical missile development. However, this is still a very thin disguise and we will continue to discuss this problem with the French.

Recommendation

That you authorize Scowcroft to sign the memo at Tab D approving the proposed agenda for the October meeting with the French on missile cooperation. (This approval would be withheld pending receipt of related information from DOD on their scenario for the cooperation program, how they plan to handle assistance in submarine survivability, and a legal analysis of the RV materials and component testing issue.)

That you authorize Scowcroft to sign the memorandum at Tab F approving the exposure of the French RV samples in the October test at the Nevada Test Site, on the condition that no information on the test is passed to the French.

That you authorize Scowcroft to inform DOD that sale or use of US plasma generators is permissible under the new guidance on missile cooperation with France.

That you sign the memo at Tab J requesting Presidential approval of the export of a single advanced computer to the French nuclear weapons program.

334. Telegram 59655 From the Department of State to the Embassy in France¹

Washington, March 11, 1976, 2032Z.

Subject: Pakistani nuclear facilities. Refs: State 38854, 40475. For Ambassador.

1. Please deliver following confidential letter from Secretary to Foreign Minister Sauvagnargues as soon as possible.

Quote. Dear Jean:

I am writing you on a matter of profound importance to our efforts to promote stability and deter the spread of nuclear explosive capabilities: The threat posed to those efforts by increased national access to sensitive nuclear technology—particularly chemical reprocessing facilities—especially in areas of conflict and instability.

I have been heartened by the progress we have made since our Presidents met in Martinique in 1974. The meetings of nuclear suppliers in London have succeeded in strengthening and expanding guidelines for nuclear safeguards and controls. We take very seriously their provisions for consultation, restraint in sensitive nuclear exports, and encouragement of multinational alternatives to such exports. We have applauded the active cooperation of France which has made possible the success of this effort.

I continue to believe, as I noted last September to the UN General Assembly, that the further spread under national control of reprocessing facilities will seriously aggravate the problem of nuclear proliferation. My concern is all the greater in the case of countries whose incentives to acquire nuclear weapons are substantial. This is why we welcomed Korea's decision to forego acquiring a national reprocessing plant, and why we deeply appreciated France's constructive stance

¹ Summary: The Department forwarded a letter from Kissinger to Sauvagnargues on the proposed sale of a French reprocessing plant to Pakistan.

Source: National Archives, RG 59, Central Foreign Policy Files, 1976. Secret; Immediate; Exdis. Sent immediate for information to Ottawa, Bonn, Islamabad, and Tehran. Drafted by Jan Kalicki in S/P; cleared by Passage, Ortiz, Bartholomew, Vest, EUR, NEA/PAB, OES, H, and EA (in substance); and approved by Sonnenfeldt. In his March 16 reply to Kissinger, Sauvagnargues argued that the proposed sale was in keeping with the principles that emerged from the 1975 London nuclear suppliers meetings and he thus saw "no reasons not to sign the requisite agreements on the scheduled dates—that is, this week." Sauvagnargues noted that France had kept the U.S. informed about its negotiations with Pakistan and that the U.S. had had almost a year to discuss the issue with Pakistan; moreover, France had actively contributed to the success of the London meetings. "This campaign against our nuclear exports," Sauvagnargues concluded, "seems to us tendentious." (Ibid., Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 9, POL 2 France)

which contributed so much to our efforts. We have made emphatically clear to the Korean Government that future U.S. cooperation should not hamper or replace its peaceful nuclear cooperation with France.

We are therefore at a juncture where we can move to consolidate a pattern of restraint in sensitive nuclear transfers while fostering effectively safeguarded cooperation in non-sensitive parts of the nuclear fuel cycle. It is in this context that we are asking France to join us in an act of leadership to deter or delay Pakistani acquisition of a national reprocessing capability and to pursue, when the need is clear, safer and more economic alternatives such as a multinational venture in the region.

In this connection, we have asked Pakistan to consider cancellation of present plans to acquire a reprocessing plant until its future nuclear program is sufficiently developed to establish clear need and until other alternatives have been more thoroughly explored. I expressed my personal concern about these plans to Prime Minister Bhutto. I must be frank in pointing out that compared to Korea, Pakistan is pursuing a much larger plutonium-production capability, for which it has no economic need but it does have considerable potential for being used either to counter India's nuclear capability or to try to obtain concessions for not doing so. We must also face the danger of contravention or abrogation of even the most effective safeguards agreement if a nation finds this to be in its national interest.

I believe that I understand the difficulties that my request may present to your government. While I would prefer that France participate with us in persuading Pakistan to cancel its facility, it would help our efforts with Prime Minister Bhutto if France could delay further actions on this transaction for a reasonable period of time. I believe that we can make no more enduring contribution to international stability than a decisive act to forestall further transfers of national reprocessing capabilities, particularly in circumstances where there is a substantial risk that they might be used for non-peaceful purposes. Warm regards, Henry A. Kissinger. Unquote. Signed original follows in pouch.

2. Ambassador should inform Elysee (Pierre-Brossolette) of U.S. démarche and underline to both Quai and Elysee seriousness with which USG views national reprocessing transactions (even under IAEA safeguards) to sensitive countries such as Pakistan, which has security incentives to match Indian nuclear capabilities and which lacks credible economic justification for acquiring complete nuclear fuel cycle.

3. Ambassador may note that Secretary Kissinger, in March 9 appearance before Senate Government Operations Committee, stressed importance USG attaches to supplier consultations on sensitive nuclear transactions and noted strong U.S. preference for restraint on such transactions, particularly in case of countries such as Pakistan, and U.S.

support for exploring regional multinational alternatives as needed. In context of emphasizing non-proliferation as a central U.S. policy objective, Secretary expressed common concern of administration and Congress on need to constrain spread of national reprocessing and other sensitive nuclear facilities, and confirmed U.S. policy of avoiding export of sensitive nuclear technology.

4. For Ottawa. Department intends to inform Canadian Embassy of Secretary's letter to Foreign Minister and to indicate that any supportive actions Canada might take would of course be welcomed.

Ingersoll

335. Memorandum of Conversation¹

Washington, March 29, 1976, 9:20–10:25 a.m.

PARTICIPANTS

President Ford

Dr. Henry A. Kissinger, Secretary of State

Donald Rumsfeld, Secretary of Defense

Brent Scowcroft, Assistant to the President for National Security Affairs

[Omitted here is discussion unrelated to U.S.-French relations.]

Rumsfeld: May I talk about France? Some time back we started talking to them about wartime LOCs. We now have an agreement ready to be signed. It is no big problem but it raises a major point. The U.S. military want the closest cooperation in case there is a war. That is understandable. But to the extent they have a free lunch, there is a disincentive for closer French cooperation with NATO. It puts arguments into the hands of the Gaullists—they get all the benefits and not the burden. It could be an incentive for others to want the same kind of arrangement. I think the Gaullists are in some trouble in France and I suspect that moving in this direction eases the pressure on them. I think we have to sign this, but I wonder if we shouldn't slow down and not let them have everything.

¹ Summary: Rumsfeld and Kissinger discussed LOC, NATO, and France.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 18. Secret; Nodis. The meeting took place in the Oval Office.

Kissinger: Giscard is very much a minority President. Mitterrand has been organizing very cleverly. If he came to power, he certainly wouldn't return to NATO. Chirac wouldn't either.

Rumsfeld: I would just say maybe we should slow down a bit.

Kissinger: I think we should do it case by case.

Rumsfeld: Orders to Defense in a crisis.

336. Memorandum From Secretary of Defense Rumsfeld to President Ford¹

Washington, May 13, 1976.

SUBJECT

Cooperation with France

Incident to the May 17th visit of President Giscard d'Estaing, it may be time to review our policies with respect to some sensitive programs of assistance to France. The major elements of those programs currently underway in accordance with national directives are: (1) Missile Engineering, (2) Vulnerability Assessment, (3) Testing of Reentry Vehicle Material, (4) Basic Knowledge of Material Behavior, (5) Nuclear Safety, and (6) Underground Testing.

The relationship of France to Western Europe and the NATO Alliance being of priority importance, the extent of our technical assistance in the future should be based on these considerations:

¹ Summary: Rumsfeld urged a review of the U.S.-French nuclear cooperation program.

Source: Ford Library, NSC Institutional Files (H-Files), Box 60, NSDM 299—Cooperation with France (2). Top Secret. Attached but not published is an undated paper on "Cooperation with France: Missile Assistance, Nuclear Safety, and Underground Testing." During a May 17 meeting with Ford and Scowcroft, Kissinger characterized Rumsfeld's memorandum as "a cover-your-ass operation. I think you should have the review—principals only—to protect yourself, but you are pretty well committed to the policy at Martinique." Ford replied, "I made my decision at that time and it is right." Scowcroft noted Rumsfeld's suggestion that Ford not tell Giscard "about the nuclear materials test pending the review." Ford responded, "No, I will go ahead on that. Then we can look at future cooperation with them in connection with leverage, etc." (Memorandum of conversation, May 17; *ibid.*, National Security Adviser, Memoranda of Conversation, Box 19) In a June 24 memorandum to Rumsfeld, Scowcroft agreed to an inter-agency review of U.S.-French nuclear cooperation; pending the review's completion and Presidential review, NSDM 299 and Ford's June 23, 1975 memorandum to Schlesinger would still apply. (*Ibid.*, NSC Institutional Files (H-Files), Box 60, NSDM 299—Cooperation with France (2))

- If it is in the best interests of a strong Alliance to have France move toward closer military cooperation, then restraint in providing US help may offer incentive for that movement.

- Visible assistance to France, an inactive member of the Atlantic Community, could prove to be a harmful example to other NATO members.

- Considering the technology transfer factor alone, the disadvantages of lessened control over sensitive technologies should be measured against the fact that the French, over time, can develop it themselves. Our assistance, if provided in a timely fashion, can save them up to three to five years, as well as considerable expense.

- The advisability of our aiding French nuclear capability may, in itself, be questionable particularly in view of ongoing arms control negotiations. The independent nature of the French strategy and their apparent reliance on a “trip-wire” strategy give rise to worrisome questions about initiation of nuclear conflict.

- Communist participation in future French governments, which is possible, would threaten the security of any information we might transfer.

- There may be aspects of cooperation with the French Government which contribute positively to our mutual defense efforts.

Pending completion of this policy review, it is our present intention to continue our approach to this cooperation in a deliberate manner with increased caution at a slow pace. Inasmuch as President Giscard d’Estaing may refer to these programs during his visit, a current status is attached. Of immediate interest, the issue of reentry vehicle material testing may be raised during the visit. Discussion of this issue could be deferred pending completion of the policy review.

Donald Rumsfeld

337. Memorandum From Secretary of State Kissinger to President Ford¹

Washington, undated.

SUBJECT

Control Data Corporation Request for Export License

The Control Data corporation has requested a license to export a CDC-7600 computer to France for use by the Division of Military Applications of the French Atomic Energy Commission for research and development in the field of nuclear weapons. This is a computer to which the GOF has attached very great practical and symbolic significance. A computer of such a large size for nuclear weapons work raises the question of denial under NSAM 294 (4/20/64).

The latter directive established a policy of not approving sales of equipment that would directly contribute to development of a strategic nuclear weapons capability that is not committed to NATO. However, while we would expect the CDC-7600 computer to be particularly useful to French nuclear warhead design and testing in an underground environment, the French nuclear weapons program is now sufficiently advanced to raise a serious question as to what would be accomplished by denying the Control Data case. As I see it, a denial would

- rebuff the French on a project of great importance to them in terms of enhancing their defense capabilities;

- deny them this highly important computer or force them to try to improvise by combining the capabilities of several less advanced US computers that they already have;

- risk a reversal of the trend toward a pattern of greater French military cooperation with us and toward limiting French nuclear testing to an underground environment;

- still not prevent them from further developing their nuclear forces, though it may slow that process somewhat.

For these reasons, I believe it would be desirable to approve the Control Data case as an exception to NSAM 294, while leaving the policy under the directive unchanged. At the same time, I recommend

¹ Summary: Kissinger discussed the request for a license to export the CDC-7600 computer to France.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 14, Unfiled material. Top Secret; Nodis. Kissinger did not initial the memorandum, which was forwarded to him under cover of an April 19 memorandum from Sonnenfeldt; a notation on Sonnenfeldt's memorandum indicates that Kissinger signed the memorandum to Ford on May 15. Ford did not indicate his preferences regarding Kissinger's recommendations; see, however, Document 338.

that you approve this export in principle, but that the approval be communicated following satisfactory discussions during the state visit of President Giscard d'Estaing (or at another opportunity as appropriate), after which the approval would be implemented through Commerce Department channels. This would enable us to highlight to Giscard our willingness to move forward in military cooperation as a reflection of the kind of bilateral relationship we would like to have with France, while expressing our desire for similar cooperation in related areas involving the Elysee and the French nuclear bureaucracy, such as civil nuclear export policy. For example, I believe that this forward movement could facilitate French cooperation in tightening up non-mandatory nuclear suppliers' guidelines governing sensitive nuclear transfers such as national reprocessing facilities.

The only difficulty with approval of the CDC computer is that IBM put us on notice last July that they were aware of Control Data's negotiations with the French and urged that all US manufacturers be treated equally. IBM had reference to the fact that in 1974, when the company sought guidance on whether to pursue French interest in an IBM computer for French Atomic Energy Commission weapons work, the US Government recommended that the company not pursue the discussion.

The IBM point could be covered if we informed them, following Giscard's state visit, that, while the policy has not changed, as a result of recent developments in our relations with France we will take a case-by-case approach to any future applications for advanced computers for use by the French CEA. IBM would then be free to resume discussions with the French if they have not definitely decided on the Control Data computer.

Recommendation:

That, subject to prior, satisfactory discussions during the state visit of President Giscard d'Estaing (or at another opportunity as appropriate), you direct an exception to be made to the NSAM 294 denial policy that would permit the approval of a Control Data advanced computer for use by the French Atomic Energy Commission, or of a comparable system by an alternative American supplier.

338. Memorandum of Conversation¹

Washington, May 17, 1976, 11:05 a.m.–1:00 p.m.

PARTICIPANTS

President Ford
 Valéry Giscard d'Estaing, President of the French Republic
 Dr. Henry A. Kissinger, Secretary of State
 Jean Sauvagnargues, Minister of Foreign Affairs
 Brent Scowcroft, Assistant to the President for National Security Affairs

SUBJECTS

European Communists; African Fund; Rambouillet II; Nuclear Non-proliferation

[During and after the press photo session, there was small talk about the President's campaign speaking.]

President Ford: We are delighted to have you here and I am delighted that you have brought Mrs. Giscard with you. I am especially looking forward to [the light and sound show at] Mt. Vernon. Mrs. Ford has long been an advocate of it and has wanted the Capitol to do it.

Kissinger: The most impressive one I have seen is a French one at the Temple of Karnak at Luxor.

President Giscard: I think this visit is an important one for emotional reasons. I think the reaffirmation of the spirit of liberty and democracy is especially significant now. We need to instill a sense of confidence in our people. Our press stories about this trip have been very good in this respect. There has in recent decades been a general neglect of thought given to these things. I hope we can help in this respect and help to promote understanding of present realities.

Take the problem of communism in Western Europe. People write of France and Italy as similar yet that is not at all true. Communism in Italy is and has been a large party and the threat is real. In France, it is about twenty percent; it is not a real threat, and it is declining if we proceed properly.

President Ford: We are now subject to the same misperceptions. My opponent is contributing to that misinterpretation with his

¹Summary: Ford, Giscard, and Kissinger, discussed European Communists, North-South relations, Africa, a follow-up to the November 1975 Economic Summit at Rambouillet, and nuclear issues.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 19. Secret; Sensitive. All brackets are in the original. The meeting took place in the Oval Office. Giscard made a state visit to the United States from May 17 to 20.

irresponsibility. [Some discussion of the campaigns, Republican and Democratic.]

The Democratic convention may be a brutal one, because Carter may not have a majority.

President Giscard: Your elections are interesting. Your campaigns are more to the right, so the left moves more to the center. The right refuses to move to the center, so the general tendency is a shift of the whole spectrum to the center-right.

Kissinger: And after the elections, the spectrum will move back left and we will have more trouble with the defense budget.

President Ford: We have had the best year ever on defense budgets.

President Giscard: What has happened in the past few months? You are being criticized for a lack of decision in foreign policy when that is what has been imposed on you.

President Ford: We put on a massive effort on the defense budget, and the political campaign has also helped.

Kissinger: It is interesting that in January Carter advocated a 5% cut. I think it is a combination of Angola, the intelligence investigation, Vietnam, and so on, with Angola being a crucial element.

President Ford: I think if Angola took place today we would have a different result. Congressional attitudes are changing. There is a better understanding developing. Our treaty with Spain is not encountering real difficulty. We are still having problems with the Greek-Turkish impasse over Cyprus. Overall support for NATO is healthier than for some time. I think that is a reflection of our relationships and our own bilateral relations with Germany and Great Britain. Italy is a problem.

President Giscard: The Christian Democrats may lose, because of their corruption. But the Church is active now for the first time and there are other factors, so it is hard to predict. Communists in government will create real problems in Europe. Schmidt publicly has been a little ambiguous on this.

Kissinger: I think it is because of what the Christian Democrats would say about a Socialist-Communist alliance. They would be attempting to turn it against the SPD for the election.

President Giscard: Yes. We have had discussions with the Germans. They have been giving advice to everyone about how to do things—because of their economic success. We sent word to them and Schmidt said he may have overdone it a bit because of the campaign.

If there are Communists in government in Italy, there will be problems in the economy. They will have to modify the structure of their economy. I think we should make our views known about the

risks and our concerns, but with respect for the Italians' right to free choice.

The Italians may have to take measures which will destroy the European Community. They will have to cut imports and we can't have them cutting imports and competing with us in the market. So there will be protectionist moves.

Kissinger: Would you say this before the election?

President Giscard: I have started saying it already, but not to influence the Italian vote. They are like the French and will vote for domestic reasons. I don't think we can affect the voters, but we should point out some of the consequences. What we say about the fact of Communist participation in NATO, is fairly obvious and is broadly perceived. There should be no objection to that.

Kissinger: If they come in, we will be under strong domestic pressure to get along. That would be a precedent for Spain, Portugal, etc. We would have to make some adjustments in our relations.

President Ford: The liberals will press, but the conservatives will support firm action.

Kissinger: The United States, over the long run, will not stay in Europe if several European powers bring Communists in.

President Giscard: Our attitude, I think, will be similar—no support. We should not look as if we were trying to crush the Italian Government, but find a line of no support. We will try to cooperate with Germany to stay on the same line. That will be difficult because of Brandt, who will be soft. Schmidt will thus be put in a difficult position. If, for example, we have another Rambouillet meeting and don't invite them.

President Ford: On the general issue of North-South relations, we approve your statement in Nairobi and your reception of Secretary Kissinger last week.

President Giscard: We were pleased with Secretary Kissinger's assessment of Africa. It is of course possible to do nothing, but people are expecting action and the Africans have felt "obliged" to ask for Soviet support. Most of them are not Communists and they would be gratified by large Western support for development. They get support but through such complicated channels that it has no political impact. Like the World Bank. What we should do is to join in a few countries in a Marshall Plan with a clear political commitment. It would not have an explicit political meaning so as not to divide Africa, but it would be apparent through the groupings. The problem will be the British. They have domestic problems and their attitude toward Africa is complex.

Kissinger: President Giscard has asked me to raise it with Crosland.

President Ford: We have been distressed at the scattered approach thus far. Joining, as you suggest, to cooperate together is far superior to doing it each on his own.

Kissinger: Have you had a response?

President Giscard: Yes, it is enthusiastic. The difficult point is the British. They are being a bit difficult, and upset because we didn't notify them in advance. The next issue is the matter of timing.

President Ford: Henry, you will see the British this week.

Kissinger: I would think if the President [Giscard] would call for a conference, it could be managed—perhaps July or early August. We need to get moving to show activity and retard the move toward radicalism there.

President Giscard: It is not enough just to coordinate over aid. We must have a special fund which can move quickly. I am thinking it must be about 2 billion a year or 1½ billion. Certainly more than ½ billion.

President Ford: Except for the right wing, the reaction to Henry's trip has been very positive.

Sauvagnargues: In the Marshall Plan, we had a committee including the recipients. That would look less patronizing.

Kissinger: Who would be invited?

President Giscard: The Francophone countries in the west, Kenya, Zambia, Zaire.

Kissinger: How about Nigeria? If we have just moderates and it succeeds, it will attract the others, whereas if we start out with the radicals they may try to scuttle it.

President Giscard: Nigeria doesn't belong to a group and doesn't really need the help.

Kissinger: Tanzania is a problem. He was a real help in restricting help to the Rhodesian rebels. But this is a detail we can work out. The concept is brilliant.

President Giscard: Perhaps we would have a preliminary conference in July. Then a joint conference of donors and recipients.

Kissinger: If it was an exploratory conference, you could select the participants without too much trouble. Given the situation in Africa, a certain speed is essential.

I have no fixed view on Tanzania. But if we could get Zambia as the representative of the confrontationists . . .

President Giscard: [Story about Nyerere.] We must have a device to keep some countries out.

Kissinger: Mozambique won't be a problem. Nigeria and Tanzania may be.

President Giscard: It is important to have countries who would be enthusiastic. It can be expanded later as the situation changes.

What are the topics you want to discuss tomorrow?

President Ford: One subject I want to bring up is on nuclear cooperation. [Describes the nuclear testing.]

Kissinger: But please don't approach the Pentagon until we give the word.

President Ford: I also wanted to tell you that the American reaction to Rambouillet I was highly positive. We discussed there the possibility of a follow-up meeting. As you know, George Shultz has taken soundings for another meeting in late June or July. There have been economic developments and many developments in Europe that we should discuss. I think it would be very helpful and I would hope for your support.

President Giscard: I have no objections in principle. I think we can discuss it in more detail tomorrow. I think it is important to have results if we have a meeting. It is not apparent to me what results we could announce. We can't have Italy the only subject. We could discuss the recovery which is underway, and measures against inflation. But I am not sure if those are dramatic enough for a meeting.

One other point is nuclear dissemination. I don't want France to discriminate against other countries yet. We are not interested in being the vehicle of nuclear dissemination.

The Shah has been at us on reprocessing plants.

Kissinger: The first thing is what you and the President believe. The second is what the Congress might do. And if, heaven forbid, Carter were to get in, there might be sharp changes if we have not before set out some guidelines.

President Ford: Let's discuss this more tomorrow. We could also discuss trade. As you know I have been under great domestic pressure. I said at Rambouillet I that I would resist, and I have. [He described shoes, steel, etc.] Any ideas you have I would welcome.

President Giscard: We should discuss Lebanon also.

Kissinger: There is one point there I want to make. We are afraid Frangieh is using your sending your special emissary as an excuse for not resigning.

President Giscard: That is not at all our intention. He is to see Sarkis. We will clarify this.

President Ford: One other point is on the computer you requested. We have an internal problem with IBM that we must sort out, but I have made the decision.

President Giscard: If we are asked about the treatment of the Concorde in the United States, I will say that it has been fairly handled.

339. Memorandum of Conversation¹

Washington, May 18, 1976, 10:15–11:49 a.m.

PARTICIPANTS

President Ford
President Valéry Giscard d'Estaing, President of the French Republic
Dr. Henry A. Kissinger, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Jean Sauvagnargues, Minister of Foreign Affairs
Amb. Kenneth Rush, U.S. Ambassador to France
Amb. Jacques Kosciusko-Morizet, French Ambassador to the United States

SUBJECTS

Rambouillet II; Lebanon; Djibouti; Nuclear Non-proliferation

[Omitted here is discussion of a follow-up to the November 1975 Economic Summit at Rambouillet.]

Giscard: [Omitted here is additional discussion of a follow-up to the November 1975 Economic Summit at Rambouillet.]

On Lebanon, our man is waiting to see Sarkis. We do not in any way support Frangieh. He is a foolish man who has done harm.

Sauvagnargues: Our Ambassador has gone two times to Frangieh to make that clear. There can be no doubt whatever.

Giscard: Perhaps we could have him go to Sarkis to try to accelerate the process.

The next issue is intervention. It is a question of sending a few thousand troops if we are asked by the Lebanese authority and if they would be useful. They would go only if Sarkis asked. We would have to avoid the impression of collusion among the US, Syria and France. We

¹ Summary: Ford, Giscard, Kissinger, and Sauvagnargues discussed a follow-up to the November 1975 Economic Summit at Rambouillet, Lebanon, Djibouti, and nuclear non-proliferation.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 19. Secret; Nodis. The meeting took place in the Oval Office. For the portion of the meeting dealing with a follow-up to the November 1975 Economic Summit at Rambouillet, see Document 138 in *Foreign Relations, 1969–1976*, vol. XXXI, Foreign Economic Policy, 1973–1976.

must remain in a more balanced position. We have some modest Iraqi support and some Egyptian support. We can keep this only if we demonstrate balance. So Gorse will go to Egypt and Iraq to maintain this contact.

Ford: What is the reaction of Assad to what you have in mind?

Giscard: At the beginning, they wanted a joint French-Syrian action. Now they are more reserved because they are afraid it might weaken the Syrian position. We would have to be careful about that.

Kissinger: We first thought it would be good to have the Syrians clean up on the left; we were then afraid that they would then clean up on the Christians.

One can conceive of your force in two ways: one is to limit the gains of any one faction there; or to be a stalking horse for the Syrians. The Syrians may want to match your force. Yours could leave sometime, with then Syria left in control. The Israelis are already suggesting there is a French-Syrian collusion to get massive Syrian troops into Lebanon.

Sauvagnargues: The force would be in Beirut and as a buffer to the South.

Kissinger: The Syrians would not be allowed to introduce matching forces? You would be, as I understand, partly protecting the left from the Syrians.

Sauvagnargues: It is to keep all forces separated.

Giscard: We need to talk to Sarkis and the Egyptians. We will let you know before we do anything. It will take several days.

Kissinger: It would be very helpful if we could get an explicit statement that this wouldn't import Syrian forces. Otherwise we would have Israel and the Jews all over us.

Ford: Would you discuss Djibouti?

Giscard: We are seeing a sort of peaceful invasion by the people of Somali and Ethiopia for whom it is a kind of paradise. We are being asked to avoid leaving the area, especially the port facilities, to the benefit of the Soviet Union.

We have a local government headed by a man called [omission is in the original]. We planned to make him the head of state, but the situation is getting out of hand. There is agitation against him led by the Somalis. Perhaps a coalition government is best. If that is not possible we could force the resignation of the present man. The Somali-supported forces would dominate and eventually it would be annexed.

Ford: Is it a viable state?

Giscard: No. There is nothing there. The other option would be to support the present government. There would be some violence then.

My preference is to give them the kind of government they want and just hold on to the naval base there. It would be irresponsible not to hold that.

Ford: One item I wanted to bring up again is the nuclear reprocessing issue. We would be willing to refuse reprocessing plants by all suppliers.

Giscard: France for years has wanted to develop its nuclear capability. When I came in I didn't know the situation. I do not want France to be the cause of nuclear proliferation. I resisted the sale of a plant to South Korea. If the question were open, I guess we would accept a ban on all reprocessing plants. The fact is we don't know the position of the other suppliers—especially Germany. It is curious to see the way the Brazilian deal was done. Even the normal controls were not accepted. There is not a very clear line between the reprocessing plants and institutes of research. Some of the research results in plutonium. I think we need to go more deeply into the problem. One may be as big a problem as the other.

The Shah seems to be making a big issue of his request. Iran says it doesn't intend to build a nuclear bomb. I presume they are sincere.

Kissinger: It is irrelevant what they now say.

Giscard: If they are building a number of nuclear plants, they do have a need for reprocessing. It is a difficult question here. And they say they have a German and a US offer.

Kissinger: No. Not from us. The German aspect could be. It is an option to build one if it appears needed over the next 10 years. We don't like that. We originally thought we could support regional plants. That looks more dubious now and we would prefer no plants at all.

Sauvagnargues: Is there a German offer of a reprocessing plant to Brazil?

Kissinger: No, not specifically.

Our common studies indicate that the sale of reprocessing plants should stop. And Congress may prevent us from providing enriched uranium in dealing with countries that are selling reprocessing plants. That would be a very bad situation—Congressional legislation against our allies.

Giscard: That wouldn't hurt us. We are self-sufficient.

Kissinger: It would be counterproductive; it would induce other countries to build enrichment facilities.

Giscard: Politically and for our own sake, I will study this issue. I have it under review now and I am not satisfied with the answers yet.

Kissinger: Could we have some bilateral discussion on it before putting it to the wider group—the difference between reprocessing and research institute?

Giscard: We should study the Iran case to see what kind of guarantee of supply we could give them.

Kissinger: Could we each designate someone so we are not competing with each other?

Giscard: The Iranian matter is a difficult one.

Kissinger: We have not agreed with Iran, but we think they are so confident they can get the plant in Europe that they are accepting whatever restrictions we ask.

Giscard: There is for the future the question of stopping the transfer of reprocessing plants.

340. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger

Washington, October 12, 1976.

[Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 4, France 1976. Secret; Sensitive. 2 pages not declassified.]

341. Memorandum From the Assistant Secretary of Defense for International Security Affairs (McAuliffe) to Secretary of Defense Rumsfeld¹

Washington, November 1, 1976.

SUBJECT

French Connection

(TS) The French complained to the NSC that DoD was being unresponsive to their requests to move forward on the nuclear cooperation

¹ Summary: McAuliffe discussed the review of the U.S.-French nuclear cooperation program.

Source: Washington National Records Center, OSD Files: FRC 330–78–0059, France 471.61, 1975. Top Secret. In a November 2 memorandum, Rumsfeld drew Scowcroft's attention to the fact the review was still pending; he also noted that DOD could not "proceed beyond the scope and deliberate pace which we are now following" until the review was complete. (Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 13, France—Nuclear Matters (6) (11/20/75–12/2/76)) No final version of the review was found.

program. Under NSC guidance, a DDR&E official subsequently visited Paris and in effect renewed the discussion which had been suspended following your request for a review of the entire program.

(TS) The French have now asked Cotter and Walsh to visit Paris to open discussions on Soviet capabilities to counter French nuclear forces—a subject of extreme importance to the French and great sensitivity to us. I think it is imperative that the review you requested be completed before we agree to open these talks.

(TS) The events of the past few weeks suggest that unless the review is undertaken DoD will not be consulted on policy decisions in this area, and options which DoD might favor will not be fully considered. Thus, as best as I can tell, the decision to resume discussions was made by the NSC alone and probably linked to non-proliferation issues. This is a vital area but the question remains—could we have demanded and obtained more from the French.

(TS) The initial aim of the cooperation program as presented by Embassy Paris in 1969–70 was to use French interest and need for support in the area as a lever to move France into a defense relationship with NATO and the U.S. which would not only lead to de facto reintegration of French forces into NATO but to even closer cooperation in the strategic field than existed before the French pull out.

