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 E.O. 12958, as amended  
 June 19, 2008

~~SECRET/RYDIS~~

DEPARTMENT OF STATE

*Memorandum of Conversation*

WH - E.O.  
 General Scovcroft  
 TRP SENSITIVE/EUR  
 S/S 7400547

DATE: Dec. 4, 1973

SUBJECT: Secretary Kissinger's Luncheon for President  
 Ceausescu

PARTICIPANTS: Romania

His Excellency Nicolae Ceausescu, President of the  
 State Council of the Socialist Republic of Romania  
 His Excellency Manea Manescu, Vice President of the  
 Council of Ministers; President of the State  
 Planning Committee  
 His Excellency George Macovescu, Minister of Foreign  
 Affairs of the Socialist Republic of Romania  
 Mr. Constantin Mitea, Counsellor to the President  
 of the Council of State  
 Mr. Vasile Pungan, Counsellor to the President of  
 the Council of State  
 His Excellency Corneliu Bogdan, Ambassador of the  
 Socialist Republic of Romania  
 Mr. Sergiu Celac, Interpreter

United States

The Honorable Henry A. Kissinger, Secretary of State  
 The Honorable George P. Shultz, Secretary of the  
 Treasury  
 The Honorable Hubert H. Humphrey, United States  
 Senate  
 The Honorable Walter J. Stoessel, Jr., Assistant  
 Secretary of State for European Affairs  
 Mr. Harry Barnes, Jr., American Ambassador-  
 designate to Romania  
 Mr. Robert J. Martens, Charge d'Affaires, a.i.,  
 American Embassy, Romania  
 Mr. Helmut Sonnenfeldt, Senior Staff Member,  
 National Security Council

Copies:

EUR/EE:RJMartens *RJM*  
 (Drafting Office and Officer)

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2

The luncheon opened with a reference by the Secretary to the fact that the question of a separate bill to grant MFN to Romania had been raised during his discussions on the terrace with President Ceausescu. (Ceausescu had touched on this subject with the Secretary and Senator Humphrey.)

President Ceausescu noted that there had previously been bills introduced in Congress to grant MFN to Romania alone.

Secretary Shultz said that a separate bill for Romania was a possibility. It would be advisable to call such a bill something other than MFN, however. A new name such as "equality in trade" would improve the chances of any such legislation.

Secretary Kissinger said we would look into the possibility.

Senator Humphrey agreed on the desirability of a separate bill as well as of terminology other than "most-favored-nation."

President Ceausescu said he hoped it would be kept in mind that Romania was a developing country and that it had taken a number of steps such as joining GATT, the IBRD, IMF, etc.

Secretary Kissinger joked that the Romanian Ambassador was a Stakhanovite on MFN; if he didn't mention MFN at least 20 times per week he apparently was reprimanded by Bucharest.

President Ceausescu said that if it only depended on the Ambassador MFN would be mentioned more than 20 times per week. Many American businessmen came to Romania and when he saw them he had always expressed optimism that MFN would be passed soon but some four years had elapsed since it had been promised and it was rather hard to sustain that optimism.

Secretary Kissinger said the Romanians had been the victims of bad timing. Unfortunately, it had become desirable to add the USSR and other countries into a general MFN package and difficulties had developed (the question of Jewish emigration from the USSR was briefly alluded to).

President Ceausescu said Romania had nothing against solving the problem in general. That would be a good thing but if the present package becomes more delayed, an alternative should be sought if only on an interim basis. Perhaps

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3

a bill could be adopted granting Romania MFN until such time as the general legislation was adopted, when it could be included with other countries.

Senator Humphrey said he believed a separate bill for Romania was possible to get through Congress, particularly if the President were to talk with certain key members of the Congress. Then he said it was an "outside possibility" and continued that "we will look into it." He thought it did make sense still to try to have a general bill.

Secretary Kissinger observed that President Ceausescu had already succeeded in overturning two decisions of the United States Government to the consternation of the bureaucracy - the signing by the two Presidents of the joint declaration and President Nixon's agreement to come to a reception at the Romanian Embassy on Wednesday evening.

President Ceausescu said that signing the joint declaration "tomorrow" was an important thing.

Secretary Kissinger said jocularly that his people in charge of arrangements wouldn't talk to him, because they thought he was responsible for changing the program. He remarked that Ceausescu had shown himself to be very skillful at extracting concessions.

President Ceausescu said he hadn't intended to ask for concessions until the following day's discussions with the President. But because the Secretary of the Treasury was present at this luncheon he would say something now so that what he had to say tomorrow would not come as a big surprise to Secretary Shultz. In 1969, the question had arisen of giving some preferences to Romania as a developing country including credits on special terms. Possibly he would raise this now, especially in relation to petroleum.

President Ceausescu said Romania was interested in finding ways of developing its natural resources.

Secretary Shultz said he had the impression this question of low interest credits was only in reference to the IBRD and IMF. The United States Government provided 40% of the funds for these organizations as far as concessional credits were

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~~SECRET/EXD16~~

4

concerned. Of course, the granting of credits depended on the stage of development. Romania considers itself a developing country but there are many countries that are more underdeveloped. Furthermore, United States-Romanian trade is increasing rapidly and much of the increase in United States exports to Romania is based on credits from the Export-Import Bank. The EXIM Bank must look at the soundness of the projects it agrees to finance but it has obviously found that most of the projects with Romania have been in this category.

