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Economic Summit, Third Session
Sunday, November 16, 1975 4:00 p.m.

Energy, Raw Materials, and Development

President Giscard: I turn the floor over to President Ford, who will begin the discussion of energy.

President Ford: Strong domestic energy programs are absolutely critical. As the largest consumer of energy, the United States is determined to be in the forefront in conserving energy and developing new supplies. We have defined our short and long term energy objectives and reorganized our government machinery to achieve them. Our goal is to dramatically increase all domestic energy sources, decrease demand, and cut oil imports sharply. Our target is to hold our imports of oil in 1985 to a level 10 MMBD below what they otherwise would have been. Conservation will account for half of this massive import reduction; new domestic supplies for the remainder.

The achievement of these objectives will require a tough, comprehensive national program of energy conservation and accelerated energy production. I submitted such a program to the Congress in January. The national energy debate has been lengthy, and progress has been slower than we had hoped.

The Congress is now in the final stage of completing a comprehensive legislative package on energy. This legislation does not cover fully the proposals I made in January. In some areas, it would provide a good basis for a serious national energy program, including conservation. In other areas, however, such as the domestic pricing provisions, it falls short of what I had proposed. We have made significant legislative progress, but we still have a long way to go.

The new energy bill has some attractive features. It would provide many elements for a medium term mandatory energy conservation in the United States. For example, it would impose new automobile efficiency standards; it would create new incentives for more efficient use of energy in private industry; it would establish efficiency labelling requirements for electrical appliances; and it would create a new program under which individual states will be encouraged to develop their own energy conservation programs.

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At the same time, this energy bill could substantially strengthen our ability to withstand any future embargo. It would provide me with the authority I need to impose mandatory restraints on energy consumption in a crisis and take the other emergency measures necessary to implement the IEP oil sharing agreement. In addition, the legislation would authorize the creation of a large, new emergency oil stockpile. We would be able to initiate promptly a strategic storage program of 150 million barrels, with an eventual target of one billion barrels.

However, the provisions of the new bill dealing with domestic oil prices are less satisfactory. The question of price decontrol has been perhaps the most controversial issue in our domestic debate over the past year. I strongly advocated the removal of artificial price controls on our domestic oil out of conviction that these prices should reflect actual market value. Others have wished to defer any decision on the future of price controls, arguing that the economic impact of decontrol would be unacceptably harsh. The bill contains a proposed compromise on this key issue. The composite domestic oil price would be rolled from \$8.75 per barrel at present to \$7.66 in 1976 and then allowed to increase gradually with eventual full decontrol after 40 months. The pace of decontrol is much slower than I would have liked. Because of less than completely satisfactory pricing provisions, but other very desirable elements, I will carefully review this bill after it is completed before making a final decision.

I should stress our conservation effort over the past year, even without the new program, has produced substantial results. As a result of higher prices and increased public awareness of the need for conservation, the US is using one million B/D less of imported oil than would otherwise be the case. This saving, which has already been adjusted to remove the effects of the economic slowdown and bad weather, translates directly into reduced demand for oil imports. These savings will continue to grow.

We also initiated a voluntary automobile fuel economy program to ensure that automobile manufacturers increase by 40% the efficiency of their vehicles by 1980. This program will lead to an import savings of two MMBD by 1985. In the 1976 model year alone, a 17% increase has been achieved. In addition, we have undertaken major programs to expand the use of coal in place of oil and gas in existing power plants and to encourage construction of new power plants for electrical generation that do not depend on imported oil. To stimulate development of new supplies, we are:

- Moving rapidly forward to complete a pipeline to begin moving Alaskan oil to markets in the lower 48 states by 1978.



- Accelerating the leasing of frontier OCS areas.
- Seeking authorization for a \$100 billion Energy Independence Agency to provide financial support for new energy projects.
- Working with Congress to complete action on an \$11 billion synthetic fuels program to complement our unprecedented research and development effort and make commercial production of synthetic fuels a reality.
- Actively encouraging construction of a fourth uranium enrichment facility by private interests to enable us to achieve our ambitious targets for nuclear power and ensure that we meet our commitments to provide enrichment services to foreign purchasers; and
- Expecting early congressional authorization to open up our substantial Naval petroleum reserves for exploration and development.

These actions will bring on millions of barrels of additional domestic oil supplies during the coming years. I am also pressing Congress to end price controls domestically-produced new natural gas, and the Senate has already voted to do so.

I am convinced that these and other new measures that make up our comprehensive program will enable us to achieve our energy objectives. I am fully committed to their realization, and I am convinced that the American people will support me in this effort.

While recognizing the preeminence of national programs in meeting the energy challenge, we have all participated in varying degrees in cooperation and collaboration among ourselves and with other major oil consuming countries. Our bilateral consultations have been extensive and productive. We have joined together in the OECD's Financial Support Fund to protect against destabilizing movement of OPEC assets. Some of us have agreed to an oil sharing arrangement in the event of a new embargo and supply disruption. We attach particular importance to this achievement.

After months of negotiation, those countries that have chosen closer collaboration are nearing agreement on concrete measures to implement their commitment to long term cooperation. The package of measures include:

- Review and comparison of members' conservation programs to encourage greater effort and identify particularly effective elements for emulation by others



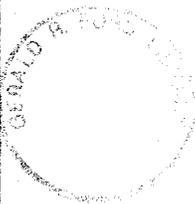
- General and specific incentives to stimulate development of new supplies, including a minimum safeguard price and a framework of cooperation on individual energy projects with provisions covering non-discriminatory access to investment and product; and
- Reinforcement and extension of national R&D activities by a pooling of effort under joint strategy and including jointly financed projects.

The minimum safeguard price mechanism and the access provisions for project-by-project cooperation stand as concrete manifestations of members' solidarity and are highly important to a coherent program of cooperation.

I think the access commitment is particularly important. The United States sees significant potential for using this type of cooperation to develop new supplies of advanced energy as well as some new conventional energy. All new energy will be costly in capital terms and make great demands on our capital markets. We welcome investment by countries with limited energy resources, recognizing that they would find participation particularly attractive if it increased the amount of energy available to them. To promote this type of cooperation, we are prepared to make the following offer: In return for other countries participating in large new projects in the US which develop energy that would otherwise not have been produced, we will wherever feasible guarantee that a portion of the incremental energy production can be exported. Projects will be considered on their merits in their environmental, economic and regional context. In some areas, where environmentalist and other concerns are great, we will have less scope than in others. We think a commitment of this kind is a major innovation in international cooperation. We are prepared to discuss it in detail with other consuming countries.

