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The Trilateral Commission was formed in 1973 by private citizens of Western Europe, Japan, and North America to foster closer cooperation among these three regions on common problems. It seeks to improve public understanding of such problems, to support proposals for handling them jointly, and to nurture habits and practices of working together among these regions.

CHAIRMEN
North America   Europe   Japan
Paul A. Volcker  Otto Lambsdorff  Akio Morita

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Editing
Charles Heck
Layout & Production
Peter Witte
Circulation
Peter Witte
Graphic Design
John Hair
INTRODUCTORY NOTE

THREE NEW CHAIRMEN have taken over the leadership of the Trilateral Commission. At the beginning of the 1992 annual meeting—held in Lisbon on April 25-27—Georges Berthoin passed the baton of European Chairman to Otto Graf Lambsdorff, and Isamu Yamashita passed the baton of Japanese Chairman to Akio Morita. David Rockefeller was succeeded by Paul Volcker as North American Chairman in November 1991.

Graf Lambsdorff is Chairman of Germany’s Free Democratic Party. A Member of the German Parliament since 1972, he was Minister of the Economy of the Federal Republic of Germany in 1977-84. Akio Morita is Chairman of the Board of the Sony Corporation, a company which he co-founded in 1946. Mr. Morita led the discussion in one of the Lisbon sessions, and his opening presentation in that session is printed on pages 8-11. Paul Volcker is Chairman of James D. Wolfensohn Inc. and Frederich H. Schultz Professor of International Economic Policy at Princeton University. He was Chairman of the Board of Governors of the U.S. Federal Reserve System in 1979-87 and Undersecretary of the Treasury for Monetary Affairs in 1969-74.

In a brief statement distributed at their press conference near the conclusion of the Lisbon meeting, the new Chairmen set the tone of our current work: “We met as Trilateral cooperation faces new challenges with the disappearance of the military threat from the former Soviet Union. The purposes of Trilateral cooperation have always been much deeper and broader than security cooperation against this threat. But Trilateral cooperation needs to be reinvigorated in the new international setting, and new uncertainties growing out of the changing international scene challenge our creativity and commitment to international progress.” Picking up an ongoing theme of the Commission’s efforts, the Chairmen emphasized that the new era requires of our countries “a renewed commitment to an outward-looking partnership. Relations among us will flourish only if we serve the purposes of the wider international community as well.”

The transition in the former Soviet Union is a central current challenge that was prominent in the Lisbon meeting. The opening presentations in the discussions specifically devoted to this challenge are to be found on pages 20-30. Developments in the former Soviet Union related in one manner or another to several other sessions as well. In their closing statement, the Chairmen noted that it is “of enormous significance to the international community that this transition—from the Russian Empire as well as from Communist rule—not go astray.”

Several principal tasks of the international community through the United Nations were on the Lisbon agenda, and the following pages include the presentations of Yasushi Akashi, Head of the United Nations Transitional Authority in Cambodia (page 11-16), and Sadako Ogata, United Nations High Commissioner for Refugees (pages 17-19).

The successful completion of the Uruguay Round of multilateral trade negotiations was a “vital and immediate challenge” that wove its way through the Lisbon discussions. The Chairmen noted that it is a challenge “for which the Trilateral countries are inescapably responsible.” Regional economic arrangements will “carry greater risks” in the absence of global progress in the Uruguay Round.

Portugal chaired the European Community in the first half of 1992, giving special meaning to the location of this year’s annual meeting. Pages 34-45 include presentations and notes on events given by Portuguese leaders. The Lisbon meeting opened on Freedom Day in Portugal, on the eighteenth anniversary of the overthrow of the old authoritarian regime. The experience of Portugal in the intervening years, as several speakers noted, may be relevant to countries emerging toward democratic politics and more market-oriented economies in other parts of the world. The Portuguese experience affirms the values and progress of the European Community, and of the Trilateral countries more generally.
The Lisbon discussion of the "road ahead" for our countries was divided into two very different parts. Henry Kissinger opened the first part with a political overview. Akio Morita opened the second part, focusing on corporate practices.

HENRY KISSINGER

Unsolved Problems

At the beginning of his remarks, Dr. Kissinger spoke of the very dramatic changes of the past few years. In this context of change, many of the post-war institutions and almost all the assumptions of post-war foreign policy need to be reconsidered. "If we look at history," he noted, "there have been many periods when there have been changes in the nature of the components that constituted the international order and in the way they interacted with each other....What has not occurred before is the rapidity of change, the global scope of the change, the ability of various regions to communicate instantly with all other regions of the world, and the interconnection—economically and therefore politically—of all the regions."

I think of these problems mostly from the United States' point of view, and I must say the United States has had exceptional difficulty formulating a concept of what it is about. For instance, in the United States it is said that democracy is spreading all over the world. I seem to lack the vision, or the imagination, to see where that is true. Yes, it is true in Latin America; it is true in Eastern Europe to some extent. It is, in my assessment, not true in the former Soviet Union, not true in China, in Southeast Asia, in the Islamic world, nor in major parts of Africa. Now that does not mean that democratic values do not affect the politics of all these regions, but the institution as we know it has not necessarily spread as widely as we like to believe.

It is another uniquely American tenet that democracies do not fight each other. I do not see how one could prove that from history one way or the other. There have never been enough democracies among the great powers to prove it. Prior to World War I, when there was universal suffrage more or less throughout European countries—with the exception of Russia—the outbreak of World War I was widely popular in all of these countries and almost unanimously approved by all their governments. If the ethnic conflict in Yugoslavia were submitted to a plebiscite, I shudder to think how the various nationalities would vote.

Therefore, my reflections are influenced by the fact that we will be living in an imperfect world in which some sort of equilibrium among the components will be necessary. I would like to make a few observations from that perspective. Let me begin with the former Soviet Union, the most dramatic example of change, and make a few observations about Western Europe, then a few about Asia.

The Former Soviet Union and the Historic Problem of Russian Imperialism

In the former Soviet Union we have been witnessing two simultaneous revolutions: a revolution against the Communist system and the economy it represented, and a revolution against the Russian Empire as it was assembled since the period of Peter the Great.

These two revolutions are by no means the same phenomenon. The first undoes eighty years of history, the second four hundred years of history.

One has to keep in mind that not every anti-Communist is a democrat, and that not every democrat is an anti-imperialist. Many anti-Communists are against the economic system that Communism represented and want to modernize the state, but they could live quite happily with a Pinochet-type regime, or some

In the former soviet union we have been witnessing two simultaneous revolutions....
kind of modernized authoritarian regime. I would say that most democrats in the former Union, especially in Russia, find it extremely difficult to accept the break-up of the Soviet Union as a state and are emotionally not at all committed to the emergence of independent states on the territory of the former Soviet Union. In most of the non-Russian republics, the former Communist leaders are now all passionate nationalists, not democrats. This is their way of maintaining some legitimacy.

I think we are deluding ourselves if we present the argument for economic assistance—which I favor—on the grounds that we are promoting democracy and market economics. There are other reasons for doing it. I would argue that the Trilateral countries are now addressing a problem they may not know how to manage, and are not addressing a problem that is certain to be before them. The problem they may not know how to manage—and may not even begin to understand—is how to promote democracy throughout the territory of the former Soviet Union. We tend to look at it very much in constitutional terms, without the social and other underpinnings. Even if we understand what it should be, we may not know how to promote it.

The problem we have not addressed is the historic problem of Russian imperialism. If one looks at 400 years of Russian history, expansion has surely been its permanent theme. I can't think of one Czar or other ruler who has not expanded the territory of the Russian state. Expansion has been driven in part by compulsive insecurity and proselytizing zeal, the insecurity fed by the very process of expansion. Non-Russian peoples became incorporated into the state in a version of imperialism that was quite different from that of Western Europe. Western Europe's colonies were distant territories, therefore it was not inevitably affected at home by its conquests. In the case of the Soviet Union, and before that the Russian Empire, conquests tended to be contiguous territories and affected the very nature of its society. It required ever newer means of representation to hold down such a polyglot empire, and these could only be justified by the threat of foreign dangers greater than the ethnic conflicts attending the process of expansion. This dynamic could not easily separate the problem of security from the problem of the nature of the state. In the 19th Century, a Russian nationalist writer said, "We are now at the Vistula. If we don't reach the Adriatic, we will be forced back to the Dnepr." I am not saying that this was necessarily representative of the majority of the population, but it did reflect a trend. And it can be traced equally in Central Asia and in the Far East.

Therefore, I believe that the security problem of the West will be the organization of the territory between the Polish frontier, the Afghan border, and Vladivostok—just as it has been for several hundred years. Yet it is a subject we almost never discuss.

There seems to me a sort of nostalgia in all Western countries to treat the existing government of the Russian Federation as the linear descendant of the Czars and of the commissars, and to focus all attention on what happens in the Russian republic and next to no attention on the relationship of the new republics to each other. Which of them have a chance of surviving? How can they survive? If tomorrow the former Red Army were in a position to invade, say, Kazakhstan or Ukraine, I do not believe that 10 percent of the population in the United States would think of it as an invasion of a foreign country. It would indeed be very difficult to register such an invasion as a significant international problem.

George Kennan once wrote that the Czarist Empire had collapsed of indigestion. I would argue that the greatest favor one could do for the Russian Federation is to encourage it to stay within its national boundaries. It does not need to expand, if it ever did. When your rule extends from St. Petersburg to Vladivostok, claustrophobia ought not to be your pre-eminent feeling—especially when you possess 20,000 nuclear weapons and are in a position to protect yourself. (This would not preclude...
an organization of the territory of the former Soviet Union similar to that of the European Community, or any other combination of states that cooperate on the basis of equality and then merge their common affairs.) In this context, such areas of common interest between the West and Russia as a Central Asia not dominated by fundamentalism could find a much greater expression than is possible today. We all delude ourselves, in my view, with the belief that if we can turn the problem of the former Soviet Union into a social welfare or economic development program, then, magically, peace will descend on the world and we will live with a consciousness of harmony for which, at least in past history, there has not been the slightest evidence.