President Ceausescu said Romania had taken some EXIM loans but they had been at 6% interest and short term. As for loans from the World Bank, no one knows the national origin of the particular money loaned. Romania had received a credit from the Chinese several years ago for zero percent interest. When certain other countries criticized us for taking such loans from the Chinese, we indicated our belief in equality of treatment by offering to have similar credit arrangements with them and said we would give plenty of publicity to them.

Secretary Shultz. I nominate you to be Secretary of the Treasury in order to bring us some of these zero percent loans. The prime lending rate here is now almost 10%.

President Ceausescu. You know the commercial rates we get from Europe are 5%. We are thinking of credits of \$500-600 million, a sum which will in the long run favor U.S. industries by promoting cooperation in industrial fields. We don't want to use it for roads or consumer goods.

Secretary Kissinger. You get that from Shultz tomorrow. Then I will know we are dealing with a master negotiator.

President Ceausescu. I am sorry we didn't get him (Shultz) to Romania first. But (turning to Shultz) I hope you will come to Romania anyway and if you give the loan first, your welcome will be even greater.

Senator Humphrey (to Shultz). You should be looking, George, at export credit promotion. We wanted it earlier to compete better with the Japanese but it got tied in Congress to foreign aid and was defeated. I have always been for an export credit promotion fund to help exports of American products. We can't get it now but if the energy crisis continues and there is more unemployment, we may get it.

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~~SECRET~~  
5

Secretary Shultz. We need legislation with economic appeal rather than aid. (To Ceausescu) Do I understand you are not too satisfied with the IBRD after joining it?

President Ceausescu. We have been members only a year. It is too early and we have too little experience to criticize.

Secretary Shultz. No, we would do like you. We would put some in an international fund and some we would use ourselves. You know that we give some aid to more under-developed countries. And to get raw materials, we provide some credits to the USSR to assure supplies of raw materials. The interest rate we charge is only 2% but we get access to the raw materials.

Secretary Kissinger. I gather you borrow at zero percent from the Chinese and lend at 2% to the Russians.

President Ceausescu. Not quite! We are thinking of the credit for the delivery of machinery from the U.S. Actually, it would really amount to credits to U.S. industry to stimulate production.

Secretary Shultz. Have you thought of the amount of credits outstanding and the burdens of repayment and interest?

President Ceausescu. That is why we ask for 2%; we can get 10% credits anywhere. In Deutschemarks we borrow at 6%. Next year, we will have equilibrium in our balance of payments. In practical terms, we are able to repay all our credits. They amount to \$4 billion (plus) over a number of years. We will be able to cover both credit repayments and necessary imports.

Secretary Kissinger. (Begins toast). (Toast refers to good relations, especially since 1969 and useful role played by Romania.) It has been a member of a different social system but has always recognized the importance of its own independent course and these are objectives we share. Therefore, it has been easy for us to work together. (Reference to being present at all three meetings with President Ceausescu and President Nixon.)

President Ceausescu. Thank you for your kind words about Romania's role and also the good relationship between the two countries. There actually was an earlier talk with President Nixon when you were not present - in 1967 when Mr. Nixon was a private citizen. I have, in fact, had many meetings

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~~SECRET/EXD10~~

6

with people of many different philosophies. Many changes have occurred in recent years but this was only the beginning. Changes will be even more rapid hereafter. The technological and scientific revolutions and economic relations will produce many changes -- and these will also have a profound effect on political relationships. Before, it took 100 years for great empires to collapse. Now things are moving much more rapidly. (Smilingly) There are no empires now, of course. (Someone commented in way that raised question of the U.S. President Ceausescu appeared to be excluding the U.S. from the above.) I think, you have no reason to worry. One hundred years ago you were nothing. Now you have become a great power. (Smilingly) You know it is said once that the last would be first. The U.S. proves this. But all of this requires us to proceed to give more attention to relations between states; more rights to medium and smaller countries. Each small country is not a force by itself, but taken together, all are important. Also we cannot rule out new regroupments of countries at any time. We need to build a new world without confrontations. We need new regroupments. Romania has always advocated having good relations between all countries. Settlement of conflicts like the Middle East will be in the interests of all. We are not completely disinterested in Romania in saying this, of course. Only in peace can we have a fast rate of progress. (Toast ended)

President Ceausescu. There are new powers centers. I note the importance of China. Europe will become more powerful.

Secretary Kissinger. East and West Europe together or separately?

President Ceausescu. I refer in the first place to the Common Market. But I also have in mind that there are also those who want to see all of Europe together play a more important role in policy. Then there are Asia, Africa and Latin America which will grow in importance.

Secretary Kissinger. I agree that the historical process will accelerate.

President Ceausescu. It is necessary to abolish nuclear weapons. Eventually all countries will get these otherwise.

Several Americans. Agree

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7

President Ceausescu. Then there are chemical and bacteriological weapons which could be even more devastating.

Secretary Kissinger. That would be more absurd because of the nature of the results.

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