

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

~~SECRET/NODIS/XGDS~~

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Ford
 Pierre-Elliott Trudeau, Prime Minister of Canada
 Dr. Henry A. Kissinger, Secretary of State
 Donald Macdonald, Minister of Finance
 Ivan Head, Special Assistant to the Prime Minister
 Brent Scowcroft, Assistant to the President for
 National Security Affairs
 Amb. Jack H. Warren, Ambassador to the U.S.
 Amb. Thomas Enders, U.S. Ambassador to Canada

DATE & TIME: Wednesday - June 16, 1976
 5:40 - 6:50 p.m.

PLACE: The Oval Office

[The meeting began without Secretary Kissinger, who was delayed by the kidnapping of U.S. Ambassador Meloy and Counselor Waring in Beirut.]

President: The Minister and I were at Libby Dam together. He has had a change of portfolio since then.

Trudeau: It's a somewhat more difficult one now.

President: We are very pleased you could come down. It is especially timely in view of the Puerto Rico summit. I met with the planning group yesterday.

Trudeau: We are very pleased to be here. I want especially to thank you for getting us into the Puerto Rico Summit. I know you tried at Rambouillet. We think it is important that we be included because of our size and relation to you. It is especially useful when the problems are in common, to be able to deal with them on a personal basis. The EC

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members meet regularly with each other and that is good. You and I and our predecessors meet but not on the same informal basis as our ministers who flit back and forth. I think probably we on the North American continent should correct that.

President: I agree. I thought it was important before that we all meet, and now as we pull out of the recession it is very important that we try to avoid the mistakes which got us into trouble in the first place. We don't want to reignite the inflation. It is only sensible to try to coordinate our activities.

Trudeau: Macdonald has just finished presenting the budget. What is boils down to is if you are doing fine, we are doing fine. 50 percent of our goods are exported and 50 percent of these are to the U.S.

President: [Discusses economic statistics -- GNP, unemployment, inflation.] We want to get unemployment under 7 percent, inflation under 6 percent and the GNP above 7 percent.

Macdonald: I am envious of your performance on the inflation.

Trudeau: What happens when labor looks at this -- the growth of 6-7 percent, inflation of 6 percent and says "we need a wage increase of 12 percent?"

President: [Described the rubber workers' strike and their demands.] Hopefully we can keep the rate within the guidelines.

Trudeau: How? Do you have specific guidelines?

President: Not specifically, but labor and industry both know what we consider reasonable. Labor has been fairly responsible, even in the construction industry. Management also has been fairly statesmanlike.

Trudeau: I take it then you are relying on a sense of responsibility.

President: Yes. It has worked so far.

Trudeau: Do you think this is a new pattern for our free society, or will you sink back to the old attitudes?

President: I am an optimist. I think we have made real progress. Congress is still irresponsible, but not so much so as in the past. They

have a new budget procedure which is designed to force some fiscal responsibility. Their ceiling is too high -- \$414 billion -- but it's better than we earlier thought it would be, about \$424 billion. Arthur Burns has set an increase in the money supply of 4-7 percent.

Macdonald: That I would find very restrictive. It should show up in relative interest rates, but there is still a 3-point spread.

Trudeau: Aren't most sectors of your economy still living in the shadow of your former controls and thus there is an inducement to responsibility? But there is still no agreement as to a division of productivity between labor and management, though.

President: No. But we have a Wage-Price Advisory Council which does have a PR impact and a kind of psychological pressure.

Warren: And your labor leaders can make things stick when they want to. Ours are very decentralized.

Trudeau: That is right. The locals may or may not agree. So the leaders have to adjust to the locals, not vice versa. In public service area...

[Secretary Kissinger arrives.]

President: You know what happened today.

Trudeau: Yes. Jake told me.

Kissinger: [Described what happened to the Ambassador.]

Trudeau: Is anyone claiming to be the author of it?

Kissinger: No. But the Syrians and Egyptians have already expressed their outrage.

[Short discussion of Meloy and his quality.]

Macdonald: [Discussed the Canadian economic situation.]

President: Our agriculture has done a great job. In 1973 and 1974, agricultural prices went up 12-14 percent and, together with energy, kicked off the inflation. Our projections for '76 are a 2-4 percent increase. That helps the price index immensely. We will probably have a record corn crop. Wheat will be down a bit because of drought, but it will be the 2nd or 3rd best year we've ever had. Soybeans are a good crop.



Trudeau: Do you have a hunch that the decade of rapid inflation will be succeeded by one where commodity prices will taper down to 2-4 percent and things will get under control? My ministers worry that when controls come off, the same thing will happen again. There doesn't seem to be any real reason why costs will get back to the situation more like the postwar years. I gather you don't think so.

President: That is right. I wouldn't rule out a rate of 4 percent or so in the next couple of years. It looks to us like the public is the key to putting closer reins on fiscal policy. Of course NY City was a disaster, but they have now cut back on their extravagance. There is a public feeling that government has got to have a more responsible fiscal policy.

