

TELCON

Secy Bill Simon (Treasury)/Mr. Kissinger
7:55 p.m., March 15, 1973

S: Good evening, Dr. Kissinger, Bill Simon.

K: Have you seen that?

S: Yes, sir, I just got it and I just went over it.

K: What do you think?

S: Well, I have to question George on the wording. It looks fine. The 6 loaders, of course, doing it jointly -- whether that works in a two and a quarter gain or not remains to be seen. The significant part of it, if it's read the way I read it, those countries represented at the meeting with parities or central rates have suspended any obligation to intervene to maintain market exchange rates within established margins. And then you have at the top of the second page when it said, "At it's initiative we will intervene when necessary and desirable in its own market acting in a flexible manner in the light of market conditions." Well, that gives us all the latitude not to have the intervention and to keep the uncertainty in the market which will hinder the speculators. If I read it correctly, that is correct. We don't give them --

K: Will that drive the Europeans together, this arrangement?

S: Well, basically -- You've only got half of them together and while they sit there and they say by golly, six of them are now floating jointly. The UK, Italy, and several others, Canada, etcetera, are all floating by themselves and enjoying it very much. Now if over a long period of time this float worked properly, then perhaps they would be together.

K: Um-humm.

S: But I don't know how they can work that out, I truly don't.

K: Well, I think we've worked out -- we've put ourselves in a good strategic position. We couldn't bust the Common float without getting into a hell of a political fight.

S: No, sir.

K: But we should create conditions in which the Common float is as hard to work as possible.

S: Well, let me tell you how that can be done.

K: By not intervening.

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S: Exactly! Or intervening at some times to help some people but not others.

K: Okay. Now will you police that for me?

S: Oh, yes, sir.

K: I mean, quite seriously, I don't want this handled as a technical-economic matter.

S: Yes, sir.

K: I think from now on we have to throw our weight around to help ourselves.

S: Yes, sir.

K: And then they'll start paying attention to us again.

S: Yep. Exactly.

K: I've come to that view with reluctance but once you move, I think you have always to move strongly.

S: Yes, sir.

K: Okay.

S: Well, then I will pass that along to George when he gets home. I won't obviously --

K: No, no; I don't think there's any need for it -- Maybe George, you and I should have a breakfast.

S: Wonderful.

K: And discuss the strategy.

S: Wonderful.

K: Good.

S: Hopefully it will be cool in the market place until you get back in 2 weeks.

K: Right. I urged him to take a weekend off on the ground that the strain on me of having him here while I was away, knowing his manipulative tendencies, would be too great.

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S: Oh, that's marvelous. (laughter) That's wonderful.

K: Okay.

S: And when do you leave, sir?

K: I'm leaving tomorrow night.

S: Oh, that's grand. Well, a well-deserved vacation.

K: Good. Thank you.

S: Wonderful.

K: And we'll stay in touch.

S: Okay. Yes, please.

K: Bye.

S: Bye.

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