The package of measures for long term cooperation in conservation, the development of new supplies, and R&D will complete the framework of our energy cooperation. It will ensure that our individual and collective efforts will be adequate to achieve our objectives. It is imperative that the early December deadline for the adoption of the program be met. Once the program is in place, it will be possible to devise arrangements for other industrialized countries to participate in our cooperative programs, including R&D and the development of new energy projects.

We believe our individual and joint efforts to reduce our vulnerability are consistent with our common desire for a broad and constructive economic dialogue. A clear demonstration of our determination to master our energy destiny will enhance our bargaining leverage and facilitate our guiding the discussions in productive and non-confrontational channels. To do so most



effectively, the representatives of the industrialized countries should coordinate in advance their positions on the substantive issues.

We think the dialogue will contribute significantly to a more cooperative atmosphere between developed and developing countries and to a more rational search for mutually beneficial solutions to our common problems. As our own efforts have demonstrated, we are committed to a successful dialogue. We commend the Government of France for its initiative.

In our opinion, the dialogue should be used primarily (1) to encourage the oil producers to develop greater awareness of their own stake in a growing and stable international economy, thereby reinforcing the moderate OPEC countries on pricing decision, and (2) to set in motion effective and cooperative programs by producers and the industrialized nations to ease the LDC's economic and financial burdens caused by high oil prices. We are particularly concerned that financing of LDC's payments deficits will become acute by next year and believe that this problem, and all its ramifications, should be fully considered in the dialogue.

We do not think the dialogue will enable us to negotiate an agreement on oil prices at a cost we are willing to pay. The producers are not likely to cede their unilateral control over prices or to agree to reduce prices. The consuming nations would reap little or no advantage from indexation or any similar arrangement that would freeze prices at their current real level. This would legitimize current high prices, neutralize LDC and market pressures, ratify the gains of the cartel and make cartel management easier, and expose political leaders to the charge that they are conspiring with producers to drive prices up.

Thus, we must continue to deal with high and uncertain oil prices with our own energy programs. High oil prices cannot be ignored; they have shaken our confidence, diminished our ability to deal with our problems, and compromised our economic development. There is no easy way to end our vulnerability and regain our freedom of action. We each must take the hard decisions necessary to implement and sustain strong and effective domestic energy programs, whose combined effect over time will be to shift the balance on the world oil market. To reinforce our individual efforts and to provide political impetus for greater future sacrifices, I hope that at the Summit we will pledge our nations to a maximum effort to reduce our dependency on OPEC oil imports in order to enhance our own economic well-being and to contribute to the long term energy needs of the world.

Chancellor Schmidt: I should like to ask the President to repeat the precise terms of the offer he referred to in connection with the participation by other countries in the major energy programs in the United States.



President Ford: Let me repeat what I said. In return for other countries participating in large new projects in the US which develop energy that would otherwise not have been produced, we will wherever feasible guarantee that a portion of the incremental energy production can be exported. Projects will be considered on their merits, in environmental, economic and regional contexts.

Prime Minister Wilson: In his presentation of energy questions the President discussed the CIEC. striking and encouraging feature about the point at which we now stand in our relations with the developing countries was the marked difference in atmosphere between the Sixth Special Session of the UN General Assembly and the Seventh. This improvement was, in particular, due to a realization between developing countries that confrontation, as expressed in the Sixth Special Session, was not getting them very far. They realized that the adverse effects on the world economy of the oil price increases and other factors meant that the unilateral demands being made on some of us were not going to be met. And perhaps they saw a better prospect of real advance to themselves from negotiation rather than from an adversary, confrontational relationship. Their attitude this year has been consistently more realistic than in the past.

You may be aware of my commodity initiative at the Kingston meeting of the 34th Commonwealth Heads of Government last May. The Commonwealth represents an important grouping in the UN, and accounts for more than a quarter of the UN membership and more than a quarter of the world's population. The debate at Kingston demonstrated the continuing value and importance of the Commonwealth as a forum for advanced and developing countries--from Europe and indeed all five continents--among whom new issues could be looked at from the point of view of both types of countries.

Although the confrontation between the developed and developing nations was never of our making, we in the industrialized world have played a full part in replacing it by the present armistice. At the Seventh Special Session, the UK's proposals at Kingston, the united approach by the EC and the wide ranging US proposals led to the final resolution of the session. This would have been unthinkable a year earlier. We must demonstrate in the future the same unity that we then achieved or the Group of 77 will divide us.

We must work hard to maintain and build on the new atmosphere of consensus both at the coming UNTCAD meetings at Nairobi next May and before that at the CIEC. We must, however, take care that discussions in the CIEC and its commissions not cut out the IMF, IBRD, GATT, and UNCTAD, to name only four.



We must not, however, deceive ourselves into thinking that the consensus so far will be easily preserved. We must of course aim to make progress in directions, and by means, which would promote rather than damage a healthy world economy and our own individual economic development. The developing countries face fearsome problems. And our relationship with them, the poorest in particular, must be an evolving and not a static one. The plight of these countries is serious. Their terms of trade are deteriorating because of the continuing world inflation, the high cost of oil, and falling export prices. At the same time they are facing a prolonged recession in their normal export markets.

During 1975 the non-oil producing developing countries had to reduce the volume of their imports by 15%. Things are not likely to change until there is a substantial recovery in world trade. They are not only having to pay for the oil which they did not produce themselves, they are also having to pay for oil-based fertilizers, and are thus doubly impoverished. These countries, therefore, have an urgent and substantial need for balance of payments assistance if they are to reverse this fall and restore some prospect of domestic growth in 1976-1977. To help them is not mere charity; a recovery in their buying power will serve as a fillip to world economic recovery from which we will all benefit.

The poorest countries are facing the bleakest prospects. For these countries at the margin of subsistence there has been no growth in per capita GNP for the last two years. For them, there is the prospect of an average rise of no more than 1% a year, if any, for the rest of the decade because they will benefit less than the richer developing countries from a recovery of world trade. In addition to balance of payments support, they will need concessional aid in order to avoid unmanageable debt servicing problems in the future or a drying up of purchases. We in the industrialized world all faced problems in the past 20 or 30 years where we had to give loans to help countries in debt servicing needs.

