

FOR IMMEDIATE RELEASE

JUNE 3, 1976

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF

HENRY A. KISSINGER
SECRETARY OF THE DEPARTMENT OF STATE
WILLIAM E. SIMON
SECRETARY OF THE DEPARTMENT OF TREASURY
AND
ALAN GREENSPAN
CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS

ROOM 450
THE OLD EXECUTIVE OFFICE BUILDING

12:20 P.M. EDT

MR. NESSEN: Sorry to keep everyone waiting.

The purpose of this briefing, which is on the record and for immediate release, is to give you an opportunity to ask questions about the summit meeting to be held in Puerto Rico later this month.

As you see, the briefers are the Secretary of State, the Secretary of the Treasury and the President's Chairman of the Council of Economic Advisers.

Dr. Kissinger would like to begin by giving you a brief history of how the summit meeting came about.

SECRETARY KISSINGER: My problem, ladies and gentlemen, is that I have to go to a lunch I am giving for the King of Spain so if I should leave in the middle of my statement (Laughter) you will understand the reason.

Let me give you a brief summary of the origin of these series of meetings. They grew out of a proposal originally made by the French President last year that the leaders of the industrial democracies had an obligation to make clear to their peoples that they were in control of their futures.

They had the resources and they had the economic systems to achieve economic recovery, security and political cooperation and, therefore, they met at Rambouillet last year, at that time under the impact of an economic crisis in many of the countries.

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They decided to cooperate in major fields and, in fact, at Rambouillet a very significant agreement was concluded in the monetary field which then was consummated a few weeks later in Jamaica.

Now, the measures that were discussed then have substantially taken hold. Economic recovery is underway in most of the countries. We have been reviewing within our Government throughout the spring the cooperation between the industrial democracies and so, when President Giscard came over here, President Ford suggested to him that the time might be appropriate to review the recovery that had been made, to see how the industrial democracies could chart the future, not so much under the impact of a crisis, but from the point of view of what kind of a world they wanted to help bring about.

He asked me on my trip to Europe to take up this subject with Chancellor Schmidt and Prime Minister Callahan and with their agreement then approach the other parties for this summit meeting that will take place in Puerto Rico.

The fact is that if you look at the world today, the industrial democracies have the resources to achieve the well being of their populations in a degree that is not equaled in any other system in any other part of the globe.

As events have turned out, the whole process of development in the Third World depends entirely -- I would say almost exclusively -- on the industrial democracies.

The relationship of the East-West economic relations is importantly driven by the economies of the industrial democracies. What has been lacking is sufficient cooperation and synchronization of policies that sometimes have prevented the achievement of opportunities.

Cooperation has been improving, but we are attempting to regularize, by these periodic meetings, so this should be seen as one of a series of meetings that will take place between the industrialized democracies and which was started at Rambouillet, is continuing in Puerto Rico and will undoubtedly continue at other important points, maybe at somewhat the same interval.

This is all the background I wanted to give. My associates and I will be glad to answer questions.

Q Mr. Secretary, if the real purpose of this --

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SECRETARY KISSINGER: I was amazed he didn't get up when you said, "Mr. Secretary." (Laughter)

SECRETARY SIMON: Secretary Number One and Secretary Number Two. (Laughter)

Q Either one. (Laughter)

If the real purpose of this summer conference in the tropics is totally divorced from any U.S. partisan political considerations, will President Ford invite Governors Reagan, Carter and Brown and Senator Church to be present and participate with him at all news conferences?

SECRETARY KISSINGER: If the President invited all of the candidates, I think we would have difficulty finding adequate hotel space. (Laughter)

But, I think when there is a Democratic candidate, he will be briefed, as has been the tradition in every campaign, and we do not believe that the cohesion of the industrialized democracies, the economic progress of their peoples and their relations to other parts of the world is a partisan issue that should be handled on the basis that you suggest.

SECRETARY SIMON: Can I add to that, Father, if I could for a second?

Excuse me, Henry.

