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The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements, addresses and news conferences of the President and the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and on treaties of general international interest.

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Global Consensus and Economic Development

Text of Address by Secretary Kissinger [1]

We assemble here this week with an opportunity to improve the condition of mankind. We can let this opportunity slip away, or we can respond to it with vision and common sense.

The United States has made its choice. There are no panaceas available—only challenges. The proposals that I shall announce today on behalf of President Ford are a program of practical steps responding to the expressed concerns of developing countries. We have made a major effort to develop an agenda for effective international action; we are prepared in turn to consider the proposals of others. But the United States is committed to a constructive effort.

For some time the technical capacity has existed to provide a tolerable standard of life for the world's 4 billion people. But we, the world community, must shape the political will to do so. For man stands not simply at a plateau of technical ability; he stands at a point of moral choice. When the ancient dream of mankind—a world without poverty—becomes a possibility, our profound moral convictions make it also our duty. And the convening of this special session bears witness that economic progress has become a central and urgent concern of international relations.

The global order of colonial power that lasted through centuries has now disappeared; the cold war division of the world into two rigid blocs has now also broken down, and major changes have taken place in the international economy. We now live in a world of some 150 nations. We live in an environment of continuing conflicts, proliferating weapons, new ideological divisions and economic rivalry. The developing nations have stated their claim for a greater role, for more control over their economic destiny, and for a just share in global prosperity. The economically advanced nations have stated their claim for reliable supplies of energy, raw materials, and other products at a fair price; they seek stable economic relationships and expanding world trade, for these are important to the well-being of their own societies.

These economic issues have already become the subject of mounting confrontation—embargoes, cartels, seizures, countermeasures—and bitter rhetoric. Over the remainder of this century, should this trend continue, the division of the planet between North and South, between rich and poor, could become as grim as the darkest days of the cold war. We would enter an age of festering resentment, increased resort to economic warfare, a hardening of new blocs, the undermining of cooperation, the erosion of international institutions—and failed development.

Can we reconcile our competing goals? Can we build a better world, by conscious purpose, out of the equality and cooperation of states? Can we turn the energies of all nations to the tasks of human progress? These are the challenges of our time.

We profoundly believe that neither the poor nor the rich nations can achieve their purposes in isolation. Neither can extort

[1] Read before the seventh special session of the U.N. General Assembly on Sept. 1 by Daniel P. Moynihan, U.S. Representative to the United Nations (text from press release 450).

them from the other—the developing countries least of all, for they would pay the greater cost of division of the planet, which would cut them off needlessly from sources of capital and markets essential to their own progress.

The reality is that ample incentives exist for cooperation on the basis of mutual respect. It is not necessarily the case that if some grow worse off, others will be worse off. But there is an opposite proposition, which we believe is true: that an economic system thrives if all who take part in it thrive. This is no theory; it is our own experience. And it is an experience that we, a people uniquely drawn from all the other peoples of the world, truly desire and hope to share with others.

Therefore it is time to go beyond the doctrines left over from a previous century that are made obsolete by modern reality.

History has left us the legacy of strident nationalism—discredited in this century by its brutal excesses a generation ago and by its patent inadequacy for the economic needs of our time. The economy is global. Recessions, inflation, trade relations, monetary stability, gluts and scarcities of products and materials, the growth of transnational enterprises—these are international phenomena and call for international responses.

History has also left us discredited doctrines of economic determinism and struggle. One of the ironies of our time is that systems based on the doctrine of materialism that promised economic justice have lagged in raising economic welfare.

And contrary to the ideologies of despair, many developing countries have been increasing their per capita incomes at far faster rates than obtained historically in Europe and North America in comparable stages of their growth.

It is also ironic that a philosophy of nonalignment, designed to allow new nations to make their national choices free from the pressure of competing blocs, now has produced a bloc of its own. Nations with radically different economic interests and with entirely different political concerns are combined in a kind of solidarity that often clearly sacrifices practical interests. And it is ironic also that the most devastating blow to economic development in this decade came not from "imperialist rapacity" but from an arbitrary, monopolistic price increase by the cartel of oil exporters.

The reality is that the world economy is a single global system of trade and monetary relations on which hinges the development of all our economies. The advanced nations have an interest in the growth of markets and production in the developing world; with equal conviction we state that the developing countries have a stake in the markets, technological innovation, and capital investment of the industrial countries.

Therefore the nations assembled here have a choice: We can offer our people slogans, or we can offer them solutions. We can deal in rhetoric, or we can deal in reality. My government has made its choice.

The United States firmly believes that the economic challenges of our time must unite us, and not divide us.

So let us get down to business. Let us put aside the sterile debate over whether a new economic order is required or whether the old economic order is adequate. Let us look forward and shape the world before us. Change is inherent in what we do and what we seek. But one fact does not change: that without a consensus on the realities and principles of the development effort, we will achieve nothing.

—There must be consensus, first and foremost, on the principle that our common development goals can be achieved only by cooperation, not by the politics of confrontation.

—There must be consensus that acknowledges our respective concerns and our mutual responsibilities. All of us have rights, and all of us have duties.

—The consensus must embrace the broadest possible participation in international decisions. The developing countries must have a role and voice in the international system, especially in decisions that affect them. But those nations who are asked to provide resources and effort to carry out the decisions must be accorded a commensurate voice.

We have learned from experience that the methods of development assistance of the 1950's and 60's are no longer adequate. Not only did the technical accomplishments of many programs fall short of expectations; the traditional approaches are less acceptable to the industrialized world because they have seemed to become an endless and one-sided financial burden. And they are less acceptable to the developing world because they have seemed to create a relationship of charity and dependency, inconsistent with equality and self-respect.

Therefore we must find new means. The United States offers today concrete proposals for international actions to promote economic development. We believe that an effective development strategy should concentrate on five fundamental areas:

—First, we must apply international cooperation to the problem of insuring basic economic security. The United States proposes steps to safeguard against the economic shocks to which developing countries are particularly vulnerable: sharp declines in their export earnings from the cycle of world supply and demand, food shortages, and natural disasters.

—Second, we must lay the foundations for accelerated growth. The United States proposes steps to improve developing countries' access to capital markets, to focus and adapt new technology to specific development needs, and to reach consensus on the conditions for foreign investment.

—Third, we must improve the basic opportunities of the developing countries in the world trading system so they can make their way by earnings instead of aid.

—Fourth, we must improve the conditions of trade and investment in key commodities on which the economies of many developing countries are dependent, and we must set an example in improving the production and availability of food.

—Fifth, let us address the special needs of the poorest countries, who are the most devastated by current economic conditions, sharing the responsibility among old and newly wealthy donors.

The determination of the developing nations to mobilize their own effort is indispensable. Without it, no outside effort will have effect. Government policies to call forth savings, to institute land reform, to use external aid and capital productively, to manage and allocate national resources wisely, to promote family planning—for these there are no substitutes.

But there must be international as well as national commitment. The United States is prepared to do its part. The senior economic officials of our government have joined with me in developing our approach. Treasury Secretary Simon, with whom I have worked closely on our program, will discuss it tomorrow in relation to the world economy. The large congressional delegation that will attend the session, and the seriousness with which they and the executive branch have collaborated in preparing these proposals, are evidence of my country's commitment.

We ask in return for a serious international dialogue on the responsibilities which confront us all.

Insuring Economic Security

Our first task is to insure basic economic security.

The swings and shocks of economic adversity are a global concern tearing at the fabric of developed and developing nations alike. The cycle of good times and bad, abundance and famine, does vast damage to lives and economies. Unemployment, falling standards of living, and the ravages of inflation fuel social and political discontent. We have recently seen the corrosive effects in many countries.

Developing economies are by far the most vulnerable to natural and manmade disasters—the vagaries of weather and of the business cycle. Sharp increases in the prices of oil and food have a devastating effect on their livelihood. Recessions in the industrial countries depress their export earnings.

Thus economic security is the minimum requirement of an effective strategy for development. Without this foundation, sound development programs cannot proceed and the great efforts that development requires from poor and rich alike cannot be sustained.

And because economic security is a global problem, it is a global challenge:

—The industrial nations must work together more effectively to restore and maintain their noninflationary expansion;

—Nations which supply vital products must avoid actions which disrupt that expansion; and

—The international community must undertake a new approach to reduce drastic fluctuations in the export earnings of the developing countries.

Since the economic health of the industrial countries is central to the health of the global economy, their efforts to avoid the extremes of recession and inflation become an international, as well as a national, responsibility.

In a new departure this past year, the leaders of the United States and its major trading partners have begun closer coordination of their national economic policies. A shared sense of urgency, and the exchange of information about trends and intentions, have already influenced important policy decisions. President Ford intends to continue and intensify consultations of this kind. The successful recovery of the industrial economies will be the engine of international stability and growth.

Global economic security depends, secondly, on the actions of suppliers of vital products.

Thus the United States has believed that the future of the world economy requires discussions on energy and other key issues among oil consuming and producing nations. The Government of France is inviting industrialized, oil-producing, and developing nations to relaunch a dialogue this fall on the problems of energy, development, raw materials, and related financial issues. The United States has supported this proposal and worked hard to establish the basis for successful meetings.

But this dialogue is based on an approach of negotiation and consensus, not the exercise of brute economic power to gain unilateral advantage. The enormous, arbitrary increases in the price of oil of 1973 and 1974 have already exacerbated both inflation and recession worldwide. They have shattered the economic planning and progress of many countries. Another increase would slow down or reverse the recovery and the development of nearly every nation represented in this Assembly. It would erode both the will and the capacity in the industrial world for assistance to developing countries. It would, in short, strike a serious blow at the hopes of hundreds of millions around the world.

The forthcoming dialogue among consumers and producers is a test. For its part, the United States is prepared for cooperation. We will work to make it succeed, in our own self-interest and in the interest of all nations. We hope to be met in that same spirit.

The third basic factor in economic security is the stability of export earnings. The development programs—indeed, the basic survival—of many countries rest heavily on earnings from exports of primary products which are highly vulnerable to fluctuations in worldwide demand. Countries which depend on one product can find their revenues reduced drastically if its price drops or if exports fall precipitously. Most have insufficient reserves to cushion against sharp declines in earnings, and they cannot quickly increase the exports of other products. Facing such economic problems, most cannot borrow to offset the loss or can only do so at extremely high interest rates. In such situations countries are frequently forced to cut back on the imports on which their growth and survival depend. Thus the unpredictability of export earnings can make a mockery of development planning.

The question of stabilization of income from primary products has become central in the dialogue on international economic concerns. Price stabilization is not generally a promising approach. For many commodities it would be difficult to achieve without severe restrictions on production or exports, extremely expensive buffer stocks, or price levels which could stimulate substitutes and thereby work to the long-range disadvantage of producers. Even the most ambitious agenda for addressing individual commodities would not result in stabilization arrangements for all of them in the near term. And focusing exclusively on stabilizing commodity prices would not provide sufficient protection to the many developing countries whose earnings also depend on the exports of manufactured goods.

The U.S. Government has recently completed a review of these issues. We have concluded that, because of the wide diversity among countries, commodities, and markets, a new, much more comprehensive approach is required—one which will be helpful to exporters of all commodities and manufactured goods as well.

Let me set forth our proposal. The United States proposes creation in the International Monetary Fund (IMF) of a new development security facility to stabilize overall export earnings.

—The facility would give loans to sustain development programs in the face of export fluctuations; up to $2.5 billion, and possibly more, in a single year and a potential total of $10 billion in outstanding loans.

