Connally Is Reported to Say Other Nations Must Help With Monetary Reforms

SECRETARY MEETS JAPANESE ENVOY

He Asserts That Bilateral Talks Should Precede Any Broad Negotiations

By EDWIN L. DALE Jr.
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WASHINGTON, Aug. 18—Secretary of the Treasury John B. Connally reportedly told the Japanese Ambassador today that the United States had made its monetary decisions and that it was now up to other countries to propose ideas for a better international monetary system.

Mr. Connally also was reported to have told the Ambassador, Nobuhiko Ushiba, that any general negotiation on reform of the monetary system must be preceded by a series of bilateral talks between the leading nations. President Nixon in his address to the nation last Sunday called for a "new monetary system" but suggested no details.

There was no official disclosure of the substance of the Connally-Ushiba talks, but Mr. Connally's position became known on good authority.

It was consistent with the emerging United States stand—that nothing more needs to be done here and that reactions, particularly on the key matter of currency exchange rates, are now a matter for the other countries.

Unpalatable Alternatives

For the immediate future at least, the other leading countries face a dilemma. They can continue to support the present exchange rates between their respective currencies and the dollar, as Japan has been doing, at the cost of taking in hundreds of millions of unwanted dollars that are no longer convertible into gold. Or they can let their exchange rates "float" upward against the dollar, at the cost of profits to their exporting industries and even a possible loss of jobs.

For the present, the surcharge will have much the same effect on the prices of foreign goods imported into this country as a revaluation of foreign currencies. In the case of a revaluation of the yen, for example, the dollar, which has been worth 360 yen at the official rate, would buy fewer yen or less than 360 yen worth of goods.

Thus Japanese goods would become more expensive for Americans to buy, while American goods would be imported into Japan at cheaper and more competitive prices. A revaluation would inevitably act to reduce Japan's sales abroad and bring her international trade more into balance.

Meanwhile, even in the case of countries that do not allow their exchange rates to rise against the dollar, the United States is "protected" by way of the 10 per cent temporary import surcharge on nearly all dutiable imports.

The surcharge will be the subject of a visit here tomorrow by a high-level delegation from Canada. The Ottawa Government wants an exemption from the impost, which is said to affect about $3-billion of Canadian exports. The group will see Mr. Connally.

Canada's argument is that the United States should have no complaint that the Canadian exchange rate is "unfair"—the term used by President Nixon in his address Sunday to apply to unnamed countries. The Canadian rate has been floating for more than a year and has risen about 8 per cent.

Japanese Voices Concern

Finance Minister Edgar J. Benson, who is expected to head the Canadian delegation, will also point out that Canada imposes no restrictions on United States goods crossing the border. The Canadians, with an unemployment rate already between 5 and 6 per cent, fear that the effects of the United States import surcharge will push that rate even higher.

The Japanese Ambassador, in a luncheon address to the Overseas Writers Club here, said that his country "is naturally very much concerned" about the international monetary measures announced by President Nixon. He added:

China Remains Silent On U.S. Economy Shift

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PEKING, Aug. 18—In the flurry of world reaction to President Nixon's measures to strengthen the United States dollar, the capital of China has remained remarkably silent.

The Chinese, who are usually quick to seize on any evidence of economic crisis in the western world, have made no official comment on the measures.

The official line, if there is to be one, is predictable. Before the President announced his new program, Hsinhua News Agency hailed the European actions to devaluate the dollar as proof of "the rapid decline of the hegemonic position of U.S. imperialism in the capitalist world."