

ON FILE DEPT OF
TREASURY RELEASE
INSTRUCTIONS APPLY

TOP SECRET

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State Dept. review completed

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O 170017Z FEB 73
FM THE SITUATION ROOM TOHAK 218
TO RODMAN/LORD FOR DR. KISSINGER
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T O P S E C R E T SENSITIVE EXCLUSIVELY EYES ONLY WH30584

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

TOHAK 218

NAVY Review Completed

FEBRUARY 16, 1973

TO: HENRY A. KISSINGER

FROM: BRENT SCOWCROFT

THE PRESIDENT HAD A CABINET MEETING THIS MORNING IN ORDER TO HAVE VICE PRESIDENT AGNEW REPORT ON HIS TRIP, AND SECRETARY SCHULTE TO REPORT ON THE MONETARY SITUATION.

AGNEW'S PRESENTATION WAS ESSENTIALLY A REPETITION OF THAT WHICH I OUTLINED TO YOU IN TOHAK 201. THERE WAS SOME MODEST DISCUSSION FOLLOWING THE PRESENTATION, WITH THE ONLY SUBSTANTIAL FEATURE BEING ROGERS POINTING OUT THAT U.S. VISITORS TO FOREIGN GOVERNMENTS ARE NORMALLY TOLD ABOUT PROBLEMS AND REQUIREMENTS FOR HELP, RATHER THAN WHAT MAY BE RIGHT IN A PARTICULAR COUNTRY.

AT THIS POINT, THE PRESIDENT, WHO HAD LEFT AT THE BEGINNING OF THE BRIEFING TO MEET WITH CHRISTOPHER SOAMES, RETURNED TO INTRODUCE SOAMES TO THE CABINET. SOAMES SPOKE FOR ABOUT FIVE MINUTES, AND THE THRUST OF HIS PRESENTATION WAS THAT HE HOPED THE U.S. TRADE BILL WOULD BE A TRADE LIBERALIZATION BILL WITH SAFEGUARDS - NOT A RESTRICTIVE BILL WITH SOME LIBERAL TRIMMINGS. HE CONCLUDED THAT IF THE ECONOMIC NEGOTIATIONS LEAD TO POLITICAL CONFRONTATION, NO GAIN IN TRADE WOULD COUNTER-BALANCE THE DAMAGE DONE.

FOLLOWING SOAMES' DEPARTURE, THERE WAS A DISCUSSION OF THE TRADE BILL, WITH ROGERS POINTING OUT THAT IF WE CALL THE BILL A TRADE LIBERALIZATION MEASURE IT WILL NEVER GET THROUGH CONGRESS. A DISCUSSION ENSUED IN HOW TO ENCOURAGE U.S. INDUSTRY TO EXPORT, WHEN THE RICHEST MARKET IS HERE AT HOME. THE PRESIDENT SAID THAT HE WANTED CIEP TO GIVE HIGHEST PRIORITY TO THE QUESTION OF HOW TO MAKE U.S. INDUSTRY COMPETITIVE IN THE WORLD. THE PRESIDENT THEN OBSERVED THAT WHERE COUNTRIES WERE DETERMINED TO BUY ARMS ANYWAY, HE WANTED TO TAKE STEPS TO MAKE SURE THAT THEY BOUGHT U.S. ARMS. IN THAT REGARD, HE SAID THAT MANY OF THE WEAPONS BEING DEVELOPED WERE TOO EXOTIC FOR OUR LESS ADVANCED ALLIES, AND SOME OF THEM EVEN FOR US. HE APPLAUDED THE DEVELOPMENT OF THE A1 AIRCRAFT AND SAID THE NAVY SHOULD LOOK INTO THE SIXX MISSILE, RATHER THAN SELLING BATTLESHIPS TO OUR FRIENDS.

SCHULTZ THEN GAVE A QUICK RUNDOWN OF THE MONETARY SITUATION AND POINTED OUT THAT WE HAD OFFERED EITHER OF TWO POSSIBILITIES, UNILATERAL ACTION BY THE U.S. OR A JOINT FLOAT BY EUROPE. IN AS MUCH AS WE HAD LAST SUMMER CLOSED THE GOLD WINDOW, WE COULD NOT BE HURT AND EUROPE AND JAPAN HAD TO CHOOSE. SCHULTZ DESCRIBED THE SAFEGUARDS IN THE TRADE BILL, WHICH WOULD BE DESIGNED TO GIVE THE PRESIDENT AUTHORITY TO APPLY TRADE RESTRAINTS. THE SAFEGUARDS WERE, AT LEAST IN PART, DESIGNED TO SERVE AS SOME SORT OF STICK IN OUR TRADE NEGOTIATIONS WITH EUROPE.

THE PRESIDENT NEXT TURNED BRIEFLY TO A DISCUSSION OF AID FOR NORTH VIETNAM. HE SAID IT WOULD BE A HARD FIGHT BUT THAT HE THOUGHT WE COULD WIN IT. HE ASKED THE CABINET MEMBERS TO TAKE THE LINE WITH CONGRESS THAT THEY SHOULD NOT SAY ANYTHING AGAINST AID TO NORTH VIETNAM NOW WHILE OUR PRISONERS WERE STILL BEING RELEASED. HE FEELS IF WE CAN HOLD DOWN PUBLIC NEGATIVE DISCUSSION UNTIL THE PRISONERS GET BACK, THAT WOULD GIVE US ENOUGH TIME TO TURN SOME PEOPLE AROUND ON THE AID ISSUE.

SHORTLY AFTER THE CONCLUSION OF THE CABINET MEETING THE PRESIDENT DEPARTED FOR KEY BISCAYNE FOR THE WEEKEND.

WARM REGARDS.

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