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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

PARTICIPANTS: Francis-Xavier Ortoli, President, EC Commission
 Sir Christopher John Soames, Vice President
 for External Relations, EC Commission
 Edmund Wellenstein, Director General for
 External Relations
 Philippe de Margerie, Chief de Cabinet

The President
 Henry A. Kissinger, Secretary of State
 Joseph Greenwald, U.S. Representative to the EC
 Arthur Hartman, Assistant Secretary of State for
 European Affairs
 A. Denis Clift, Senior Staff Member, National
 Security Council *[Signature]*
 Jose de Sebra, Department of State Interpreter

DATE AND TIME: May 30, 1975
 5:58 - 6:35 p.m.

PLACE: Ambassador Firestone's Residence
 Brussels, Belgium

SUBJECT: President's Meeting with EC Commission President
 Ortoli

Ortoli: I will speak in English, perhaps switching to French if some explanation is needed. First, Mr. President, I want to say how very pleased Sir Christopher Soames and I are to have this meeting with you. We believe it is very important. We think that US-European relations are better now than they have been for sometime -- particularly when we are working together on economic matters.

The Commission I head is a curious animal with responsibilities to propose policy to the Ministers of the Community countries, to negotiate, and to implement policy once the community decisions have been taken. Our main responsibilities are in the trade field, and we had talks last week with

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 BY *[Signature]* NARA, DATE 5/19/04

Mr. Dent and, today, with Mr. Robinson. Of course we also have important responsibilities in the economic and monetary field, and we have major responsibilities in agriculture, both internal to the Community and external policy. Our external activities now are essentially with the Socialist and the developing countries. In the agricultural field, the policy of the Community -- the Community as such -- sometimes presses the policies of the member states.

Our relations with the United States are very good now.

Kissinger: I heard the word: "Now" (laughter). Mr. President, I just want Ortolini to know that these nuances don't go unnoticed.

Ortolini: There are some problems on which we disagree: I would like very briefly to review our current problems.

President: Please. Go ahead.

Ortolini: The energy and raw materials. We met last week. We are trying to organize to achieve common policy. We are also working with the United States in the International Energy Agency.

President: Yes, and the work seems to be going very well.

Ortolini: In raw materials, our policy is sometimes in agreement with what Mr. Kissinger proposed in Kansas City -- yes, similar to Mr. Kissinger's proposal -- but in some things we go further.

Kissinger: You say you go further?

Ortolini: Yes.

Kissinger: Our Treasury Department would faint if we tried to go any further.

Ortolini: Yes, we have to cope with that problem here, too.

President: We have a few points of difference in the United States as we discovered in our review last week. I am pleased to know that we are not the only ones with troubles.



Ortoli: As you know, we have developed a system in the convention on stabilization of raw materials . . .

Kissinger: I wanted to put a favorable reference into my speech, but Treasury said no.

Ortoli: . . . we got agreement from the member states.

Soames: This is something we should take up on a world basis. Either you can take a broad front of countries on a narrow front of problems -- for example, on agriculture -- or we can work with a narrow front of countries on a broad front of problems.

Kissinger: What you can't do is to do nothing.

President: How far along are you?

Soames: We already have an understanding with the Africans.

Ortoli: Yes, 46 countries. We are now proposing to proceed with a similar understanding -- a similar system -- for the whole world. We will be working to table this by the 11th of June.

Soames: The idea is not to hold up the price of raw materials artificially but rather a system of guarantees, to guarantee that the poorest countries will have a certain level of receipts . . . you would take it up at the end of the year.

Kissinger: It would be a substitute for aid.

Greenwald: Yes, basically it would be program aid.

Ortoli: We will be having more contacts to explain the concepts further.

Soames: It's not enough to say indexation. Indexation is nonsense.

President: It sounds like our old farm subsidy program.

Kissinger: It's a payment one makes one way or another anyway you look at it. If you make it aid, they'll raise raw materials prices anyway.



President: Under this system, you would add up your receipts.

Soames: It's important to note, as we did in our talks with Robinson today, that while we should be agreeing on the objectives, we shouldn't be coming out with the same ideas and same positions. We shouldn't look as if we're ganging up on them.

Kissinger: That's right, specific solutions are not so important to us at this moment.

Ortoli: What we are doing is one way to state the problem. Tactically, it's an answer; it's good tactics.

Kissinger: We'd be isolated if we didn't respond.

Soames: This is one important point on which we have to work together.

Ortoli: The other point that I wish to touch on, Mr. President, is that of the economic and monetary problems of the Free World.

The way in which we solve inflation is bigger -- more important -- than the problem of energy and raw materials. This is my personal opinion.

If we have good, strong economies, this is most important, most important for Europe. If we don't succeed, there will be social, economic and political problems -- I hope not in the United States -- but certainly in Europe. People will ask: Is the system good? We have to work together. I don't want to discuss specifics today, but it is most important to have a common view. I spoke to Helmut Schmidt about it last week.

To be frank, this problem places a big responsibility on the United States -- I say this in the sense of the US-European relationship, not U.S. leadership. If the dollar is not strong, we will suffer. If you do not have a good economy, we will suffer. America in its internal policy must take a deeper view of the influence it exerts in our world. However, I would add that we are on the way, we have had good meetings. We have not achieved an... (Ortoli pauses seeking correct word, interpreter assists)... yes, we have not achieved an intimacy for our policy. You will have to excuse my English.

