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THE WHITE HOUSE

PRESS CONFERENCE  
OF  
HENRY A. KISSINGER  
SECRETARY OF STATE  
AND  
WILLIAM E. SIMON  
SECRETARY OF THE TREASURY  
ABOARD AIR FORCE ONE

SECRETARY KISSINGER: The overall purpose of the meeting was to bring together the leaders of the industrial democracies at a time when their economies were in various states of recession.

When it was proposed, it was suggested that these leaders ought to meet to give confidence to their peoples and to convey to their peoples the sense that they were in control of their future and were not simply waiting for blind forces to play themselves out.

So we thought it was a matter of great importance, one, because for two years we have been maintaining that the political and economic cohesion of the industrial democracies was central to the structure of the non-Communist world; secondly, because we believed that the interdependence of these economies makes isolated solutions impossible; and, thirdly, because we believed that there were a number of concrete issues on which work had to begin and in which common action was important.

We spent a great amount of effort within our Government to prepare for this meeting and there are always many stories when there are disagreements in the Government, but this has been an unusual occasion, an unusual way in which all the departments working together worked out common positions, common philosophies, and achieved the basic proposals that were put before the other leaders.

When this conference was called, I think it is safe to say that some of our friends wanted to use it as an occasion to blame us or at least to imply that their economic difficulties could be solved primarily by American efforts, and others may have had the idea that especially in the monetary field it could be used to bring about rapid solutions in which the heads of Government overruled the long negotiations that had gone on.

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But as the preparation developed, I think a more sober spirit grew also and one of our themes was that economic recovery was meaningless if it started another spurt of inflation and that what we had to aim for was stable growth.

The second theme we had to get across is that the American economy was doing well and that, therefore, the concerns of other countries that our recovery was too slow for their own was unjustified.

Thirdly, we had a number of areas, specific ideas, on how the interdependence of these countries could be carried out in the field of trade, in the field of economic relations with the Socialist countries, in the field of monetary affairs, in the field of energy and in the field of development.

The discussions took place in a really unusually harmonious spirit. The fears which some of us had that the others would bring pressure on us to accelerate what we think is a well-conceived economic program proved unfounded, and after the President made his extensive intervention of the first day, explaining our economic program, the other countries substantially accepted this and indeed seemed to be appreciative of it.

I think this was a very important event because it meant that they had more confidence that in looking ahead to their own future they could count on steady growth in the United States, and since everybody agreed that a substantial percentage of the recession was psychological, I had the sense that a consensus emerged that this confidence that developed in our ability to handle the economic problems was a very major factor.

In fact, the confidence of the leaders in this process was shown by the fact that they would talk about general principles and then turned over the drafting to either Ministers or experts and that the leaders only spent about an hour on the declaration.

At first we didn't want any declaration because we were afraid that we would spend our whole time drafting it and it didn't turn out that way, and that was important.

In the field of trade, there was an agreement first that the negotiations on the multilateral trade negotiations should be completed next year. Secondly, a commitment by all of the countries there to bring about a substantial reduction of trade barriers, including in the agricultural field, and no attempt to hide behind community mandates or other obstacles.

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There was also an agreement to accelerate or to foster negotiations concerning export credits. Bill will talk about the agreements in the monetary field which put an end to a debate of years about the nature of the floating system and the relation between floating and stability which should end in January in an agreement that should at least put the field of international finance on a more stable basis than it has been in a long time.

In the field of energy, there has been an agreement to cooperate closely or actively on the alternative sources and on conservation, and I believe this will show up in the program of the International Energy Agency which is in the process of being negotiated, and which we hope to conclude by December 15.

In the field of development, we identified the balance of payments deficits of the developing countries or their current account deficits as one of the major problems on which we would work jointly, but we also pointed out that there is a close relationship between that and the action that is taken with respect to oil prices. So we believe that the consuming countries are in an excellent position for the beginning of the talks on international economic cooperation that are beginning in the middle of December. And we agreed to work together in all existing institutions.