—Assistance would be available to all developing countries which need to finance shortfalls in export earnings, unless the shortfalls are caused by their own acts of policy.

—The poorest countries would be permitted to convert their loans into grants under prescribed conditions. These grants would be financed by the proceeds of sales of IMF gold channeled through the proposed $2 billion Trust Fund now under negotiation.

—Eligible countries could draw most, or under certain conditions all, of their IMF quotas in addition to their normal drawing rights. Much of that could be drawn in a single year, if necessary; part automatically, part subject to balance-of-payments conditions, and part reserved for cases of particularly violent swings in commodity earnings.

—Shortfalls would be calculated according to a formula geared to future growth as well as current and past exports. In this way the facility helps countries protect their development plans.

—This facility would replace the IMF's compensatory finance facility; it would not be available for industrial countries.

The United States will present its detailed proposals to the Executive Directors of the International Monetary Fund this month.

This development security facility would provide unprecedented protection against disruptions caused by reductions in earnings —both for countries whose exports consist of a few commodities and for those with diversified and manufactured exports, whose earnings also fluctuate with business cycles. In the great majority of countries, this new facility will cover nearly all the earnings shortfall.

This new source of funds also reinforces our more traditional types of assistance; without the stabilization of earnings, the benefits of concessional aid for developing countries are vitiated. For industrialized countries, it means a more steady export market. For developing countries, it helps assure that development can be pursued without disruption and makes them more desirable prospects in international capital markets. For consumers and producers, rich and poor alike, it buttresses economic security.

Thus the success of our efforts in this area will demonstrate that our interdependence can strengthen the foundations of prosperity for all while promoting progress in the developing countries.

Accelerating Economic Growth

It is not enough to insure the minimal economic security of the developing countries. Development is a process of growth, acceleration, greater productivity, higher living standards, and social change. This is a process requiring the infusion of capital, technology, and managerial skills on a massive scale.

Developing countries themselves will have to provide most of the effort, but international support is indispensable. Even a moderate acceleration of recent growth rates will require some $40 billion a year in outside capital by 1980. The requirement for technological innovation, though impossible to quantify, is similarly great.

How can these needs for capital, technology, and skills be met?

Bilateral concessional assistance from the industrialized countries has been one important source. Last year it amounted to some $7.2 billion. This must continue to grow. But realistically, we cannot expect the level to increase significantly over the coming years. To put it frankly, the political climate for bilateral aid has deteriorated. In the industrial countries, support for aid has been eroded by domestic economic slowdown, compounded by energy problems; in the developing countries, there is resentment at forms of assistance which imply dependence.

The oil exporters have only begun to meet their responsibility for assistance to the poorer countries. Last year their concessionary aid disbursements were roughly $2 billion; they could, and must, rise substantially this year.

But the industrial nations and the oil exporters cannot, even together, supply all the new resources needed to accelerate development. It follows inescapably that the remaining needs for capital and technology can only be met, directly or indirectly, from the vast pool of private sources. This investment will take place only if the conditions exist to attract or permit it. The United States therefore believes it is time for the world community to address the basic requirements for accelerating growth in developing countries:

—First, developing countries must have better access to capital markets.

—Second, we must promote the transfer of technology.

—Third, it is time to reach an international consensus on the principles to guide the beneficial operation of transnational enterprises.

Access to Capital Markets

First, access to capital markets: The private capital markets are already a major source of development funds, either directly or through intermediaries. The World Bank and the regional development banks borrow extensively to lend to developing nations. The United States urges the expansion of these programs. We are gratified that advanced countries outside of the Western Hemisphere are joining us shortly in a $6 billion expansion of the Inter-American Development Bank. We will participate in negotiations for replenishment of the Asian Development Bank, and we are seeking congressional authority to join the African Development Fund.

But the developing countries that have been most successful and that no longer require concessional aid, especially in Asia and Latin America, have relied heavily on borrowing in the capital markets. Their future access must be assured.

We must now find new ways to enhance the opportunities of developing countries in the competition for capital. And we need to match in new ways potential sources of capital with the investment needs of developing countries.

Several courses of action offer promise.

First, the United States will support a major expansion of the resources of the World Bank's International Finance Corporation, the investment banker with the broadest experience in supporting private enterprise in developing countries. We propose a large increase in the IFC's capital, from the present $100 million to at least $400 million.

Second, the United States proposes creation of an International Investment Trust to mobilize portfolio capital for investment in local enterprises. The trust would attract new capital by offering investors a unique opportunity: participation in a managed broad selection of investments in developing country firms, public, private, and mixed. The International Finance Corporation would manage it and perhaps provide seed capital, but most of its funds would come from government and private investors. Investors would have their exposure to major losses limited by a $200 million loss reserve provided by governments of industrialized, oil-producing, and developing nations. This institution could be a powerful link between the capital markets and the developing world and could provide billions of dollars of essential resources.

Third, the United States will contribute actively to the work of the IMF-World Bank Development Committee to find ways to assist developing countries in their direct borrowing in the capital markets. It is encouraging that the Latin American countries are considering a regional financial safety net to underpin their access to capital markets by mutual commitments of financial backing.

Finally, we believe that all industrial countries should systematically review the conditions for developing-country access to their national markets to assure that they offer fair and open opportunity. The United States is prepared to provide technical assistance and expertise to developing countries ready to enter long-term capital markets, and we ask others to join us.

Transfer of Technology

Developing countries need not only new funds but also new technology. Yet the mechanisms for the transfer of technology and for its local development are limited and are seldom at the sole command of national governments, and the technologies of industrial countries must often be adapted to local economic and social conditions. New institutions and new approaches are therefore required.

For technology to spur development, it must spur growth in priority areas: energy, food, other resources strategic to the developing economies, and industrialization itself.

First, *energy* is critical for both agricultural and industrial development. The enormous rise in the cost of oil in the last two years has more than wiped out the total of the foreign aid that developing countries have received. It has undermined their balance of payments and has mortgaged their future by forcing them into larger borrowing at higher interest rates. There is no easy short-term solution; but if energy dependence is to be reduced, efforts to exploit new and diversified sources must be intensified now.

The United States invites other nations to join us in an increase of bilateral support for training and technical assistance to help developing countries find and exploit new sources of fossil fuel and other forms of energy.

Methods of discovering and using less accessible or low-grade resources must be fully utilized. So must technology to produce solar and geothermal power. And these techniques must be suited to the conditions of the developing countries.

The United States believes the topic of energy cooperation should be high on the agenda for the forthcoming dialogue between consumers and producers. We will propose, in this dialogue, creation of an International Energy Institute bringing together developed and developing, consumer and producer, on the particular problem of energy development. The International Energy Agency and the International Atomic Energy Agency should both find ways to give technical assistance and support to this institute.

A second critical area for technological innovation is *food production and improvement of nutrition.*

During the past decade, a number of international agricultural research centers have been established to adapt techniques to local needs and conditions. In 1971 the Consultative Group for International Agricultural Research was formed to coordinate these efforts. The United States is prepared to expand the capacity of these institutions. In collaboration with national research organizations with more skilled manpower and funds, they could grow into a worldwide research network for development of agricultural technology.

We are also supporting legislation in the Congress to enable our universities to expand their technical assistance and research in the agricultural field.

Nonfood agricultural and forestry products are a third strategic area for technological assistance. The export earnings of many of the poorest countries—and the livelihood of many millions of their people—depend on such products as timber, jute, cotton, and natural rubber, some of which have encountered serious problems in the face of synthetics. They urgently need assistance to improve the productivity and competitiveness of these products and to diversify their economies.

The United States therefore proposes creation of an organization to coordinate and finance such assistance. Its task will be to attract manpower and capital for research. The financing of this effort should be a priority task for the new International Fund for Agricultural Development.

But developing countries' need for technology is not only for development of strategic sectors but for the broad *promotion of industrialization* itself. This requires the broadest application of skills, resources, and information.

This is not an easy task. The storehouse of technology is already huge and is growing geometrically. Developing practical devices to transfer technology beyond those which already exist will require careful thought. We are prepared to join with other nations in examining new initiatives.

To this end the United States supports creation of an International Industrialization Institute to sponsor and conduct research on industrial technology together with the governments, industries, and research facilities of developing countries.

We support creation of an international center for the exchange of technological information, as a clearinghouse for the sharing of ongoing research and new findings relevant to development.

We will expand our bilateral support of industrial technology appropriate to developing country needs.

We will work with others in this organization in preparing guidelines for the transfer of technology and in the planning of a conference on science and technology for development.

Transnational Enterprises

Access to capital markets and special programs to transfer new technology are but two factors of accelerated growth. There is a third—which may well be one of the most effective engines of development—the transnational enterprise.

Transnational enterprises have been powerful instruments of modernization both in the industrial nations—where they conduct most of their operations—and in the developing countries, where there is often no substitute for their ability to marshal capital, management skills, technology, and initiative. Thus the controversy over their role and conduct is itself an obstacle to economic development.

It is time for the world community to deal with the problems, real and perceived, that have arisen. If the nations assembled here cannot reach consensus on the proper role of these enterprises, the developing countries could lose an invaluable asset. Let us make this issue a test of our capacity to accommodate mutual concerns in practical agreement.

For our part, the United States is prepared to meet the proper concerns of governments in whose territories transnational enterprises operate. We affirm that enterprises must act in full accordance with the sovereignty of host governments and take full account of their public policy. Countries are entitled to regulate the operations of transnational enterprises within their borders. But countries wishing the benefits of these enterprises should foster the conditions that attract and maintain their productive operation.

The United States therefore believes that the time has come for the international community to articulate standards of conduct for both enterprises and governments. The United Nations Commission on Transnational Corporations and other international bodies have begun such an effort. We must reach agreement on balanced principles. These should apply to transnational enterprises in their relations with governments, and to governments in their relations with enterprises and with other governments. They must be fair principles, for failure to reflect the interests of all parties concerned would exacerbate rather than moderate the frictions which have damaged the environment for international investment. Specifically, the United States believes that:

—Transnational enterprises are obliged to obey local law and refrain from unlawful intervention in the domestic affairs of host countries. Their activities should take account of public policy and national development priorities. They should respect local customs. They should employ qualified local personnel, or qualify local people through training.

—Host governments in turn must treat transnational enterprises equitably, without discrimination among them, and in accordance with international law. Host governments should make explicit their development priorities and the standards which transnational enterprises are expected to meet, and maintain them with reasonable consistency.

—Governments and enterprises must both respect the contractual obligations that they freely undertake. Contracts should be negotiated openly, fairly, and with full knowledge of their implications. Greater assurance that contracts will be honored will improve the international commercial environment, increase the flow of investment, and expand economic transactions. Destructive and politically explosive investment disputes, which spoil the climate for large commitments and investment, will occur less frequently.

—Principles established for transnational enterprises should apply equally to domestic enterprises, where relevant. Standards should be addressed not only to privately owned corporations, but also to state-owned and mixed transnational enterprises, which are increasingly important in the world economy.

A statement of principles is not the only or necessarily a sufficient way of resolving many of the problems affecting transnational enterprises. We must develop others:

—Governments must harmonize their tax treatment of these enterprises. Without coordination, host-country and home-country policies may inhibit productive investment.

—Factfinding and arbitral procedures must be promoted as means for settling investment disputes. The World Bank's International Center for the Settlement of Investment Disputes and other third-party facilities should be employed to settle the important disputes which inevitably arise.

