

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

SECRET/NODIS/XGDS

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MEMORANDUM OF CONVERSATION

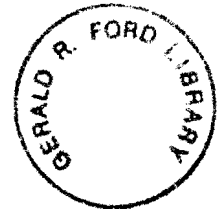
PARTICIPANTS: Valery Giscard d'Estaing, President of the French Republic
Jean Sauvagnargues, Minister of Foreign Affairs

President Gerald R. Ford
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: Sunday, December 15, 1974
10:50 a.m. - 12:26 p.m.

PLACE: Hotel Meridien
Martinique

SUBJECT: Energy Cooperation



[At the beginning of the conversation the press was admitted briefly for photographs. The two Presidents engaged in small talk with the press. The press were then dismissed.]

Giscard: We will speak in English unless I have a particular problem.

I know that last winter and spring there was a problem in our relations, and I will not try to fix responsibility. There was the dispute over the energy organization. We were not a member, due to political circumstances, because we were on our own doing the same thing. It was also due to our producer relations. The producers are very violent against it as attempting to exert pressure. So our ministers went to work and I discussed the situation with Secretary Kissinger.

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CLASSIFIED BY: HENRY A. KISSINGER

Two things he reported to me: what to do about prices, and consumer cooperation.

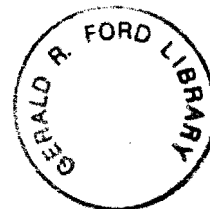
So in my press conference I spoke of two things -- how to adjust to the prices, and discussion with producers. I didn't mention indexation. Then the Nine supported our view, saying it had to be closely coordinated with the United States. We also had a positive reaction from the producers -- Brazil, India, and the Arabs. This shows a desire for a kind of cooperation, with some problem of extending it to other raw materials. The producers don't want to seem the villain on the economic scene. They also want to talk about inflation and other materials. I said it is unrealistic to discuss it so broadly, but they wanted some mention of these things, not just oil.

I asked Sauvagnargues to call you. You were in Vladivostok. He couldn't, so he cabled before my talk.

We can't make an agreement without the support -- not just the consent -- of the United States. To go one step further, our view is there might be, at the end, some confrontation that is unavoidable. If the producers cartel is unyielding, we will not accept it. But this should come after the attempt to have discussions and cooperation. What is important is to show our desire to make agreement; and if this fails, we would be tough. The issues are: (1) to set up a consumer-producer conference, and (2) preparation between the consumers. To have a disorganized voice of the consumers would be very bad. We need to know what the structure would be, what the list of countries would be, and so on. Our suggestion is for a preliminary meeting for the producers, then a stage of two-to-three months for consumer preparation, and then a consumer-producer meeting.

President: I have always been a strong supporter of United States-French relations. Over the years we built a firm foundation, even though there were differences. One of the first important votes I cast in the Congress was for NATO. I believe the West depends on a strong Atlantic relation. I start from the basis that we have to work together, and with the other allies, broadened now to include Japan.

One thing which bothers Americans who are aware of this long relationship is the French actions and statements which seem to undercut U. S. positions and disparage the United States. We think that is not healthy.



You mentioned your consumer-producer suggestion. We understand the problem of timing, but that perception is not always conveyed to the United States. Also in the UN, we know we can't always be together but we would hope for a closer understanding. Having said that, we still have a close relationship.

Giscard: To understand our relationship, we have to realize our relative size. It has been recognized since the 18th century, France was humiliated by the travails of its political system after World War II. When deGaulle came in he wanted to restore French dignity. That required antagonizing the major powers. For example: In the 1960's our ministers had to have visas to come to the United States, while American dignitaries came to Paris in American planes, and were met by cars, etcetera. When Kennedy was President, the United States press announced a new head of NATO, without any consultation. There was a de facto situation of inequality. French political life is especially sensitive to US-French relations. The Communists play on this issue.

Kissinger: It is compounded by the complexity of the French mind. I wish we were as clever as Le Monde thinks.

Giscard: So we have this compulsion for independence and self-esteem.