The charge of politics as far as a summit is concerned implies that the President should not be doing these very important things like running the country and making the decisions for our future stability and everything we are attempting to accomplish, that indeed all the problems have disappeared, the problems of dealing with an economic recovery in a noninflationary way, of insuring cooperation in critical financial and monetary issues, of moving forward on multilateral trade negotiations, the North-South issue, all the other issues that require attention from heads of State.

I must admit that naturally people are going to make the head of State look well, but I consider the charge of politics a poor substitute for thought.

Q On another subject here, please, the President's statement here said the Rambouillet conference has led to less inflation and to more jobs for millions upon millions of people. Can you give us some specific examples of what was done at Rambouillet that has directly brought more jobs for millions upon millions of people?

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SECRETARY KISSINGER: Can I let my economic adviser answer that?

Q I should have said Secretary Number Two. I am sorry. (Laughter)

SECRETARY SIMON: We talk about directly and we talk about the adoption of economic policies that are going to be bringing about sustained progress, and I am talking about underlying sustained progress and economic expansion in a noninflationary way.

We recognize the independence of nations that we have discussed so much. We recognize that noninflationary economies at home require proper domestic policies first and foremost and a discussion among the world leaders, recognizing that only the stability, as we agreed at Rambouillet, on the international monetary issues, stability in international monetary and financial markets are going to come when we achieve the underlying stability in our own domestic economies.

How can that be achieved? How can we indeed have the shared prosperity that we all speak of, enlarging the pie, rather than, as some suggest, redistributing that pie that presently exists?

It is very difficult, obviously, to say that this agreement or that agreement pointed to specifically more jobs, but setting the tone for confidence, confidence of the individuals and countries that their leaders, their elected and appointed leaders are indeed dealing with these problems. It is an intangible, I will admit, but we all know how important confidence is in this country when one looks at consumer spending and the rest and how important that is.

Q Mr. Secretary, you said the kind of tone that has brought millions upon millions of people to work. Is that what you are saying?

SECRETARY SIMON: I beg your pardon?

Q Are you saying that the sort of tone, a tone was set at Rambouillet, a tone of confidence and leadership that had the concrete result of putting millions and millions of people to work? Is that what you are saying?

SECRETARY SIMON: I am saying sure, that a tone was set, not only a tone, but an agreement of what kind of policies we are going to have to sustain in each of our individual countries to assure that these millions and millions of people are going to be put to work on a permanent basis.

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Q Mr. Secretary, what are the specific issues you think will be discussed at Rambouillet? Why do they come up now rather than two months from now?

SECRETARY SIMON: I think probably one of the more important issues in my area -- and I would like Henry also to respond to this -- is the pace of the economic recovery worldwide. Certainly, as we have discussed here, the pace of economic recovery in the United States, it came not only sooner than we expected, the recovery itself, but its pace has been stronger than we expected.

This raises a danger of renewed inflation, which we all know could abort a recovery. We have to make sure that policies are adopted here--that this danger is recognized for us, as I said to this other gentleman--have a sustained durable expansion and these are the policies we are fighting for here.

All these issues, recognizing again the interdependence, will be discussed among the world leaders, what policies they are adopting.

We still have the problem of the terrible price of oil in the world that is affecting the economies. The North-South dialogue obviously is going to be discussed, our programs to assist the developing nations.

All of these problems have not disappeared and for the world political leaders to address themselves to these important topics I don't consider to be unusual, I consider it to be highly constructive.

Q What are you going to be able to do at Puerto Rico that addresses the problem of the terrible price of oil?

SECRETARY SIMON: The one thing I don't wish to imply is that important announcements are going to come out of this that are going to instantly solve all the problems that we confront in the world today because clearly they are not. But, a renewed desire, obviously a commitment on the part of the oil consuming world to cooperate in their energy policies, in trade restrictions, which indeed we discussed at Rambouillet I, the trade restrictions of the OECD pledge, the desire to move forward quickly with satisfactory resolution in the multilateral trade negotiations -- all of these are very important items on the future agenda and just because again we have an election year in the United States we should not postpone those important discussions.

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Q You didn't list exchange rates. Does that mean that this is fairly quiescent now and you are not going to list it?