If re-centralization were to start on a unilateral basis, or under Yugoslav-type conditions, parts of Europe would go back to confronting their traditional nightmares. The militarization of all these areas would start anew, if not on the pattern of the Cold War, then on the pattern of European history from the middle of the 18th Century.

I find it astonishing that this problem has not been addressed. When one makes a lot of noise about it, then people say, “Yes, of course the Republics are included in the economic aid program.” But then all sorts of conditions are put forward that these countries cannot possibly meet—so that we can all send our delegations to Moscow again, with which we have had experience in dealing.

This, I believe, is a fundamental intellectual problem for the West. How, conceptually, can we sustain at least the essential Republics? We in the United States have a laughable number of diplomats in Kiev—many fewer in Kiev than we have in St. Petersburg. And then, when the Ukrainians appear in international forums, we complain that they speak in a crude and incomprehending manner. (They are, after all, provincial Communists who, unlike the Moscow Communists, had no international experience.)

If one goes into Central Asia, the problems get even more complex. I met the President of one of those Republics the other day. I complimented him on his interpreter. “Oh no,” he said, “that’s not my interpreter, that’s my aide—anytime you want to reach me, get in touch with him.” “Where do I do that?” “In Ankara,” he said. He was seconded to him by Turkey.

In Central Asia we are going to see an interplay between Turkey, Iran, the United States, maybe Pakistan, and (in some areas like Kazakhstan) China. If you say “Bukhara” or “Samarkand” to an American, there will not be one percent that has ever heard of them—much less know where they could possibly be. But these areas, and relationships, about which we have to form some views. It is complicated by the fact that their boundaries were drawn deliberately (as in a way in Africa) to facilitate central rule, and to maximize national rivalries.

So, this is one of the unsolved and neglected problems of trilateralism for all of us. I think it will dominate the next decade because it is mathematically certain that something similar to what is happening in Yugoslavia—maybe not with the same physical intensity, but of the same order—must happen in that territory if we do not do something to forestall it. Now is the time to talk to Russian leaders, who are probably more open than they will ever be, about something we all suppress because we think it is embarrassing, or because so many of us do not understand it.

**Western Europe (and U.S.-European relations)**

The trend in the former Soviet Union has been towards break-up. The trend in Western Europe is towards consolidation. It would be a great joke of history if, ten years from now, Western Europe had reversed the process of consolidation and the former Soviet Union had recentralized. Nobody can say for sure that that cannot happen.

When Western Europe was consolidated, there had been a threat. There was a divided Germany, the Western part of which needed to be brought into NATO and the international community, and to be recognized as being more legitimate than the Communist third of Germany. And there was a pervasive desire on the part of
France to trade the potential economic pre-eminence of Germany for the political pre-eminence of France.

All of these conditions are changing. I am not saying this as a criticism of any country. But when objective reality changes, some of our assumptions must also change. There is no definition of threat today. When whatever forces can be ascribed to the Commonwealth or to Russia are a thousand miles further to the east than they had been, and in a palpable state of disorganization, one cannot argue that NATO must remain unchanged in every way. One cannot say, "We must have an integrated command because otherwise we cannot possibly find a common basis for working together," when we haven't even defined what we are supposed to work together for.

I find incomprehensible the concept of military commanders from the former Soviet Union (Eastern Europe I can understand) participating in NATO headquarters. There are a hundred forums in which it would be desirable to talk to them, but what is the sense of a defensive alliance having joint discussions with the military commander of Uzbekistan and of Kazakhstan? What exactly on? NATO is an alliance looking for a mission, and it is now looking for it in pacifying the threat that it was supposed to protect against. I can see where the bureaucracies find that satisfying, but over ten years, how are we going to explain to the public the need for an integrated command for that purpose?

In the overall picture, German unification has to reduce Germany's willingness to subordinate itself to the concepts of others for no other reason than to gain legitimacy. And the very size of Germany creates a new problem. I want to repeat: I am not attacking individuals. I have enormous confidence in the present German government, and most of the leaders of all German parties today are personal friends of mine. What I am speaking about are trends. I am asking us to consider things ten years from now, not where we are today.

All of this seems to me to require a greater degree of flexibility in both institutions and relationships. The problem we have now is that, institutionally, the only link between the United States and Europe is NATO. Therefore, if that link is severed, the institutional requirement for close cooperation will lessen. I, like most of you, was brought up on the Atlantic Alliance. So I am not describing these trends with enormous joy.

I welcome a greater European identity. It is necessary to have a relationship between Europe and the United States that is less schematic than in the past, less dependent on command structures, more dependent on political consensus. The need is for greater consultation between Europe and the United States in which, on the one hand, America does not assert that it can veto every European decision, but, on the other hand, Europe does not assert that America has no right to an opinion until all the European processes have been concluded—until, in practice, it makes no difference what the United States thinks. Those are the extremes between which we have to navigate.

When we talk about a united Europe, what exactly do we mean by "Europe"? And what about Eastern Europe—that is, the former Soviet satellite orbit? It is in all our interests not to create a conceptual no-man's land between the German and the Russian borders, because that will generate enormous problems once the process of recovery in the former Soviet Union advances to the point that we all say we wish it to reach. The present ought to be an opportunity to bind Eastern Europe to Western Europe.

Paradoxically, there is a danger that the formation of so many institutions has created a new form of nationalism. Between the CSCE, WEU, EEC, and NATO, every enterprising Foreign Minister has an opportunity to choose the forum that most exalts his own particular ambitions or preferences (to put it less invidiously). We have seen it over Yugoslavia. And we have seen it over other issues where the problem gets shuttled back and forth between the EEC and NATO, and occasionally the WEU. We Trilateralists need to think about what institutions can reflect the political consensus of what. Just as I find it hard to understand the NACC,
I think it is strange that all the Republics of the former Soviet Union are now members of the CSCE. If Uzbekistan is in the CSCE, why not Egypt? What is it about Uzbekistan, except that it used to be governed from Moscow, that makes it eligible for the CSCE?

Even though I present all this challenging-ly, I do not mean to say that I know what the answer is.

Asia (and U.S.-Japan and U.S.-China relations)

In Asia, the situation is reminiscent of 19th Century Europe in the sense that we have several major countries in relationships with each other whose mutual interaction will determine the evolution of that region—Japan, China, Korea, and, if we take a broader look at Asia, India and Indonesia. There is a Southeast Asian political leader I see periodically for whom I have a standard question—which is to list the three major threats he finds to his security. The three major threats, for as long as I have known him, used to be Japan, China and the Soviet Union (in various combinations)—sometimes one was on top, sometimes another. The last time I saw that leader, India was threat number one in his mind. I want to tell our Japanese friends here that they have not yet lost their place. For the time being the Soviet Union has slipped out of the top three.

The American tendency is to lecture Japan about its global responsibilities. Our Japanese friends will correct me, but I am not sure this concept translates into Japanese. One can more profitably talk to Japan about a mutual self-interest broadly conceived to include major parts of the world than about an abstract conception drawn from Wilsonian theology. For the United States especially, a new dialogue with Japan is absolutely unavoidable—hindered by the fact that dialogue is not the preferred method by which the Japanese make decisions, and by the fact that the subject is not all that clear to Americans because it is not to be conceived in primarily economic terms.

I want to suggest that we put China on the agenda of an early meeting of the Trilateral. I cannot conceive how one can have a stable policy in Asia without the participation of China. I do not see how it is possible to have a stable policy in Japan so long as Japan, and other countries in Asia, believe they must choose between the United States and China. For that reason, I have strongly opposed the over-idea-ologization of policy in the United States with respect to China—because I believe it will radicalize all of the foreign policy of Asia. The idea that America can by itself, contrary to the views of Japan and all of the Europeans, shape the domestic institutions of a country that has governed itself for 3,000 years without significant advice from the United States is something that I find extremely difficult to grasp. That is the real issue for foreign policy, not whether one believes in democracy or not.

I have talked about more or less traditional approaches to and variations in the concept of interest. But there are issues now in the world that go beyond anything previous leaders have had to deal with—environment, population, nuclear issues, problems that genuinely concern all of humanity, and that can only be solved on a global basis. In the processes of each country, it is, of course, always tempting to defer those issues to some future time. While it is absolutely true that they can only be solved globally, they do not have to be solved in any one year. This totally new aspect of the international situation could bring us together, but it could also be exploited for regional or nationalistic purposes—or for domestic debates, as seems to me to be happening in the United States on the environment at this very moment.

These, then, are some of the problems that I see before us.

Henry Kissinger was U.S. Secretary of State in the Nixon and Ford Administrations.

FOR THE UNITED STATES ESPECIALLY, A NEW DIALOGUE WITH JAPAN IS ABSOLUTELY UNAVOIDABLE.
Toward a Convergence of Corporate Cultures and the Implications for Trilateral Relations

The obligation of the private sector to contribute to public policy debates is one of the key reasons for the establishment of this Commission. Coincidentally, it was at the time of the creation of the Trilateral Commission, over 20 years ago, that I first tried my hand at the imperfect science of public policy debate.

In the latter half of the 1960s, Japan posted its first—of many—trade surpluses and boosted its GNP to become the world's second largest economy. Following this dramatic economic expansion, the United States government began calling for a revaluation of the yen, which stood fixed at 360 yen to the dollar. The American government pressed the Japanese Ministry of Finance on this issue, and I tried to convince the Japanese government to give serious consideration to the U.S. position.