—Laws against restrictive business practices must be developed, better coordinated among countries, and enforced. The United States has long been vigilant against such abuses in domestic trade, mergers, or licensing of technology. We stand by the same principles internationally. We condemn restrictive practices in setting prices or restraining supplies, whether by private or state-owned transnational enterprises or by the collusion of national governments.

—Insurance for foreign private investors should to the extent possible be multilateralized and should include financial participation by developing countries to reflect our mutual stake in encouraging foreign investment in the service of development.

—And there must be more effective bilateral consultation among governments to identify and resolve investment disputes before they become irritants in political relations.

The United States believes that just solutions are achievable—and necessary. If the world community is committed to economic development, it cannot afford to treat transnational enterprises as objects of economic warfare. The capacity of the international community to deal with this issue constructively will be an important test of whether the search for solutions or the clash of ideologies will dominate our economic future. The implications for economic development are profound.

Trade and Development

The third basic area for our attention is trade. Improving the world trading system will magnify our success in every other sphere of the development effort.

Trade has been a driving force in the unprecedented expansion of the world economy over the last 30 years. Comparative advantage and specialization, the exchange of technology and the movement of capital, the spur to productivity that competition provides—these are central elements of efficiency and progress. Open trade promotes growth and combats inflation in all countries.

For developing nations, trade is perhaps the most important engine of development. Increased earnings from exports help pay for both the imports that are essential to expand production and the food for growing populations. These earnings reduce dependence on aid, limit the accumulation of debt, and help finance essential borrowing. Growing export industries can provide jobs and increase the government revenues necessary for development programs. It is no accident, therefore, that the success stories in development of the past three decades have been those very countries that have taken full advantage of the opportunities in world trade.

But today the global trading system is threatened by the most serious recession since the Second World War. We face the danger of proliferating artificial barriers and unfair competition reminiscent of the 1930's, which contributed to economic and political disaster. Every day that economic recovery is delayed, the temptation grows to restrict imports, subsidize exports, and control scarce commodities. Concerted action is necessary now to safeguard and improve the open trading system on which the future well-being of all our countries depends.

The multilateral trade negotiations now taking place in Geneva are central to this effort. They will have a profound impact on the future of the world economy and the prospects for development. If these negotiations fail, all countries risk a slide into an increasingly fragmented, closed world of nationalism, blocs, and mounting frictions. If they succeed, all countries will benefit and there will be major progress toward a cooperative and prosperous world.

Many of the less developed nations are emerging as important commercial powers. But developing countries need assistance to take better advantage of trading opportunities, especially to help them open up new markets. In revising rules to govern trade we must take account of their particular needs. In this connection, regional trading associations can help many small countries by providing the economies of scale which result from larger markets.

Thus success in the negotiations depends critically on promoting the interests of the developing countries. For if they do not help to make the rules, assume part of the responsibility to maintain a stable trade system, and share in the benefits of trade, the rules will be subject to increasing challenge, the stability of the system undermined, and the benefits for all nations jeopardized.

The United States therefore believes that a major goal of the multilateral trade negotiations should be to make the trading system better serve development goals. Let me briefly outline our policy.

—First, there must be fundamental structural improvement in the relationship of the developing countries to the world trading system. In the earlier stages of their development, they should receive special treatment through a variety of means—such as preferences, favorable concessions, and exceptions which reflect their economic status. But as they progress to a higher level of development, they must gradually accept the same obligations of reciprocity and stable arrangements that other countries undertake. At some point they must be prepared to compete on more equal terms, even as they derive growing benefits.

—Second, we must improve opportunities for the manufacturing sectors of developing countries. These provide the most promising new areas for exports at the critical stage in development, but the tariffs of industrial countries are a substantial obstacle. To ease this problem the United States has agreed to join other industrial countries in instituting generalized tariff preferences to permit developing countries enhanced access to the markets of industrialized nations.

I am pleased to announce today that the U.S. program will be put into effect on January 1, 1976. And before that date, we will begin consultations and practical assistance to enable exporting countries to benefit from the new trade opportunities in the American market, the largest single market for the manufactured goods of developing countries.

—Third, in keeping with the Tokyo Declaration,[2] we should adapt rules of nontariff barriers to the particular situation of developing countries. In setting international standards for government procurement practices, for example, the United States will negotiate special consideration for the developing countries. We will also negotiate on the basis that under prescribed conditions, certain subsidies may be permitted without triggering countervailing duties for a period geared to achieving particular development objectives.

—Fourth, we will work for early agreement on tariffs for tropical products, which are a major source of earnings for the developing world. Moreover, the United States will implement its tariff cuts on these products as soon as possible.

—Finally, we are ready to join with other participants in Geneva to negotiate changes in the system of protection in the industrialized countries that favors the import of raw materials over other goods. Many countries impose low or no duties on raw materials and high duties on manufactured or processed goods; the tariff protection increases or "escalates" with the degree of processing. Nothing could be better calculated to discourage and limit the growth of processing industries in developing countries. The United States will give high priority in the Geneva negotiations to reducing these barriers.

The developing countries have obligations in return. The world needs a system in which no nation, developed or developing, arbitrarily withholds or interferes with normal exports of materials. This practice—by depriving other countries of needed goods—can trigger unemployment, cut production, and fuel inflation. It is therefore as disruptive as any of the other trade barriers I have discussed. We urge negotiations on rules to limit and govern the use of export restraints, a logical extension of existing rules on imports. The United States will join others in negotiating supply-access commitments as part of the reciprocal exchange of concessions.

But commodities can be addressed only in part in the context of the trade negotiations. For some serious commodity problems, special arrangements and different institutional structures are required. Let me now turn to that subject.

Commodity Trade and Production

Exports of primary products—raw materials and other commodities—are crucial to the incomes of developing countries. These earnings can lift living standards above bare subsistence, generate profits to support the first steps of industrialization, and provide tax revenues for education, health, and other social programs for development. The history of the United States—and many other countries—confirms the importance of commodities.

But this path can be precarious in an uncertain global environment. Those developing countries which are not oil exporters rely on primary commodities for nearly two-thirds of their export earnings. Yet their sales of raw materials and agricultural products have not grown as fast as those of industrial countries. Agricultural commodities, particularly, are vulnerable to the whims of weather and swings of worldwide demand. The market in minerals is especially sensitive to the pendulum of boom-and-bust in the industrial countries. The result is a cycle of scarcity and glut, of underinvestment and overcapacity.

Developing countries are hit hard by commodity cycles also as consumers; higher prices for energy imports, swings in the price and supply of food, and greater costs for other essential raw materials have been devastating blows, soaking up aid funds and the earnings by which they hoped to finance imports. All this can make a mockery of development plans.

But the problems of commodities are not the problems only of developing countries.

[2] For text of the declaration, approved at Tokyo on Sept. 14, 1973, by a ministerial meeting of the Contracting Parties to the General Agreement on Tariffs and Trade, see BULLETIN of Oct. 8, 1973, p. 450.

The industrialized countries are in fact the largest exporters of food and most minerals. Gyrating prices complicate economic decisions in industrial countries. And consumers in industrial countries have painfully learned that high commodity prices leave their inflationary impact long after the commodity market has turned around.

Therefore both industrial and developing countries would benefit from more stable conditions of trade and an expansion of productive capacity in commodities.

Many solutions have been put forward to benefit producers of particular products: cartelization, price indexing, commodity agreements, and other methods. But reality demonstrates the interdependence of all our economies and therefore the necessity for approaches that serve global rather than narrow interests.

Food Security

The most vital commodity in the world is food. The United States is its largest producer and exporter. We recognize our responsibility. We have also sought to make international collaboration in food a model for realistic and cooperative approaches to other international economic issues.

The U.S. policy is now one of maximum production. At home, we want a thriving farm economy and moderate prices for consumers. Internationally, we wish cooperative relations with nations that purchase from us, an open and growing market, and abundant supplies to meet the needs of the hungry through both good times and bad.

For hundreds of millions of people, food security is the single most critical need in their lives; for many it is a question of life itself. But food security means more than emergency relief to deal with crop failures, natural disasters, and pockets of famine. It means reasonable stability in the availability of food in commercial markets so that harvest failures in some parts of the world will not make food impossibly expensive elsewhere. We have seen with dramatic frequency in recent years how the international food market, strained to capacity, can shake the international economy. Its fluctuations have accelerated inflation, devastated development plans, and wreaked havoc with human lives. Yet in good times, the world community has not summoned the will to take obvious corrective steps to stabilize the market structure.

The United States believes that a global approach to food security, which contains elements that can apply to other commodities, should follow these basic principles:

—The problem must be approached globally, comprehensively, and cooperatively, by consultation and negotiation among all significant producers and consumers;

—Producers should recognize the global interest in stability of supply, and consumers should recognize the interest of producers in stability of markets and earnings;

—Special consideration should be given to the needs of developing countries; and

—Where volatile demand is combined with limited ability to make short-term increases in production, buffer stocks may be the best approach to achieving greater security for both consumers and producers.

At the World Food Conference last November, which was convened at our initiative, the United States proposed a comprehensive international cooperative approach to providing food security. We proposed an international system of nationally held grain reserves, to meet emergencies and improve the market. The United States has since then offered specific proposals and begun negotiations. But the international effort lagged when improved harvests seemed to diminish the immediate danger of worldwide shortage.

My government today declares that it is time to create this reserve system. If we do not, future crises are inevitable. Specifically, we propose:

—To meet virtually all potential shortfalls in food grains production, total world reserves must reach at least 30 million tons of wheat and rice. We should consider whether a similar reserve is needed in coarse grains.

—Responsibility for holding reserves should be allocated fairly, taking into account wealth, production, and trade. The United States is prepared to hold a major share.

—Acquisition and release of reserves should be governed by quantitative standards such as anticipated surpluses and shortfalls in production.

—Full participants in the system should receive assured access to supplies. Among major producers, full participation should require complete exchange of information and forecasts.

—Special assistance should be extended to developing countries that participate, to enable them to meet their obligation to hold a portion of global reserves.

The United States is ready to negotiate the creation of such a system. Let us move ahead rapidly.

Other Primary Commodities

And let us apply the same approach of cooperation to other primary commodities that are similarly beset by swings of price and supply—and that are similarly essential to the global economy.

There is no simple formula that will apply equally to all commodities. The United States therefore proposes to discuss new arrangements in individual commodities on a case-by-case basis.

Buffer stocks can be an effective technique to moderate instability in supplies and earnings. On the other hand, price-fixing arrangements distort the market, restrict production, and waste resources for everyone. It is developing countries that can least afford this waste. Restricted production idles the costly equipment and economic infrastructure that takes years to build. Artificially high prices lead consumers to make costly investment in domestic substitutes, ultimately eroding the market power of the traditional producers.

Accordingly, the United States proposes the following approach to commodity arrangements:

—We recommend that a consumer-producer forum be established for every key commodity to discuss how to promote the efficiency, growth, and stability of its market. This is particularly important in the case of grains, as I have outlined. It is also important in copper, where priority should be given to creating a forum for consumer-producer consultation.

—The first new formal international agreement being concluded is on tin. We have participated actively in its negotiation. President Ford has authorized me to announce that the United States intends to sign the tin agreement, subject to congressional consultations and ratification. We welcome its emphasis on buffer stocks, its avoidance of direct price fixing, and its balanced voting system. We will retain our right to sell from our strategic stockpiles, and we recognize the right of others to maintain a similar program.

—We are participating actively in negotiations on coffee. We hope they will result in a satisfactory new agreement that reduces the large fluctuations in prices and supplies entering the market.

—We will also join in the forthcoming cocoa and sugar negotiations. Their objective will be to reduce the risks of investment and moderate the swings in prices and supplies.