(TS) As best I can construct it, the French have made the following moves since the introduction of the cooperation program which may or may not be related in whole or in part to the program:

- Settled FRELOC claim with U.S.

- Prepared contingency plans with SACEUR for wartime cooperation of French forces with NATO. (Giscard has publicly referred to these arrangements and Mery has publicly adjusted French strategy to take them into account.)

- Prepared contingency plans with U.S. for operation of a wartime LOC in France. (We have not, to the best of my knowledge, reached any agreements with the French on prepositioning of selected stocks or holding exercises designed to test the LOC arrangements.)

(TS) I have heard references to discussions between General Haig and General Mery on contingency planning for tactical nuclear weapons, but have not been able to verify these. I have heard no reference to any US-French discussion on contingency planning in the strategic nuclear field. Thus, to the best of my knowledge, nothing has been done in these areas, making them at one and the same time both the most logical quids for the cooperation program and the most glaring absences from a listing of French moves in our direction.

[7½ lines not declassified]

(TS) As noted above, the original concept of the cooperation program was designed in part to help us overcome these problems, recog-

nizing that sovereign nations will always retain ultimate rights in the area of self defense. The latest series of French requests open the way towards attaining this portion of those original goals.

(TS) In addition, we should complete the LOC planning to include French agreement to preposition such items as extra POL and compatible ammunition and spares at facilities which would be used by US forces and to arrange for squadron exchanges, port calls, etc. which would in effect allow us to exercise part of the LOC.

(TS) Hopefully the review will be completed before we respond to the latest French request. In any event, however, if we decide to continue the cooperation program, I strongly believe we should make our willingness to discuss Soviet capabilities against French nuclear forces and to provide further technical cooperation dependent upon a French willingness to broaden wartime contingency planning to include tactical and strategic nuclear plans. Moreover, I believe this can be made to appear a natural outcome of the cooperation program and not create any problems with French "sensibilities".

(TS) If you agree, I will ask Mike Glitman to ensure that these points find their way into the review conclusions and, if accepted, into any subsequent discussions with the French, including via direct participation where appropriate.

Eugene V. McAuliffe
Assistant Secretary of Defense

342. Memorandum of Conversation¹

Brussels, December 10, 1976, 8:20–9:30 a.m.

PARTICIPANTS

Louis deGuiringaud, Minister of Foreign Affairs of France
Francois deLaboulaye, Director, Political Affairs
Louis Andreani, Director, European Affairs
Gerard Errera, Technical Counselor, Ministry of Foreign Affairs

Dr. Henry A. Kissinger, Secretary of State
Helmut Sonnenfeldt, Counselor of the Department of State
Winston Lord, Director, Policy Planning Staff
Arthur A. Hartman, Assistant Secretary for European Affairs
Peter W. Rodman, NSC Staff (Notetaker)

SUBJECTS

Djibouti; Submarine Device; Non-proliferation

[Photos were taken of the Secretary and Foreign Minister. Then the party moved to the breakfast table.]

DeGuiringaud: You suggested we have this breakfast in order to discuss proliferation.

Kissinger: Yes.

DeGuiringaud: But I have one or two other subjects to put on the table, if you don't object.

Kissinger: No.

DeGuiringaud: One is the future of Djibouti about which we are concerned. The other is the submarine device about which we have talked.

Kissinger: Why not talk about these two first?

DeGuiringaud: Djibouti. You know we are in the process of giving independence to Djibouti, which we call the Territoire Français des Affars et Issas.

Kissinger: Reflecting all the French cultural, political and national qualities of the 19th century! How many call themselves Djiboutians?

¹ Summary: Kissinger and De Guiringaud discussed Djibouti, a submarine device, and nuclear non-proliferation.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Memcons, Dec. 1976. Secret; Sensitive. All brackets are in the original. The meeting took place in the Ambassador's Residence. An unknown hand wrote "no—the senior staff." in the margin beside Kissinger's statement: "The last time I spoke to Bhutto alone, but the maniacs [the press corps] on my plane asked me about the Symington amendment." Attached but not published are De Guiringaud's and Kissinger's remarks to the press.

DeLaboulaye: They call themselves Affars or Issas. That's the problem!

Kissinger: Will you keep troops there?

DeGuiringaud: It is not decided, but it is very likely that we will offer them to instruct their small defense and police force. They already accepted some. Should they accept some base, we have this in mind also. Something like 3–4,000 troops. It is not already decided, but we have it in mind with their agreement. But anything we do in this respect might be in danger from Somalia.

Kissinger: And Ethiopia.

DeGuiringaud: And Ethiopia. It is difficult to say what they will do if we leave a base.

I want to discuss it for two reasons, because Djibouti will need some substantial economic aid.

Kissinger: Why more now?

DeGuiringaud: No more. We are spending 15 billion francs.

Kissinger: It can't be \$2–3 billion.

Andreani: It must be old Francs.

DeLaboulaye: \$20–30 million.

Kissinger: That [\$2–3 billion] would be as much as we spend on Israel.

Sonnenfeldt: For 200–300,000 people.

DeGuiringaud: We are still spending a large amount of money for a few people, but we think it will be good to muster some international support. We already mentioned it to the Saudis and they are interested. We mention it to you because it would be a good example to set.

The most important argument is not an economic one but the threat from Somalia or an irresponsible move by Ethiopia.

Kissinger: No question.

DeGuiringaud: Somalia always had the thesis that all that area is Somaliland. There is danger that after independence. . . .

Kissinger: When is that?

DeGuiringaud: Between May and July.

Kissinger: I understand why you're doing it but of course it's an absurdity. The necessity for it is not self-evident.

DeGuiringaud: If you had not urged the idea of self-determination on others. . . . [Laughter]

Kissinger: You're probably right. And India would be better off. And wouldn't have the atomic bomb, which would make my friend Win Lord infinitely happy.

DeGuiringaud: If you could use your influence, if you still have any, in Addis Ababa.

Kissinger: That last remark is unnecessary. [Laughter]

DeGuiringaud: They have American equipment.

Kissinger: I'm a household word in Addis Ababa.

We have a difficult time knowing who's in charge. They refused Godley.

We have difficulty preventing them from using these arms against Eritrea. You're right, we have little influence. They are probably shifting to Soviet arms; there have been several Soviet missions there.

The only way to stop it is with a force on the ground, which we could support.

DeGuiringaud: But this is unpopular with other Africans who say why a foreign base is an independent state. Of course we have the argument because of the Soviet base in Somalia.

We could, however, urge the Soviets to exert restraint on Somalia.

Kissinger: I think a *démarche* with the Soviets would be useful.

DeGuiringaud: I have raised it with Gromyko in New York. Mr. de Courcel mentioned it in Moscow, with complete silence on the part of Moscow. The time is for a new statement in Moscow.

Kissinger: This should be coordinated with the new administration.

DeGuiringaud: Yes, this is one of the points I suggested you mention to the new administration when they make their new approach to the Russians—that they mention their interest, your interest, in the independence of Djibouti, and your fear that any irresponsible move in that part of the world could have irreparable consequences.

If the Russians could control Djibouti, they could control the Red Sea and threaten South Yemen, and the situation could move in an unwanted direction.

Kissinger: I agree. I personally think we have to talk to the Russians about all of Africa. I frankly think, as I said yesterday, they're partly responsible for the situation in the Rhodesian negotiation, by holding out the prospect of military victory. And they could certainly stop a Somali move.

I will talk to Mr. Vance about it.

DeGuiringaud: Your advice is we keep a base there.

Kissinger: My personal view, I have to say, may differ from the new administration.

DeGuiringaud: But we want your personal view.

Kissinger: My personal view is you should keep a base there. It would give everybody an excuse not to act. The Saudis would be relieved.

DeGuiringaud: Of course the Africans don't like it; the cost is great.

Kissinger: The Ethiopians might be glad you have a base there.

DeLaboulaye: We can't do it in the face of an African objection.

Kissinger: They don't object to what Guinea does for the Russians.

DeGuiringaud: The Russians have 2,000 men, 500 tanks and 200 planes.

Kissinger: My recommendation is you at least attempt to keep some troops there. Second, you should talk to the Russians. But talking to the Russians is nothing without some threats. So your talking to them alone is not enough. We would have to support it.

DeGuiringaud: To tell the Russians we would consider any Somali action is a breach of détente.

Kissinger: Exactly. I consider Soviet action in Africa very aggressive. There is nothing they can gain there; but they can do much to hurt us.

Submarine Device

DeGuiringaud: My second point is very short—that submarine device we talked about and the Law of the Sea negotiation.

There has been one round of talks but not a second.

Kissinger: What the hell? Why? If the French in October requested another round of discussions, why have they not taken place within two weeks?

Sonnenfeldt: It is not within our Department's jurisdiction.

Kissinger: It is too late now to do anything about it. I'm sure our Navy Department is not eager for these discussions to take place; I am sure I could overrule them. Why have they not taken place?

Sonnefeldt: It is a problem of getting a coordinated position.

Kissinger: There are two problems—information about results and information about equipment. You had asked us only about results.

DeGuiringaud: We asked you first about results and we had a conversation about equipment. Not all your secrets but something about the kind of research and the kind of equipment. Because we are also doing such research.

Kissinger: When governments reach a certain level of complexity, they have to spend half their time coordinating their own positions.

DeGuiringaud: In Paris too!

Kissinger: This arose because of the placement of equipment in certain areas. And you asked if we had anything off your coast and whether the Soviets did.

Sonnenfeldt: We said we had nothing on your Continental Shelf and the Soviets did not, and we will consult in the future if anything should arise.

DeGuiringaud: Can we say discussions on this between our experts can take place in January?

Kissinger: Yes, I will see to it personally. I can't guarantee about equipment, but further discussions about results.

DeGuiringaud: We respect your right to keep some secrets.

Non-Proliferation

DeGuiringaud: Well, you want to talk about proliferation. I am listening to you.

Kissinger: I want to talk about the Pakistan problem and the Brazil problem. The new Administration will almost certainly make a push on this issue. You can reserve your position for the new administration.

I talked with Genscher. I had the impression he was less certain about the Brazilian deal than before. It will depend on what pressures can be generated. We have also heard reports the Pakistanis may be having second thoughts, but we have not talked to them.

We are in agreement about the future. Isn't that right, Win?

Lord: Yes.

Kissinger: Of course, like in all these issues, at the precise moment we solve reprocessing, new technology will develop.

The Brazilians approached us in a funny way: Their Ambassador said that if we approached his President in a certain way, they might delay. The Foreign Office was a problem.

What is your view?

DeGuiringaud: Henry, first I would say I appreciate very much the talks we had on this subject in Washington. The way we have been doing it has been very helpful. Please convey the feeling of my President and myself of the appreciation for following my suggestion.

Kissinger: He did it at some price, because to announce his program earlier would have been better for him in the election. But from the foreign policy point of view. . . .

DeGuiringaud: From the foreign policy point of view and the non-proliferation point of view, it was helpful. It would have been harder for us to make the declaration after an American initiative.

Kissinger: You have kept your side of it.

DeGuiringaud: We also are concerned about reprocessing—if the deal were being discussed with Pakistan now, we would almost certainly not go ahead with it. But it is very hard to come back on our signature. We will certainly not take the initiative to go back on our signature.

We had the impression in Tehran in talks with the Shah that Bhutto might be willing to change his mind. So we raised it and the only result was that Bhutto reaffirmed it. He even went so far as to say his political future was at stake. But he gave no convincing economic reason.

Kissinger: There is no economic reason; he wants it for military reasons.

DeGuingaud: His Foreign Minister, Aziz Ahmed, came to Paris and discussed with our military and technology people. He discussed plans to build automobiles in Pakistan. He never mentioned once the reprocessing.

Kissinger: He says you're charging excessive prices for military equipment.

DeGuingaud: I don't know!

After he went back, an article appeared in the Pakistani paper associated with Bhutto that the French reaffirmed their desire for a reprocessing plant. I never uttered a word!

Kissinger: Great minds communicate without saying anything. [Laughter]

DeGuingaud: Our position remains as our President said—if the Pakistanis want an electrical plant, or more military equipment, we would do it.

Kissinger: As we told your President, if the Pakistanis wanted a generator instead of reprocessing, we would see that credits were available, so French industry would not suffer. But it's a problem of honor too.

DeGuingaud: It's credibility.

Kissinger: You would prefer not to go through with it but you don't want to go back on your signature.

DeGuingaud: There is a concern now that wasn't true before.

Kissinger: The same with the Germans. Although I have the impression they'd prefer to go through with it.

Would you want me to talk to the Pakistanis again?

DeGuingaud: Yes, if you do it quietly.

Kissinger: The last time I spoke to Bhutto alone, but the maniacs [the press corps] on my plane asked me about the Symington amendment.

I think Bhutto is saying he'll do it [cancel] if you do, knowing you won't do it. But I think you genuinely want to:

DeGuingaud: We want to get rid of it if the Pakistanis can take the initiative.

Kissinger: I will talk with the Pakistani Ambassador in Washington, who's an unusually able and intelligent man. Don't you think, Win?

Lord: Yes, definitely.

Sonnenfeldt: He's sympathetic too.

Kissinger: The problem is when do you start construction?

DeGuiringaud: The Pakistanis want us to start on the groundwork to show something is started. But the groundwork is something that can be converted easily to another kind of plant. So nothing related to this kind of plant has been done.

Kissinger: Maybe we can suggest they postpone construction rather than cancel it. I will try not to have it leak, so we avoid an incident like last summer.

I will try to get their agreement to delay it. We will promise some of the kind of military equipment they want. We can approve it on the administration side before January 20; we can't guarantee the Congressional side.

DeGuiringaud: The Pakistanis won't accept unless they know it is something that applies to everyone, including Brazil and Germany.

Kissinger: I've talked to Genscher. Now that I've talked to Genscher, we will talk to the Brazilians. We'll do it in a complicated way, to the Brazilian President through a semi-official person who will be authoritative.

The Germans may delay if you do. You have to be a quarter of a step ahead of them so they don't hide behind you.

Sonnenfeldt: They've done only a framework agreement.

DeLaboulaye: They're not ready yet.

DeGuiringaud: We don't want to do anymore. We're finished now.

Kissinger: I will send someone to Brazil and I'll talk to the Pakistani Ambassador next week. In Brazil it will be someone from the Inter-American Bank because we can't do it through the Foreign Office. But he will speak in an authoritative way.

DeGuiringaud: We would like to have talks on the experts level and on the political level on the new administration's approach to non-proliferation. We would like to know your view as soon as possible because we have to make our decisions. Our announcement of October 11 was a framework of principles, and we now have to implement them.

Kissinger: I can authorize talks for our administration. But they haven't appointed their people yet and I doubt if they are ready.

DeGuiringaud: I met Carter once or twice. In New York when he made his main speech on nonproliferation.

Kissinger: Yes, I know the speech.

When I saw Carter, I told him that whatever he does on nonproliferation he should do in closest cooperation with your President, that he not take unilateral steps, that if he would let you take the lead once in a while, it would be easier to implement. I explained why our statement was late; he wasn't heartbroken. [Laughter] He said he would be sensitive to your President's political necessities, if you and he were in basic agreement.

DeGuiringaud: My President and I are really concerned about proliferation. But we have certain political necessities.

Kissinger: When I saw him, he had no advisors of his own, so he seemed to be impressed by my arguments. I can't predict what will happen when the whole machinery is in place.

But I will raise it again.

Sonnenfeldt: You know the people.

DeGuiringaud: Brzezinski, Gardner.

Sonnenfeldt: They don't all feel the same way.

Kissinger: Some of the people will be the people of eight years ago whose attitude toward France we worked so hard to eradicate.

I think Carter will be substantially sympathetic.

Lord: For what it's worth, the experts in the administration will be sympathetic.

Kissinger: Yes, the experts they inherit will be sympathetic. Carter will be sympathetic. The question is the ones in between. I have no reason to think they won't be.

I'll let Kosciusko know.

DeGuiringaud: You have environmental concerns.

But it is important when a new step is being prepared that we have a chance to be in advance so we do not always appear to be following you.

Kissinger: I smile because occasionally we need to be able to be in advance.

DeLaboulaye: We also are concerned that there be free competition.

Kissinger: If we agree on the basic rules, there should be.

Lord: That's one of the basic rules in the President's position, that there be no unfair advantage for us.

DeLaboulaye: There is some organization, some competition. We lean to competition.

Kissinger: You're against organizing the market.

DeGuiringaud: We want competition in servicing the fuel cycle. But that's something we should be able to agree on.

Kissinger: I don't see any problem.

DeGuingaud: One other point. Because we are deprived of other sources of energy, we are going into nuclear energy for our energy needs. We will not be paralyzed, as you seem to be, in construction of new nuclear facilities. Therefore, we want to be able to construct reprocessing facilities in France for our own needs. So we may appear to your people to be more nuclear-minded than you.

Kissinger: We put into our position some restraint on our own reprocessing, in the kind of excess of Puritanism that seizes us every five years. In my personal opinion it's ridiculous. You're a nuclear power anyway. Win?

Lord: I see no problem for a nuclear state.

Kissinger: It's a sort of superclever idea, to show restraint in our own reprocessing.

Lord: It may be cheaper to do enrichment.

Kissinger: We do not object to your even reprocessing for other countries, as long as it's with adequate guarantees.

DeGuingaud: Yes.

Kissinger: Indeed, one of our arrangements with Iran is that we do the reprocessing for him.

DeGuingaud: The Shah told us he was not interested in reprocessing in his own country.

Kissinger: We had the same discussion with him.

DeGuingaud: One last thing. The Russian came to Mr. DeLaboulaye one day and expressed concern that we not sell reprocessing to the Shah. Which Mr. DeLaboulaye could assure him we're not doing. They did not mention the Pakistanis at all.

Kissinger: Very interesting.

DeLaboulaye: They brought a paper.

DeGuingaud: And they were so rude as to ask for a written answer, a written commitment that we would not sell reprocessing to Iran.

Kissinger: Wait until you sell one to China. [Laughter]

DeLaboulaye: And our Ambassador in Moscow mentioned to Gromyko that this was unusual to raise this.

Kissinger: That is very interesting.

I must see the Luxembourg Prime Minister.

DeGuingaud: Gaston.

Kissinger: I must see the Luxembourg Cabinet, in the person of Gaston. When I see him, I'm seeing four Ministers at once!

DeLaboulaye: Lucky man, he must find coordinating very easy!

[Secretary Kissinger and Minister DeGuingaud posed for questions and photographs with the press. Their remarks are attached.]

343. Telegram 10323 From the Department of State to the Embassy in France¹

Washington, January 17, 1977, 1844Z.

Paris for Gammon only. Subject: Letter to Foreign Minister.

1. Please transmit following confidential letter as soon as possible to Foreign Minister DeGuingaud.

2. Dear Louis:

I want you to know personally how much we welcomed your government's statement last month barring further reprocessing exports and emphasizing nuclear fuel supply and services. We indicated at the time that we view this as an important French contribution to worldwide nonproliferation efforts; I am convinced that our increasing cooperation in this field cannot fail to have a positive influence on the nuclear export policies of other states.

As was agreed in Brussels, we have contacted Prime Minister Bhutto, after reviewing this matter with the new administration, with a view to achieving indefinite deferral of his reprocessing project. We are speaking to him in terms of our concern about the implications of this project for our future bilateral relations, our belief that the costs will far outweigh any conceivable benefit in going ahead, and our conviction that a compromise on this problem is in Pakistan's own best interests. Mr. Bhutto understands, in particular, that our preference is for Pakistan to acquire nuclear reactors, fuel and perhaps a fuel fabrication plant from France, instead of the proposed reprocessing facility.

Prime Minister Bhutto's initial response suggests to me that he is coming to recognize both the force of these arguments and the potential benefits of deferral for Pakistan. He has intimated that he may be prepared to consider, on a very private basis, the kinds of arrangements

¹ Summary: The Department forwarded a letter from Kissinger to De Guiringaud concerning nuclear non-proliferation.

Source: National Archives, RG 59, Policy Planning Council, Policy Planning Staff, Director's Files (Winston Lord), 1969–1977, Entry 5027, Box 367, WL Sensitive/Non-China Jan '77. Secret; Cherokee; Immediate; Nodis. Drafted by Jan Kalicki in S/P and Leon Fuerth in C; cleared by Robinson, Lord, Sonnenfeldt, and Sebastian; and approved by Kissinger.

which might facilitate deferral, but has stressed that finalization and announcement would have to follow the national elections which he intends to schedule for this March. In any event, the arrangement would involve indefinite deferral and not abrogation of the contract.

The Shah of Iran has told us very recently that he has advised Mr. Bhutto not to proceed with reprocessing and to concentrate instead on strengthening his conventional military capabilities. We have discussed with both the Shah and the Prime Minister the possibility of Pakistani movement to an arrangement along the lines of Iran's own agreements with France and the FRG. Mr. Bhutto seems interested in the concept, but he considers that he faces a political imperative not to be seen to have taken the initiative in modifying the terms of the reprocessing sale. In this connection, a possibility which seemed to interest him was that in order to avoid explicit unilateral initiative on either side of the reprocessing issue, the agreement to defer could be characterized as a decision jointly arrived at by both parties to the contract, when the time came.

In view of the political pressures the Prime Minister must face until his elections, I believe it is necessary to respect his desire not to make public the increased possibility of deferring the reprocessing project. On the other hand, we are preparing to do what we can on a confidential basis to increase Pakistan's incentives to accept deferral.

As we proceed, I wish to assure you that we have very clearly in mind the considerations you raised during our meeting in Brussels, and that we would not desire to pursue any aspect of a final negotiating package which either side may consider unhelpful. In particular, the device of joint deferral may significantly facilitate a solution, and I would hope that you will give it sympathetic consideration. Meanwhile, of course, pending further negotiations with Pakistan, it is of great importance that France continue to avoid further movement on the reprocessing contract.

I can also confirm on a strictly confidential basis that we have contacted the Brazilians indirectly along the lines we discussed in Brussels. Based on their informal expressions of interest, we are now preparing to explore with Brazil and the FRG in official channels the parallel possibilities of deferral and alternative nuclear fuel services, based also on the principle of no commercial disadvantage for either party to the existing contract. I expect that both parties are clearly alert to the effects of possible change in the status of the Pakistani sale and are likely to be interested in exploring alternatives. In this process, I believe that successful resolution of the problem will involve our joint readiness not to derive commercial advantage from any alteration of the FRG commitment to Brazil. On the other hand, we might consider the possibility of guaranteeing nuclear fuel supply for the contracted reactors if this

would be helpful to the parties. This is clearly an aspect of the longer term potential for future fuel service cooperation which we should both discuss at an early date.

In closing, I can tell you that I have reiterated to the new administration my sense of the fundamental importance of close cooperation between our two countries in the security field. I believe it will share my view that the forward movement we are making in the non-proliferation field is important not only in its own right, but for the bearing it will be bound to have on our overall relationship.

With warm personal regards,

Sincerely, Henry A Kissinger

3. Signed original follows by pouch.

Kissinger

Italy, 1973–1976

344. Memorandum From the President's Assistant for National Security Affairs (Kissinger) for the President's Files¹

Washington, April 17, 1973.

SUBJECT

Meeting Between President Nixon and Prime Minister Andreotti

PARTICIPANTS

President Nixon
Henry A. Kissinger
Neil Seidenman, Interpreter

Prime Minister Giulio Andreotti
Ambassador Andrea Cagiati
Pallo Gesfulo, Interpreter

President Nixon told the Prime Minister that he was sorry this visit had been postponed, but that he was certainly in a position to understand some of the problems he had to face in the legislative area.

The President went on to say that he customarily conducted such meetings in an informal way, and that following this first meeting they would have the opportunity to continue their conversations at the White House dinner the same evening, and then again in their scheduled meeting the following morning. He added that it was a fortunate circumstance to be able to discuss matters as two nations that see the world in such a similar way, and not have to get into the sometimes bitter debates that occasionally arise with other countries.

Premier Andreotti thanked the President for his remarks, and expressed satisfaction with the informal approach the President had indicated. He concurred with the President in that these talks were further proof of the harmony in the two countries' policies. Over the years Italian governments have been formed under various types of majorities in Parliament, but when it came down to facts no majority ever opposed US-Italian friendship. To be sure, there was opposition

¹ Summary: The memorandum records a discussion among Nixon, Kissinger, and Andreotti on Italian politics.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 923, VIP Visits, Italy's PM Andreotti's Visit, April 17, 1973. Top Secret; Sensitive. The meeting took place in the Oval Office from 10:30 a.m. until noon. Andreotti paid an official visit to Washington from April 17 to 18; a record of Nixon's April 18 conversation with Andreotti, during which they discussed economics, Japan, Argentina, MBFR, and East-West relations, is *ibid*.

to it, and particularly on the part of the communists such opposition was strong. But the rest of the Parliament was of one voice in regard to this point. Even the Socialists, with all of their problems, and who are not part of the present government, were loyal in their position toward US-Italian relationships during the time that they (the PSI) were with the government coalition.

Premier Andreotti offered to give the President a résumé of the present political situation in Italy. Following World War II until 1960, Italy was governed by a coalition government, with the PSI, PCI, and MSI in opposition. The government's majority was not large, however there was not much serious discussion in favor of changing the majority formula. But following this period, it was decided to try working with the PSDI, associated with the Socialist International, in company with Brandt and other European Socialist parties, and with the PSI, under Nenni and De Martino, to form the Center-Left government coalition, which lasted from 1962 until last year's (1972) elections. Thus, the Center-Left spanned a period of ten years, under the leadership of Aldo Moro, whose premiership was the longest, and of Fanfani, Rumor, and Colombo. However, the relationships among the coalition parties failed to improve over time, and various frictions and contradictions began to arise. In the area of foreign policy, the PSI took a position of loyalty toward the Atlantic Alliance, although not entirely convinced of such a position, and particularly less so in regard to economic policies, as Italy's economic situation worsened. This gave rise to a reaction in the form of increasing strength on the part of the Neo-Fascist party (MSI), which became a matter of appreciable concern.

For these reasons, in 1972 it was decided to dissolve the Center-Left, and Prime Minister Andreotti was appointed to form a "monocolore" government, composed of an all Christian Democratic cabinet. The government did not get confidence in Parliament, but in the elections that followed the results were good. A new government was then formed under the DC with the PSDI and the Liberals (PLI), which had not participated in the government for ten years. With this cabinet, the government's majority in the Chamber of Deputies is small, and in the Senate it comes to only four or five, which means that the day-to-day working posture of the government in Parliament is weak. At the same time, the Premier stated that he was certain that until it becomes possible to bring about a change in the PSI's basic position, it will be better to have a majority that is small, than to have another Center-Left that will lack vitality. There are elements within the ranks of the PSI and also of the DC party who are concerned about the small working majority and therefore want a return to the Center-Left formula. The DC political congress is scheduled for June, 1973. But the Premier stated that, unless there is a substantial change on the part of

the PSI, they will not allow the PSI to come back into the government. The Premier concluded that he was concerned that, if a new Center-Left were formed without a thorough airing of the basic issues, a new crisis would soon ensue, which would in turn again strengthen the MSI—they have suffered losses recently—and deliver a trump to the hand of the communists, who could say that it was not possible to govern effectively without them.

The President remarked that, while he certainly did not wish to “interfere in Italian politics”, he could not fail to express his admiration for Premier Andreotti’s efforts, even with only a small majority, to have a government that stands for something, rather than accept having perhaps a larger majority, but which would lead to much compromise and really not stand for anything. He understood the Premier’s problems in government with such a small majority, but expressed his certainty that Premier Andreotti, as a leader and as an individual, is able to speak to his people more firmly, decisively, and unequivocally than any previous head of government. The President added that he wished him well.

Premier Andreotti thanked the President for his wishes. He then made reference to the correspondence between the President of Italy and President Nixon with regard to the Middle East.

[Omitted here is discussion of the Middle East, Nixon’s prospective trip to Europe, and the Atlantic Alliance.]

345. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, June 18, 1973.

SUBJECT

Andreotti's Resignation as Italian Prime Minister

On June 12, Prime Minister Giulio Andreotti submitted his resignation to President Leone. Leone has requested Andreotti and his Cabinet to remain in office in caretaker status and on June 14 will initiate the ritual round of presidential consultations aimed at designation of a new cabinet.

In view of its narrow majority, the survival of Andreotti's government for nearly a year was in many ways a tribute to his political skill and agility. Andreotti was also helped by the absence of a clear consensus in the Christian Democratic Party (DC) about alternatives to his government, and whether and how the DC should move back toward collaboration with the Socialists in a revival of center-left government which ruled Italy from 1962 to 1972.

The Christian Democrats reached a consensus in their five-day congress which ended on June 10 to move cautiously toward a new alliance with the Socialists. Their reasons for doing so reflected the increasing difficulties in parliament caused by the narrow majority of Andreotti's center government. The Congress' decision also reflected maneuvering on the part of former Prime Minister Fanfani who in order to reassert his leadership found it necessary to line up with his old rival Aldo Moro. Moro's price was restoration of the center-left.

It now seems likely that Fanfani will resume leadership of the DC (which he held 1954–1958) and there is considerable speculation that former Prime Minister Rumor will emerge as Andreotti's successor as Prime Minister.

¹ Summary: Kissinger discussed Andreotti's resignation as Prime Minister.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 756, Presidential Correspondence, (Italy) Prime Minister Andreotti, Colombo Successor (1972) (Feb 72–Jul 73) (1 of 1). Limited Official Use. Sent for information. A stamped notation on the memorandum indicates the President saw it. Nixon wrote at the top of the memorandum, "K, Personal Ltr to him from RN [Richard Nixon]." Sonnenfeldt sent Kissinger a draft letter from Nixon to Andreotti under cover of a July 10 memorandum; Kissinger wrote at the bottom of the memorandum, "This is a mistake. Unnecessary + would be misunderstood. Hold." (Ibid.) Andreotti was succeeded as Prime Minister by Rumor on July 4. In telegram 8289 from Rome, August 16, the Embassy discussed the new government's prospects. (National Archives, RG 59, Central Foreign Policy Files, 1973)

346. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon¹

Washington, May 6, 1974.

SUBJECT

Italian Divorce Referendum

On May 12, Italian voters will decide whether or not to uphold or abrogate a 1970 law that made divorce legal in Italy. The outcome of the referendum can be expected to have a major impact on Italian political developments.

The referendum campaign has driven a wedge between the Christian Democrats who are campaigning hard for cancellation of the law, and their coalition partners, the Socialists, Social Democrats and Republicans, who are urging retention of legalized divorce.