To sum up, this unusual meeting of the heads of Government of the countries that between them produce 70 percent of the world trade represented a commitment to the conception that our economic problems were long-term, that there were no quick fixes to them, that they required a steady cooperative effort, that their political relationship affected their economic relationship and that their economic relationship in turn assisted their political cooperation.

And so the free countries vindicated the concept of their interdependence and laid out a program and a method for cooperation which we hope will accelerate the recovery of all of the peoples as well as their cooperation with the less-developed countries for the benefit of everybody.

But I think Bill ought to explain the monetary agreement because that is perhaps the single-most significant thing that happened there.

SECRETARY SIMON: There is no doubt that it was a significant agreement reached between the French and the United States which, I believe and most everyone believes, is going to pave the way for agreement at the Interim Committee on Overall Monetary Reform in January. I think that the agreements that we have reached are a fair and balanced compromise. Neither side won nor neither side lost.

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Each has protected its very critical national interests in a spirit of cooperation. We have sought to bring a convergence of views and this is important. What we are trying to do is build and expand on these areas of convergence, and as we succeed in doing this, the whole world community at large is going to benefit from this.

Now I think that the disparity of views of the past few years between the French and the United States in particular on various amendments to the articles of agreement have obscured the deep mutuality of interest to return to stable economic and financial conditions in the world and more orderly and stable exchange rates and that is very significant because this instability that we have had contributed as well as resulted from tremendous institutional financial strains.

Also, the instability created great problems for many of the countries in the world in taking care of the erratic price movements and setting economic policies and restoring stable growth in their own economies.

Now having said this, because one must look at the fundamental cause of the problem before we can begin to look for any of the solutions, which is important, it has been clear that the French and the United States share some fundamental agreements on the monetary system, there is no doubt about that. We both agree that the diversity of financial arrangements, the floating system, if you will, has served us well under the present circumstances. It is actually necessary to take care of the stresses and the strains that have been brought about by the severe inflation, recession and, of course, the extraordinary oil increase.

So having identified the causes, we then must set about in curing the fundamental problems of this economic instability and, therefore, the Communiqué, as it said, dealt with two aspects of the monetary issue: one, the operational and, two, the reform of the system.

On the operational side we have reached an understanding that to achieve durable and meaningful stability in the underlying economic and financial conditions, we have to provide for mutually cooperative and conciliatory policies among ourselves, but that national domestic economic policies must indeed be compatible. The world economy has suffered from all of the ills that I have spoken about and the underlying problem remains with the severe inflation and, of course, the recession which was caused by this inflation.

On exchange markets, we are going to deal with erratic movements in exchange rates which, of course, create, again, an instability. Erratic movements can be defined as movements that have no underlying economic reason. Ours is not an attempt to peg any of the currency rates at artificial levels, but there are erratic movements in financial markets on occasion that are not directly attributable to fundamental economic events, and at this point intervention policies will become mutually cooperative and compatible to smooth out these unstable periods.

Q How is that stability going to be brought about? That is, how is this operation going to work?

SECRETARY SIMON: Well, in two ways. One, I think a session that was heavily devoted, as Secretary Kissinger said, to the economic aspects of the world's problems today, the needed policies -- cooperative as well as individual -- that are required for a return to stable economic and financial conditions are at the foundation of the answer to your question.

As far as the consultations and the mechanisms that are going to be established for smoothing out, there is going to be greatly expanded consultative mechanisms throughout the world done on a more orderly basis, on a more daily basis, if you will, by both the central banks, of course, who do this today, as well as the deputies to the Finance Ministers and the Finance Ministers themselves.

There will be more constructive meetings of the Finance Ministers to deal specifically with this issue.

Q Will there be a standing committee of some kind to advise intervention at a given point?

SECRETARY SIMON: No, the make-up of this committee has not been set yet but we have many standing committees. We have the Interim Committee, which is the old group of 20 and the group of 10 which will meet and direct itself right to this issue in December in Paris.

