

REMARKS BY RAYMOND BARRE

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AT A ROUNDTABLE CONFERENCE OF BUSINESS INTERNATIONAL  
ON INTERNATIONAL IMPLICATIONS OF THE U.S. "NEW ECONOMIC POLICY"

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I welcome the opportunity to address this distinguished audience.

Amidst the present difficulties, constructive exchanges of views across the Atlantic are necessary and useful.

I believe you may be more eager to ask precise questions and engage in discussion than listen to a long and general speech. I will, therefore, limit my introductory remarks to what can be considered as being the general philosophy of the matter -- as seen in Europe.

I would like to make three points.

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My first point is that we Europeans recognize the substantial and very difficult problem the United States is facing and which it is willing to solve.

The present crisis is not only an economic and monetary one, but the manifestation of the deep changes which have occurred in the West since the end of World War II.

Briefly, the United States can no longer be "the tutor and the benefactor" of the non-Communist countries.

The United States as well as the other countries will have to adapt themselves progressively to a new international equilibrium.

For many years, Europeans have asked the United States to restore the equilibrium of its balance of payments. It would not be logical now to object to the action undertaken by the United States.

Because any change is painful, all of us must accept the cost of change, and we must all work together to minimize these costs.

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My second point is that if we are ready to cooperate closely with the United States, we nonetheless cannot accept unconditionally the sacrifices required for the adjustment. A necessary condition for the adjustment process is a successful stabilization policy in the United States. We hope that the new economic policy will bring satisfactory results, even though we wonder whether expansionist monetary and fiscal policies can be offset by an austerity program for prices and wages, particularly if the new economic policy means the elimination of balance of payments constraint. Moreover, our common interest is to safeguard the rules of the game which are required for an orderly working of an international commercial and monetary system. If not, we will enter a

world of conflict, provoke escalation of retaliatory measures, and damage growth and welfare.

The European countries cannot bear unilaterally the burden of adjustment, both for economic and political reasons. The American measures have come at a time when the economic climate in Europe is cooling off. Their effects will add to the consequences of restrictive policies made necessary by the overheating of our economies in the last two years. The United States cannot benefit from measures which would intensify deflationary tendencies in European countries. That is the main reason why European countries reject strong unilateral revaluations and ask the United States for a contribution to the realignment of parities. A moderate devaluation of the dollar would allow for a wider diffusion of the consequences of the monetary adjustments, that is to say for a lighter burden for each concerned country. The present economic situation in Europe makes our governments much more cautious and public opinion will not tolerate an unequal sharing of the adjustment burden during a period of economic uncertainty.

We also seek a reduction in the high level of American capital exports which have played a big role in creating the chronic payments deficit of

the United States. European countries cannot accept a further deterioration of their balance of payments in order to allow the acquisition of assets by American capital to go on at the same rate.

Lastly, we are ready to discuss with the United States any problems they wish to discuss, be it in trade or in other fields. But we want to have objective and full discussions. We will take account of actual damages, not of eventual damages. The President of the United States recently said that it was safe to say that the world now understands that America believes in freedom of trade in the measure in which trade is governed by fair rules. We in Europe expect that fair rules will equally apply to the United States and to other countries, and that the United States will not constitute the exception to confirm the rule. We are not disposed to make unilateral concessions. We are sure that a comparison of the United States' and the Community policies -- concerning trade, agriculture, non-tariff barriers and so on -- would not be disadvantageous to the Community. We do not oppose new moves for freer trade, but we do think it is up to the United States to contribute to these moves, as well as the Community.

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I come now to my third point. We hear of some tendencies in the United States to seek bilateral negotiations with Community countries, according to the old principle: "Divide and conquer."

Indeed, the monetary difficulties which have disturbed the Community for the past months (and which have caused skepticism concerning the spirit of the Community) could encourage such tendencies.

I am nevertheless afraid that this would be a miscalculation. I am not sure that the Community countries would be resigned to the disintegration of their great enterprise and to the dismantling of their common policies -- precisely at a time when a stronger Europe is needed.

Moreover, it would be a self-defeating attitude, for it is clear that the United States can solve its own problems more readily if the Community will take upon itself the larger responsibilities that medium-sized and isolated countries cannot bear.

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In a very confused situation, let us stick to the principles of international cooperation which were so fruitful during the last twenty years.

Let us not waste time but restore as soon as possible new exchange rates

and abolish the surtax; the longer we wait, the more difficult it will become to solve the present issues.

You can be sure that, for their part, Europeans strive to preserve their most valuable asset which is friendship between Europe and the United States.

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