

MEMORANDUM

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

CABINET MEETING

February 21, 1974

President: Simon was going to talk about energy. Unfortunately he can't be here.

There have been massive dislocations in the East which have not been helpful. Public cooperation has been very good.

If there is any way to avoid rationing, we should. The need for rationing has become much likely. Unless I hear a stronger case than I have, there will be no rationing.

On the embargo. The two Foreign Ministers came here on behalf of the four. As a result, Secretary Kissinger will go to the Middle East, after he goes to Latin America.

The talking papers for Latin America read like the same papers we have gotten for years. The gap in the papers was they didn't deal with expropriation. All these other things will take 25 years to work out. State people don't realize this. The wooly heads think if only the government would put more into Latin America, everything would be okay. We could put ten times in and it wouldn't do it. The future of Latin America will be determined to an extent, not by the tip of the iceberg -- the governments -- but by what private enterprise does. And the investment climate -- because of expropriation, government policies, etc. -- is bad. We will go through the motions in Latin America and offer them trade preferences. But what good are they if they can't produce competitively?

Look at Argentina. It is where we were in the 30's. Back when they had a responsible government they had a higher standard of living, but now they are in bad shape. Until they get stability -- Brazil has had it, even though we don't like it -- the investment capital is not going to go in.

Then Henry will go to the Middle East to get talks started. Now, what about the embargo? They are not linked, but progress on the political front almost inevitably will go hand in hand with economic progress. We are making energy plans if the embargo won't be lifted, but we are doing everything possible diplomatically to get it done.

DECLASSIFIED

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NSC MEMO, 11/24/98, STATE DEPT. GUIDELINE: state review 3/8/04

BY lwh MADE DATE 8/4/04

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On the energy legislation, it's a mess. I will veto a Senate kind of bill.

We should not link what happens on the embargo to the energy crisis. That will take a bit of time.

Brinegar: Let me review.

What speed limits have done. Traffic deaths are down 25%, pedestrian deaths down 30%. School children deaths are down from 98 to 57.

It is now easier to get to work in some of the big cities.

President: The farmers produced enough last year to have agricultural exports equal our imports, but the 9 billion net agriculture exports is equal to all our POL imports. This is an immensely productive area of our economy. It's as important to us as energy.

What are the price prospects?

Butz: The CPI will be up 2.5% this month. The supply of beef will be better later in the last half of the year. Wheat is 2.1 to 2.2 billion compared with 1.7 last year. Corn is about 6.2 compared to 5.8.

President: What will happen to the CPI from July through October?

Butz: The increases will level off in a month or two and maybe there'll be some decline of meat prices in the last half of the year.

President: Cap, say a few words about the health program.

Weinberger: The program can be put in without taxes. I have stayed away from giving overall costs, but the government part alone is \$5.9 billion.

President: Jerry, give us some comments on Michigan.

Ford: It was caused by the deterioration of the economic situation. Michigan produces most of the big cars, and that is where we got hurt by shutdowns. Also energy and food costs. The Democrats moved in their top organizers -- we didn't get our own vote out, and there were some defections. They spent 50% more. Watergate did have an impact. Our candidate did not generate an affirmative issue.



President: I will summarize -- all Cabinet members deserve high marks for getting on the stump. Remembering the important thing is how things are in September, and the two real issues will be economics -- energy and food. If we have these under control by September we will be okay.

Ash: I am bullish. The last half of the year should see an upturn -- prices down and employment up. If we are at a low point now, we are well off.

President: One last point -- Solzhenitsyn. Some thing Henry's reaction was too tepid. But where were these people who are raising these points in 1937, during the war, and when they attacked Dulles, etc.? In the earlier days he would have been liquidated. Not that the Soviet Union is good -- the point is, what can we do about it? Some say cut off relations. Then we have to raise the Defense budget by \$100 billion. The real question is should we have a voice and be able to talk to leaders in the Soviet Union and the Peoples' Republic of China, or shouldn't we? Solzhenitsyn is not Jewish, but here also there is much progress. Look at Stalin and the Doctors' plot. The regime was basically anti-Semitic. The Jewish exodus under detente has enormously increased. We have limited leverage. We can cut things off; the defense budget would go up and the iron curtain would come down. These things happen in all totalitarian countries. Back in Dulles' days we caught hell for "peaceful liberation" in favor of "building bridges." Now it is just the opposite. The question is, do we retain communication so that in the Middle East crisis we can talk and perhaps prevent a crisis? Do we try to limit the arms race -- and have trouble with the Department of Defense -- or don't we? Do we try to limit conventional arms or do we continue high defense budgets?