Q The mechanism has not been set up yet, I mean the mechanism has not been designed as to how this consultative process will go forward?

SECRETARY SIMON: The mechanism has been designed in the Memorandum of Understanding that the French and the United States initiated today and that the other Ministers who attended this session and were briefed fully on this are in general agreement, but until we bring all of the interested and affected parties together, we cannot say that this is going to be totally acceptable, although I believe it will be.

SECRETARY KISSINGER: It is safe to say that there will be a much expanded discussion or consultation among the Finance Ministers and their deputies as a result of this.

Q Mr. Secretary, as long as we have still got some video tape left, let me ask you in realistic terms what you think this conference means to the average American. Does it mean more jobs or lower prices, and if so, how?

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SECRETARY KISSINGER: Well, if this conference contributes to an acceleration of economic recovery worldwide, which it is intended to do; if it contributes to a lowering of trade barriers, as it is intended to do; and to greater financial stability, then it will mean more jobs, perhaps lower prices, better control over inflation and a degree of cooperation among the industrialized nations, that will benefit every American.

Q When is this millennium going to come about? How fast will this process take effect?

SECRETARY KISSINGER: We have made clear that it is a long-term process and we are not ever going to be able to say that on the next day a dramatic change occurred, but I think that the hopeful processes that are already going on can be accelerated by the results that occurred here. The major theme of this meeting was that we have got a long-term problem, that we are not trying to make quick fixes but that we can get a stable, steady growth on the long-term basis.

Q This mechanism that you speak of and that you can't tell us about, does it have to do with the Federal Reserve Board and the central banks?

SECRETARY SIMON: Certainly the central banks are the intervention mechanism and will continue to be, yes, but it is also going to involve, as it always has, the Finance Ministers of the various countries, but a formal mechanism of where the deputies will also be used in this formal consultative process and the consultative process is going to be broader than it ever was before, bringing in more nations, more affected, interested nations into the process.

Q Mr. Secretary, early this year the dollar had quite a plunge. Had this system you envisage been in effect then, would the dollar have plunged in relation to other currencies the way it did?

SECRETARY SIMON: Well, our dollar declined, as it often does, in response to several factors: one, an outlook for lower interest rates which is a fundamental factor in a country always, and, of course, the New York City problem and the fears of some potential international problem related to it as well. I would consider factors like this of a temporary nature and not of a fundamental nature.

Q Speaking of New York City, what did you tell the European leaders about President Ford's --

SECRETARY SIMON: I was not asked by any of my counterparts. I asked them questions as to what they thought if indeed they had any reason to believe there would be a problem that I had not thought of before and basically briefed them on the whole situation because I felt that they were interested, which indeed they were, but they didn't cite any significant problem.

Q Did they seem to be somewhat reassured by the presentation that you and the President made on the problem of New York City?

SECRETARY SIMON: Well, as I spoke to them, they seemed to be reassured that the situation was indeed well in hand at this point.

Q You believe it is well in hand then?

SECRETARY SIMON: Well, I have been away for several days, as you know, so I have to wait and get back. I still have not seen the total agreement and been able to study it. I have been too busy doing what I have been doing.

Q Do you think that the Federal Government is going to have to do anything to guarantee the short-term bond roll-over problem?

SECRETARY SIMON: I don't think that anything that comes under the heading of a bail out as far as the present bondholders are concerned or the note holders is in the cards, no. But then, again, the City-State program that has been put up restructures and restructures all the notes that are held so that would not be required.

You know, you asked Henry a question about the process we went through here at the economic summit and it reminded me of the perhaps overused word these days of interdependence, and it was brought up and very forcefully brought up in this meeting that the world communities indivisible, recognizing that national economic policies are certainly important, yes, but today this inter-relationship in the world communities and in the economic and financial area in particular must be better understood by each of us. Our policies must be mutually supportive where indeed they are compatible and meetings like this bring about better understanding of what our policies are in the United States and indeed what the policies are in the European community and in Japan and these are major, these are significant steps to agreeing about the permanent durable prosperity that we wish to provide for all of our peoples.