Kissinger: That was very eloquent.



Soames: Yes, I believe he is better in English than in French.

President: My Administration believes strongly in a strong EC, and I believe strongly in close relations between the EC and the United States. If there are problems, or if problems arise, I want my Administration to work closely with the Community in their resolution.

We have had a successful two days in the NATO meetings here. There was a good spirit in the meetings, a good affirmation of the Alliance purposes and objectives.

Economic conditions here and in the United States are bothersome to all of us. I recognize that a continuing recessionary period could have an impact on us and on political life in the United States. And, I am realistic, I appreciate that the impact would be worldwide. My judgment, based on the information I have been receiving from our experts, as well as my own intuition and so on, is that we have gone through a rapid change from inflation to unemployment. Last fall, inflation was running at 12-14 percent, a level not anticipated by the experts, resulting from increases in crude oil and in food.

Last fall, we had an economic summit. We brought in 20 experts -- liberals, conservatives and middle of the road -- and not one forecast that we would go so quickly from inflation to unemployment. Neither was this anticipated here in Europe. The consensus now among the experts is that we have bottomed out. Two months ago, there were few optimistic indicators; now there are many more optimistic indicators. Yesterday, we had good news from the Department of Commerce. It puts out a review of twelve indicators every month, and there was a 4.2 plus, this following a .1 or .2 plus last month. This was the most sizeable jump in years -- all pluses but one which was not indicated, but I think this indicator would also have been a plus. We have made significant progress on inflation from 12 percent to our best estimate of around five percent later this year. Now, even that is too high...

Ortoli and Soames: If only we could have it.

President: ... In the meantime, there has been a high rise in unemployment from five percent to nine percent. And, with that very high rate, we're under pressure to overstimulate the economy both fiscally and monetarily. We feel this would be no more than a quick cure which would lead to a much more serious problem 18 months from now. The Federal Reserve Board,



which is our central bank, has committed itself to move from a five to seven and one-half percent increase in the supply of money. This will sustain economic growth without the pitfalls of inflation.

We have had an encouraging sign in unemployment for the first time in five months. We had a 250,000 increase in employment. This is not great but it is a change. In the last month there has also been an increase in the hours worked. Employers are working their employees longer hours. There has been a change for the better in the productivity of the U.S. work force. Our recession revolved around -- statisticians say -- the most rapid inventory liquidation in the history of the United States. With the heavy burden of the inventory liquidated we now have a better balance between the producer and the consumer. Now, we'll start a steady rate of improvement in the health of the economy. The unemployment is still a disappointment, but there is always a lag here. As employers begin to work people longer hours, we think the economic climate in the third and fourth quarter of the year will be on the upswing.

We won't be neglectful of your interests. At the same time, we won't give way to people who want to overstimulate.

Ortoli: What we have to do is to anticipate, to end the recession and to have five or six good years for our economies -- we really need them.

Kissinger: The problem is that we don't have a good theory to produce these good years.

Ortoli: You can't have a good theory without cooperation.

President: I agree; if we don't cooperate, no success will be possible.

Soames: You know, we very nearly had a war.

President: I know.

Soames: We had to go very far.

President: We appreciated your cooperation.

Soames: Cheese is a funny thing to go to war about.



Soames: For political reasons, we went too far. It did damage. The countervailing duty problem must be tackled in the Multilateral Trade Negotiations.

Meanwhile, please, no more political commitments, canned hams, float glass, who knows what next.

Please don't misread the action we took the last time.

President: Don't you want us to move on automobiles (laughter). Seriously, I am from the biggest car manufacturing state and I think the U.S. industry ought to be competitive.

Soames: But I wasn't thinking about automobiles.

Hartman: You scared him.

Soames: No, more mundane things -- canned hams -- we couldn't take the same evading action.

Ortoli: We had a very hard time with this in the Commission.

President: We appreciate what you did. It was a difficult situation. We had considerable pressure in our government. I remember, a one week extension, and then a few more weeks. You were most helpful and I appreciate the position.

However, I can't make any promises.

Ortoli: (As meeting concludes) I will have to say some words to the press. I will say we discussed US-EC cooperation, economic prospects, and had a general talk about energy and raw materials.

President: Fine. Let me walk you to your car.



MEMORANDUM

NATIONAL SECURITY COUNCIL

3850X

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ACTION

June 4, 1975

MEMORANDUM FOR GENERAL SCOWCROFT

FROM:

Mr. Clift *Clift*

SUBJECT:

President's Meeting with Ortoli --
Memorandum of Conversation

The memorandum of conversation at Tab A covers the President's meeting with EC Commission President Ortoli on May 30, 1975 in Brussels, Belgium.

RECOMMENDATION

That you approve the memcon at Tab A for forwarding to the President's files.

APPROVE *Clift*

DISAPPROVE _____

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E.O. 12068, SEC. 3.5

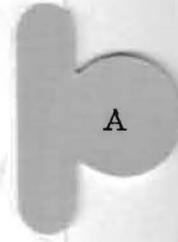
NSC MEMO, 11/24/98, STATE DEPT. GUIDELINES, *State Review 3/9/04*

BY *ll*, NARA, DATE *2/17/04*



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