

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Nixon  
The Cabinet  
White House Staff

DATE AND TIME: Friday, June 21, 1974

PLACE: The Cabinet Room

The President: I want to talk about my Middle East trip. Some of you will be involved there, in the areas of finance, arms, and PL-480. We don't have large sums to scatter around, but we must make the most of what we can do.

Before last October, there was almost total enmity from the Arabs, except for Jordan and Saudi Arabia. All that has changed. Millions are now out cheering for us. That's a reflection of the deep belief in the naturalness of Arabian-American friendship.

An American presence in all areas of the world is vital to American security and local security, but in the Middle East there is no hope without a decisive American role.

Manola was told by the Syrians they were happy to see us there so they could get the Soviets out.

Mr. Cole: Here is a rundown of the domestic issues and where we stand:

- Community development and housing bills are on the floor.
- The education bill is in conference.
- A major policy review is now under way for the next two years.

DECLASSIFIED

E.O. 12958, SEC. 3.5

NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES *State Dept. memo 3/9/04*  
BY wh NARA DATE 8/6/04



Mr. Rush: Inflation is the top topic in this country.

The President: Also in every country I visited.

Mr. Rush: We must demonstrate your personal leadership in the economy. We must also all speak with one voice.

The front line defense against inflation is a sound fiscal and monetary policy. The '74 deficit is \$3-4 billion; the '75 deficit is about \$6-8 billion and maybe the '76 budget will be in balance. We must fight the tax decrease. The best fight against inflation is to increase supply.

We hope the 12% inflation will be reversed to 7% by year's end.

The President: How about personnel?

Mr. Ash: There are three options for personnel cuts: 98,000, 40,000 and less. Defense would have to take one quarter of any cut and that is the problem.

The President: Let's try to think of some symbolic thing we can do, which will have an impact. There are no sacred cows. We need to cut the number of aides. A small staff is a good one; a big one is bad.

Secretary Butz: Most of my budget is food stamps.

The President: That is no sacred cow anymore. It's out of hand.

Mr. Simon: We had a good meeting of the C-20. We took some meaningful steps toward the outline of a new monetary system -- with gold replaced by SDR's.

The IDA bill passed, allowing ownership of gold by American citizens. It probably will pass with the date of December.

The President: I had an interesting meeting with the new Portuguese President. Portugal is now reaping the whirlwind. Their African policy could have serious implications for us. Portugal previously had a stable economy, but now the Communists are the only organized group. They are having a wage/price push and heavy inflation with a possible economic collapse in six months. That will be followed by elections,



with a leftist government probably being elected. The repercussions in Spain and Italy will be serious.

Secretary Kissinger: I will make a few comments on the NATO Declaration to be signed in Brussels on the 26th and the President's summit meetings in the Soviet Union.

The NATO Declaration is a result of our last year's initiative. We asked the alliance to make a necessary adjustment to take account of changed realities. Twenty years ago it was formed in different conditions. We faced monolithic Soviet and European satellite forces; the threat was unilateral; we enjoyed a nuclear monopoly, and the Third World was colonial. All that has changed, and we wanted the alliance to recognize these changed realities. Europe is now growing in strength, and there is greater political self-consciousness. We have seen the growth of the PRC as a rival to the Soviet Union in the Communist World. We can see the situation in the Middle East affecting perceptions. There is the change in strategic relationships. Everything is different.

The Europeans initially reacted cautiously to our initiative and the French attacked us. In retrospect, this debate was healthy -- we are all democracies. The Declaration is essentially what we wanted. It calls attention to the new strategic realities; it invites nations outside to cooperate. It pledges us all to consultation on major issues affecting us all. Last year, the Europeans were making sick comments about the purpose of the Alliance summit -- this year two governments are interrupting state visits to come to this meeting. The President will not just sign the Declaration but he will go to the plenary meeting and hold discussions. We will describe the purposes of the President's Soviet trip and allay any fear of a US-Soviet condominium.

The changes of government in Europe in the last year have been extraordinary. Wilson is the most cooperative; Schmidt is more energetic; and the French change is remarkable. We solved the problem with France in a half hour at the Ottawa meeting and the Foreign Minister spoke in English -- the first time ever. This will be perhaps the most constructive meeting ever.

The importance of the Soviet summit is that it is primarily a meeting between Brezhnev and the President to avoid any misunderstanding, to avoid any appearance that we are neglecting our relations. And in the Soviet system there are decisions that only the leadership can make.

The military can't make a political judgment and vice versa. All constructive ideas have come from us. This has been the case in SALT.

We believe someone must get a handle on the arms race. If we don't, we will only reach another plateau of armaments at higher levels. In the SALT negotiation now we are attempting to reach equivalence and get a handle on the MIRV.

We will also seek an agreement limiting underground nuclear testing above a certain threshold. We are trying to restrain the development of a big warhead. There may also be an agreement on ABM's, limiting each side to one site.

Besides these, we are developing a series of bilateral agreements, trying to give the Soviets an incentive to cooperate and giving them a vested interest in stable relations.

Many say that the Soviet Union violated detente in the Middle East. The opposite is true -- the Arabs complain the Soviets didn't do enough and therefore the Soviets are losing their position. Sadat threw the Soviet Union out in 1972 because he feared they would keep him from going to war.

These bilateral agreements -- in which you all have cooperated -- may not be spectacular, but they are significant. One of the dangers of Jackson is that he will close off all avenues and incentives so the Soviet Union in a crisis will have nothing to lose by behaving irresponsibly. We tie agreements to progress, but we need some levers and the agreements create an atmosphere of improving relations. This is now taken for granted, ironically. We have come so far that many think we can have detente without any effort on our part.

