

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF CONVERSATION

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

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

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

PLACE: The Oval Office

President: How long have you been here?

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

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

Ortoli: Yes, and he is a real unknown.

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

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

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President: Their new budget proposals were startling.

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

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

President: Are you encouraged by their progress?

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

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

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

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

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



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

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

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

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

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

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

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

President: Is Portugal's economy turning around yet?

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



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

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

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

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

President: Is this their first try?

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

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

President: Do you have anything special with Iceland?

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

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



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

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

President: Apparently, the Communists are very shrewd.

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



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REASON FOR WITHDRAWAL National security restriction

TYPE OF MATERIAL Note

DESCRIPTION Brent Scowcroft's handwritten notes
from Ford, Ortoli meeting

CREATION DATE 02/24/1976

VOLUME 6 pages

COLLECTION/SERIES/FOLDER ID . 031400813

COLLECTION TITLE National Security Adviser. Memoranda of
Conversations

BOX NUMBER 18

FOLDER TITLE February 24, 1976 - Ford, EC President
Francois-Xavier Ortoli

DATE WITHDRAWN 07/23/2004

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