The industrialized nations face, in differing degrees, the problems of inflation, unemployment, balance of payments deficits, and the achievement of recovery without inflation. We will be able to offer the developing countries little as a result, and certainly far less than the minimum they feel is their right. And even in holding the line we set ourselves a most difficult task. But in the UK, despite cutbacks in government expenditure, we have not only held but even increased the percentage of our resources spent on aid. We must do what we can to help these countries. Our strongest ally will be a recovery of world trade, which would help us and the LDC's. This makes it still more essential as yesterday's discussions showed, to promote early economic recovery.



At the Seventh Special Session a number of special proposals were made to increase directly the purchasing power of the LDC's. At Kingston I stressed the need to stabilize commodity prices and argued that "boom and bust" should be avoided. It was to no one's advantage, and affected our exports.

In the course of international discussions, emphasis has been placed by Chancellor Schmidt and others on the need to improve the stability of export earnings, rather than on improving actual prices. Assisting commodity prices would primarily benefit Australia, South Africa and Canada. Helmut has thus emphasized export earnings rather than price stabilization for exports. Many of these proposals would fall primarily within the realm of the IMF--the Trust Fund, improvement in one way or another of the compensatory financing facility, and a variety of other proposals involving new issues of SDR's. There were also proposals which would entail special concessionary terms for the poorer LDC's. There are of course many complex practical issues which have to be resolved in relation to these proposals such as the appropriate method of funding, the extent and feasibility of links with IMF gold sales, etc. The idea of issues of SDR's itself has raised some basic policy questions which will be pursued in other meetings.

In this meeting we should demonstrate the necessary political will about objectives and the urgency of finding practical means of achieving the objectives. We need to concentrate on securing decisions, through the appropriate international organizations, which would produce practical results as quickly as possible. Apart from the Trust Fund, we should concentrate our attention on arrangements to stabilize export earnings as Helmut has suggested. There is already a general consensus that this is the most promising area for action, and one which lends itself to rapid progress in meeting LDC needs. Dr. Kissinger's proposals for a Development Security Fund, proposals now in the IMF, and others of the same general theme show that a great deal of common ground has already been marked out.

I have two additional points. First, there is already an existing arrangement in the IMF on which we can build and improve rapidly. Second, the most pressing problem is to mobilize the required financing. There is some scope within existing IMF resources and also the attractive possibility of using some profits on sales of IMF gold. We should build within the IMF or from it, though there are a variety of options. I believe, and I hope my colleagues will agree, that practical action to implement enlarged arrangement to stabilize developing country export earnings are urgent and our governments should cooperate to secure it.



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So far as other organizations are concerned, there are other avenues of approach whose effects will take longer to work through but are of vital importance. We should each do what we can in respect of the fifth replenishment of IDA, an increase in the capital subscriptions of the World Bank and IFC, and contributions to the International Fund for Agricultural Development and to the World Bank's Third Window. There are also US ideas on the table for utilizing private capital, such as an International Investment Trust, which I find attractive, and guarantees for developing countries to borrow in our domestic markets.

Not all of these ideas are uniformly welcomed to all of us. The UK, for example, cannot at present open its capital market to the LDC's to borrow, and we entered a specific reserve on this at the Seventh Special Session. On the other hand, we strongly support the IDA replenishment and we hope others will support it according to their means.

We also hope for progress in the commodity field. We want to end up with better arrangements for world trade in commodities. We in the industrial world want to be seen as doing this, taking a lead in achieving these improved arrangements. What form they would eventually take is not yet clear. We all no doubt prefer a selective approach, commodity by commodity. Each product has its own pattern and characteristics and method of financing. The most appropriate arrangements can only be found through negotiations between the producers and consumers of each commodity. We might not be able to achieve this entirely, and it might be a slow process. I first advocated this myself in 1946.

There might be some merit in a coordinated approach to considering different commodities. At the Kingston meeting in May, I suggested the possibility of a general agreement on commodities, which one could spell with capitals or not, which would embody an accepted set of general principles. This is preferable to the UNCTAD proposals for an integrated approach and one fund for buffer stocks, which is based on the assumption that all commodities should be treated similarly and should be subject to the same kind of control. Nevertheless, I would not oppose further study of the integrated approach and a common fund. Our overriding aim must be to avoid schemes which are inequitable and impractical.

If we can make headway in the discussions of individual commodities, one by one, so much the better. There are signs that some of the developing countries are beginning to see more merit in this approach. The prospects are not too discouraging. But we have to face the fact that the OPEC syndrome is catching on. There are already phosphates-pecs, bauxite-pecs,



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banana-pecs and others. A new tin agreement has just been concluded and there has also been a useful negotiation on cocoa. Coffee is under active negotiations, as is a new wheat, or possibly general grains, agreement. Copper is being studied in various forums; it is one commodity which is now no higher in price than it had been before the commodity boom. On tea, we have just launched an initiative within the Commonwealth to consult Commonwealth producers on the prospects for an early agreement, to be pursued under FAO auspices. So we have some reason to be optimistic. We are less optimistic, however, with regard to a new agreement on sugar, when the present one expires at the end of next year, since sugar producers want an agreement starting at the price peak.

We must do what we can in the multilateral trade negotiations in the GATT to help the LDC's, while recognizing that we must be able to create more resources before we can redistribute them. We have to continue in addition to look for ways of getting more help to the poorest within whatever assistance we can provide.

In conclusion, we have won ourselves a breathing space. The initiative on these issues has, at least partially, been transferred to the sort of people sitting around this table. But we cannot rest on what we have achieved so far. The conditions of the developing countries have worsened while the expectations have increased. If any of us were importers of oil and other commodities, and faced droughts and the need to import food at existing prices, we would also feel extremely bitter. Led by OPEC and other "pecs" they will be pressing forward at UNCTAD IV and beforehand in CIEC; the needs of some of them are vitally urgent. There is also a political alliance between the more militant oil producers and other developing countries. And, for the same economic reasons, this is a time when we are least able to help them. In the hope of preserving world consensus, we must make clear our desire to help and to help the poorest most and first. I think that export earnings stabilization offers the most promising avenue, while for everyone the best prospect lies in early world economic recovery.

One last thing. Let me again point out the inordinate proliferation of world bodies dealing with these issues. Whatever the subject, there are at least 15, and sometimes 50, world organizations. I have commissioned a list of them. It is six pages, and excludes all EC organs and commodities. Including them it would be 6-1/2 or 7 pages. I will avoid boring you but will distribute the list which I have prepared. This is an incredible load on officials. They say the same things in different organs. There is also the problem for ministers.