However, Japan was still suffering from an "emerging economy" mentality and thus ignored the demands from the U.S. As you know, America's frustration came to a head with the "dollar shock" of August 1971. Four months later the Smithsonian agreement designated new global currency rates. And in 1973, all major currencies went on today's free-floating exchange system, which, in the end, resulted in a higher yen anyway. Japan's public policy makers were obviously out of step with the rest of the world.

Reform of Japan's "Economic Framework"

Despite the 20 years that have passed since the "dollar shock," Japan still has yet to fully abandon its small-nation mindset, and continues to pay the price for this on the international stage. Japan's reluctance to accept and embrace a global leadership role prevents it from entering into true partnership with Europe and North America.

Reform needed in Japan comes in many varieties. Broadly speaking, government and politicians must clearly express their vision for a 1990s Japan. This vision must recognize that the rebuilding of the nation is over and that now is the time for building global partnerships. It must be communicated in a straightforward manner to both international and domestic audiences. And it must include a fresh look at even the most difficult issues such as Japan's keiretsu and distribution systems, land reform, and its United Nations peacekeeping role. If true transparency, and thus true acceptance, is to come to Japan, a public policy of change must be articulated.

Within that policy of change, I believe nothing is more vital for Japan than a reevaluation and restructuring of its "economic framework." The economic policies and market activities of the Japanese have historically failed to integrate smoothly with the greater economic framework of Europe and North America. Because of this, Japan has been unable to strike a full and meaningful partnership with other Trilateral nations. In some respects this has left Japan isolated, a situation that neither serves Japan's interests nor that of the global community.

This sense of isolation, or being out of step with Europe and North America, hit me hardest during a visit to Europe last October as part of a Keidanren mission. Throughout my meetings with government and industrial leaders, I was struck by their criticism of Japan. I was especially surprised by the widely held view that automobiles made in Europe by Japanese companies, even with a high percentage of European parts, were somehow not...
“European.” The reasons for this must go beyond local content and location of home headquarters because Ford does not seem to have this problem. The real reason was made clear to me when the European side frankly stated, “You don’t follow the same rules of competition as we do.”

Six-Point Plan
This fundamental claim, combined with the growing domestic call for an improved quality of life, have prompted me to contribute to yet another public policy debate. For Japan to become a full partner with the West, and at the same time offer its people a better lifestyle, it must completely rethink its economic framework. That is why, in the February issue of a leading Japanese monthly magazine, I wrote a piece describing my anxieties about Japan’s inability to come to grips with the burning demand for reform.* Focusing on the need for a new economic framework, I also presented a six-point plan outlining areas where Japanese industry must apply new thinking. These “stakeholder considerations,” as I call them, may sound overly specific to some, but taken as a whole they compose the fundamental elements of economic activity. They also represent the areas where Japan is most out of sync with the West. The six points are: salary levels, workhours, stockholder dividends, community involvement, sub-contractor relationships, and environmental management.

My article generated wide debate in both domestic and international circles. Some Japanese objected, claiming that Japan would lose its competitive edge if it adopted my proposals. However, I believe that competitiveness can and should be attained without the sacrifice of “stakeholder considerations” or, so to speak, “human cost factors.” What is needed is a global consensus defining areas of corporate activity that should be driven by competition, and areas where cooperation and harmonization should be the focus.

Competition in the “Three Creativities”
First let us agree that, in a free market economy, competition is not only necessary, it is desirable. It spurs progress and feeds both the consumer and producer sides of the economy. The absence of competition is communism—we’ve all seen how that performs. But at the same time, complete and unrestrained competition only seems to work in textbooks. In real life we have anti-trust, labor, and tax laws, not to mention a host of other public and social policy concerns. These are, so to speak, areas of “harmonization” that apply to all parties. So the question is, “Where do we draw the line between areas of competition and harmonization?”

It is my belief that economic competition should take place on, and perhaps even be limited to, the playing field of creativity. By that I mean corporations should focus on areas such as technological innovation, product planning, and marketing—the “three creativities” as I call them—in their pursuit of competitiveness and an edge in the market. Creativity, which springs forth from the human brain, is the only truly free area of enterprise in the sense that government cannot, and should not, try to regulate it.

In manufacturing for example, we all know that technological breakthroughs come from creative ideas. But creativity in product development, mixed with even “off-the-shelf” technology, can also result in epoch-making products. And simple creativity in marketing can take the ordinary and give it the attractive image of the “extraordinary.”

History has shown that quick fixes like workforce reductions, wage cuts, and going “off-shore” are not long-term solutions. These attack only the “human cost factors” which, far from being responsible for a loss of competitiveness, are indeed the keys to maintaining it. Creativity must come from people.

Broad Harmonization of “Human Cost Factors”
So the question must be asked, “What aspects of the economic framework would benefit

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from harmonization rather than competition? For my part, I would like to stress the human-related elements I believe these new guidelines should reflect; such as the six-point plan from my magazine piece.

Of course when I speak of guidelines for issues such as salaries, workhours, dividends and so forth, I realize that it would be impractical to suggest a single worldwide standard. Each country has its own culture and unique circumstances. However, I do believe it would be possible and beneficial to set some sort of “target zone” within which companies could operate.

For example, a “target zone,” for working hours could be agreed upon, which would recognize that the Japanese average of over 2,000 hours per year is just too much, and at the same time suggest that 1,600 hours per year may not be enough. This same approach might be effective in controlling chief executive compensation as well.

Within an agreed “target zone,” pay scales, minimum wage, and dividend ratios will become more stable and thereby facilitate long-range planning. And this common sense framework can also help set targets for activities like community involvement and environmental protection. I believe many companies would contribute more in these areas if they felt that the responsibilities were being shared equally throughout industry. On an even broader scale, issues such as taxation and economic regulations could also be addressed globally through this spirit of cooperation.

These “human cost factors,” therefore, represent the areas that should be free from competition. The private sector needs to come to a consensus and direct public policy towards the establishment of a general set of common sense guidelines that would help harmonize global economic activity in these fields of non-competition.

For greatest impact these decisions cannot be unilateral but, at least, trilateral. I would propose that Europe, North America, and Japan work towards agreements that would help make the rules of global competition clearer, markets more transparent, and mutual suspicion a thing of the past.

In order to realize this harmonization of global economic activity, a body or forum should be designated that would study and, where appropriate, advance these goals. It would allow all concerned to have a voice in debating the optimal balance between areas of competition and areas of economic harmonization.

Working to harmonize differing systems is rather like the European Community’s actions towards unification. The efforts of the EC and the willingness of its members to sacrifice part of their sovereignty for the future of the region is most impressive. The European Monetary System, by establishing a “target zone” on currency rates, illustrates well how collective action can solve vexing problems like monetary volatility; and thus promote regional economic stability. The ECU, which could be a common currency by 1999, is a firm testament to the desirability of fixed over floating rates. Japan, with little experience in dealing with so many neighboring countries, sometimes has difficulty in seeing issues from a variety of viewpoints. For that matter, the United States also seems to have a similar difficulty. Perhaps there is something both countries can learn about cooperation and sacrifice by observing the EC model.

A change in attitude and approach by all nations is required if we are to truly realize the creation and the harmonization of common sense, global economic guidelines. This new global economic framework cannot be launched by one country alone; it must be developed with the participation of all major industrialized nations.

As some of you might know, the OECD has recently announced it will start studying multilateral competition policy coordination. As an international institution, their actions are most welcome, and I am sure many of us would also like to see the G-7 leaders take more interest in these kinds of coordination efforts.

But it is my conviction that such a forum
is best based on private sector initiatives. Strictly
government-related or politically driven ini-
tiatives are seldom quick or efficient. The forum
should include businessmen, opinion leaders,
and visionaries representing, as a start, the
nations of Europe, North America, and Japan.
This being the case, I can think of no better
place to establish such a forum than right
here—among the distinguished membership
of the Trilateral Commission. Only this
Commission, with its unique mix of public,
private, and academic sector leaders, has the
resources and combined expertise to develop
a harmonization concept that would reflect
realistic public policy, practical corporate strat-
ey, and responsible human behavior.

Akio Morita is Chairman of Sony and Japanese
Chairman of the Trilateral Commission

YASUSHI AKASHI

The United Nations
Transitional Authority In
Cambodia

The transitional authority in
Cambodia was given a mandate by the
Paris Conference which concluded on
October 23 of last year. The establishment
of UNTAC was then authorized by Security Council
Resolution 745 adopted in February of this year.
Now we have about 4,000 people. When we
are fully deployed, we will have 15,900 troops,
3,600 civilian police, and about 3,000 civilians.
The total budget of UNTAC is estimated to be
$1.9 billion. Voluntary contributions for
refugee repatriation and for rehabilitation of the
country will add approximately $600 million.
If you combine both, it comes to about $2.5
billion. This is by far the largest UN peace-
keeping operation in its history.

UNTAC’s Quasi-Governmental Functions
But it is not because of the number of people
or the budget that the Cambodian operation is
unique. It is because of its complex multi-dimen-
sional tasks. The UNTAC mandate goes very
deeply into the area of traditional sovereignty.
The UN has never been given such extensive
authority in a non-colonial situation, in an in-
dependent country.

I do not want you to think of our Cambodian
operation as simply a peacekeeping operation.
In fact, it is the civilian part which is most
remarkable and extensive. We have a civil admin-
istration component in order to assure a neu-
tral political environment. We have direct con-
trol over foreign affairs, national defense, finance,
internal security, and information. We have
also a significant human rights component. As
you know, during the reign of the Khmer
Rouge it is estimated that over 1 million
Cambodians were killed. It was probably the
largest crime against humanity in the post-
1945 period, and the international communi-
ty has resolved that such a tragedy cannot be
repeated ever again. So we are given the
responsibility to set up new rules, guidelines
and decrees. We have the right to investigate
any alleged abuses of human rights. We are
able to take remedial action. If necessary I can
remove officials implicated in such abuses.

