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THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: The President
Valery Giscard d'Estaing, President of the French Republic
Foreign Minister Jean Sauvagnargues
pierre-Brossolette
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs
Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

DATE AND TIME: Friday, August 1, 1975
1:30-2:35 p.m. [At Luncheon]

PLACE: U.S. Embassy Residence
Helsinki

SUBJECTS: Economic Policy/ Cyprus; French Nuclear Programs; Energy

[There was informal discussion in the garden about the President's speech, Brezhnev's speech and health, and SALT. The group then proceeded to lunch]

Giscard: I am sorry about the leaks of yesterday's talks.

Kissinger: It makes it difficult for us. If a meeting is to be effective we must have a document first.

Giscard: I will tell the press we had a conversation and we agreed to stay in contact.

President: Schmidt didn't feel well at lunch.

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Giscard: He has a slight health problem. It's a shame, he is such a fine man. He had a good clear view of the situation.

President: I was worried we got so involved in the Israeli and Portugal situations that Schmidt was unhappy we didn't get into economics.

Giscard: It's his big concern. Not that he's unconcerned about foreign affairs, but because the economy is so basic to industrial society. There is a crisis of the western world -- we see it in Greece, and Italy, Portugal and even in France. It is the most serious in 20 years. If we aren't active, the youth will leave us and go to a socialist corruption.

Kissinger: It is curious. In East Europe, the systems stay in power through bureaucracy, not ideas. Only in the west are the ideas still alive.

President: Are you planning any economic stimulants?

Giscard: Yes. We have started an important expansion of public spending. There is public investment in transport, building energy, and so on. There is some new tax relief to groups who will spend it; we will improve the financial position of consumer firms so they don't have to fire people. We will announce it in September in coordination with Germany. We will push others -- the Belgians and the Dutch, for example -- to move simultaneously. Of course the British situation is different.

President: I read that they seem to be getting some moderation in their wage demands.

Giscard: The key will be in November when the cost of living has continued to rise.

President: Britain is like New York City. The problems are unbelievable. Lindsay started taking money from capital programs for current operating expenses.

Kissinger: It is strange that Chicago has no problems at all.

Giscard: Is the mayor a Democrat?

President: Yes. He was Lindsay's comptroller.

Kissinger: [Tells a Mayor Beame joke].

President: Their pay policies are unbelievable.

Giscard: I had breakfast with Karamanlis today. We are open to any suggestion for a European move which would help with the embargo. If there is no change I think it will be impossible to start any negotiation. The Greeks fear having the embargo lifted without any movement from the Turks.

President: Let me bring you up to date.

[Described the Congressional action to lift the embargo].

The Senate passed it again yesterday, but it is difficult to get it through the House because of the rules. We can't get anything until September. So we are in limbo.

Kissinger: No House move is possible until September 9. If the European appeal comes too soon, it will be dissipated. It would be the end of any appeal to both parties and to the U. S. to lift the embargo. Turkey might be able to respond to an appeal from you that they wouldn't to us. We have a list of concessions.

Giscard: Are they significant?

Kissinger: Not now. The airport opening, some refugee return, etc. They could be made to look so if Greece cooperates. Greece will accept a bizonal arrangement and 25 percent of the territory to the Turks. Turkey has said they need 32 percent. So the difference comes down to 7 percent on territory. I think Greece will accept just short of 30 percent.

Giscard: They are Greek. It will be 27.8 percent or nothing.

Kissinger: I think we shouldn't talk percentage, but what specific areas they want. The Greek portion of Famagusta, Morphou, etc.

Sauvagnargues: Yes. It is a question of what kind of territory.

Giscard: Yes. Like Morphou with an outlet to the sea.

Kissinger: If Ecevit were in, it would be settled quickly. He wants to use it now to break up the coalition.

Giscard: If Demirel is clever enough he can show it as a success.

Kissinger: But he can't look weak.

The President: He can move more easily in response to a European appeal, rather than an American one.

Sauvagnargues: But how are we to make the position of the Nine more precise, to carry the weight with the Congress? It will be seen as implying the kind of settlement which would appeal to the parties. It is difficult.

Giscard: We would have to say it is a settlement according to certain principles, with vague wording. Then we could say we will help the parties to cooperate and call on the U.S. to lift the embargo as its contribution.