Trudeau: The way you describe it is the way a democracy should work -- people recognize the peril and become more responsible. But we still are asking ourselves what happens when we take the lid off. Are your labor and management or Congress pressing for a system like the Germans where there is labor on boards of directors, and so on?

President: There is no real pressure in Congress, but some labor people argue for it. Is it compulsory or voluntary?

Trudeau: It is compulsory -- there and in Sweden. It seems to hold prices down.

Macdonald: I think you can argue the opposite. The two people most interested in higher prices are the president of the company and the union leaders.

Trudeau: Then why the price restraint?

Kissinger: There is a phobia in Germany about inflation.

[Discussion of federal employees here, the wage ceiling at the high levels, and how we can keep good people in government.]

Hillegers -

P/Trendline
16 June 72

5:23 Ope Unit
5:30 Presentation in
Rose Garden
5:40 Get in Oral Ope
6:50 Depart with Joan
Mary yard

P The ministers & I were all pretty down together
Arias had change of portfolio in a then.

T Slightly more diff.

P Well our very pleased you could come down.
It is by treaty in mind of a PR summit
Desert w/c group yesterday

T We are very pleased to be here. We want esp
to thank you for getting us into PR Summit.
I know you tried set Rome. We think
it is important that we be included
because of our size & relation to you.
It is esp useful when a pressure is
to exclude them on a personal
basis. The EC members must equally
exclude other & that is good. You & I are
fed. must not make a same informal
basis as our ministers who flit back & forth.
I think for we on NA continent should expect
that.

P I think it was important before to meet & now
as we pull out of recession it is very
imp that we try to avoid a mistakes
which get us into trouble in other places. We
don't want to require a explosion. It is only
possible to try to avoid our activities.

T Macdonald has just finished presenting a
budget. What it boils down to is if you
are doing fine you are doing fine.
5% of your goals are X & 50% of those are
to US.

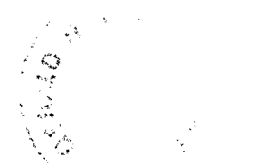
P (Discuss our statistics - GNP, unemployment,

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BY , NARA DATE 7/27/04



inflation)

We want to get the employment under 7%, inflation under 6% & GNP above 7%

M I am serious on inflation

T What happens when you have labor looks at this - growth of 6-7%, inflation of 6% & say we need wage \uparrow of 12%.

P (Dessical rubber workers strike & demands) Hopefully we can keep a rate of inflation in check.

T How? Do you have specific guidelines?

P Not specifically, but labor & Ind. both however that we consider reasonable. Labor has been fairly resp, even in most industry. Ingot also has been fairly statements

T I take it then you are relying on a sense of resp.

P Yes. It has worked so far.

T Do you think this is a more father person for security, or will you seek to cold for attack

P I am an optimist. I think we have made real prog. Prog is still being, but not so much so in the past. They have now budget procedure which is designed to force fiscal resp. Their ceiling is too high (41%) but better than we had in that, about 42%. & Bureau has set an \uparrow in money supply of 4-7%.

M That I would find very restrictive. It should show up in ~~downward~~ relative interest rates but there is still a 3 pt spread.

T Aren't most sectors of your economy still being in a shadow of your former controls & there there is an inherent to resp.

But there is still no agreement as to a division of productivity bet labor & mgmt, tho.

P W, But we have a Wage-Price Advisory Council which does have a P.R. & psy pressure impact.

W And your labor leaders can make things stick when they want to. Ours are very decentralized

T That right. The leads may be a may not agree. So - leaders have to adjust to the leads, not vice versa. In public service area, is there (K comes in)

P You know what happened today

T Yes. John told me

P K, why don't you explain it.

K (Described what happened in the Omaha)

T Is anyone planning to be a author of it?

K No. But a Syvies & E have already expressed their outrage.

(Short discussion of Wobley & his quality)

M (Discussed Comshare econ sit).

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years. I gather you don't think so

P That is right, I wouldn't rule out 49, or so in the
next couple of years. It looks to us like public
is trying to put checks on fiscal policy. Of
course NYC was a disaster, but they have now cut
back on their expenditures. There is a public feeling
that govt has to have a more exp. fiscal policy.

T The way you describe it is a way down should be
people recog. a pit & become more exp. But we still
asking ourselves what happens when we take a bid off.
All you labor / migrant a long period for system
like Germany where there is labor on boards, etc.

P No real pressure in Germany, but some labor argues for it.
~~It~~ Is it compulsory or voluntary.

T It is compulsory - there & in Sweden. It seems to
hold firms down

M I think you can argue a point. The 2 most
entirely in higher prices are a price cap & a
union ban.

T From why a price restraint

K A phobia in Germany about inflation.

(Discussion of federal employees here, wage cutting
& how we keep good people in govt)

