

**THE EUROPEAN COUNCIL**

**ROME  
1-2 DECEMBER 1975**

Documents in the dossier include:

*The European Council in Rome*

Includes preparatory work, conclusions, follow up statements  
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*European Community Members to Issue EC Citizens a "European Passport"*  
European Community Background Information No. 41/1975  
European Community Information Service  
Washington DC

*Declaration of Rambouillet*

17 November 1975  
Department of State Bulletin, December 8, 1975

# 1. The European Council in Rome

1101. The European Council, consisting of the Heads of Government of the Nine Member States met in Rome on 1 and 2 December. The Ministers for Foreign Affairs and the Commission were also present.

Decisions were reached, the most important of which concerned the Community's representation by one delegation at the North-South Conference, establishment of May-June 1978 as the date for election to the European Parliament, issue of a uniform European passport from 1978, the policy aspect of Community financing, and the controls to be applied in that area. The Council also took a hard look at the Community's economic and social situation (with the Rambouillet Summit<sup>1</sup> and the Brussels Tripartite Conference<sup>2</sup> in mind) and European Union (statement of Mr Tindemans, the Belgian Premier). All these matters were covered in a summary of conclusions issued by the Chair after the Rome meeting.

## European Council Summit Meetings

1102. The meeting which has just ended is the third since the deliberations of the Heads of Government when they assembled in Paris on 9 and 10 December 1974.<sup>3</sup> Glancing further back, the first year of this new practice highlights its specific features and originality.

Unlike the Summits at The Hague (1 and 2 December 1969), in Paris (19 and 20 October 1972) and Copenhagen (14 and 15 December 1974), and again unlike the meeting of Heads of Government in December 1974, which was new in 'style', the establishment of what was soon termed the 'European Council', was a response to clear-cut *problems*.

The Communiqué issued in Paris on 10 December spelt these out:

'Recognizing the need for an overall approach to the internal problems involved in achieving European unity and the external problems facing Europe, the Heads of Government consider it essential to ensure progress and overall consistency in the activities of the Communities and in the work on political cooperation.'

In *practical* terms, and to attain these objectives, the Paris communiqué indicated:

The Heads of Government have therefore decided to meet, accompanied by the Ministers of Foreign Affairs, three times a year and, whenever necessary, in the Council of the Communities and in the context of political cooperation.

The administrative secretariat will be provided for in an appropriate manner with due regard for existing practices and procedures.

In order to ensure consistency in Community activities and continuity of work, the Ministers of Foreign Affairs, meeting in the Council of the Community, will act as initiators and coordinators. They may hold political cooperation meetings at the same time.

These arrangements do not in any way effect the rules and procedures laid down in the Treaties or the provisions on political cooperation in the Luxembourg and Copenhagen Reports. At the various meetings referred to in the preceding paragraphs the Commission will exercise the powers vested in it and play the part assigned to it by the above texts.<sup>3</sup>

What was soon to be known as the 'European Council', was born. Since then it has met in accordance with the terms adopted by the Heads of Government, in Dublin (10 and 11 March), Brussels (16 and 17 July) and lately in Rome (1 and 2 December).

<sup>1</sup> The full text of the Rambouillet Declaration is reproduced in Part 3: Documentation.

<sup>2</sup> Points 1201 to 1205.

<sup>3</sup> Bull. EC 12-1974, point 1104.

## The Rome Meeting

*1103.* The European Council met in the Palazzo Barberini, which dates back to the XVIIIth century. It was chaired by Mr Aldo Moro, President of the Council, Italy, and Chairman of the European Council. The other eight Heads of Governments were all present: Mr Léo Tindemans (Belgium), Mr Anker Jørgensen (Denmark), Mr Helmut Schmidt (Federal Republic of Germany), Mr Giscard d'Estaing (France), Mr Liam Cosgrave (Ireland), Mr Gaston Thorn (Luxembourg), Mr Joop den Uyl (Netherlands), Mr Harold Wilson (United Kingdom). All were assisted by their Foreign Ministers, except for Denmark, whose Minister for External Economic Relations was in attendance, Belgium (Mr Van Elslande was absent) and Luxembourg, where Mr Thorn covered both functions. In the case of Belgium and Luxembourg, the Head of Government was accompanied by a senior official. The Commission was represented by President Ortoli and Vice-President Haferkamp.