I remember in 1946-47, spending four months preparing the mandate for the FAO. I remember meeting an old crumadjeon in Washington--Sir James Gray. He said that Washington was a town of international beach-combers strolling around trying to form committees or organizations around the pieces of wood which they found. This list really is a challenge to the international community. We really have to study this.

Chancellor Schmidt: We should start in the EC.

Prime Minister Wilson: We are not being good leaders to the world as long as this proliferation continues.

Chancellor Schmidt: I want to get back to the field of energy. In the field of international energy there are two very important decisions to be taken. First is the test case for the capability of industrial democracies to really cooperate regarding critical energy questions. If we cannot live up to this test, we will not be able to achieve cooperation in some other areas. The energy policy field is of particular importance in 1975-76 in achieving economic recovery or failing to do so. If in 1976 there are unilateral political actions by OPEC, all of our recoveries can be expected to be along the lines Harold Wilson has described. I feel that another display of unilateral action in the oil area will emphasize the unpredictability of the situation, quite apart from balance of payments deficits. The result will be reduced world trade. This is a test case of our ability to cooperate together. It is one major decision we must take to overcome recession.

Second, with respect to some of President Ford's points: First, I commend his initiative to further production of energy resources. If it can be achieved, it will reduce the dependence of the West on OPEC. I take his remarks to mean that cooperation in the IEA should be strengthened. I should like to add two concerns of the Federal Republic merely in order to indicate how very great the distortions in the energy market are and their impact on the energy situation. In spite of the fact that oil is so expensive, at present in the FRG there are so many oil products on the market that domestic refinery production in some cases has been discontinued. Because the MNC's abroad have considerable production capacity, they produce far more than they can sell on traditional markets. This surplus production is thrown on the German market. They cannot get rid of their production on other markets. We have had to postpone setting up a national oil company for this reason. I am not saying this so that you will be sorry for us or to get sympathy, but just to state a fact.



This disruption cannot continue. Germany has no raw materials except intelligence, technology, and of course coal. The energy capacity of the world has increased over the last few months. The dumping of foreign products, especially the dumping of cheap heavy fuel oil, has meant that our only domestic energy sources, coal, has been led to bankruptcy. Fifteen years ago, 140 million tons of coal were marketed. This year only 100 million tons of coal will be marketed. At the end of the year we will have a stock of 20 million tons of coal. The result is massive dismissals of workers in the coal industry, and a closing of mines. This is contrary to the development of national energy sources, which is a desirable objective. It is the ridiculous result of lack of coordination in the energy field. I am trying to bring home the consequence of short-sighted policy in the energy field. We started the effort to cooperate in 1973, this led to the results of 1974 in Washington, but we have not yet been able to overcome a certain lack of cooperation even up to this afternoon.

As in the past, governments of the Western industrialized countries have not been able to envisage an overall energy concept. Individual countries have changed concepts and pursued national goals and prestige operations. They also have no common concept. The United States, United Kingdom and Germany as well, are all guilty of this.

I am profoundly concerned by this state of affairs. I have devoted some personal effort in preparation of the dialogue between consumers and producers, but I still do not see possible results. I do not favor an indexing system; the more prices and wages are indexed, the greater the rate of inflation, and this leads to greater difficulties. On the other hand, we shall have to accept it, like it or not. It is better than the producers just fixing prices every six months.

The idea of a floor price, or minimum selling price, is only theoretically sound. Theoretically it is desirable to protect energy resources through an MSP, in order to protect against foreign dumping. In practice it is not very important for the next few years because the world is convinced that prices will be high. And even if the idea is good, it is not very necessary at present. This is not a bargaining device versus OPEC, since when you mention it to them they just smile. If oil becomes so cheap that we need the MSP, then we can agree amongst ourselves to implement an MSP in order to see that revenue to energy producers is high enough.

The real problem is that the OPEC countries are still playing football with us. I really have not heard a sound strategy for preventing this. To be honest, I don't have one either. The other OPEC countries need a couple



of years until they understand that recession, or trends toward lower growth in the world, would harm their expectations and mean that the aspirations of OPEC cannot be achieved. But this will not happen for a few years. Even the United Kingdom will have to reduce its North Sea oil expectations.

The main question is how the big oil producing countries can be gotten away from the idea that they can from time to time adjust oil prices as they see fit without damage to themselves. A second question is how to get the developing countries away from their alliances with OPEC. The developing countries have suffered worse than us. We have flexibility far greater than that of the LDC's. Many of them frequently have to depend on one single crop. We must find a way to break up the unholy alliance between the LDC's and OPEC. But we cannot say so in so many words. We should do this in the CIEC by discussing the balance of payments problems of the LDC's and showing how they are being damaged by this situation. We can make the point that the newly rich countries have to take part in new developmental aid in accordance with their new riches. We will also have to convince the LDC's of our genuine interest in their well-being, by helping them in the area of raw materials.

We must find some way to make OPEC more responsible. We should not, and cannot, use force. We need a conciliatory attitude. We must attempt to convince the world that there will be no earthquake and that violent disruptions and demonstrations in the system will not occur in the near future.

In the future OPEC will be stronger than it is today. But the West has no new proposals to deal with them. If we had some there is no vehicle for proposing them jointly. This is a necessary field for the West to develop an economic strategy. This is why I am not sure we have had the worst of the world recession. OPEC could raise prices by another 10% next July, when the current freeze ends. The FRG can manage with a 30-40% oil price increase, but the world economy cannot. And whatever harm takes place will also include all of us--the US to a lesser extent and Europe to a greater extent.

Prime Minister Miki: Oil is a very serious matter to Japan. 99.7% of the oil used domestically in Japan is imported. Petroleum constitutes 80% of all the energy used in Japan. We do not have the kind of coal that others of you have. In the final analysis, the security of petroleum, conservation of energy use, and the development of alternatives are key questions. In the future, the supply and demand of energy will be tighter. The energy situation is still volatile and will continue to be a most crucial problem for us for a long time to come.



A multilateral understanding and concerted approach will be essential. Cooperation among the consumers and a dialogue with the producers will be two wheels of the vehicle for progress. Prior to the decision that OPEC made last month on price increases, I wrote personally to the heads of OPEC countries to explain Japan's views. The replies of these countries showed great reasonableness. Cooperation between consumers and producers is essential. In this sense, I greatly welcome the CIEC. Energy, development, and commodities will be dealt with in sweeping fashion. We all hope for clarification on the issues of a secure supply of production.

Secretary Kissinger has done lots of good work on the Middle East. I like to think that the problem is being improved step-by-step. I look forward to more good work by Secretary Kissinger.

