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[Conversation between the President and John Connally]

Connally: I've got to talk to Paul [A. Volker], and I've got to talk to Pete [Peter G. Peterson] and to George [Shultz] and uh, kick this thing around all this week.

Nixon: All right.

Connally: And the only, the only thing I want to say to you is to maintain the initiative...

Nixon: Right, right.

Connally: ...and not get in the corner of [unintelligible] and so on, which is really what you want to be domestically but...

Nixon: Not internationally

Connally: But not internationally and you can do both. For instance, I'd opt, uh, if they don't like the surcharge, there's still another idea that I was – that we were working on. That we may lift the surcharge with respect to Canada and Mexico, etc. – we can do it selectively by country, or we can do it by products. We can lift the surcharge in both quarters. Now, the GATT clearly permits you in both quarters.

[Conversation continues regarding possible bilateral arrangement to lift the surcharge from Japan]