The European Council met in restricted session; the national or Community officials were not present at their discussions. At one point the Heads of Government called in the President of the Commission.

The Council first talked of economic and social problems: the conclusions to be drawn from the Rambouillet Summit, the Community's economic and social situation, and the Brussels Tripartite Conference. It then considered the election of Parliament, the 'European Passport', budgetary matters, and European Union. It devoted most of its second day to the Conference on International Economic Cooperation (North-South).

The Commission played an active part in the discussions, and in preparing conclusions. This was particularly so in regard to the North-South dialogue and the common energy policy commitments where the final decision for single Community representation was taken on the strength of a text proposed by President Ortoli.

## The results

*1104.* The Ministers' decisions and discussions were covered in a 'summary of conclusions', drawn up on the authority of the Chairman. There follows the published text:

### The economic and social situation

'The European Council discussed the development of the economic and social situation in the Community and again stressed the need for close co-ordination to be maintained between the economic policies of the Member States in order to consolidate the economic recovery which seems to have begun and to improve the present level of employment.

The European Council confirms the broad lines which emerged at the July meeting in Brussels and which were echoed in the declaration issued after the Rambouillet Summit, concerning the desirability of closer international co-operation and of a constructive dialogue among all the countries concerned to overcome current economic problems.

The European Council has noted with satisfaction the follow-up to the Tripartite Conference held in Brussels on 18 November and the decision to instruct the Commission of the European Communities, in contact with both sides of industry, to study the main problems discussed and to prepare a report with a view to a future meeting of that Conference.'

### Community budget and financing

'The European Council carried out a thorough examination of the problems connected with the supervision of Community expenditure and the Community's budget policy.

The Council agreed on the need for more effective financial control over Community expendi-

ture and stated that it was in favour of the suggestions made by the Heads of Government of the United Kingdom, the Federal Republic of Germany and Ireland, and the proposals of the Commission, being examined expeditiously.

The President of the Council and the President of the Commission were invited to make contact with the President of the European Parliament with a view to examining the role which that Institution might play in controlling Community expenditure by means of a Committee or Subcommittee.

The Heads of Government agreed to make every effort to ensure the early completion of the procedure for the ratification of the Treaty setting up a European Court of Auditors signed on 22 July last in Brussels, with a view to enabling the Court to commence activities during 1976.

The European Council noted with satisfaction the information communicated by the President of the Commission regarding the strengthening which had taken place to date in the powers of the Member of the Commission responsible for the budget, without prejudice, however, to the principle of the collective responsibility of the Commission as laid down in the Treaties.

With reference to the agreement reached at Villa Marlia and formally adopted by the Council meeting in Brussels on 5 and 6 November regarding the annual joint meeting of Ministers for Foreign Affairs and Ministers for Finance to carry out an overall assessment of Community budget problems, the European Council considers that discussions at such meetings should concentrate on general Community policy, ensure greater consistency as regards policies to be followed and budget decisions and allow better distribution of Community resources to be achieved by means of the gradual introduction of multiannual expenditure forecasts. The discussion relating to next year should take place, on the basis of a Commission communication, before the end of April.

The European Council noted the Commission's intention to submit to the Council proposals concerning the use of the European unit of account in the Community budget.'

### Elections to the European Parliament

'The European Council is agreed that elections to the European Parliament shall take place on a single date in May or June 1978.

Any country which at that date is unable to hold direct elections shall be allowed to appoint its representatives from amongst the elected members of its national parliament.

The European Council noted Mr Wilson's statement that the United Kingdom Government required a further period for internal consultations before adopting a final position regarding the date fixed, and the conditions set by Mr Jørgensen for direct elections to the European Parliament in Denmark.

The European Council instructed the Council of Ministers to continue examination of the problems encountered and to submit a report which will enable the text of the Convention on elections to the European Parliament to be finalized at the next European Council.'