—We will support liberalization of the International Monetary Fund's financing of buffer stocks, to assure that this facility is available without reducing other drawing rights.

Comprehensive Program of Investment

I have already announced my government's broad proposal of a development security facility, a more fundamental approach to stabilizing the overall earnings of countries dependent on commodities trade. My government also believes that an effective approach to the commodities problem requires a comprehensive program of investment to expand worldwide capacity in minerals and other critical raw materials. This is basic to the health of both industrial and developing economies.

There are presently no shortages in most basic raw materials, nor are any likely in the next two or three years. But the adequacy of supplies in years to come will be determined by investment decisions taken now. Because the technology for processing lower grade ores is extremely complex and the financing requirements for major raw material investments are massive, new projects take several years to complete. In some countries the traditional source of funds—private foreign investment—is no longer as welcome, nor are investors as interested, as in the past.

The United States therefore proposes a major new international effort to expand raw material resources in developing countries.

The World Bank and its affiliates, in concert with private sources, should play a fundamental role. They can supply limited amounts of capital directly; more importantly, they can use their technical, managerial, and financial expertise to bring together funds from private and public sources. They can act as intermediary between private investors and host governments and link private and public effort by providing cross-guarantees on performance. World Bank loans could fund government projects, particularly for needed infrastructure, while the International Finance Corporation could join private enterprise in providing loans and equity capital. The World Bank Group should aim to mobilize $2 billion in private and public capital annually.

In addition, the United States will contribute to and actively support the new United Nations revolving fund for natural resources. This fund will encourage the worldwide exploration and exploitation of minerals and thus promote one of the most promising endeavors of economic development.

The Poorest Nations

Any strategy for development must devote special attention to the needs of the poorest countries. The fate of 1 billion people—half the developing world and a quarter of mankind—will be affected by what we do or fail to do.

For the last four years, per capita income in the poorest countries—already below minimal standards for development—has declined. Their exports are most concentrated in the least dynamic sectors of world demand. It is they who have been most cruelly affected by the rise in the costs of oil, food, and other essential imports.

Whatever adversity the rest of mankind endures, it is these peoples who endure the most. Whatever problems we have, theirs are monumental. Whatever economic consequences flow from the decisions that we all make, the consequences are greatest for them. If global progress in economic development falters, they will be submerged.

This challenge transcends ideology and bloc politics. No international order can be considered just unless one of its fundamental principles is cooperation to raise the poorest of the world to a decent standard of life.

This challenge has two dimensions. We must look to elemental economic security and the immediate relief of suffering. And we must give preference to these countries' needs for future economic growth.

Elemental Economic Security

First, security means balance-of-payments support for the poorest countries during periods of adversity. For them global recessions and wide swings in prices of key commodities have a particularly disastrous impact. Yet these countries have very little access to short- and medium-term capital to help them weather bad times. The little finance to which they have access often involves interest rates that are too high considering their chronic debt-repayment problems.

To provide greater balance-of-payments support at more acceptable rates of interest for the poor nations, the United States last November proposed a Trust Fund in the International Monetary Fund of up to $2 billion for emergency relief. Although this proposal met with wide support, it has been stalled by a dispute over an unrelated issue: the role of gold in the international monetary system. We cannot let this delay continue. The United States is making a determined effort to move forward the monetary negotiations at the IMF meetings now underway. If others meet us in this same spirit, we could reach a consensus on the Trust Fund by the next meeting in January.

Second, security requires stable export earnings. The new approach that we are proposing today for earnings stabilization can provide major new economic insurance in the form of loans and grants for the poorest countries.

Third, security means having enough to eat. There must be determined international cooperation on food.

The World Food Conference set a target of 10 million tons of food aid annually. This fiscal year the U.S. food aid budget provides for almost 6 million tons of food grains—60 percent of the world target, and a 20 percent increase over last year. Other producers must also provide their share.

Another priority in the poorest countries must be to reduce the tragic waste of losses after harvest from inadequate storage, transport, and pest control. There are often simple and inexpensive techniques to resolve these problems. Investment in such areas as better storage and pesticides could have a rapid and substantial impact on the world's food supply; indeed, the saving could match the total of all the food aid being given around the world. Therefore we urge that the Food and Agriculture Organization, in conjunction with the U.N. Development Program and the World Bank, set a goal of cutting in half these postharvest losses by 1985, and develop a comprehensive program to this end.

Finally, security means good health and easing the strains of population growth. Disease ravages the poorest countries most of all and exacts a devastating economic as well as human cost. At the same time we face the stark reality that there will be twice as many people to feed by the end of this century as there are today. One of the most promising approaches to these problems is the integrated delivery of basic health services at the community level, combining medical treatment, family planning, and nutritional information and using locally trained paramedical personnel. The United States will support a major expansion of the efforts already underway, including those in cooperation with the World Health Organization, to develop and apply these methods. We strongly urge the help of all concerned nations.

Future Economic Growth

Programs to achieve minimum economic security, however essential, solve only part of the problem. We must help the poorest nations break out of their present stagnation and move toward economic growth.

This means, first of all, that they should have preferential access to official, concessionary financial aid. They have the least dynamic exports, but they lack the capital to develop new ones. They have the direst need for financing, but they have no access to capital markets and little ability to carry greater debt.

If these countries themselves can summon the effort required, outside assistance can be productive. All nations with the financial capacity must share the responsibility. We will do our part. More than 70 percent of our development assistance goes to low-income countries. More than 60 percent of this year's proposed programs is devoted to food and nutrition, which are of particular importance to the poorest.

The special financial needs of the poorest countries can be met particularly well by expanded low-interest loans of the international financial institutions. The International Development Association of the World Bank Group is a principal instrument whose great potential has not been fully realized. After congressional consultations, the United States will join others in a substantial fifth replenishment of the resources of the International Development Association, provided that the oil-exporting countries also make a significant contribution.

An effective strategy for sustained growth in the poorest countries must expand their agricultural production, for external food aid cannot possibly fill their needs. The current gap between what the developing countries need and what they can produce themselves is 15 million tons; at present rates of growth, the gap is expected to double or triple within the next decade. Failure to meet this challenge will doom much of the world to hunger and malnutrition and all of the world to periodic shortages and higher prices.

Traditional bilateral aid programs to boost agricultural production remain indispensable. President Ford is asking Congress for authorization to double our bilateral agricultural assistance this year to $582 million. We urge the other affluent nations to increase their contributions as well.

Clearly a massive program of international cooperation is also required. More research is needed to improve agricultural yields, make more efficient use of fertilizer, and find better farm management techniques. Technical assistance and information exchange are needed for training and for technological advance. Better systems of water control, transportation, and land management are needed to tap the developing countries' vast reserves of land, water, and manpower.

To mobilize massive new concessional resources for these purposes, the United States proposes the early establishment of the new International Fund for Agricultural Development. President Ford has asked me to announce that he will seek authorization of a direct contribution of $200 million to the fund, provided that others will add their support for a combined goal of at least $1 billion.

The International Fund for Agricultural Development can be the major source of new capital to attack the most critical problems of the poorest developing countries. The United States urges the world community to give it prompt and major support.

The Political Dimension

In every area of endeavor that I have described—economic security, growth, trade, commodities, and the needs of the poorest—the developing countries themselves want greater influence over the decisions that will affect their future. They are pressing for a greater role in the institutions and negotiations by which the world economic system is evolving.

The United States believes that participation in international decisions must be widely shared, in the name of both justice and effectiveness. We believe the following principles should apply:

The process of decision should be fair. No country or group of countries should have exclusive power in the areas basic to the welfare of others. This principle is valid for oil. It also applies to trade and finance.

The methods of participation must be realistic. We must encourage the emergence of real communities of interest between nations, whether they are developed or developing, producer or consumer, rich or poor. The genuine diversity of interests that exists among states must not be submerged by bloc discipline or in artificial, unrepresentative majorities. For only genuine consensus can generate effective action.

The process of decision should be responsive to change. On many issues developing countries have not had a voice that reflects their role. This is now changing. It is already the guiding principle of two of the most successful international bodies, the IMF and the World Bank, where the quotas of oil-producing states will soon be at least doubled—on the basis of objective criteria. Basic economic realities, such as the size of economies, participation in world trade, and financial contributions, must carry great weight.

Finally, participation should be tailored to the issues at hand. We can usefully employ many different institutions and procedures. Sometimes we should seek broad consensus in universal bodies, as we are doing this week in this Assembly; sometimes negotiations can more usefully be focused in more limited forums, such as the forthcoming consumer-producer dialogue; sometimes decisions are best handled in large specialized bodies such as the IMF and World Bank, where voting power is related to responsibility; and sometimes most effective action can be taken in regional bodies.

Most relevant to our discussion here is the improvement of the U.N. system, so that it can fulfill its charter mandate "to employ international machinery for the promotion of the economic and social advancement of all peoples." We welcome the thoughtful report by the Secretary General's group of 25 experts on structural reform in the U.N. system. We will seriously consider its recommendations. In our view, an improved U.N. organization must include:

—Rationalization of the U.N.'s fragmented assistance programs;

—Strengthened leadership within the central Secretariat and the entire U.N. system for development and economic cooperation;

—Streamlining of the Economic and Social Council;

—Better consultative procedures to insure effective agreement among members with a particular interest in a subject under consideration; and

—A mechanism for independent evaluation of the implementation of programs.

The United States proposes that 1976 be dedicated as a year of review and reform of the entire U.N. development system. An intergovernmental committee should be formed at this session, to begin work immediately on recommendations that can be implemented by the General Assembly in its 1976 session. We consider this a priority in any strategy for development.

Mr. President [Abdelaziz Bouteflika, Foreign Minister of Algeria], Mr. Secretary General, colleagues, ladies and gentlemen: I began today with the statement that we have, this week, an opportunity to improve the condition of mankind. This fact alone represents an extraordinary change in the human condition. Throughout history, man's imagination has been limited by his circumstances —which have now fundamentally changed. We are no longer confined to what Marx called "the realm of necessity." And it has always been the case that the wisest realists were those who understood man's power to shape his own reality.

The steps we take now are not limited by our technical possibilities, but only by our political will. If the advanced nations fail to respond to the winds of change, and if the developing countries choose rhetoric over reality, the great goal of economic development will be submerged in our common failure. The speeches made here this week will be placed alongside many other lofty pronouncements made over decades past in this organization on this subject, buried in the archives of oblivion.

But we would not all be here if we did not believe that progress is possible and that it is imperative.

The United States has proposed a program of action. We are prepared to contribute, if we are met in a spirit of common endeavor.

—We have proposed steps to improve basic economic security—to safeguard the world economy, and particularly the developing countries, against the cruel cycles that undermine their export earnings.

—We have proposed measures to improve developing countries' access to capital, new technology, and management skills to lift themselves from stagnation onto the path of accelerating growth.

—We have proposed structural improvements in the world trading system, to be addressed in the ongoing multilateral trade negotiations, to enhance developing countries' opportunities to earn their own way through trade.

—We have proposed a new approach to improving market conditions in food and other basic commodities, on which the economies and indeed the lives of hundreds of millions of people depend.

—We have proposed specific ways of giving special help to the development needs of the poorest countries.

My government does not offer these proposals as an act of charity, nor should they be received as if due. We know that the world economy nourishes us all; we know that we live on a shrinking planet. Materially as well as morally, our destinies are intertwined.

There remain enormous things for us to do. We can say once more to the new nations: We have heard your voices. We embrace your hopes. We will join your efforts. We commit ourselves to our common success.

