

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Ford  
The Cabinet  
Brent Scowcroft, Assistant to the President  
for National Security Affairs

DATE AND TIME: Tuesday, June 29, 1976

PLACE: The Cabinet Room

SUBJECT: Puerto Rico Economic Summit

President: I want to express my appreciation for the fine staff work that was done in preparation for the Puerto Rico meeting. The two meetings we've had -- at Rambouillet and at Puerto Rico -- clearly indicate to me there is an interdependence among the industrial powers in the economic, political and security areas. Here we were meeting to avert a crisis, not to cope with one. At Rambouillet, we had been in the midst of a recession. I think this is the way for the heads of government to meet.

We covered the major areas: economic recovery and expansion [some description]; and the monetary and financial areas. We agreed each country should try to avoid imbalances and help with any temporary imbalance in conjunction with a firm program to correct the situation. On North-South relations we agreed we had to have a cooperative -- not a competitive -- approach. On trade and investment, we agreed to try to complete the Multilateral Trade Negotiations by the end of 1977. In the area of East-West trade, we need to monitor it to insure that trade enhances Western objectives. There has been a massive increase.

In conclusion, I am convinced this nation has the leadership among the industrial democracies. We clearly are in a position of leadership -- across the board. Henry, do you want to add anything?



Kissinger: The most important part is that the solidarity of the Western democracies is the best guarantee of peace. The industrial democracies have 60% of the world GNP. The press has commented on the meeting being political. But for whatever reason it was done, for six heads of state to set aside two-to-three days at the call of the President -- that in itself is a testimony to the President's leadership.

Second, the level of the discussion was most impressive. There was a level of discussion one usually doesn't find -- there were no canned speeches. On East-West trade there was a great discussion between the economic and political motivations of the trade -- a discussion which would have been unthinkable a year ago. We should not expect great pronouncements from these meetings. If there were every six months, it could be a sign something was wrong. On East-West trade, we just wanted to raise the issue, but we got all the countries to agree that this trade had to be looked at in more than commercial terms -- rather in terms of overall relationships and in a coordinated way among us.

The same with North-South relations. Virtually all North-South aid comes from these states or their close association. So the developed democracies need not be defensive at international conferences -- or act competitively with each other. We made a great contribution in this direction on this subject.

Not since the early 50's has there been such a spirit of cooperation among the allies. All this talk about the Soviet bloc being on the offensive and the democracies on the decline just isn't true. These leaders are dynamic and the West under this sort of coordinated action can handle all the problems before us easily.

President: Bill?

Simon: The key aspect was the informality of the meeting and the frankness and honesty of the dialogue. The President was impressive and clearly gave the others confidence in him as a leader of the western world.

[Discussed the super tranche idea.]

I found the East-West trade discussion the most stimulating and I think this is one of the most challenging areas before us. We have had an explosion of credit to the East. On commodities, Schmidt gave a pitch which sounded like Treasury arguing with State. All in all, I can only agree that the depth which these subjects were discussed was most impressive.

Greenspan: It was an extraordinary meeting, especially in the context of other meetings I have attended. There was a real intellectual grappling with major philosophical issues.

[Rambling discussion]

We may have developed a new form of international institution. We have broken down the formality and protocol of summit meetings so that true dialogue can take place.

President: One of the big changes between this and Rambouillet was the discussion about competition to extend credit to the Soviet Union. There was no discussion of the magnitude of the credit. At Puerto Rico, Henry pointed out that this credit gave us leverage which could skillfully be utilized and there was general agreement with that concept. [Discussion about Eastern debt, possibility of default, etc.] We discussed the situation of Poland, which announced a price increase and then had to rescind it.

Kissinger: This was a remarkable phenomenon. To imagine that these monolithic dictatorships are so weak they can't impose this kind of decision -- which makes economic sense and has profound political implications.

Further, the idea that the Soviet Union might have to reschedule its debts is also of profound political significance. The idea that the Soviet Union, which claims to have the most advanced economic system in the world, would have to show this kind of economic bankruptcy, is really of great political significance.

Richardson: [Suggested an NSC study of the political and economic relationship of East-West trade.]