The split in the coalition over divorce comes at a time when the parties are already at loggerheads over economic issues. Prime Minister Rumor's coalition had been in office only eight months when it fell apart in early March over economic policy differences between the Socialists and the Republican Party. Rumor hurriedly patched together the current government, but the refusal of the Republicans to accept any cabinet posts indicates that the parties made no progress toward resolving their dispute over economic priorities. Rumor's coalition is widely regarded as a stopgap affair contrived to get the country through the divorce referendum.

The Communist Stake. Communist leader Enrico Berlinguer had been pushing since October for an "historic compromise" between his party and the Christian Democrats—a clear bid for admission to the national government. Berlinguer thus tried to get Christian Democratic leader Amintore Fanfani to go along with a plan to cancel the referendum in order to avoid an open battle between the two parties. Fanfani's refusal to cooperate, however, gave substance to the concerns of more

¹ Summary: Kissinger discussed the upcoming Italian divorce referendum.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 696, Country Files, Europe, Italy, Vol. V, Jan 74–. Secret; Sensitive. Sent for information. Scowcroft initialed the memorandum on Kissinger's behalf. A stamped notation on the memorandum indicates the President saw it. On May 12, a majority of Italians voted to maintain the divorce law. On May 27, Leone told Volpe "that he had wanted to avoid the referendum and that it had not turned out the way he wanted it. He stressed to me the need for DC party unity. This is no time for squabbling and the party cannot afford internal battles. It was clear however that the economic situation is the problem he finds most worrying." (Telegram 7280 from Rome, May 28; *ibid.*)

militant Communists who doubt the wisdom of Berlinguer's search for a *modus vivendi* with the Christian Democrats.

It is unlikely that even a major Communist victory in the referendum would lead to their immediate participation in the government. More probable alternatives include: a) an all-Christian Democratic caretaker government to preside until the dust settles; b) the eventual reforming of the center-left coalition (both the Christian Democrats and Socialists have stressed during the divorce campaign their desire to continue governmental collaboration); c) the outside possibility of a "technocratic" government designed to deal with the country's severe economic problems.

Elements of the Italian military are probably concerned over the potential for increased Communist influence but are not now proceeding with any concrete plans for action. This might change, however, if it appeared that the Communists were on the verge of winning a major government role in the immediate future.

347. Briefing Memorandum From the Assistant Secretary of State-Designate for Economic and Business Affairs (Enders) to Secretary of State Kissinger¹

Washington, June 8, 1974.

Italy's Financial Difficulties; Gold; Eurodollar Shakiness

1. Italy's Financial Difficulties

Italy's balance-of-payment deficit is running at an annual rate of \$10 billion. Having borrowed heavily for more than a year from the Eurodollar market, Italy's credit is rapidly worsening. Unless a package

¹ Summary: Enders discussed Italy's financial difficulties.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Germany 1974. Confidential; Exdis. Concurred in by Sonnenfeldt. Enders did not initial the memorandum. Under cover of a June 7 memorandum, Sonnenfeldt forwarded to Kissinger a letter in which Schmidt urged the need to mobilize EC gold reserves and for Kissinger "to weigh in with Simon on the political necessity of the 'gold solution.'" (Ibid.) On June 11, G–10 Finance Ministers and central bankers meeting in Washington agreed that a country could borrow against its gold reserves valued at a price determined by itself and the lending country, that is, above the official price of gold, which remained \$42.22 per ounce. See *Foreign Relations*, 1969–1976, vol. XXXI, Foreign Economic Policy, 1973–1976, Document 69.

of internal and external stabilization measures can be put together shortly, there is a risk of a financial collapse.

The payments deficit stems from uncontrolled deficit financing and exorbitant domestic wage increases; it is aggravated by high energy prices; the decay of confidence in Italy's economic and political future is playing an increasing role. Financial Minister Colombo is in Washington June 10 for a round of talks with US and foreign finance ministers and bankers. Simon, Burns and I have a working dinner with him Monday night.

To succeed, a stabilization package must include not only large scale new credit, but some further devaluation, and above all action to increase revenues and reduce the budget deficit.

So far the Europeans have taken little lead to organize assistance for the Italians; they must be encouraged to do so now. Available sources of finance are: the new IMF oil facility to be established at the C-20 meeting (perhaps \$900 million), a major medium term bilateral loan from Germany (perhaps a billion dollars), new borrowings on the Eurodollar market with EC guarantees (\$2 to \$3 billion), additional help from the Belgians, Dutch, Swiss drawings on existing \$3 billion Federal Reserve swap rolled over so as to constitute medium term assistance. If necessary, Italy could under our new gold proposal use its gold as collateral for new bilateral loans at prices somewhere between the official return and the present market.

Action by Italy this week to devalue the "green lira" (accounting currency used for intra-EC agricultural trade) discriminates against us and will have to be offset as we participate in a rescue operation.

2. *Gold*

Our new position on gold was put to the Germans, French, and Dutch (latter as the conduit to the EC) on June 4 at Under Secretary level.

On June 6, the EC finance ministers met, noted US position is evolving, and decided not to take up gold formally at the June 12–13 C-20 meeting in Washington.

Our position envisages gold collateral loans at market-related prices which could be used to provide immediate relief for Italy. We thus cannot be accused of being in a position of obstructing the solution to the Italian problem.

France is not sending a Minister to the C-20 meeting (there is a conflict with the first French Government Cabinet meeting on combating inflation). Simon and Burns will discuss our gold proposal with the Germans and British, and possibly in a larger group if reaction is favorable.

3. *Worries over the Eurodollar Market*

Rumors about the insolvency of large US and foreign banks operating in the Eurodollar market continue to be common.

The problem is this: The great bulk of new Arab money continues to be deposited at site or very short term (a few days). The deposits are in very large amounts, and are volatile. As is customary in the Eurodollar market, these funds are relent at terms running up to five to ten years.

In normal times the fairly predictable pattern of Eurodollar deposits, and the banks' own capital, enable them to act as financial intermediaries, borrowing very short and lending medium to long. But bank capital is not great (maybe 8% of deposits for the best American banks, but 2% for some of the European banks active in the Eurodollar market, and as little as 1% for the Japanese banks) and the volatility of the new Arab oil deposits is posing an increasing strain.

The fact that there is no government lender of last resort for the Eurodollar market, as there is in the Federal Reserve system, aggravates the problem.

Adjustments needed are:

- Eurobankers must discourage short term high turnover Arab deposits by offering a lower interest rate (this is already happening on a wide scale);

- Eurobankers must return to more conservative bank practices, in particular increasing the ratio of capital to deposits (a concerted effort by US, European, and Japanese central banks is in order here);

- Central bankers must make clear that they will stand behind the major US, European and Japanese banks that operate in the Eurodollar market, provided these institutions also make clear that they stand behind their Eurodollar operations and affiliates (a larger effort among central bankers is required here).

As always in the banking area informal talks may be superior to formal meetings. Burns is the key, and we are trying to make sure of using the C-20 meeting to the fullest for the purposes outlined above.

348. Telegram 8866 From the Embassy in Italy to the Department of State¹

Rome, June 26, 1974, 1701Z.

8866. Subject: Italy: Political and Economic Trends. Ref: Rome 4065.

1. Summary: Italian political and economic balances are markedly more fragile following the bitterly contested divorce referendum, the regional elections in Sardinia, and the hard-bargained economic accords which have permitted the 5th Rumor government to continue. Although Italian production levels and employment are high, and business is profitable, there are questions as to whether the agreed economic stabilization package will be effective and sufficient. The future of the present government will depend largely upon economic performance between now and autumn. Particularly significant, in the expected governmental review of the situation at the summer's end, will be the shaken confidence of the DC and the weakened position of Fanfani, the DC leader, as well as the more aggressive position of the Socialists, riding high on the wave of the pro-divorce win and PSI gains in the Sardinian elections. In foreign affairs the Embassy sees some lessening of U.S. problems with Italy in multilateral fora, but a likelihood that difficulties relating to the home porting of the submarine tender at La Maddelena will continue.

End summary.

2. Economic. The overriding question now before the country is whether the economic stabilization package agreed between the coalition parties June 18 will be effective. There are two major elements to be considered:

A. Whether the program as framed is sufficiently rigorous to moderate inflation (now around 20 percent on an annual basis) and eventually reduce the massive and unsustainable balance of payments deficit. No clear answer is available at this point: conservative elements tend

¹ Summary: The Embassy reported on Italian political and economic trends.

Source: National Archives, RG 59, Central Foreign Policy Files, 1974. Confidential. Sent for information to Ankara, Athens, Bern, Bonn, Brussels, Canberra, Copenhagen, Dublin, The Hague, Helsinki, Lisbon, London, Luxembourg, Madrid, Oslo, Ottawa, Paris, Reykjavik, Stockholm, Tokyo, Vienna, Wellington, the Mission to the EC, and the Mission in Geneva. In backchannel message 246 to Scowcroft, June 20, Volpe urged an early visit by Kissinger to Rome to demonstrate U.S. "moral and political" support for the Christian Democrats. (Ibid., Nixon Presidential Materials, NSC Files, Box 425, Backchannel, Backchannel Messages, Europe, Vol. II 1974 (2 of 2)) On June 26, while in Brussels to attend a NAC meeting, Nixon met with Rumor, discussing with him the Italian political situation, CSCE, and the Western Alliance. (Memorandum of conversation, June 26; *ibid.*, Box 1029, Presidential/HAK Memoranda of Conversation, Memcons, 1 June 1974–(Aug. 8, 1974) HAK + Presidential (2 of 3))

to describe the program as too lax, while the left believes it will reduce worker consumption too much without halting inflation. One missing element is whether and to what extent the lira will be allowed to depreciate. A depreciation of the order of 10 percent is probably necessary for a workable program, but will be politically unpopular, particularly with the left, and will quickly be translated into a general increase in price.

B. Whether it can be implemented. Although the parties have agreed on the program, and some union leadership is committed to accept it, it is uncertain, particularly if inflation continues at present rates, whether the unions as a whole and especially the union rank and file will do so. Pressures for government spending—to rescue bankrupt municipalities and the hospital system, for example—will be enormous. There are doubts that the government will be resolute enough to reach its revenue targets, while the requirements for and availability of transitional foreign assistance are still an unexplored factor.

Thus while agreement on the program was an essential step to avoid economic collapse (with consequences for Italy's major economic partners as well as Italy) and is a positive element, many questions remain. Confidence has not yet been restored.

3. On the other hand, inflation aside, Italy is prosperous and growing. Production is at record levels in most industrial sectors, employment is high and business is profitable. If the stabilization program succeeds in maintaining this high level of economic activity and putting it on a sustainable basis, Italy should show good growth—perhaps 5 percent in 1974—with reasonable prospects for continuation in 1975. The gradual reduction in world raw material prices now under way will help, just as the sharp increases in 1973 were severely damaging. The energy deficit will remain a most difficult problem and Italy will need international assistance to finance it.

4. Labor: The federation CGIL, CISL, UIL (CCU) is taking a cautious attitude toward the new government economic accords. Labor fears that major increases in unemployment will result from the measures being instituted. The confederations must feel their way, recognizing that they may continue to experience difficulty in controlling the truculence of their constituent unions, particularly those in the metal trades.

In other labor areas, however, developments have been more clear. These developments are:

A. The unification trend has been slowed, though not reversed, as a result of political divisions induced by the divorce referendum and the instability of the center-left coalition, and by the brief CGIL campaign, now abated, to gain a share of governmental power for the PCI.

This has led to some second thoughts at CISL, and has given rise to increased internal strains in the UIL.

B. Collective contracts have developed a pattern of incorporating commitments for social ends, such as investments in the south.

C. Additionally, there is a trend toward demanding and receiving flat sum wage increases identical for all, with the consequent tendency toward a lessening of the differences in the income of differing job categories.

5. Political—Internal and foreign affairs: During the second calendar quarter, the divorce referendum and the critical need for economic restraints created exceptional strains within the coalition. The result has been to increase the trend toward erosion of confidence and compactness within the governing majority. The coalition has been pasted together sufficiently to last, with only a modicum of good luck, through the summer, but its future success will depend very much on the economic questions still unresolved.

6. Contrary to the expectations of most, the divorce referendum showed a 3 to 2 margin in favor of divorce. This outcome, and the size of the pro-divorce win, were both a surprise and a blow to DC leader Fanfani and the party. In consequence, ferment, insecurity, and criticism of Fanfani are growing within the party, but given Fanfani's resilience, he cannot be counted out. DC problems are aggravated by the fact that the Socialists (PSI) were greatly stimulated by the pro-divorce win, and have taken a stance based on the assumption that the referendum results indicate a new basic balance of political forces within the country. The PSI view was reinforced by the results of the recent Sardinian regional elections, in which the PSI was a big winner while the DC suffered significant losses. Socialist bargaining in the intra-governmental negotiation of the credit and fiscal policy agreement of June 18 was without doubt tougher as a result of these two electoral tests. Moreover, it is no secret that the Socialists intend to up their price for participation in the government at the first convenient occasion. The PSI intends to push for one or more of the important ministries previously denied them. These include: Defense, Interior, and Treasury.

7. Both the referendum and the very limited sampling of the electorate involved in the Sardinian regional elections flagged a trend in Italy even more important than the immediate effects on the DC, the PSI, and their cooperation in the current coalition. The referendum result, and its confirmation in Sardinia, indicated clearly that the long term trend in Italy has been away from traditional party loyalties and toward political judgements based on the merits of the issues at hand. Common assumptions have generally held that the Italian people nurtured growing ambitions to become a fully modern 20th century nation, but these assumptions were kept in question before the referendum

by the tenacity with which the electorate has clung to its traditional parties and responded to traditional appeals. There is a feeling in the land that all this is changed, and that the political class will have to assume the electorate to be a progressive and awakened body politic which will support political leaders in accordance with what they do rather than in accordance with party or church loyalty.

8. On the external side, circumstances have somewhat slowed the growth of problems between Italy and the United States. The gentlemen's agreement on US/EC relations, the signing of the new Atlantic document, the long steps toward peace in the Mid-East and the consequently more favorable climate for EC-Arab initiatives, the withdrawal of U.S. objections to the Italian initiative for a separate Mediterranean declaration in CSCE, and finally, a certain mellowing of the Italian hard line on Basket III have all helped push into the background any question of possible incompatibility between Italy's commitments to the EC and to close Atlantic relations.

9. At the same time the weakness of the government and its growing sensitivity to pressures from the left may presage continuing difficulties for our home porting operations in La Maddalena. These pressures could conceivably also adversely affect our military activities elsewhere in Italy.

While we see no problems on the horizon now that we cannot manage, we note the combination of circumstances, including economic pressures on the defense budget, which seem to flow in a direction compatible with left-wing ambitions for an Italy somewhat less committed to the NATO, EC, and Atlantic ties.

10. Conclusions: Without doubt the diminished cohesion of the governing parties initially, the continuing seriousness of the economic situation, and the increased pressures on Italian institutions to provide security, law and order, reforms, and material well-being, converging as they do at this time, create a more fragile situation which magnifies the importance of the built-in frictions and inefficiencies of the Italian system to which we have long been accustomed. There is a growing acceptance of the need for change, but little evidence that Italian institutions as they are structured will be able to adapt to the conclusions which are being drawn. We accept the assessment made *inter-alia* by Republican leader Ugo La Malfa, that the present paste-together of the coalition, and the economic accords which permitted it, will inevitably be ripe for critical review by the summer's end.

Volpe

349. National Intelligence Estimate 24–1–74¹

Washington, July 18, 1974.

**PROSPECTS FOR AND CONSEQUENCES OF INCREASED
COMMUNIST INFLUENCE IN ITALIAN POLITICS****PRINCIPAL CONCLUSIONS**

Throughout the postwar era, the Italian political system has shown an ability to weather a succession of seemingly mortal crises. Moreover, it has done so without the direct participation of the country's second largest political party—the Italian Communist Party (PCI)—since 1947. Over the years, however, the Communist Party has acquired considerable influence in local governments. In addition, it has had an impact on national-level policymaking through its performance in parliament and through carefully-nurtured but informal consultative relationships with the governing parties. In recent months, the Communists have stepped up their campaign for a larger and more direct PCI role in the governing process and have drawn attention to this effort with a new slogan—the “historic compromise.” The idea behind the slogan—a *modus vivendi* with the dominant Christian Democratic Party—is an old one that has influenced many of the party's tactical maneuvers since the end of World War II. This paper examines the factors that are working in favor of a more direct Communist role in the national government, the obstacles to it, and the forms it might take. It also considers the consequences for Rome's relations with the EC, NATO, and the US should the PCI succeed. The principal conclusions are:

A. Communist influence in Italy is on the increase. Communist strategy has gone far toward achieving the Party's acceptance as a legitimate organization, qualified to take a place eventually in a national government coalition.

B. Communist chances for attaining this objective have been improved by the deteriorating economy, the general decline in anti-Communist sentiment, the growing difficulty of governing Italy with the previous formulas, and the international climate of détente.

C. The governing parties continue to resist the idea of PCI participation in the government, and some in the PCI oppose any partnership

¹ Summary: The estimate assessed prospects for and consequences of increased Communist influence in Italian politics.

Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1313, NSC Secretariat—Richard M. Nixon Cables/Contingency Plans 1974, Italy Contingency Plan. Secret; [handling restriction not declassified].

with the Christian Democrats. The PCI does not appear prepared to accept actual membership in a governing coalition at this time. Nevertheless, some leaders of the Christian Democratic and Socialist Parties no longer rule out an eventual deal with the PCI even though they do not yet feel compelled to come to terms with the Communists.

D. An abortive coup attempt from the right or an economic collapse are the circumstances most likely to force the Christian Democrats into an immediate accommodation with the Communists.

E. Short of such contingencies, the PCI will continue to apply pressure for a gradually increasing role in the national government—the “historic compromise” strategy. In this process, the PCI will seek to use as leverage its influence with labor to attain such objectives as formalized consultations between the Communists and the governing parties, ad hoc Communist support in parliament for the governing coalition, and an increase in collaboration between the Communists and governing parties in local governments. This process could take years.

F. Once in the coalition, the PCI would not be likely immediately to demand sweeping changes in the constitutional order. The Communists would avoid pushing for radical solutions to Italy’s domestic problems, at least initially, and would concentrate on consolidating a position in the government.

G. All agree that Communist entry into the Italian government would be bad for NATO: The PCI would seek to prevent any increase in the US or NATO presence in Italy. It would try to discredit the US military presence, to put restrictions on the use of NATO facilities, pose obstacles for NATO activities involving Italian armed forces, and promote petty harassments of US facilities based on legal and other technicalities. PCI membership in government also would pose difficult security problems for Italy’s participation in NATO and complicate or jeopardize privileged information exchange programs and, at least in present circumstances of “*détente*”, make it even harder for other allied governments to maintain public support for defense spending.

—The Director of Central Intelligence, State/INR, NSA, and most elements of the CIA believe that the degree of PCI success in these efforts would depend on the relative strength of the Christian Democratic Party, and thus the terms of any CD–PCI agreement. They further believe that the PCI itself would not soon risk its role in government by pressing for radical formal changes in Italy’s foreign alignments.

—The DIA, Army, Navy, Air Force, and some elements of the CIA disagree. They believe the PCI would go beyond the actions outlined above to agitate for the removal of existing US bases and, once it succeeded in strengthening its position, would move to withdraw Italy from the alliance altogether. They further believe PCI entry into government would have very serious repercussions on defense preparedness

and unity throughout NATO, and call into question the alliance's ability to react quickly and effectively to any Warsaw Pact military actions against NATO or any individual NATO member.

[Omitted here is the remainder of the 21-page estimate.]

350. Memorandum of Conversation¹

Washington, September 25, 1974, 11:30 a.m.

PARTICIPANTS

Giovanni Leone, President of Italy

Aldo Moro, Minister of Foreign Affairs

President Gerald R. Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

Leone: I would like to reiterate my gratitude for your kind invitation to visit. There is the importance of this visit as a first contact. I want to assure you of my interest in building better relations with the United States.

President: We treasure our ties with the Italian people and want to expand them. There are millions of Americans with Italian ancestry. We are anxious to build on this already warm relationship.

Leone: On the aircraft, the press asked me how we approach our dialogue with the United States. As we are both lawyers, we approach

¹ Summary: Ford, Kissinger, and Leone discussed the Italian political and economic situation.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 6. Secret. All brackets are in the original. The meeting took place in the Oval Office, began at 11:40 a.m., and ended at 1:02 p.m. (Ibid., White House Central Files, President's Daily Diary) Leone was in Washington on a State visit from September 25 to 27. On September 25, Kissinger told Ford: "One thing they must hear from you—tough—is that any Communists in government would change our relationship." Kissinger added, "The problem with Italy is that with Communists in government—they would be competent—it would make them irresistible in France, isolate Germany, give Papandreos an opening in Greece. The Socialists never would have gained power in Germany if that nice idiot hadn't taken them into a coalition. That makes them respectable. The same would happen in Italy." (Memorandum of conversation, September 25; *ibid.*, National Security Adviser, Memoranda of Conversation, Box 6) Ford, Kissinger, Leone, and Moro met again on September 26. (Memorandum of conversation, September 26; *ibid.*)

it as defending the same cause. I would like to talk how ever you would like. We can discuss European and world problems, or I will tell you the Italian scene.

[The press was admitted briefly for photos.]

President: How long were you in Parliament?

Leone: I was in the Constitutional Assembly in 1946. During the last term I was a lifetime Senator—an honorary title that is given to only five people.

President: I was in Congress for 25 years.

[Kissinger and Moro come in.]

President: While chatting before the press, President Leone asked if I wanted his appraisal of the Italian scene. I was about to ask him to give us his views of the situation in Italy and the Mediterranean.

Leone: The situation, Mr. President, is as I discussed with Dr. Kissinger at our meeting in Rome last July, despite Cyprus. There has been the development that Southern Europe is revealed as the soft underbelly of Europe. There is concern over all the South European countries. Portugal, for example, fears a right-wing or a left-wing dictatorship; Spain has Franco. In France the socialists missed only by a hair. In Greece we got an appeal from the military to get the U.S. to get Turkey to make some step which will unblock the situation. They fear the left in Greece. I forgot Yugoslavia—there are many problems there. What will happen when “our friend” Tito goes?

President: I wondered if you would mention Yugoslavia, because of Tito’s age and what might happen when he leaves office.

Leone: Yugoslavia is a problem of universal concern which affects the national Communists in many countries. Yugoslavia consists of many nationalities with conflict among each other and who are held together only by Tito, and his passing can have a real threat to security in the Mediterranean.

President: Italy’s participation in the security of this area of Europe is essential. I hope we can strengthen this in this vital area about which we are concerned.

Leone: What you said is very true. I left Italy to the end, and I will be brief—though perhaps more eloquent. Many confuse the instability of our governments with political stability. That is not so. In fact, since 1946 we have been stable with a constant foreign policy. We have had centrist governments or center-left governments. One other illusion is that we will be having talks with the Communists. All the center parties are against it. Even the Communists are, although they say otherwise. So we have been very stable and I would say there is no possibility of an opening to the left.

Kissinger: Moro is Secretary General of the Christian Democrats and he gave me a lesson in politics. I will never oppose him.

Leone: Italy in foreign policy has always been loyal to NATO. We deplored the French departure, and in a visit to France I urged Pompidou to return. We have never opposed the U.S. in Europe and have always supported the United States.

President: Your observations are very important to us. We have the view that the stability of Italy depends on the Communists not participating. If NATO is to be strong, we can't have the Communists participating in the political life of any member. It is reassuring to hear that the center and center-left won't take to the Communists. We laud your past exclusion of them and think it vital they continue to be excluded from your government as such.

Leone: This picture I painted applies to the present and I hope to the future. But we have to be realistic. We favor détente and appreciate the American role in achieving it, but there is a price, which is a slackening of democratic ideals and an increase in attacks on those ideals. When all the U.S.-Soviet meetings go on it is hard for us and others to say the Reds are the enemies of democracy. I will be candid: In your talks with the Soviet Union, is there no success in making the Soviet Union make a gesture toward détente? Can't the Soviet Union instruct the national parties to desist and not go on the attack to destroy the status quo? We made every effort with Mintoff to keep Libya and the Soviet Union out of Malta. We think the U.S. could tell the Soviet Union to respect the status quo in Europe, because we are paying a stiff price. The things I used to say about the Communists just aren't accepted now.

President: We face the same problem. We think movement in the broad areas is beneficial, but we don't think détente will change the ideology of either. We hope for a change in the Soviet Union, but détente is not directed toward that. We are trying to make progress in détente for the welfare of the world. We don't know what kind of response we would get.

Kissinger: We have tried once or twice, but frankly we are more worried about a responsible than an irresponsible Communist party, because if they appear responsible they will be a bigger threat to democracy in the long run.

Leone: I agree with Secretary Kissinger that the more respectable the Communists appear the more dangerous they are. Presenting themselves thus is their present tactic all over Europe—whatever the U.S. does. So we should take advantage of it. We have not interfered in Eastern Europe and I think the Soviet Union should instruct the Reds not to interfere in the conduct of our political system.

President: Do you find the Communists acting more responsibly?

Leone: The Communist Party in Italy appears to be more moderate and takes stands we appreciate, but is it not just tactics?

Moro: I think they are somewhat more independent.

President: By appearing responsible they could have an impact on Italian policies. We want to continue to cooperate with the center groups in the same way as we have done since 1946.

Kissinger: In fact, we could not exchange military information if they came into the Government. We have had to make such a change with respect to Portugal.

Leone: Perhaps we have spoken more about Italy than constitutionally permitted, but before Moro talks about the Arab world let me say a few words about the economy of Italy. We have taken stringent measures and the nation have taken them gracefully. But the situation is dangerous, and if there is a collapse, the political system may take a turn to a different form. That is why we need help from our friends. We need to redress the trade balance and export more and we need help here. Appraisals about Italy are black. The Federal Reserve Board's appraisal was bad, and others are adopting the same approach. The fact of the meeting of Foreign Ministers and Finance Ministers here without us at the time when our people are here is a matter of regret, for our image. I say this frankly. What do we need? Some obvious and open steps to reverse the Federal Reserve Board appraisal. Your speech took the same approach and I hope you will show this in your approach to Italy. These are words from a dear friend of the United States and the Atlantic Alliance. When Moro and I returned from voting for NATO the Communists had black crosses saying we voted for war.

President: I appreciate this frankness among friends—it is essential to the growth of friendship. As for the Federal Reserve Board, I have trouble with it too. It is autonomous, and their cooperation with the government is a judgment on their part about what their actions should be. I think it is unfortunate the Five are meeting here, but as I understand it it is a traditional group. I hope you and the Italian people won't feel excluded. We will continue the close cooperation we have always had with Italy. We admire your stand for NATO. I come from an isolationist area and know what you mean. It has been of great benefit to Italy and I am proud of my support. Historians will write that NATO was beneficial not just to the Atlantic Community, but to the world.

Leone: Can we continue?

President: It would be helpful if we could do it tomorrow. I would look forward to a resumption of the discussion tomorrow.

Leone: I think we must continue and I am grateful you agreed to another talk.

President: I am pleased you will be meeting with Secretary Kissinger. He is the most popular figure in America because of his accomplish-

ments. He and I are continuing the policies which have been so successful. I am looking forward to the continuation of those policies in the months ahead.

Leone: I am very glad to continue with Dr. Kissinger and to talk to you tomorrow. I am glad to invite you officially to Italy.

President: I am honored, and I hope sometime in the future that will be possible.

Kissinger: The President lives in a modest little establishment.

Leone: It is a palace, but I am a prisoner. It was the Pope's palace. Will we have a communiqué tomorrow?

Kissinger: It would be better at the end of the visit.

351. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)¹

Washington, October 22, 1974.

SUBJECT

Covert Action in Italy

1. We believe we should take a hard look at the Italian political situation. Frankly, it is hard to tell just what to do here. Italian political crises are cyclical. We have met them in the past by strongly supporting Christian Democratic leadership and the center parties. Despite some hand-wringing in the press and a great deal of political science commentary on the instability of Italy, this approach has been successful for twenty years.

2. We recommend, therefore, that we continue to work directly with senior Italian politicians, providing them with some limited funds

¹ Summary: Colby discussed the possibility of a covert action program in Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret; [handling restriction not declassified]. Published from a copy that indicates that Colby signed the original. In telegram 13042 from Rome, September 20, Volpe discussed his concerns regarding the Italian political scene. (National Archives, RG 59, Central Foreign Policy Files, 1974) On October 17, NSC staff member Robert Gates attended a session on Italy [text not declassified], where the general consensus “was that there is no rational assessment of Italy's future that is optimistic.” (Memorandum for the file, October 18; Ford Library, National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 12, Italy 1974 NSC)

to be disposed of as they see fit, with the general understanding that they keep the Italian Communist Party out of the Italian government. [6 lines not declassified] If you approve, we will [less than 1 line not declassified] determine the extent to which they could usefully employ our assistance, and submit some specific funding suggestions to Ambassador Volpe and you.

3. We believe, however, that the current critical commentary on Italy should not be ignored. We recommend a parallel program (to the political funding discussed above) in which we develop a continuing dialogue with, and modestly fund, young Italian politicians who are the up and coming men in the [less than 1 line not declassified] center parties. We will avoid the rightist movements and [less than 1 line not declassified] We will also fund selectively certain young [less than 1 line not declassified]

4. It is not certain that the PCI wishes to join the government. There are factions within the party which feel that the famous “historic compromise” would vitiate both party discipline and the will of the party to take over and govern Italy on Leninist principles. There are political operations we can run to increase this intra-party debate. Such operations will cost little; current approved funding will suffice.

5. As in Portugal, [1 line not declassified] our work will be more effective. The historic Agency approach to the senior politicians will, in many cases, continue, [6 lines not declassified]

6. All of this effort will be devoted to the present goals of keeping the PCI out of the government (as our part of the overall U.S. Government effort to this end) and to the development of long-term relationships with young blood in political Italy.

W.E. Colby
Director

352. Backchannel Message WH 42950 / Tohak 49 From the President's Deputy Assistant for National Security Affairs (Scowcroft) to Secretary of State Kissinger¹

Washington, October 28, 1974, 1540Z.

Please pass to Bremer/Gompert for the Secretary.

Saigon 635

October 28, 1975

To: General Scowcroft

From: Ambassador Graham Martin

1. Next following message gives text of message from Bill Colby and my reply thereto, which are self explanatory.

2. If I didn't have complete faith in Bill Colby, and if I didn't know that he has brand new chaps in the agency in charge of Europe and Italy, I would really think whoever framed Colby's message to me and Volpe was trying to set me up. The funny thing is that, were it not against U.S. interests to do so, nothing would delight me more than to testify fully and most completely about my tour in Italy, including most particularly the political action program. Never has an Ambassador had such a simple instruction: halt the drift to the left in Italy and nudge it back to the center if you can. Never was there such a unanimous conclusion by the experts that it couldn't be done. Yet I did just exactly that. And if it had not been for the leak in Washington, it was done so smoothly, that the American hand never appeared. The fact that it was all thrown away after I left, cannot change the fact that it was done.