We are to organize free and fair elections
in Cambodia in April or May next year. The
UN has organized and verified elections in
Nicaragua, Namibia, and elsewhere. But in
Cambodia we have to do it from scratch. Just
three weeks ago I presented a draft electoral
law for consideration by Cambodians, and we

THE UNTAC MANDATE GOES
VERY DEEPLY
INTO THE AREA
OF TRADITIONAL
SOVEREIGNTY.
are still debating it. Once that law is adopted, we'll have registration of voters (who number more than 4 million). We'll invite about 1,000 international election monitors to come to judge the fairness of elections.

There is a law and order component to UNTAC. There has been a considerable breakdown of order in that country, and increasing crime and banditry in the countryside is quite visible. Our plan is to deploy over 3,000 international police, coming from about 40 different countries, who will supervise and monitor the conduct of local police. Although the ratio of international police to local police will be only 1:15, we consider such monitoring extremely necessary and useful.

Now I come to the more traditional military part of UN peacekeeping. We are supposed to monitor and verify a cease-fire among the four factions which in total have approximately 200,000 troops. We have to observe the cease-fire and make sure that the foreign troops (mostly Vietnamese troops) have been withdrawn and have not returned. We'll set up a number of border checkpoints in order to do that. We are also to demobilize at least 70 percent of the troops of all four factions, and the UN Security Council has asked us to urge the parties to go beyond 70 percent, if possible to 100 percent. We are also to demobilize militia numbering 250,000. We are supposed to destroy their arms in situ. We have about 15,000 troops from many different countries. Some are providing infantry battalions; others are providing logistical units; and, in view of the dilapidated or non-existent state of roads, bridges, railways, and runways, we need quite large engineering battalions. Medical units are important because of primitive medical standards. There will also be 485 military observers, including those from the five permanent members of the Security Council. So it is a major international effort.

In addition there are the two important activities financed by voluntary contributions. One is the repatriation of refugees. There are 370,000 refugees on the Thai side of border who started repatriation on March 30. There are also about 170,000 internally displaced persons, and added to them will be more than 150,000 demobilized soldiers. Unless you try to give incentives and new jobs to these demobilized soldiers, many of them might become criminals or bandits. We intend to use some of them for clearing of mines—which is a very urgent subject matter. Second, we hope that the international community will generously respond to the rehabilitation of Cambodia, giving food, healthcare, and housing, and also helping to restore some of the basic infrastructure. We distinguish between the rehabilitation phase now and the reconstruction phase after elections have been held and a new government comes into being.

We have a clearcut and inflexible objective to organize free and fair elections by late April or early May next year. In late May the rainy season starts and it becomes impracticable to do anything. So our time plan is drawn up backwards with that target of elections next spring in mind. We do not have much time. We may have to cut corners. I've been telling everybody that this will not be the smoothest UN operation, but a rather bumpy operation.

What is remarkable is that the United Nations has been given almost quasi-governmental functions in this transitional period prior to the establishment of the new government.

The Supreme National Council and UNTAC

There is a Supreme National Council (which the Paris Agreement set up) composed of representatives of the four factions which have been fighting with each other for almost a decade. This Supreme National Council (SNC) is to be the repository of legitimacy, the source of authority, the embodiment of the independence and sovereignty of the country. But the four factions often disagree with each other vehemently. While we hope (and the Paris Accords hope) that the SNC can act on the basis of consensus, if that does not come about, the president of the SNC, who is Prince Sihanouk, has to decide. And when Prince Sihanouk is not in position to decide, the Special Representative of the UN
Secretary-General, that is myself, has to take the decision, taking into account all the views of the factions and on the basis of the provisions of the Paris Accords.

Prince Sihanouk has invited me to take a decision in the last several days, but so far I have been reluctant. I have not exercised that right because I feel that the Cambodians themselves should try their best to identify consensus; and failing that, I think Prince Sihanouk, as an important symbol and legendary leader of Cambodian people, should try his best to make a judgment. It is important to let Cambodians decide matters which are essentially their affairs. But if absolutely necessary, I will not hesitate to exercise my right. I'm glad to say that my personal relationship with Prince Sihanouk is a good, warm working relationship. I try to discuss as many questions as possible with him prior to my bringing them before the SNC, and I think he appreciates that. In recent weeks it is UN side which essentially sets the agenda for the SNC and makes proposals there. In view of political vacuum among the factions, I am confident our initiative in that regard is welcomed.

External and Internal Political Factors

The Paris Accords were jointly hammered out by the five permanent members, more particularly France, and the other Co-Chairman, Indonesia, with the participation of a number of other countries like Canada, Australia, Japan and India—and with the full cooperation and good compromise among the four Cambodian factions. Despite the difficulties we face, I think we have a great advantage over say Yugoslavia or Southern Lebanon or Cyprus, where UN peacekeeping forces operate in the absence of a basic political framework. In Cambodia we have that framework; and we are there to implement and apply that agreement. In that sense it is important that the peacekeeping operation not be divorced from the underlying political accord, which can nourish that peacekeeping and make it a more time-limited, concrete activity.

Of course, what made this Paris Agreement possible is the fact that we are in the post-Cold War period. Cambodia is a very dramatic example of the proxy wars of the Cold War period, but now external factors are conducive to making peace.

The internal factors needed for peace are not existential yet. After over twenty years of war and a long history of conflict and mistrust, there is a need for the Cambodian parties to heal the wound and make peace with each other. You will recall how many years it took in Europe, which had not seen a war since 1945, to move from Helsinki in 1975 to Stockholm in 1986 to Paris in 1990. In Cambodia, wars have been fought and blood has been shed in the much more recent past. Therefore, distrust is deeper and the habit of cooperation is very weak.

One of the four factions is, of course, the Phnom Penh regime, formerly sponsored by Vietnam, which now controls about 80 percent of the country and population. Since Prince Sihanouk has become the neutral President of the SNC, his faction is now under his son Prince Ranaruth. There is also the KPNLF (which has had Western and more particularly American support) headed by former Prime Minister Son Sann. The fourth faction is sometimes called the Pol Pot faction and sometimes the Khmer Rouge. The conflict is among these four parties, but the two most powerful are the Phnom Penh side and the Pol Pot or Khmer Rouge side.

Unlike Yugoslavia, the ethnic-religious element is not very evident in Cambodia. What is more evident is underlying social antagonism and deep class hostility of the poor peasantry in the countryside towards the rich and the privileged in Phnom Penh. This is what sustains the Khmer Rouge. The situation is not entirely dissimilar to Peru, where Shining Path bases itself on similar discontent in the countryside.

Additionally, Cambodia has for many years suffered from the sense of enmity with two of its larger neighbors—Vietnam to its east, and Thailand to its west. Three of the four factions in Cambodia have a strong antipathy towards Vietnam. In terms of its monarchy and type of Buddhism, Thailand is somewhat less suspect.
in Cambodia, but its vigorous economic activity and investment in Cambodia raises the specter of Thai capital engulfing this poorer and smaller country. So, on the one hand, Cambodians welcome the influx of Thai capital, which lifts their living standard; but there’s an underlying distrust of the real political intentions of Thailand.

Our objective, as defined by the international community, is to bring about liberal democracy based on pluralism in Cambodia, and to encourage the private sector and also promote entrepreneurship. We are also supposed to encourage an independent judiciary and full protection of human rights and fundamental freedoms. Do these essentially Western ideas and concepts take root in Cambodia? One can never answer.

We have to leave Cambodia at the latest by the middle of next year, and we will be satisfied if some of the institutional safeguards would have been created, and if in the minds of many Cambodians a sense of liberty and individual dignity (and democracy as the political system most suited to safeguard these rights) would have been accepted. You may have heard the proverb that when there are three Cambodians you can expect at least six political parties. If you look around in Southeast Asia, how many democracies do you see? So Cambodia probably cannot be an island of perfect democracy in that part of the world, but I hope the Cambodia we leave behind will be more democratic and determined not to repeat mistakes of the past.

There are many doubts whether the Khmer Rouge will be participating in this democratic process. One never knows. We have encountered considerable difficulty in getting access to their areas of control. We have threatened to bring this to the Security Council, but in the last few days the Khmer Rouge have indicated that we will be permitted to visit five locations under their control. So there are some indications that even they have been opening up, tentatively. One can speculate that they may be aware that in a democratic election they will be not more than a small minority party. But if you espouse their ideology and outlook on politics, with the corruption and inefficiency in Phnom Penh, you may hope that in five to ten years you have the possibility of becoming a majority. At any rate, one of our tasks is to make sure that arms which may have been hidden will be discovered and that disarmament and demobilization will be conducted as thoroughly as we possibly can.

UN Finances and Administration
To be absolutely candid, our most immediate difficulties are not in Cambodia. They are in New York. One stems from the question of our budget. The General Assembly granted us $200 million to start our operation, given the impending rainy season and the total absence of social and physical infrastructure. But the $1.9 million budget has not yet been granted. It is a sad commentary on the state of affairs at the United Nations that the Security Council adopts one resolution after another setting up new peacekeeping operations, but it becomes very stingy when it comes to allocating funds. The UN cannot go on for long in this manner.

Another headache is the administration of the United Nations. I get all the encouragement and support I could expect from my substantive colleagues and departments in New York, but our logistical support leaves much to be desired. You must remember that the UN in the past four years has launched more peacekeeping operations than in its previous forty-year history; and our administration is simply not equipped to take care of more than one major peacekeeping operation at a time. Now we have Yugoslavia; we have Cambodia; we have El Salvador; and very soon we might have Afghanistan. Angola has already been launched. Our challenge is to make UN administration more efficient, more responsive to these new tasks. My hard-working, dedicated colleagues in Cambodia wait in vain for the arrival of vehicles, for pre-fabricated buildings, and for other equipment and material. There are complicated bidding and contracting procedures in New York which are good procedures in normal times, but we don’t live in normal times today.
I think something drastic has to be done. A large degree of decentralization of decision-making power for major peacekeeping operations has to be seriously considered.