The President: We are anti-Communist. But we live in a world where we have to try to resolve differences with alien powers without recourse to conflict.

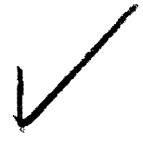
If we hope to influence the policies of others, we have to have something to talk to them about. It is not enough just to brandish missiles. The Soviets know that that's an idle threat for more modest problems. We are trying to develop a vested interest in peaceful initiatives with the Soviet Union. But as Kissinger says, the most essential thing is for us to talk.



In the Middle East we must make it worth their while to have a constructive relationship with the United States -- beyond the political. The Arabs are disillusioned with the Soviet Union.

Plus discussion  
with [unclear]

Calvinite Mtg  
21 June(?) 74



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arms, PL 480. we don't have large sums scattered  
around, but we must make a sort of what we  
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of Arab-Israeli friendship.

American presence in all areas of world is  
critical to US & local security, but in NE there is no  
hope w/o decisive Am. role.

Mandela was told by Eggers happy to see them as could  
get a seat out. (Stay about Assad son)

Cole. Run-down of domestic issues.

- County cleanup & housing on floor
- Education bill in Conf.
- Major policy issues as now under way for a year  
2 yrs.

Rush. Inflation is top topic in this country

P. Also in every country I visited.

Rush. We must demonstrate your personal leadership in econ.  
We must also speak w/ conviction.

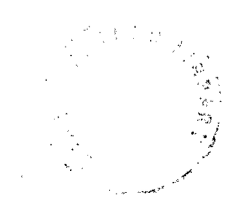
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about 6-8 bil. & maybe '76 budget in balance.  
Must fight tax decrease. Best fight against  
inflation is to ensure supply.

We hope 12% inflation will be reduced to 7% by year-end.

P. How about personnel

Cole. There are 3 options: 95, 100, 40000 & hrs. If would  
have to take 1/2 of any cut & that is a prob.

P. Let's try to think of some symbolic thing we can do  
which will have an impact on increased costs.



We need to cut a # of aides. A small staff is a good one. A big one is bad.

Batz What's my budget is food stamps

P That one I need now. It is out of hand.

Simon We had good entry of C-20. We took some meaningful steps toward outline of new monetary system - w/ gold replaced by SOR's. #

JDA passed bill passed allowing ownership of gold. Probably will pass w/ date of Dec.

P\* Had interesting entry w/ new Portuguese Pres. Portugal is now reaping a whirlwind. Their African policy has could have serious implications for us. Portugal previously had stable economy, but now only exists as a quagmire. They are having wage/price push & heavy inflation w/ possible Euro collapse in 6 mos. That followed by elections, w/ leftist just put elected. Repressions in Spain & Italy are serious.

K I will make few comments on NATO debate & a summit.

Declaration a result from last year initiative. We worked alliance to take account of changed realities. 20 yrs ago: E was satellite of <sup>USSR</sup> USSR, threat was immediate, nuclear war, 3rd world was critical. All has changed & we wanted alliance to recognize these change realities. E is growing in strength, political self consciousness, growth of PRC, set on NUC affecting perceptions, change in strategic relationships, all are different.

E now militarily retracted centrally. E attacked us. In retrospect, this debate was healthy - we are all democracies. ~~the~~ The declaration is essentially what we want - new start relations, ensure outreach



and aspects of administration, construction, etc.  
last year, Euros-making ~~social~~ comments  
about purpose of summit - this year 2 guests  
are interrupting state visits come to this city.  
We will not just sign declaration but go to plan, &  
& hold discussions. We will allow any fear of UK-Sov  
undermining. Changes of post in EC have  
been extraordinary. Wilens most exp; Schmidt  
more energetic; + France change unworkable.  
We solved problem of EC in 1/2 hr + EMU spoke  
in English - 1st time ever. This will be  
perhaps most constructive meeting ever.

Importance of Euro summit is primarily not let  
Bog & P to avoid misunderstanding, neglect, etc.  
And in Sov system there are decisions that only  
a leadership can make. We must make political  
judgment & give course. All constructive <sup>ideas</sup> ~~changes~~  
have come from us.

Someone must get backbone <sup>and</sup> ~~an~~ ~~agreement~~  
of cost, we will reach another plateau at higher  
levels. We are attempting to reach equilibrium &  
get backbone on MURV.

On ITB we trying to work in big workshop. Also  
ABM.

Basically, we discussing agreements trying to find Soviet  
inclination to comp.

Using say SV related details in UK. The <sup>problem</sup>  
is time - Chomsky complain Sov didn't do enough  
& are taking their position. So all that then SV out  
because he feared they would keep him from  
going to war.

These agreements - in which you all had copy -





may not be spectacular, but they are  
big. One of dangers of Jackson is  
that he will lose off all ambitions w/ S.C. &  
a crisis will have nothing to lose by taking  
responsibility. All the agreements to progress  
but not need some laws & agreements  
create an atmosphere.

We have ~~not~~ come so far that many  
think we can have detente w/o effort on our part.

P We are anti-Croat. But we live in a world where  
we have to try to reach deal w/ alien powers w/o  
some recourse to conflict.

If we hope to influence policies of others, we must  
have something to talk to them about. Not enough  
just to bomb - missiles - Suss know that  
will hurt for market problems. We trying to  
do useful business in peaceful negotiations  
w/ S.C. But as K says, most essential thing is  
for us to talk.

In N.E. we must make it with this whole to have  
a restrictive relationship w/ US - beyond a political.  
Arabian disallowed w/ S.C. - this

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Handwritten notes & sketches  
on a separate page.