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SECRETARY KISSINGER: A good example is that at all of our previous meetings this year with European leaders, as I said earlier, there was an undertone that we were not doing enough. I think that after our presentation on Saturday that topic never emerged again and everyone was more discussing how we could support each other's efforts.

Q What is the compromise since I understand that the central bank has been intervening on the floating dollar? I mean what compromise did we actually make? Is it on the basis of his consultation?

SECRETARY SIMON: Yes, indeed. You know there is a danger and there are those -- of course one never knows how people view agreements but there are those who believe that designed intervention policies mean a zone or a ban or fixed rates of some kind and that is not the case, but it is going to be a formal mechanism that is aimed not at setting any currency at an artificial rate that would contravene the market forces but one that moves in erratic fashion not related to underlying economic activity.

Q Mr. Secretary, Mr. Cormier has asked you before about what would have happened back in the spring of this year when the dollar first declined and then recovered under this new mechanism. Would those swings have been reduced?

SECRETARY SIMON: I think it is difficult at this point for me to recall any way, Paul, all of the conditions that were extant at that time and suggest what would have occurred as far as this consultation method because this is not only the United States that is going to be reporting and giving their judgments on the market conditions but all of the countries involved in this process.

Q So this would be a process much like the open market committee of the Federal Reserve when it determines how to intervene in U.S. monetary markets; that is, they take an ad hoc view of the economy and make some judgments in private?

SECRETARY SIMON: No, I would not say there is anything ad hoc about this operation at all. As a matter of fact, it is designed so it will not be ad hoc in nature, that it is going to be daily monitoring of all of these markets with an exchange of information that is going to give the officials in the United States a greater fundamental knowledge about what is going on in all of the currencies of the world.

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Q There will be no automatic criteria for decision?

SECRETARY SIMON: No, absolutely not. That will be done on the judgments of the Finance Ministers and the central bankers, the ultimate judges of this issue, of the fundamental aspects of the issue at that time.

Q Okay. Will they take a vote and the vote will be binding or will each country retain sovereignty?

SECRETARY SIMON: No, no, no. There is no vote or binding in these areas whatsoever. That would really be impossible and indeed unfair and unworkable. This will be done just the way that the central bank and ourselves and the Treasury decide there should be intervention now. We work together and we usually can agree when indeed it is needed.

Q But if the U.S. Government, for example, does not believe it is appropriate to intervene, it believes that fundamental forces are at work and let us say the French Government or some combination of other Governments believes that these are erratic fluctuations, then there is a stand-off and the United States would not intervene?

SECRETARY SIMON: If that occasion arose, you are correct, we would not intervene.

Q What response did you find to your offer -- the U.S. offer -- for other countries to invest in our energy projects, including OPEC?

SECRETARY SIMON: Well, I think it is too early to tell.

Henry.

SECRETARY KISSINGER: Well, I think the other leaders considered that one of the most interesting parts of the President's presentation and they asked a number of questions about how it would work and what we had in mind, and I would say that they all agreed that that was one of the most significant proposals, but it has to be worked out by experts.

Q You met with Mr. Callahan during the sessions and did you discuss the problem of seating at the energy meeting in December?

SECRETARY KISSINGER: I also met with Sauvagnargues. You mean membership or seating?

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Q      Membership.

SECRETARY KISSINGER: Only in the most general way. Mr. Callahan explained his point of view to me. As for that matter, Sauvagnargues did explain his opposite point of view to me. Our position is that this is primarily a matter between the United Kingdom and the European community in which the United States will not play a principal role.

Q      Do you see this causing any problem with the starting of that meeting or do you see a solution?

