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Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

America in 1975 renewed and strengthened its commitment to pursue the traditional U.S. goals of freer trade and enhanced global economic stability and prosperity. The United States has proposed a series of major economic initiatives providing leadership in efforts to improve trade and monetary arrangements, to establish cooperative mechanisms for dealing with the problems of food and energy, and to offer effective international responses to those nations in greatest need. 1975 was a year of achievement which produced new and more effective international economic policies, as the following highlights indicate.

Economic Summit Meeting

In November I met with the heads of the governments of France, West Germany, Italy, Japan and the United Kingdom at Rambouillet, France to discuss the world economic situation and economic problems common to our countries. The Summit Meeting concentrated on the need for new efforts in the areas of world trade, monetary matters and raw materials, including energy. We agreed that sustained, stable economic growth in the industrial nations will be facilitated by our cooperative efforts. This Meeting, and the accompanying bilateral talks I had with leaders of the major industrialized democracies, established a new spirit of cooperation and confidence stemming from a deeper understanding of our common destiny. They set the stage for our efforts to deal with a variety of specific international economic challenges facing us in 1976.

Monetary Affairs

Efforts to revise the international monetary system resulted in major reforms. At the recent meeting of the International Monetary Fund's Interim Committee in Jamaica, we reached agreement on amendments to the IMF Articles of Agreement with respect to quotas, exchange rates, and the role of gold. The negotiations resulted in the first major revision of the international monetary system since the 1944 Bretton Woods Conference. The exchange rate provisions of the IMF Articles of Agreement will be amended to provide a flexible framework for the future evolution of the system. The Interim Committee also reached agreement on steps to phase gold out of the international monetary system.

Multilateral Trade Negotiations

The Multilateral Trade Negotiations in Geneva have gained momentum since early 1975. At the Rambouillet Summit we unanimously agreed to seek a successful conclusion of these negotiations by 1977. The United States will continue to provide strong support and leadership to the effort to reduce trade barriers and otherwise improve the world trading system.

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## Energy

The establishment of the International Energy Agency by the United States and its OECD partners constituted a major response to the economic imbalance in the vital area of energy. The IEA has developed the details of an International Energy Program designed to limit the vulnerability of the participating nations to supply interruptions. Agreement was also reached on longer-term cooperation to reduce consumption and develop alternative energy sources in order to lessen dependence on imported energy. We have established emergency arrangements providing for energy reserves, consumption restraint measures, and allocation procedures.

## Developing Countries

The United States is committed to assisting developing countries in their efforts to achieve economic progress. Our response to the needs of the less developed countries was expressed clearly and positively at the Seventh Special Session of the United Nations in September. We proposed a new development security facility in the IMF to stabilize overall export earnings in developing countries, and numerous other ideas -- including trade preferences -- to achieve mutually beneficial solutions to the problems of economic development.

## Commodities

At the Seventh Special Session of the United Nations we indicated that we will consider participating in various commodity agreements on a case-by-case basis. We also announced that we intend to join the Fifth International Tin Agreement, subject to Congressional approval. The need, value and structure of commodity agreements vary for different commodities. In considering commodity agreements on a case-by-case basis, we will oppose concerted efforts to manipulate supplies and prices which ignore the interests of consuming countries while seeking to assure developing countries adequate income from their natural resources.

## Food and Agriculture

The United States in 1975 continued its vital leadership in seeking strengthened cooperation to increase world food production and trade. We proposed an expanded international grain reserve system and enlarged our food aid assistance. We will continue our policy of encouraging maximum agricultural production, and our efforts to achieve an efficient distribution system to assure that hungry people will be fed.

## U.S. - Soviet Agreements on Grain and Oil

Last October, the United States and the Soviet Union signed an agreement providing for regular and orderly sales of American wheat and corn during the next five years. The American people -- our farmers, our workers, and our consumers -- will benefit from this agreement. The Soviet Union is committed to purchasing at least six million metric tons of grain per year, representing one billion dollars in annual export earnings.