### Passport Union

'The European Council is agreed on the introduction of a uniform passport which may be issued as from 1978.

To that end, the European Council asks the Council (Ministers for Foreign Affairs) to resolve all outstanding questions in this area.

The European Council also asks the Council (Ministers for Foreign Affairs) to continue work on the abolition of frontier controls and on the harmonization of conditions of entry into and abode in the Member States.'

### Communication from Mr Tindemans on the accomplishment of his mission

'The European Council heard a statement by Mr Tindemans, Prime Minister of Belgium, on the accomplishment of his mission of preparing a report on European Union. As agreed, a copy of this report will be sent to all Governments before the end of the year.'

### Conference on international economic cooperation

#### I. *Basic problems*

The Commission will submit proposals and the Council decide as soon as possible on appropriate mechanisms to protect existing sources and ensure the development of alternative sources of Community energy, on reasonable economic conditions and also to encourage conservation in the use of energy.

#### II. *Procedure*

(a) The Community will be represented by a single delegation at the conference on international economic co-operation.

(b) The Presidents of the Council and the Commission will act as spokesman for the Community.

During the ministerial conference, the Chairman of the Community delegation will be able to invite the representatives of two Member States to submit further comments in the light of their experience and in accordance with the mandate adopted.

(c) In each commission, the spokesmen for the Community shall be assisted by a Community delegation comprising representatives of the Member States.

(d) It may be agreed in the framework of the

Community co-ordination procedure that a member of the Communities' delegation be invited by the Chair to comment on specific questions in the context of the mandate. These statements shall not conflict with the agreed Community position.

(e) As the dialogue proceeds, the mandate will be further developed in accordance with the Community procedure.'

### Other business

'The European Council adopted a proposal by the Prime Minister of the United Kingdom that Community Ministers for the Interior (or Ministers with similar responsibilities) should meet to discuss matters coming within their competence, in particular with regard to law and order.'

The European Council also discussed the problems posed by the shortage of oil and steps to be taken in that connection. It also considered the compilation of the list of industrialized countries who should be invited to attend the North-South Conference.

### Community reactions

1105. The results of the Rome meeting were the subject of largely favourable comment. The initial Community reactions were as follows:

#### Commission

1106. Following the Commission meeting of 3 December, the Spokesman declared in substance the following day:

President Ortoli and Vice-President Haferkamp who represented the Commission in Rome, summarized at the Commission meeting the results obtained and the course of the Council's work.

The Commission was pleased that three big advances had been secured:

- (i) direct election to Parliament, which was highly significant politically and an expression of the unanimous resolve to push on the construction of Europe;
- (ii) in keeping with the Commission's proposals, the European Council agreed to accord budget issues their true political stature;
- (iii) the Community's single representation in Paris at the Conference on International Economic Cooperation, was of the utmost political and institutional importance; it strengthened the Community's authority and credibility, and its determination to win through to a common energy policy.

Yesterday the Commission and today the Energy Committee started to appraise moves in that direction, bearing in mind the next critical dates (Council meeting of 9 December and IEA meeting on 18 and 19 December).

Mr Spinelli said:

'In deciding that elections to the European Parliament will take place on a single date in 1978, the Heads of Government, seventeen years after the Treaty of Rome took effect, have finally yielded in the long battle, waged on a wide popular front, to democratize the Community.

The elections can be a milestone of Community history because, by politically revitalizing integration, they will help to break up the collusion of bureaucracies and finally involve the citizens in the construction of Europe.'

### European Parliament

1107. Mr Georges Spénale, President of the European Parliament, made the following statement on the outcome of the European Council meeting:

'The commitment by seven Heads of State or Government of the European Community to direct elections to the European Parliament in May-June 1978 is unquestionably one of the most positive results of the European Council in Rome.

The two countries not yet committed to that date do not oppose the principle of European elections. It is quite probable therefore, that they will come round to the same position by 1978. This seems all the more likely in that these two countries have a great parliamentary tradition and have consistently pressed for greater democracy in the Communities.

The European Parliament continues to attach great importance to the organization of European elections on the same date in all Community countries, for political and psychological reasons.