SECRETARY SIMON: Oh, no. When I say we didn't list it, as you know certain agreements were reached at Rambouillet which paved the way for the agreement at Jamaica for the international monetary reform. It was agreed most importantly at both fora that it was the underlying conditions where the attention had to be focused to bring a stability to exchange rates.

I am sure the instability that has existed in certain currencies today as a result of the divergence of inflation rates in various countries will be discussed. But, the causes of these are universally recognized and we believe that we are dealing with them individually.

Now, every country that had to adjust to the oil price increase, to the terrible inflation on its own, has adjusted at a different rate, and these are problems that we have to discuss in a very frank fashion.

Q What can you do about the internal economic conditions in individual countries that are causing them to have exchange rate problems? What can the U.S. do?

SECRETARY SIMON: It is not a matter of us attempting to do something about the particular economic problems in another country but recognizing that we have an economy that represents about 28 percent of the world's GNP, recognizing that we have an important responsibility because our policies obviously affect the other economies of the world. This feeling is shared by the countries that we are going to be visiting with and a frank and open discussion of the economic recovery, the economic problems that each of us face individually and how it affects each other collectively and what policies we are taking to remedy the terrible problems that we face, all of these are extremely helpful.

Q Mr. Secretary, on the question of the pace of the recovery and its possible implications for the inflation rate, are we going to seek any sort of agreement or pledge from the other countries regarding the pace of recovery in their nations?

SECRETARY SIMON: No, I don't think that has been anticipated at all, Art.

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Q A discussion?

SECRETARY SIMON: A general discussion again of the policies we are pursuing to make sure that the economic expansion, the very healthy and balanced economic expansion that we have underway now becomes durable and lasting and noninflationary.

Q Can you comment on whether you think we need to synchronize the policies of the industrialized nations more on the North-South dialogue--more than they were at the just concluded UNCTAD conference?

SECRETARY KISSINGER: First of all, with respect to some of the points that Bill made, when we met at Rambouillet for the first time, one of the grave concerns of all of the other countries there was the pace of the American economic recovery and they felt they had to talk us into a more rapid rate of recovery so that the mere fact that when we presented rather detailed explanations of where we were going to go, which turned out to be underestimates, and the fact that we have been the entrance in many respects of their own recovery.

It contributed to a degree of confidence that promoted recovery -- decisions in those countries that contributed to their own recoveries.

Now, with respect to the North-South dialogue, we think it is imperative that the industrialized democracies cooperate more effectively in the process of development. But ten to 15 years ago one used to talk about the competition between the Socialist countries and the industrialized democracies in the developing world.

Whatever competition goes on now, it is perfectly clear that the economic development depends overwhelmingly on the industrialized democracies.

But, their efforts are fragmented on a national basis within the industrialized democracies, on a national, on a bilateral basis with many of the developing countries, so there has to be a better degree of cooperation and coordination of these efforts, which is one reason why we supported President Giscard's proposal for an African development program.

Secondly, at international conference, it is simply not appropriate for the industrialized democracies to engage in essentially tactical competition on what sort of formulations they could come up with that get increasingly divorced from what can practically be accomplished.

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I believe it is in the interest, above all, of the developing countries, as well as of the developed countries, that a more cooperative approach be developed among the developing countries, and I believe that some of the things that happened at UNCTAD underline this necessity.

We believe that some considerable progress was made at UNCTAD but more could have been made if there had been a greater coherence among the industrialized democracies.

Q Mr. Secretary, both yourself and Secretary Simon say that, political considerations apart, but I wonder in the timing of the conference if there was concern to try to find a period when we are politically quiescent, a plan for the Republican Convention, after the Republican primaries, and I wonder beyond that are there also international considerations? Did you want to hold this after the Italian elections?

SECRETARY KISSINGER: I didn't hear.

Q Did you also, beyond any domestic political considerations, want to hold this summit after the Italian elections?

