

I am not an economist. I am a plain, practical industrialist. I make things. You must excuse me when I say that the problem of the trade imbalance looks rather different to me than to someone who views it as a result of a series of interacting economic forces.

To me, trade consists of series of business transactions. An imbalance in trade occurs when there are more transactions on one side of the ledger than on the other, when the products produced by one side seem more attractive to the customer than the products of the other.

Sometimes the attractiveness of a product is dependent on the price asked. Some agricultural products, for example, are attractive to the extent that their price is lower than that of competing products, and so the demand for these products can be affected by manipulating the exchange rate, but the appeal of high

value-added products, such as automobiles, aircraft or computers, is much less sensitive to price alone.

With such products, quality—which means reliability, accuracy, design and a host of other things—counts for more. It is not feasible to try to correct an imbalance of trade in goods with high added value by manipulating the exchange rate alone.

The only possible corrective is a raising of the standard of quality of the goods being produced by the nations on the low end of the ledger. I mean competitiveness, currently something of a vogue word in the U.S. The degree of competitiveness of a manufactured product is difficult to quantify. Although many people speak of industrial competitiveness as being subject to analysis, my experience suggests that competitiveness depends on a great number of factors—which can be neatly summed up as “the degree

to which the product is attractive to the consumer.”

I have been hearing that U.S. competitiveness has increased, that the U.S. economy is being revitalized. This is good news for all of us, because the U.S. economy is essentially the core of the free world economy. We know that U.S. agricultural products are very competitive on the world market, and I hope that U.S. industry is regaining a competitive edge as well.

It is really very simple. If American industry is not competitive, it must return to the basics and produce products attractive to the customer. If the health of an economy and the quality of life of the people engaged in the economy depend on a healthy, expanding, productive industrial base, then it must follow that a society should put a high priority on the development of its industry. ■

Stresses and Strains

By Sir James Eberle
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There is widespread feeling in Europe that we have reached the end of the post-World War II era in which the United States and the Soviet Union have dominated the international scene. The new era is seen as providing a more balanced relationship between the two superpowers and an international regime in which international economic and environmental issues, principally involving North America, Europe and the West Pacific basin, rather than security issues, will dominate the agenda.

The perception of a common military threat from the Soviet Union during the postwar years made it relatively simple to combine Western interests in the field of security. The apparent lessening of this threat, and growing competition in international trade and finance, is likely to make the containment of stresses and

strains in economic relations much more difficult to achieve.

The prospects for 1992 and the formation of a single internal market within the European Community have not only generated a high degree of economic and industrial activity, aimed at improving international competitiveness within the countries of Western Europe; but they have also provided an added spur to progress in cooperation in the field of external policy, including security issues. This has given rise to a growing sense of European self-confidence and to a view of wider European interests which involve both EFTA countries and the countries of Eastern Europe.

Against this background there is a growing appreciation in Europe of the need to reconstruct a more equal relationship with the United States in the

economic, political and security fields. The ending of the Reagan presidency, during which there has been a sharp decline in European confidence in United States leadership, gives a particular urgency to discussions on how that restructuring might take place.

As seen from Europe, Japan faces parallel problems in its relationship with the U.S., both with respect to economic relations and with respect to the shifting balance between political and economic relations.

The danger is that the forms of international tension will shift from superpower confrontation to regional competition. Japan, the U.S. and Western Europe thus share a common interest in seeking a balanced and mutually beneficial triangular relationship. ■