IMF and IBRD Boards of Governors Meet at Washington

The Boards of Governors of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD; World Bank) and its affiliates held their regular annual meetings at Washington September 1–5. Following are remarks made by President Ford before the Boards of Governors on September 2 and a statement made that day by Secretary of the Treasury William E. Simon, U.S. Governor of the Fund and Bank.

REMARKS BY PRESIDENT FORD

Weekly Compilation of Presidential Documents dated Sept. 8.

Welcome again to Washington.

At your meeting last year, the major areas of concern were the international economic disruption resulting from the sharp increase in oil prices and worldwide inflation. Over the past year another problem—stagnation in world economics—has been a primary concern.

These problems—increased oil prices, inflation, and recession—are intimately related. Progress is needed in all three simultaneously. Individual governments have responded with policies to halt the decline in economic activity and restore economic health.

I am confident that these steps, combined with the resilience of people and institutions around the world, will succeed. But the forces of recovery do not always move quickly. Too many, today, national economies are in an uncomfortable and unavoidable period of waiting for the results of earlier actions.

Even in the midst of recession, inflation continues at an uncomfortably high rate. While some progress has been made, the simple truth is that reestablishment of a durable and noninflationary period of economic growth in the world will not be easy.

In the United States, recovery is well underway. Each week brings additional evidence of renewed economic health, and I am determined to fight against an acceleration of inflation that could restrain this recovery.

The achievement of a durable economic recovery in America is also in the world interest. A sound, healthy, growing U.S. economy is the best lasting contribution that this nation can make to other nations. No other action by the United States will contribute as much to the welfare of the world economy.

A resurgent U.S. economy will assist the expansion of trade and promote prosperity for other countries.

The United States will continue to insure that goods, services, and capital move freely across our frontiers.

We will move forward with negotiations to remove trade barriers and bring about a more efficient use of world resources.

Our capital market will be kept open. The production of American goods in short supply will be increased.

All of these are firm commitments of the United States.

The United States is acutely aware that while recession and inflation and high oil prices have resulted in many hardships for the industrial nations, the economic consequences have been far more severe for the developing nations. In recent months my advisers and I have been studying means of alleviating the distress of the developing world. True to the traditions of the past, the United States recognizes its responsibilities to assist others in the most constructive way and we intend to live up to those responsibilities.

Yesterday in a speech delivered on his behalf at the United Nations, Secretary Kissinger set forth a wide range of initiatives directed to that purpose. Later this morning Secretary Simon will address several of these proposals in this forum. These new programs, coupled with existing forms of aid, with the restoration of a forward momentum in the world economy, and with the critically important efforts of the developing nations to help themselves, should form the building blocks for a better life for people all around the world.

You meet as representatives of 127 politically independent nations but also as representatives of 127 economically interdependent nations. Each nation must be free to choose its own goals, establish its own priorities, and rely on its own institutions and traditions.

An international economic system which allows each nation maximum freedom of choice and economic independence is imperative.

Each government must make its own difficult choices about its own problems. No country can expect the actions of others to resolve its problems, and no country should follow economic policies designed to solve its economic problems at the expense of others.

Actions by any of us affect the ability of others to fulfill individual objectives. We must consult together. We must pull together.

The United States stands ready to work with all nations to strengthen international mechanisms and international practices which will enable each of us to pursue domestic goals in harmony with the welfare of others.

In reaching agreement over the weekend on the technically complex and politically sensitive questions of a major increase in quotas and on phasing gold out of the monetary system, you have already scored a major breakthrough. I am confident that in the coming months you will complete the comprehensive agreement, including an accord on exchange rates, that you have started so well.

As we face current world economic and social problems, there is a temptation to focus attention on the changes in the division of the existing levels of world resources and production. But we must all recognize that the problems of equity and fairness, whether domestic or international, can best and perhaps only be resolved in a world environment characterized by economic expansion.

It is the restoration of such a world that we must all seek together. If all the nations act in recognition that their own lasting prosperity requires the prosperity of others, we can restore international economic growth. You are here this week to carry on deliberations directed to this end. I welcome you, and I wish you great success.

Thank you very, very much.

STATEMENT BY TREASURY SECRETARY SIMON

Department of the Treasury press release dated September 2

It is a privilege to address this distinguished audience once again and to share with you today the views of the United States on the major economic issues facing the world.

In general, the outlook for the international economy is now more hopeful than it was earlier this year. Most of the major industrial countries have adopted vigorous expansionary policies. Several nations, including the United States, have begun the process of recovery. Despite serious strains, the level of international cooperation remains undiminished. Few countries have resorted to policies which might yield domestic gains at the expense of their neighbors. And the more affluent nations are strengthening their efforts to assist those who are less fortunate.

Yet there can be no doubt that the pattern of progress is highly uneven. In a number of countries, the downward economic spiral continues still, becoming more prolonged and severe than once expected. The hardships created by an inflation of unparalleled strength, brutally sharp and unanticipated increases in the cost of energy, and a harsh recession—all of these remain a painful living reality in too many parts of the world. Thus, the urgent task still before us is to work together in restoring a broadly based forward momentum to the world economy which will provide the foundation for sustained, noninflationary growth in every nation.

As we press forward, it is essential that we maintain our bearings:

—We must carefully support and encourage the forces of recovery without yielding to the temptations of excessive stimulation.

—We must persevere in our efforts to control inflation without disrupting the process of recovery. A durable recovery will be possible only if we master the causes of inflation.

—We must reach a better accommodation on the problems of energy while continuing to support the oil-exporting nations in their quest for economic advancement.

—We must encourage economic development among poorer nations.

—And we must insure that we have a smoothly functioning monetary system.

Let me turn now to a more detailed consideration of each of these issues.

Prospects for Economic Growth

The United States is acutely aware that its own economic policies bear heavily not only upon the livelihoods of our own citizens but upon those in other nations as well. While our economy is no longer as predominant in the world economy as it once was, our gross national product still amounts to over one-quarter of the world total and we represent the world's largest import market. Therefore the single most important contribution we can make to the health of the world economy is to achieve durable, noninflationary growth within our own borders.

Fortunately, there is now abundant evidence that an economic recovery is well underway in the United States. My government is determined to sustain this recovery while also bringing inflation under control and adopting those policy measures necessary for lasting growth.

We need not, and we should not, seek to choose among these objectives. We have learned from hard experience that all of our economic goals must be pursued simultaneously.

We will not provide excessive stimulation that would only intensify inflationary pressures, preempt the capital that is needed to sustain the recovery, and run the risk of setting off another vicious cycle of inflation and recession. Nor will we allow our concern with inflation to prevent us from actively supporting the natural forces of recovery or taking additional expansionary measures if they should be needed. We are not ready to acquiesce in either stagnation or inflation as a way of life.

Some have suggested that in order to help other nations out of recession, the United States should embark upon much more stimulative fiscal and monetary policies. We respectfully disagree. Too many of our current domestic troubles are rooted in such excesses in the past. Since 1965 the average U.S. Federal budget deficit and the average annual growth in our money supply have been about three times as large as in the preceding decade. It is no accident that during the earlier period our country enjoyed reasonable price stability while in recent years we have had increasing difficulty in containing inflation. And inflationary expectations are now so deeply embedded in our society that they will not disappear quickly.

The financial sins of a decade cannot be forgiven by a day of penance. Our policies in the United States must be designed to attack the causes of inflation, not their results. In the long run, that will bring the most lasting benefits to us all.

While the revival of the U.S. economy will help to bolster both the economic prospects and the confidence of other nations, it would be unrealistic to expect that any single country could lead the rest of the world out of recession. Expanded world trade should not be regarded as the source, but as the product, of recovery.

Indeed, let us recognize that the process of solving our economic troubles must begin at home, with each country acting on its own to make the tough decisions that are essential for sound, durable growth. As that process spreads from one nation to the next, it will become mutually reinforcing and all nations will realize greater benefits. In addition to the expansionary efforts undertaken by the United States earlier this year, several other major industrialized nations have now adopted more stimulative policies. Taken together, these actions should provide a forward thrust to the world economy.

As our policies of expansion gradually take effect, we ask ourselves: Have we done enough? Should we do more to speed up the effects? To the extent that some of our people believe we are not moving rapidly enough to create jobs and to restore our standard of living, there may be adverse social and political pressures. Yet it is equally clear that if we overheat our economies, we will reignite the fires of inflation and create another recession with more serious economic and social consequences.

Our highest responsibility as finance ministers, I would respectfully suggest, is to pursue sound, balanced policies which promote economic growth without encouraging renewed inflation. That often proves to be politically unpopular in the short run, but in the long run it will do far more to create jobs and serve the best interests of our people than the palliatives so often urged upon us. History is littered with the wreckage of governments that have refused to face up to the ravages of inflation; and none of us can afford, either through shortsightedness or lack of determination, to yield to these temptations.

Impact of Escalating Oil Prices

Beyond the problems of determining fiscal and monetary policies, nations must also deal with the difficulties created by high oil prices.

Almost two years after the first oil price shock, it is evident that we are only beginning to understand the full impact as well as the threat to our future which is posed by escalating oil prices. It is now obvious that the most serious consequences are not financial, but political and economic. While we must and will continue to devote special attention to the problems of the financial system in adjusting to new realities, we can be confident of our capacity to manage such problems. But the economic consequences of these oil policies—the higher costs that have come not just in energy but in many other vital commodities such as food, the structural adjustments that have been necessary, the loss of jobs, and the obstacles to economic growth—cannot be so easily managed.

In our view, current price levels for international oil can be justified on neither economic nor financial grounds. The present pricing policies of the OPEC [Organization of Petroleum Exporting Countries] countries mean that cheap energy remains in the ground and that the prosperity of all nations is diminished. Moreover, high oil prices lie at the root of much of the world's recent inflation and the recession that followed. Yet, now the possibility of another increase in oil prices looms on the horizon. Let there be no misunderstanding about the result of another major price increase: it would seriously jeopardize the balance upon which global economic recovery now depends.

We urge the OPEC nations to recognize, as others have done in the past, that the prosperity of each nation is deeply intertwined with the prosperity of all nations.

Another price increase seems especially inappropriate in light of our efforts to address the legitimate problems facing the oil-exporting nations as well as other developing countries. We have taken significant steps to bring about a dialogue between producers and consumers. We have proposed the establishment of commissions to deal with critical problems in the areas of energy, raw materials, development, and related financial questions. Special bilateral programs have been set up with the oil-exporting countries, and considerable progress has been recorded.

All of these measures reflect our sincere desire to work cooperatively with the oil exporters as they strive for higher standards of living and more diversified economies. In turn, we urge that they work cooperatively with us and with other nations to enhance the prospects for a world economic recovery.

Let me add that the substantial financing requirements of industrial countries in this period of OPEC surpluses dictate that we continue to keep the adequacy of international financing arrangements under review. I am confident that in the future, as in the past two years, private financing mechanisms will continue to play the dominant role in channeling OPEC funds to various borrowers. At the same time, we welcome the prospective establishment of the Financial Support Fund agreed upon among the member countries of the Organization for Economic Cooperation and Development. That fund will supplement IMF resources and provide needed insurance in an uncertain period. Particularly important in present circumstances is the assurance thereby provided that, if needed, financing will be available to facilitate the pursuit of sound expansionary policies by the industrial countries.