President: We have no interest in domination. We want cooperation, and those irritants should be eliminated so we can discuss substance.

Now on energy, first, price: Something has to be done. Second, there have been vast sums of dollars generated as a result of spiraling prices. The question is how to do it constructively. There are three steps: first, to have a consumer position. This is essential. We don't plan to go to a producer meeting for a confrontation, but we have to go to the meeting with a consumer position and an agenda. We do have to have substantive consumer solidarity. We need a high degree of solidarity before we sit down with the producers. Otherwise, some of our friends would be picked off individually -- they have weaker positions and could be susceptible to producer suggestions which would undercut the positions of the U.S. and France and destroy the effort to resolve the problem. We don't need a document, but a consumer idea which gives us our strength to meet with the producers who are well organized. How can they complain when they themselves meet every three months, or oftener?



They are forcing down our throats higher and higher prices while offering no solution to anything. It is in their interest to solve those two problems. I hope we can resolve this.

Giscard: I have no disagreement in substance with what you say -- only in details. The producers are developing countries, with their frustrations, and they resent the consumer organization, not as their counterpart but as an attempt at economic warfare. When they speak of what you suggest -- which is not aggressive -- they talk of it as aggressive. It is a psychological problem. It is the interpretation given by the world community. If we agree that we will enter an agreement for a consumer-producer meeting, then an agreement among consumers is not aggressive. So the sequence should be that.

We are for stabilization and for restriction of the oil price, and are prepared to take a strong position on reducing dependence on imports. We are in favor of genuine exploration and cooperation.

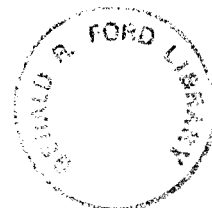
Kissinger: There is a factual problem -- the tendency when talking of the producers, to tend to think of Western-type bureaucracy. Abu Dhabi is far different from Iran. One can elicit different reactions from different countries. But never have the producers accused us of seeking confrontation -- Saudi Arabia for example, or Iran. The producers tend to tell their interlocutors what they want to hear. At OPEC, a spokesman said he hopes the world would get on with an organization so a consumer-producer meeting could be held. Our experience is not that confrontation is feared.

Sauvagnargues: They tell me that strong consumer groups lead to confrontation.

Kissinger: I have seen Faisal five times and never has he spoken that way to me.

Sauvagnargues: The important thing is price and that can be solved only by consultation.

President: There are four things we should talk about: An agreement on conservation -- on the concept itself and a decision on the amount. Second, the consumers should have a solid position on alternative sources. As you know, we have a massive U.S. program. It is essential for the



industrial world. We need a procedure for sharing that technology. In the short range, what do we do in case of emergency? Again a plan is of common interest and requires consumer solidarity.

An agreement on these four things is essential before we sit down with the producers.

Sauvagnargues: I want to explain. At some point the price must be discussed. OPEC has just made another small increase, but have given nine months of essential price stability in the hope that within this time a dialogue can take place.

Kissinger: It is essentially the same price, or maybe even, with inflation, a slight decrease.

Sauvagnargues: President Giscard comes here with a sort of mandate to reconcile our positions. We agree with you on the consumer position, but need more explicitness on what you mean by it.

We can agree on consultation on conservation. But on developing new resources, that will take time. We want to have programs going in six-to-nine months and we can't stand a price increase in nine months. The prices won't go down by themselves. Maybe they won't anyway, but certainly they won't if we don't try.

Kissinger: We never thought that consumer solidarity would produce lower prices. Our concern is the economic consequences and the moral and political disintegration of the West. Consumer organization is a way to give the consumer nations a sense of control over their destiny. If the focus of preparation is on consumer-producer cooperation, we will push papers around like in CSCE, and there will be nothing coming out of it.