At all events, the European Council's commitment to direct elections must be the signal for a general mobilization of political forces and public opinion in all the countries concerned. There is a considerable amount of preparatory work to be done if these elections are to be held in time. The "count-down" starts today!

The Council of Ministers of the European Community must now adopt the draft convention submitted to it by the European Parliament.

The decision on single representation for the European Community at the North-South dialogue is, of course, the other encouraging feature of this European Council.

This decision averts a grave threat to Community solidarity in a field which is vital to Europe's future.

Finally the creation of a European Passport in 1978, year of the elections by universal suffrage, should be welcomed. These two measures on different but complementary fronts, will create a stronger sense of European identity.'

## BACKGROUND INFORMATION

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### BACKGROUND NOTE

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### EUROPEAN COMMUNITY MEMBERS TO ISSUE EC CITIZENS A "EUROPEAN" PASSPORT

American collectors of passport stamps will soon have to find a new hobby -- or travel to other parts of the world than the European Community.

The Community's nine member countries have decided to replace national passports with a single type of European passport by 1978 as the first step toward a passport union. Once this union has been completed, citizens of the "Nine" will be able to travel from one end of the Community to the other without passing through customs. For Americans, it will mean a single customs check on entering the first Community country visited and one on leaving the last -- two passport stamps instead of 14. (Belgium, the Netherlands, and Luxembourg have already ended passport checks.)

European passports could be in use soon, because this change needs legislation only in Germany. Other parts of the passport union will take longer to work out, because they will take changes in national laws setting conditions of entry, length of stay, and checks of luggage, currency, and cars. Eventually, the Nine will have to negotiate agreements with non-member countries to treat every holder of a European passport the same, regardless of nationality.

The passport decision was made at a meeting of the Community members' heads of State or Government, foreign ministers, and EC officials in Rome on December 1-2. The group, known as the "European Council," also discussed

- the election of the Community's Assembly, known as the "European Parliament," by direct universal suffrage
- the Community's economic and social condition
- the Community's budget and financial arrangements
- the December 16 Paris Conference on International Economic Cooperation
- a report, due by the end of this month, on building a full "European Union."

### What is the European Council?

The European Council was born at the December 1974 Summit of the Nine when the heads of Government decided that more frequent but less formal meetings at the highest political level could speed up the Community's decision-making process. The Community's usual decision-making process -- where the Commission proposes and the Council enacts -- often bogs down in technicalities and bargaining.

### Direct Elections to the Parliament

The first line of the Common Markets founding treaty says that the member countries are "determined to lay the foundation of an ever closer union among the peoples of Europe." The direct election of representatives to the European Parliament will be a cornerstone of that Union. It will give the peoples of Europe for the first time a direct say in the way the Community is run.

The European Parliament now has 198 members appointed by and from the national legislatures. This procedure was, however, always considered temporary. The Parliament itself was to and did make proposals for the election of its members by direct universal suffrage. Only on January 14, 1975, however, did the Parliament adopt a new draft convention for direct elections taking into account the three new members (Denmark, Ireland, and the United Kingdom). This convention must now be unanimously adopted by the EC Council of Ministers and ratified by the national legislatures.

The European Council smoothed the way for completion of the convention by securing the Nine's agreement on two details

- that elections will be held on a single date between May and June 1978
- that until the United Kingdom and Denmark work out internal arrangements, those countries can continue to appoint members of the European Parliament.

The directly elected Parliament will have 355 members who still hold office for five years.

### The Community's Economic and Social Condition

The European Council met during Europe's worst recession since the war. The Community's unemployed number 5,000,000, more than 4.5 per cent of the labor force. Almost a third of the unemployed have just left school. Thousands of foreign workers have returned to their home countries, and 1,500,000 workers are working short time. These conditions pose a threat to the Community's social stability.

To deal with this situation, the European Council agreed that member countries had no choice but the closest consultation over economic policy both within the Community and with the rest of the world.

The Council also expressed satisfaction with the results of last month's "Tripartite Conference" organized by the EC Commission and attended by representatives of labor, management, and government. The conference asked the Commission to hold more such conferences so that all parties involved in industry could explore current labor, social, and economic conditions.

