

Telcon
 Secretary Kissinger
 Secretary Butz
 10/16/75; 12:03 p.m.

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K: Earl.

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B: Yeah, Henry.

K: Earl, I am a little upset about -- first of all, about the Washington Post story yesterday.

B: There was some truth to it.

K: Well, there may be some truth to it, but you know, if every Goddamn Cabinet member thinks he is the President.

B: I understand that.

K: We have an impossible situation. There is such a thing

B: As I told you earlier, Henry, I am playing on your team but you never I said I was tired of being treated like a cross-eyed step-child and this morning we had that economic board over there and Dean Hinton was there and at that point Dunlop made an impassioned plea that food policy has got to be a general policy here and I said I quite agree with that. Part of that general policy should be the Department of Agriculture, too.

K: Oh, I couldn't agree more, but the thing that really upsets me isn't so much the news story. But I was talking to Dobrynin the other day and Dobrynin says he was told by both you and Bell that the President and I are the ones that are embargoing food.

B: Listen, I haven't even talked to Dobrynin in three or four months. And I am sure that Bell hasn't talked to Dobrynin either. As a matter of fact . . .

K: If it wasn't Dobrynin then it was told to the Russians in Moscow. The point is, if that is the game they are going to play that means the President has to pay for _____ for one week. Which is all we were talking about.

B: Listen, Henry, there is a hell of a lot of loose talk taking place around this place. Now you know -- you called me about not breaking the discussions taking place in Moscow and not relating oil to grain and we have been scrupulously careful.

K: No, you -- no, that came out of

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B: That came out in the Times and I don't know who the hell the Times

K: That came out of . . . I am really in despair. How -- we are hanging on by our fingernails as a country, Earl.

B: Yeah.

K: We have lost a President, we've had Vietnam. We are in deep trouble and if -- the few assets we have we squander. Now, you ask the President, I have been one of your big boosters here.

B: I know you have and frankly I have been one of yours, too, Henry.

K: That's right. I've always

B: News leaks on this thing and frankly we have been extremely careful.

K: But what concerns me is this.

B: On Sunday, I don't know where the hell they got that.

K: They got it out of Zarb's shop and it is an outrage.

B: Some of it may have come from National Security -- I don't know but I

K: I don't think so -- I don't think anyone here knew enough about it.

B: Anyway, where ever they got it, I don't know but I just want to tell you that I think that our people have been remarkably careful in this situation.

K: But what we need is -- you know, when we ask you to do something, you are to carry the can on technical grounds. Once it is in the paper that Kissinger wanted to -- and Ford wanted to have an embargo on Poland in order to keep the heat on Russia, that creates unbelievable resentments in Moscow. It is a lot easier to have them sore at you than at us.

B: Well, I agree with you but then -- listen, this is putting two and two together -- they didn't get that from us, Henry.

K: No, it is a direct quote.

B: In where, this morning's paper?

K: In the Washington Post, either this morning or yesterday.

B: Direct quote? Who are they quoting?

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K: Agriculture official.

B: Oh, hell, that is just like when they quote State Department officials -- they make it up and they quote somebody, Henry. Now, you talk about Dobrynin saying that -- I haven't talked to Dobrynin in three months. Nor has Bell. I suppose contacts have been made at lower levels -- I don't know. Was invited to this Russian reception Monday night for the astronauts and I purposely didn't go because it is best not to

K: Look, you can -- I have always felt that you and I -- you have constituency and within the limits that are set you have go to please them and basically I want you -- I want to please them -- but you know for our policy it helps -- it is easier to say Butz is a son-of-a-bitch than to say we are the sons-of-bitches. You are not responsible for foreign policy but if we say we have tried to squeeze Russia and that goes to Brezhnev, then we pay all across the board.

B: Yeah.

K: That's our problem on this.

B: Oh, I hope none of our people said that.

K: They have got the Polish thing very right in the newspaper -- that I wanted it and in fact that Ford and I wanted it in order to keep the heat on Russia.

B: But that quote on that was not new -- that's been in stories around hither and yonder for two or three weeks, Henry.

K: Okay. Well, let me raise another question with you. You are fighting very hard for that 7 million tons. I prefer six million and let them come back for more.

B: Well, Henry, we discussed this Tuesday morning very fully in the economic policy board over there and the decision at that point was unanimous on this deal.

K: Yeah, but none of these guys has any foreign policy sense.

B: Well, I think there is very considerable question if they will even buy six. Our best intelligence is they have now bought about 22 to 23 million tons around the world some place and our own estimate was that they were going to need 25. Now they may need more than that but in the meantime there is evidence that they are cutting back in feeding rates and that they are going to take less than originally contemplated and I think what we have done, Henry, is make ourselves once again the residual supplier in the world market -- all of our competition has cleaned out their warehouses and bins.