Sauvagnargues: Giscard said to Karamanlis that lifting the embargo would not necessarily resume arms deliveries.

Kissinger: But it would.

The President: [Describes the embargo and the types of aid. Also discusses the waiver authority.]

Giscard: If we were Metternich we could use another tactic. Turkey wants us to sell large amounts of arms. We said no, because we wouldn't want to interfere vis-a-vis the Greeks, etc.

Kissinger: It would help with the Congress, if there were at least rumors.

The President: If the stories come from Europe it would help with the Congress -- for aircraft, tank areas, etc.

Sauvagnargues: It would be delicate to manage, but it might be done.

Giscard: We will see what we can do. Another point. Your contribution to our development of nuclear armaments.

The President: How is it going?

Giscard: Very slowly.

Kissinger: You should deal with Scowcroft. Defense is part of the problem.

Giscard: We are building submarines and MIRVs. If you could tell more to our people negatively, it would greatly help us to move ahead.

Kissinger: There is no doubt there is footdragging. If

Giscard: There is also some question about the solid fuel where you could help.

Perre-Brossolette: There are areas -- like underground testing in Pau, where we are ahead.

Giscard: There is another problem with a sophisticated computer for our Atomic Energy Commission.

Kissinger: This is a difficult one. Right now the entire bureaucracy is against it and it would create massive problems for the President if he overrules them. It will look

Giscard: It isn't vital, but it is helpful. We could get along without it.

Sauvagnargues: But it is not nuclear weapons, just a computer.

Kissinger: But the Congress will give us a hard time. We maybe could do it in conjunction with a foreign policy success.

The President: If the Cyprus problem, the Middle East, or something works out, we could do it.

Kissinger: It should be before SALT or the Soviets would scream.

The President: We will get to it.

Giscard: A third point, about energy. Everyone is agreeing there should be a meeting of ten to agree on following process. Then a convocation of a full conference -- of 27 -- at the Foreign Minister level. We are drilling off our west coast for oil. Britain thinks they have a big find but I don't believe it. We have had thus far three commissions -- on oil, raw materials, and development. The financial end was to be handled as sub-groups of

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these. The Conference would reconvene to get the reports of the commissions. But Fahd and Saud came here ten days ago. They were very motivated. They wanted a consumer-producer meeting announced before the OPEC meeting to help hold the prices at least until early 1976. Maybe that is a little unrealistic but they seem to want to help. But they insisted on a fourth commission to deal with financial matters. We remonstrated, but they insisted -- in cooperation with the Algerians. They said they would pledge if there is a fourth commission to fight against price rise. We said we would be in touch to get the American reaction.

Kissinger: They have insisted to us on a fourth commission. Our people violently oppose it. First, for jurisdictional reasons; second because they feel it as a device by you to get monetary issues into a new forum, and third these issues are under discussion in IMF, etc. where we have weighted voting. In the fourth commission we would be killed. This is a valid point. Perhaps it could be restricted to issues related to the other three committees.

The President agrees that invitations should go out at the end of August. I think we need a meeting next week.

The President: I would like to know more about it.

Kissinger: These financial issues will be discussed. It is a question of whether we discuss them all together or within each committee.

Sauvagnargues: Perhaps we could restrict it to issues that are not being discussed in IMF, etc.

Kissinger: That would help.

Giscard: We have no intention of using it to shift the issues to a new forum.

Schmidt thinks we could be in an offensive stance in this fourth committee as we have some leverage here.

The President: If you had it spread among the three committees, you would get more diversity. It might be better to centralize it.

Kissinger: I think we can manage in a week or so. Can we get back to you?

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Giscard: Yes.

Sauvagnargues: I see little likelihood of getting invitations out by the end of August.

Kissinger: If you could send me, Jean, by next Tuesday, a paper, we will get to you by Friday.

Giscard: For the Japanese, I will deny that there was any decision yesterday. The Japanese want any information before they meet with you. Can I mention that we asked private experts to study the problem?

Kissinger: That would be fine. We may mention the three or four committees.

Giscard: I don't think they care.

The President: I am looking forward to seeing you next May.

Giscard: That will be fun.

[The meeting ended.]

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