### The Community's Budget and Financing

This year the Community has a budget of \$783,125,000, a figure 2 per cent of the members' total national budgets. Revenues came from customs duties, agricultural levies, and a tax on coal and steel production. The deficit was made up by contributions from member states, based on the size of their economies.

During recessions, countries, like individuals, are especially budget conscious, and the Common Market members are no exception. The European Council discussed at length ways of seeing that Community funds are properly handled and well spent.

The Council said it would like a number of budget tightening proposals studied soon and asked the EC Commission and the Council to get the Parliament's ideas on how the latter's budgetary powers could be expanded. The Council also agreed

- to speed up the ratification process for the Treaty creating a European Court of Audit, signed on July 22
- to hold joint annual meetings of their finance and foreign ministers for a general review of the Community's budget to improve allocation of funds between different policy areas. Eventually, these meetings would lead to budget forecasts several times a year.

### The "North-South" Dialogue

The European Council cleared up one cloud that had hung over the future of the Conference on International Economic Cooperation, scheduled for December 16 in Paris. The heads of State or Government agreed that the Community would be represented by a single delegation.

The Council also decided that work on a common energy policy should be resumed as soon as possible. It asked the Commission to make proposals for conserving energy resources and for developing new sources.

### Building the European Union

The Council also heard an interim report by Belgian Foreign Minister Leo Tindemans on the chances for building the Community's achievements so far into a European Union. The report, commissioned at the 1973 Copenhagen Summit, is to be completed this month.

Preparing the report, Tindemans has talked with a wide range of political, labor, and business leaders and has also received the views of the Community's Court of Justice, the European Parliament, the Commission, and the Economic and Social Committee, an advisory body to the Commission and the Council.

Achievements of Previous European Councils

The first European Council was held in Dublin on March 10-11. Here, the last details of the United Kingdom's "renegotiation" of membership conditions were worked out: budget contribution and dairy imports from New Zealand.

The second European Council met in Brussels on July 16-17. This Council reaffirmed that the Community would talk about closer ties with Portugal but that it could "give support only to a democracy of a pluralist nature." It also defined the Community's position for the United Nation's special session on raw materials and development last September, and welcomed China's decision to establish official relations with the Community.

The next European Council is scheduled for Luxembourg on March 8-9, 1976.

## Leaders of Major Industrial Democracies Discuss Economic Issues

*President Ford and President Valéry Giscard d'Estaing of France, Chancellor Helmut Schmidt of the Federal Republic of Germany, Prime Minister Aldo Moro of Italy, Prime Minister Takeo Miki of Japan, and Prime Minister Harold Wilson of the United Kingdom met at the Chateau de Rambouillet near Paris November 15-17. Following are remarks made by President Ford at the conclusion of the meeting, the text of the Declaration of Rambouillet issued on November 17, and opening remarks from a news conference held by Secretary Kissinger and Secretary of the Treasury William E. Simon aboard Air Force One on November 17 en route to Washington.*

### REMARKS BY PRESIDENT FORD

Weekly Compilation of Presidential Documents dated Nov. 24

Mr. President: I wish to express my appreciation for the gracious hospitality of you and the French Government and the French people. My appreciation also goes to my colleagues for the spirit of good will, the spirit of friendship, which they have demonstrated during this meeting.

It has been a highly successful meeting in every respect.

In our sessions, we have covered the range of economic issues of concern to the industrialized world and challenging our democratic societies.

These meetings have been rewarding in a number of important ways. They have deepened our understanding and appreciation of our mutual economic interdependence. They have enabled us to harmonize our views on key issues, and they have strengthened our determination to solve the problems that we confront. Finally, and most

importantly, they reaffirmed our mutual confidence in a sustained and full recovery from the deepest recession since the 1930's.

Perhaps our most important accomplishment over the past several days has been our recognition that the objective of sustained, stable economic growth will be facilitated by our common efforts. As leaders of major democratic nations, we reached substantial agreement on a number of issues concerning monetary policy, trade, energy, and our relations with the developing world as outlined in our joint declaration.