A Post-Cold War Model?
Having said all that, the people working under the blue UN flag are in high spirits. Morale is exceedingly high. I think we all feel that UNTAC is serving very important functions, as a bridge between the factions, as a catalyst to attain democracy, and as a transitional cushion leading to the establishment of a new government of national unity. Also we provide an indispensable international guarantee for the kind of independence which Cambodia needs and wants. I think this multi-dimensional UN operation in Cambodia will show a new direction and will strengthen the UN in the future. It will become an important model. The idea of a transitional period leading to a government of national unity and the idea that the UN itself should play a major part in the delicate and precarious transitional period are already being to some extent followed in Angola and in Afghanistan.

This is a useful instrument for resolution of conflicts in the post-Cold War period. What we are doing is far from perfect, but I'm elated by the sense of challenge which we confront, and if we come out successfully in Cambodia, I think people of the world will realize that the post-Cold War period is not a period of total chaos and that UN as an institution has a very helpful, useful role to play.

Questions And Answers

Q: Could you comment on your perception of the degree of commitment on behalf of the five permanent members of the Security Council?

A: This question of the five powers is one of the most remarkable features of the post-Cold War period. In New York the five permanent members often meet with each other. They hammer out their differences. I'm glad to see the same thing in Phnom Penh. The ambassadors of the five permanent members often meet with me. They are invited to SNC meetings as observers, and when they raise their voice, they raise it in support of UN efforts, which I find extremely encouraging. There are some unresolved issues among the five—especially China is somewhat different from the other four countries—but it is remarkable that oftentimes they are together and there is a solidarity there. So long as this unity exists, the UN Security Council will be a very effective body—and this is the essential political basis for vigorous UN peacekeeping activities anywhere in the world. In the case of Cambodia, it certainly exists, clearly and consistently.

Q: What about Japanese participation in this peacekeeping operation? Do you think Japan's participation will be a good thing or is it a nuisance? What do you think about our debate in Japan about participation in peacekeeping operations?

A: Several Japanese parliamentary delegations are visiting Cambodia right at this moment. Japan quite rightly is vitally interested in peace in Cambodia and I think Cambodia is an ideal place where Japan can show its sense of responsibility, its commitment to peace and stability in Asia. I think the first responsibility of Japan is in the financial field, and I have told Prime Minister Miyazawa and Foreign Minister Watanabe that the international community expects Japan to bear about one-third of the total cost of the Cambodian operation.

With regard to other types of contributions, I'd like to see more Japanese participating in all possible ways. Fortunately there are some Japanese UN staff members who are coming. I'd like to see at least forty of the four hundred UN volunteers composed of Japanese. If and when this peacekeeping cooperation law passes, I'd like to see more tangible cooperation in personnel from Japan. Even Germany, which has a similar situation to Japan, is sending quite a sizeable medical team from its armed forces, numbering 140. All Asian countries, with exception of Brunei, are participating either with infantry battalions or with military observers or with civilian police.

The fact that the Japanese are absent makes
I see no reason why today’s Japan, which is dedicated to internationalism and pacifism, cannot send Self-Defense Forces....

me feel very strange. I think money is not enough. I think the Japanese, especially young Japanese, should sweat, and should work with other people and share their ideas and suggestions. I think too many Japanese today are at home simply enjoying the fruits of their prosperity. They are too inward-looking. On the other hand, older Japanese are very pacifist, very idealistic, but they do not know how to give expression to their idealism. Cambodia provides many opportunities for the Japanese to be helpful to the building up of a new country.

I think the kind of attitude which former Prime Minister Kaifu expressed, that Japanese should not be sent to dangerous places, is an escapist attitude. Japan has to be fully aware of the sensitivities of China, Korea and other countries which suffered from Japanese aggression in the Second World War, and that legacy is still lingering. But in Cambodia, the Japanese presence will be much welcomed. So instead of engaging in interminable legaististic controversies and disputes, I look forward to seeing a more tangible Japanese presence in Cambodia, aside from financial contributions. This is important and will be appreciated by the people.

If Self-Defense Forces come to this kind of situation, instead of becoming more right-wing, they will become more cosmopolitan, more international by learning to work together with troops from other countries. The kind of spirit of cooperation and friendship which is engendered by UN peace-keeping operation is tremendous; its contagious; it’s like international Olympics for troops. As you know, participating in international peace-keeping by the UN, troops have to know not to fight, they have to know how to become diplomats. Essentially, UN peacekeepers are not for fighting. I see no reason why today’s Japan, which is dedicated to internationalism and pacifism, cannot send Self-Defense Forces for that purpose.

Q: Six weeks ago when we visited the region, the message that we had was the urgent need for foreign investment in Cambodia of almost any kind. What do you think we can and should do about this?

A: At the moment, Cambodia is almost swept by Thai and Singaporean capital. They are taking advantage of privatization of state enterprises, and in the process of the sale of these state properties a lot of corruption is taking place.

We have sent an inter-agency economic mission—composed of UN, UNDP, UNCTAD, World Bank and IMF—to Cambodia, and I am awaiting, in a week or two, their recommendations, which will contain some strong medicine. Cambodians have to set their house in order—have to do something about rampant corruption. Many of the civil servants go unpaid, and we intend to do something about it. The Asian Development Bank has already taken a very positive, forthcoming attitude on this matter, and I’m hopeful that ADB will influence the World Bank in that regard. So, I hope that the privatization and move towards a free market economy in Cambodia will be done in a balanced, smooth way—not in a way just to encourage corruption and inefficiency in the government.

The other day, the Far Eastern Economic Review had a shocking cover story about “Cambodia for Sale.” There is a kind of a naked capitalism which is out for a quick buck. If foreign investors are oblivious to the need to improve the standard of living of the Cambodian people, this injection of capital may not bring about greater peace or stability in the country. Some kind of self-regulatory arrangements among foreign investors and better geographical balance—not to have only Thais and Singaporeans dominate investment in that country—would be useful. Per capita income in Cambodia is about $100 per year, one half that of Vietnam and one tenth that of Thailand. So it is very easy to overwhelm that kind of a country with even a small infusion of capital.

Yasushi Akashi is Head of the United Nations Transitional Authority in Cambodia
Refugees and Migrants in the Post-Cold War Era

Immigration and refugee issues are among the most important issues we have in the post-Cold War world, and the Trilateral countries have to cope with this enormous task.

The UNHCR estimate of world refugees is close to 17 million—many, many countries have a population much smaller than 17 million. In the last few weeks, I have even more people I have to take care of. The displaced persons within the former Yugoslavia, and those who have left Yugoslavia, reached 954,000 as of April 24. Burmese—about 225,000 as of today—are taking refuge in Bangladesh, the poorest country in the world. We are confronted with a very serious problem.

Durable Solutions: Repatriation
The responsibility of my office is to protect and assist refugees and to find durable solutions. We have had three categories of solutions. One is voluntary repatriation. Another is local integration, that is to integrate people in the countries in which they are seeking refuge. The other is third-country resettlement, that is acceptance in another country for permanent resettlement. By far the most likely solution in today’s world is repatriation.

In the 1970s and 1980s, with proxy wars all over the world, it was very difficult to repatriate large-scale outflows of people. The largest outflow was related to Afghanistan, where the Soviet Union’s invasion in 1979 displaced some 5-6 million people. The ending of the Cold War is providing new opportunities for repatriation. Peace is coming to many regional or internal conflicts, and with that, repatriation opportunities grow very rapidly.

It started in Central America with Nicaragua and El Salvador. I had the pleasure of closing the last Nicaraguan refugee camp in Costa Rica last fall—and I think the last Salvadoran refugee camp has now also been closed. These are wonderful opportunities. The most dramatic—and I think difficult—is the Cambodian repatriation. The refugees have the chance to become a very important part of nation-building in Cambodia. Another repatriation effort we have already started is in South Africa, where we are repatriating political exiles. The number is not large, but the impact is going to be very large, not only for South Africa but for southern Africa as a whole. On the horizon are Angola, Eritrea, Afghanistan and Mozambique.

There are about 20 repatriation possibilities coming up. The common feature is that refugees have to go back to war-torn and poverty-striken countries. (They are full of land mines too in most cases.) So the international resources required to realize the repatriation of some twenty refugee populations are enormous. At the same time, this will change the post-Cold War world in a positive direction.

If those who go back to their homes do not find immediate possibilities for re-integrating into their communities, they are going to pack up and leave again, and continue the same cycle of refugee outflows. I do not find many development agencies capable of linking repatriation to reconstruction or linking relief assistance to development assistance, and governmental funding is usually targeted either for relief or for reconstruction. Linking the two is a new task on which I would very much like to see governments, international organizations, and non-governmental organizations concentrate more.

So there is a very big challenge, but with a pro-active approach by governments and international organizations and citizens, I think maybe we might make it. This is where I feel most hopeful.

Comprehensive Approach to Refugees and Economic Migrants
The working group paper refers a great deal to asylum-seekers in Europe. Various European
countries are faced with a mixture of people coming in, all seeking asylum but many whose motivation is largely economic. How do you distinguish the two categories of people? How do you provide the appropriate answer to each need?

I'd like to refer to a model that may give you some idea of how to go about this—the program that came about to deal with the Vietnamese boat people. An international conference in 1989 produced what is known as the Comprehensive Plan of Action dealing with Vietnamese boat people.

Boat people from Vietnam were very, very numerous in the 1970s after the fall of Saigon. Again in 1988, the number rose very, very rapidly. And so the question was, “Why? Who are they? Why are they still fleeing Vietnam?” The plan drawn up by the 1989 conference is a complex mixture of measures. They might give you some idea of the kind of mixed approaches that are required for a mixed group of people.

