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FOR IMMEDIATE RELEASE

COMMON MARKET DEFENDS DOLLAR DEVALUATION PROPOSAL

WASHINGTON, D.C., September 23 -- Raymond Barre, Vice President of the Commission of the European Communities, says that the United States is morally, politically and economically obligated to devalue the dollar:

He declared that:

- A country, even if it is the most powerful, has a moral obligation to recognize the rules and responsibilities of membership in the international community.

- Citizens in other countries object to shouldering burdens which are not of their own creation. Thus, the Community questions why it should float its currencies upward without an accompanying devaluation by the United States.

- A country whose balance of payments is in fundamental disequilibrium and whose currency is recognized as overvalued has an economic obligation to change its own parity.

Speaking before the European Parliament in Luxembourg September 22 Mr. Barre, who is the Commission member responsible for economic and monetary affairs, explained the considerations contained in a Commission proposal advocating parity realignment of industrialized countries' currencies, including the U.S. dollar. The Commission's proposal was adopted as a policy position by the European Communities' Council of Ministers on September 13.

Mr. Barre said that it would be illogical to demand that the United States reestablish equilibrium in its balance of payments and then refuse to accept the inevitable consequences.

"It would be unreasonable to think that the reordering of international monetary relations, after so many years of disequilibrium, could be achieved without sacrifices from everyone," he said, and stressed that the United States should share in those sacrifices.

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"I am sure this argument will not be overlooked by the American people, who have always shown great respect for the fundamental values on which international order depends," he said.

Mr. Barre emphasized that the Community's position is in no way inspired by animosity toward the United States, "...for which Europe feels friendship and gratitude." Neither does the Community wish to isolate the United States. On the contrary, it hopes to work with the United States to find a solution "which will be inspired by a spirit of international cooperation."

Explaining the Community's position favoring the principle of fixed parities at realigned levels, Mr. Barre noted that the currencies which are floating have continuously been revalued and that exchange rates which have remained fixed do not correspond to the present economic situation. Speculative movements of capital have compounded the problem, he said.

(Since President Nixon severed the link between gold and the dollar on August 15, all floating European currencies have been revalued. The German mark, which started floating in May has been revalued by approximately 8 per cent, the French financial franc about 3 per cent, the Italian lire about 2 per cent, and the Benelux currencies by about 5 per cent.)

Mr. Barre indicated that under present conditions, to float is to accept revaluation at an unpredictable rate, possibly at a higher level than is acceptable. That is why, he said, many countries have chosen a limited float, intervening in the exchange market to safeguard levels of growth and employment.

Mr. Barre warned that if the present situation prevailed for too long, the smooth functioning of the Common Market might be detrimentally affected. It is, therefore, in the interest of all Community countries to surmount present difficulties and arrive at a solution to monetary problems, he said.

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