3. All this is really beside the point, which is that it would simply not be in U.S. interests to permit an internal Italian feud openly involve us. There is the added point that it is wholly unnecessary if we act as I suggest in the message to Colby. Walters can walk it back. No one in Rome mission can, and the clumsy wording of the joint message to me and Colby is psychologically an open invitation to the staff of a frightened man to start leaks in an effort to insure public understanding it all happened before Volpe arrived. If Henry must act on this, I suggest you do not await his return to inform him of my recommendations.

¹ Summary: Scowcroft forwarded a message from Ambassador to Vietnam Graham Martin, the former Ambassador to Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret; Immediate; Sensitive; Exclusively Eyes Only. From 1971 to 1972, Martin personally directed a [*dollar amount not declassified*] covert operation program in Italy. (Backchannel message WH42951/TOHAK50, October 28; *ibid.*)

4. Warm regards and happy Veterans Day.

Martin

353. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, November 29, 1974.

SUBJECT

The New Italian Government

Italy's 37th postwar government assumed power on November 23 under the leadership of veteran Christian Democratic politician Aldo Moro. The minority government of Christian Democrats and Republicans was formed only after six weeks of fruitless negotiations to restore the old center-left majority coalition. Based on our initial assessment, the new government's program will not differ significantly from that of its predecessor. The government should survive until next spring's nationwide local elections, when it should become clear whether there has been a significant popular shift to the Communists and Socialists in Italy.

Premier Moro's new center-left cabinet which has the assured parliamentary support of both socialist parties, is a stop-gap government apparently designed to achieve two main objectives:

- to safeguard the center-left alliance, which is the only viable combination possible in the present parliament, and

- to mark time until next spring's nationwide local elections which may provide the catalyst or the pretext for the return to the cabinet of one or both of the two socialist parties.

Composition: There are no major surprises either in the makeup or orientation of the new cabinet. As expected the Christian Democrats retained the lion's share of the ministries (20 of 25), including the key

¹ Summary: Scowcroft discussed the new Italian government.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 8, Italy (1). Confidential. Sent for information. A stamped notation on the memorandum indicates the President saw it, and Ford initialed the memorandum.

posts of Foreign Affairs (outgoing Premier Rumor), Defense, Interior, and Treasury.

The tiny Republican Party, which has only 15 of the 630 seats in the Chamber of Deputies, got the largest number of ministries that it has ever received in any postwar cabinet, including the Vice-Premiership and four other lesser posts.

The large number of ministerial chairs awarded to the Republicans was undoubtedly the price that the Christian Democrats had to pay in order to assure themselves the support of the Social Democrats. The latter, who were responsible both for the fall of Rumor's Government in October and for Fanfani's failure to put together another four-party center-left coalition, had opposed the formation under Moro of an all-Christian Democratic minority cabinet; Moro had already been promised the parliamentary support of the Socialists and the Republicans. Such a government would have had a parliamentary majority even without the Social Democrats, but Christian Democratic Conservatives joined the Social Democrats in opposing it and thereby made it necessary to bring the Republicans into the cabinet. That face-saving device made it possible for the Social Democrats to backtrack and assured their parliamentary support.

Prospects: The new government's program is not likely to differ significantly from that of the outgoing cabinet. The austere measures imposed by Rumor will be continued indefinitely into the future, although there may be selective loosening of some of them in order to assuage trade union pressures and avoid politically dangerous increases in unemployment.

Next spring's nationwide local elections, involving as they do the near totality of the electorate, may provide Italian politicians with a better clue to the mood of the voters. *Recent limited electoral samplings indicate a significant shift to the Socialists and Communists which appears to be the most pronounced of the past 20 years.* A confirmation of this trend in a major electoral test such as the upcoming spring elections would leave the Christian Democrats with even less flexibility in choosing their coalition partners than they now have and would force them to stick to their alliance with the Socialists and the other two minor center-left parties.

354. Memorandum Prepared for the 40 Committee¹

Washington, January 21, 1975.

SUBJECT

Covert Action in Italy

1. SUMMARY

This is a proposal for covert political action in Italy to work against the participation of the Communist Party of Italy (PCI) in the Italian Government and has been prepared at the request of the Assistant to the President for National Security Affairs. The PCI has suggested a “historic compromise,” in which the Christian Democratic Party (CD) would share governmental power with the PCI at the national level. To prevent this from happening we propose a long-range program of three parts. These are:

A. To give limited covert support [*less than 1 line not declassified*] where we can determine that such support will strengthen these politicians against the “historic compromise” with the Communists.

B. To provide covert support to younger [*less than 1 line not declassified*] politicians who seek [*less than 1 line not declassified*] to create a party with a more populist and cleaner image.

C. To nourish divisiveness within the PCI over the question of joining the government. There are elements of the party which oppose the “historic compromise” and which can be stimulated by subtle covert activity [*2 lines not declassified*]

We recommend a funding level [*dollar amount not declassified*] for fiscal 1975. Our Ambassador in Italy has concurred in this general proposal and has observed that any covert political action should be a part of an overall U.S. Government effort. The Assistant Secretary of

¹ Summary: The memorandum outlined a proposal for covert action in Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret; Eyes Only. During a 40 Committee discussion of the proposal on February 4, Colby suggested that “what could be done through covert action was marginal compared with the over-all policy position.” Kissinger said that it was “strange that we always turn to the Secretary of State when we are supposed to be talking about covert action. Everything is a game of inches. We will make it clear that we won’t hold still for a coalition with the Communists, but the question is, will covert action add an inch or two to our efforts and give us a better chance for success?” Colby responded “that a certain amount could be done under present approvals—the general ‘work with media’ concept, for example. We can do this much.” Hyland reported that Hartman opposed the program as too small to be of any likely value; given the risks involved, Hyland said that Hartman believed that the United States would be “likely to catch hell without any commensurate gain.” (Memorandum for the record, February 4; *ibid.*, 40 Committee Meetings, Minutes/Approvals, 1975 GRF)

State for European Affairs does not concur with the need for a covert action program at this time.

[Omitted here is the remainder of the memorandum.]

355. Research Study Prepared in the Central Intelligence Agency¹

Washington, June 1975.

INTRODUCTION

More than most communist parties the Communist Party of Italy (PCI) poses problems for analysts who try to categorize it. There are those who subscribe to the “Trojan Horse” theory that every major move of the PCI is dictated by the Communist Party of the Soviet Union (CPSU) and that such differences as may appear are designed by the CPSU to push an overt image of a democratic world communist movement which, in fact, remains completely under CPSU control. At the other end of the spectrum is the belief that the PCI is totally independent and perhaps shouldn’t even be called a Marxist party. The Party *is* unique, but it’s not enough to say that its uniqueness lies in the degree of its “independence,” the “Italianate” nature of its ideology, the sheer size and diversity of its membership, or any other single factor. The reasons are all of these and more; the whole explanation is greater than the sum of its parts.

It is not only the western analyst who has problems understanding the PCI; the CPSU and the communist parties of Eastern Europe seem to be equally perplexed.² In the fifties a middle-echelon Soviet official who defected in Germany was asked about Soviet competence in assessing trends in western Europe. He said that Soviet expertise and understanding were increasingly sophisticated except on Italy, which the Soviets found difficult to understand. In 1974, the official in the Polish

¹ Summary: CIA study on the Communist Party of Italy.

Source: Central Intelligence Agency, Office of Current Intelligence Files, Job 79T00889A, Box 3, The Communist Party of Italy: An Analysis and Some Predictions OPR 311. Secret; [*handling restriction not declassified*]; Controlled Dissem; Background Use Only.

² The Communist Party of China has no problem. For it, the PCI is clearly a bourgeois, Establishment, party. However, the Chinese obviously welcome actions by the PCI which cause problems for the CPSU in the international communist movement or for the USSR in its push for greater influence in western Europe. [Footnote in the original.]

Embassy in Rome responsible for PZPR (Polish Workers Unity Party) liaison with the PCI Central Committee said that a major difficulty which the PZPR and the CPSU had in understanding the PCI stemmed from the “fact,” in his view, that the PCI wasn’t really a communist party at all. He commented irritably that it was difficult to get on the same wave length with a party whose qualifications for membership seem non-existent: “Membership in the PZPR or the CPSU is something to be striven for. There is a probationary testing period before the applicant is accepted into full Party status. How can you even find out the real significance of a published figure of 1.2 million or 1.7 million members when the PCI will take in anyone who pays a membership fee? This is not the sort of communist party I’m used to.”

This paper will try to give a feel for the PCI as an organization which, particularly after the successes registered in the June 1975 Italian regional elections, seems likely to play an ever more substantive role on the Italian and European scenes over the next several years.³

PRINCIPAL CONCLUSIONS

The Nature of the Party

An increasing number of non-PCI voters, politicians, industrialists, clergy, and even government ministers consider the PCI to be a force for stability whose collaboration is not only desirable but vital in coping with the economic and social malaise which afflicts Italy in the mid-seventies.

In ideology, makeup, strategy and objectives the PCI differs markedly from other communist parties. The Party is numerically strong and increasingly influential in regional and national government policy formulation; nevertheless, it faces problems in holding the allegiance of the conservative (or “orthodox Stalinist”) and “new left” portions of its base. Its approach to these strains is flexible and non-doctrinaire and differs very much from that of the French Communist Party (PCF) to similar problems in the PCF.

The organizational and personnel changes made during the March 1975 XIVth Party Congress were designed by Secretary-General Berlinguer to increase his personal control of the PCI. The downgrading of Armando Cossutta, long considered to be the CPSU’s strongest ally in the top PCI leadership, is significant. Berlinguer’s pragmatism and

³ The reader should also refer to *Red Power and Prospects in Italy* (published by the Office of Current Intelligence on 21 June 1971), *Prospects for and Consequences of Increased Communist Influence in Italian Politics* (National Intelligence Estimate 24–1–74, dated 18 July 1974) [1½ lines not declassified]. [Footnote in the original. For NIE 24–1–74, see Document 349.]

other aspects of his personal management style will be increasingly felt in the planning and implementation of major PCI policies.

The PCI and the CPSU

Ideological and programmatic differences with the CPSU go back to the twenties. PCI ideology represents a substantive modification of Marxism/Leninism which CPSU theoreticians have never been able to accept. The XIIth Congress of the PCI in 1969 marked an official exposition of many of these differences which went beyond Togliatti's earlier policy statements on the necessity for each national party to pursue its own road to socialism.

During the Allende regime the PCI and the CPSU differed sharply in their analyses of the dynamics of the Chilean situation.

The CPSU has suspended frontal attacks on PCI "heresies" in the interest of maintaining a degree of influence over the European communist movement and the European Left in general. This public accommodation papers over a continuing CPSU distrust of the PCI leadership.

The PCI and Western Europe

Pan-European Institutions: The PCI has long had high-calibre members in the European Parliament. It has favored Italian membership in the European Community (EC) and has itself had high-level contact with EC components. Although PCI control over the largest Italian trade union confederation (CGIL) is by no means total, it has pushed hard for CGIL entry into the European Trade Union Confederation (ETUC) in order to enhance PCI influence in European labor. The CGIL application was approved in 1974, marking the first entry of a communist-dominated trade union into the ETUC.

Portugal: Long before the March 1975 events in Lisbon, the PCI took a jaundiced view of Cunhal, the Portuguese Communist Party (PCP) leader, fearing that he would push for a leftist authoritarian government on the east European model. In the developing Portuguese situation, Berlinguer's public criticism of the PCP and his favorable attitude toward the Portuguese Socialists may lead to an open rupture between the PCI and the PCP. Although the PCI would prefer to avoid this, it may well decide that a break is necessary if this should be deemed a pre-condition of the Party's acceptance by the Italian Socialists and the Italian DC as a partner in government.

Spain: The PCI is pleased that the CPSU is mending its fences with Carillo, long a favorite of the PCI because of his continued condemnation of the Warsaw Pact invasion of Czechoslovakia, his willingness to be an interlocutor for the PCI with Peking and his advocacy of a pluralistic society in post-Franco Spain.

France: Giscard's razor-thin victory in the 1974 presidential elections was the ideal outcome for the PCI, which had feared a close

Mitterand victory and consequent inability of a left coalition government to function in the face of a hostile French Parliament. Such an eventuality would have adversely affected the chances for any eventual PCI entry into government. The Communist/Socialist relationship in Italy is quite different from the relationship of these parties in France. This, plus other basic differences between the PCI and the PCF, militate against any close permanent rapport or common program and go far to explain why the French and Italian communists follow different internal and foreign policies.

West Germany: Some sort of collaborative relationship with the German Social Democratic Party (SPD) has long been an objective of the PCI. A high-level, informal dialogue initiated in 1967 resulted in what Willy Brandt acknowledged to be “assistance” in his *Ostpolitik*. The high-level nature of this dialogue stopped in the early seventies on the death of the SPD interlocutor, who had been close to Brandt. However, the PCI has good reason for believing that meaningful contact will be reinstated and will lead to common SPD/PCI approaches on pan-European problems.

The PCI and the United States

The PCI's view of the United States is still dominated by its conviction that Italian foreign and domestic policies are largely decided in Washington and implemented through the DC, whose dominant center and rightist factions are believed to be controlled through the American Ambassador. It thinks that the US is committed to forestalling meaningful PCI influence at the national level and is prepared to use the CIA to abet a rightist coup if such is considered necessary. The leadership also believes, however, that there is now sufficient coincidence of views among the PCI, the Socialist Party, all of the left (and some of the center) factions of the DC, and large elements of the middle classes to make it impossible for any rightist coup to succeed.

The PCI, aware that its earlier anti-NATO stand was a basic obstacle to improved relations with potential coalition partners, a few years ago decided that it would not oppose continuing Italian participation in NATO should the Party enter the government. From a policy of “Europe without blocs” it has subtly changed to a policy of *equidistanza* (“equidistance”) between the US and the USSR, and recognition that the blocs will not disappear in the near future.

[2 lines not declassified] Berlinguer resisted pressure from militants in the leadership to attack President Ford and Secretary Kissinger. The unexpected size of the PCI gains in the June 1975 elections means that Berlinguer's line will prevail within the Party. However, a harshly critical US posture toward the PCI might well force Berlinguer to change his position to avoid the formation of an anti-Berlinguer faction within the leadership.

The PCI in Government

If the PCI entered the government it would follow a relatively moderate line on internal domestic and social policy which, in many cases, would be to the right of Socialist Party positions. It would drive a hard bargain with the DC to ensure that the Party had a voice in the administration of the giant parastatal enterprises which are largely the preserve of the DC and which are a dominant feature in the economic life and the foreign policy of Italy. It would *not* advocate further nationalization. It would not push for radical social and economic reforms unless it were convinced that it enjoyed the support of a substantial element of the middle classes—and of a good portion of the DC at all levels. The evidence—overt and covert—points to the leadership's commitment to a pluralistic society and to the parliamentary system.

The PCI, in consonance with its overall "Eurocentrist" policy so criticized by the CPSU, would use its influence within the government to try to strengthen the EC and the European Parliament. The objective would be the creation of a more unified Europe more independent of American influence. Worried lest such a policy might also lead to increased Soviet influence in Europe, the PCI leadership would find it easy to approve NATO *démarches* involving the USSR in cases such as a Soviet military intervention in a post-Tito Yugoslavia. In cases where Italian national security interests might not be clearly involved (as in a Soviet-inspired blockade of Berlin), the PCI would probably not go along with a tough, retaliatory action recommended by the NATO command—but it would probably find itself in the company of a majority of the Italian Parliament and a good portion of the DC in taking such a stand.

[Omitted here is the remainder of the study.]

356. Memorandum of Conversation¹

Washington, June 17, 1975, 11:50 a.m.–12:30 p.m.

PARTICIPANTS

President Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National
Security Affairs

[Omitted here is discussion unrelated to Italy.]

Kissinger: The Italian elections were a disaster. The Kennedy Administration started most of our foreign policy disasters. He wanted an opening to the left to wean the Socialists from the Communists—and also thought the Embassy was on the right. I told him then that it was a disaster. It undercut the Social Democrats, because it then became a centralist party and people voting left had to go to the Socialists. It also pushed the Liberals out to the right. Kennedy also took the missiles out of Italy after the right-wing Christian Democrats had waged a bitter fight with the Communists and Socialists over their installation.

[The Secretary read out the election results.] The Liberals were practically wiped out. We will have a complicated situation in Italy. This government will not survive into the fall.

President: What about new elections?

Kissinger: Well . . . The Socialists will demand more to form a government and the Socialist Democrats may not go along.

President: It will hurt Fanfani.

Kissinger: Yes. And Rumor. It won't hurt Moro because he supports going to the left. It will have a terrible effect.

President: Won't this scare the other leaders—Schmidt, etc.?

¹ Summary: Kissinger and Ford discussed the June 15 to 16 regional and local elections in Italy.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 12. Secret; Nodis. All brackets, except those noting omitted text, are in the original. The meeting took place in the Oval Office. In telegram 8480 from Rome, June 13, the Embassy discussed the importance of the June 15 to 16 regional and local elections, reporting that Italians regarded them "as a vote of confidence in the center-left coalition that has governed Italy since 1962 and on the balance of power (Socialists versus Christian Democrats) within that coalition." (National Archives, RG 59, Central Foreign Policy Files, 1975) On June 3, Ford visited Rome; a memorandum of conversation of his talk with Leone on the Italian political and economic situation, the Western Alliance, détente, the Middle East, Cyprus, and the EC, is *ibid.*

Kissinger: Yes. If the Communists do this well in the general elections, the Communists will have to be admitted to the government. The Christian Democratic party is not a single party. Some of the left wing is not Communist only because they are Catholic. Kennedy was responsible for this—and basically set up the legitimacy of the SPD in Germany. And we are now doing the same thing in Chile.

The election is a disaster. It was all started by Kennedy who forced the Socialists into the government.

[Omitted here is discussion unrelated to Italy.]

357. Memorandum of Conversation¹

Helsinki, August 1, 1975, 8 a.m.

PARTICIPANTS

US

The President

The Secretary

Assistant Secretary Hartman

Counselor Sonnenfeldt

Italy

Prime Minister Aldo Moro

Foreign Minister Mariano Rumor

Secretary General Manzini

Diplomatic Adviser, Francesco Vallauro

PRESIDENT: What do you think about the situation in Portugal?

MORO: It is full of uncertainties. It is quite clear that there is no unity among the Armed Forces Movement. They don't have any effective executive present.

¹ Summary: Ford, Kissinger, Moro, and Rumor discussed Portugal, the Italian political situation, and Cyprus.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 12, NODIS Memcons Aug. 1975, Folder 7. Secret; Nodis. Drafted by Hartman. The meeting took place in Finlandia Hall. Ford and Kissinger were in Helsinki to attend the signing ceremony for the CSCE Final Act. Kissinger and Rumor also met on July 31, when they discussed the EC, the Italian political situation, and Italy's exclusion from economic talks among the United States, UK, France, and FRG. (Memorandum of conversation, July 31; *ibid.*, Central Foreign Policy Files, P820123–1758) Kissinger and Rumor met again in New York on September 22; a memorandum of conversation of their talk is *ibid.*, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron—Official, July–Sept. 1975.

PRESIDENT: We find that there is a very disturbing trend in Portugal and we think that this new three-man government is going to be very dangerous.

MORO: Yes, I would say that they are extremely dangerous.

PRESIDENT: Some of the statements that Carvalho has made are shocking.

MORO: Maybe that is because he just got back from Cuba.

RUMOR: We think that Carvalho is a genuine Marxist while Canto is probably a communist-leaning opportunist and some say he may be the next Foreign Minister.

PRESIDENT: What about Antunes?

RUMOR: He seems to be the leading moderate in the Armed Forces Council but I am afraid that he will not have a place in the new government. They seem to want to push the moderates aside.

PRESIDENT: We do not see how it is possible to tolerate a Marxist government in NATO.

RUMOR: The problem is to see how this situation shapes up.

PRESIDENT: With the liberal, leftist leanings of these people you are sure to end up with a communist government and such a situation would be completely unacceptable to us if they were in NATO.

MORO: Indeed, that is our view as well, but we think that Soares may be able to help. We will have to see.

PRESIDENT: Is he a strong man? I have never met him.

MORO: He is very courageous and popular. He even has some tendencies toward the same views as the Christian Democrats. He would certainly be a safe personality for all of us with strong ties to the West and the Atlantic Alliance. We don't know if it may be possible for him to get power.

SECRETARY: He has been very good except for his speeches during the Italian election campaign when he praised the communists.

MORO: No, he came to our country to support socialist candidates. He went to Rome and Naples. We think that the Portuguese situation perhaps helped to soften conflicts but it is an extremely intricate situation. At one stage we thought that the Portuguese example was helpful. It was certainly an eye opener, but unfortunately many of the Italian voters prefer to look at Berlinguer and the Italian communists. They are trying to be very moderate now and I am afraid that their push had more effect than the Portuguese situation on Italy. In any case, Fanfani tried to use the Portuguese situation. The trouble in Italy is that most people have excessive trust and they are beginning to think that the communists are just Social Democrats—even some small businessmen. The communists have made a great appeal to all classes.

They tried to stand for order and tranquility. Many people listen to this and forget what the communists are really like and that they are undemocratic. What you must remember is that not everyone who votes communist is in fact a communist. Most of them are also in favor of freedom and liberty.

PRESIDENT: What sort of ties do they have to the Soviets and the Communist Party in Russia?

MORO: They do not seem to be very close at the moment. In fact, there is some friction and they claim to have autonomy.

SECRETARY: When I was in Poland, Gierek told me that the Polish Communist Party has very close ties with the Italian Communist Party.

MORO: That may be. The Italian Communist Party tries to maintain close ties with the Western Communists, Yugoslavia and Romania as well. I am not saying that there are no links but they do have autonomy. Where their ties break down is with France, but they have excellent relations with the Spanish Communist leadership. Both in Italy and in Spain the leadership seems to want to be very close with the rest of Europe and they are very cool toward the Portuguese Communists.

PRESIDENT: Is that Cunhal?

MORO: Yes. Most of the other Western Communist parties deplore the attitude of Cunhal. It gives them all a bad name.

PRESIDENT: Are the Italian Communists asking for participation in the government as a result of the recent election?

MORO: No. In any case, they could not demand it but it is a difficult situation. The problem is they stay in opposition to the government and then they never have to perform on their promises. The Socialist Party wants the Communists in the government so they can share the unpopularity of the measures they know must be taken. In fact, the Communists did not expect such a high vote. Despite the fact that they were attacked from the left and the right, they managed to pick up votes from both of those quarters.

PRESIDENT: If Communists were in the government of Italy, it would be very difficult to explain how you could remain a member of NATO, as it is difficult to explain in the case of Portugal.

MORO: There is no doubt about that. Although the Italian communists profess to support NATO, we know they won't. What they are trying to do is to become part of the regular political process and adjust their policies.

SECRETARY: If I may speak more bluntly than the President, we don't care if they sign onto NATO in blood. Having the communists in the Government of Italy would be completely incompatible with continued membership in the Alliance. There is a difference between an election tactic and reality. There is no way that we can be persuaded

to be in an Alliance with governments including communists which is supposed to be against communism, no matter what you say.

PRESIDENT: Henry is a very subtle diplomat.

SECRETARY: If the President wants me to, I can say these things in undiplomatic language.

MORO: There is no doubt you are right. But as I mentioned there is a difficult problem with public opinion. They hear the speeches and think that this is a part of the present trend of *détente* and the barriers against communists look not to be as great as they hear. I talked to one of the leading Socialists, Nenni, and he asked the question why we have these barriers given the international political situation and where *détente* seems to have produced a growing trust among people from different systems. This trickles down to the people and they ask why do we keep these rigid barriers when you can see that the American President is talking to Soviet leaders. And people are not very subtle.

PRESIDENT: But that is not the meaning of *détente*. This is not the same thing. I do not understand how people do not see the difference between an apple and an orange. What we need is firmness for *détente*. We have to stand against Communism in all our countries in order to achieve *détente*. The fact that I shake hands with Brezhnev does not mean that I wish to have him as my Vice President.

RUMOR: If I may be allowed to say a word—what the Prime Minister says is correct. There is confusion in the public mind, but the Christian Democratic Party in Italy is irrevocably opposed to Communist participation in the government. We know that we would lose votes and that would be bad politics. Also we touched on another subject in my meeting with the Secretary yesterday and, bluntly, I wish to ask the question whether there is understanding on the part of our friends when I hear that there is going to be a Four Power meeting to discuss economic problems, excluding Italy.

SECRETARY: That has been denied by the British and by us. Genscher may have put it out but he doesn't understand English.

RUMOR: But I understand that there was a specific announcement about a Five Power meeting.

SECRETARY: We explained very carefully to our friends that we could not agree to such a conference and the President has explained that we have not agreed to such a conference.

RUMOR: If Italy is to be excluded this would be a mortification of the democratic forces in Italy. There would be a repercussion in the press and public opinion. The middle classes would have to take their bearings again. This is why we insist on some sensitivity with respect to the international aspects of our relations. You stopped many times on your trips in Bonn and we have a feeling that we are on the outside.

We need more consideration from you for our public opinion. Every time something like that happens it gives several percentage points to the Communists.

PRESIDENT: We deliberately came to Rome after the Brussels Summit meeting. I thought it was a very successful visit. In our efforts we spent a day in Rome and we had as our purpose to strengthen the democratic forces in Italy.

MORO: There is no doubt about it and I would not wish to be critical of your visit. We considered it to be very constructive and helpful. We would, however, also like to see the Secretary stop more often. That way Italy would fit into the world scene.

RUMOR: You can be sure that the Italian democratic parties will not agree to have Communists in the Alliance. We fear that the voters may be leaning toward Communism and it would help us if the U.S. showed some consideration for Italy. For example, why don't you state publicly that you desire to have Italy in any group that discusses economic affairs? We very much appreciated the President's visit and we hope the Secretary will come more often. This will have a tremendous psychological impact.

SECRETARY: Mr. President, I have talked to the Foreign Secretary and told him that in addition to the two times that I have been in Rome over the past few months I will look forward to consulting with him frequently during the time when Italy is in the chair of the EC Council. Second, let me say that the President has not agreed to an economic summit. He cannot say that he wants to have Italy in something that he hasn't agreed to. Third, with respect to yesterday's lunch, you should know that the initiative came from the European side. Now let me speak very frankly since I am considered to be a soft member of your administration, Mr. President. There are some similarities in this situation to the period 1946 to 1948. If the Communists achieve respectability, their victory will be inevitable. We are willing to cooperate to strengthen the democratic forces and particularly to help your party but you have to make the real fight. Détente is a way of regulating competition—not a way of disarming the West.

PRESIDENT: Let me assure you of two things. First, my Government will make every effort to build up the democratic forces in your country and in Europe. This is essential to the West and to the world. Second, I will continue to do all that I can to resist Communist expansion whether it be in Italy or Portugal or elsewhere.

SECRETARY: I might add one point and I have mentioned this to your colleagues. The President is doing all that he can to end the recession in the United States in order to help create world economic conditions in which it will be possible to build democratic forces.

MORO: That is very good because many of the votes that went to the Communists were from people without jobs. When you are suffering you tend to turn to those who promise the most.

PRESIDENT: What shall we say to the press?

RUMOR: I think we should say we discussed the general international situation and the policies of our governments.

MORO: I would like to see the emphasis on international affairs and not on domestic affairs. We ought to mention Alliance relations, US-European relations, Cyprus and the Middle East. We can also say we discussed economic recovery in the West.

PRESIDENT: Yes, we ought to put great stress on the interdependence of our countries.

SECRETARY: We will stay in close touch.

RUMOR: (Talking to President) We and the Nine have been discussing the Cyprus situation and we have a feeling that the Turks are being very rigid. We will see them this afternoon.

PRESIDENT: We welcome any initiative that the EC-Nine can take with the Greeks and the Turks on Cyprus.

RUMOR: We hear that the Turks refuse to move while the arms embargo applies to them.

PRESIDENT: Well, we may have more news on that later today. The Senate passed a new bill and we still have some hope that we can get House action but it may be marginal. The fact that the opposition is trying to prevent this vote shows that they know we have a majority.

358. Memorandum Prepared in the Central Intelligence Agency¹

Washington, November 3, 1975.

PROSPECTS FOR AND CONSEQUENCES OF
INCREASED COMMUNIST INFLUENCE
IN ITALIAN POLITICS
PRINCIPAL JUDGMENTS

A. The mid-June regional and local election results presented the Christian Democrats with their most serious challenge in nearly 30 years as Italy's dominant party. The Communist Party's (PCI) gains of about 6 percent brought it to within 2 percent of the Christian Democrats at the regional level. Unless the Christian Democrats act soon to improve their standing, the Communists could pull ahead of them in the next national parliamentary election—to be held no later than the spring of 1977.

B. The vote had little to do with Italy's foreign policy. It reflected increasing frustration over inefficient government, inadequate services, tax inequities, and a host of other complaints for which the Christian Democrats were held responsible. It also reflected the sentiments of several million new voters enfranchised when the voting age was recently lowered to 18 and economic strains (which have hit the middle class harder than in the past). A marked deterioration in the economy, though we do not think it likely, would hurt the Christian Democrats and thus might help the Communists duplicate or improve on their success when the next national elections are held.

C. In the period *before the next national parliamentary elections*, the Christian Democrats have enough maneuvering room to avoid seeking Communist support in forming a governmental majority. The Communists, moreover, do not want to press the issue. *After the elections*—even if the Christian Democrats remain the largest party—their options are likely to be cut down to a choice between allying with either the Socialists or the Communists.

D. The Christian Democrats are likely, in the pre-election period, to consider:

¹ Summary: The memorandum updated NIE 24–1–74, "Prospects for and Consequences of Increased Communist Influence in Italian Politics."

Source: Central Intelligence Agency, National Intelligence Council Files, Job 79R01012A. Secret; [handling restriction not declassified]. For NIE 24–1–74, see Document 349.

—*Keeping the Moro government in place.* The chief advantage of Moro's government—in which only the Christian Democrats and Republicans hold cabinet posts—is that its existence affords the parties time to sort out their options and deal with internal problems. But it is increasingly clear that the government's weaknesses prevent it from taking actions that could help contain Communist gains in the next election.

—*Making concessions to the Socialists, whose moderate gains put them in a pivotal position.* The Socialists want major programmatic changes, some of the more important ministries, and an arrangement that would force the Communists to share some of the government's programmatic responsibilities, without actually holding cabinet posts.

—*Forming an all-Christian Democratic "monocolore" cabinet.* This is a traditional way of letting the dust settle, but it is only a stopgap.