SECRETARY KISSINGER: A number of compromise solutions have been proposed. I don't want to put any one of them forward. There is going to be a European summit on December 2 and we hope that it will be worked out on that occasion.

Q      Has there been any discussion on nuclear non-proliferation of the peaceful plans?

SECRETARY KISSINGER: Not as such, no.

Q      Mr. Secretary, on the basis of your Pittsburgh speech and some other indications, I think some of us have the idea that the American delegation went to Rambouillet hoping that out of this would evolve some continuing machinery for consultation and the Communiqué speaks only of using the existing machinery. Did we abandon some idea here?

SECRETARY KISSINGER: You have the machinery that was set up under the monetary arrangements in which the Finance Ministers will be in almost daily contact and there are many other organizations. There was an agreement that the Governments concerned would work cooperatively on all of these problems and so there was no formal machinery set up except the one that grows out of the monetary group and since the monetary arrangement is exactly the group we envisage to begin with, there wasn't any sense of setting up another one with a different hat.

Q      Was there any talk about another meeting of this sort a year from now?

SECRETARY KISSINGER: Yes, there was talk of another meeting and the leaders will stay in touch with each other depending on conditions. If the conditions get critical, they will meet earlier. If conditions take the form that are now predicted, then they will meet some time during the course of the next year -- within a year, roughly.

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Q Could you gentlemen tell us what role Mr. Shultz and Dr. Burns played in the monetary agreement? We were told there were two months of negotiations behind the scenes on this point and they made a promise.

SECRETARY SIMON: Arthur Burns plays a very active role. Arthur attends all of the interim committee meetings with me, the G-10 meetings and the G-5 meetings that we hold so he is obviously actively involved in the mechanism, both in setting our policy back in the United States as well as in negotiations that I conduct. But Arthur is always, as I say, with me as far as --

Q He is?

SECRETARY SIMON: Of course he is. Yes, indeed.

Q What about Shultz?

SECRETARY SIMON: Well, as you remember George Shultz, I took over from George so this is a continuation really of the negotiations that George carried on when he was Secretary of State but other than the preparations of the meeting with the private citizen group that George Shultz worked on, he had no active area of involvement in the negotiations on the monetary --

SECRETARY KISSINGER: But he was never Secretary of State. (Laughter)

SECRETARY SIMON: That is a freudian slip.

Q He had no contacts with his former Finance Minister colleagues who are now heads of state?

SECRETARY SIMON: Sure, George is very close on a personal basis to both Chancellor Schmidt and President d'Estaing and he sees them and talks to them frequently.

Q Did he talk to them as part of this meeting?

SECRETARY SIMON: I doubt --

SECRETARY KISSINGER: I think the correct explanation -- there was a group of private experts connected with their Governments that meet actually less on the monetary question than on the other issues. The reason we did it on that basis was because one didn't want to bring the heads of Government together if there was not some sense that something significant would be achieved. So we designated George Shultz to attend these informal meetings that gave us a sense where the other Governments were going. I repeat, the monetary matters were really negotiated primarily by the Treasury Department and by Ed Yeo, but the other issues were in a preliminary way explored by a group which George Shultz attended in a private capacity but still in close touch with Bill and myself and the President.

Q But did he meet or talk with Mr. Giscard and --

SECRETARY KISSINGER: The process went like this. The idea of this summit came up first in a vague way at a meeting that I had with Giscard in May. It was then put forward in a more formal way at Helsinki by Giscard to the President. At that point we decided that we would send somebody around, not quite an official, to give us his judgment of whether it would be worthwhile and George Shultz went around to see Giscard, Schmidt, Wilson, and reported to us afterwards that he thought there was a good basis for a summit and only after we had that report did we make the decision to go ahead.

We wanted to avoid a situation in which the summit would deal with only one problem, say, exchange rates, and only a set of demands made on the United States by the others and when George Shultz was reassured by that, then the President decided to go ahead and removed it into formal governmental channels.

THE PRESS: Thank you.

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