Problems of the Developing Countries

Those who have suffered the most from higher oil prices and the deterioration in world economic conditions have been those who least deserve to suffer and are least able to protect themselves—the poor and the needy of the developing countries. In the industrialized nations, the problems of inflation, exorbitant energy prices, and the resulting recession have often meant hardships, but they have not brought large numbers of people to the edge of desperation. Hopes for the future may have been dampened, but they have not been crushed. Sadly, the same cannot be said of the less fortunate nations of the world, where hunger and illness are the immediate result of reduced incomes.

In these circumstances, the United States and other industrial nations are determined to make special efforts to assist developing nations in their efforts to sustain the momentum of their economic and social progress. We do so from a sense of compassion and out of a realization that the prosperity of the developing world also serves to support our own continued prosperity.

The World Bank and the International Monetary Fund have already proven that they are highly effective instruments for working with developing countries in devising the most promising plans for economic growth. But we believe that more must now be done within the framework of those institutions to assist the developing countries.

Yesterday, in a speech read on his behalf at the United Nations, Secretary Kissinger set forth a range of proposals that he and I, under the leadership of President Ford, have developed together. Three of those proposals are of particular importance for the Fund and the Bank:

—First, the United States proposes as a matter of high priority that a development security facility be created in the IMF to meet the needs of those developing nations suffering from sharp fluctuations in export earnings. It would replace the existing compensatory finance facility. We fully recognize that excessive fluctuations in export earnings can disrupt development efforts and that many producing nations lack sufficient financial reserves to cushion themselves against sharp drops in their earnings. We believe that compensatory facilities to finance shortfalls in export earnings would be both more effective and more efficient in reducing such disruptions than commodity-pricing arrangements.

Shortly after the completion of these meetings, we will submit detailed proposals to the Executive Board of the IMF calling for the creation of the facility. They will also call for broadening the purposes of the proposed Trust Fund, enabling it to provide grants to the poorest countries experiencing export shortfalls and allowing some use of the Trust Fund resources to supplement the proposed facility.

—Secondly, we pledge our support to a major expansion of the International Finance Corporation (IFC), permitting that organization to serve as a more effective catalyst for growth of the private sector in developing countries. We agree with Mr. McNamara [Robert S. McNamara, President, IBRD] that the role of the IFC in mobilizing additional private investment is now more important than ever. There can be little doubt that much of the increase in living standards within developing countries must come from increased private sector production of goods and services.

Arrangements should be made in the next few months to give the International Finance Corporation better tools to assist the domestic private sector and to make the IFC a full partner in the Bank Group. Moreover, the IFC should play an active part in bringing together foreign and domestic investors. It should act aggressively to arrange financing for mineral production in developing countries, where, as an impartial international party, it can help to smooth relationships between international companies with technology and markets and national authorities who understandably wish to strike the best bargain for their countries. The IFC should also develop imaginative financial arrangements, including a new investment trust, so that equity shares in joint ventures can gradually be purchased by private individuals and firms in developing countries.

All of these activities will complement the ongoing work of the World Bank, which must continue to assist in financing related infrastructure such as ports and roads, and will, we expect, give higher priority to the most important aspect of identifying obstacles to private savings and domestic private investment in developing countries.

—Thirdly, the United States once again urges that agreement be promptly reached on the establishment of a Trust Fund managed by the IMF in order to provide highly concessional balance-of-payments financing for the poorest developing countries. Nearly a year has passed since my government first proposed the Trust Fund and urged that a portion of the IMF gold be sold to help finance this worthy cause. We are pleased that there has been increasing recognition that the Trust Fund concept represents the most effective means of providing fast-disbursing financial support. This is one way we can move ahead immediately to respond to the severe financing needs faced by the developing countries; we can agree now to see a portion of IMF gold used without waiting for time-consuming amendments of the articles. Even as we have delayed in establishing this fund, the need for it has grown. Let us resolve to act promptly.

In addition to these major initiatives, other steps should be taken so that the Bank and the Fund can more adequately meet today's needs.

As the oil facility of the IMF phases out this year, we should take action to assure the immediate usability of all currencies held by the IMF. We also need to direct early attention to a review of the tranche policies of the Fund and to consider whether changes should be introduced in these policies in order to provide increased access to the Fund's regular drawing facilities. This would enable the Fund to play the expanded and more active role required of it in today's world.

The World Bank is by far the largest and most influential development lending institution and as such has a major role to play in assisting developing nations achieve their development goals. It is of the greatest importance that the quality of this work and the soundness of its financial position be sustained.

Since the lending program now being implemented by the Bank carries with it demanding assumptions about the Bank's long-term ability to borrow funds, it is important that the management and Executive Directors of the Bank work together to assess carefully the role the Bank should play in the development process in the next decade and to examine the implications of this for the capital of the Bank and the nature of its programs. With capital an increasingly scarce resource, critical for the growth of the developed as well as the developing countries, it is essential that we have a clear understanding of the priorities which should govern the lending of an institution whose borrowing now approaches $5 billion per year. The United States will continue to provide strong support to the Bank, and we will assist in helping it maintain a sound financial position.

As I said last year, we support a substantial increase in World Bank share ownership and voting power for countries newly able to make a major contribution to development through the Bank Group. Such an increase should be determined country by country, and increases in capital should be accompanied by commensurate contributions to the International Development Association (IDA) to help the poorest countries as well as the middle-level countries.

I stress the importance of IDA contributions because of the Association's central role in meeting the needs of the poorest and least developed countries. They have the least ability to deal with the impact of economic events on their development, and only a combined effort of present members and nations newly able to contribute will enable IDA to assist those countries adequately in the future. Mr. McNamara has announced that negotiations for the next replenishment of IDA will commence in November. A satisfactory agreement on extending IDA's resources will be possible only with the full collaboration of all countries in a position to contribute.

Beyond these measures, developed nations must also support the longstanding development efforts such as the regional development banks and our bilateral assistance programs. These programs have shown their effectiveness over the years and deserve to be strongly supported. It is also important for all countries to open their capital markets to the borrowing of the Bank and of the developing countries themselves.

In setting forth these proposals today and reviewing the activities of the World Bank and the International Monetary Fund, I would be less than candid if I did not add that, in and of themselves, the measures I have outlined will not be sufficient to insure economic development. We must not mislead ourselves on this matter. Far more important to the developing nations than the financial assistance that industrialized countries may provide to them is the restoration of stable, noninflationary growth around the world. And in the long run, the policies and efforts of the developing countries themselves will be the most decisive. History has shown that no matter how generous others may be, those who have been helped the most are those who have helped themselves.

While the developed nations must provide financing and open up their markets, the effectiveness of such assistance depends heavily upon the ability of the developing countries themselves to assure the best use of all resources, domestic as well as foreign. Development assistance should be thought of not as an international welfare program to redistribute the world's wealth, but as an important element of an international investment program to increase the rate of economic growth in developing nations and to provide higher living standards for people of every nation. The effectiveness of international investment, private and public, depends fundamentally on the policies and efforts of each developing country.

I am particularly struck by the impressive economic and social progress made by countries which participate fully in the world market, which rely on market forces to provide incentives for efficient use of resources, and which maintain a favorable climate for foreign and domestic private investment.

In short, the process of economic development requires the cooperation and full efforts of each of us in pursuing economic policies to maximize production, income, and trade for all countries.

International Monetary Arrangements

Let me turn now to a discussion of international monetary issues.

We have achieved a significant breakthrough in our meetings this week in resolving many of the most difficult international monetary issues before us and in paving the way for a final comprehensive agreement in January. The technically complex—and politically sensitive—question of arranging a major quota increase and allocating national shares is substantially resolved. We have also succeeded in settling the thorny issues involved in phasing gold out of the international monetary system. Both of these agreements required concessions by many, but the result provides concrete evidence of the continuing spirit of cooperation and good will on which these institutions are founded. Once again we have demonstrated that through patient negotiation it is possible to arrive at an accommodation of conflicting views which is acceptable to each of us and beneficial to all of us.

Let us now proceed to the final component of our negotiations—an agreement on amendment of the exchange rate proviions of the articles—which will enable us o put into practice the accords reached here his week. Amended provisions are needed vhich give legal recognition to the realities of today's world and reflect the evolution of he system that has occurred in recent years.

Two and a half years ago the par value system gave way to a voluntary system of exchange rate practices under which some countries float independently, some float ointly, and some use pegged rates. We are ortunate that this system was actually in place before the oil crisis hit, and its flexibility has served us well in difficult circumstances.

Let those who see stability in par values eview again the chaos and disorder of the losing years of the Bretton Woods system. Think back to those days of market closures vhich disrupted trade and commerce. Recall hat the only sure winners were the speculators, who could be assured that with time and persistence they would inevitably carry he day. Remember, too, the hurried international conferences to try to patch together some solution so that markets might open again. Think back to the duration and difficulty of the Smithsonian negotiations and he tensions associated with those negotiations. Those were the days when our political cohesion was threatened by monetary lifficulties.

The basic logic of the par value system mplies a world which does not now exist—one in which prices are reasonably stable and in which current account balances adust to capital flows that are relatively slow o change. But the world has changed, and we need a system that is adaptable and is appropriate for the world as it is today, not as it once was or as we might like it to be.

Today we have a system which is flexible and resilient. It has enabled exchange markets to remain open and viable in the face of pressures that would have previously been overwhelming. Even the massive accumulations by the OPEC countries and occasional significant fluctuations in particular exchange rates have not unsettled the system. t has been possible to relax or eliminate many of the extensive restrictions on capital movements and to find viable alternatives to restrictive current account measures. The large payments deficits of today have provoked fewer import restrictions by major countries than did the comparatively minor payments difficulties of earlier years. Although rates of inflation have varied enormously, from 6 percent in some countries to 25 percent in others, the flexibility of our system has allowed exchange rates to move so as to reflect these divergences in costs and prices. Attempts to maintain fixed exchange rates under these circumstances would have quickly and inevitably collapsed under the strain.

Some contend that the abandonment of par values is one of the causes of the tidal wave of inflation which has swept the world and that the voluntary system fails to provide the discipline needed to induce countries to restrain their inflation. I cannot agree. It was inflation which made floating necessary. Of course, floating does not prevent homegrown inflation or protect a country from drastic real changes from abroad such as the sudden jump in oil prices. It can, however, shield a country from imported inflation that results from overly expansive fiscal and monetary policies abroad. As for floating as an instrument of discipline, I believe that when a depreciating exchange rate in a free market directly increases the costs of imported goods, that has more meaning to the general public and political leaders than the level of central bank reserves or official borrowing.

U.S. policy is to have our own exchange rate determined essentially by market forces, and not by arbitrary official actions. We do not propose to object if foreign countries elect to establish fixed exchange rates among themselves—the essence of a voluntary system is to permit a free choice—so long as our own desire for essential freedom of the dollar exchange rate is respected. We are prepared to intervene whenever necessary to maintain orderly exchange market conditions. However, sizable movements in exchange rates over a period of several months are not necessarily indicators of disorderly markets—and the fact that such movements are sometimes reversed does not demonstrate that it would have been possible for governments to prevent the initial movement in rates, nor desirable to try.

When the pressures of inflation subside and economies recover, when periods of calm between unexpected shocks become longer, then the behavior of exchange rates will become more stable. The greater exchange stability we all would like to see can only be achieved through sound economic policies which result in greater domestic stability in all of our economies.

We believe strongly that countries must be free to choose their own exchange rate system and that all countries, whatever choice they make, must be subject to the same agreed-upon principles of international behavior. The right to float must be clear and unencumbered. In view of the great diversity in political systems, institutional arrangements, size of national economies, and degree of dependence on foreign trade and investment, our present world requires an open mind about the future.