—*Setting up a centrist coalition,* substituting the small and conservative Liberal Party for the Socialists. Although mathematically possible, the centrist coalition's slim parliamentary majority would make this alternative just another stopgap.

—*Calling early national elections.* This choice does not look very inviting now, but the Christian Democrats may consider it, if failure or inability to put together an effective government convinces them they would lose more by waiting until 1977.

E. The next national elections are likely to deprive the Christian Democrats of all options except an alliance with the Socialists—on terms more favorable to the Socialists than in the past—or a deal with the Communists. A centrist coalition will no longer be possible, because the losses suffered by the Liberal Party in the local contests are almost certain to be duplicated in a national race. The mathematical possibility of a center-right alliance—this has never been a politically feasible option—will also be gone if, as is likely, the neo-fascists lose as much in the national elections as they did in June.

F. The Socialists will drive a hard bargain, because they have concluded that current political dynamics threaten their survival as a separate party. They believe that they are being hurt at the polls by their subordinate association with the Christian Democrats while the Communists are helped by their opposition status. On the other hand, the Socialists are afraid they would be overpowered in any alliance with the Communists at the national level. That is why the Socialists want concessions from the Christian Democrats that would give the government a more leftist cast and obligate the Communists to support its program.

G. While the Communist Party works for a formal share in national power it will continue the soft line toward NATO, Europe, and the US which Berlinguer has pushed since taking over the party in 1972 and which has been vindicated by the party's electoral successes. This means:

—Tolerating Italy's NATO membership while resisting any broadening of its commitment to the Alliance or any expansion of the US military presence in Italy.

—Encouraging West European Communist parties to work out coordinated positions on social and economic issues, whether or not these positions coincide with the prevailing view in Moscow.

—Calling for eventual dissolution of both NATO and the Warsaw Pact as part of the détente process.

H. How much this soft line would harden *should the PCI come into the national government* and how responsive the PCI would be to Soviet influence are questions on which differences of opinion remain in the US Intelligence Community.² There is no doubt that the greater the PCI's influence on or in the government the more difficulties NATO will have in Italy. And for all the PCI's clear differences with Moscow, there are close ideological ties and the policies of the two are parallel in many respects. In addition, there is evidence of division within the PCI on questions of foreign policy; some PCI leaders, at least, would probably prove more responsive to Moscow once the party got into the government.³

I. If they entered the government, the Communist leaders would probably avoid at the outset any precipitate move (trying to pull Italy out of NATO, for example) that could endanger their position over the longer run. They would realize, moreover, that allowing the Soviets a strong say in how Italy is run would jeopardize the PCI's painstaking efforts over the years to stress its Italian identity. The PCI leaders would be heavily influenced by tactical considerations. They would want to move cautiously, at least at the outset, in order to avoid the risks of conservative counter-reaction, or alienation from Western Europe and the US, which would arise from all-out opposition to NATO or from behaving, for example, like the Communists of Portugal. The PCI's cautious approach would be complicated, however, by increased pressure for results from its own rank and file. In any event, there is every reason to believe that the Communists would be able to influence government policies substantially.

² See NIE 24–1–74: Prospects for and Consequences of Increased Communist Influence in Italian Politics, 18 July 1974, pp. 8–20, and paras 47–48 of this memorandum. [Footnote in the original.]

³ The Defense Intelligence Agency, The Assistant Chief of Staff for Intelligence, Department of the Army, the Director of Naval Intelligence, Department of the Navy, and the Assistant Chief of Staff, Intelligence, Department of the Air Force believe that the relationship of the PCI to Moscow is a more fundamental one than suggested here. Although the PCI is no longer fully subservient to the dictates of the Soviet Politburo, the text does not sufficiently emphasize that the party would be responsive to Moscow, particularly on East-West issues, once in power. [Footnote in the original.]

J. While Communist membership in the national government may have been brought closer by the PCI's recent success, the Christian Democrats have other options and will take them—at least in the period before the 1977 elections. In terms of real political influence, however, the PCI—which now participates directly in the governments of most major cities, five of the 20 regions, and nearly a third of the 94 provinces—is much stronger today than before the elections. Communist leader Berlinguer has always stressed the gradual nature of his “historic compromise” strategy and will welcome additional time to consolidate these gains. Continuing his cautious approach, Berlinguer's major aim will be to demonstrate that the party can deliver the efficient local-level administration it promised during the campaign. Any success he achieves in that respect will go far toward breaking down the remaining psychological and traditional barriers to PCI membership in the national government.

K. Our estimate of probable PCI behavior is based on the near certainty that the PCI would not only have to share power with other parties if it entered the government, in the near or medium term, but would also have to take account of public opinion. Farther into the future, the Communists would work to gain predominant power and, if this were achieved, constraints on their behavior would clearly diminish. In such circumstances, the PCI could be expected to become more aggressive and doctrinaire.

[Omitted here is the remainder of the memorandum.]

359. Memorandum of Conversation¹

Washington, November 11, 1975.

SUBJECT

Secretary's Meeting with Ambassador John A. Volpe

PARTICIPANTS

The Secretary
Ambassador John A. Volpe, American Embassy, Rome
Robert M. Beaudry, DCM, American Embassy, Rome
Arthur A. Hartman, EUR
Helmut Sonnenfeldt, C
Robert E. Barbour, Director, EUR/WE
Harlan G. Moen, EUR/WE (notetaker)

The Secretary: Good to see you, John. Sorry to have kept you waiting.

Volpe: That is quite all right. I want you to meet Bob Beaudry.

The Secretary: Who?

Beaudry: The DCM at the Embassy in Rome.

(Secretary shakes hands with Beaudry.)

The Secretary: What have you been up to John?

Volpe: Oh, we are watching closely what is going on.

The Secretary: I wanted to talk to you about the situation in Italy. First, I would like your assessment and then give you our views.

Volpe: We are delighted that you called us back to give you our assessment as we see it. June 15 resulted in some change but this has been going on for some time. In fact, it was going on when Bob was there.

The Secretary: When were you there?

Barbour: '67 to '71.

The Secretary: Are you putting the blame on poor Barbour now?

Volpe: No. They were a bit like the Republicans, concentrating on trying to get a majority. Then they wouldn't have anything to worry about.

¹ Summary: Kissinger, Volpe, and other U.S. officials discussed the Italian political situation.

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 13, NODIS Memcons Nov. 1975. Secret; Nodis; Sensitive. Drafted by Harlan Moen of EUR/WE on November 13. On November 6, Volpe also discussed the Italian political situation with Ford. (Memorandum of conversation, November 6; Ford Library, National Security Adviser, Memoranda of Conversation, Box 16)

The Secretary: It is hard to know what the Republicans would do if they ever had a majority. They might impeach their own President.

Volpe: As you may know, there are only 7 Republicans out of 40 Senate seats in Massachusetts. Now they only have 47 Republicans in the House in Massachusetts.

First, let me say that June 15 produced two fundamental changes. It put the PCI in striking distance of being the plurality party in Italy. The breakdown now is 33% to 35%. That is a fundamental change. They are within distance of becoming the single largest party in Italy in 1977.

The Secretary: Does anyone want coffee?

Volpe: No thank you.

The Socialists gained about 2 percentage points, far less than they thought.

The Secretary: Who?

Volpe: The Socialists.

The Communists, with a gain of 5.5 percentage points, even surprised themselves. We called the elections on the nose with the exception of the PCI.

The Secretary: I remember you told me in Rome that the DC would lose about 2½ percentage points.

Volpe: The Socialists, with their gains and with those of the Communists, have shoved their chests out pretty far. Now they think the center-left government has weakened them.

The Secretary: Arthur Schlesinger's great achievement—the center-left in Italy.

Volpe: We got blamed for something we are not responsible for. I wish we could reverse history.

The Secretary: But we are responsible.

Volpe: The PSI knows that if they get close to the PCI they will be devoured. At the same time, they don't want the DC because it is so weak. They do know what they don't want. They don't want a DC-PCI alliance. They do not want the "Historic Compromise".

The Secretary: The Socialists?

Sonnenfeldt: They would be squeezed out.

Volpe: Yes. They don't want to leave the PCI off scot free. Yet, even if the DC was on the ball and put their record out on TV, it would not be enough. They know what they are against.

I had De Martino to lunch. He said that he just had to put the blame on the PCI but he didn't know how he could do it. De Martino said that he hadn't figured it out yet.

The Secretary: Do you know Max Ascoli?

Volpe: No.

The Secretary: He is an old friend of mine, the former editor of “The Reporter” magazine. He once told me when I said that Fanfani was shrewd that shrewdness is the national form of stupidity of the Italians.

Volpe: If they go with the Socialists, the Communists might be able to come up with 51%. They don’t want that. However, it wouldn’t take them long to take over once they did. They have put on an unbelievable propaganda program in Bologna on their administration there. Every place you go you hear about how good the mayor is there. But I say to the Christian Democrats—and I told Forlani this when I called on him just before coming back here—I said, look. You have a young mayor in Ancona—I was there a few weeks ago—who is only 41 years old. Why don’t you ever talk about him? And I mentioned to Rumor—I saw him just before I left; I can talk to him—I said, why does everyone talk about Bologna and not the 43-year-old mayor of Padova? Padova is up near Rumor’s district. I was up there, let’s see, maybe a month, six weeks ago. When I get back I’m going to have some material ready on their local administration, and I’m going to give it to those fellows to use. But all you hear about are the Communists in Bologna.

The Secretary: Is it any good?

Volpe: Yes, the streets are clean. It is so-so. I told Moro that . . .

The Secretary: Does Moro stay awake when you talk to him?

Volpe: Sometimes. Remember during the President’s visit to Rome he slept for 15 minutes during the meeting?

The Secretary: I have never discovered a subject that interested him.

Volpe: Nor have I.

Baudry: He likes porno movies. One of the movies advertised that “this film has been seen by the President of the Council”.

The Secretary: Moro seems to be in an unassailable position. There is no alternative.

Volpe: Yes, as long as there are no early elections.

The Secretary: How about my pal Rumor? He want to head the “Historic Compromise”?

Volpe: He is weak in many ways but on that one thing he is not. He is against the “Historic Compromise”. He was astounded by Moro’s speech at Bari on the *confronto*, who put it in such a way that it sounded close to the “Historic Compromise”. Rumor said he was against the “Historic Compromise” and for that reason took himself out of his faction. He wants to be a statesman. I told him that a statesman is a dead politician. He said he had no intention of being a dead politician.

The Secretary: What are we going to do?

Volpe: We cannot afford to stay still. We have already started. Our young officers are already meeting with young politicians. I went down to Colombo's district. I may have rubbed Colombo the wrong way. Remember when the President told me to tell Colombo what we thought of the Italian vote against Taiwan in the UN? I mentioned it in my toast, too. Moro heard about that. Then when Moro gave a dinner for me he just lifted his glass and said "To good relations between Italy and our friend the United States of America". That way he didn't let me make a toast and made a point about the vote.

The fact is we have got to get going. Bob and I have already talked about this. We have started reprogramming.

The Secretary: What does that mean?

Volpe: We are moving people around, adding more people to the political section.

The Secretary: Are they working for or against the "Historic Compromise"? How many of the junior officers are working for it? From what I know of them, I can't see them putting much effort into what we must try to do.

Volpe: I would say that there is no question in my mind that the Embassy is solid with us on this and can do the job. I may have some doubts about two or three. We want to look at them. We can't afford to have them if they are not with us. I may move some people out.

The Secretary: You should.

Volpe: I preach the gospel. There were a lot of people in favor of getting rid of Fanfani after four straight losses. Someone had to go. However, they dumped him in a public way. The man they chose is a Moro man—Zaccagnini. He is 63 and has been a President of the DC for many years. His name is not a household word. Fanfani ran the party and he did not have much exposure. He has a bad ulcer.

The Secretary: He seems like a great guy to run a tough campaign against the Communists. As I think about this, the DC must be reformed. But how can the DC reform itself and win an election at the same time? That present bunch is not going to win any election.

Volpe: Some will have to stay but we are looking to the young ones to bring new leadership to the party.

The Secretary: Another thing that bothers me is the left wing of the DC. My assessment is that they are not Communist only because they are Catholics.

Volpe: Mr. Secretary, for example, Donat Cattin—he's among the strong opponents to the "Historic Compromise", and he's a leader of one of the left factions. Incidentally, he took a swipe at me some time ago. . . .

The Secretary: Is he still alive?

Volpe: Yes, he is the leader of the left wing of the DC but he is anti-Communist.

The Secretary: His name doesn't mean anything to me.

Beaudry: That is the Secretary's point. His Catholicism prevents him from being Communist.

The Secretary: My primary problem is to keep Italy from becoming a test case for the rest of Europe. We have already had some soft heads from Germany urging the "Historic Compromise" to tame the Communists. That is Ehmke's point of view.

Hartman: Yes.

Volpe: We understand that Brandt wants to see some of the Communist leaders. This must be avoided. At the summit meeting this week if the President and you can talk to the British about this.

The Secretary: Isn't Palme in New York today? Why aren't we seeing him?

Hartman: It is a question of free time before your departure for the summit.

The Secretary: But why don't we see him?

Hartman: It is the time schedule.

The Secretary: What time schedule?

Hartman: I will have to check.

The Secretary: We shouldn't turn away any opportunities.

Hartman: He has not asked to see anyone. We don't know if he wants to see the President. He is here on other business to make a speech to the Council and at the UN.

The Secretary: I'll be in New York on the 18th. I could see him then.

Sonnenfeldt: We'll check.

Hartman: On timing, there's got to be a clean sweep. One group is that of Forlani, which can probably come up on time.

The Secretary: That will do it?

Hartman: There are no new leaders in position at this time.

Volpe: Leone wants the Congress in January.

The Secretary: Who is the leader of the DC, the Secretary?

Hartman: Yes.

Volpe: In my talk with Moro, he said that his government had a 60–40 chance to last until the Congress. After the Congress he just didn't know.

Leone wants an early Congress. Moro and Zaccagnini want it later in the fall of 1976. In my view that would be disastrous. They need time to put everything together before the elections.

The Secretary: What will the new Secretary do? Who is he?

Volpe: He is 49 years old, no taint of corruption, not involved in any shady things. All the major leaders—Andreotti, Piccoli, Bissaglia—support him. Arrigo Levi, the editor of *La Stampa*, says there is no one else.

The Secretary: Why is he so dominant?

Volpe: Well, he was party secretary.

The Secretary: He didn't do so well. But what is his strength? Is he able?

Volpe: Yes. He is able. He is uncorrupted.

The Secretary: I understand that if you can get things done corruption is not necessarily a bad word in Italy.

Volpe: When you look around, there isn't anyone else. All the others are four to five years away. I told him one of the things he had to initiate was a system of deputy chairmen of the party and position them around Italy. In that way he would know what was going on in all parts of the country. He has been around for years and he doesn't think that he knows everything. With the right kind of support he could do a good job. He is dependable. He is opposed to the Moro/Zaccagnini crowd. He opposes the "Historic Compromise" and he is against the dialogue. For him they are the opposition party.

The Secretary: The PCI?

Volpe: Yes.

Hartman: Does Leone think he is good?

Volpe: He thinks he is the only man.

The Secretary: My concern, John, is this. I need a systematic operation, not a lot of political scientist mumbling. Our people must know that this is not a tactical thing. I don't know just how to do it. We cannot defeat the Communists with Socialists. I know that my people here think we should work with the Socialists.

Hartman: No, that's not right. Have you read the paper?

The Secretary: What paper?

Hartman: The paper on Italy. It is in your Volpe folder.

(Secretary gets paper from his briefcase.)

The Secretary: I think the Socialists will be effective only as long as the DC is strong.

Volpe: That is absolutely right.

Hartman: That's the whole point of our paper.

The Secretary: The DC is the thing, not the PSI. There is nothing we can do to talk sense to De Martino until the DC is strong.

Volpe: If the DC could govern without the Socialists, they would be delighted to do so. De Martino for his part said he is not prepared

to rejoin a weak alliance. The DC will have its council meeting within the next ten days. If De Martino sees renewal he will be more amenable to the DC. He is receptive to accepting an invitation to come here January 8–12.

Not that I love the Socialists—I hate their guts—but that is all that we have to work with.

There are the smaller parties but you need a 55–60% majority to govern effectively. Therefore you need the Socialists. There is no alternative to having them in a coalition.

We need to show De Martino this great country and have him hear what you think about the PCI. He does not want to associate the PSI with the PCI at the national level. There is already some evidence that the PCI can be opposed at the local level. At a recent council meeting in Florence the PCI was defeated by the other parties. Here, let me read you this telegram. (Reads telegram from Florence.) As the PSI and the DC voted with all the other parties against the Communists, I think this might be the beginning of something. They can do it if they want to.

The Secretary: What I want to avoid is that we sit around for another five months with all our bright ideas. There still is no coherent program. We have talked about three guys on this and two guys on that.

Hartman: This is the covert part, but it is only one part of the whole program. We have already started on the overt side, and we want to move with this. We have time up to the party congress.

The Secretary: Why can't we start on the newspapers?

Volpe: If you approve the covert program, we can start. You have to give us your blessing.

The Secretary: You have my blessing. I approve it. The Forty Committee will approve it.

Hartman: There are some local elections coming up. If the DC can win, it will have a great psychological benefit.

Beaudry: I think some US electoral techniques can work in Italy. Using these techniques, one group was able to elect 110 of their 126 candidates in the June 15 elections.

Volpe: They were not even endorsed by the leaders of the party. They got in just the same.

The Secretary: What do you think, Hal?

Sonnenfeldt: What specifically?

The Secretary: Italy.

Sonnenfeldt: We should let it be known that we support Forlani.

Volpe: Not openly, of course.

The Secretary: He is strong in his own right. Why do we have to support him?

Volpe: Our support would be useful against the Moro/Zaccagnini opposition.

Sonnenfeldt: We would back him not as a man who supports a more elegant form of the “Historic Compromise”. The “Historic Compromise” is a process which has already begun. It is already working in the regions. The Communists look upon it as an organic process. We are already in the beginning phases. We are even beyond the beginning phases of the “Historic Compromise”. We need a counter current against the “Historic Compromise” in the media, for example.

Volpe: Yes, the media are very important.

The Secretary: What does counter current mean?

Sonnenfeldt: We need the Italians to speak out for the government and against the Communists.

The Secretary: What does La Malfa do?

Volpe: He is a hard man but Moro has softened him up a bit. He also is old and has had two eye operations. Also his Republican Party is very small.

The Secretary: But he has a lot of prestige.

Sonnenfeldt: That is another point. I have already raised the question of additional support for the small parties. Why do we not help them to pick up votes?

The Secretary: What is His Holiness doing?

Volpe: The Holy Father came out to praise publicly the courageous sagacity of the Rome vicar who spoke out against Communism.

[1 paragraph (6 lines) not declassified]

The Secretary: [1 line not declassified]

Volpe: [1½ lines not declassified]

The Secretary: [1 line not declassified]

Volpe: [3 lines not declassified]

Barbour: [3 lines not declassified]

Volpe: The young priests are part of the problem. A Cardinal told me how he had to fight with the young priests who were taking a pro-PCI stance. The Cardinal threw them all out.

Barbour: At the same time, however, it was the Cardinal of Milano who said he wished the Christian Democrats would stop calling themselves “Christian”. He didn’t want the identification with them.

Volpe: That’s right, they feel tainted by the corruption and *malgoverno*. After we boil it all down we can see that there are many risks involved, but the stakes are even greater.

The Secretary: You have my blessing. But I am not sure that [dollar amount not declassified] can do this. I have never believed that there is

any merit in losing with moderation. I want a major effort. I want the Embassy organized. I don't want any Yale students working on their own. How you do it is up to you. I don't care. As for the PSI, it probably has to be in the center-left government, but the DC must be stronger. All the chowder heads in this country—that is, the intellectual groups—are favorable to the "Historic Compromise". Don't send me any more PCI visa applicants. I will refuse them, so why don't you do it yourselves.

Volpe: Mr. Secretary, the Department sent me a cable, approving my recommendation and that is what we acted on.

The Secretary: Yes, I approved that cable.

Volpe: On this basis, for example, we gave a visa to a Communist journalist. After he got his visa he started saying he was coming here as a Communist official. Your folks got after him and told him that he was here as a journalist and as nothing else.

If you want a change in policy, let us know.

The Secretary: Will we know here what is going on in Italy?

Hartman: John will set up a team under Bob Beaudry [*less than 1 line not declassified*] This is not just a covert action program, it is a major effort that will involve the whole mission. There will be status reports.

The Secretary: Do not feel constrained by money. Ask for whatever you need.

Volpe: If we need more we will come back, but I shall not ask for more than that. But we shall need more travel money, and for other programs.

The Secretary: Obviously you should not ask for money just for its own sake. But you must have what you need. I want a structured program spelling out in detail what you plan to achieve at each stage. I want the Embassy organized to carry out this program, and I expect you to see that you have what you need. You will have my complete support. Now it is not just a matter of organization. What can we do about that damn Moro?

Volpe: He will be around until the Congress. He is being propped up by a number of people. Labor, for example, knows that he is the best thing they have got.

Barbour: If Forlani gets in as party secretary, they may have to buy Moro off by letting him stay on as Prime Minister.

Beaudry: He controls the left.

Sonnenfeldt: Moro is dealing with the PCI. He is not dealing with them as an opposition party. When you and the President spoke to him at Helsinki it is not at all clear you were on the same wavelength. I think he believes that you don't know that he meets with them, or

that you don't know how he deals with them. I believe he needs a much tougher talking to. It could be done at the summit meeting.

The Secretary: Maybe the President could have a word with him. Hal, would you see to it. Make sure that there is a note in the documents. Remind me to talk to Schmidt, too.

We will approve this program. Do you need a new political counselor?

Volpe: We are not entirely happy with him. He has much ability. It depends on what he does.

The Secretary: Why don't we get a new one?

Volpe: It depends if there is someone else around. It doesn't do any good to get someone else if he is no better. We might look at the press attaché, too.

The Secretary: John, you have to be detached about this. You need to see the top politicians. The day-to-day work must be done by others. There will be things you will not want to be involved in. But it must be under your general control but with the details and implementation left to others. Therefore we need one or two strong men under you. I don't know anything about your political officer. I don't even know his name. What's his name?

Hartman: Alan Ford.

The Secretary: Was he the one in Lisbon?

Hartman: No, he was not.

Sonnenfeldt: There are also the consulates. They are extremely important as well.

Hartman: We need to move now.

Volpe: We are bringing John Di Sciullo to Genoa. Perhaps we could bring him early—put him on TDY.

The Secretary: We need good men in those consulates, too. I will talk to Carol about all this, if necessary.

Sonnenfeldt: On this kind of program you will need a short leash on the consulates.

The Secretary: Can we do it? This will be terribly important for the political future of Europe. Italy is a test case. If the "Historic Compromise" comes to Italy there will not be an "Historic Compromise" in Germany, but the Socialists there will shift to the left.

Volpe: I recall what President Nixon said to me. He told me that Italy is the leg of Europe which supports the rest of Europe and it is a damn good thing that it is there.

The Secretary: Rome is the most important Embassy we have today. We have one hell of an important problem, and you have a very big job ahead of you.

Volpe: It is as important as the 1947 period.

The Secretary: It is more crucial than the 1947–48 period. At that time we had potentially healthier situations elsewhere in Europe, and we were stronger at home, too.

Volpe: The Italians are aware of a change in the US. *La Stampa* has said, for example, that the US is starting to reemerge with vigor.

Hartman: As for the economic summit, the French are putting out the line that that will be a 5 plus 1 conference and that any follow-on activities will be of the 5.

The Secretary: Well, it will be 5 plus 1.

Sonnenfeldt: No, 5 plus 2.

The Secretary: John, I want you to know just how important this is. The Embassy has a big job to do and little time to do it. You have my complete support.

Volpe: I am fully aware of just how important it is.

The Secretary: You have to get this thing organized and keep us informed of what is going on. If you need anything at all and cannot get it, let me know.

(To Beaudry): I look to you to carry out this program and to keep it under your full control.

Beaudry: I understand. We will get started as soon as I get back tomorrow.

(12:30 p.m.—participants withdraw).

360. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, November 29, 1975.

SUBJECT

Covert Action Program in Italy

At its meeting on 14 November, the 40 Committee approved a program for covert action in Italy "in principle." It reaffirmed this approval at a meeting on November 21 at which it recommended initiation of a first phase of the program. This action is being submitted for your review and decision.

Simply put, the objective is to block the Communist Party of Italy (PCI) from becoming the dominant party—the first to win control of a Western nation via the parliamentary system—or a member of a coalition government. The Communists have made significant inroads at the expense of the long-dominant Christian Democratic Party (DC). A major segment of the covert action plan is to improve the DC's image and standing.

Covert action would be undertaken to:

- Increase contact with and support the democratic parties, especially their younger elements. The DC would be the primary recipient, but also Socialists, Republicans and Radicals.

- Increase contact and support for non-political Italian groups and individuals including media, government, business, professional, farming and labor.

- Urge contacts in Western Europe to support our objectives.

- Denigrate the Italian Communist Party and hamper its activities.

The total program is estimated to cost \$4.87 million, but the first phase—which would cover local elections and the DC Congress scheduled in the spring of 1976—is estimated to cost [*dollar amount not declassified*] Monthly reports would be reviewed by the 40 Committee beginning in January, and the Committee would monitor this operation closely.

¹ Summary: Scowcroft sought Ford's approval of a covert action program in Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Top Secret; Sensitive. Outside System. Sent for action. Tab A, attached but not published, is a December 4 Presidential Finding signed by Ford. Tab B was not attached. Ford initialed his approval of Scowcroft's recommendation on December 4. The proposal, a November 13 memorandum for the 40 Committee that is *ibid.*, was discussed at 40 Committee meetings on November 14 and 21. (Memoranda for the record, November 15 and November 21; both in National Security Council Files, Ford Intelligence Files, 40 Committee Meetings, Minutes/Approvals, 1975 GRF)

OMB recommends that if you approve the \$4.87 million, [*dollar amount not declassified*] be withheld by OMB apportionment action. This would allow the first phase to be implemented, but would await further developments and justification before additional monies are made available. This is particularly important because of the low level of funds available [*less than 1 line not declassified*] now, and is in keeping with the 40 Committee's plan to monitor this program. If you approve the total program, funds can be made available by 40 Committee/OMB action, as needed and justified.

At TAB A is a Presidential Finding that this operation is important to our national security—required by law if you approve this operation—which will be followed by the required briefings of six committees of the Congress. Attached to it is a summary of the proposal.

At TAB B is the more detailed presentation which was approved by the 40 Committee.

RECOMMENDATIONS

That you approve the proposed covert action program in Italy at a level of \$4.87 million [*less than 1 line not declassified*] with [*dollar amount not declassified*] to be withheld by OMB apportionment action subject to 40 Committee approval of requests for release.

If you approve, that you sign the Presidential Finding at TAB A.

361. Telegram 373 From the Embassy in Italy to the Department of State¹

Rome, January 9, 1976, 1905Z.

373. For Assistant Secretary Hartman Only. Subject: Press Stories on CIA Activities in Italy.

1. As you know, I have previously expressed my real concern about leaks from the Pike Committee on alleged CIA activities in Italy during the 1972 elections. The latest stories about current activities are perhaps even more damaging. The decibel level in yesterday's press here was very high; every newspaper gave the story prominent treatment with glaring headlines. The result was denials from the non-Communist parties (but, as always, the denials never catch up with the initial story) and three high level approaches to the Embassy expressing worry about the damage such stories are doing to the US and to our friends in Italy.

2. La Malfa, Vice-PM and President of the Republican Party, asked me to call on him on an urgent basis. When I saw him, the first thing he raised and the obvious purpose of the meeting was the allegation in the press that the PRI and other non-Communist parties had received CIA funds in 1972 as well as currently. He said that such stories would be very damaging at any time, but that, coming at the time of a political crisis and possible elections, they are doubly so. The damage, he said, is not only to the Italian parties and politicians who stand accused, but also to the US. The credibility of both is gravely hurt and the ability of the US to exert a positive and helpful influence on the Italian political scene will be seriously curtailed. The only beneficiary is the Communist Party, which he said undoubtedly receives help from the USSR but that help has and will remain unpublicized. The Soviet Union, and the PCI, according to La Malfa (and I agree with him), could not have worked up a propaganda campaign that would be even fractionally as helpful to them as the one we are giving them for nothing. I told La Malfa that we share his concern, and referred to the President's

¹ Summary: Volpe discussed the effects of recent press stories on CIA activities in Italy.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 7, Southern Europe 1976. Secret; Immediate; Exdis. In backchannel message 56 from Rome, December 22, Volpe shared with Ford and Kissinger his concern that publication of CIA activities during the 1970 and 1972 Italian elections "would have the most serious implications for" U.S. interests in Italy. (Ibid., Southern Europe 1975) In the January 7 edition of the *New York Times*, Seymour Hersh wrote that the CIA had provided at least \$6 million "to individual anti-Communist political leaders in Italy since Dec. 8 in an effort to prevent further Communist Party gains in national elections." ("C.I.A. Is Reported To Give Anti-Reds in Italy \$6 Million," *New York Times*, Jan. 7, p. 77)

January 7 statement on the subject. I also tried to explain to him our policy of not commenting on such press allegations. While he seemed to understand the rationale for the policy, it obviously does not satisfy his immediate worries. He did not, however, present me with a formal demand for a USG denial.

3. Earlier in the same day, I met with Senator Giovanni Marcora (DC), Minister of Agriculture. Marcora expressed essentially the same concerns as La Malfa. At great length he explained his worry about Communist advances in Italy, and his full agreement with the position taken by Secretary Kissinger. Marcora is convinced that there is a very real danger that the Communists may come to power in Italy through the ballot box and that, if they do, it will have a profound negative effect on the entire Western world. He sees the CIA stories as seriously limiting the USG's ability to contain Communism at a time when the balance in Europe seems to be changing in favor of the Communist bloc. With regard to Italy in particular, he made the same point as La Malfa: it would be hard to imagine a single initiative that would be more helpful to the PCI.

4. The political counselor, who was present at my meetings with La Malfa and Marcora, also saw Nino Valentino, President Leone's principal adviser on domestic politics, on the same day. Valentino opened the conversation by referring to the CIA stories and stating that they were causing worry and anxiety throughout the non-Communist Italian political scene. Whether they may ultimately be proved to be true or not, he said, the fact that these allegations come out as leaks from USG sources (presumably the Congress) is sufficient to give them a respectability which in turn destroys the credibility of the alleged recipients as well as the discretion and trustworthiness of the USG. The stories constitute an enormous boon for the PCI and a disaster for the non-Communist parties. Valentino concluded by observing that there is probably little or nothing that can be done to undo this damage, but he expressed the strong hope that there will be no further leaks. The political counselor responded along the same lines as the Ambassador to La Malfa.