First is a screening procedure to determine status—to distinguish between political refugees and economic migrants, to put it very simply. These screening procedures were adopted by all the first-asylum countries in Southeast Asia. Those screened in as refugees would be given opportunities for resettling in third countries, including the United States (everybody seems to want to go to California). Those who are screened out—those determined to be migrants not refugees—are not given these opportunities and are eventually to go back home.

In the Vietnamese context, since the government has been looked at with considerable suspicion in the West, a monitoring system was installed. We have about twenty people from my office in Vietnam making sure that those who are screened out, when they go back, are not prosecuted for the reason that they left the country. Our monitoring has not found any evidence of the Vietnamese government persecuting these people for having left the country. There is also an immigration quota—the Orderly Departure Program—under which about 100,000 people from Vietnam are allowed to resettle in the United States. Recently the need to provide economic assistance to the returnees and to Vietnamese communities which receive these returned people has been recognized. This is provided under the initiative of the European Community. The EC decided that there has to be an additional motivation for people who do not qualify as refugees to go back to their countries.

I think this is the kind of program required to deal with Albanians or with Haitians. I am aware that the question of Haitians is very politically delicate in the United States. But with the military government, and also with the sanctions on Haiti, those who leave Haiti cannot be so easily brushed aside as immigrants. There is a need for screening and so on.

I think the world is going to be full of such mixed groups. How do you deal properly with those who merit protection? How do you deal properly with those who leave for economic reasons? Obviously, those who leave for economic reasons must be dealt with economically—more investment, more assistance, immigration opportunities and so on. A comprehensive approach is necessary, meeting the needs of the various composite parts of those who leave the country.

**Preventive Measures**

The working group paper talks about “pre-refugees.” Preventive measures are indeed going to be very important.

We have been trying to provide a kind of preventive protection in CIS countries. We have been providing advice for their legislation regarding nationality laws, human-rights laws, refugee laws—many republics did not have laws of this sort. We are also training immigration officials and others on appropriate application of these laws. This kind of help may not prevent any kind of massive displacement, but having the proper laws is better than not having any laws at all. The situation in some parts of the Soviet Union is already very serious. In Armenia and Azerbaijan half a million people are displaced. The situation in Nagorno-Karabakh may require serious refugee protection. At the same time UNHCR is very, very stretched. Our resources are
limited, and we have not gone into the former Soviet Republics except to provide this legislative advice.

What we are doing in Yugoslavia is supposed to be preventive, but the surge of ethnic and nationalist rivalry is very serious. With the end of the Cold War, the superpowers no longer have the power to keep these upsurges down. We have been providing food packages to about half a million people inside Yugoslavia. We have been given the task to protect the displaced people in Yugoslavia to return to safer zones. The United Nations peacekeeping forces have four protected areas set out in Croatia. We are to take these people to these protected areas, on a voluntary basis. We are trying very hard to prevent evictions (they are going on right and left), but this kind of activity will very much depend on whether a cease-fire holds (it is very fragile), and whether the political leadership—whether the United Nations, the European Community or various governments—can persuade the various republics to accept some kind of a cease-fire and political settlement. Without peace, there is no way of protecting refugees or ordinary civilians.

I don’t know how we can prevent developments five years from now except through observance of human rights, observance of basic civic codes, economic development—they all together tend to provide more decent societies. But beyond that it is very, very difficult to assure that no country goes crazy. This happens all the time, and is a very worrying situation.

A Post-Cold War Framework for Movement of People: Trilateral Leadership?

What approach to immigration and refugee issues is appropriate for a new international order? During the Cold War things were simple as far as movement of people is concerned. It was a very restrictive regime. People were not allowed to move around. Those refugees who left the Communist countries were welcome, because they had left the ideologically repressive regimes. Things are no longer that simple. With the fall of the Berlin Wall, the world is heralding a liberal framework. We want free movement of goods and information; what are we going to do about free movement of people? This is the issue that we will all have to address. How do we put order into a liberal framework for the movement of people?

Refugees are forced to flee. Immigrants are supposed to have a degree of choice, but when their livelihood is so miserable, I don’t know what the level of choice is. It may be that they too should then be looked at as people forced to flee by poverty, but then it becomes very difficult. What kind of freedom do you allow? What kind of regulations do you put in place? This is the kind of issue that I would very much expect the Trilateral Commission to address, because the Trilateral countries have the resources and the capacity, if we are really to address this problem.

At the same time, the leadership picture is not encouraging when we go down the list of Trilateral countries. Canada is itself going through an enormous separatist problem. The United States certainly has the capacity, but the United States, for example, is not funding peacekeeping operations. If the strongest and largest country, capable of setting up all sorts of measures to direct international efforts towards a constructive goal, fails to provide the resources, it is a very serious shortcoming. The European countries are very busy trying to integrate their own region. It is an enormously powerful region, but trying to cope with expansion while strengthening cohesion seems to take up a lot their energy. Japan has the economic power, but I do not see global strategic thinking or action coming out of Japan either. The United Nations is turning into a very useful instrument, but it has to be supported politically and financially. It is not an actor that can stand on its own. Looking at the various potential leaders, it is not going to be that easy to come to grips with how to put order in a world in which there are already 17 million or more refugees, some 20 million internally displaced, and I don’t know how many asylum-seekers. These issues have to be dealt with in a very serious way, and I wish the working group much success.

Sadako Ogata is United Nations High Commissioner for Refugees. She spoke in the Lisbon session related to our working group on migration and refugee issues (see pp. 54-56).

1992 LISBON MEETING
Section 3
How Should the Tripartite Countries Respond to Developments in the Former Soviet Union?

Robert Strauss

Are They Going to Make It?

I am frequently asked, by people of all kinds, is Yeltsin going to make it? Is Russia going to make it? Of course, I don’t know. As of matter of fact, neither does Yeltsin. And as a further matter of fact, I am not sure that there is very much agreement or understanding as to just what “making it” means. It means different things to different people, and in different republics of the former Soviet Union.

What is not happening
It seems to me that, whatever “it” is, the answer may substantially lie in what is not happening, even more than in what is happening there. Since arriving in Moscow the second day of the coup, I have received advice and predictions from a lot of experts—advice that there would be a total economic breakdown, that strikes would certainly paralyze the country, that mass hunger and famine would take place, that cities would be torn by riots, that pogroms against ethnic and religious minorities would occur, that there would be civil war or a military takeover within Russia (or outside Russia by the Russians) and armed conflicts between the newly created independent states, that nuclear weapons would fall into the hands of local warlords, and democratic institutions would be swept away.

Well, we do have tremendous chaos, a new crisis each day, seemingly insurmountable problems, and a lack of very credible answers as to how to deal with the present, much less the future. But the simple truth of the matter is that none of those predictions I just listed has come true. I say this fully appreciating the fact that there are grave dangers and daunting problems, and some of those dire predictions could become reality almost at any time. But I decline to join those who see such reality as inevitable. Russia has for the most part been far less turbulent than anyone expected or could have hoped.

The shock therapy of price liberalization was and is a genuine hardship of indescribable dimensions for many, many people. But they have tolerated it. Just last week, a reliable poll showed that 70 percent of the people in Russia support the President’s reform programs. (That’s very hard to understand for a 73-year old American lawyer who has spent his life in politics and government.) The removal of controls on the price of energy, coming soon, will compound the problem, and will arrive about the time that hoarded food begins to disappear and savings diminish. Yet, despite the criticisms of the actions of his government, and despite all of the above, Yeltsin remains strangely popular. He has just completed the most difficult session of Congress, a body elected in March 1990 composed of about one-third old-time hard-liners, one-third reformers, and one-third somewhere in between. That Congress offered a serious challenge to Yeltsin’s reform program. But he emerged a winner, a marginal winner, but a winner who came out stronger, as did his young bright minister in charge of economic reform, Yegor Gaidar.

That doesn’t mean the struggles over. It does mean that the first round, barely, goes to the government. Its reforms have survived reasonably intact for the time being. But the fight continues. The government is going to have to trim its reform sails a bit, and be a bit more sensitive to some of the conservative, nationalist-minded constituencies. That’s just a fact of life.
But the basic reform program is intact and there will probably be no major immediate personnel changes—additions yes, but not immediate dismissals as many had anticipated.

**It isn't reform, it's revolution**

We in the West speak of reform, but what is going on, as I see it, is not reform. It's revolution—a revolution in politics, in economics, in law, in culture, and in the very character of the society. It is not surprising that many people, most of them in the older group, have a hard time accepting the changes and reacting against what is strange, foreign, and unsettling. And this includes most of the so-called intelligentsia and probably most of the upper-level political and managerial elite, a strange combination indeed. The fundamental fact is that one can make a strong case that 1991 is a far more important year in Russia's long history than 1917. Why? Because in 1917 Russia threw off one set of shackles only to take on another heavier tyranny. In 1991, the Russians decided that chains are for animals, not for people.

It is in this setting that I would like to discuss what it is that the Trilateral countries should try to do to be of constructive assistance.

Russia is and will continue to be a great power of some kind. It is a great society, potentially wealthy—and shockingly mismanaged, far more than any of you realize. Whatever we do, therefore, needs to have an immediate and positive component. People need to see some understandable, tangible progress that they can feel, even if modest. We cannot remake Russia in our image, and shouldn't. It must be in the Russian image. But we can help them establish institutions that strengthen the democratic process, structures they can build on. These institutions and their values are essential if Russia is to learn to live in peace with its neighbors and with more distant countries, countries like each of ours. As Russia remakes itself, we should be clear that it is not our intention that the result be a warmed-over America, Germany or Japan—or what have you. Russia will remain Russia. Other republics—Ukraine, Kazakhstan—present different but equally difficult problems.

