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**MR WILLY DE CLERCQ
ADDRESSES THE AMERICAN AND COMMON MARKET CLUB :
"THE INTERDEPENDENCE OF THE WORLD ECONOMY
LEAVES US NO CHOICE BUT TO GET THE MAIN TRADING PARTNERS
TO PROVIDE BETWEEN THEM THE NECESSARY DRIVING FORCE
FOR INTERNATIONAL TRADE"**

In his address to the American and Common Market Club in Brussels on 18 January, Mr Willy De Clercq said that the recent stock market crash had served to highlight the interdependence of the world's economies. This increased the burden of collective responsibility borne by the three leaders of the world economy, namely the European Community, the United States and Japan.

In his view, these three major protagonists on the international economic scene were jointly responsible for eliminating protectionism, defending multilateralism in trade and strengthening macroeconomic coordination.

Eliminating protectionism

Mr De Clercq once again stressed that it was illusory to regard protectionism as a viable solution. He said that in the long term protectionism was detrimental to the economy, not only because it discouraged competitiveness, but also because it incited other trading partners to take similar measures. Growth in international trade was due to the successive rounds of multilateral trade negotiations which had taken place under the auspices of GATT. The United States, Japan and the Community each had their role to play - the United States by resisting the particularly strong protectionist tendencies in Congress, Japan by opening up its market and increasing imports and the Community by rendering its economies more flexible and incorporating them into a single large market.

Defending multilateralism

Mr De Clercq stressed the advantages of the multilateral trade system, which had produced a thirteenfold increase in international trade over the last twenty-five years and added that it was largely up to the three main trading partners to preserve multilateralism especially since together they provided a market for two-thirds of the exports from developing countries.

He went on to say that the United States deserved credit for having given rise to a new round of multilateral trade negotiations and providing the necessary driving force. The Community had also played an active part by helping to achieve rapid progress while at the same time ensuring that all the participating countries remained a united and cohesive group.

Mr De Clercq pointed out that the United States would not always be willing or able to continue to provide the driving force and then what would happen? The Community was not prepared to assume the charge of an open trade system, Japan even less. The only solution was therefore collective responsibility. The interdependence of the world economy left no choice but for the three main trading partners to share responsibility for supplying international trade with the driving force it needed.

Macroeconomic coordination is essential

With the hindsight of recent stock market events, Mr De Clercq said that it was highly risky to leave markets to their own devices and that instead they should be given a more stable and credible framework.

To this end, the dollar exchange rate had to be stabilized at a reasonable level. Japan should also re-pitch its economy so that growth was generated by domestic demand rather than exports. The Community must work towards achieving lasting growth geared to removing unemployment and making its firms more competitive, particularly with a view to 1992.

With regard to concerted actions, these included improving and expanding the international monetary system. Wider use should be encouraged of the yen and European currencies, which would mean that the effects of the policies pursued by an individual country would be more diffuse and greater coordination would therefore be required.

In short, if the United States, Japan and the Community did not acknowledge their individual and collective responsibilities and if they did not take concerted action in the light of these responsibilities, they would jeopardize the world economy. The damage would spread beyond their frontiers and cause stagnation, if not recession, with the attendant effects.

Mr De Clercq added that in the trade sector, the path had been mapped out for them by the Uruguay Round. He called for a rejection of unilateral measures and for a successful completion of the Round. In monetary terms, the foundations already existed - the Plaza and Louvre Accords had cleared the way, as had the strengthening of the European Monetary System as a result of the Nyborg Agreement. He appealed for renewed efforts to avoid further disruption.