5. I have repeated yesterday's conversations on this subject at some length as examples of the current concerns at high levels of the Italian political world. However, they are not unique. Ever since the Hersh story first appeared in the New York Times, the Embassy staff has received similar comments from a wide variety and large number of Italian contacts.

6. I am convinced that our interlocutors are basically right. These stories do hurt our friends, limit our effectiveness and help the PCI. Colby's TV interview yesterday was helpful but obviously won't solve the problem. Even a complete denial, if it were possible, wouldn't undo

all the damage that has been done. Complicating this already serious situation was the presence in Rome and concomitant press conference on January 7 of former CIA staff officer, Philip Agee, who before a group of some forty or fifty local journalists identified the former and present station chiefs, and assured his audience that he would “intensify” his efforts to identify and expose CIA personnel in Italy, Spain and France. Agee went on to say that he had already collected the names of some forty to forty-five CIA personnel in Italy. His threat was followed [6 lines not declassified] I am concerned that the atmosphere created by the Seymour Hersh story will seriously impair our effectiveness [1 line not declassified] may well have a chilling effect on our expanded contacts envisioned in the Democratic Alternative paper. It is, therefore, of great importance that every effort be made to avoid any further leaks and, in particular, to avoid those that would provide the press with details (names, occasions, purposes, etc.) whether accurate or not. I very much hope that you and the Secretary will urge the President in the strongest terms to exercise his right to declare any reports that have been furnished to Congress on past CIA activities in Italy [1½ lines not declassified] as privileged and sensitive information under executive restraint.

Volpe

362. Memorandum Prepared for the 40 Committee¹

Washington, February 2, 1976.

SUBJECT

Political Action in Italy

1. On 21 November 1975 the 40 Committee approved a proposal for covert action in Italy which would seek to prevent the Italian Communist Party from becoming the dominant party in Italy and to prevent this party from entering the Italian national cabinet. On 4 December President Ford found the operation to be important to the national

¹ Summary: The memorandum reported on the political action program in Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret; [handling restriction not declassified]. An attachment, [text not declassified], is attached but not published.

security of the United States and, in keeping with his responsibility pursuant to Section 662 of the Foreign Assistance Act of 1961 as amended, instructed the DCI to report this finding for him, supplementing it by oral briefings as necessary, to the appropriate committees of Congress. During the period 8–16 December, Mr. Colby briefed the six Congressional Committees involved.

2. In late December publicity concerning the covert action program began appearing in the press and other media. It was alleged that CIA had funneled at least \$6 million in secret cash payments to individual anti-Communist political leaders since December 8. In a public statement on 8 January Mr. Colby denied that any funds were spent and, as a result, as of this date no money has been expended. Secretary Kissinger, on 16 January 1976, instructed Ambassador Volpe not to spend any special funds in support of the covert program until new instructions were issued. The overt “Democratic Alternative in Italy” program has continued without interruption. [*less than 1 line not declassified*] have continued developing contacts with Italian politicians and others who could make a contribution to the covert aspects of this effort.

3. A new political situation has developed in Italy. As a result of the withdrawal of Socialist Party support of the Italian government, the coalition headed by Premier Aldo Moro has resigned and an effort to form a new government is underway. Whatever the result, parliamentary elections by June or earlier are a distinct possibility. U.S. policy towards Italy has not changed. The “Democratic Alternative Program”, however, has received a setback by the Italian governmental crisis which has been further exacerbated by recent public disclosures concerning not only this program’s covert aspects but of a previous covert operation launched in Italy in 1971–1972 under the direction of Ambassador Graham Martin.

4. The fall of the Moro government has completely altered our three-stage covert action program. We have sent messages to Ambassador Volpe [*less than 1 line not declassified*] suggesting certain courses and asking for [*less than 1 line not declassified*] recommendations for actions to be taken in the short term to support U.S. policy objectives in Italy.

5. A status report on the “Democratic Alternative Program” will be submitted separately to the 40 Committee.

363. Memorandum From the Under Secretary of the Treasury for Monetary Affairs (Yeo) for the Economic Policy Board Executive Committee¹

Washington, undated.

SUBJECT

The Current Situation in Italy

Current Political Situation

The Socialists withdrew their support from Prime Minister Moro's government on January 7. He handed in his resignation the same day but President Leone subsequently asked him to form a new government. The bargaining on a new government was complex and prolonged as the Socialists sought to protect their central role in the Italian political spectrum. Based on tacit acceptance by the Socialists of an economic austerity program, there is now to be a Christian Democratic minority government. It would govern until party congresses make a new government possible or elections are held either late this year or next. There are reports that the Socialists have agreed not to oppose a program involving a sales tax increase on non-essential goods, a heavy excess profits tax on industry, a freeze on upper income salaries and a series of modest technical measures which will increase the cost and reduce the availability of credit.

The outcome of this latest government crisis is the weakest government in many years. It results both from an institutional feebleness and from human frailties, both of which contribute to political party ineffectualness and corruption. The likelihood of continued weak government is made to order for the large, well-disciplined Italian Communist Party. Communist accession to power in Italy, or probably even participation in a coalition government, would have a negative impact on specific U.S. interests such as base rights. It could also profoundly change the character of the NATO alliance and the European Commu-

¹ Summary: Yeo discussed the political and economic situation in Italy.

Source: Ford Library, L. William Seidman Papers, Seidman Subject File, Box 122, Economic Policy Board Memoranda, 1/1–8/76. Confidential. Concurred in by Katz and Deputy Assistant Secretary of State for European Affairs L. Bruce Laingen. Yeo did not sign the memorandum. Seidman initialed the memorandum. From March 7 to 10, Simon, Yeo, and Seidman visited Rome for discussions with Italian officials on the Italian economic and political situation. Telegram 4037 from Rome, March 11, summarized their talks. (National Archives, RG 59, Central Foreign Policy Files, 1976) Memoranda of conversation recording their March 8 discussions with Baffi and with Colombo, as well as their March 9 discussion with Moro, are in Ford Library, L. William Seidman Papers, Foreign Trips File, Box 314, Rome, March 7–10, 1976 (1).

nity and exert an unhealthy influence on the emerging political situations in Spain and Portugal. It is thus in our interest to do what we can to strengthen the democratic forces in Italy, particularly the Christian Democrats. In this regard, events in the economic sphere take on a critical importance. The success or failure of Christian Democratic economic policies is the principal determinant of the party's political viability.

Economic Repercussions of Political Crisis

Despite a dramatic \$8 billion improvement in its balance of payments in 1975, the year was not a good one for Italy. It experienced negative growth (for the first time since World War II), growing unemployment, and a high rate of inflation. The country is facing:

- the prospect of inflation rates higher than those of most of its trading partners (12% vs. about 8% for its partners);
- continued unemployment and underemployment, low growth (1 to 2%);
- an increasing budgetary deficit (12% of total national output) and
- pressure for large wage increases even though labor costs have increased at an average annual rate of 23% over the last three years.

Italy's financial reserves have dwindled and its ability to borrow abroad sharply curtailed. A renewed deficit in the balance of payments was in prospect, partly because the expansionary internal policy adopted last fall to stimulate recovery was incompatible with the external policy of supporting the exchange rate.

Nevertheless, the Bank of Italy, at a cost of \$2.1 billion, maintained the lira rate virtually unchanged for several months despite underlying economic conditions which, under our agreement at Rambouillet, would have suggested a gradual downward drift.

After the fall of the Moro Government on January 7, pressure on the lira mounted rapidly. The Bank of Italy recognized that any effort to peg the lira during the political crisis would require more financial resources than it had, but, having apparently lost a good deal of its traditional autonomy, did not withdraw from the exchange market until it could obtain the approval of the caretaker government. Thus, withdrawal did not come until January 20. Both the Bank and the government handled the situation badly initially, making "poor mouth" statements which, by encouraging adverse speculation, made the situation worse. Since January 20, the price of the lira in terms of the dollar dropped nearly 12 percent before recovering slightly and varied as much as 2½ percent in a single day.

The Bank of Italy now recognizes that heavy, extended intervention to maintain the exchange rate is impractical, and seems prepared to let the market continue to set the basic exchange rate even after an

economic program is developed in the context of the formation of a new government. It does not want to incur more debt to finance what would be likely to be ineffective intervention.

U.S. Assistance

The Italians have discussed the situation with us and with the International Monetary Fund. The IMF has outlined the conditions on which it would be prepared to extend further credit once the Italians develop a politically acceptable program. In addition, the Federal Reserve has allowed Italy to draw \$250 million of very short-term credit under a long-standing swap arrangement. For the moment, there is little else to do other than watch the situation closely. How much, if any, further external financial support the Italians will seek when a government has been formed remains to be seen. A traditional, large-scale financial package to finance a defense of the exchange rate would not appear to be the answer. If sought by the Italians we might, however, consider supporting an IMF credit or announcement of some limited U.S. actions which would show political support for the Christian Democrats, and build confidence. For instance:

- A further credit of \$250 million under the swap arrangements.
- Continued movement toward a large Export-Import Bank program to finance the development of Italian nuclear power plants.

If Italy develops serious balance of payments problems in the longer term, one avenue of multilateral support might be the Financial Support Fund of the OECD, now awaiting ratification. We have thought of this U.S.-initiated \$25 billion fund as a source of contingency financing which could possibly never be used. In the case of a balance of payments crisis in a country like Italy, we would, however, be happy to have it in place. Activation of the Support Fund will require its authorization by Congress. A few key Congressmen, particularly Case, Church and Reuss, are still opposing passage. (We expected the Foreign Relations Committee to report out the bill authorizing U.S. participation February 3 but Church delayed action.) The possibilities in the Italian situation underline the need for firm Administration effort to get the Support Fund bill through quickly.

Edwin H. Yeo, III

364. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, February 9, 1976.

SUBJECT

Suspension of Covert Action Program in Italy

Leaks about our planned covert action program in Italy as well as changing political circumstances there, have led us to reexamine the program you approved last December. We had recommended a three-stage \$4.8 million program [*less than 1 line not declassified*]. On 4 December, you signed a Presidential Finding pursuant to Section 662 of the Foreign Assistance Act that this operation was important to our national security. You instructed the Director of Central Intelligence to brief the required six committees of the Congress, and Bill Colby did this during 8–16 December.

In late December, leaks about this program began to appear including leaks from the final draft report of the House Select Committee on Intelligence dealing with past covert action in Italy. [*less than 1 line not declassified*] It was alleged that CIA had funneled at least \$6 million in secret payments to Italian politicians since 8 December. Colby denied this and declared that not one cent had been spent.

In addition to the publicity and the aura of suspicion generated in Italy, there has been a dramatic change in the Italian political scene. The Socialists withdrew from the governing coalition and Premier Moro was forced to resign. An effort to form a new government is under way. National elections by June are a possibility. These developments alter the proposed covert action timetable, and adverse publicity restricts our ability to mount successful operations.

The 40 Committee reviewed this situation at a meeting on 3 February and recommends that implementation of the covert action program should be deferred. A working group would continue to monitor developments closely to recommend appropriate resumption of activity when or if it comes to appear feasible and desirable in support of our

¹ Summary: Scowcroft sought Ford's approval of the suspension of the covert action program in Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret; Sensitive; Eyes Only. Outside System. Sent for information. Ford initialed his approval of Scowcroft's recommendation on February 9. The 40 Committee discussed the suspension of the Italian covert action program on February 3. (Memorandum for the record, February 3; *ibid.*, 40 Committee Meetings, Minutes/Approvals, 1975 GRF)

continuing overt activity. Your approval would be sought prior to resumption of any covert political action under this program.

RECOMMENDATION

That you authorize the suspension of the Italian program.

365. Note Prepared by Rob Roy Ratliff of the National Security Council Staff¹

Washington, April 7, 1976.

ITALY

I was at the White House on another matter this morning and General Scowcroft asked me into his office. He said that the President was concerned about developments in Italy and thought that we ought to take another look at what we might do there to block the communists.

He said the President was aware, of course, that we had suspended the previously approved covert action program, but that a task force should get that out and look at it to see if there is anything there that might be used to help in this situation and that the task force should consider any new initiatives and ideas.

He visualized a meeting as soon as something is ready. He assumed that State and CIA would be the principal ones involved.

I notified Mr. Blee who said he would tell Bill Wells; Ben Evans with the recommendation that someone should inform the DCI; [*name not declassified*], with observation that if we hold a meeting on this we might be able to add the other pending items to an agenda so that he should get the two other papers he has in the mill over to us asap;

¹ Summary: Ratliff recorded a conversation with Scowcroft on Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret. In an April 6 meeting with Ford and Scowcroft in the Oval Office, Rumsfeld reported: “Italy. There was a conference here in town. The consensus was that Italy could go communist within a few months. We all have said we didn’t see how an Italy with communists in the government could participate in NATO. The question is what we can do. Brent said facetiously maybe a covert operation.” Ford replied, “Why not? If that is what we should do, then we should at least go to the Congress. For us to sit on our hands just because of Congress would be irresponsible.” Rumsfeld responded, “Structure a debate in NATO that a communist government means automatic suspension from NATO. If we lost Italy, we might lost [*lose*] France, too.” (Memorandum of conversation, April 6; Ford Library, National Security Adviser, Memoranda of Conversation, Box 18)

and Bill McAfee at State to advise him of these developments and to expect to hear from CIA on this subject.

RRR

366. Briefing Memorandum From the Director of the Policy Planning Staff (Lord) to Secretary of State Kissinger¹

Washington, April 15, 1976.

Italy: If the Communists Come In

This memorandum was drafted by a member of my staff who wanted to explore some ideas and generate an exchange among senior officials concerned with Italy in the Department. (All concerned appreciate the sensitivity of the subject and have cooperated in limiting distribution.) The finished product has benefited considerably from the criticisms and suggestions of those who read earlier drafts, but we have made no attempt to reduce it to consensus.

The issue of Communist participation in an Italian government has become more urgent than when we began this exercise, as a result of recent developments which make early elections more likely than we had thought. I would still bet against an historic compromise any time soon; but I would not bet more than I could afford to lose.

I wish I could tell you that we had discovered a “good” way of dealing with the situation if it should arise. Unfortunately, none of the options in this paper is very attractive and all carry substantial risk. The paper does, however, do a tougher-minded job of analyzing what realistic options we would have, and their broader context and consequences, than I have seen elsewhere.

Summary of the Options

The paper sketches what we think would be happening in Italy itself; the response of other West European governments; the impact

¹ Summary: Lord summarized and forwarded a paper entitled “Italy: If the Communists Come In.”

Source: National Archives, RG 59, Records of Secretary of State Henry Kissinger, Entry 5403, Box 19, NODIS Briefing Memos, 1976, Folder 1. Secret. Drafted on April 13 by Jenone Walker of S/P. The attachment, an April 6 paper prepared by Walker, is attached but not published.

on the fortunes of other Western Communist Parties; and the likely Soviet reaction. It then discusses the options which would be available to us and the costs and risks associated with each.

Our sources of influence on the Italian situation would include the PCI's desire for signs of US acceptance; our influence over Italy's access to international financial assistance and the role of American investment in the peninsula; and our ability to modify, if not end, Italy's membership in the Atlantic Alliance. We could use these assets *either to punish* the Italians for having taken Communists into the government at all (to demonstrate beyond doubt to Italians and other West Europeans that they must choose between coalition with Communists and cooperation with us) *or to bargain* with an historic compromise government for behavior (relatively) pleasing to us, or for some mixture of the two.

A. *A hard line policy* could vary from across-the-board ostracism of Italy (refusing international financial assistance, extreme coolness in bilateral relations, pushing for as much qualification of Italy's NATO role as we could get without rupturing the Alliance); to an attempt to cause the government's collapse by denial of economic assistance while preserving and even strengthening ties with the Italian military (including in NATO); to a "good cop/bad cop" division of labor between us and the West Europeans through which we would hope to keep Italy in some Western grouping even while "punishing" it.

The costs of a hard line could include damage to other Western economies and restrictions on the use of our military bases in Italy, if not the loss of the bases altogether. Moreover the policy might boomerang, generating sympathy among moderate Italians for a PCI which could pose as martyr to our imperialistic meddling in Italy's internal politics. We might only give the PCI a foreign scapegoat if it failed to be the force which finally could make the Italian government "work."

B. *Trying to bargain* with an historic compromise government would mean basing our actions in international economic fora on its economic behavior rather than political grounds, and making business as usual in NATO contingent on the security policies the government accepted and its own willingness to go on contributing to Alliance activities. This policy would be easiest to implement, and popular with those West Europeans who dread being pushed to choose between us and one of their European Community partners.

The costs, however, would be at least conditional US acceptance of the PCI—to the considerable benefit of Communist parties elsewhere in Western Europe. Moreover, the areas of behavior to which our specific sources of leverage are most relevant are those in which the PCI would anyway be on its good behavior (economic policy) or at least trying to stay neutral and inoffensive (NATO activities).

C. *“Testing” the PCI* would involve looking for ways to put hard policy choices to it on international as well as domestic issues—choices which would tend to split the party and (depending on how its leadership came down) either to discredit or genuinely to domesticate it.

We would build on your argument last January to Brandt and Kreisky that even if the PCI were genuinely independent of Moscow, and even if it were sincere in its acceptance of democratic procedures, it still would not be a constructive partner in Western security, political, and economic cooperation. Important West Europeans who would like to help us frustrate the Communist bid for power—Schmidt, Giscard, some Italian moderates—would, if our tests seemed reasonable, join in *trying to make the PCI feel compelled to prove you wrong*.

No one is certain we could make this policy work. Berlinguer has been masterful in devising forms of words which so far have managed to satisfy both Italian moderates and militants within his own party. By staying out of the Foreign and Defense ministries, PCI leaders would hope to be able to punt on sensitive international issues—e.g., not to be obstructive of Italy’s NATO role, but not to have to do anything very controversial about it, either. But there is an important difference between being independent or even critical of the Soviet Union and being (and being seen to be) an active participant in the Western/capitalist camp. On pages 21–23, we sketch some examples of the sort of “active participation” we could reasonably propose which might be difficult for the Communist leadership in Italy, and awkward for Communists elsewhere in Western Europe to react to.

The costs of such a policy are similar to those of “conditional acceptance”: it would imply a willingness to work with Communists in West European governments, depending only on their immediate good behavior. While the aims of the two strategies would differ, the chief distinction in practice would be how tough a standard we set for “good behavior.” Under the more aggressive “testing” approach we could overplay our hand and seem to be trying to devise conditions impossible for the PCI to meet—thus scaring away those European moderates who would like to help, and incurring some of the penalties of the “hard line” as well as of “conditional acceptance.” Moreover the PCI might manage to meet our conditions, at least to the public satisfaction of even such anti-Communists as Schmidt and Giscard. In putting tests to it, we also would be putting to the test your assertion that Communist participation in government would be incompatible with Western cooperation. The assumption behind this policy would be that it was better to try to force and dramatize certain issues early, rather than letting the Communists choose the ground and set the pace by which they were to establish themselves as part of the governing spectrum.

This memorandum does not address present US policy, but some implications can be drawn from it as to how we should position our-

selves now in order to be able to deal with an historic compromise government if one should be formed. It seems to reinforce the appropriateness of warnings that PCI participation in government would endanger Italy's ability to contribute to the Western partnership. If there is any validity to the "testing" thesis, we would want Communist leaders to have a keen sense of needing to prove themselves. We should, in sum, play hard to get.

I do think we should watch the way our warnings are worded. European leaders have got the message that Communist participation in any of their governments would make it harder for us to maintain US public support for NATO. But we may have reached the point of diminishing returns—of doing more to arouse a nationalistic backlash than to buck up our friends.

When you talk about Europe you will have to say something about the problem. But I believe it should be in terms of what damage the *Communists* would do to Western cooperation, rather than anything which could be misconstrued as a threat of the damage *we* might inflict. If the PCI should one day share power, we would want it, and not ourselves, to be on the defensive about the harm its actions might do the Western partnership.

367. National Security Study Memorandum 242¹

Washington, May 4, 1976.

TO

The Secretary of State
The Secretary of Defense
The Director of Central Intelligence

SUBJECT

U.S. Policy Toward Italy

The President has directed a priority review of U.S. policy toward Italy in the near-term. The study should consider U.S. policy and

¹ Summary: The President directed the Secretary of State, the Secretary of Defense, and the Director of Central Intelligence to undertake a priority review of U.S. policy toward Italy in the near term.

Source: Ford Library, NSC Institutional Files (H-Files), Box 44, NSSM 242—U.S. Policy Toward Italy (1). A copy was sent to the Chairman of the JCS.

options, based on an analysis of all pertinent factors, in the event that national elections in Italy result in the participation of the Italian Communist Party (PCI) in the Italian government. The study should include:

- A brief definition of United States security, foreign policy and economic interests in Italy and an analysis of how these interests and those of NATO might be affected by Communist participation in Italy's national government; and

- A description of the election outcome most likely to lead to participation of the Italian Communists in the national government.

In connection with the possible inclusion of the PCI in Italy's national government, the study should identify and recommend:

- Possible changes in present U.S. policy toward Italy, particularly in such areas as U.S. assistance programs and bilateral consultations; and

- Possible steps by the United States in concert with the other members of the Alliance with respect to Italy's role and participation in NATO.

The study should be undertaken by the Interdepartmental Group for Europe and submitted not later than June 7, 1976, for consideration by the NSC Senior Review Group.

Brent Scowcroft

368. Memorandum of Conversation¹

Washington, May 17, 1976, 2:05–3 p.m.

PARTICIPANTS

President Ford

Vice President Rockefeller

Brent Scowcroft, Assistant to the President for National Security Affairs

[Following a briefing and discussion on Italian earthquake aid]

Vice President: The Foreign Minister said they were right down to the wire on the elections. They thought they could do it, but they urgently needed funds. Also they had used up most of their foreign exchange.

Arthur Burns rode back with me. He said Schmidt proposed a \$2 billion loan from the Economic Community and the US on the condition—which would be secret—that they take no communists into the government, and then get OECD to help with an economic and financial plug. Schmidt thinks they need help and guidance.

President: You are talking about Rambouillet II?

Vice President: Yes. Burns said that it would take a lot of doing and there is no way to do it before the elections. He has \$250 million he can use, but Congress may then add restrictions on the Federal Reserve. It could, though, be done through the Exchange Stabilization Fund, but Simon doesn't want to. Or we could loan against gold at the current market value. Treasury lawyers say we could only loan at formal value. All this would take is for Treasury to change its position.

President: Can this be coordinated with the Europeans? What would it be for?

¹ Summary: Ford, Rockefeller, and Scowcroft discussed the Italian political and economic situation.

Source: Ford Library, National Security Adviser, Memoranda of Conversation, Box 19. Secret; Nodis. All brackets, except those noting omitted text, are in the original. The meeting took place in the Oval Office. Rockefeller and AID Administrator Daniel Parker visited Italy to assess the damage done by a May 6 earthquake in the northeastern part of the country. In a May 17 memorandum to Ford, Parker discussed the political considerations involved in the U.S. response to the earthquake. (Ibid., National Security Adviser, Presidential Country Files for Europe and Canada, Box 8, Italy (5)) Reports on Connally's activities in Italy are *ibid.*, Outside the System Chronological Files, Box 4, 4/16/76–430/76; National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 7, Southern Europe 1975; and *ibid.*, Southern Europe 1976. In telegram 63163 to Rome, March 16, the Department told Volpe that it was “neither involved in nor encouraging” Connally's fund-raising efforts and could not “confirm that such activities are in fact taking place. We share your misgivings about such a project and agree that you should not follow up with him or with others said to have been involved.” (Ibid.)

Vice President: It can't be done before the elections. It would just be an exchange loan.

Also the 40 Committee has some money.

Scowcroft: [Described the situation with the \$6 million.]

President: Let's look into that.

Scowcroft: We would have to restructure any program. What we proposed was for a year or more and for specific projects rather than the parties themselves.

President: What about what Connally is doing?

Scowcroft: He's organized a private group of Italian-Americans.

President: If we do something, we have to make sure that the funds don't get into the wrong pockets.

Vice President: The \$1 billion against gold or a stop-gap measure looks good to me.

President: How do we look into it?

Scowcroft: I will have someone look into it.

[Omitted here is discussion unrelated to Italy.]

369. Memorandum of Conversation¹

Oslo, May 20, 1976.

PARTICIPANTS

US

The Secretary

Counselor Helmut Sonnenfeldt

Asst. Secretary for European Affairs Arthur A. Hartman

H. Allen Holmes (Notetaker)

Neil Seidenman (Interpreter)

¹ Summary: Kissinger and Rumor discussed the Italian political and economic situation.

Source: National Archives, RG 59, Central Foreign Policy Files, P820117–2454. Secret; Nodis. Approved by Collums in S on July 12. The meeting took place at the SAS Hotel. Kissinger was in Oslo from May 20 to 22 to attend a NATO ministerial meeting. In Backchannel Message 109 to Kissinger and Scowcroft, May 6, Volpe discussed the effects of the Church subcommittee investigations into the Lockheed affair on the Italian political scene. (Ibid., Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 7, Southern Europe 1976)

Italy

Foreign Minister Mariano Rumor

Secretary General of the Ministry of Foreign Affairs Raimondo Manzini

Chef du Cabinet Rinaldo Petrignani

Secretary: This is an interesting period in Italy. I notice that the Pope is also getting interested in the elections.

Rumor: I would ask that we consider this part of our conversation confidential. These are the most important elections we have ever faced.

Secretary: If you lose, I will never talk to you again.

Rumor: During the last 15 days I have had the feeling that the situation is getting better. The Italian people now realize that this is a decisive moment. The Democratic Parties are together. We will all work from the same position. The Communists have attempted to divide the government forces but have been pushed back, and now the issues for the elections are very clear-cut. Your messages were received in Italy, Mr. Secretary, but with all respect, and admiration, we believe it would be better if you would say no more . . .

Secretary: I won't say anything more.

Rumor: Perhaps you could say something positive . . . an expression of appreciation for the majority.

Secretary: This will be done.

Sonnenfeldt: We could do it now.

Secretary: (To Sonnenfeldt) We will have to talk about that.

(To Rumor) We will definitely say something positive.

Rumor: The middle classes were originally attracted to the left, but are now reexamining where their true interests lie.

Secretary: Three leading Democrats in Washington have been advocating the admission of the Communists to the Italian government, and it would have been unfortunate if I had remained silent. I will say no more along this line. I will see if the President can say some positive things.

Rumor: We are seeking the commitment of all economic forces . . . trying to cover all social categories with our electoral lists, including representatives from the trade unions. Even Agnelli will be one of our candidates for the Senate.

Secretary: If you win, we will have to cooperate on some programs for progress.

Rumor: In the short time before the elections, it would help if you could give us a hand in the monetary field. But this is a technical problem . . .

Secretary: I will talk with Arthur Burns about this. There are some who don't want to help before the elections.

Rumor: But the economic situation has great impact.

Secretary: The President, the Vice President and I are in complete agreement. You were very effective with the Vice President.

Rumor: A coalition of parties after 30 years in power has a record of accomplishments and mistakes. It is important to emphasize the accomplishments, the positive aspects.

Secretary: I understand. Our Government has said nothing critical. Our opposition has distinguished itself by criticizing the Communists all over the world, in places where they can't do anything about it, while advocating the admission of the Communists into the Italian Government. We will have to find a vehicle for the President to make a positive statement—perhaps a letter. I want to think about this. I will be sure to say something.

Rumor: If I had spoken with you 15 days ago, I would have been much more pessimistic than today.

Secretary: I am glad I didn't speak with you then.

Rumor: The trend is moving in a positive direction. However, the CIA and Lockheed revelations have done great damage, particularly to the ruling classes.

Secretary: It is inexcusable . . . completely out of our control. Lockheed and CIA are explainable to sophisticated people.

[Omitted here is discussion on Malta and Africa.]

370. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, May 22, 1976.

SUBJECT

Covert Action In Italy

National elections will be held in Italy in less than one month. You asked that the Operations Advisory Group (OAG) review the \$4.87 million covert action program which you had previously approved, but subsequently suspended because of adverse publicity, to determine if there was anything that we could do to try to block the Communists from gaining control of the Italian Government.

The OAG reviewed the situation at a meeting on 20 May. It focused upon a CIA proposal (TAB A) to attack the Communist Party of Italy (PCI) through deception, propaganda and media operations. CIA is not able to predict the outcome of the elections or to measure with any certainty the impact of its proposed program. It is aimed at influencing a small percentage of the voters to decrease the total PCI vote by 1% to 3%.

One of the major elements of the proposed program—financing an [*less than 1 line not declassified*], highly-regarded daily newspaper [*less than 1 line not declassified*—has already been accomplished through the efforts of Ambassador Volpe working with Italian businessmen. Some other aspects of the proposal cannot be implemented effectively because of the limited time available. This is what remains:

- A deception operation, [*less than 1 line not declassified*] fabricating a story to reveal close contacts between the PCI leadership and the Communist Party of the Soviet Union to give the lie to the PCI's claim of being an independent party.

- Publication of non-attributable pamphlets showing the bad effect of a Communist government on Italian life—private property, religion, labor, women, etc.

- Exploitation of PCI financing by the USSR and East Europeans.

¹ Summary: Scowcroft sought Ford's approval of a scaled-down covert action program in Italy.

Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret; Eyes Only. Outside System. Sent for action. Tab A, [*text not declassified*], is attached but not published. Ford initialed his approval of Scowcroft's recommendation on May 22. On May 27, Ford signed a new Presidential Finding covering the revised covert action program. (Ibid.) The OAG discussed the proposal for a scaled-down covert action program on May 20. (Memorandum for the record, May 21; *ibid.*, 40 Committee/OAG Meetings, Minutes/Approvals, 1976 GRF)

—Placement of propaganda themes with [*less than 1 line not declassified*] media assets.

—Deception activities to raise questions among hard-line pro-Soviet supporters about the PCI's commitment to International Communism.

These activities would be implemented [*less than 1 line not declassified*], without reference to any Italian officials or political leaders in order to minimize risk of exposure. [*2 lines not declassified*]

It was the understanding at the OAG meeting that the Christian Democrats can expect to receive financial support from the major business group—the equivalent of our National Association of Manufacturers—and from labor groups as well. It is believed that they have access to sufficient funding. There was no support within the OAG for an attempt to implement any program to provide financial support to the Christian Democrats or selected political leaders.

Opinion on the proposed TAB A program was mixed. A major factor in OAG deliberations was the requirement that the oversight committees of the Congress must be briefed if we undertake any covert action. DCI Bush has told them that we are doing nothing. In fact, his most recent briefing on this subject was leaked to the press that same day. It is the opinion of the OAG that any briefing on our covert action efforts in Italy is likely to be leaked, especially since there has already been considerable publicity and interest in what we might be doing in Italy. Ironically, we will probably be blamed for engaging in covert action in Italy even if we do nothing.

