

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF CONVERSATION

AUTHORITY State Dept. Review 3/11/04
BY dal NLF, DATE 4/13/07

PARTICIPANTS: President Ford
Francois-Xavier Ortoli, President of the Commission
of the European Community
Robert S. Ingersoll, Acting Secretary of State
Brent Scowcroft, Assistant to the President for
National Security Affairs
Phillippe de Margerie, Chef de Cabinet
Fernand Spaak, Head of EC delegation in Washington

DATE & TIME: Tuesday, February 24, 1976
9:30 - 10:22 a. m.

PLACE: The Oval Office

President: How long have you been here?

Ortoli: Just two days. We are planning an agreement of cooperation with Canada. We plan to begin discussions in 15 days.

President: I notice the Conservatives have picked a young leader. He's just 36 years old.

Ortoli: Yes, and he is a real unknown.

President: I am delighted to have you here. I would be interested in your comments on our relations, the Tindemans report, and what you think will happen.

Ortoli: Our major problems are economic. We are moving, but it is slow. The biggest problem is unemployment. We don't think that will get better very quickly. Also prices. Inflation is not declining as it should, except in Germany. The British are trying to do something.

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President: Their new budget proposals were startling.

Ortoli: Wilson and Healey are really trying. I think the fact they are in the EC will help. Their unemployment is very bad.

So things are improving and the cooperative approach has helped. We have avoided counter-productive measures. So things are not so bad. We are pleased with the results of Rambouillet. We think our ability to resist protection is being successful. We have taken a very firm position on import controls. The British came to us with a big program of controls. We had the same problem with Italy. We were able to say it is not a problem of import restrictions but a more basic problem, and more stimulants were needed. We gave a loan of \$1 billion -- it was a necessity.

President: Are you encouraged by their progress?

Ortoli: Yes. You can't ask too much in a country with a big unemployment rate. We will have to put economic and monetary conditions on the loan. I hope that Italy will not come back with a program of import control. With Britain, I am not sure, but we are trying to avoid it. I think probably we have managed the crisis as best we could. It is not brilliant, but with the shock and the unemployment, it is probably as well as could be expected.

President: Our economy, after the deep dip, is coming along better than we expected. The figures have been good for three weeks. Unemployment is still too high, but the number of employed is good. Inflation is going down. It is my feeling that the meeting in Rambouillet was very important. It had psychological as well as substantive benefits.

Ortoli: Capital goods is one of our worst problems now.

President: This is our first sign of movement in that area. Our only real laggard now is housing. But permits are up 11%, which is good. Unless Congress goes on a spending spree, we are optimistic.

Ortoli: Coming back to trade, we have some problems with your country. We have problems of protectionism, not from the Administration but from the ITC. We think it is an important subject. Specialty steels, for example, have declined substantially from earlier years. The major problem we think is the recession. That is true in other areas except shoes. The EC is declining in the export of shoes, except Italy. The problems in



shoes are in Italy, Britain and less so in Germany and France. I hope you can maintain your earlier policy because if we get into reciprocal restrictions we will have a cycle which will be hard to resist.

President: You are familiar with our legislation. I am aware of the problems, but the law requires consultation between the ITC and Trade Policy Council, and then it comes to me. I will do my best and I am a strong advocate of liberalization.

Ortoli: The matter is very important. Trade will be \$6-7 billion and we will have a trade deficit. Last year we made major progress in developing a feeling of inter-connection of our economies. Expanded trade is a major aspect of economic growth.

On political integration, the Tindemans report will be discussed by the heads of government this spring. I think our people will think we are not yet at the point where we can take a decisive step, except for direct election of the Parliament. That will be very important over time, with the building of constituencies, but we are not yet ready in the fields of political integration and foreign policy. We consult closely, but we are not yet ready to give our foreign policies to another entity. We are moving in the economic field, but that will take time. The most important institutional change is probably the meeting of the Prime Ministers three or four times a year. Tindemans, I think, is too optimistic.