I have been deeply impressed by President Ford's statement. His statement was highly suggestive and enlightening. With respect to the minimum safeguard price, we have some problems. We hope to further discuss this in the IEA. We have a 9% conservation target on Japan, but our energy situation is quite different from yours.

Unlike your countries, only 30% of Japanese oil is used for consumers, while 70% is used for industrial energy. There is, therefore a limit to what can be conserved with our best effort. We are, however, determined to do everything possible to conserve energy. We have 73 days of petroleum in reserve. Protection of our industries and wise use of our resources for improving human life should be the responsibility of everybody. All of us should do everything we can to conserve on the use of energy.

Ultimately, the energy sources of man will be nuclear fusion. This has reached the level of research and development. I propose not that we can realize the benefits of this today, because it takes a great deal of time. I suggest, however, that we make a long range effort to join forces, or divide the work for wiser research and development, on nuclear fusion so that this major effort can benefit from cooperation among us. I hope that we can reach an international agreement; but short of an agreement, we should give attention to the divisions of labor so that we can develop new energy from this source.

Prime Minister Moro: I have listened with great interest to President Ford. He mentioned certain measures or options on oil prices. Certain recent developments seem to justify a new effort to safeguard stability of the provision of energy resources of the West. Energy demand will

increase, but supply will not, in the short term. OPEC countries will play a very important role. Some members will reduce their own production to ensure OPEC's position of strength vis-a-vis the West. The LDC's who are not oil producers are still faced with a severe balance of payments crisis. The accumulated surplus of OPEC countries increases the uncertainty on financial markets. This situation contributes to the advantage of the already strong developed countries and to the disadvantage of the weaker. This instability is also of concern to our countries, who account for 75% of the oil consumption and financial reserves of the West.

We should aim at greater stability in the energy market by developing more certain projections of consumption curbs. Japan's proposal for cooperation in research and development on fusion is very important and most appropriate. It will help us to plan a better world economy and to reduce the scope for disruption between supply and demand.

Then there is the problem of the transformation of the role, and a reduction of the intervention of, the multilateral corporations. Governments must take up the functions of those MNC's in control of the energy market.

Increased interdependence of the industrialized countries requires us to ensure equal access to energy directly or indirectly controlled by the Western world. We should try to eliminate excessive disparities in the positions of the industrialized Western economies.

We should also try to ensure equal opportunities in the use of recycling mechanisms, either bilaterally or multilaterally, to ensure proper use of currency surpluses, and to permit them to be used to develop new energy resources. Part of this increased financial availability can be used to expand the economy of the LDC's in order to reduce or close the gap between developed countries and developing countries.

President Giscard: With respect to energy, I would like to begin with the problem of conservation. All of us have established very effective programs. Consumption in 1975 was less than our target figure. The question is whether this reduction results from government actions or from the slack in economic activity. Will consumption begin to rise when activity begins to pick up?

We should encourage industries to use technology which requires less energy. It is possible to introduce techniques to conserve less oil. This will not dramatically change the situation. It will only improve it. But the problem will still remain. We need to develop new sources internally. I recognize that there is a certain strategy underway on production and investment in the US.



I don't understand why we have not had more coordination on energy programs. Especially, there should be better nuclear cooperation.

The geographical distribution of oil reserves is not in our favor. Most exportable reserves are in the Middle East. It is useful to change the effect of such disposition in our favor, therefore exploration is extremely useful. That is why we hope that the Western Sea will be fruitful. New production is our only really effective response to the present situation.

The present status of the market in oil strengthens the cartel. As soon as a country becomes a producer it behaves like an OPEC country. These people tell us that we will move away from old trade roles and will have a new oil policy. This is related to the structure of the market. Perhaps the dominance of the multinational corporations in the market strengthens cartelization. What I mean is that supplying countries would normally sell only the oil which comes from their territory. Once the oil gets mixed into a universal cocktail, as the market is concerned, no country has the incentive to sell oil at a cheaper price. At the same time, the multinational corporations do arrange for intelligent distribution, but it is the only way to organize things. We must ask the question whether it would not be better to have a different strategy.

I understand President Ford's arguments rejecting indexation. Indexation does have the disadvantage which you describe, Mr. President. But producing countries calculate the price of oil in dollars. Because of inflation and exchange rate changes oil producer incomes have decreased and some of them cannot pay their bills. Iran, for instance, now finds itself short \$2-3 billion per year below what it had planned for. They now want to up the price of oil to make up the shortfall. I agree that indexation is probably not the best solution, but it would be extremely useful for the industrialized countries to say they were trying to achieve some solution to this OPEC problem. This could be useful in dealing with the indexation pressures. Also, by saying we want more stable exchange rates we could allay some of the fears of the LDC's.

I recall in Secretary Kissinger's speech the statement that we could not accept being subject to the whims of the cartel. But in a way we are lucky, because some of the cartel members are moderate, like Saudi Arabia. And others have good relations with the US, such as Iran. If radicals took over, it could be an intolerable situation. In trying to have a dialogue we should go as far as we can in demonstrating our goodwill. And we should encourage, in turn, our partners to act with goodwill.



In the organization of the energy market we rely very heavily on the private market. Because of the nature of energy distribution and the sources of supply, we need a more organized market. So far the uncertainty of the problem has inhibited progress. We favor more actions to regulate the energy market and to avoid the present absurd situation with respect to energy prices.

Prime Minister Miki: I would like now to deal with energy and primary products at the same time. Japan is the world's largest importer of primary products. The issue of primary products should be neutralized in an efficient way. Through the dialogue with the developing countries and cooperation with them the problems of primary products can be brought closer to solutions. Primary products are the most important problems for the developing countries. Some depend exclusively on them. And development programs have been destabilized as a result of instability in primary product markets. We feel this in Japan. Therefore, in Washington on August 6, during my visit to the US, I addressed myself to the promotion of LDC primary product exports.

A global scheme might be necessary to stabilize the earnings of developing countries from shortfalls in primary product exports. Dr. Kissinger has made an interesting proposal in the UN regarding the development security facility and I agree with the spirit of this. I have a further recommendation with regard to the IMF compensatory finance mechanism. I think we should put emphasis on the most seriously affected countries. Instead of being able to borrow 50% of their quotas we should let them borrow 120%, for the poorest. To stabilize the export proceeds of primary products, special schemes should be worked out.