Positions taken on the TAB A proposal at the OAG meeting may be summarized as follows:

—*State*. Supported but is concerned about Congressional reaction and hoped that Congress could be briefed in general terms with a minimum of details.

—*Defense*. Strongly negative. Felt that probability of exposure is so high that we and the Italian democratic parties would pay a price out of all proportion to the anticipated return.

—*JCS*. The risks are greater than the gains (although feel less strongly about this than Defense and OMB.)

—*CIA*. Favors going ahead.

—*Attorney General*. While he did not register on the policy aspects of the issue, he quite obviously felt the risk was great compared to gain.

—*OMB*. Felt strongly that the potential gain was not worth the risk of disclosure.

Quite obviously the major factor in considering this proposal is the report to the Congress, which all felt has a high likelihood of being leaked. The result would probably be publicity which would damage our relations abroad as well as have domestic impact. However, some felt that the fact that the proposed program centers on efforts to show

a close connection between the PCI and the Soviet Union and to combat Communism might produce a generally favorable reception on the Hill and might even stimulate support.

The other major aspect to be considered is how much impact this program could be expected to have in so short a time. There was some feeling that expected results were so marginal as to not be worth the possible risks. The alternative, however, is to do nothing, [2 lines not declassified] PCI domination of or participation in the Government of Italy would create sufficiently serious problems for us that we should not lightly discard any action which might reduce that possibility.

On balance, I believe that we can emphasize to the Congressional committee chairmen the dangers of exposure and the specifically anti-Communist nature of the operation. While we would still run the risk of exposure and publicity, I believe that the impact will be softened by substantial approval of our aims. Finally, I believe that the consequences of a PCI electoral victory are so severe that this small-scale media and propaganda effort is warranted, despite the risks. In fact, should we do nothing and the PCI emerge victorious, we could be severely criticized for total inaction in the face of such a threat.

RECOMMENDATION

That you approve the proposed covert action program at Tab A to cost not more than [dollar amount not declassified]

371. Executive Summary of the Study Prepared in Response to National Security Study Memorandum 242¹

Washington, undated.

NSSM 242

EXECUTIVE SUMMARY

While not today considered the most likely outcome of Italy's June 20–21 general elections, Communist accession to a governing role could occur

—in a left front with the Socialists;

—with the Christian Democrats and perhaps the Socialists in the “Historic Compromise”; or

—in a national unity coalition comprising all parties except the far right.

The reaction of non-Communist Italians and political parties to Communist entry into government would be profound, even though it would have resulted from elections and might be limited to token participation. Such reaction would vary with the degree of Communist dominance—greatest in the case of a PCI–PSI alliance, less in a national coalition of many parties, least of all in the case of a nonorganic association with the government on certain programs.

As for the economy, capital markets will be jittery following the elections—the more jittery the greater the gains posted by the Communists. An acceleration in capital flight is almost a certainty. The severity of the outflow will depend upon the speed with which a new government can be formed, and the shape the new government takes and the policies it adopts. The longer the period of uncertainty and the greater the control given the Communists, the larger the drain on capital will be and, hence, the likelier the shift to more radical economic policies will become. An “Historic Compromise” would be far less destabilizing than a left front.

¹ Summary: The study responded to NSSM 242, “U.S. Policy Toward Italy.”

Source: Ford Library, NSC Institutional Files (H-Files), Box 44, NSSM 242—U.S. Policy Toward Italy (2). Secret; Exdis. Sent to Scowcroft under cover of a June 11 memorandum from Hartman. For NSSM 242, see Document 367. In a June 15 memorandum to Scowcroft, Bush wrote: “The Executive Summary attached to NSSM 242 (page iv) [the third to last paragraph] lists CIA, along with State, as favoring Option IV in the event of a Left Front. This arises from a misunderstanding, and does not appear in the body of the text. Whatever the merits of this option in the contingency described, the Agency did not, and does not, take a position on the options set forth. Our role was to participate in the intelligence analysis and estimate aspects of this NSSM.” (Ibid., National Security Adviser, NSC Europe, Canada, and Ocean Affairs Staff Files, Box 13, Italy 1976 (5) WH)

In Western Europe, notwithstanding dissatisfaction with Christian Democratic leadership and despite problems with Communist parties in France and West Germany, there is a disposition to avoid isolating Italy economically or politically. This would be strengthened by the probability that even significant PCI participation in the government would not immediately change Italy's Western European orientation, including its participation in NATO and the EC.

The NATO Alliance can ill afford a transatlantic rift over the Italian situation. The Allies will do everything possible to avoid having to choose between Washington and Rome. The very importance attached to the American engagement in NATO, together with the economic means at the disposal of the US, will sharpen pressures on Europeans to see their policies reconciled with those of their core alliance partner.

Should the PCI take on a governmental role, European responses would be conditioned by its nature. A government also including Christian Democrats and Socialists would be regarded as less threatening than a PCI/PSI coalition. In the first case, the overall weight of the DC and its presence in key ministries would provide both initial safeguards and continuity. The leftist alternative would be certain to give rise to far greater apprehension. Europeans would be skeptical that Socialists could provide any effective counterpoise to the PCI. EC members could be expected to be more circumspect, less forthcoming, and more demanding both in bilateral relations with the Communist-dominated government and in the Community context.

In terms of US interests, there would be a negative effect on the viability and effectiveness of NATO and the EC and on our relations with it, and our overall dialogue and cooperation with Western Europe would become more difficult. To the extent the EC—and our ties to it—were weakened, we would be compelled to put more weight on our *bilateral* relations with Western European governments and on restricted groupings excluding Italy. The picture of a PCI working effectively in an Italian government would enhance the possibility of a PCF–PS victory in the French parliamentary elections and could increase the domestic respectability of the Spanish Communist Party.

PCI participation would impact on US security first, because of the overwhelming importance of Italian geography for the defense of NATO's Southern Flank and, secondly, because of the broad consequences for NATO if Italy should ultimately withdraw or freeze its participation, or if the Italian situation should decay into violence.

Although we cannot exclude that the PCI would want to move in some manner against NATO and US facilities in the near term, it seems more likely that the PCI would be very cautious, recognizing that many in Italy and elsewhere will see any moves against defense arrangements as an early litmus test of PCI responsibility. Similarly, the PCI may try

to change Italy's status in NATO, perhaps formally withdrawing from the integrated military structure as France and Greece have done. But, weighing likely domestic and Allied reactions, the PCI could well judge it more prudent in the near term to let Italy's status in the Alliance (as well as its continuing participation in Allied activities) remain unchanged.

The problem the US and our Allies will face would be the fact, not the degree, of Communist entry into the Italian government. Our reaction, however, will be guided by the form in which the problem presents itself—a left front, the “Historic Compromise”, or a grand coalition—and we have therefore considered a spectrum of options:

I) *support and co-optation*; II) *acquiescence*; III) *conditional neutrality*; IV) *opposition*; and V) *intervention*. The first would attempt to neutralize the Communist problem and protect our Italian assets by absorbing the Communists into the Western camp. The second seeks to protect our position and Western unity by giving the Communists no cause to challenge them, while withholding our political blessing. The third option, *conditional neutrality*, avoids the risks of a positive or negative stance by placing the burden on the PCI to prove by its actions what its real intentions and sympathies are. The fourth and fifth choices start from the premise that it is in our interest from the outset to cause the PCI to fail and, hopefully, end the Communist experiment in Italy.

Some erosion of Western cohesion and purpose will almost certainly be the product of Communist success. Whether the erosion would be worse if we tolerated and adapted to the new situation or if we attempted to fight it, is the key question. A great deal hinges on the way in which the Communists got in and the resultant attitudes of other Italians, our allies, and the American public.

Accordingly, if we are faced with a *multi-party* government which includes the PCI and DC as cabinet ministers and lacks any significant opposition, we favor Option III, conditional neutrality. We recognize that Option III may allow the PCI to maneuver us into Option II by passing every test we can pose. On balance, however, it affords the greatest flexibility, both for ourselves and for the Christian Democrats. It includes a retreat to Option IV or a transition to Option II if either should become in our best interests. Option III affords the maximum chance that the PCI would be unable to cope with the dislocations caused by its arrival in power or would react ideologically to them. In either case, it could be defeated politically, bearing the onus for Italy's crises. Option III further limits the damage to our strategic position that we might self-inflict by Options IV and V. Most of all, Option III is the most credible response to an ambiguous situation in Italy.

If we are confronted with a *left front* which leaves broad and determined opposition within Italy to a PCI government, State and CIA

favor Option IV, recognizing that Option III may be preferable to start, if we cannot line up European support. In the unlikely event that a left front is accepted in Italy as a legitimate outcome of the elections, we favor Option III as an initial response, pending recourse to Option IV, if subsequent events called for it.

DOD believes we should start with Option III whatever government is formed in Italy until and unless the PCI gives sufficient cause to move against them.

Option V should be seriously considered only in the most extreme circumstances, such as actual or anticipated civil war, and even then only if we can obtain sufficient support among our allies and at home.

[Omitted here is the remainder of the study.]

372. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, undated.

SUBJECT

CIA Interim Assessment of Italian Elections

CIA Director Bush has sent you (at Tab A) an interim assessment of the results of the Italian national elections held June 20–21. The principal points of the report are summarized for your information as follows:

—The Italian elections solved nothing. The Communist Party (PCI) and the Christian Democrats (DC) both claim a kind of victory, but the margin between the two parties is the narrowest since 1948.

¹ Summary: Scowcroft forwarded and summarized a CIA interim assessment of the June 20 to 21 Italian election.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 8, Italy (6). Secret. Sent for information. Tab A, attached but not published, is a June 24 memorandum from Bush to Ford forwarding the CIA assessment. Bush noted that while the elections had “avoided the ‘worst case’ outcome, they had ‘solved nothing.’ The immediate outlook is for some weeks or even months of intricate maneuvering as the parties sort out their relationships and a temporary government presides, a poor position for any attack on Italy’s economic problems—which will not wait.” Both the memorandum from Bush to Ford and the memorandum from Scowcroft to Ford were sent to Scowcroft under cover of a June 25 memorandum from Clift. Scowcroft wrote on this memorandum, “President has seen.”

—The Socialists, who suffered substantial losses at the polls, nevertheless remain pivotal, since no governmental combination can be formed without them, and they are insistent that the PCI be associated in the responsibilities of governing.

—For the near term, the options in forming a new government are severely limited. A probable interim solution is the formation of a DC minority government to run the country on an interim basis for several months while the major parties consult and maneuver.

—In the election aftermath, the DC party remains weak and divided. The PCI is undecided as to the nature and scope of the role it should play in any solution to the present governmental crisis—formal participation in the government or tacit cooperation with the governing coalition. The result is that Italy remains ill-prepared to deal effectively with its chronic problems.

—Meanwhile, EC Commission President Ortoli and German Chancellor Schmidt have separately indicated that the EC should be in the forefront of economic aid but should be supported by the United States in what the Europeans are calling an “EC Marshall Plan for Italy.”

373. Telegram 10955 From the Embassy in Italy to the Department of State¹

Rome, July 8, 1976, 0933Z.

10955. For Asst. Secretary Hartman from Ambassador. Subject: Italian Fallout from Puerto Rico.

1. As you are aware, the Christian Democrats have moved quickly to make a deal with the Communists whereby the latter were given

¹ Summary: Volpe discussed the Italian fall-out from the Puerto Rico economic summit.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 9, Italy—State Department Telegrams to SECSTATE—NODIS (4). Secret; Nodis. In telegram 170069 to Rome, July 9, the Department affirmed its disassociation from the idea of “‘programmatic’ cooperation of the Communists in order to solve Italy’s problems,” as well as U.S. “opposition to Communist participation in the government,” which extended “to any steps that point toward PCI’s ultimate acquisition to power even if, for the moment, they stop well short of it. Nothing said to the Italians at Puerto Rico could have given a contrary impression.” (Ibid., Box 8, Italy—State Department Cables From SECSTATE—NODIS (3)) Documentation on the June 27–28 Puerto Rico economic summit is in *Foreign Relations, 1969–1976*, vol. XXXI, Foreign Economic Policy, 1973–1976.

Presidency of the Chamber in the Parliament. We are told that Moro was mainly responsible for putting this deal through, and that it will include the chairmanships of a number of parliamentary committees.

2. We were given to understand by reliable Italian sources that Moro and others going to Puerto Rico expected clearly stated political conditions for any financial assistance the Italians might receive. In addition, we believe the Italians expected some kind of political “guidance” particularly with regard to relations with the PCI. We are told that political questions were not considered in the formal meetings except that Trudeau apparently raised the subject, but no other participant followed-up and the matter dropped. We are told that as a result, Moro may have interpreted the lack of discussion of political conditions as a signal that the USG has relented or is indifferent. Ingrao’s quick and non-acrimonious installation as President of the Chamber certainly suggests a sharp change in attitude by the DC leadership which just two weeks ago ended an anti-Communist electoral campaign.

3. Of course we do not know what might have happened in any bilaterals with the Italians. With crucial negotiations for the formation of a government about to begin, I am worried about the changed atmosphere in the DC leadership. I have already expressed my serious concern to some in the DC leadership about this apparent change in attitude toward the PCI. I hope that you can send me urgently some kind of report of what transpired with the Italians on political matters at the Puerto Rico summit so that I can register our concern even more forcefully.

Volpe

374. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, July 19, 1976.

SUBJECT

Schmidt Statement on Italy: Volpe Wonders Whether to Proceed with Scranton/Lodge Project

You will have seen Volpe's Rome 11592 as well as other items from Italy reacting violently to Schmidt's statements and, less so, to the Gelb piece on the "Kissinger formula." The Italians also picked up a White House comment on Saturday essentially confirming the accuracy of what Schmidt said. Volpe notes Italian pique at having been excluded from the pertinent Puerto Rico deliberations. He asks for an explanation for Lodge's use in his meetings; but more basically Volpe seems to feel that our approaches should either be stopped or in some unspecified fashion modified.

There has of course always been the likelihood that our coordinated approaches will become known. Schmidt has made the issue more explosive than it would otherwise have been. On the other hand, Gelb (and Carter) have muddied the water by implying that we will go along with indirect CPI participation in Italian government decisions and activities.

The French have issued an ambiguous statement, the thrust of which is to disavow Schmidt. The British remain silent.

I personally think Lodge *should proceed as planned*, if only to leave Italian leaders in no doubt about our views.

As for an explanation of why Moro *et al* were not included in the Puerto Rico discussions, I believe Lodge might say the following:

¹ Summary: Sonnenfeldt discussed the effects of a recent statement by Schmidt on Italy.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Italy—Sensitive—July 1976. Secret; Sensitive. Sent for urgent action. Telegram 11592 from Rome, July 19, is *ibid*. Kissinger initialed his approval of both recommendations. On July 16, Schmidt stated that the FRG, France, the UK, and the United States had "agreed not to extend economic aid to Italy if Communists are included in the Italian Cabinet." ("Schmidt Says Aid to Italy is Linked to Politics," *New York Times*, July 17, p. 5) Although no record of such talks at Puerto Rico was found, handwritten notes of a July 8 meeting in Paris among Sonnenfeldt and French, FRG, and UK officials indicate that they discussed a paper on Italy that would serve as a "basis for parallel interventions." In a July 14 memorandum to Kissinger, Sonnenfeldt described the dispatch of FRG officials to Italy for discussions. (National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Italy—Sensitive—July 1976)

1. The discussions on Italy were informal, on the margins of the formal Puerto Rico meeting.

2. It was not thought proper to call Moro and Rumor “on the carpet” and embarrass them.

3. Scranton and Lodge as well as Ambassador Volpe were dispatched to make clear our American position to Italian leaders. There is no formal agreement with the other three Western Governments and they are free to proceed with their own policies and explanations on their own. If they agree with our line, they are doing so independently.

RECOMMENDATION

1. That you authorize an immediate message to Volpe making the above three points and telling him to let Lodge proceed.

2. That you authorize me to inform the German, French and British Ambassadors (who may or may not know of the various emissaries) that our “representatives” in Italy have been instructed to answer queries from the Italians on the Schmidt statements along the lines of numbered paras. 1, 2 and 3 above.

375. Memorandum From the President’s Assistant for National Security Affairs (Scowcroft) to President Ford¹

Washington, July 26, 1976.

SUBJECT

Covert Action Program in Italy

At TAB A CIA reports on its implementation of the limited covert propaganda and disinformation program which you authorized in connection with the recent Italian elections. The Operations Advisory Group was impressed with CIA’s accomplishments, especially since there was only a three-week period between your approval and the elections, and asked the Agency to provide a more detailed report.

¹ Summary: Scowcroft discussed the success of the covert action program in Italy. Source: National Security Council Files, Ford Intelligence Files, Italy—GRF 1974–1977. Secret; Sensitive. Sent for action. Tabs A and B are attached, but not published. A stamped notation on the memorandum indicates the President saw it, and Ford initialed the memorandum.

A major theme of CIA's program was to exploit Italian fears of the Communist Party. A fabricated pamphlet gained wide attention and served this aim by closely linking local communists with the Soviets. [5 lines not declassified] The pamphlet was denounced as a forgery, but most of the quotes were factual and the Italian media gave them extensive coverage, emphasizing the content rather than the question of sponsorship of the pamphlet.

Other fabricated documents were developed and employed successfully, [1½ lines not declassified]. The Agency reports that the U.S. Government and CIA were not accused of being the instigators of any of these materials. [2 lines not declassified]

At Tab B George Bush reports on his briefing of the Congress in connection with this operation, as required by Section 662 of the Foreign Assistance Act. He personally briefed members of five of the seven committees—the Senate Armed Services Committee has yet to set a briefing date, he believes, because it is considering whether it is still an “appropriate committee” under Section 662 since the Senate Select Committee on Intelligence has been created; and the House International Relations Committee has not scheduled a briefing due to Chairman Morgan's concern over leaks of previous Bush testimony before his committee.

Bush told the five committees that you felt the situation in Italy was so serious that the United States no longer could afford to do nothing. Without exception, members of all five committees expressed reservations about the program. Their major concern was that the operations would leak, but Bush countered that risk of exposure was greater here than in Italy—especially since he had to brief seven committees of the Congress. He urged that Section 662 be repealed and reports growing support, at least in the private conversation of members of the Congress. Bush hopes that the Senate Select Committee will recommend repeal of Section 662.

I think that you will find that these reports support your decision to undertake limited covert operations in Italy, and to promote better security for reporting covert operations to the Congress. The operations successfully carried out in Italy demonstrate that they contributed to an outcome more favorable to U.S. interests than had been anticipated. It is also significant that they were conducted without any serious charge of U.S. [less than 1 line not declassified] involvement.

376. Memorandum From the Counselor (Sonnenfeldt) to Secretary of State Kissinger¹

Washington, July 27, 1976.

SUBJECT

Scranton's Italian Talks

Scranton saw five DC leaders, including Andreotti, Cossiga, Marcora, Orlando and Bisaglia. He also saw Cardinal Wright in the Vatican, an old friend of his. These contacts are now a week old and to some extent overtaken by developments since then (see Rome's 9085 and 9086 NODIS) which have clouded Andreotti's chances as well as increasing the CPI hold on parliamentary commissions and hence on policy formulation.

At the time, Scranton's judgment was that there was a chance of a six month or so interim period with an Andreotti government in office seeking to implement a pretty solid economic program. Scranton says he forcefully put forward our conditions for support both in the political area and in the economic sphere. He said all his contacts accepted the message, expressing their strong preference for private approaches rather than Schmidt's public warnings. Scranton said he found all his contacts committed to reforming the DC but less sure of how to go about it.

Scranton's contacts thought that once the vote of confidence for a government had been won, there would be a better parliamentary situation for the program. But no one had a clear idea how to get the vote of confidence. This problem is of course even greater now.

Scranton found Andreotti determined and impressive. He said he would not include Moro, Rumor, Colombo and Fanfani in his government but would rely on Stammati (technocrat, now minister of finance—not Treasury but more like OMB), Cossiga and Forlani. These are all relatively in their late forties. Andreotti said he would welcome it if Simon's people could establish running contact with Stammati as he develops the economic program. Scranton thinks this is a good idea.

¹ Summary: Sonnenfeldt reported a series of talks between Italian leaders and William Scranton.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 5, Italy—Sensitive—July 1976. Secret; Sensitive; Eyes Only. Tab A is attached but not published. Notes on Henry Cabot Lodge's discussions with Italian leaders in Rome indicate that he too assessed the post-election political situation and conveyed the message "that the U.S. often helps its friends, but that it is not part of our traditions to subsidize our enemies. This seemed to register." (Ibid.) Andreotti announced his new Cabinet on July 29.

Scranton's generally favorable view of Andreotti is tempered by the recognition that to younger people in Italy and the DC he does not connote change.

Scranton found a general worry about the Soviets and the CPI. The going theory is that the PCI will remain "democratic" until Tito leaves the scene at which time the Russians will make a major push in both Yugoslavia and Italy. (On Yugoslavia, see a sensitive report Scranton brought back from Belgrade, where there are similar fears, TAB A).

Scranton found his friend Cardinal Wright inexplicably complacent. The Cardinal questions that Italy can go Communist nationally; he takes heart from the interest of the young in the Church. Scranton notes, however, that Wright is not directly involved in matters of this kind in the Vatican.

In sum, Scranton thinks, as of a week ago, that there is a chance for a DC start under Andreotti with a satisfactory program, with a crisis coming some six months down the road, depending on the attitude of the unions and the small parties, especially the PSI, which a week ago was at even looser ends than now. Scranton found plenty of speculation about a possible popular front after the six-month interim, though also some hope that with a new DC leader at that time, there could be a democratic coalition. The Italians want our help, he says, but understand our conditions. *This latter judgment must now I think be seriously tempered by the Gelb-Ugo Stille canard about the "Kissinger formula."* Please note Rome 9048, which indicates that a "collaborator" of yours supposedly told Stille, Schmidt had attacked the wrong target and that your "initiative" in Puerto Rico was designed to give us *greater* flexibility vis-à-vis DC-PCI collaboration!

377. Memorandum From A. Denis Clift of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)¹

Washington, September 11, 1976.

SUBJECT

Meeting with Ambassador Sensi

By way of brief review, in your meeting with President Leone's Diplomatic Adviser Ambassador Sensi on Friday, September 10, 1976, he made the following points:

—President Leone is deeply appreciative of:

- 1) the constructive role played by Washington at the time of Lockheed bribery charges against Leone,
- 2) the firm counsel by the President, via Ambassador Volpe against Communist participation in the Italian Government. Sensi added that Leone is firm against Communist participation.

—The Christian Democratic Party wants to revitalize, and to take advantage of the June elections to strengthen its position, recognizing at present, that the monocolore DC government is dependent on the PCI for its survival. The Christian Democrats are getting fresh strength and inspiration in the Party from technocrats, i.e., leaders of Italian business and industry who feel the need to get involved because of the Communist threat, and from young ideologically motivated Italians who oppose Communism. *While stressing the need for discretion, Sensi asked if it would be possible to establish a process of close consultations between Rome and the White House/State Department aimed at assisting the DC in its efforts to strengthen and broaden its base, to take advantage of voter disaffection with the smaller parties and to increase its effectiveness against the PCI.* You said we would be pleased to consult. Sensi confirmed at the end of the meeting that he was pleased with your reaction and that we should expect the Italians to take the next step.

—Sensi then turned to Italy's economic difficulties. He noted Yeo's mission with satisfaction. He said that Italy wasn't looking for gifts. He thought we could work closer together to help Italy expand its industry. He noted that this might take the form of working through

¹ Summary: Clift reviewed Scowcroft's September 10 meeting with Sensi.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 8, Italy (7). Secret; Sensitive. Outside System. Sent for information. In a September 9 memorandum to Scowcroft, Yeo reported on his September 3 to 4 discussions with Italian economic officials. (Ibid., Box 8, Italy (8))

the multinationals to steer business to Italy from countries where the Italian presence might be seen as more desirable than the U.S.—e.g., Egypt, Saudi Arabia and countries in Latin America.

—Finally, Sensi noted the firm grip that the PCI has on Italy's mass media, radio and television in particular. He said it was extremely difficult at present for the DC and the government to get its message across, and to counter the current anti-US, pro-Communist flavor of Italian press coverage. He said that prominent men in the Italian publishing industry want to correct this problem but that they need financial assistance and expert media advice. He said that this wasn't an issue to be addressed at the government-to-government level, rather it should be handled by the private sector. He added that he was encouraged by the reactions he had received from various Americans during his current visit.

COMMENT: As I listened to Sensi, I recalled the President's early August meeting with Italian Americans during which they stated that they wanted to get more involved in helping Italy to right its current problems and to counter the current anti-American tone in the Italian media. We now have Jenò Paulucci's mission to Italy, which includes discussions with Italian business leaders, and the President's meeting of September 16 with Italian-Americans to receive Paulucci's report. This meeting provides the President with the opportunity to speak positively about expanding ties at the private sector level—in business and media—and he could address this in somewhat greater detail with Paulucci privately. *Further, the views offered by Sensi require careful community attention, and I recommend that his three principal issues be the subject of discussion at a meeting of the Operations Advisory Group (OAG)—*with a view to studying how the U.S. can be of most effective assistance at the governmental and private sector levels.

I recommend that you discuss your meeting with Sensi with the President prior to his September 16 meeting with the Italian-Americans. I also recommend that you schedule an OAG agenda item to review the points raised by Sensi.

378. Backchannel Message WH 61280 / Tohak 26 From the President's Assistant for National Security Affairs (Scowcroft) to Secretary of State Kissinger¹

Washington, September 17, 1976, 0324Z.

To Covey/Passage/Rodman for the Secretary.

Below is a memorandum from Bill Simon to you on his discussions with Barre, Healey, and Apel in Paris. The essential message is that we must move quickly if we are to insure that the Italians come up with an economic program adequate to correct the problems in the Italian economy and to justify support from the IMF. If the Andreotti government fails to do this, the Communists are likely to capitulate on this failure to argue that a proper economic program in Italy can only be put into effect by a government which includes the Communists.

Simon suggests sending Yeo out to bolster the Italian efforts to come up with a strong program which the IMF can support. He feels that a higher level individual—you or Simon—would attract too much attention and imply that the U.S. was overly influencing Italian policy.

Following Simon's memorandum is a draft letter which you could send to Andreotti regarding Yeo's visit.

It is important that we get whatever message we plan to send to Andreotti as soon as possible.

Warm regards,

To: Henry A. Kissinger, Secretary of State.

From: Bill Simon.

I had a highly constructive meeting with Raymond Barre, Denis Healey, and Hans Apel in Paris last night (9/15). A part of the discussion was devoted to Italy where the following points emerged.

1. There was a general sense that Italian political circumstances have changed—that the Italian public has become vocal in support of an economic approach that deals with the real issues. There apparently is some evidence that the PCI is helping to promote the demand for a

¹ Summary: Scowcroft forwarded a memorandum from Simon on the Italian economic situation.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron, July–Sept. 1976. Secret; Immediate; Eyes Only. From September 15 to 17, Kissinger was in Lusaka, Zambia, for discussions with President Kenneth Kaunda on Rhodesia and Namibia. In telegram Secto 27156 from the Secretary's Delegation in Lusaka to the Embassy in Rome, September 17, Kissinger instructed Volpe to deliver the proposed message to Andreotti. (Ibid., Box 9, POL 2 Italy)

“realistic” program—on the assumption that the DC will produce a shallow and weak program.

2. Our analysis is that Italy will probably require \$1.0–\$1.5 billion in financing next year—funds that will have to come from official sources, e.g. the IMF, since the Italian Government is not an acceptable borrower on the world money markets.

3. We are particularly upset by the possibility that if the Andreotti government appears to be failing to deal with the country’s problems the PCI will use that as the basis for discontinuing its policy of abstention on votes. If the Andreotti government felt it appears probable that the PSI might join the PCI in forming a government, or all parties would join in forming a “government of convergence.” This would cripple the French effort to peel Mitterand away from the Communists.

Unfortunately, there is evidence of substantial support within parts of the non-Communist parties for a government of convergence on the basis that after the American elections such a government could be formed and at that point the real economic issues could be dealt with in a way that all would share in the responsibility. This attitude, to the degree it prevails, is deadly in terms of the effectiveness and thus the tenure of the Andreotti government. I feel that if this new government falls it might be the last non-Communist government for some time.

If, on the other hand the Andreotti government succeeds in demonstrating its capacity to deal with the economic situation the chances of the PSI joining with the DC and forming a majority government are high.

4. There was general agreement that we should try to encourage the Andreotti government to take the necessary economic measures now. It would be a mistake to approach Italy’s problems as if Andreotti’s was a caretaker government waiting for a “government of convergence.”

In addition, we think it might be possible to bring the IMF and the Andreotti government into agreement on a program which would merit financial aid, thus making it possible to provide Italy with up to \$1 billion, perhaps even more.

Ed Yeo returned from Rome impressed with Finance Minister Stammati’s general thinking in terms of an economic program but shocked by Rinaldo Ossola’s, a friend of both of ours, advocacy of a government of convergence. Ossola is Minister of Foreign Trade in the new government.

Direct communication from us to Andreotti in letter form and delivered as quickly as possible is probably the way to proceed. Neither of us can get into Rome and out without being recognized and a

personal visit may have an unfavorable impact on the formulation of the upcoming economic program. My recommendation is that, in order to put our support in the proper political context, you immediately send a message to Andreotti (suggested text follows) emphasizing our support of his efforts to achieve a strong and viable Italian economy.

The others at last night's meeting agreed that they would, in their individual ways, indicate their support for Andreotti's economic program.

Draft

September 16, 1976

Dear Mr. Prime Minister:

As you know, we want to be as supportive as possible of your government and the efforts you are making to restore stability and vitality to the Italian economy. The United States, and I believe your other allies as well, fully recognize the importance to the future of Italy and to that of Western democracies of the success of the major efforts which must be made by your government in the near future to strengthen the Italian economy. As you proceed in developing your economic program to be presented at the end of this month, we would like to be as helpful as possible. To this end, I believe it might be useful for Under Secretary of the Treasury Yeo to meet privately with you as soon as possible to discuss your economic plans and the type of financial support which might be provided.

Warm regards,

379. Memorandum From Secretary of the Treasury Simon to President Ford¹

Washington undated.

SUBJECT

Italian Economic Program

I sent Under Secretary Ed Yeo to Rome last week for quiet talks with Prime Minister Andreotti and other Italian Ministers. Yeo told Andreotti that if the Government of Italy were willing to put together an economic program, the U.S. would act as a “facilitator” with the International Monetary Fund to develop a program for IMF financing. In this event the U.S. would be anxious to provide any and all help possible.

Andreotti told Yeo he believed his government could proceed with such a program. He accepted Yeo’s offer to work closely with the Government of Italy and with the IMF in developing the specifics.