I am against the two-tiered approach. We will split the Community if some feel they are second-class members. I think we must all move together.

The CIEC is doing fairly well. I think the dialogue is serious.

In the South, with the development of strong economic links with all the countries, we can look toward a network of links which will help stability. We are not talking politics but doing politics.

President: Is Portugal's economy turning around yet?

Ortoli: Not yet. Part of it is politics. If the people can go back to work without disruption, it should help. They are hard-working people.



President: We are trying to help. The refugees are a big problem. Politically things look good, and if the elections turn out well, it will help. We should work together here.

Ortoli: We have the same policy. In Spain, sooner or later they will ask for membership. There is a new atmosphere toward Spain. We know they are trying. There is still a feeling against them, but it is evolving and there is the general feeling they are trying and it is working.

President: We feel that both the economic and military relationship is essential. I don't know which should come first, but it is essential that we integrate them into the Western community.

Ortoli: I agree. I think that EC membership is a practical possibility in 5-6 years. We have agreed to take Greece in as the 10th member, and negotiations on entry will probably begin this year.

President: Is this their first try?

Ortoli: Yes. They have been an associate member. It was a difficult decision for the EC because each addition creates problems. The bigger we are, the weaker we are. It makes the process more difficult.

The Turks won't apply, but they are associate members. But it is creating problems because we are accepting the Greeks. So we will have to give more economic aid to the Turks for political reasons. We think we can help between Turkey and Greece. We have to move, cautiously so the Turks feel they are a part of Europe. Last month we signed agreements with the Maghreb. They are signing economic agreements. We have a foreign trade agreement with Israel and we now are negotiating with Egypt and Syria. Our objective is to help these peoples develop their economies -- it will help promote stability and contribute to political peace. It is a small role, but we think it is helpful.

President: Do you have anything special with Iceland?

Ortoli: Only an agreement, because Iceland was in the EFTA. Nothing special. Their only interest is fish.

President: This has been very helpful to me. If we can all get our economies moving, I think some of our problems will fade away. The trauma of the past 12 months I hope is past. I hope we can cooperate to progress together.



I guess the situation in Italy will drift along. Elections will be later this year.

Ortoli: Probably. It is a terrible situation. They never have a government. They are always waiting for the next one. The best way we can help is to keep them from economic failure. But time is short.

President: Apparently, the Communists are very shrewd.

Ortoli: Yes, and they are showing themselves the best administrators.



24 Feb 76

9³⁰ - 10²² a.m.

P How long have been here ✓

O Just 2 days. We are planning an agreement of cooperation with Canada. We plan to begin discussion in 15 days.

P I notice a Conservative have picked a young leader - just 36.

O Yes, and he is a real workman.

P I am delighted to have you here. I would be interested in your comments on our relations, a Trenchard report, & what you think will happen.

O Our major jobs are economies. We are not moving, but it is slow. The biggest job is employment. We don't think that will get better very quickly. Also prices. ~~They are not doing~~ Inflation is not declining as it should except in Germany. But we are trying to do something.

P Their new budget proposals were startling.

O Welles & Healey are really trying. I think a lot of things are in a ~~the~~ EC will help. Their unemployment is very bad. >

So things are improving & a cooperation approach has helped. We have avoided a country production increases. So things are not so bad.

We are pleased w/ Bombardier. We think our ability to resist protectionism is being successful. We have taken a very firm position on NI controls. The Brits come to us w/

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BY NARA DATE 5/17/09



a big part of controls. We had a some part of Italy. We were able to say it was a part of the restrictions but more basic & more stimulants were needed. We gave a loan of 1 bil - it was a necessity.

P Are you encouraged by their prog?

O Yes. You can't ask too much in a country w/ big unemployment. We will have to put in a monetary contribution one loan.

I hope that Italy will not come back w/ prog of the control. W/ but I not sure, but not trying to avoid it.

I think prob we have used a crisis as best we could - not brilliant, but w/ a shock & a unemployment, prob as well as could be expected.

