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August 3, 1975

MEMORANDUM OF CONVERSATION

PARTICIPANTS: Nicolae Ceausescu, President of Romania
Manea Manescu, Prime Minister
George Macovescu, Foreign Minister
Sergiu Celac, Interpreter

President Gerald R. Ford
Henry A. Kissinger, Secretary of State
Lt Gen Brent Scowcroft, USAF, Deputy Assistant
to the President for National Security Affairs
(first part of conversation)
Harry G. Barnes, Jr., Ambassador - Interpreter

DATE AND PLACE: August 3, 1975, 4:00 - 4:40 p.m., Sinaia-Bucharest
Train

President Ford: I know you wanted to talk about world economic conditions. How would you like to proceed?

President Ceausescu: I know that the United States is very much concerned with these problems as is Romania the problems of economic crisis, the oil problem and raw materials. Solutions need to be sought together in our opinion with all countries involved and not only by just a few operating in restricted groups as has been tried. Solutions involving just certain countries of course can be found but they don't get to the root of the problem. In the first place, almost all the socialist countries remain outside these groups which diminishes very greatly the results of any negotiations. In the second place, there remain outside also a number of developing countries which are producers of raw materials and in general there's been a tendency to discuss only the oil problem most of the time. Oil is of course important but it's only one side of the problem of the economic situation. In addition, there will be the special session on these problems. Practically nobody knows what's going to be discussed there.

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President Ford: You mean the UN.

President Ceausescu: There were some attempts at discussions in Paris which didn't produce any results; now there's talk about their being renewed but on the same basis. Therefore it's clear from the very start that the possibility of their obtaining any results is limited.

President Ford: You mean the producer-consumer discussions?

President Ceausescu: Yes. Our concern - we think it is important to work from the basis of tying together energy, raw materials and industrial products. There needs also to be found some price stability for raw materials and energy and industrial products and at the same time in this framework a certain amount of support needs to be given to the less developed countries; because if the gap between the developed and the underdeveloped countries is maintained, it'll be difficult to provide for any real development. The very basis for selling industrial products for that matter is limited in this sort of situation and of course all that flows from this so far as general international relations are concerned. In any case, if these problems remain where they are now, they will lead to many complications and confrontations. In our opinion it would be necessary to create some sort of organ, probably best of all within the UN framework, in which all countries would participate, to work out solutions for all these problems. Of course in the meanwhile there are some partial solutions which can be found but for basic solutions and for even something in the way of economic stability and for some sort of progress, some principles, some norms have to be worked out which would form the basis for all states.

President Ford: Mr. President, I fully recognize that economic problems are equally serious whether they are in a capitalist state or socialist state

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because they lead to human suffering and deter or stop progress. I know of course more about the problems of a capitalist country such as the United States than about the problems of this kind in a socialist state. But I can't help but believe that many problems are somewhat similar and therefore I can see why there should be a higher degree of cooperation between capitalist and socialist societies. The United States in the last year has gone through a very serious economic recession. Unemployment has been too high, preceded by inflation that was too high. We've taken strong measures in the United States and, I think, made substantial progress against inflation. We are now convinced our unemployment will get less and less and the economy as a whole in the next twelve months will show signs of improvement. But other capitalist states - France, West Germany, Great Britain - have had the same kind of economic problems as we and they have not yet been as successful as we in meeting these problems.

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We do intend to work together because there is an inter-dependence between Europe and North America. I think that, if we can have CSCE in areas where we have agreed, we should explore the possibilities for broader economic cooperation. Of course you will continue to have bilateral cooperation in the economic field by such actions as those we have taken today. It would be our judgment that oil has been a significant contributing factor to the excessive rise in the cost of living and the very precipitous rise in the cost of living has had serious impact on economic problems in the United States, the recession. But oil is not the only villain. Higher food prices created by adverse weather conditions and other reasons have played a role. Now we do feel OPEC, for example, went too far in increasing oil prices. It makes it very difficult for me, for our country which has substantial amounts of grain to be generous and to sell to them when we are

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charged far too high prices, many think, by OPEC. With OPEC using oil for its purposes, it's very difficult for me, for the United States, not to use our surplus food in a very direct way in our national interests.

Now we are working as you know with oil-consuming nations to work out with a number of oil producers meetings where these critical problems can be resolved. These talks have now been broadened to include other raw materials and now another group has been set up involving less developed nations.

Speaking of the less developed countries, since my coming to Congress in 1949, the United States has sought to help them with grants of money, technical assistance and credits. We believe that a healthy world depends on the less developed countries having a better life and on narrowing the gap between them and the developed countries and we're working in that group with the less developed countries along these lines. To sum it up, I would repeat one very important word - interdependence. Whether it's a matter of less developed countries, socialist countries or capitalist countries, we live on one globe and our economic welfare and progress are tied in with the underdeveloped countries. Whether we do it by groups, by bilateral approaches or globally, if we're going to achieve human progress and end human tragedy we have to do better than we have done and we are glad to work in all three areas.

President Ceausescu: To be sure, all that you have said is completely justified. There exists an interdependence which is becoming stronger and stronger but bilateral solutions by themselves are not going to solve anything. What the situation calls for is to reach some general understanding on the relationships between raw materials, oil, agricultural products and industrial products. What we're thinking about is to find some sort of an approach preferably within the UN context

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and then go on to the working out of some equitable principles and norms to assure a certain stability in the realm of prices and thereby to prevent happening what happened with oil.

President Ford: In 1973.

President Ceausescu: In the second place a program, a more general one, which would take into account the need to solve the problems of the developing countries, some more general form. It is a problem . . .

President Ford: This through the UN.

President Ceausescu: I think the UN is the most appropriate. Of course there will continue to be bilateral agreements but they're not by their nature of the sort to solve the underlying problem of underdevelopment.

What I would like in connection with these problems and taking into account that they will be raised in a month or so, would be that there be if possible some cooperation in this spirit between our representatives and those of other countries including the United States. I must tell you that not even the socialist countries know what sort of position they should take. They're not even really all that ready to act in this direction. I'm thinking of CEMA (COMECON).

President Ford: It might be interesting for Secretary Kissinger to make some observations since he has worked closely with this problem.

Secretary Kissinger: Firstly, we don't believe the problem of development can be solved by confrontation because this creates the illusion that the redistribution of wealth can solve the problem. What we need is a process of growth whereby the fruits of growth can be distributed. So it is very important that developing countries come to the conference in a constructive frame of mind. We are

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also going in that frame of mind. You know in our country many feel we should ignore this problem and rely on our economic strength to protect our interests. But the President is not pursuing this course. We are going to make a number of concrete proposals on energy, raw materials and development. We are prepared to join in groups and study each of these problems.

In the field of raw materials, we don't think price stability is the answer, it's not enforceable and besides would lead to limitations on production. Incidentally, the two countries which would benefit the most would be the United States and the Soviet Union. But we are prepared to have income stabilization in which prices can fluctuate but for the developing countries one works out stability of income. This has no benefit for us but stabilization would substitute for economic aid. But we are prepared and will make specific proposals at the special session.

It might be good if we had some of your ideas because Romania could play a constructive role with the less developed countries and keep the debate on a positive level.

President Ceausescu: In this sense it would be good if at the UN there could exist a certain coordination to the extent it was possible.

Secretary Kissinger: I agree. When I'm in New York I'll talk with Foreign Minister Macovescu and I'll have Moynihan get in touch with your people.

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