SECRETARY KISSINGER: In terms of everybody's schedule, it turned out that the end of June was the best time. There were meetings, after all, between the President and the French President in May. There are some State visitors coming to the United States in July as a result of our Bicentennial. August, we obviously are at the height of a political season, so if decisions were to be taken that could be implemented, it was desirable to do it before the summer recesses in the various other countries and this was the first time that turned out to be convenient for everybody. There was no explicit discussion of relation to political processes.

Q Mr. Secretary, what is being done about Puerto Rico's own economic situation and that the situation that exists in New York cannot happen there and what guarantees are going to be made that the Puerto Rico bondholders will get paid first in case of any problems?

SECRETARY KISSINGER: I will have to let my economic advisers answer that question.

Q Can Mr. Simon answer that? (Laughter)

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SECRETARY SIMON: I would rather Henry answered that one. (Laughter)

SECRETARY KISSINGER: The summit takes place in Puerto Rico, but it is not primarily about Puerto Rico. In fact, it isn't about Puerto Rico at all. (Laughter)

Q But you are talking about our own economic situation here, which includes Puerto Rico.

SECRETARY KISSINGER: We would think the economic problems of Puerto Rico, serious as they may be, are primarily internal problems of the United States and are not a subject for an international summit meeting.

Each of the leaders will present his view of the overall economic situation from the aspect of how it can contribute to the coordination of the industrial democracies but it has not been the tradition that they would raise essentially internal problems at such a summit.

Q Mr. Secretary, inasmuch as the Nairobi meeting rejected your proposal for an International Resources Bank, I am wondering, do you have the upcoming Puerto Rico session as an opportunity to get together and come up with another proposal?

SECRETARY KISSINGER: First of all, you have to look at what was rejected. By a vote of 33 to 31, with 90 nations either abstaining or not participating, a study of the proposal was not adopted.

Secretary Simon and I have issued a joint statement saying that this sort of procedure where we went out of our way to consider the views of the developing countries and by a technical majority, two-thirds of which came from Socialist countries that are not participating in any of these development efforts, that this is not a procedure that will help the dialogue.

To us the international Resources Bank was above all of benefit to the developing countries. It was of no particular benefit to the United States. At any preparatory meetings of the studies that are being foreseen as a result of UNCTAD, we will introduce this idea again and we expect it will be studied with care, together with a whole set of other proposals.

So, we believe that some progress was made at UNCTAD. A large number of the proposals we made were adopted. That particular proposal was defeated by a parliamentary maneuver that is not worthy of the process.

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Q You don't intend to revise it in any way?

SECRETARY KISSINGER: I don't think it had anything to do with the merits of the issue and our concern was that the merits would not be given an opportunity to be expressed.

Q Mr. Secretary, was any consideration given to inviting Canada to this meeting?

SECRETARY KISSINGER: Canada is being invited to this meeting.

Q Along that same line, have the protests from the Belgians and the Dutch arrived yet? (Laughter)

SECRETARY KISSINGER: Why limit it like that? Why limit it to these two countries?

Q Because of the fact that was basically the reason Canada wasn't invited to Rambouillet. In other words, they were mad then and I assume they are mad now. Do you anticipate protests from them or have protests arrived?

SECRETARY KISSINGER: No protests have arrived and, given the confidence that these nations all have for each other, we don't expect any.

Q Have you heard from any?

SECRETARY KISSINGER: No, we haven't heard from anybody yet.

Q Mr. Secretary, was France consulted on the invitation to Canada?

SECRETARY KISSINGER: Yes, all parties agreed to all the invitations.

Q But the joint statement, Mr. Secretary, makes clear that the case of Canada is somewhat special. It says here that, in addition, given the close ties, etcetera, etcetera, that seems to imply a rather special case-- we will invite the Prime Minister this time around but not the next time necessarily. Is that a fair interpretation?

SECRETARY KISSINGER: These invitations are handled by consensus and this was the basis on which the invitation was agreed upon.

Q We can take it this is a one-shot deal?

SECRETARY KISSINGER: No, the United States has always supported the participation of Canada at these meetings. We did so last time, and we did so this time, and we shall do so in the future.