Yeo made clear that the program would have to be a “daring” and politically demanding one. It would need to hold down the rise in wages, to cut the expenditures of local governments and to cut the expenditures of the central government. Such a program ought to be psychologically rewarding and helpful in stopping the fall of the lira exchange rate. While the availability of IMF financing would be helpful, if the program were solid there might be no need to utilize it.

Andreotti indicated that the outline of the government effort would be presented to the Italian Parliament in a special report on September 30. He agreed with Yeo that time was critical and that there should be rapid but quiet negotiations with the IMF on the details. He asked whether, in addition to IMF financing, there could be one bilateral credit from the U.S., perhaps for a specific purpose, as an expression of U.S. political support. Yeo made no commitment but said that we might consider such a loan if the Italian program were “daring” and if the IMF were also providing financial and psychological support.

¹ Summary: Simon reported on Yeo’s discussions in Rome.

Source: National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 9, POL 2 Italy. Secret. Simon did not sign the memorandum. Yeo visited Rome September 24–25 for discussions with Andreotti. In telegram 239558 to Rome, September 27, the Department forwarded a message for Andreotti from Simon on U.S. encouragement, cooperation, and support for the Italian economic program. (Ibid.) In telegram 243153 to Rome, October 1, the Department forwarded a similar message for Andreotti from Kissinger, encouraging “rapid progress” on “a vigorous program.” (Ibid.)

There is still a risk that the Italian effort will fall short of both IMF and U.S. assessments of what will be required to achieve success. Nevertheless, I am extremely encouraged by Andreotti's willingness to proceed with the effort. Andreotti acknowledged that if the fall of the lira cannot be stopped and the Italians cannot finance a program his government cannot survive. On the other hand, he feels that if the DC can present a good economic program, they can gain a majority support.

380. Briefing Memorandum From the Director of the Bureau of Intelligence and Research (Saunders) to Secretary of State Kissinger¹

Washington, December 2, 1976.

*Implications of The Communist/Christian Democratic
Accommodation in Italy*

Prime Minister Andreotti's visit to Washington on December 6–7 will provide the opportunity for the first exchange of views between the highest-level Italian and American policymakers since the Andreotti government came into power last summer. The analysis which follows is an effort (1) to put in perspective his experience with the first few months' cooperation with the Communist Party under the arrangements he worked out last summer and (2) to describe the mechanics of how the PCI is expanding its influence.

In a nutshell, Andreotti's government was formed and remains in office as a result of the Italian Communist Party's (PCI) willingness to abstain in key votes in Parliament where it has the power to overturn the government. The Christian Democratic Party (DC) agreed to this formula, or accommodation, in order to try to hold on to power and gain time to form a coalition with other non-Communist parties. The

¹ Summary: Saunders discussed the implications of the Communist/Christian Democratic accommodation in Italy.

Source: Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 8, Italy (9). Secret; Noform. Drafted by Harry Coburn in INR/RWE. In a November 17 memorandum to Scowcroft, Clift reported on a November 13 private and informal meeting between Andreotti and Berlinguer on domestic politics and foreign relations. Clift commented: "To me it is significant in its revelation of the apparent depth and intimacy of the Prime Minister's consultations with the Head of the PCI—the fact that an 'historic compromise' is already taking place." (Ibid.)

PCI accepted the arrangement in order to try to establish its credentials as a constructive and democratic party and to promote an eventual DC/PCI coalition—the so-called “historic compromise.”

While the accommodation would seem to be inherently unstable, it is reinforced by the fact that Italy’s democratic political leaders see no immediate alternative. This paper examines the implications for the United States of a continuation of the DC/PCI understanding. The analysis leads to the following thoughts:

- The DC minority government will endure at least until next spring.

- The PCI will gradually reinforce its role in future Italian governments.

- Italy will gradually modify its role in the Atlantic Alliance in such ways as to lead to a decrease in the value of the Italian contribution to the Western camp.

- Existing US leverage on the Italian situation will be difficult to apply because the PCI will avoid provocations that would elicit retaliation, and the major Western allies will be reluctant to take actions that could result in loosening Italy’s ties to the EC and NATO.

- Given the present political and economic circumstances in Italy, plus the constraints on the use of US power and influence there, an increasingly strong Communist input into government policies and a gradual strengthening of the DC/PCI alliance appear inevitable. As a result, the Communists will be well on their way toward their goal of formal participation in the government.

Background

In the general election of June 1976, the Christian Democrats won 38.7 percent of the vote (the same percentage as in 1972), gaining at the expense of their traditional allies on the left and in the center. Collectively, the Socialists, Social Democrats, and Liberals declined from 18.9 percent to 14.3 percent. The Communists increased their share of the popular vote from 27.2 percent in 1972 to 34.4 percent. The DC was unable to constitute another one of the center-left or center-right coalitions that had enabled it to dominate Italian governments for the past 30 years. Consequently, the Christian Democrats and the Communists agreed to the formation of a minority DC government that depends on PCI abstentions in votes of confidence.

In return for what the Communists called a “non-rejection” of the Andreotti government, they obtained:

- important parliamentary leadership posts for the first time;
- extensive programmatic concessions regarding the government’s economic austerity and reform plans;

—the exclusion of certain DC politicians who had aspired to return to the cabinet; and

—public recognition of their indispensable role in allowing the government to be confirmed.

Prospects for the Minority Government

When the minority government was formed, the objectives announced by the DC and the PCI differed:

—The DC needed confirmation of the cabinet in order to retain control of the government and to gain time to convince the Socialist Party (PSI) to rejoin a center-left coalition that would exclude the Communists.

—The PCI saw its tolerance of the government as a first step in the direction of the “historic compromise,” a DC/PCI governmental coalition.

Given their contradictory expectations for the Andreotti government, tensions between the DC and the PCI will not disappear. The parties are likely to clash on policy matters, especially in the area of economic and social reform. The accommodation could come unstuck during the crucial negotiations just begun by the unions and industry on adjustments to be made in the wage indexation schedule. Moreover, a significant proportion of the rank and file in both parties opposes the DC/PCI accommodation out of concern that it will compromise the identity and integrity of their party.

During the meeting of the PCI Central Committee, October 18–20, it was evident that Secretary Berlinguer’s conditioned support of the DC minority government was not unanimously endorsed by the party’s leadership:

—PCI President Longo, noting the widespread criticism of the austerity measures among trade union rank and file, warned of the danger of close identification with the government.

—Central Committee member Amendola on the other hand, criticized the government for not going far enough in proposing necessary deflationary measures.

The DC’s internal doubts over the accommodation with the PCI have been more muted. Still, leading personalities, such as Milan’s right-wing Massimo De Carolis, have criticized the growing relationship between the DC and PCI.

The next challenge to the government (assuming that agreement can be reached on wage-indexation) will come during the first half of 1977, when the brunt of the deflationary measures begin to be felt by the man in the street. If the Andreotti austerity program is fully implemented, economists project a further short-term rise in the inflation rate (which may reach 20 percent), a fall in consumption, and a

rise in unemployment. Moreover, the impact will be even harsher if the stringent conditions of the pending IMF loan are accepted by the Italian Government in their entirety. At a time of wage restraint, labor pressures will increase, and the PCI may not be able to continue its support for the austerity package indefinitely.

Despite these stresses, however, the DC and PCI both seem to believe that their own interests are best served by pursuing their experiment with the Andreotti government. Several factors are working to allow it to remain in office for at least some months:

PCI Interest in Government's Success. Berlinguer's policy of "non-rejection" is designed to prove the viability of a government that needs PCI support. He believes that the experience will lead eventually to popular acceptance of an "historic compromise" government. Hence, the PCI will be using its considerable strength to ensure that the Andreotti government does not soon fail.

Economic Difficulties. The Italian public has become increasingly aware of Italy's economic plight. Most of Andreotti's austerity program, consisting primarily of stabilization measures but also including structural reforms, is now in place, the product of close consultation with the PCI. Both parties are in agreement that government budgetary deficits—one of the root causes of inflation—must be cut, a step that will cause a reduction in the overall standard of living. Moreover, both parties agree that consumer buying must be restricted in order to free resources for greater investment.

While disagreements between the parties still exist on the relative importance of short-term stabilization measures (favored by the DC) and longer-term structural reforms (advocated by the PCI), both appear to have agreed to a tacit division of labor that is designed to ensure some success for Andreotti's economic proposals:

—The PCI intends to respect the DC's role as an interlocutor with Italy's key EC and NATO allies because foreign financing will be needed to moderate the severity of deflationary measures.

—The DC is counting on the PCI to convince its labor supporters to accept the austerity package. The PCI and the Communist-controlled CGIL currently are the only moderating influences in the Italian labor movement. The Socialist-controlled UIL and the Christian Democratic CISL have both been considerably more intransigent on the Andreotti austerity proposals. In addition, the DC is relying on the PCI to enlist labor support for modifications of the wage indexation system, which is necessary to reduce unit labor costs and satisfy the conditions for the prospective IMF loan now under consideration.

Lack of Alternatives. The small democratic parties have sufficient members in parliament to form a majority government with the DC

and send the PCI into opposition. However, these smaller parties are currently involved in a quest for identity, which, in the case of the Socialists and the Social Democrats, has provoked the resignation of their party secretaries. Faced with their own divisions and with strong PCI opposition to any revival of the center-left coalition, these parties will probably not be sure enough of their own strength and direction to negotiate an alliance with the DC in the near future. In any event, their opposition to a larger Communist role in government has decreased.

If the Andreotti Government Remains in Office

Given the above factors, Andreotti seems assured of being able to remain in office through next spring. (He has stated that he will work as if the government will endure forever, but that he is prepared to depart tomorrow should Parliament so decide.) If, as we believe, the DC/PCI accommodation continues to provide support for the government, several significant political tendencies are likely to become more evident:

—*Increase in PCI Credibility.* Much of the credit for any success that the government achieves, especially in the economic field, probably will go to the Communists, who are better equipped to exploit it than are the Christian Democrats. By lending support to measures that call for sacrifices by the working class and by attempting to control trade union unrest, the PCI will have succeeded in proving to much of Italy's middle class that it can be counted on to implement measures designed to reduce production costs so that Italy's international industrial competitiveness is restored. Furthermore, by its readiness to compromise and willingness to play down socially divisive issues, such as abortion and Church-State relations, the PCI probably will begin to overcome the visceral anti-Communism of Italy's rural and Catholic populations, which in the past have served as bulwarks against PCI growth.

—*Deepening of Cooperation Between DC and PCI.* Andreotti and his cabinet may begin to find the disciplined PCI easier to work with than were the querulous Socialists. Many key and influential businessmen are already openly acknowledging the indispensability of the PCI in any efficient management of Italian society. Andreotti could well conclude that, promises of external assistance and pressure from the Europeans, the US, and multilateral institutions notwithstanding, he must accept the prospect of a growing PCI role in government because only by this accommodation with the Communists can he assure that the DC will retain a large governmental role. For its part, the PCI, by acting "responsibly," will add verisimilitude to its claim of indispensability to the effective operation of the Italian political system.

—*Greater Legislative Oversight of Foreign Policy.* Any Italian government that is dependent on the PCI will make timidity a virtue when

it comes to foreign policy. In the recent past, Italian foreign policy followed the leads of the US and the EC, with day-to-day operations left in the hands of Foreign Ministry officials, who, by inclination, training, and political ties, were generally receptive to counseling by the United States. However, if the Parliament, with the PCI playing an assertive role, becomes more involved in policy formulation, legislative oversight of the activities of the Foreign Ministry will be increased. The concentrated Communist presence in the several parliamentary committees dealing with foreign affairs will guarantee the PCI an increasingly active role in influencing foreign policy.

—*Lessening of Pressure for DC Renewal.* The modicum of popularity which the Andreotti government is enjoying militates against internal DC efforts to retire the traditional leadership which is currently well entrenched in the *sottogoverno* (appointive governmental positions). Although Andreotti's cabinet contains some second-generation leaders and technocrats, DC leaders continually acknowledge the need for revitalization but seem unable both to keep the government in non-Communist hands and make sweeping personnel changes.

—*Withering Effect on Socialist and Lay Parties.* As the government continues in power, the position of the Socialists and the smaller parties will become more tenuous. Removed from power and patronage, their ability to maintain membership and electoral support will be severely curtailed. As these parties witness the broadening of DC/PCI cooperation, they will feel driven to attempt demagogic initiatives, and factions within the parties will feel bold enough to challenge the tactics of their leaderships. The result will be increased turmoil in these parties and further damage to their abilities to expand their support.

It is difficult to predict the relative political advantage that each of the two major parties will gain if the Andreotti government is able to weather its immediate economic problems. However, for the reasons listed above, it does not seem likely that even a strengthened DC will improve its position to a degree sufficient to enable it to dispense with PCI support within the next year.

Consequences Of An Increased Communist Role

As the Communists appear increasingly indispensable to the Christian-Democrats as guarantors of a DC government, the PCI will begin to wield a degree of influence in Italy that potentially challenges the interests of the Western alliance:

—*NATO Support.* It is the PCI's public position that Italy should continue its membership in NATO until the Warsaw Pact and NATO are dismantled, and the Communists will be careful not to question directly Italy's position in NATO. However, they advocate a "restructuring" of NATO to remove what they call the "US predominance"

and probably will press for a more active NATO role in promoting East-West détente. Also, because of their emphasis on social progress, the Communists will give a lower priority to defense. They will probably support additional military force reductions beyond those already taking place should Italy's weak financial situation continue to demand further cutbacks. Unless a stark Soviet intervention in Yugoslavia alters PCI perspectives, Italy under the current DC/PCI accommodation will maintain formal NATO membership, but its military role and strategic dependability will be subject to serious doubt.

—*US Bases.* The Communists will not immediately criticize the maintenance of US bases in Italy. However, they can be expected to work toward creating a climate unfavorable to the maintenance of the US military presence. In addition, the US is vulnerable to PCI criticism on the issue of local employment at the bases. If the US reduces the number of Italian personnel at the bases for economic or operational reasons, the PCI will charge that the US is turning its back on Italy because of the increased Communist role there.

—*Military and Security Appointments.* The PCI probably now commands enough influence to block the appointment of men whom it opposes to key positions in Italian military and security agencies. While known PCI members or sympathizers will not accede to positions of power, strong anti-Communist careerists in these services are likely to be passed over or retired. The choice of replacements for the chiefs of staff of the Army, Air Force, Navy, and Ministry of Defense (where all the incumbents are eligible for retirement within the next nine months) will be a crucial test of PCI power. In addition, the Andreotti government's commitment to reorganize the Italian Intelligence Service (SID) will provide the PCI with an opportunity to influence the form of the reorganization and the choice of persons who will be placed in positions of authority. In addition, the PCI will have other opportunities to modify the SID reorganization plan when it is submitted to Parliament for approval.

—*A Foothold in National Television.* The two national channels of RAI, the government-controlled television network, currently are under the management of the DC and the Socialists. The PCI is likely to move quickly to stake a claim to part of Italy's principal information and cultural medium. Such a takeover would give the Communists more influence over media resources that already distort the news substantially, often with an anti-American slant.

—*Modifications in the Market Economy.* Although the PCI is against further nationalization of the economy, its preference for greater planning in allocating resources and its support for increased union participation in government and business decision-making, particularly with respect to investment, will tend to reduce further the role of the free

market and private enterprise in Italy. Moreover, the PCI, when confronted with the exigencies of a hard-pressed economy, is apt to advocate greater government controls over trade, capital flows, and foreign investment (particularly by multinationals). More centrally planned and protectionist economic policies would strain Italy's traditional economic relationships with the European Community and the US. Italy would become a more difficult participant in the trade and financial institutions of the West.

Limitations on US Influence

Given its economic strength and its influence among the Western allies, the US would appear to have considerable potential leverage on the evolution of the political situation in Italy. However, several constraints will limit US options:

—The PCI is an elusive target in a situation that is slowly changing in degree but not dramatically in kind. Berlinguer's strategy is to avoid a Chilean-type situation in Italy. The Communists will attempt to blur issues and avoid provoking the non-Communist forces either in Italy or in the West. The formula of a "non-rejected" government provides the PCI with an ideal vehicle for extending its influence and support under the cover of an all-DC cabinet.

—Public opinion in Western Europe, as well as in the US, will react negatively to anything perceived as an American attempt to have US political preferences play a role in the democratic process in Italy. Incessant Communist propaganda decrying the US role in Chile, plus the recent revelations of past US subsidies to Italian politicians, have sharpened Italian suspicion of foreign actions regarded as "interference."

—The US has maintained its principal contacts with the DC, developed only an intermittent relationship with the Socialists, and established only limited low-level contact with the PCI.

During his visit to Washington, Andreotti will request American support for IMF assistance and sound out US willingness to provide additional bilateral aid. However, the US decision on financial assistance for Italy—whatever form it takes—will not alleviate Andreotti's political dependency on the PCI.

—Continuing to finance Rome's trade and budgetary deficits might bolster Andreotti and permit him to implement a degree of economic reform without sharply reducing the Italian standard of living, but it will not reduce the need for Communist support of government measures for economic and social reform.

—Withholding financial assistance might force Italy immediately to effect a more drastic deflationary program. However, Andreotti's own position would be severely weakened—partly as a result of the

public outcry against the US refusal—and his government might even be replaced by one in which the Communist role would increase.

Another sensitive link, where American leverage will be difficult to apply, will derive from doubts, particularly in the US, over whether the confidentiality of NATO plans and documents can be preserved in view of the growing PCI presence in government deliberations and parliamentary oversight of security matters. Fearing American actions that could result in holding back selected strategic information from the Italians:

—Andreotti will express concern that attempts to “discriminate” against Italy within NATO could hurt Rome’s international standing and increase the domestic appeal of the PCI; and

—the Western European allies, while concerned at Communist penetration of Italy’s security establishment, will be divided on the wisest course to follow; some will argue that NATO should do nothing that would cause Italy to loosen its ties to the alliance.

With their shared fears of a Western reaction, the Christian Democrats and Communists already appear to be tacitly working together to avoid giving the US an opportunity to mobilize American and West European public opinion against actions by the PCI or by the Italian Government.

Concluding Reflections

Present conditions in Italy appear to make it inevitable that there will be growing cooperation between the leaderships of the DC and PCI because:

—The two major parties are becoming increasingly dominant, and the smaller lay parties are in no position to enter a coalition with the DC.

—To carry out pressing economic reforms, the DC must have the cooperation of the PCI with its influence over working-class and trade-union attitudes.

—The leaderships of both parties believe, although for different reasons, that it is in their own interest to pursue the present accommodation.

—Severe constraints exist on the use of American leverage in Italy, and the Western European allies will be especially reluctant to take actions that would result in loosening Italy’s ties to the EC and NATO.

As a result of these factors, it appears that the Communists will consolidate their influence over the formulation and execution of governmental policies and will be well on their way toward their goal of attaining formal participation in a future Italian government.

381. Memorandum From Secretary of the Treasury Simon to President Ford¹

Washington, undated.

SUBJECT

Visit of Italian Prime Minister Andreotti

The primary purpose of Andreotti's visit is to demonstrate to the Italian people (and to rivals within his own party) continued American support for his government and his efforts to stabilize the Italian economy. He is reported to have said that he hopes to obtain U.S. assurances of support in the event of any new speculative attack on the lira.

Ever since his government was formed last summer, Andreotti has been maneuvering to gain acceptance for a comprehensive economic stabilization program which would have a reasonable chance of bringing inflation under control and eliminating the country's balance of payments deficit. The Christian Democrats only have a minority in Parliament, and they govern by limiting their Parliamentary proposals to measures on which the Communists are prepared to abstain. At the same time the Prime Minister has resisted pressures for a more formal Communist role in the decision making process. This has not been an easy task but Andreotti has handled the situation skillfully.

In connection with the stabilization effort Italy is negotiating with the International Monetary Fund for a medium-term credit of roughly \$500 million, the maximum to which Italy is entitled under normal IMF policies (the Italians have already borrowed \$2.9 billion from the Fund). The Fund is not satisfied with the Italian stabilization program as it now stands, however. It has insisted that there be further reductions in the Treasury cash financing requirement and some modification of Italy's wage indexing system. Further negotiations await the resolution of Andreotti's attempts to meet the Fund's requests and Andreotti hopes to report further progress.

¹ Summary: Simon discussed the forthcoming visit of Andreotti.

Source: Ford Library, National Security Adviser, NSC International Economic Affairs Staff Files, Box 2, Country File—Italy. No classification marking. In a November 6 memorandum to Kissinger, Sonnenfeldt reported that Andreotti wanted to visit Washington because he felt "political need for US support as he seeks to put through his economic plans." Sonnenfeldt favored the visit, but stated: "There is no doubt Andreotti is working with the PCI in Parliament and that the Party is to all intents and purposes becoming a working partner of the Government." Sonnenfeldt continued, "I would assume this dilemma would have to be faced in any talks with Andreotti and that we would continue to emphasize the political risks." (National Archives, RG 59, Records of the Office of the Counselor, Helmut C. Sonnenfeldt, 1955–1977, Entry 5339, Box 3, HS Chron—Official, Oct–Dec 1976 Jan 1977)

It has been our view that the survival of Italian democracy depends on bringing inflation under control and that any further financial assistance to Italy should be multilateral and linked to the adoption and implementation of an adequate economic stabilization program. You enunciated these principles of multilateralism and conditionality in Puerto Rico. Thus, we have not acted on recent Italian requests for bilateral short-term financing and we have successfully encouraged other countries to follow a similar policy. This has put the Italians under greater pressure to move promptly to a program which would satisfy the IMF (and, more importantly, restore viability to their economy).

Even though there has been encouraging progress we should not relieve the pressure on the Italians to reach agreement with the Fund. For this reason I believe it would be a mistake to accede to any request for short-term funds before agreement is reached with the IMF on a stabilization program. In any event, Italian reserves are sufficient to cover probable needs for the next few weeks. Consideration could be given to providing short-term emergency financing to cover the interval between the date of an agreement with the Fund and actual receipt of the Fund money but we should not go beyond an indication of willingness to help during such a period.

The U.S. is staying strictly in the background during the negotiations between the IMF and the Italians. Our posture is that the Fund management will negotiate with the Italians and then present a proposal to the Board of Directors. The U.S. involvement comes only when a request for approval of the credit is placed before the Executive Directors.

If Andreotti should finally be able to produce an exceptionally good, effective program, for two years instead of one, it might be possible to improve the chances for the preservation of democratic government in Italy by offering IMF credits somewhat above the \$500 million program now being discussed. We have broached the idea informally to both the Italians and the Fund management in a very preliminary way. You might encourage Andreotti to press for a stabilization effort strong enough to merit this approach.

William E. Simon

382. Memorandum of Conversation¹

Washington, December 6, 1976, 11:13 a.m.–12:39 p.m.

PARTICIPANTS

President Ford
Giulio Andreotti, Prime Minister of Italy
Dr. Henry A. Kissinger, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Mario Mondello, Director General, Ministry of Foreign Affairs
Amb. John A. Volpe, U.S. Ambassador to Italy
Amb. Roberto Gaja, Italian Ambassador

President: First of all, Mr. Prime Minister, let me report the warm feeling that the American people have toward you and your people. We are very pleased to have you here. Please give my regards to President Leone.

Andreotti: Thank you very much, Mr. President. President Leone asked me to convey his warm greeting. We would very much welcome you in Italy. We honor not only the President, but Mrs. Ford also, and we would like very much to offer you our hospitality.

President: We would like to do some traveling.

Let me congratulate you on the job you have been doing since last summer. You have had some difficult problems to deal with and you have done an outstanding job.

Andreotti: Thank you very much for your kind words. At the time we are facing problems, but the Italian people are willing to do what is necessary. Since we don't have a parliamentary majority, we must work even harder to preserve democracy.

It is the most difficult time, because now the other democratic parties would not cooperate. I even offered to give up premiership for a coalition. They wouldn't join, and the only other option was to hand the government to the Socialists and Communists. We are unwilling to do that, so we formed a minority government. We put together a program to deal both with foreign policy and the domestic economic problems. The government now has the votes of the Christian Demo-

¹ Summary: Ford, Kissinger, and Andreotti discussed the Italian political and economic situation, energy, and the EC.

Source: Ford Library, National Security Adviser, Memorandum of Conversation, Box 21. Secret; Nodis. The meeting was held in the Oval Office. Andreotti paid an official visit to Washington from December 6 to 7. A memorandum of conversation of Kissinger's December 6 luncheon with Andreotti, when they discussed Italian politics, French politics, energy, and Mexican politics, is in Library of Congress, Manuscript Division, Kissinger Papers, Box CL 165, Italy, Chronological Files, 2 January–6 December 1976.

crats and the abstention of all others but two small parties on the left and on the right.

As I mentioned before, on foreign policy we reaffirmed our allegiance to NATO and the EC. On the other hand, the Communist Party for the first time said that both of these institutions constituted objective reality for Italy. It is the first time ever that they acknowledged this. I am aware this is only a tactical expedience, but it is good to be in a position to tell the Italian people we have been right over the years and the others wrong.

Our objective is to get credentials with the people and present the image that we can govern with skill and objectivity. I have been on television refurbishing the image of the party. One thing we have worked hard on is combatting tax evasion and the misuse of government revenues. We have increased revenues 48% in one year, which is real progress. We have even submitted a special program to increase revenues by another 34%, for a total of 75% for two years—which was unimaginable in our country. We also got legislation to jail people who are sending currency out of the country. We have saved \$1 billion through this. We have also eliminated seven holidays and made them work days, five religious and two secular. This represents a pattern of legislation which has gotten broad acceptance in Parliament.

President: I am aware of your attempts to strengthen your participation in NATO. Do the Communists support that in the Parliament, or how does that work?

Andreotti: What has happened is there are three pieces of legislation. The Navy part has passed, with the Communists abstaining. The other two (Army and Air Force) will also pass. The significant aspect is that we are able to get the votes for these special programs.

I don't want to give the impression all is rosy or that we have an easy life. Last September when our reserves were vanishing, I about resigned. But now we have this program in and we hope to get IMF financing and a bit of help from our friends. It just may be that we can get the necessary spirit in the people and acquiescence of the Parliament. But if unemployment goes up and our balance of payments worsens, no IMF will be able to govern Italy. For every one percent increase in the price of oil, it costs us 70 million. We don't know how to cope with that.

I will also tell you about the EC meeting last week.

President: Let me tell you what we have done to convey our feelings on the oil price. I have written letters to the King of Saudi Arabia, to the Shah, and to the President of Venezuela. Secretary Kissinger has communicated with the other OPEC governments. I have called in selected OPEC Ambassadors. We have said it is not in the interest of

OPEC to have an increase which would put the economic pause into a decline. It also would affect our ability to help the developing countries. If there is a downturn, we won't be able to buy the oil in the amounts they are talking about.

Have you communications with any OPEC nations? I know you have closer relations with Iraq than we.

Andreotti: Italy, both by diplomatic representations to OPEC and at the time of the Venezuelan visit, has expressed itself strongly on this. At the EC meeting we urged a joint action on this, but it wasn't possible. We pressed Libya (I can talk about their 10% purchase of Fiat) but I fear that Iran and others will press for an increase and I am worried. How do you see it?

President: I can't say there will not be one, despite our strong efforts, but I would hope it would not be an extreme one. It just isn't possible to forecast right now. What do you think?

Andreotti: Based on my conversations and reports, there is a fear of a 10% increase. Other leaders—especially Giscard—think this much is unacceptable for their countries. Others—I am guessing—like Britain may not be unhappy at this because of the North Sea. Also Holland which has gas. I was hoping the North South Conference could work out, with the developing countries, a formula.

President: The United States is spending \$30 billion a year for oil imports. A 10% increase would take it to 35 billion. Any such increase would adversely affect our coming out of the recession and moving to prosperity. If so, that would affect our ability to help the developing countries. When is the North-South meeting?

Kissinger: It was planned for the 15th of December but it was postponed, both because the EC didn't have a position, we didn't want to tie Carter's hands, and we didn't want it to serve as an excuse for raising prices right after it.

Andreotti: What is delicate is their proposal for indexation. OPEC says industrial imports are up and they need indexation to balance it out. Maybe we should try some kind of formula of a different kind to deal with it.

Kissinger: But they haven't proposed country-by-country indexation. That would be clever, but they haven't asked.

President: What was your reaction to Perez's view?

Andreotti: Perez has a moderate position. For example, he went along with a delay for some months for a study of how to deal with the developing countries and other issues. This would give the United States time to send some kind of signal. But Perez can't come out against an increase. He thinks it is justified, though he will listen to reason.

Kissinger: He will listen but it does no good.

Andreotti: We have made efforts with other countries, like Libya, to promote Italian exports. It was not government, but private. Like Fiat, which sold 10% to Libya to help its exports. Then if the price of oil goes up, so would the price of our exports. But some countries, like Iran, have undertaken development programs exceeding their capability.

President: But somehow we have got to get the OPEC countries to recognize the seriousness of the situation both in economic and monetary terms.

Andreotti: There was unanimity against a price increase at the EC meeting. What we lacked was the ability to do anything about it. Some more than others—like Great Britain—who were not so vociferous. Do you have any advice?

President: We should all work on the OPEC countries. The increase would have an adverse impact on OPEC itself and on the developing world. We will continue our efforts. Henry, do you have any thoughts?

Kissinger: The best thing we can do is to maintain a common front. No one should go off alone trying to get a special deal. The other thing to do is conservation. Otherwise, unless we change the market conditions, we will face this every six months. Those who reject a common approach are being very unhelpful.

Andreotti: The talk at the EC was clear, but it just asserted a position and didn't come out for a delay. It decided each country would approach it bilaterally, which I am not sure is the best way to do it.

President: How are we coming with our joint energy committee? That offers hope for your country.

Andreotti: With regard to new sources, nuclear aspects are coming well. Many of the other sources are experimental only and will require years of work. We, of course, want to continue to work cooperatively.

President: Nuclear energy has to make a big contribution to our energy independence. On solar energy, though, it is two or three decades away from any serious contribution, our people think.

Andreotti: Some other issues we will take up with Secretary Kissinger and Secretary Simon. I would appeal for you to put in a good word with Secretary Simon.

President: We do hope the IMF negotiations work out. Would you give me an appraisal of how close you are?

Andreotti: All of the requirements of the IMF—increased taxes, rates on services (electricity, railroad), have been done. The IMF has also asked us to reduce labor costs. We are consulting on that now and we will get some reductions. But we have to step carefully about reducing

benefits for labor. The Fund doesn't necessarily understand that, though Witteveen has been a government minister.

Volpe: The Prime Minister has put a scala mobile through in better shape than anyone imagined. He is too modest.

Andreotti: What we did was for wage earners over about \$5,000, we froze wages for 18 months. The Fund wants us to do more. We may be able to but it will have to be gradual.