In signing this agreement, we have assured a stable, long-term foreign market for our grain, and a more reliable flow of payments from abroad. We have assured American farmers that the Soviet Union will be a regular buyer of grain at market prices, thereby increasing the incentive for full production. We have provided jobs for American transportation workers and seamen. We have neutralized a great destabilizing factor in our grain markets. Perhaps most importantly, we have preserved our private marketing system, permitting us to maintain our highly successful policy of all-out production and open markets.

In the same constructive spirit, the governments of the United States and the Soviet Union have also committed themselves to negotiations on a five-year agreement for the purchase of Soviet oil. These negotiations are currently underway.

### Multinational Corporations

Multinational corporations (MNC's) continue to be a highly visible and controversial factor in international affairs. MNC's have made major contributions to world economic development and will continue to do so in the future. While the major portion of foreign investment by multinational corporations is concentrated in industrial nations, many developing countries actively seek investments by MNC's, recognizing their potential contribution to economic development. Recognizing the generally positive impact of MNC's on world trade and production, I am distressed by reports of corrupt practices by some companies. For that reason, I have directed that members of my Administration undertake efforts, both domestically and internationally, to assure that multinational corporations obey the laws and conform with the public policies of the countries in which they do business.

We are participating in the development of an international code to provide guidelines for responsible corporate behavior. The Organization for Economic Cooperation and Development has made substantial progress toward drafting a code, and similar efforts will be undertaken in the United Nations and the Organization of American States in 1976. It is highly important that such codes of conduct provide that both multinational corporations and host governments share the responsibility for eliminating abuses.

### Investment

The United States policy on international investment is based on our belief that a free market system without artificial barriers or incentives leads to the most efficient allocation of capital in the world economy. Accordingly we provide "national treatment" of foreign investors in the United States, treating them equally with domestic firms, and we expect similar treatment of U.S. companies investing abroad.

Following a comprehensive review of Administration policy toward inward investment, we concluded that it would be desirable to establish arrangements to monitor the flow

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of foreign investments in the United States. By Executive Order, I established the Committee on Foreign Investment in the United States, to monitor the impact of foreign investment in the United States and coordinate the implementation of U.S. policy on such investment. A new Office of Foreign Investment was established in the Department of Commerce. We have also asked foreign governments contemplating significant investments in this country to consult with us prior to making such investments.

### Export Policy

U.S. exports continue to play a vital role in strengthening our domestic economy. We are continuing our efforts to expand U.S. exports by providing competitive export financing, improved market information, and an increased foreign awareness of U.S. products. The United States prefers not to interfere with competitive markets. We oppose the use of export subsidies and similar measures which artificially distort trading relationships. At the same time, we must realistically take into account export policies of competitive countries, and we will continue to promote U.S. exports by insuring that competitive credit terms are available through the Export-Import Bank and the Commodity Credit Corporation of the Department of Agriculture, and sufficient tax incentives are available through the Domestic International Sales Corporation mechanism to meet foreign competition.

As we enter the last quarter of the twentieth century, our policies are directed toward working with others to ensure that the world's talents and resources better serve the well-being of mankind. We continue to seek a world in which all people can prosper, a world without hunger or severe want, a world in which the best efforts of all nations are prized and rewarded, so that their progress and health are ensured.

My Council on International Economic Policy plays a significant role in the development of America's international economic policies to meet immediate needs and guide our future course. Through its participation on the Economic Policy Board we have achieved better coordination of U.S. domestic and international economic policy than ever before in our history.

This, the fourth International Economic Report of the President, measures the range of the Administration's concerns and the character of the American response to major international economic issues. I am proud of our progress and accomplishments in 1975. I am confident that they will lead toward a more free and open world of international economic relations benefitting the American people and all people.

GERALD R. FORD

THE WHITE HOUSE,

March 17, 1976.

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