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Q Mr. Kissinger, can Mr. Greenspan answer a question?

SECRETARY KISSINGER: By all means.

Q Mr. Greenspan, do you think that the recovery is so strong now that the dangers of reacceleration of inflation are imminent? Would you recommend at this conference that the major industrialized countries begin to move toward more restrictive monetary and fiscal policies?

MR. GREENSPAN: First I think what the evidence indicates is that the recovery in the United States as well as in many of the other industrialized countries is proceeding at a pace somewhat faster than was believed reasonable at Rambouillet. I would not say that implicit in that pattern is an imminent reignition of inflationary forces.

None the less, I think we are all aware on the basis of the past history of business expansions worldwide that there is the potential of imbalances emerging in the future. I would certainly expect that the summit meeting will address a number of the issues and in fact the whole concept of anticipating potential problems is something which I think is a key factor in this particular meeting.

Q Along that line, at that time would you recommend or suggest that the major countries begin to consider moving toward more restraint in use of monetary and fiscal policies?

MR. GREENSPAN: I think you are talking about policy decisions that have to be and will be made by the individual countries. I think that the discussions that I presume will take place will largely be on issues of general broad interest but I would not imagine that we or anybody else will recommend to others what their specific actions should be in any individual case.

Q Every time either you or Nessen or Mr. Simon speak to this question of accelerating recovery in the industrialized nations, the only one you ever cite by name is the United States. Can you get specific, what other countries are you talking about?

MR. GREENSPAN: The reason that we do that is that there are two elements involved. One is that it is fairly clear from the statistics that the recovery is fairly broad-based. In our case we can be very specific in stating the recovery has out-paced our expectations. It would be rather presumptuous of us to make statements about who was forecasting what in other countries, so that I would not want to say in all instances recovery is more or less than they anticipated.

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Q What about from our point of view, as we saw how we thought they should be coming along?

MR. GREENSPAN: I would say in general the recoveries of most of the industrial countries are proceeding at a pace better than has been expected by our internal forecasts and by those of some of the international agencies such as the OECD.

Q If you are going to discuss potential imbalances in the future, is there any other way to deal with it than -- to go back to the last question -- some kind of trade expansion? What else can you discuss?

MR. GREENSPAN: I am not saying that should not be discussed as a series of options. I don't want to presume what in fact heads of States will discuss; they will discuss what they wish to discuss. I am merely indicating that when you are in a period such as we are in, the nature of one's discussion would clearly be similar to those which we would discuss ourselves.

Q But the extent of the recovery is one of the specific reasons cited as one of the specific reasons for this meeting?

MR. GREENSPAN: Yes, and I think the discussions would be around policies which will contribute to balanced expansion and the sustaining of the recoveries that are now under way.

Q Then you will talk about the adequacy of monetary and fiscal policies?

MR. GREENSPAN: The question you raised, Ed, was a very specific question about recommendations made by individuals to other individuals about what they should be doing. I would doubt that.

Q You say the recovery is faster than anticipated. Do you also consider it is faster than desirable?

MR. GREENSPAN: No, I do not.

Q Could I try you on this same question I tried on Secretary Simon? Can you point to anything specifically done at Rambouillet that has brought jobs to millions and millions of people? You are taking credit for that and I would like to know if you have anything specific to back it up?

MR. GREENSPAN: Let's understand what in fact creates jobs. First, what we are talking about is a very significant turn-around that is in the process world-wide. A number of the issues that are involved here are, for example, the expansion of capital investment, the developing of a broad state of improved confidence world-wide and what is implied in the statement is not only the jobs that have been created since then, which is a relatively short period, but implicitly the conditions being set in place which will contribute to the recovery in jobs and in employment in the period ahead.

Q Secretary Simon, I have a quote down from you earlier in the meeting where you said the charge for politics is a poor substitute for thought. What do you mean by that?

