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PRIORITY
EN CLAIR

F4 WASHINGTON 2φ225φZ

UNCLASSIFIED.

TO PRIORITY FCO TELNO 3762 OF 2φ NOVEMBER.

INFO PARIS.

ECONOMIC SUMMIT: AMERICAN REACTIONS.

1. PRESS INTEREST HERE IN THE ECONOMIC SUMMIT HAS BEEN CONFINED LARGELY TO THE AGREEMENT BETWEEN THE UNITED STATES AND FRANCE ON THE NEED FOR MORE EXCHANGE RATE STABILITY. EDITORIAL COMMENT IN THE EAST COAST PAPERS HAS BEEN SPARSE.
2. THE NEW YORK TIMES OF 2φ NOVEMBER SEES SOME DANGER THAT THE U.S. MAY BE PUSHED INTO A PREMATURE RETURN TO FIXED EXCHANGE RATES BUT CONCLUDES THAT IF THE WORLD ECONOMY EVENTUALLY REGAINS STABILITY THERE MIGHT BE VIRTUE FROM THE STANDPOINT OF INTERNATIONAL INTEGRATION IN A RETURN TO PAR VALUES. QUOTE. THE LONG EFFORT TO BUILD A STABLE BUT FLEXIBLE SYSTEM, WHICH APPROACHED FRUITION AT THE NAIROBI MEETINGS OF THE I.M.F. IN THE FALL OF 1973, WAS BLOWN UP BY THE MIDEAST WAR, THE ENERGY CRISIS, THE RAGING OF WORLDWIDE INFLATION, AND SUBSEQUENT ECONOMIC SLUMP. THAT EFFORT CAN BEGIN AGAIN, THANKS TO THE ARRANGEMENTS WORKED OUT (BUT NOT INITIATED) AT RAMBOUILLET. UNQUOTE.
3. FOR THE BALTIMORE SUN THE MONETARY AGREEMENT WAS HARDLY THE STUFF OF SUMMITRY. QUOTE. THE OUTLINES OF THE RAMBOUILLET COMPROMISE WERE ALWAYS APPARENT AND OFTEN PUT QUIETLY INTO ACTION WHEN CENTRAL BANKS WOULD MOVE INTO THE MARKET TO BUY OR SELL GYRATING CURRENCIES. WHAT PRESUMABLY WILL COME NOW IS A MORE ORDERLY VERSION OF WHAT HAS BEEN GOING ON ANYWAY. UNQUOTE.
4. ADMINISTRATION COMMENTS HAVE SO FAR BEEN CONFINED TO STATEMENTS BY KISSINGER AND SIMON AT A PRESS CONFERENCE ABOARD THE PRESIDENTIAL AIRCRAFT.

5. KISSINGER COMMENTED THAT WHEN THE CONFERENCE WAS CALLED QUOTE. I THINK IT IS SAFE TO SAY THAT SOME OF OUR FRIENDS WANTED TO USE IT AS AN OCCASION TO BLAME US OR AT LEAST TO IMPLY THAT THEIR ECONOMIC DIFFICULTIES COULD BE SOLVED PRIMARILY BY AMERICAN EFFORTS, AND OTHERS MAY HAVE HAD THE IDEA THAT ESPECIALLY IN THE MONETARY FIELD IT COULD BE USED TO BRING ABOUT RAPID SOLUTIONS IN WHICH THE HEADS OF GOVERNMENT OVERRULED THE LONG NEGOTIATIONS THAT HAD GONE ON. UNQUOTE. AS THE PREPARATION DEVELOPED A MORE SOBER SPIRIT HAD GROWN. QUOTE. ONE OF OUR THEMES WAS THAT ECONOMIC RECOVERY WAS MEANINGLESS IF IT STARTED ANOTHER SPURT OF INFLATION AND THAT WHAT WE HAD TO AIM FOR WAS STABLE GROWTH. THE SECOND THEME WE HAD TO GET ACROSS IS THAT THE AMERICAN ECONOMY WAS DOING WELL AND THAT, THEREFORE, THE CONCERNS OF OTHER COUNTRIES THAT OUR RECOVERY WAS TOO SLOW FOR THEIR OWN WAS UNJUSTIFIED. THIRDLY, WE HAD A NUMBER OF AREAS, SPECIFIC IDEAS, ON HOW THE INTERDEPENDENCE OF THESE COUNTRIES COULD BE CARRIED OUT IN THE FIELD OF TRADE, IN THE FIELD OF ECONOMIC RELATIONS WITH THE SOCIALIST COUNTRIES, IN THE FIELD OF MONETARY AFFAIRS, IN THE FIELD OF ENERGY AND IN THE FIELD OF DEVELOPMENT. UNQUOTE.

6. FEAR THAT OTHERS WOULD BRING PRESSURE TO BEAR ON THE U.S. TO ACCELERATE ECONOMIC EXPANSION HAD PROVED UNFOUNDED. QUOTE. AFTER THE PRESIDENT MADE HIS EXTENSIVE INTERVENTION OF THE FIRST DAY, EXPLAINING OUR ECONOMIC PROGRAM, THE OTHER COUNTRIES SUBSTANTIALLY ACCEPTED THIS AND INDEED SEEMED TO BE APPRECIATIVE OF IT. I THINK THIS WAS A VERY IMPORTANT EVENT BECAUSE IT MEANT THAT THEY HAD MORE CONFIDENCE THAT IN LOOKING AHEAD TO THEIR OWN FUTURE THEY COULD COUNT ON STEADY GROWTH IN THE UNITED STATES, AND SINCE EVERYBODY AGREED THAT A SUBSTANTIAL PERCENTAGE OF THE RECESSION WAS PSYCHOLOGICAL, I HAD THE SENSE THAT A CONSENSUS EMERGED THAT THIS CONFIDENCE THAT DEVELOPED IN OUR ABILITY TO HANDLE THE ECONOMIC PROBLEMS WAS A VERY MAJOR FACTOR. UNQUOTE.

7. SIMON DESCRIBED THE MONETARY AGREEMENT WITH THE FRENCH AS A FAIR AND BALANCED COMPROMISE. QUOTE. NEITHER SIDE WON: NEITHER SIDE LOST UNQUOTE. THEY HAD AGREED THAT IT WAS NECESSARY TO ACHIEVE DURABLE AND MEANINGFUL STABILITY IN THE UNDERLYING ECONOMIC AND FINANCIAL CONDITIONS AND THAT, FOR THIS, NATIONAL

DOMESTIC ECONOMIC POLICIES MUST BE COMPATIBLE. AS FAR AS CONSULTATIONS WERE CONCERNED, THERE WERE GOING TO BE. QUOTE. GREATLY EXPANDED CONSULTATIVE MECHANISMS THROUGHOUT THE WORLD DONE ON A MORE ORDERLY BASIS, ON A MORE DAILY BASIS, IF YOU WILL, BY BOTH THE CENTRAL BANKS, OF COURSE, WHO DO THIS TODAY, AS WELL AS THE DEPUTIES TO THE FINANCE MINISTERS AND THE FINANCE MINISTER THEMSELVES. THERE WILL BE MORE CONSTRUCTIVE MEETINGS OF THE FINANCE MINISTERS TO DEAL SPECIFICALLY WITH THIS ISSUE. UNQUOTE.

RAMSBOOTHAM.

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