P Our economy, after the deep dip, is coming along better than we expected. The figures have improved for 3 weeks. Unemployment still too high, but # of employed is good. Inflation going down.

It is very public work, in Rombold was very important. Aid pay as well as social benefits.

O Capital goods is one of our worst prob now

P This is our 1st sign of movement in that area. Our only real lay and now is housing.

But payments are up 11%, which is good.
Under Long goes on a spending spree,
we are optimistic.

- ① Coming back to trade, we have some probs
w/ your country. We have probs of protectionism,
not from Admin, but from FTC. We
think it an important subject. Specifically
starts, for example have declined subs. for
earlier years. The major prob we think is
a recession. That is true in other areas
except chocs. EC is declining in % of
shoes, except Italy. Perhaps shoes ~~are~~ ^{are} ~~small~~
in Italy, but a lot so in Can + Fr.

I hope you can enter your earlier policy
because if we get into recip. restrictions
we will have a cycle which will be hard
to resist.

- ② You pointed out our legis. I ~~have~~ ^{have} a
probs, but a low response FTC, Trade
Policy Council, consolidation & then to me-
devil doing best + I am ^{a strong} ~~an~~ advocate
of liberalization.

- ③ The matter is very important. Trade will
be 6-7 bil. & we will have trade def.
Last year we made major prog. in
delaying policy of interconnection of our
economies. Expanded trade is a major
aspect of our growth.
Our political integration, a Treaty



report will be discussed by heads of govt
this spring. I think some people will think
we not yet at point where we can take
a decisive step, except for direct election of
parliament. That will be very important one
kind of building of a consensus, but
we not yet ready in field of pub. integrity
& F.P. we consult daily but not yet
ready to give our F.P. to another entity.
We are moving in a new field, but
that will take time. Most important exist.
change is pub. inty of UKs 3rd time / yr.
Timberman I think is too optimistic.

I am against a 2 tiered approach. We
will split a community if some feel
they are 2nd class members. I think
we must all move together.

The CIEC is doing fairly well. I think
a dialog is serious.

In the south, w/c support of strong law
links w/all countries, we can look toward
a network of links which will aid stability.
We are not talking politics but doing
politics.

- P Do Post economy turning around yet
- Q Not yet. Part of it is politics. If people can
go back to work w/o exception it would
help. They are hard working people
- P We are trying to help. Refugees are a big job.



Politically, things look good + if the elections turn out well, it will help. We should work together hard.

O We have a serious job. In Spain, sooner or later they will ask for membership. There is a new atmosphere, base toward Spain. One knows they are trying. There is still feeling against them, but it is working + there is general feeling they are trying + it is working.)

P we feel that both econ + polit relationship is essential, don't know which shall come first but it is essential that we integrate them into ^{western} community

O I agree. I think that EC membership is a partial possibility in 5-6 yrs. We have agreed to take Greece in as 10th member + we got an entry with prob by this year.

P To this then, let try?

O Yes. They have taken on a new member. It was a big decision for EC to accept each addition creates problems bigger and are a creator of work. It makes progress more slow.

The Turks won't apply, but they are associate members. But it is creating problems because we are accepting Greeks. So we will have to give more econ aid to the Turks for polit reasons.



We think we can help but, T & G, Home & more
enthusiasm so C T feel they are a part of ECU.
last month we signed agreements w/ ^{Spain} ~~Spain~~
w/ T & G on sign agreements, we have a F.T.
agreement w/ I + we have signed w/ E & Syria.
Our objective is to help those people along
their business it will help promote stability
& contribute to political peace. It is a small
role but we think helpful.

P Any special of Ireland

O Only an agreement because Ireland was
in EFTA. Nothing special, only interest is
first.

P This has been very helpful. If we can all
get our economies moving I think some
of our fears will fade away. The Transition
of the past 12 months I hope is past & I
hope we can cooperate to progress together
I guess a lot in Italy will shift along. Elections
later this year?

O Part. It is a terrible situation. They never have a
good. They are always wanting for a solution.
The best way we can help is to help them
from a non-partisan. But time is short.

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