Chancellor Schmidt: I should like briefly to respond to Valerie's remarks. If we were in the shoes of the oil producers, we would more easily understand that they want to maintain an established rate for their export proceeds because the things they buy and sell, and the success of their development plans depend on exports. And exports are the result of quantity times price. If one goes down, they don't have as much as they need. We may have to accept some form of indexing, but would our bargaining position really be any better as the result? We could someday be in the same situation again.

Another remark of yours, Valerie, could lead us a bit further. That is the question of whether the organization of the oil market should be in the hands of the multinational corporations in the future. I know very well a number of the gentlemen who are chairmen of the board of big corporations, especially the chairman of the US-based oil operations. I do not know about Shell or BP. They are very responsible people on one hand, but they do not really know the future of their operations. They are as helpless as our governments.

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They don't know what their future is. They are willing to accept advice, but we have none to give them.

Iran will be an energetic leader of OPEC for the timebeing. They don't like the multinational corporations; they want to deal between governments. This should not mean that we do away with the multinational corporations. We can use them to execute arrangements made between governments.

The draft prepared by the officials of our countries might be a nice Communique, but afterwards it would be lost. We cannot leave it as we have done so far to our finance officials and Finance Ministers. We must put something more into it.

President Giscard was right in July when he said that if we used political or military pressures it would eventually fail. But if we only use economic pressure, these countries will not take it seriously. We are facing a structural problem caused by change in the world energy market. There is a danger that this very great structural change could go on. The world has not been able to adjust very well in the last two years. I fear that it will not be able to adjust very much in the future to new disruptions.

Saudi Arabia is closely linked to the United States. It also has a great deal of funds in the city of London. I believe that they understand our problems. I know little of Venezuela, but I know more about Iran. The Iranians are well traveled, and they understand us better than we may believe. However, they are much too ambitious in their plans and above all in the kind of mentality by which they are led.

I am speaking aloud--I have no plan in mind yet. It may be advantageous to bring governments into direct contact with the oil producers in the near future. I don't say we should eliminate the multinational corporations--they are a good mechanism for sharing shortages and good marketers of oil. But they are not serious partners in OPEC capitals. In fact, they are despised. Theoretically, we should have an ordered market for oil as we have ordered market in agriculture, such as in the US and the EC.

I don't agree with the officials of my government on this. They are wrong. They want oil left to the free market, and feel that as a result Germany will get off better than the others. But to leave these decisions to officials somewhere in Africa or some Asian capital is not a good idea.

We could have a structural depression in the future as a result of this energy situation. It is ridiculous to develop our nuclear energy on a nationalistic basis or to deal with these issues purely on a national basis.



I don't believe that the conventional setup will lead to the necessary agreements. It is like hawks fighting in an arena. I asked myself, and this is not a German proposal, I asked myself whether or not we should not appoint one person in each of our countries to coordinate our policies, to understand the relationship between energy, raw materials, finance and monetary issues. If the situation goes on as it has done so far, it will not last longer than Easter. If the US speaks up as it did early this year at Prepcon I, and the EC does, the world will have the impression of disunity. The world should have the impression that we want to cooperate with one another. A strategy for cooperation is needed.

Prime Minister Wilson: The question of more or less power for the oil companies has been discussed. I am not sure we have that choice. The leaders of OPEC are leaders of superstates. They have power that none of us would aspire to. In 1973, during the Yom Kippur War, the Dutch were blacklisted by the Arabs. They tried a total boycott of the Netherlands, sending them no oil. But the companies took their own decisions and acted above the state in the UK. They acted in accordance with their normal role up to a point, but at a place off of what is known as Land's End, in Britain, where the ships wait to get orders, many went not to their original destinations but to Rotterdam despite the oil boycott. The oil companies have very sensitive arrangements, and we should think twice if we think we can control them.

A second point, we need to admit that a lot of things have happened since oil prices have gone up. All of our discussions and all the multitude of international organizations failed to provide any common strategy at all. I don't mean only in the EC, but for oil consumers in general. I do not know what the strategy should be. I certainly don't want confrontation between consumers and producers. I am attracted by David Rockefeller's view that we should try to persuade OPEC to take a long term view. Some oil producing countries have a short term survival rate on oil. Their children may be paupers in two generations. In such cases we should persuade them to produce through helping them build up other types of production.

We should also consider new methods of getting energy such as tar sands and shale oil. However, I warn against in situ production. I hope you can find an in situ process that works. I doubt it, but I hope one can be found in our lifetime. In any case, we should emphasize research and alternative energy resources, and we should protect our alternative sources. Nuclear is expensive, and there are some problems. But it is important. One key problem is disposal of waste. We need more research on this; for instance, I gather that it can be turned into a type of glass. The UK is developing a steam generating light water reactor, like the US. We need to do more in the nuclear area. We were all told the the fast breeder reactor was the answer. We were told that this would not merely conserve but breed. But



not one bit of new uranium has been produced; it has proved to be infertile. It is no more fertile than the pandas which were in the London Zoo for 15 years and didn't touch one another.

Finally, the Group of 77 has asked for four more seats at the Conference on International Economic Cooperation. I find it hard to believe that the country which will in 1980 produce 90% of all oil in Europe should not be represented.

President Ford: I should like to have Henry make an observation or two.

Secretary Kissinger: Thank you, Mr. President. I appreciate this opportunity. A number of the people around this table have expressed solicitude about my condition. They are not used to seeing me silent. It is unfamiliar to them.

I was impressed by the observations and train of thought of Chancellor Schmidt. I agree that we do not have a complete strategy, but I should like to analyze what we have been lacking.

Our strategy has been to transform market conditions for oil. Our basic theme has been conservation and the development of alternatives. Our goal is to reach a point where OPEC loses its unilateral power to control oil prices. This cannot occur before the 1980's, and in the next five years conditions mentioned by the leaders here will obtain.

At the same time, we should not talk about OPEC as a monolith. OPEC sets prices because it has the power to control production. The multinational corporations, as was mentioned, do help it, because it is more difficult to get individual countries to cut prices if the multinational corporations, which are technically equipped and familiar with the market, manage exports for them. OPEC cuts production to achieve set prices. On the other hand, cuts in production are not uniform. This is an opportunity for us. If the West has the strength to absorb the financial surpluses of OPEC, they must export oil in order to import goods. Iran can no longer significantly cut production to sustain oil prices. Iran is tempted to increase oil to keep up exports.

Chancellor Schmidt: Iran has already tried to make separate deals with us to export more oil.

