

FOR IMMEDIATE RELEASE

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Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

America must adjust to turbulent global economic events. The world has moved from a period of slow economic growth in 1971 through a two-year expansionary boom to a sudden and pervasive recession. Recent events have caused the United States, as well as other countries, to reappraise international economic policies.

This, the third annual International Economic Report, describes the very difficult situation confronting us. It also reflects the progress made toward achieving our goal of an open world economy to serve the interdependent needs of all countries.

In 1974, most of the world's economies were beset by problems flowing from the unprecedented combination of recession and inflation. Additional pressures, including precipitous increases in energy costs and disappointing food harvests further strained the world economy, particularly in the areas of trade and monetary flows and adjustments. Moreover, these factors contributed to the trend towards increasing economic nationalism which could frustrate our desire for an open world economy.

In recent years, many governments have elected more direct involvement in economic activities, notably through restrictive supply and pricing practices and, sometimes, by the expropriation of foreign investment. When governments manipulate international markets to maximize short-term benefits, they often do so at the expense of others and, ultimately, of themselves. Improved living standards and a more peaceful world are the rewards of an open world economy based on international cooperation. Such rewards are too great to allow short-sighted distractions to alter our course.

Building effective economic institutions and policies in today's economic environment is more difficult, but also more necessary, than ever. Unless we act constructively, energy and food problems, growing economic nationalism, the possibility of increased protection for trade, and the prospects of world recession and unemployment will jeopardize the world cooperation developed after World War II.

The United States does not and cannot govern the world economy. But it should fulfill its responsibility as an economic leader among nations. The Administration recognizes this responsibility. We have taken steps to turn the difficult food, energy, trade and investment issues into positive opportunities for achieving cooperation with trading partners and coordination between the Nation's domestic and international economic policies. Specifically, the Trade Act of 1974 -- which exemplified constructive cooperation between the Executive and Legislative Branches -- reflects the U.S. commitment to an open and equitable world trading system.

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The World Food Conference, proposed by the United States, set in motion international activities to improve world food reserves, agricultural assistance, crop information systems and increased food production. At the time I signed the Foreign Investment Study Act of 1974 which authorized the collection and analysis of data on foreign investment in the United States, I reaffirmed American support for the operation of free market forces to direct worldwide investment flows in the most productive way. Therefore, we will oppose any new restriction on foreign investment in the United States except where absolutely necessary on national security grounds or to protect an essential national interest.

The goal of normalization of economic relations with the Communist countries has been reaffirmed. America also has continued its commitment to help the less developed countries. Moreover, we have proposed that an International Monetary Fund trust be established to provide special assistance to the least developed countries. We will shortly implement a generalized system of preferences in trading with less developed countries. We are also continuing our cooperative efforts to achieve equitable treatment for U.S. investment abroad.

Recently, I sent to the Congress a comprehensive energy and economic program. It is designed to reduce our dependence on imported oil. The plan provides incentives to increase domestic energy production and conserve energy use. The United States is meanwhile developing joint policies with other major oil-consuming countries aiming at increased resource development and more efficient use of energy. The major consuming countries must act jointly to build a constructive relationship with the oil producing nations. Such actions are essential to restore the international confidence in adequate and reliable energy sources.

These interrelated economic activities are aimed at achieving an improved international economic system. They are part of a balanced policy. They also accentuate the positive initiatives being taken to cope with the specialized problems of food, assistance to less developed countries and East-West economic relations.

The United States firmly believes that our own problems, and those of the rest of the world, can be dealt with most effectively through international cooperation. We lead in the pursuit of peace. Therefore, our motivating principles, our standards of conduct and the guidelines we set for the conduct of international economic development are ever more crucial to our national well-being, and that of the world.

GERALD R. FORD

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