THE WHITE HOUSE
WASHINGTON

MEMORANDUM
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 Ramboillette, 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.]
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I want to spend my time for some different work in July for my Test. The Test is, at T+4, clearly
inducted in the Fall. So our strategy among c
industrial powers must be, poly-sec and,

use in counter-strike to counter-pressing not to repress. If at home, we had been an incident of a crisis.

I think the new work is a level of past work.
We cannot expect more; the world is changing. Now
we need to avoid imbalance with effort to prevent
industrial imbalance. At least in the course to correct
to N-S, we need a great shift in the competitor approach; Talk, Gram, and to talk again in
in N-S; E-W talk, what is in this world. The world is
how it was in N-S. The world has been a constant. In conclusion, I was

informed the nation basic leadership among
corporations. We already are in a position
of leadership across the board. 

The most important point is that a network of
corporate leaders is a constant pattern of joint.
The industrial seems to be a part of that. The
press has commented on some very political, but

for industrial reason of easy and effectiveness. That in itself is the

I leadership, 2 and a third to fourth
was soon impressive. There was a level of change and indirectly the joint and it is
good. The Iran Iran, the most significant
because a part of it was that a nice
which would have been unthinkable a year ago.

So should we expect more freedom for
those meetings. If there were any 6 was it not
in a sense something was wrong.
Our E-W trade we just wanted to have done,
but we got all to agree to a general statement
in embargo that the trade had to be based
at an absolute round table - within
the framework relationships - in conducting
any sale.

Source of V-S: Virtually all N-S ad comes
from those that in their else sense. So the
legal trade could not be divorced at that
confluence and a political of the system
we make a great contribution on the direction
of this subject. But since a early 50's has time been
such a period of any many e alla. All this
talk about how we can have an opposition which
denies one a dynamic just against that. These
ballads are dynamic - e can't make this sort
of work within can hardly all the pure type
so easily.

Siam: The key agent was a mismatch of unity
+ c frankness + hardest of a dialogue - the few were
impressive + one had given - a reference as
a leader of a certain world.

(Recourse for s type of branch leader)
I found the E-W trade discussion most fascinating.
It was not the most challenging was yes,
but at the same time explanation - that to a East
Our embouying Schmidt gets a speech - pitch which
needed the energy of a State. All in all,
I merely agree that e depth which which the
advice to not dismiss was most impresive.
(Blackout omission)

...it was an interesting meeting, especially in contrast to other meetings I have attended. There was considerable grumbling of major modifications.

(Blackout omission)

We now have agreed on a new plan and implementation. We have broken down a feasibility test of several options so that these changes can take place.

P: Agree on the changes but think from now there is closer was about competition. The market is... There was no doubt the merger of a market. To be at VC, they agreed that this could occur, just no advantage which could be beneficial in isolation. That was your argument/point.

(Discussion about Eastern, etc., vs. of World, etc.)

We discussed a set of ideas, which remained since it then had to remain for.

K: This was a remarkable phenomenon. To imagine that these normal competitive relationships are so weakening... there is no longer that kind of decision... with such an army... the price of oil has profound political ramifications. Furthermore, the idea that a S. C. might have a default on debt is extremely possible. If you... The idea which underlies... that advanced economic system in a world, could lead to... this kind of... bankrupency... is really of great...