# Cabinet Mtg

29 June 76

P. Wanted to express my appreciation for fine staff work in prep for mtg. The 2 mtg - at R + RR. Clearly indicate to me there is an interdependence among industrial processes even, job, & security. How we are reacting to current crisis, not to expect/act at RRM, as had been in midst of a recession. I think this is a way for heads of govt to meet. We covered 2 major areas: the energy & expansion (some descriptions); monetary & financial - each should try to avoid imbalances & help of temporary imbalances in conjunction w/ <sup>from</sup> ~~the~~ export credit; A-S - we agreed to a coop - not a competitive approach; Trade & Investment - agreed to try to complete ATTN by end 77; E-W trade - monitor to insure this trade enhances western objectives. There has been a massive ↑. In conclusion I am convinced this nation has leadership among industrial nations. We clearly are in a position of leadership across board. Henry -

R. The most important point is that a solidarity of western demo is a best guarantee of peace. The industrial demo have 60% of world GNP. Tom Press has commented on mtg being political, but for whatever reason, 6 heads of state set aside 2-3 days at the end of Pres. That in itself is striking to a P. leadership. 2 all a level of discussion was most impressive. There was a level of discussion usually doesn't find - no carried speaker. On E-W, there was a great discussion but a even & pol motivation for trade - a disc which would have been unthinkable a year ago. G - should expect great preparations for



these meetings. If there were only 6 was it could  
be a sign something was wrong -  
On E-W trade, we first wanted to raise issues,  
but we got all to agree to a general statement  
in recognizing that the trade had to be looked  
at in more than usual terms - rather in  
terms of overall relationships & in coordinated way  
among us.

Some w/ N-S. Virtually all N-S air crosses  
from these states & their else over. So, the  
diesel doors will not be defensive at all  
complexities ~~was~~ <sup>are</sup> not ~~competitively~~ w/ each other  
we made a great contribution in this direction  
this subject. Not since the early 50's has there been  
such a spirit of cooperation & allies. All this  
talk about how bad an oppression & doors  
defining our defense just isn't true. These  
battles are dynamic & a ~~cost~~ <sup>cost</sup> under this sort  
of world action can handle all the ~~parts~~ <sup>parts</sup> before  
us easily.

Siam - The key aspect was a superiority of the entry  
& a frankness & honesty of a dialogue - The Pro was  
impressive & clearly gave a other confidence as  
a leader of a western world.

(Discussed a major tranche issue)

I found a E-W trade discussion a most stimulating &  
I think this is one of a most challenging areas before  
us. We have had an explanation of credit to a East  
On credits, Schmidt gave a ~~speech~~ <sup>pitch</sup> which  
should take Treasury on a w/ State. All in all,  
I can only agree that a depth which which these  
subjects were discussed was most impressive

What happened at Robinson's?

Greenstein It was an extraordinary meeting, esp in context of other confs I have attended. There was ~~real~~ real intellectual grappling w/ major policy issues.

(Rambbling discussion)

We may have developed a new form of institutional structure. We have broken down a framework + power of summit meetings so that true changes can take place.

P Overly big changes but this & loan was there & disc. was about competition to stand credit to S.C. There was no disc of a requirement of a credit. ~~At 1/2~~ At 1/2, being pointed out that this credit ~~was~~ gave us leverage which could be used to utilize & there was general agreement / that except (Discussion about Eastern debt, prob. of default, etc) We dismissed a set of policies, which remained piece 1 + then had to discuss it.

K This was a remarkable phenomenon. To imagine that these ~~would~~ would be dictatorial or so much they can't make this kind of decision - which makes me uneasy ~~it~~ has profound pol. implications.

Further, the idea that a S.C. might have to restructure its ~~rights~~ <sup>rights</sup> is ~~not~~ also of profound pol sig. The S.C., which ~~claims~~ <sup>seems</sup> to have a most advanced econ system in a world, would have to show this kind of econ bankruptcy, is really of great pol sig.

Richardson (Bryant) an NSC study of a ~~relationship~~ political & econ relationship of E-W trade