Over the past three days, in this beautiful setting, we have found a new spirit, a spirit of cooperation and confidence stemming from a deeper understanding of our common destiny and our joint conviction that free peoples can master their future.

As a result of the work that we have started, the people of our countries can look forward to more jobs, less inflation, and a greater sense of economic security.

We conclude this conference with a sense of determination to carry forward this work which has been so promisingly begun.

### TEXT OF DECLARATION OF RAMBOUILLET

The Heads of States and Governments of France, Federal Republic of Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America, met in the Chateau de Rambouillet from 15th to 17th of November 1975, and agreed to declare as follows:

1. In these three days we held a searching and productive exchange of views on the world economic situation, on economic problems common to our countries, on their human, social and political implications, and

on plans for resolving them.

2. We came together because of shared beliefs and shared responsibilities. We are each responsible for the government of an open, democratic society, dedicated to individual liberty and social advancement. Our success will strengthen, indeed is essential to democratic societies everywhere. We are each responsible for assuring the prosperity of a major industrial economy. The growth and stability of our economies will help the entire industrial world and developing countries to prosper.

3. To assure in a world of growing interdependence the success of the objectives set out in this declaration, we intend to play our own full part and strengthen our efforts for closer international cooperation and constructive dialogue among all countries, transcending differences in stages of economic development, degrees of resource endowment and political and social systems.

4. The industrial democracies are determined to overcome high unemployment, continuing inflation and serious energy problems. The purpose of our meeting was to review our progress, identify more clearly the problems that we must overcome in the future, and to set a course that we will follow in the period ahead.

5. The most urgent task is to assure the recovery of our economies and to reduce the waste of human resources involved in unemployment. In consolidating the recovery it is essential to avoid unleashing additional inflationary forces which would threaten its success. The objective must be growth that is steady and lasting. In this way, consumer and business confidence will be restored.

6. We are confident that our present policies are compatible and complementary and that recovery is under way. Nevertheless, we recognize the need for vigilance and adaptability in our policies. We will not allow the recovery to falter. We will not accept another outburst of inflation.

7. We also concentrated on the need for new efforts in the areas of world trade, monetary matters and raw materials, including energy.

8. As domestic recovery and economic ex-

pansion proceed, we must seek to restore growth in the volume of world trade. Growth and price stability will be fostered by maintenance of an open trading system. In a period where pressures are developing for a return to protectionism, it is essential for the main trading nations to confirm their commitment to the principles of the OECD [Organization for Economic Cooperation and Development] pledge and to avoid resorting to measures by which they could try to solve their problems at the expense of others, with damaging consequences in the economic, social and political fields. There is a responsibility on all countries, especially those with strong balance of payments positions and on those with current deficits to pursue policies which will permit the expansion of world trade to their mutual advantage.

9. We believe that the multilateral trade negotiations should be accelerated. In accordance with the principles agreed in the Tokyo Declaration, they should aim at achieving substantial tariff cuts, even eliminating tariffs in some areas, at significantly expanding agricultural trade and at reducing non-tariff measures. They should seek to achieve the maximum possible level of trade liberalization therefrom. We propose as our goal completion of the negotiations in 1977.

10. We look to an orderly and fruitful increase in our economic relations with socialist countries as an important element in progress in détente, and in world economic growth.

11. We will also intensify our efforts to achieve a prompt conclusion of the negotiations concerning export credits.

12. With regard to monetary problems, we affirm our intention to work for greater stability. This involves efforts to restore greater stability in underlying economic and financial conditions in the world economy. At the same time, our monetary authorities will act to counter disorderly market conditions, or erratic fluctuations, in exchange rates. We welcome the rapprochement, reached at the request of many other countries, between the views of the U.S. and

France on the need for stability that the reform of the international monetary system must promote. This rapprochement will facilitate agreement through the IMF [International Monetary Fund] at the next session of the Interim Committee in Jamaica on the outstanding issues of international monetary reform.

13. A co-operative relationship and improved understanding between the developing nations and the industrial world is fundamental to the prosperity of each. Sustained growth in our economies is necessary to growth in developing countries: and their growth contributes significantly to health in our own economies.