We need to be well aware that we may have the return to some degree of strong central authority in Russia. I suspect the question is not whether that will happen, but to what degree, and the kind of authority that the new central power will be. On the other hand, one of the most positive things about the revolution in Russia today, perhaps the most positive thing, is that it is a revolution from the bottom up as well as from the top down. I don't think that's true in many of the other republics, but for the first time Russia is attempting a democratic rather than an authoritarian road to modernization.

Their task is daunting. At one and the same time, the Russians must begin to establish a real democracy and some sort of functioning economy—while radically transforming the entire structure to start on the path to a productive economic system, modest as it must necessarily be for many years. Defense conversion, privatization, de-monopolization are all easy things to talk about. These challenges in the former Soviet Union today are of a type that we in West have never confronted before, and frankly no one that I know is very certain about how to go about addressing them. Who can be certain that the present reforms are the right policies or at the right time or in the right degree?

**Realistic mid-range goals**

The country needs realistic mid-range goals, goals for the end of the century that have some meaning in people's lives, goals that they can look forward to with some degree of realistic hope. Two months ago President Yeltsin went on a trip through the Volga valley to see for himself the impact of the price rises. He didn't like much of what he saw. But while there he told the people that, if they get through the
difficult transition period, the beginnings of a market economy, then Russians could look forward in a reasonable period of time to living as well as the Poles. Now today’s Polish standard of living might not impress you very much, but it seems a sensible mid-range goal for this shell-shocked economy.

Today industrial production is down about 13 percent, and people are complaining. It frightens them, and it frightens the West, but the simple truth of the matter is it needs to go down a good deal more. Keep in mind that the Russians’ industrial complex produces very little of any real value to them in today’s marketplace. Almost totally lacking is a service sector, a financial sector. There is an exceedingly modest amount of construction, far too little consumer production, as well as far too little just simple small easy-to-operate service businesses and otherwise. While this overall restructuring is taking place, what’s going to happen I ask you—for I do not know the answer—to those communities where the industrial plants were serviced by and supported the schools and medical facilities, the general store and so forth? Just what happens to these people?

A lot of the people frankly aren’t very supportive. You can start at the very top—the elite, the managerial class. They are not going to quietly and calmly walk away from their authority. They have a good standard of living, plenty of perks. They have, my friends, power. And that kind of power isn’t given up easily. Many thinking people believe that these managers are going to eventually present the biggest problem Yeltsin, and the other leaders in the other republics, are going to face as reforms go forward. They are the elite, and they have something to lose—power and a standard of living.

I am told that many of the workers will probably stay on the payroll, be partially employed, while trying to find second jobs or create second jobs or new ways to earn a living. And that will be the moving forward of real privatization, and of a service economy. The process will take place and succeed because people will have no choice, I’m told, and this advice comes from those who have seen the process take place in other parts of the world. It seems to me that in Russia we’ll see a lot more shoe shine people, and cab-drivers, and barbers, and cleaning and pressing establishments, mechanics, pizza parlors, repair shops. We’ll also see the beginning of a financial and banking sector, a gradual maturing of the commodity markets, and similar modest growth in related sectors—all of this if things go reasonably well politically. And while all this is taking place, who knows what is going to happen, or what should be done overall, about the quality of life for the poorest or weakest one-third of the Russians. What about the homeless and unemployed military—a very, very dangerous constituency. These are problems President Yeltsin must face if the people are going to have the patience to wait for the reforms to take hold, instead of turning to some other easier-looking alternative. That’s the immediate threat.

**We must be involved**

What we should be supporting is a realistic, affordable goal—a goal of supplying sufficient financial support, and sufficient business and agricultural and other technical assistance and expertise, to move the market reforms along gradually, but hopefully with recognizable improvement in the standard of living (even though it will be exceedingly modest) while the democratic forces and reforms take hold. We must keep in mind that the Marshall Plan was not conceived to—nor did it—make Germany rich. It just allowed democratic reforms to take hold. And once they took hold, outside investments and a German work ethic made them strong. Here we have none of that background to rely on. There is little if any of the structure. In Russia and in the republics, we’re trying to get the simplest, most basic and elementary economy started—so that democracy and democratic institutions can grow. There are some pretty ugly tendencies still afoot today, and that is to be expected.
And the question of Russian national pride is by no means an abstract issue for the outside world, for out of the humiliation of the loss of its centuries-old empire, Russia will turn either outward toward us or inward toward whatever it can find.

There are so many little things being overlooked, so many little things that need to be done. My friend Jim Billington, the Librarian of Congress, told me just the other day that Russian high schools have not had history books for three years. The old books were junk, rewrites of reality to suit political fashion, but nothing new has replaced them—and that is typical of what's taking place in that society. Democracy isn't yet established, it's just beginning. In many areas of the former Soviet Union, it is hardly recognizable. There are still going to be many setbacks along the way.

All of that said, all of the dangers understood, we and the Russians have a tremendous stake in helping keep Russia's internal affairs and their external republic affairs as stable as possible, realizing that there is a very definite limit as to how far and on what basis we should be involved. Russia-Ukraine relations are just the most obvious, but there are many others. These kinds of problems are going to require timely decisions, not long drawn-out debates. But there is no alternative. We must be involved, and hard-headed but creative decisions must be made.

To conclude as I began, are they going to make it as we would hope? I think they have a pretty good chance, or better. One thing I do absolutely know is that, whatever the odds are for Russia and the other republics to become useful members of the councils of civilized nations, the odds will be substantially better if we of the Trilateral nations constructively and wisely are engaged. If indeed, with the help of the West and Japan, they make it, peace can come to mean more than just the avoidance of war. What a challenge and what an opportunity.

Robert S. Strauss is U.S. Ambassador to Russia

GEORGES BERTHOIN

A Trilateral Initiative

I was asked by the new leadership a few months ago to look at our relationship to the CIS. I met a lot of people, read a lot of papers, and came to a very brutal way to a conclusion: We, the Trilateral countries, have to put our act together very quickly. Otherwise we will become co-responsible for the confusion which is existing in the former Soviet Union (FSU). My proposal (see page 25) provides a practical, diplomatic way to introduce some of our suggestions in the negotiating process between states which passes through Lisbon in late May and should end with concrete proposals in Tokyo in the autumn.

Marshall Plan and European Community Methods

One of the conclusions I reached is that Marshall Plan methods (not the Plan itself) are necessary. I suggest that for very practical reasons and from experience. I had the good fortune as a young man to be in 1947-48 at Harvard in one of the workshops which prepared, on the American side, the Marshall Plan. And then I was, for two years, in the private office of the French Minister of Finance on the receiving end of the European Recovery Program. At a time when French sovereignty had to be restored, we had to work with very unstable governments, and the Communist Party was commanding more than a quarter of the electorate. And we had to handle this very delicate operation, a sort of political, historical engineering (and that's a challenge we face today) with not only an acute perception of the mechanics of aid, but the psychological dimension of aid. One of the most difficult situations is not to give aid but to receive it, and to do it in such a way that you feel that your sovereignty, your dignity is respected. That requires very fine political and psychological tuning.

We, the trilateral countries, have to put our act together very quickly.
In 1948-50, all the Western European countries which benefited from the Marshall Plan, because of their pre-war experience, were able to select, among the varied advice they were getting, what was good or not good for them. In other words, they had a certain autonomy of judgment. They were able to choose. In the case of the FSU, they did not have a long enough experience of a market economy and of democracy as we understand them. There are practically no parameters available to them to make a choice among the fantastic number of recommendations they receive from us. They are, as a result, in a higher degree of confusion than they would be if they had no advice at all.

At the same time, the Russian people and the people from the other republics are proud people. They are completely aware of the fact that what their country stood for for seventy years was defeated. I would like you to remember the very difficult relationship between defeated and victorious countries. We had, after World War II, this type of relationship with Italy, Japan and Germany. The most difficult moment in a war, for the victorious power, is the victory. It is a magic moment, when the victorious power becomes responsible for the defeated country. The country perceived before, one hundred percent, as the enemy, suddenly becomes the problem you have to solve. And you cannot solve the problem without having, within the defeated country, a high degree of legitimacy. When President Bush said, "We won the Cold War"; President Yeltsin answered, "We all won the Cold War". President Yeltsin was right. And we had the proof of that last August. It was the Russian people, under the leadership of President Yeltsin, who finally changed the condition of the slow-moving reform program of the Communist state led by President Gorbachev, and this gives legitimacy to the present trend of reform and the aid program.

So, we reach now a time when the Trilateral countries should be fully aware that they will have in the future a share of the responsibility for reform and the revolutionary program which is taking place there.

Then comes the problem of sovereignty. Many people consider that international solidarity and multilateral aid programs are more or less incompatible with sovereignty. I don't think that is a right reading of modern circumstances. In some of the remarks made in our meeting, I had the feeling that people were not aware of the new method which has been used for forty years in international relations in Europe—the European Community. One of the best examples of this practical experience is Portugal. In 1975, this country was considered lost for democracy. The courage of the Portuguese people and leaders was a very important component of the turning of the tide, but so was international solidarity, organized by some political foundations (in particular the German ones) and the European Community. Portuguese sovereignty, otherwise in danger, was fully restored thanks to the European Community.

The European Community is a new method of organization of international affairs. A few years ago, I had a discussion with some Soviet leaders about German reunification. I told them that, from the French point of view and, I thought, from the Soviet point of view, there was no danger—because Germany is within the European Community, a form of relationship not based on the fatalistic view of history, not based on historical reminiscence. If we indulge in those historical reminiscences—ask the Dutch what they think of the Japanese, ask the Belgians what they think of the Germans, ask the Serbs and the Croats what they think of each other—we are bound to see each other as enemies. We cannot change the past which led to battles and negation of the other's sovereignty. But we can change the future, and create conditions where interdependence as a fact of life can be properly managed and respective sovereignties adapt themselves to modernity.