I do not pretend to have the wisdom or the clairvoyance to predict the precise exchange arrangements the world may desire or require far in the future. Experience with the present articles provides clear evidence of the difficulty of specifying in rigid detail an exchange rate system that can be expected to last forever. We must deal with the world as it is today, and that now requires a system that can easily adapt to rapid change. I know this can be done. Our agreements this week on gold and quotas show that we can find answers to difficult problems—and that a mutually acceptable accommodation on exchange rates can be achieved. The United States will approach the search for a resolution of this problem with imagination and an appreciation of others' views. We know that others will do the same.

Ladies and gentlemen, it is apparent that the agenda for the future is formidable:

—To achieve lasting, noninflationary growth;

—To reach an accommodation on energy;

—To encourage economic development; and

—To maintain a monetary system adapted to today's needs.

Each of these demands our full attention. The agreements we have reached this week demonstrate that through cooperation and perseverance we can succeed. It is in that spirit that we must continue to move forward. I pledge to you that the United States will remain a reliable partner in this journey.

IMF Interim Committee Holds Fourth Meeting

Following is the text of a press communique issued on August 31 at the conclusion of the meeting of the Interim Committee of the Board of Governors of the International Monetary Fund. Secretary of the Treasury William E. Simon headed the U.S. delegation to the meeting.

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its fourth meeting in Washington, D.C. on August 31, 1975 under the chairmanship of Mr. John N. Turner, Minister of Finance of Canada. Mr. H. Johannes Witteveen, Managing Director of the International Monetary Fund, participated in the meeting. The following observers attended during the Committee's discussions: Mr. Henri Konan Bédié, Chairman, Bank-Fund Development Committee, Mr. Gamani Corea, Secretary General, UNCTAD [United Nations Conference on Trade and Development], Mr. Wilhelm Haferkamp, Vice President, EC [European Community] Commission, Mr. René Larre, General Manager, BIS [Bank for International Settlements], Mr. Emile van Lennep, Secretary General, OECD [Organization for Economic Cooperation and Development], Mr. F. Leutwiler, President, National Bank of Switzerland, Mr. Robert S. McNamara, President, IBRD [International Bank for Reconstruction and Development], and Mr. Gardner Patterson, Deputy Director General, GATT [General Agreement on Tariffs and Trade].

2. The Committee had a discussion of the world economic situation and outlook, and expressed its concern about the current severe problems of recession and unemployment, balance of payments disequilibria, and inflation. The Committee felt that industrial countries which have slack domestic demand conditions and relatively strong balance of

payments positions, and which have made progress in reducing inflation, should lead in the promotion of a satisfactory rate of expansion in world trade and activity. The Committee believed that, on the basis of such a coordinated policy approach, a resumption of economic growth might be expected for the industrial world during the latter part of 1975 or the first half of 1976. Although rates of price increase in industrial countries have generally been subsiding, the Committee noted the disturbing fact that economic recovery in the industrial world will get under way with rates of inflation still unacceptably high.

Throughout the Committee's discussion, particular concern was expressed for the many primary producing countries, and especially the developing countries, whose current account deficits have been greatly enlarged by the increase in import costs and the downturn in global demand. Resumption of growth in world trade is urgently needed to alleviate the plight of such countries. Moreover, the Committee feared that, unless they were able to obtain adequate financing, many primary producing countries might have difficulty in fending off pressures to restrain imports, either through deflationary demand measures that would undermine their development efforts or through resort to trade restrictions. In view of these dangers, the Committee expressed the hope that the Executive Board would consider various steps that might be taken by the Fund to meet the present urgent need for a greater volume of financing.

3. The Committee noted the improvements in the 1975 Oil Facility introduced as a result of the July review by the Executive Directors and endorsed the efforts now in progress to raise the amount of resources that the Fund would be able to borrow for the financing of purchases under that facility to the total of SDR [special drawing rights] 5 billion that was agreed at the meeting of the Committee in January 1975. The Committee also endorsed the intention of the Executive Directors to have another review of the 1975 Oil Facility at an early date, one purpose of which would be to determine what action needs to be taken in the best interests of the international community, and also to undertake at about the same time a broader examination of the Fund's policies on the use of its resources.

4. The Committee welcomed the establishment of a Subsidy Account to assist those members that have been most seriously affected by the current situation to meet the cost of using the Oil Facility and commended those members that have already stated their willingness to make contributions to that account. At the same time, the Committee expressed concern at the fact that the total amount of the contributions by members that have already stated their willingness to contribute is substantially short of the total support that was contemplated and urged those members that have not yet pledged their support to make every effort to do so as soon as possible.

5. The Committee noted the progress made by the Executive Directors on the Sixth General Review of quotas within the framework of the understandings reached at previous meetings of the Committee. The Committee noted the agreement on increases in the quotas of almost all members. In particular, the increases for the industrial countries and for the major oil exporting members have been agreed. The differences that remain among the other members are few and are expected to be resolved soon. The Committee asked the Executive Directors to prepare and submit to the Board of Governors a resolution on increases in the quotas of individual members. The Committee also asked the Executive Directors to complete their work on the mode of payment of the increases in quotas on the basis of the understandings already reached in the Committee so that appropriate recommendations can be submitted to the Board of Governors at the same time as the resolution on increases in quotas. The Committee reiterated its view that all of the Fund's holdings of currency should be usable in its transactions. The Committee agreed that on the question of majorities for the adoption of decisions of the Fund on important matters, a majority of eighty-five per cent should be required under the amended Articles for those decisions that can now be taken by an eighty per cent majority. It also agreed that amendments of the Articles should become effective when accepted by three-fifths of the members having eighty-five per cent of the total voting power.

6. The Committee discussed the problem of gold, including the disposition of the gold holdings of the Fund. The elements of the consensus reached are described in this paragraph.

At the meeting of the Interim Committee on January 16, 1975, it was decided to move "toward a complete set of agreed amendments on gold, including the abolition of the official price and freedom for national monetary authorities to enter into gold transactions under certain specific arrangements, outside the Articles of the Fund, entered into between national monetary authorities in order to ensure that the role of gold in the international monetary system would be gradually reduced."

To implement this general undertaking, provision should be made for:

1. Abolition of an official price for gold.

2. Elimination of the obligation to use gold in transactions with the Fund, and elimination of the Fund's authority to accept gold in transactions unless the Fund so decides by an 85 per cent majority. This understanding would be without prejudice to the study of a Gold Substitution Account.

3. Sale of 1/6 of the Fund's gold (25 million

ounces) for the benefit of developing countries without resulting in a reduction of other resources for their benefit, and restitution of 1/6 of the Fund's gold to members. The proportion of any profits or surplus value of the gold sold for the benefit of developing countries that would correspond to the share of quotas of these countries would be transferred directly to each developing country in proportion to its quota. The rest of the Fund's gold would be subject to provisions in an amendment of the Articles that would create enabling powers exercisable by an 85 per cent majority of the total voting power.

The Committee noted that, in order to give effect to the understandings arrived at in this Committee, the countries in the Group of Ten have agreed to observe during the period referred to below the following arrangements, which could be subscribed to by any other member country of the Fund that wishes to do so. Other members might adhere to these arrangements, and on such occasions the necessary modifications in them would be made:

1. That there be no action to peg the price of gold.
2. That the total stock of gold now in the hands of the Fund and the monetary authorities of the Group of Ten will not be increased.
3. That the parties to these arrangements agree that they will respect any further condition governing gold trading that may be agreed to by their central bank representatives at regular meetings.
4. That each party to these arrangements will report semi-annually to the Fund and to the BIS the total amount of gold that has been bought or sold.
5. That each party agree that these arrangements will be reviewed by the participants at the end of two years and then continued, modified or terminated. Any party to these arrangements may terminate adherence to them after the initial two-year period.

Many members from developing countries expressed concern that the proposed arrangements for gold would give rise to a highly arbitrary distribution of new liquidity, with the bulk of gains accruing to developed countries. This would greatly reduce the chances of further allocations of SDRs, thereby detracting from the agreed objective of making the SDR the principal reserve asset and phasing out the monetary role of gold. This aspect should be studied, and measures explored to avoid these distortions.

7. The Committee noted the work done so far by the Executive Directors on the subject of the establishment of a trust fund and the possible sources of its financing in response to the request of the Development Committee. It was agreed to ask the Executive Directors to pursue their work with a view to completing it at an early date, taking into account the understandings reached in the Committee with regard to the use of profits from the sale of part of the Fund's gold for the benefit of developing countries, without neglecting the consideration of other possible sources of financing.

8. It was agreed that acceptable solutions must be found on the subject of the exchange rate system under the amended Articles, so that these agreed solutions can be combined with those on quotas and gold. The Executive Directors were requested to continue their work in order to arrive at acceptable solutions and to prepare for submission to the Board of Governors, after examination by the Committee at its next meeting, appropriate proposals for amendment of the Fund's Articles on all aspects that have been under consideration.

9. The Committee noted that the Executive Directors are in the process of conducting a review of the Fund's facility on compensatory financing with a view to improving a number of its aspects. It was agreed to urge the Executive Directors to complete their work on this subject as soon as possible, taking into account the various proposals that have been made by members of the Committee.

Death of Haile Selassie, Former Emperor of Ethiopia

Haile Selassie, former Emperor of Ethiopia, died at Addis Ababa on August 27. Following is a statement by President Ford issued that day.

White House press release dated August 27

It is with the deepest regret that we have learned of the death of Emperor Haile Selassie. For five decades, he was a towering leader not only of his own country but of the entire African Continent. At the time of the invasion of his country, he was an inspiration to everyone around the world who believes in national independence and peace with freedom among nations. As a friend of this country and as a symbol of the emergence of developing nations, he will be greatly missed. But his achievements—peaceful cooperation among African states and between African states and the rest of the world—will live on and continue to have fullest American support.

President Praises Agriculture's Role in Economy and World Peace

Following is an excerpt from remarks made by President Ford on August 18 at the Iowa State Fairgrounds.[1]

. . . . .

Flying over mile after mile of the heartland of America to get here this afternoon, I couldn't help but think that these vast farmlands are perhaps our nation's greatest asset. The farm community, the men and women and children who are a part of it, are prime examples of the resourcefulness and the industry, of all that is good in this great land of ours.

What a remarkable achievement it is that less than 5 percent of America's population feeds the remaining 95 percent of us, with enough left over to significantly supplement the food needs of much of the rest of the world. I congratulate each of you who participate in this miracle of abundance. You should be very proud, as we are proud of you.

I think it is amazing that in our nation today one farmworker provides food for himself and 55 others. Output per manhour on the farm has nearly tripled in the last two decades.

There are reasons—understandable reasons—for this. One is the high capital investment in agriculture. Another is hard work by the men on the farm. And the third is individual initiative.

American farmers have moved very quickly to adopt new techniques, new machinery, and new science and technology. As a result, capital investment in American agriculture has reached more than $98,000 per worker—the highest in the world. In contrast, capital investment in manufacturing in our country stands at $55,000 per worker.

The results are here to see. The productive genius of American agriculture provides a showcase filled with the bounty of our nation's farms.

And I am delighted—and I thank you, too—that farmers have responded so enthusiastically to the demands of the market for full production. Of course, I am concerned about crop losses in Iowa due to the dry weather the last several weeks. But the general abundance of the crop in the Middle West shows that gains can be made from a policy of full production.

Be assured—and I say this with emphasis—that this Administration's national farm policy is and will continue to be one of full production. It is good for everybody. It is a policy of fair prices and darn good income for farmers through commercial sales of their products on a worldwide basis.