SECRETARY SIMON: By that I mean the notion sometimes when they take every action deemed by a fellow running for office, whose present responsibility is making the day-to-day decisions to run the country, it is very simple to say he made that decision or this decision, or he is making this trip or that trip for purely domestic political reasons. If you think about it for a minute -- and this is exactly what I mean -- had we taken inventory of the world problems, if you will, and we do have a full ration of them, doesn't it make good sense for the President of the United States to meet with the leaders of the industrialized world to discuss these problems?

You know, it used to be in this world that world leaders would get together to react to crises, and isn't it much better to anticipate problems that might exist in the future so that we will have the ability to act rather than just to continually react?

We found in the first session -- and again it is difficult, as this gentleman's question -- you know, to point to the specifics of what we achieved that accomplishes the instant resolution of the problem. As I said before, the economic policies in each domestic economy set the stage for the expansion but there is much we can do together that is going to assist in sustaining this. What Alan said, looking at the developing countries, how can we help the developing countries to enlarge their pie? Domestic investment in their countries, encouraging investment in their countries is the best way to improve productivity and the standard of living of their people. The oil problem, the trade problem, you would be surprised what a great misunderstanding exists even with the communication network in this world on issues that we take for granted. Even though we finance ministers communicate on a constant basis, there were an awful lot of misunderstandings, or potential misunderstandings avoided and clarified at the last session. You know, just the relationship, and I can think of one quite important one, New York City. We were in the midst of the big debate on New York City and the fiscal crisis, and default, and bankruptcy and what that means and there was a very great misunderstanding of the relationship of our cities to our States and Federal Government vis-a-vis the relationship of the major cities in Europe to their government.

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Q Mr. Secretary, was any thought given to holding this conference after November 2 so you would avoid all of these thoughtless charges?

SECRETARY SIMON: No, when we first started to discuss this a couple of months ago, we said all right, it is desirable to have another meeting of the world leaders. If so, what could or should possibly be discussed as far as the issues. Are they of sufficient importance for us to have a review?

You know, at Rambouillet I, we made the decision future meetings would be held if we thought they would be useful, indeed. When we inventoried a list of potential discussions, again starting with the economic recovery that is now underway in all of our economies, clearly evident, and looking at the problem of inflation in the future, we picked a time that would be convenient for all.

Someone mentioned at the back of the room before about the Italian elections. If you will remember back when our discussions started about this, there were no Italian elections at that time.

Q Mr. Secretary, can you provide us with an estimate of how much this happening in Puerto Rico is going to cost the United States Treasury?

SECRETARY SIMON: No, Phil, I would find that very difficult to do. I don't even know. I will try and get that and see for you specifically. I will list it. We have not done that.

Q What is the site of the conference?

SECRETARY SIMON: I believe the conference is going to be held at Dorado.

Q The lack of response of the developing States to the IRB seems to indicate that the debt question is still front and center in the minds of many of these countries. What is the posture and feeling of this Government on the possibility of defaults and cancellations of debts among these States before the end of this year possibly?

SECRETARY SIMON: We have not seen any evidence and we have dealt with that in many public statements in recent times of default by the developing countries. What we have to do is separate the developing countries, those who have suffered temporarily, let's say, from the problems of inflation, the recession, the quadrupling of oil, those countries that have strong foundations to their economies.

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When we look at the prodigies in the developing world, the Taiwans, the South Koreans, the Brazilians and their growth rate in recent years prior to the severe recession we all suffered, and our response and the initiatives, the compensatory finance, the expanded financing facilities that have been recommended and the adoption of many of those policies by the interim committee in Jamaica in January, plus our analysis of what their balance of payments problem is, we have seen, with the world recovery, with the economic recovery, increased demand for exports.

The developing countries are already benefiting from this increased demand. We have also seen an increase of approximately 20 percent in their commodity prices from those terribly depressed levels. All these are going to lessen, these two factors, the deficit in these countries.

I expect this, as the economic recovery continues, to solve the problem. Our analysis is, of the approximately \$28 billion deficit that we see for this sector of the world, about \$25 billion is going to be taken care of through normal capital flows, aid, private investment and normal export financing, perhaps a smidgen more, so pretty much it is taken care of.

THE PRESS: Thank you.

END (AT 12:58 P.M. EDT)