We want to build some real consumer cooperation on the issues we have outlined. France doesn't have to join IEA. On conservation, you are ahead of IEA. We can work out parallel paths. On the financial side, we would work within the Group of Ten. You are in that. We could ask your help with the Germans on this. On alternative sources -- you have two. Time is required for implementation of alternative sources. We first want a start. Second, we would hope Europe would develop alternative sources as Europe. We are not trying to use alternative sources as a



way to make Europe dependent on us. Emergency sharing I think we can work out satisfactorily. I think these can all be done in two months. We would think a target date of the end of June for the consumer-producer conference is possible. Our concern is that if we commit ourselves to this, talk will substitute for substance.

Giscard: In the first meeting, I am not trying to get a "victory."

President: I share that approach. The important thing is progress.

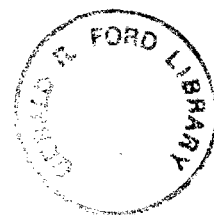
Giscard: I have two questions -- how it relates to a possible confrontation and how it relates to cooperation in the West on energy. The part on conservation, we support. Alternative sources -- some of our partners are not in good shape. They might prefer to deal bilaterally with the U.S. It is easier for them. On nuclear matters, for example. We need to work as a group on this and we need an indication of U.S. support. Your industry is much more advanced in alternative sources and we must be sure it doesn't give you further advantage.

The oil producers are weak -- they have oil but they have to invest their oil. We could cooperate to give them some serious outlet for their money. We should study the question. The Swiss, for example, have done something. We could discuss a fund in the Group of Ten. There is confusion though. The Germans think this means it must be financed by producer money and passed out to consumers who have poorly managed their countries. The funds would have to be for the oil-price impact, not to cover deficits from ill-managed economies.

The question of emergency measures is more difficult because it looks like confrontation. If there is a crisis, we would participate in joint action. But to announce it would look like confrontation. We can privately work something out without public participation.

On timing, June is a little late for a meeting. We will have had flat prices since September and a conference wouldn't be completed before a summer recess. We should be able to finish it before summer.

We can probably reach some consumer agreement over the next two months. But we need some preparatory measures at the technical level for a consumer-producer conference.



President: If it doesn't start with the assumption of consumer solidarity, what comes back is likely to break into differences which would affect the consumer-producer meeting. The impact of a position of solidarity aiming at a consumer-producer meeting, with preparation of the meeting to follow, seems a better approach. Our sequence is a consumer meeting, consumer solidarity, and a consumer-producer conference. We are not legalistic about the consumer cooperation -- we want the substance.

Giscard: How do you envision it practically?

Kissinger: There will be a meeting of IEA next week. We will introduce ideas on conservation and alternative sources. In the Ten in January we will offer our proposals for financial measures. If the consumers move rapidly, we can agree on the main principles by the end of January. That is enough. Once we see consumer cooperation is going ahead we could move immediately into preparation for a consumer-producer conference. We just don't want to confuse the two. Whether the consumer-producer meeting is in June or April is not important.

Giscard: Are you ready to announce that a consumer-producer meeting is desirable?

Kissinger: We don't want the producer conference used to wreck consumer cooperation. We can say we consider the principle of consumer-producer cooperation desirable if it is coupled with strengthened consumer cooperation. If it could be done this way, it would be okay.

Giscard: Le Monde would object! It doesn't like you or me!

Sauvagnargues: That is the core of the problem. We can start consumer cooperation now, but it will have to be strengthened over time. In fact, we have parallel actions. Couldn't we agree to use parallel courses by convening a preparatory conference, perhaps giving a slight edge to consumer solidarity? Parallelism is undeniable.

Giscard: What I don't see in your position is how different consumers could dissent from a joint position.

Kissinger: All it will take is for one producer to say that one position is contrary to the producers' interest to throw a monkey wrench into the consumers position. We need a concrete commitment for solidarity --



otherwise we are better off bilaterally, unencumbered by the weaker countries.

Giscard: About conservation and alternative sources, what plan have you?

Kissinger: We have the general concern, based on experience, that we will keep hearing this is an instrument of confrontation, etc. and constantly more reasons not to proceed. If the consumers are totally dependent on what the producers think -- like Iraq -- it will weaken the West. We want rapid implementation of consumer solidarity, then rapid preparation for a conference.

