

POOL REPORT AIR FORCE 1 FLIGHT PARIS TO WASHINGTON 11.17.75

This is a report on an interview with secretaries Kissinger and Simon, a full transcript of which the White House promises to make available tomorrow.

The interview took place in a crowded conference room aboard the plane, with Kissinger and Simon in shirtsleeves (Simon with shoes off), Seidman and Greenspan seated on the floor, and Sonnenfeldt against the wall and McCawcroft ducking in and out. The interview lasted about 40 minutes.

Kissinger began with a general statement about the meeting--how he saw its goals and its outcome. "These leaders were 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." He said there was a great amount of effort in the U.S. government to prepare for the summit. "This has been an unusual occasion in which all of the departments, working together, worked out common positions, common philosophies, and achieved the basis for the common proposals that were put before the other leaders."

"When the conference was called, I think it safe to say, 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. With others, especially in the monetary field, it could be used to bring about rapid solutions in which the heads of govt overruled the long negotiations that had gone on. But as the preparation developed, I think a more sober spirit developed," Kissinger said.

The "big themes" that quickly emerged, Kissinger said, were that economic recovery would be meaningless if it started another spurt of inflation, that the American economy was "doing well" and that calls for further U.S. government stimulation of it were "unjustified", and that there were a number of areas --trade, monetary affairs, east-west trade, energy, etc--where specific ideas could be developed to improve the working of the interdependent world economy.

"The discussions took place in a really unusually harmonious spirit. The fears which some of us had that 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." "I think this was a very important event, because it meant that they had more confidence that in looking after 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."

At first the leaders didn't weren't sure they wanted to render a declaration, for fear they would spend all their time arguing about it, Kissinger said, but in fact the leaders spent only about an hour on the declaration, leaving that work to their ministers.

He said the leaders agreed, on trade, to achieve a substantial reduction in trade barriers during the multilateral trade talks, including in agricultural trade, with "no attempt to hide behind community mandates or other obstacles."

He cited the agreement on monetary matters as "perhaps the single most significant" of the summit, saying it "put an end to a debate of years about the nature of the floating system and the relation between floating and stability." He said the concluding of the agreement, which he said should come in January, should "put the field of intl finance on a more stable basis than it has been in a long time."

On energy, the leaders agreed to cooperate actively in developing alternative sources and in conservation. "I believe this will show up in the program of the International Energy Agency which is being negotiated and which we hope to conclude by Dec. 15."

In the field of development, Kissinger said the balance of payments difficulties of the developing countries were identified as one of their major problems "on which we would work jointly." (also cited their current account deficits along with b of p deficits). "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 intl economic cooperation that are beginning in the middle of December."

Summing up, Kissinger said, "this unusual meeting of the heads of government of the countries that between them produce 70 percent of 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 have 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."

Simon then made a general statement about the monetary discussions. "There is no doubt that it was a significant agreement between the French and the United States which I believe and most everyone believes is going to pave the way for agreement in the Interim Committee on overall monetary reform in January. I think that the agreements we have reached are a fair and balanced compromise. Neither side won nor neither side lost. Each has protected its very critical national interest in a spirit of cooperation." "What we're 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 doing this."



Simon said the disagreements in the past between the US and France "obscured a deep mutuality of interest to return to stable economic and financial conditions in the world and more orderly and stable exchange rates."

"This instability that we've had, contributed to, as well as resulted from, tremendous institutional financial strains. It also created great problems for many of these countries of the world, in taking care of erratic price movements and setting economic policies and restoring stable growth in their own economies."

Simon said the US and France agreed that "the floating system has served us well. Under the present circumstances it is actually necessary to take care of the stresses and strains of severe recession, inflation and of course the extraordinary oil increases."

Simon said that "we will continue to float" under the new agreement. There will be no parities, no agreement on bands of fluctuation for the dollar against any other currency, no "peg."

But, under the agreement between the US and France, countries will consult regularly and will intervene in exchange markets to resist "erratic movements" in currency rates.

Simon said the details of this agreement are contained in a memorandum of agreement signed by Simon and French finance minister Jean-Pierre Fourcade. The document was not made public, and Simon later told the pool he does not think it was distributed to the other four nations represented at the summit. "We briefed them on it," Simon said, indicating that the briefing was in detail.

Simon said, "erratic movements could be defined as movements that have no underlying economic reason." He said the key to the agreement would be a new arrangement or mechanism for intensive and frequent consultations, involving finance ministers, deputy finance ministers and central banks. The deputy ministers, Simon said, would be consulting on practically a daily basis.

"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 attributable to fundamental economic events, and at this point intervention policies will become mutually cooperative and compatible to smooth out these unstable periods."

Whether a given movement was "erratic" would be decided by the members of the consultative group, Simon said. They would make this judgment weighing all the information available to them, not on the basis of any criteria specified in advance. If one country did not agree that intervention was called for, it would not, per se, be required to participate in the intervention.

Simon said "the consultative process is going to be broader than ever before," and that it would involve more affected nations than were represented at the summit, but he did not specify which countries would be included.

Kissinger was asked if there was any talk about another summit. "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 the conditions take the form that is now predicted, then they will meet sometime during the course of the next year," Kissinger said.

Simon was asked what George Shultz's role was. He said that Shultz, as his predecessor as Secretary of the Treasury, (Simon actually said secy of STATE, which brought a snigger and a comical rejoinder from Kissinger) began work on the monetary issues and he Simon had carried the ball since then. Kissinger also noted that Shultz had conducted earlier exploratory talks with German chancellor Schmidt and French president Giscard, at the request of President Ford, to see whether a summit would be fruitful. Kissinger and Simon said Shultz, as part of a nongovernment committee of representatives of the summit countries, also conducted some further discussions about the arrangements for the summit. Sonnenfeldt said that the concept of "erratic fluctuations" emerged partly during Shultz's talks. But all agreed that the basic negotiating of the monetary understanding was done by Treasury under secretary Yeo at Simon's direction.

Simon said later that when the exchange rate agreement is made final as part of the overall monetary reform package in Jamaica in January, Congressional approval would be required. He said he did not anticipate difficulties in obtaining the necessary legislation, which would ratify changes in the articles of the International Monetary Fund.

On another subject, Kissinger said "I can't imagine that the Congress will go along with the (Pike) Committee. The whole thing is an absurdity. He said none of the documents sought "concerned me."

"I think it's a frivolous citation."

P.S. the Schedule for Tuesday, according to Nessen consists entirely of staff meetings. The only one of special interest is with Frank Zarb at 11:30 a.m. to discuss the energy legislation.

edit

Paul Steiger  
Bob Pierpont  
Frank Cormier  
Helen Thomas