It is a policy not of government handouts, but of government hands off. However—and this is equally important—let me assure you that your government will be involved when your interests are at stake.

For example, charges have been made by some foreign buyers that American grain shipments on occasion have been of lesser quality than specified by shippers and weights have been under what they should be.

Unfortunately, some of these charges are true, but our farmers are not at fault. And just as importantly, I will not permit our farmers' integrity to be jeopardized.

I can assure all farmers and their overseas customers that we will move vigorously to clean up the problem. We will demonstrate to the world the validity of America's reputation as an honest and dependable supplier of high-quality farm products. That's the kind you raise in Iowa. That's the kind we will ship from our ports.

In recent weeks, a great deal of interest has been aroused by Soviet purchases of American grain. So far—and I emphasize so far—these purchases total 9.8 million tons; that's about 382 million bushels.

As you all know, the Agriculture Department's August crop forecast, which was announced last week, calls for record crops of corn and wheat and above-average crops of

[1] For the complete text, see Weekly Compilation of Presidential Documents dated Aug. 25, 1975, p. 865.

other grains. Estimates of corn and wheat harvest were down slightly from the July 1 forecast because of dry weather, but we still expect a record crop. We are grateful, and we thank you.

Looking ahead—and I use these words advisedly—we anticipate further purchases of grain by the Soviet Union. While our crops look good and we expect a record harvest, it is still premature to confidently predict our final production.

Accordingly, as Secretary of Agriculture Butz said, we have asked American exporters to temporarily—and I emphasize temporarily—delay further sales to the Soviet Union.

Additional sales to the Soviet Union must be in our best national interest—in the interest of all Americans, farmers and consumers alike. We must be sure that we have enough grain to meet our needs and the needs of our traditional customers, who have consistently bought from us throughout the past several decades. Year in and year out, farm incomes are dependent on a pattern of expanding exports to long-term customers.

Let me emphasize that our sales of grain and other foodstuffs to the rest of the world is one of the brightest areas of our economy. These sales insure a firm, fair price for your hard work and your tremendous investment. These sales create jobs on the farm and in the factories of manufacturers and suppliers. They have given us self-sufficiency in nutrition that is the envy of the world.

Last year, U.S. farm exports shipped to purchasing nations totaled nearly $22 billion. Since we imported less than $10 billion in agricultural products, this means we received approximately $12 billion net earnings from farm-product trade on a worldwide basis. I think this is a green harvest we all understand. And we should be proud of it.

Consider for a moment what would happen if that $12 billion of positive foreign exchange were all of a sudden erased or eliminated. We would have a huge balance-of-payments deficit, our dollar would be weakened in foreign markets, and we would pay higher and higher prices for the many things we import every day.

In short, our nation's farmers not only raise crops but our standard of living as well. And we are deeply grateful to you for that contribution to our national welfare. The foodstuffs that you produce and America exports are a dynamic contribution to a stable and orderly world.

As the race between the stork on the one hand and the plow accelerates, American farm exports become more and more and more important. By the year 2000, world population could be over 6½ billion people, instead of the 3.8 billion people it is today. This means that about 75 percent more people need to be fed—a massive challenge at a time when there is no new Western Hemisphere to discover nor any more virgin Iowa sod to plow.

A sound, fully productive agriculture is a very key element of this nation's quest for peace. Let me emphasize that. Fully productive agriculture is a key element of this nation's quest for peace.

The American farmer has become a vital part of this effort. Our agricultural abundance helped open the door to 800 million people on the mainland of China. It helped to improve relations with the Soviet Union. It helped to build bridges to the developing world. It enabled us to contribute over the past 20 years about $25 billion worth of food to hungry mouths throughout the rest of the world.

We are truly a fortunate people, and the American farmer stands 10 feet tall in his contribution to this nation's greatness.

Man's future is virtually unlimited if approached with a spirit of optimism and openmindedness. We can be optimistic because of the strength you in this great Midwest give to this nation and the sustenance that you give to the world in all parts of the globe. All Americans, indeed all people, are in your debt. I thank you.

. . . . .

Trademark Registration Treaty Transmitted to the Senate

Message From President Ford [1]

To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to its ratification, I transmit herewith the Trademark Registration Treaty, signed at Vienna, Austria, on June 12, 1973, together with the Regulations under the Trademark Registration Treaty. I transmit also, for the information of the Senate, the report of the Department of State with respect to the Treaty.

The Trademark Registration Treaty will establish an international trademark filing arrangement, through which persons and companies residing in one of the member States can more easily register trademarks (including service marks, and collective and certification marks) and maintain these property rights in all of the member States.

Separate actions in approximately 150 jurisdictions (i.e. States, possessions, territories, etc.) are now required of United States companies in order to extend the protection of a trademark throughout the world. The complexity and high cost of establishing and protecting trademarks in international markets through the diverse national laws and procedures is a serious problem for international business concerns.

This Treaty would alleviate these problems by establishing a uniform international registration procedure through which national trademark registration effects in the member countries may be secured, maintained and renewed on a central international register of marks. With a few exceptions, the effects of international registration are subject to the substantive legal requirements of the participating States.

One of the exceptions is that for the first three years after the filing date of the application for registration, no member State may refuse trademark protection on grounds that the mark has not been used during that period. Because of this provision, and others of lesser importance, it is necessary, in order to implement the Treaty, that our national trademark law ("Trademark Act of 1946, As Amended") be further amended. Opinion among interested persons and associations is divided as to the desirability of making the required amendments. So that this important legislative question may be considered in connection with the question of ratification, proposed implementing legislation will be forwarded to the Congress in the near future. Since the Treaty is not self-executing, the instrument of ratification will not be deposited until the necessary implementing legislation has been enacted.

It is important that a Treaty such as this one have the broadest possible membership. Since this Treaty was initiated by the United States, the interest of many countries is contingent on positive United States action. I recommend, therefore, that the Senate give early and favorable consideration to the Treaty submitted herewith and give its advice and consent to ratification.

GERALD R. FORD.

THE WHITE HOUSE, *September 3, 1975.*

[1] Transmitted on Sept. 3 (text from White House press release); also printed as S. Ex. H, 94th Cong., 1st sess., which includes the texts of the treaty and regulations and the report of the Department of State.

Congressional Documents Relating to Foreign Policy

94th Congress, 1st Session

Oversight Report on Assistance to Indochina Evacuation. A report of the House Committee on International Relations. H. Rept. 94-205. May 13, 1975. 9 pp.

Indochina Migration and Refugee Assistance Act of 1975. Conference Report to accompany H.R. 6755. H. Rept. 93-230. May 20, 1975. 5 pp.

National Emergencies. Report of the House Committee on the Judiciary to accompany H.R. 3884. H. Rept. 94-238. May 21, 1975. 56 pp.

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Liberia	Cat. No. S1.123:L61/2 Pub. 7991	4 pp.
Mexico	Cat. No. S1.123:M57 Pub. 7865	7 pp.
Monaco	Cat. No. S1.123:M74/2 Pub. 8670	4 pp.
Surinam	Cat. No. S1.123:SU7 Pub. 8268	4 pp.
Thailand	Cat. No. S1.123:T32 Pub. 7961	8 pp.
Tonga	Cat. No. S1.123:T61 Pub. 8594	4 pp.
United Arab Emirates	Cat. No. S1.123:EM4 Pub. 7901	4 pp.

Technical Assistance in Tax Administration. Agreement with Trinidad and Tobago extending and amending the agreement of June 20, 1968, as amended and extended. TIAS 7968. 3 pp. 25¢ (Cat. No. S9.10:7968).

Seismic Observations—Project Vela Uniform. Agreement with Canada extending the agreement of May 18 and June 28 and 29, 1965, as amended and extended. TIAS 7997. 3 pp. 25¢. (Cat. No. S9.10:7997).

Agricultural Commodities. Agreement with the Khmer Republic. TIAS 8008. 32 pp. 45¢. (Cat. No. S9.10:8008).

Military Assistance—Payments Under Foreign Assistance Act of 1973. Agreement with Thailand. TIAS 8010. 4 pp. 25¢. (Cat. No. S9.10:8010).

Finance—Agricultural Inputs. Agreement with Bangladesh. TIAS 8011. 18 pp. 35¢. (Cat. No. S9.10:8011).

Investment Guaranties. Agreement with Nigeria. TIAS 8012. 5 pp. 25¢. (Cat. No. S9.10:8012).

Scientific Cooperation. Agreement with the Republic of China extending the agreement of January 23, 1969. TIAS 8013. 3 pp. 25¢. (Cat. No. S9.10:8013).

Atomic Energy—Cooperation for Mutual Defense Purposes. Agreement with the United Kingdom of Great Britain and Northern Ireland amending the agreement of July 3, 1958, as amended. TIAS 8014. 3 pp. 25¢. (Cat. No. S9.10:8014).

TREATY INFORMATION

Current Actions

MULTILATERAL

Aviation

International air services transit agreement. Done at Chicago December 7, 1944. Entered into force February 8, 1945. 59 Stat. 1693.
Acceptance deposited: Nauru, August 25, 1975, effective September 24, 1975.

Convention on international civil aviation. Done at Chicago, December 7, 1944. Entered into force April 4, 1947. TIAS 1591.
Adherence deposited: Nauru, August 25, 1975.

Cultural Property

Statutes of the International Centre for the Study of the Preservation and Restoration of Cultural Property, as amended. Adopted at New Delhi November–December, 1956. Entered into force May 10, 1958; for the United States January 20, 1971. TIAS 7038.
Accession deposited: Australia, June 26, 1975.

Finance

Tarbela Development Fund (Supplemental) Agreement, 1975. Done at Washington August 15, 1975. Entered into force August 15, 1975.

Racial Discrimination

International convention on the elimination of all forms of racial discrimination. Done at New York December 21, 1965. Entered into force January 4, 1969.[1]
Ratification deposited: Somalia, August 26, 1975.

Space

Convention on registration of objects launched into outer space. Opened for signature at New York January 14, 1975.[2]
Signature: German Democratic Republic, August 27, 1975.

[1] Not in force for the United States.
[2] Not in force.

Name Index

Check List of Department of State Press Releases: September 1–7

Press releases may be obtained from the Office of Press Relations, Department of State, Washington, D.C. 20520.

No.	Date	Subject
450	9/1	Kissinger: special session of the U.N. General Assembly.
*455	8/31	Kissinger, Allon: remarks, Jerusalem.
*456	8/31	Kissinger, Sadat: news conference, Alexandria.
*457	9/1	Kissinger: remarks, Jerusalem.
†458	9/1	Kissinger, Rabin: remarks, Jerusalem.
†459	9/1	Kissinger, Sadat: news conference, Alexandria.
*460	9/3	Kissinger, Prince Sa'ud bin Faisal: departure, Taif, Sept. 2.
*461	9/3	Kissinger, Rifai: arrival, Amman, Sept. 2.
*462	9/3	Curley sworn in as Ambassador to Ireland (biographic data).
*463	9/3	U.S. delegation to 5th U.N. Congress on crime.
*464	9/5	Green appointed Coordinator of Population Affairs (biographic data).
*465	9/5	Advisory Committee on Transnational Enterprises Working Group on Information Disclosure, Sept. 24.
*466	9/5	15 foreign urban and regional planners to tour U.S.
†467	9/5	Kissinger, Waldheim: remarks at U.N. Headquarters.
†468	9/5	Kissinger: remarks at swearing-in of delegation to seventh special U.N. General Assembly.

*Not printed.
† Held for a later issue of the BULLETIN.