Secretary Kissinger: That is exactly my point. To the extent that separate deals are desired by Iran, if consuming countries are not willing to deal at present prices the prices would weaken. Algeria, Iran and Iraq cannot afford to cut production. Only one country can cut production--Saudi Arabia.

Chancellor Schmidt: Also maybe Libya, Kuwait and the United Arab Emirates



Secretary Kissinger: I agree. What this amounts to is that OPEC is playing with Persian Gulf chips. Iran provides the intellectual leadership, not the economic leadership. In addition, the countries sustaining oil prices are politically the most vulnerable; they cannot politically or psychologically sustain real confrontation with the West. We should not give them assurances by avoiding confrontation.

The military threats from American officials several months ago resulted from lack of planning and some bureaucratic disputes. But after the initial outburst, and after all our friends had disassociated themselves from us, the oil producing countries came to us to ask what was needed to prevent this course of action from happening. We should attempt to convey the idea that Saudi Arabia cannot underwrite the oil price increases for free without paying an economic and political price. I am confident that if one country's attempt to exert pressure for lower prices is successful with a particular oil producing country, other consumers will jump in and take advantage. The oil prices are being maintained by moderate countries in OPEC--those who are most psychologically dependent on the US. We can do a lot if we are not immediately disassociated by our colleagues. We expect a cry of outrage from the producers. We can take that if we are not disavowed by our friends.

We agree on the need for cooperation with producers. With cooperation we can separate the moderates from the radicals within OPEC, the LDC's from the OPEC countries, and prevent a lot of other "pecs." There is now much greater flexibility on commodities in the US government than in the past. The President only two weeks ago overruled some agencies unwilling to go ahead with certain commodity negotiations.

Our strategy is to link these energy discussions with commodities. We should try to break what the Chancellor correctly called the unholy alliance between the LDC's and OPEC. This can happen, and we can achieve our results, if they know that their disruptive actions could stop discussions on commodities or that they will pay a price in terms of cooperation, or military exports. In this way we can combat our dependence with a coherent strategy.

It is highly probable that within the next year or two some industrialized OPEC countries will approach some of us for bilateral oil deals. Saudi Arabia is about 6 million barrels per day below capacity. Others are at the top of their production. It would be suicidal to enter a dialogue without cohesion among the oil importers. We should not be deceived into thinking that cooperation among us is confrontational vis-a-vis OPEC. We can, in this way, hold our ground if we are confronted. Consumer countries should work out a common strategy between now and 1980, for the next five years.

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President Giscard: I found Henry's analysis on energy to be very interesting. His analysis of market strategy is right. It is in our interest to have a technical situation in which the OPEC countries sell large quantities of oil.

On the issue of confrontation, however, we should be careful. Confrontation strengthens the hands of the radicals at the expense of the moderates. In an international climate of confrontation it is important for the moderates to disassociate themselves from the radicals.

If the US wants to create special tensions, we could be apprised of the result. But a joint confrontational stand places the moderates in a difficult situation. And, if Secretary Kissinger's strategy is right, there will be some elements in our economy who will not be benefitted by a drop in oil prices. Some of our energy sources have aligned their prices with the oil market, for example natural gas. Therefore, national production is aligned with high oil prices. This level is a sort of floor beyond which OPEC prices will not fall.

With respect to energy strategy, European strategy depends on coordination among the Nine. I hope we will engage ourselves in a homogenous strategy. Then the nine states can coordinate with the US and Japan. We could agree that if countries try to make bilateral deals with us, we should consult. We could agree to consult before exploring the matter to see how to make their response accord with common strategy.

Chancellor Schmidt: I feel there is no basic disagreement between Secretary Kissinger and President Giscard. I still feel that the reality of coordination among the six countries here differs from a partial strategy. I urge that President Giscard's last intervention be taken up, that a country will inform us mutually when offered special deals. I also urge that we do the same when we make special deals with respect to the delivery of industrial products, especially preferential deals. This partial strategy can work with a measure of solidarity at the bargaining table and cohesion here to facilitate its success. The will for solidarity of action has not fully emerged. We can talk about this further.

However, in less than one year everyone may be trying to rescue their own skins. This is a critical problem. Giscard was right last summer--this is an issue of grave political weight for the oil importers. Both the US and the UK will continue to be net consumers. If our countries run in different directions they will create a crisis in the industrialized West. Our destiny will lie in the hands of a few OPEC leaders rather than in our hands. After some recovery, we may be in a deep mess unless solidarity can be practiced.



Prime Minister Miki: We need solidarity among the consumers to avoid confrontation. But we will not solve the problems of the consuming countries without dealing with the producers. The producer nations want industrialization, and they need aid from the industrialized countries. The Fourth World and OPEC might be divided. The non-oil producing LDC's take a dim view of OPEC. The producers do not like to see great divisions between them and the LDC's. The consuming countries should continue to engage in a dialogue with the oil producers. In this way OPEC can become more rational and logical in its orientation. We should not give up hope.

President Giscard: We need an upturn or we risk competition with one another instead of a coherent energy strategy. We must show the developing countries that we are aware of their problems. We must also adopt strategies which do not make these countries indifferent to energy price increases. We should try to isolate to some extent the oil exporters, while showing them that we are aware of their problems. But attacks can strengthen the solidarity of the LDC's.

Without being sentimental, we must recognize that the developing country problems are difficult. And their economies are important parts of world economic equilibrium. We must not allow them to join together with OPEC in a bloc, and not make them indifferent to the world price of oil. For instance, we should be careful about expanding the IMF facilities so much that the LDC's think that whenever there is an increase in the price of oil the IMF will bail them out.

In any case, an increase in aid, given the situation with respect to our national budgets, is extremely difficult. We ought to find better ways of directing our bilateral aid. By using monetary assistance we create a lasting world inflationary situation. This will push the credit situation to a state of permanent tension. Certain commodity arrangements might be helpful, and we can find things that can be done in this area. We can set up reasonable and effective arrangements in commodities. Copper and tin, for instance, can be stockpiled, and cannot be manipulated by certain countries. We should also give thought to the stabilization of LDC exports. Such a system would contribute to the stability of the world economy. We should show awareness of the importance of continuous improvement in the lot of the LDC's.

Prime Minister Wilson: The effects of the world oil and commodity situations have divided the LDC's. Some have been able to compensate themselves for oil price increases. Many LDC's pay, as the result of the increases, a great deal more for machinery and feed grains. A fourth group is starving because of drought or floods. Bangladesh has suffered as a result of first a drought, and then floods.