14. The present large deficits in the current accounts of the developing countries represent a critical problem for them and also for the rest of the world. This must be dealt with in a number of complementary ways. Recent proposals in several international meetings have already improved the atmosphere of the discussion between developed and developing countries. But early practical action is needed to assist the developing countries. Accordingly, we will play our part, through the IMF and other appropriate international fora, in making urgent improvements in international arrangements for the stabilization of the export earnings of developing countries and in measures to assist them in financing their deficits. In this context, priority should be given to the poorest developing countries.

15. World economic growth is clearly linked to the increasing availability of energy sources. We are determined to secure for our economies the energy sources needed for their growth. Our common interests require that we continue to cooperate in order to reduce our dependence on imported energy through conservation and the development of alternative sources. Through these measures as well as international cooperation between producer and consumer countries, responding to the long term interests of both, we shall spare no effort in order to ensure more balanced conditions and a harmonious and steady development in the world energy market.

16. We welcome the convening of the Conference on International Economic Cooperation scheduled for December 16. We will conduct this dialogue in a positive spirit to assure that the interests of all concerned are protected and advanced. We believe that industrialized and developing countries alike have a critical stake in the future success of the world economy and in the co-operative political relationships on which it must be based.

17. We intend to intensify our cooperation on all these problems in the framework of existing institutions as well as in all the relevant international organizations.

#### **OPENING REMARKS FROM NEWS CONFERENCE OF SECRETARIES KISSINGER AND SIMON <sup>1</sup>**

##### **Secretary Kissinger**

The overall purpose of the meeting was to bring together the leaders of the industrial democracies at a time when their economies were in various states of recession.

When it was proposed, it was suggested that these leaders ought to meet to give confidence to their peoples and to convey to their peoples the sense that they were in control of their future and were not simply waiting for blind forces to play themselves out.

So we thought it was a matter of great importance; one, because for two years we have been maintaining that the political and economic cohesion of the industrial democracies was central to the structure of the non-Communist world; secondly, because we believed that the interdependence of these economies makes isolated solutions impossible; and thirdly, because we believed that there were a number of concrete issues on which work had to begin and in which common action was important.

We spent a great amount of effort within our government to prepare for this meeting, and there are always many stories when there are disagreements in the government;

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<sup>1</sup> Text from press release 572, which also includes questions and answers.

but this has been an unusual occasion, an unusual way in which all the departments working together worked out common positions, common philosophies, and achieved the basic proposals that were put before the other leaders.

When this conference was called, I think it is safe to say that some of our friends wanted to use it as an occasion to blame us, or at least to imply that their economic difficulties could be solved primarily by American efforts, and others may have had the idea that, especially in the monetary field, it could be used to bring about rapid solutions in which the heads of government overruled the long negotiations that had gone on.

But as the preparation developed, I think a more sober spirit grew also, and one of our big themes was that economic recovery was meaningless if it started another spurt of inflation and that what we had to aim for was stable growth.

The second theme we had to get across is that the American economy was doing well and that therefore the concerns of other countries that our recovery was too slow for their own was unjustified.

Thirdly, we had in a number of areas, specific ideas on how the interdependence of these countries could be carried out—in the field of trade, in the field of economic relations with the Socialist countries, in the field of monetary affairs, in the field of energy, and in the field of development.

The discussions took place in a really unusually harmonious spirit. The fears which some of us had that the others would bring pressure on us to accelerate what we think is a well-conceived economic program proved unfounded, and after the President made his extensive intervention of the first day explaining our economic program, the other countries substantially accepted this and, indeed, seemed to be appreciative of it.

I think this was a very important event because it meant that they had more confidence that in looking ahead to their own future they could count on steady growth in the United States, and since everybody agreed that a substantial percentage of the

recession was psychological, I had the sense that a consensus emerged that this confidence that developed in our ability to handle the economic problems was a very major factor. In fact, the confidence of the leaders in this process was shown by the fact that they would talk about general principles and then turned over the drafting to either Ministers or experts and that the leaders only spent about an hour on the declaration. At first we didn't want any declaration because we were afraid we would spend our whole time drafting it; and it didn't turn out that way, and that was important.