The continuation of detente -- it's a lousy word -- will determine whether there is a chance for a peaceful resolution of problems in the Middle East and Europe and a chance to get a handle on massive arms expenditures.

It would be easy for me to say we'll have nothing to do with them until they change their internal system. But then we would have a massive arms race. Even that would be okay if it would work -- but it won't. If a change comes it will come gradually -- it may take a century. They at least let Solzhenitsyn and his family out -- earlier the punishment was liquidation.

The one thing a totalitarian system must fear most is the friendship of free nations -- not this hostility. Brezhnev is on a high-risk course.

If you get questions about our concern -- of course we are concerned. But ask your questioners what they would do about it -- and at what cost. If the critics say: Stop detente until they change their system, then we will have to change our system. We are trying to avert a disastrous nuclear conflict.

Detente is the only chance for a live-and-let-live world in the years ahead. It makes it a little harder for Brezhnev and Moscow to be tough externally and internally and that is progress.



Commonwealth has done some of work # - posture - report to Congress
2.1 weeks by Feb

① Cabinet Mtg 21 Feb

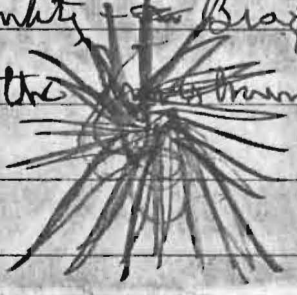
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On bombings. The 2 FM's came here on behalf of G. As result, Kerill goes to ME. ^{Frank A. P.} Talking papers for LA need that has some papers for years. Rep in papers was about what we expect. All these other things will take 25 yrs to work out. State people don't notice this. Wodie heads think if only Govt would put more into LA, everything would be ok. We could put 10 times in & it wouldn't do it. Future of LA will be determined to extent, not by tip of iceberg - egoists - but by what private enterprise does. And somewhat chaotic - because of exp, great prices, etc - is bad. We will go thru a matrix in LA - often thru trade preferences - what good are they if they can't produce competitively.

Look at Argentina. It is where we were in 30's. Back when they had rep. govt they had higher standard of living, but now they are in bad shape. Until they get stability - Brazil has it, even tho we don't like it - the ~~investment~~ capital is not going to go in.



Then HA will go to DOE to get talks started. Now, what about embargos? They are not linked, but progress on political front almost inevitably will go hand in hand w/ econ progress. case making energy plans that embargos would be lifted, but doing everything possible diplomatically to get it done.

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 produces most of the big cars, & that is where we got
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 55% more. Watergate did have an impact. Our
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increased. We have limited leverage. We can cut things off; if budget would grow & iron curtain would come down. These things happen in all totalitarian countries. Back in Dulles days we brought bill for "peaceful liberation" in favor of "building bridges." Was just opposite. Question is do we retain commitment that in M.E. crisis we can talk & perhaps prevent a crisis. Do we try to limit arms race & have trade w/ USSR - or don't we. Do we try to limit com. arms or do we to contain high def budget.

Continuation of détente (same word) will determine whether chance for peaceful resolution of problems in M.E. & Europe & chance to get a handle on massive arms expenditure.

It would be easy for me to say we'll have nothing to do w/ them until they feel change their internal system. But then we would have a massive arms race. Even that would be OK if it would work - but it won't. If by change comes it will come gradually - make take a century. They at least let Solz & family out - even if it was liquidation. The one thing totalitarian system must first meet is franking of full nations - not their hostility. But is a high risk course. If you get questions of arms curbs - of course we are. But not your question about what they would do about it - and what we do.

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If nations say stop detents til they change their system, then we will have to change our system as we are trying to avert a disaster nuclear war implied.

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