

TELCON
August 15, 1973/10:30a. m.
Secretary Shultz/HAK

K: Hello

S: Hello Henry

K: George . How are you?

S: Alright thank you.

K: George. You won't be back until next week and I'll be on the West Coast and I wanted to raise one issue with you. Well, one of several. I talked to Simon yesterday. What is his first name incidentally?

S: Bill

K: Bill. I talked to him yesterday in connection with the oil and other things and raised a more tender problem. One of the major things we have to quiz and that other nations want from us is in the area of economics. And we have no ability now systematically to sell it politica cally and we have a ~~XXXXXX~~ tendency to sell it on technical economic grounds on its own merits. Now take for example the international monetary thing. I think you're making good progress. At least I don't know what you're doing but I'm assuming from the expressions of satisfaction of Schmit and d'Estaing that you are making good progress. That's isn't really what we need because their governments are behaving in a beastly way towards ^{us} on the Year of Europe. And if they get from you on technical economic grounds, you see what I mean, a degree of cooperation that don't show us elsewhere we are just not expressing our economic policy adequately. And I was wondering with this country... I mean take for example take another problem. Remember the agriculture discussion we had on the way to Reykjavik of Pompidou's idea of an agricultural pool. Now suddenly all our experts are talking to me about that. I'm not sure it's a good idea. I don't understand it. All I would like to bring about though is a situation where we can tell the France if we are going to some form of convertibility and some from of exchange rights that we are doing that if they behave elsewhere. Are you still there. And not to give it away as just part of a technical monetary discussion.

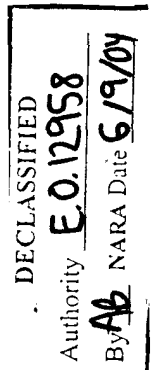
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Authority E.O. 12958

By: AB NARA Date 6/9/09

Shultz/HAK

- S: Well we have been... You know that we said that we would go along with convertability under certain conditions in the speeches that were made last September at the INS meetings.
- K: And I strongly urged it at the time now what I'm wondering. Is it possible for you at Nairobi to hang tough cause the Europeans in the meantime have been bastards so that later on we can wrap Xup some concessions in the monetary field as part of more global negotiation.
- S: That would be a pretty delicate proposition.
- K: I know.
- S: We have as much at stake as anybody in a monetary system that works.
- K: I know it.
- S: We have a meeting of the deputies.
- K: But they have as much at stake as anybody in the security system that works and it doesn't seem to affect them.
- S: Well I talked to Schmidt about the offset business which incidently is being very badly undercut by the Defense Department which thinks they want to offer cosmetic changes.
- K: But I tell you the Defense Department right now. Schlesinger is in over his head in my opinion. I think...
- S: In his favor... trying to think these things through on a comprehensive basis.
- K: I know you are. I'm not saying these things critically I am asking, Bill Simon thought that this would be something that would in fact appeal to you.
- S: Yeah. Well I.
- K: Did he talk to you about it yesterday. He said he might.



Schultz/HAK

S: Yes he mentioned to me that he had this discussion with you.

K: Well what do you think.

S: Well, I think we should see what we can see about it. That is, we have lots of prickly clicks in the negotiation. We won't finish in Nairobi

K: But I would like, I would like... You see what I would like to set up is a situation where the President can give them something they badly want. Or at least in which you make a dramatic move instead of getting the thing sort trickled out. One technical item at a time. You know when I talked to d'Estaing I said you know what you people don't understand is if you made a political concession we could be move generous in the economic field. He said like what? What could you do that Shultz isn't already doing. Since I didn't know exactly what you were already doing I had to start dancing around. But d'Estaing was so pleased you know that I didn't feel that we had much leverage there. And the reason I mention it George is because we're going to head into a really prickly period with the Europeans in September and October.

S: About what. Military side.

K: Everything. They have suddenly taken the position that they started to take on the convertibility-- on the you know not the convertibility on the devaluation in March that they would make specific rules from which we are excluded and then informers of them and informers of them by an intermediary which they head of the foreign ministers conference which changes every six months who happens the Danish Foreign Minister in this period so you can imagine what kind of a negotiation we can have with them. So we are confronted with a block that makes... confronted with a series of fait accompli and a negotiator who has no authority. And that is totally unacceptable to us.

S: Well I think we've broken through that to some extent in the monetary area.

K: Yeah. But we've got to make it in the political area. And we above all and the British have behaved unbelievably badly. We are not surfacing it yet.

Shultz/HAK

S: Really.

K: And I want to get your area sychronized with ours so that they can't claim a special relationship in one field and really put it to us in other fields. And this is another things. Are you doing anything for the British in the Treasury thatyou are not doing for others in the form of information.

S: Not that I know of. Of course we have this intelligence relationship

K: But that's not

S:q Which I think has to be questioned under the circumstance.

K: Well I'm cooling that but that's at CIA. You're not doing any of that.

S: No. But I have developed this little pattern with Schmidt, ~~MX~~ d'Estaing and Barber that has proven quite useful.

K: No I'm for that. Look basically you were right from the spirit of what we were trying to do but what the Europeans were trying to do is use our overtures to build their identity in confrontation with us and they are doing it by picking the areas where it is safe. And sucking us dry in the areas where it isn't and we've just got to put a stop to that.

S: Well, I'm quite ready to deal with that.

K: Can you give some thought to how you can get us ~~some~~ some leverage in the monetary thing. I mean let that little group ~~know~~ know that we are trilling it. You know I recognize it is delicate and I have no complete suggestion and I am not yet sure we want to do it but I wondered whether you could think about it.

K: Yeah?

S: Yeah. When are you going to leave for California.

K: Monday. When are you coming back.

S: Well I'll be back by Monday.

K: On Monday.

S: Yeah.

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K: When are you. . .

S: Another words I'll be in then Monday morning at the beginning of the day.

K: Well.

S: They have a pretty important meeting of the deputies of the committee of 20 in the first week of September.

K: Well, lets have breakfast on Monday at 8:00.

S: Why don't I come and see you. What time of day are you going to leave?

K: I'll bet you we'll leave at 9:00 or 9:30.

S: Really. Why in the hell go to Calif. What's going on around there Henry. I'm sort of totally out of touch. I just heard on the television the President is going to speak tonight.

K: George he is giving a speech that only Ron Ziegler and Haig have seen. Laird, Harlow and I have no idea of what's in it. I saw an early version and I was so outraged by it that they've been excluded everyone else. I understand this version is alot better.

S: Is the White Paper going to be issued?

K: Yes but that to was a disaster but I have seen a revision which is better. Again I haven't seen the latest draft.

S: Anymore information about the Vice President.

K: I have none. No. But they are not going to move along those lines until ---

S: I have my economic staff meeting at 8:00 is the only reason I'm reluctant about breakfast.

K: Oh I see. Otherwise it would be fine.

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K: How late are you coming back Sunday night? '

S: Well I don't know.

K: Don't come back early. It isn't worth it.

S: Well I could be back by probably 6:00

K: Well we could meet Sunday night for an hour.

S: Alright.

K: Should we try for that.

S: Alright. Why don't I have our offices. When I make my plane arrangements and so on I'll have my Secretary tell your office when I'll get in and I'll come to your office from the plane.

K: ~~R~~ OK.

K: Let me know when you are coming in and we'll discuss it.

S: OK

K: Good George. Thank you.

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