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K: Yeah, but there isn't

B: And we said here now that we take what we can get. And I suspect that we are going to end this year with a substantial increase in _____ So my sticking with seven was that we had a full discussion of this Tuesday and the facts were on the table. I don't know if 1 million tons makes that much difference.

K: But if they cleaned out all the bins then it means for sure if they want more than _____ they have got to come to us.

B: If they want more than six -- it is a very considerable question. I guess your instructions to Chuck are that we would like to have the Russians say our intentions are to buy so much. I don't think you are going to get the Russians to say that because if they openly say--for publication--our intentions are, that weakens their position at the bargaining table vis-a-vis our grain export.

K: No, no, our instructions were that -- unless they were changed -- we would tell them privately they couldn't go above the figure.

B: We would monitor that very carefully.

K: But they didn't have to announce what they were going to do.

B: They will ask us what we think they will buy, and at that point I think that Dick Bell or somebody could say, well, our best analysis is their needs may be this much.

K: I would prefer to say you can buy 6 million now and come back to us if you want more and not say you can't buy more than six.

B: Why do you pick the six?

K: Because that's what is the other agreement. . . . frankly to have a figure where they have to come back to us.

B: These are two separate things. [Missed a sentence or two] I discussed this with Bill Seidman. His initial instructions were going to be that they could buy 6 million tons starting next October 1, but the wheat crop is going to be available in June, you see, and therefore I suggested that we

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make the language that they could buy X million tons, whatever it was, out of the 1975 crop. Which means they can begin buying over -- they can buy for delivery out of the '76 crop, too. Just as a year ago in October they purchased some for delivery out of the 1975 crop.

K: You know, in fact, Earl, for a variety of reasons including total indiscipline in the government, we have not gotten out of this grain situation what we should have.

B: I kind of agree with that. We are coming out of it with nothing except a long term agreement. I guess that's right. And, frankly, from my point of view it would be awfully nice to have some kind of petroleum agreement. A part of my problem, Henry, is to diffuse this knee-jerk emotional reaction against selling anything to the Russians.

K: That's right.

B: And if we had a petroleum agreement it would make it a hell of a lot easier from my point of view and yours too.

K: Exactly.

B: And if it was just a cosmetic agreement.

K: Well, that's why I want it.

B: Well, I am for you, as you know, if we can get it.

K: But it isn't only the petroleum. We've just gotten ourselves over a barrel and really, you know, as far as I personally am concerned, in the seventh year of being in Washington, I don't give a damn anymore what people say.

B: I am getting that way myself.

K: Because my record is, for better or worse, now fixed.

B: It is a good record, Henry. Listen, why don't we go now on these instructions to Chuck. I understand that he is going to be in Moscow tonight. He is probably there right now. That he can talk in terms of seven, and we will watch this very, very carefully as we did before.

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K: But the problem is then we have no leverage if....

B: They may want to go beyond that. I doubt if they will go to 7.

K: Yeah.

B: But we will watch this very carefully. As you know, on that prior sale of 9.8 million tons there wasn't a ton sold without our prior approval over here. When it approached 10 we put our brakes on it.

K: Yeah.

B: Why don't we go at this and we'll watch it very carefully.

K: That doesn't help me if they buy more than 6. What I would like is something we could hold them up to.

B: Why don't you pick 5 then? If you arbitrarily picked 6....

K: Well, I picked 6 only because it was consistent with the other -- I will be happy to pick 5.

B: Of course, this isn't consistent -- because the other is a minimum of 6 and maximum of 7. We have already sold them 9.8 and we are talking about some on top of this.

K: But you will scream even more if I say 5.

B: Well, obviously.

K: I had it five and, in fact, I increased it by one.

B: Well, the group yesterday, based on the....

K: Yeah, but that group, Earl, with all due respect -- there isn't one man in that group who has the slightest foreign policy sense.

B: Uh-huh. You have your man there.

K: Yeah, I don't know -- who is the guy?

B: Well, you had Dean Hinton there this morning. I don't know -- there was nobody there Tuesday, I guess. Well, we discussed it again this morning. Have you talked to Hinton since our meeting this morning?

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K: Hinton is working for me and, by God, he does what I tell him to.

B: Well....

K: We haven't reached that point yet.

B: Well, he was there this morning. He can report back to you. Again the discussion this morning was let's stick at seven. And that was the consensus of the group there this morning as it was Tuesday.

K: Okay. Well, let me talk to Hinton.

B: Okay, thanks, Henry.

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