Giscard: We are ready to have studies and conversations on views which we think are close to yours. We don't see the problem.

Kissinger: It is based on the experience of the last year.

President: If we get consumer positions first, it forces quick completion of action.

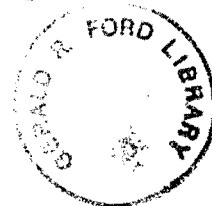
Giscard: Suppose we agree on the principle of a conference for spring and that this is preceded by consumer-producer preparation, and before that actions by consumers sufficient to guarantee cooperation. But we are not included in this structure. How would that appear?

Kissinger: That general formulation we could accept. We would express it in a way which would include France.

Giscard: We are not trying to hamper your efforts with the countries you are trying to organize. I don't know what Schmidt told you but we will not try to complicate your actions -- but we are out of it. Your problem is with the partners of your agreements. We have no objection -- except for joint European action for the substance. I am ready to say we will discuss with the Group of Ten about finances. So the distinction applies to your own actions.

Kissinger: And to the time. We can't proceed to prepare until we have a commitment to solidarity.

President: A commitment to solidarity is mandatory if we are to sit down to meet with the producers. If we get that with IEA and in parallel



with you, it will be okay. We don't seek victory, but substance, and we think this will do it.

Giscard: Why are you so interested in France joining the agencies? If we were opposed to it, I would understand, but we aren't.

Kissinger: We haven't asked France to join.

Giscard: But our partners are.

Kissinger: That is between you.

Sauvagnargues: Not recently, but it was in the beginning. But it puts our partners in a difficult position to have one outside.

Kissinger: We are interested only in the substance, not in the legal form.

On the financial side, we and you agree more than we do with the Germans.

On alternative sources, we will encourage European cooperation as long as we agree on the program. It can be a vehicle for European cooperation.

Giscard: The procedure could be in four stages: First, to complete efforts for cooperation among the consumers and within the Group of Ten.

Kissinger: You could help with that.

Giscard: Yes. We would be a little out of the picture. Second would be the technical stage of talks with producers to see what questions would be discussed. Third would be concrete discussions among the consumers. Fourth, the conference, but not too late so it comes close to the OPEC meeting on prices.

Could this be expressed in the document?

Sauvagnargues: Yes, but I have a question about stage one. How long would it be?



Kissinger: If there is good faith by all sides and it is in the common interest, all this should be completed by the time of the conference. If there is obstructionism, then it would be delayed. We can't guarantee that.

Sauvagnargues: But if we could put it into a specific time limit.

Giscard: Like before the summer . . .

Kissinger: We can express it as a hope. It is a tactical question, whether we should be pushed by the producers.

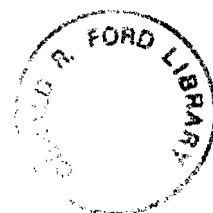
Giscard: In the document, we are not required to agree. We could express differences on the timetable.

Sauvagnargues: In terms of the communique, we could put in the two thoughts -- consumer solidarity and consumer-producer talks.

Giscard: The rights of the consumers to organize the issues as an objective from their own side.

Sauvagnargues: I have a paper here. [He reads a draft.]

Kissinger: I like the President's formulation better. If we could use the four points that the President made, to work them into a statement.



NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

WITHDRAWAL ID 017893

REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Memorandum of Conversation

TITLE Ford, Kissinger, French President
Valery Giscard d'Estaing

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CREATION DATE 12/15/1974

VOLUME 1 page

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COLLECTION TITLE National Security Adviser. Memoranda of
Conversations

BOX NUMBER 8

FOLDER TITLE December 15, 1974 - Ford, Kissinger,
French President Valery Giscard
d'Estaing, Foreign Minister Jean
Sauvagnargues (Meeting 1)

DATE WITHDRAWN 05/25/2004

WITHDRAWING ARCHIVIST GG

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NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Presidential Libraries Withdrawal Sheet

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from meeting with Ford, Kissinger, and
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