In the field of trade, there was an agreement, first, that the negotiations on the multilateral trade negotiations should be completed next year; secondly, a commitment by all of the countries there to bring about a substantial reduction of trade barriers, including in the agricultural field, and no attempt to hide behind Community mandates or other obstacles.

There was also an agreement to accelerate or to foster the negotiations concerning export credits. Bill will talk about the agreements in the monetary field—which put an end to a debate of years about the nature of the floating system and the relation between floating and stability, which should end in January in an agreement that should at least put the field of international finance on a more stable basis than it has been in a long time.

In the field of energy, there has been an agreement to cooperate closely or actively on the alternative sources and on conservation, and I believe this will show up in the program of the International Energy Agency, which is in the process of being negotiated and which we hope to conclude by December 15.

In the field of development, we identified the balance-of-payments deficits of the developing countries, or their current account deficits, as one of the major problems on which we would work jointly, but we also pointed out that there is a close relationship between that and the action that is taken with respect to oil prices. So we believe that the consuming countries are in an excellent

position for the beginning of the talks on international economic cooperation that are beginning in the middle of December. And we agreed to work together in all existing institutions.

To sum up, this unusual meeting of the heads of government of the countries that between them produce 70 percent of the world trade represented a commitment to the conception that our economic problems were long term, that there were no quick fixes to them, that they required a steady cooperative effort, that their political relationship affected their economic relationship, and that their economic relationship in turn assisted their political cooperation.

And so the free countries vindicated the concept of their interdependence and laid out a program and a method for cooperation which we hope will accelerate the recovery of all of the peoples as well as their cooperation with the less developed countries for the benefit of everybody.

But I think Bill ought to explain the monetary agreement because that is perhaps the single most significant thing that happened there.

#### **Secretary Simon**

There is no doubt that it was a significant agreement reached between the French and the United States which, I believe and most everyone believes, is going to pave the way for agreement at the [IMF] Interim Committee on overall monetary reform in January. I think that the agreements that we have reached are a fair and balanced compromise. Neither side won nor neither side lost.

Each has protected its very critical national interests in a spirit of cooperation. We have sought to bring a convergence of views, and this is important. What we are trying to do is build and expand on these areas of convergence, and as we succeed in doing this, the whole world community at large is going to benefit from this.

Now, I think that the disparity of views of the past few years between the French and the United States in particular on various amendments to the articles of agreement

[of the IMF] has obscured the deep mutual-ity of interest to return to stable economic and financial conditions in the world and more orderly and stable exchange rates, and that is very significant because this instability that we have had contributed to as well as resulted from tremendous institutional financial strains.

Also, the instability created great problems for many of the countries in the world in taking care of the erratic price movements and setting economic policies and restoring stable growth in their own economies.

Now, having said this, because one must look at the fundamental cause of the problem before we can begin to look for any of the solutions, which is important, it has been clear that the French and the United States share some fundamental agreements on the monetary system; there is no doubt about that. We both agree that the diversity of financial arrangements—the floating system, if you will—has served us well. Under the present circumstances, it is actually necessary to take care of the stresses and the strains that have been brought about by the severe inflation, recession, and of course the extraordinary oil increase.

So having identified the causes, we then must set about in curing the fundamental problems of this economic instability, and therefore the communique, as it said, dealt with two aspects of the monetary issue: one, the operational and, two, the reform of the system.

On the operational side we have reached an understanding that to achieve durable and meaningful stability in the underlying economic and financial conditions, we have to provide for mutually cooperative and conciliatory policies among ourselves but that national domestic economic policies must indeed be compatible. The world economy has suffered from all of the ills that I have spoken about, and the underlying problem remains with the severe inflation and of course the recession which was caused by this inflation.

On exchange markets, we are going to deal with erratic movements in exchange

rates, which of course create, again, an instability. Erratic movements can be defined as movements that have no underlying economic reason. Ours is not an attempt to peg any of the currency rates at artificial levels; but there are erratic movements in financial markets on occasion that are not directly attributable to fundamental economic events, and at this point intervention policies will become mutually cooperative and compatible to smooth out these unstable periods.