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I agree in a strategy of parallelism between oil and commodities. We have our own situation, and our problem with respect to oil. But some countries have a more important set of problems relating to commodities. None of us gains from periods of boom and bust. Booms are harmful to prices in our various countries; in the UK we almost needed sugar rationing last year because of the shortages. We therefore have no interest in price booms. But neither are busts in prices useful to us because they lead to underproduction.

I agree with President Giscard about budgetary aid. This is a matter of great political sensitivity. We have increased budgetary aid for the developing countries. We should continue this at a time when many of them suffer from major problems. Budgetary aid rather than financial assistance is the answer to this.

Chancellor Schmidt: The developing countries are going to have a \$35 billion balance of payments deficit. They have almost reached their capacity of borrowing--that is the LDC's other than OPEC. We have to help them. We ought to say in our statement something about their enormous deficits and point out our dialogue strategy. Our objective should be to sever them from OPEC. We should also help them in order to aid recovery from world recession, and we should do it for moral reasons.

I am not convinced that the UK and France speak for all of us when they say we should speak up for development aid. It is not the most important thing that we strengthen the arguments for classic development aid. It is more important that we educate the developing countries to understand, think, and operate in market economy terms. We should make them understand that in the long run they can't spend more than they earn. We should help them to earn more rather than get more and more aid. And helping them to earn more will in part be dependent on the growth of the industrial countries.

How can we help them earn more money? One way is the SDR-aid link. As much as I have always been opposed to creating SDR's, since I believe there is enough world liquidity already, and as much as I have opposed the SDR-aid link which gives a greater percentage of SDR's to the LDC's, we could now think of this as one way to create new reserves. We could grant SDR's only for the developing countries. We would all declare that we wanted to be left out, thus giving the new SDR's only to the developing nations.



My main point is that we should do something analogous to the Lomé agreement. This is a good idea which could be refined and extended to other countries. It could be a global system under which a number of LDC's are given benefits. In this way the export earnings of a certain number of commodities could be stabilized. We would need funds for shortfall payments to the developing countries. If they earned more in the next period, they should pay it back. If they can't pay on time, they need to pay interest. There could be a lower interest rate to countries which can afford it less. If this were made part of the IMF we could use some other resources to subsidize the interest which developing countries would pay. This would be more than the Lomé model. It could be done with all industrialized countries on one side and all the developing countries on the other. It would take into account total raw materials exports. And this could be in the upcoming dialogue.

All of us have a deep interest in free trade in the world, which we discussed this morning before lunch. I want to stress this particularly--that we should make it clear that we are not giving up the market economy for something else. In general, we should stress the free market apparatus. We should keep as much of the system as can be maintained. I am opposed to any international dirigism. There may have to be exceptions on oil, but those who depend on the world market should use the dialogue to indicate that we are not giving up the market, which is essential to our survival.

Prime Minister Wilson: Some of the developing countries are becoming more assertive with respect to their raw materials. The bauxite producers have imposed an export tax. Also some developing countries are refusing to export raw materials. The bauxite producers want to have their own alumina plant. Iron exporters want to process iron into pigiron.

If we stabilize prices, we are helping the wrong people. We need a change in our aid philosophy. Instead of helping the raw material exporters who can achieve big successes, we should say that aid should be primarily used to help countries get off the ground. This is the reason for giving emphasis in our aid to rural development.

The proponents of the new International Economic Order which Chancellor Schmidt criticizes, have supported many commodity initiatives. They also say the IMF and the World Bank should be democratically controlled. When created, these institutions had stockholder control; now the consumers want greater control than those who put up the money. They spend the money, others can contribute it. At Jamaica we succeeded in reducing support for this concept.



Prime Minister Moro: Consumer/producer arrangements are important, or even necessary, to achieve stability of industrialized country supplies and to contribute to development in the less developed countries. We should try to find effective solutions to the raw material problem and avoid price disruptions. We should not try to stabilize prices. That could lead to consumption modifications. The position of the raw material producers is not as strong as OPEC. We should seek stabilization of the commodities market, and protection against too great fluctuations in raw materials. In the 7th Special Session there was a suggestion to create stocks to stabilize prices. We need to achieve a certain international balance between us and the developing countries.

President Giscard: I have three comments:

- For India, Bangladesh, and Pakistan, there are not many solutions.
- In talking about the transfer of public real resources we need to reaffirm the need for emphasis on health and agriculture.
- The Lome agreement has not yet led to the spending of a single dollar, pound or franc. For the time being it has not yet been applied. We should follow how the mechanism operates before we extend it. Lome will not prevent cartels. But if we have commodity arrangements, the LDC's will become accustomed to talking prices with the producers and may avoid, as a result, unilateral price setting.

With respect to the final document, I believe we should draft the text in the form of a declaration. Some others think the draft should be done along the lines of a press release. Do we favor a declaration or press release, or both?

Prime Minister Miki: The current draft contains some specific economic formulations. The Foreign Ministers are working on a detailed document. It can be used for the press. Perhaps we might have a separate declaration, of the type we have prepared, of a more political nature.

Prime Minister Wilson: Such a declaration would not be suitable for everyone. The Japanese statement is a sort of Communique. I do not think this would do the trick.

President Ford: I support Prime Minister Wilson. Much work has already been done on the Carlton draft, and I think we should stick with it.



President Giscard: We have been proceeding on the basis of the Carlton group paper. We should add to the document wording reflecting our discussion today on energy, raw materials and development. The Finance Ministers have already been drafting wording on the economic situation, trade and monetary issues. The Foreign Ministers should do a text on what we have done this afternoon.

Foreign Minister Sauvagnargues: We must recognize that we cannot speak in behalf of the European Community on subjects which are in the competence of the European Community. On the subject of energy and raw materials we are working under an EC mandate. We have said things here which go further than we have gone in EC forums. The draft of the Carlton group is general enough on one hand not to disrupt our strategy and on the other hand not to hurt with respect to EC discussions.

Prime Minister Wilson: I have more confidence in the Foreign Ministers than M. Sauvagnargues.

President Giscard: During the discussions there is a difference between what we have said and what we have agreed on. We go along with the conclusions. The question now is what will be said. The fact that we don't publish it doesn't mean we haven't agreed.

Could the Foreign Ministers meet tomorrow at 9:00 and the Heads of State at 10:00. The Foreign Ministers will join us at 11:00.

Prime Minister Miki: I hope that you will put the spirit of our declaration into the Communique if you publish only one document.

President Giscard: Yes, the Foreign Ministers will try to do this. They will try to include as much of the Japanese document as they can.

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