If we organize our aid program—which involves financial transfers, economic advice, education, the formation of managerial groups and so on—in a way which is considered, both by the CIS countries and by ourselves, as a joint operation, respecting each other's interests and dignity, then we are creating a kind of inter-
1. The International Coordinating Conference on Assistance to the New Independent States (held in Washington, D.C., last January 22-23) opened a path—which could be named “The Washington Process.”

2. The follow-up conference in Lisbon (on May 23-24) should transform its original aim of coordinating short-term aid into a medium- and long-term strategy. For this purpose it should: • agree to the creation of a wise men committee of ten members; • proceed with its nomination; and • define the committee’s mandate with the view of elaborating a “CIS Development Program.”

3. This mandate would build on the following ideas: • evaluate what has been undertaken and draw an overall picture of what is proposed in future assistance to the CIS; • build consensus on common, or at least overlapping, objectives between all countries involved; • propose effective coordination and suitable implementation mechanisms; • detail the methods to be used and propose proper administrative and legal instruments; • in order to reach this goal, highlight the psychological, historic, and political aspects of this development strategy; • suggest a precise calendar for implementation; and • examine how this program for the CIS articulates itself with Central and East European development strategies.

4. The ten wise men should be chosen for their independence, competence, and authority within different groupings or countries participating in the May Lisbon Conference: • the Russian Federation; • Ukraine; • the Central Asian republics; • Central & Eastern Europe; • the European Free Trade Association; • the European Community; • the Gulf states; • Japan; • North America; and • the international financial institutions.

5. The procedure to be followed could be as follows: i) On May 23-24, the Lisbon Conference appoints the Committee of Ten. ii) This Committee drafts an interim report to be presented at the G-7 + 1 Summit Meeting in Munich in July. Following the reaction from the Summit participants, the Committee would then contact the other regional groupings concerned in order to prepare a Final Report. iii) This report is presented next autumn at the third follow-up conference of the “Washington Process” in Tokyo. At this conference, the appropriate recommendations are submitted for discussion and adoption.

The Commission of the European Communities—in agreement with the OECD and any country prepared to underwrite financially this part of the “Washington Process”—would put at the disposal of the Committee of Ten the necessary means to execute its mandate.

The creation of the Committee of Ten is only a mechanism—nothing more—in order to move beyond the present situation where dispersion and duplication of efforts, and wastage of scarce resources, could lead to an impasse. Furthermore, it could help alleviate potential tensions or even rivalries among the G-7 partners, which could jeopardize trilateral solidarity.
national relationship which might produce in former East-West relations the kind of climate and context which we see prevailing today in the western part of Europe. That is my first main suggestion.

But I am aware that there is a complex debate about the aims, methods, and timing for action. A clarification is needed and an overall strategy must be suggested.

**Joint Committee of Wise Men to Develop Medium- and Long-Term Strategy**

The aim of the Washington conference last January was to coordinate short-term aid. The follow-up Lisbon conference (on May 23-24) should decide to transform this original aim into a medium- and long-term strategy. For that purpose I suggest the creation of a committee of ten "wise men." A possible mandate for the committee is set out in my proposal.

Their first task would be to take an unbiased view of what has been undertaken already. The IMF, World Bank, European Bank for Reconstruction and Development, European Commission, and Group of 24 are competing for headlines. Some aid programs are becoming public relations exercises. (Operation "Give Hope," for example, was not very well understood in Europe and not very well perceived in the former Soviet Union either.) We have to be careful. We are not only handling economic facts. We are touching the nerves and the patience of people who are already harassed by difficult economic and social conditions.

Then this committee of ten—as the proposal details—should try to build up a consensus on common objectives; propose effective coordination and implementation mechanisms; detail the administrative and legal instruments necessary for such a purpose; be aware of the psychological, historical and political aspects of such a strategy; and suggest a precise calendar for action.

I ask you to look at this proposal carefully, and see if, through the various channels we have with those in power, it could be rather quickly integrated into their diplomatic thinking. Before making the proposal, I took a number of precautions—I tested the idea with people involved in that process. Up to now the Lisbon Conference at the end of May does not look very promising. There is a very great danger in that. It will be the first time that all the CIS republics will attend a multilateral conference. If the West does not take seriously this conference and does not come with practical suggestions, those countries of the CIS, attending for the first time together such a conference, will take a very cynical view indeed of what the West stands for.

Georges Berthoin is former European Chairman of the Trilateral Commission and International Honorary Chairman of the European Movement

ZBIGNIEW BRZEZINSKI

**A Comprehensive Strategy**

The issue before us is certainly not whether we should aid Russia and the other, non-Russian republics in the former Soviet Union, but how we should aid, whom we should aid, and towards what purposes should our aid be directed? Therefore I heartily endorse the suggestion made by Georges Berthoin of a wise men's committee, which could help to infuse a sense of strategic purpose into our common efforts. Because the sad fact of the matter is that, while there is a great deal of good will regarding aid to the former Soviet Union, there is still, as of now, no comprehensive, coordinated strategy.

A strategy requires an understanding of the historical stages that change must undertake. A strategy requires also some understanding of the similarities and differences in the post-Communist transitions that not only the former Soviet Union but other formerly Communist states are experiencing. In thinking about the
need for a strategy and about its contents, it is useful to think about some of these differences and similarities.

East Germany
Take East Germany. We are dealing here with one central strategic objective, to achieve prompt social and economic transformation of that formerly Communist part of Germany, which integrates it fully, on an equal basis, with the rest of Germany. Democracy here is not the issue. Democracy is guaranteed by the larger German entity. We all know of the scale of the West German effort—tens of billions of dollars are being plowed into an economy and society of about 16 million people. And yet it will take at least until 1995 for wages to equalize; and it will not be until the turn of the century that the standard of living between the two parts of Germany will begin to approach parity. Bear in mind the scale of this effort, the limited objective, and the time duration (ten years).

Poland, Czechoslovakia, Hungary
In the case of Central Europe (particularly Poland, Czechoslovakia and Hungary), we are dealing with at least two central strategic objectives—the achievement of the socio-economic transformation, and the consolidation of political democracy (which to an incipient degree now exists through political institutions and political parties which function nationwide). The goal is therefore more ambitious. The time to achieve it will doubtless be longer. It is difficult to predict how long, but we can make some rough calculations. Let’s assume (a very optimistic assumption) that Germany and Austria, the immediate neighbors of these three countries, grow over the next X number of years at the relatively high but unattainable rate of 4% per annum. Let’s assume that these formerly Communist countries grow at an annual rate in excess of 6% per annum (which would require dramatic change in their performance). To reach, on a per capita basis, something amounting to equality with Austria and Germany, would take Czechoslovakia 34 years, Hungary 51 years, and Poland 67 years. And if rates of growth per annum are more moderate—say, 2% and 4%, respectively—it would still take Czechoslovakia 30 years, Hungary 46 years, and Poland 63 years to catch up.

Now obviously no one expects exactly this to happen, but it illustrates an important point—the process here will be longer and more difficult. And yet it is essential that it be successful. If it isn’t, we will not have a model or a concept of post-Communist transition. We desperately need both. We need conceptual tools and we need a successful model to generate credibility for a vision of change which can be applicable to all former Communist countries.

Russia and the Other Republics
Remember that for East Germany, we are dealing with one simple strategic goal; and for Central Europe, two major strategic goals. What of the former Soviet Union? In my judgment, there are at least four centrally important strategic objectives, all of which have to be attained if there is to be success.

First is the socio-economic transformation, of which much is said, and regarding which some things are beginning to be done. That is a monumental task, especially given the length of time the Communist institutions existed, the absence of entrepreneurship, and the complexity of changing an economy which had no second economy to speak of (whereas all of the Central European countries had a second economy of some importance throughout).

Secondly, we do want to encourage political transformation towards democracy. Let us have no illusions about this. Democracy does not exist currently in Russia. It exists in an even lesser degree in the other former Soviet Republics. There is some degree of not truly institutionalized democracy in Moscow, and the President has been elected through a popular vote. But democracy is a more complex, more nuanced process requiring institutions, procedures, indeed even traditions.

Thirdly, we have to engage in nation-building. Half of the former Soviet Union is now creating its own state institutions. Not all of the non-
Russian nations have the same degree of statehood consciousness, and all of them lack effective state institutions. Some of them are truly at very early stages of nation-building, particularly in Central Asia. And yet for stability to be achieved, nation-building has to be a successful process.

Fourthly, we do want to create a condition of stable, post-imperial pluralism in the former Soviet and Russian empire.

These are four important objectives. I dare say that movement towards them is going to be a question of decades, and the important task will be to maintain some degree of balance between these objectives. Obviously not all of them can be pursued at the same time, with the same degree of success, but the absence of any one of the four will represent an important danger and significant failure.

Thus we need a strategy that addresses all four dimensions, and I submit to you that today our strategy towards the former Soviet Union concentrates largely on the first dimension alone, the socio-economic transformation. We have not given much thought to the others. I also submit to you that much of our advice on that first dimension takes the form of dogma. We are preaching dogma to a formerly dogmatic state, and the new dogma is “free market”. When you speak to Russian officials you'll now hear a regular incantation, “Rynok, rynok, rynok,” which is Russian for “market,” just as in the past you would hear the incantation, “Socialism, socialism…”. Do they really understand how the free market works? I'm not so sure.

There is a further point to be made here. The notion of a free market, in the supposed Soviet setting, has to be adjusted. I suggest you all read very carefully the extremely interesting paper by Saburo Okita on the relationship between responsible government guidance and the actual operation of a free market mechanism—indicating that the former is not in conflict with the latter.* Particularly in a setting such as Russia confronts, the former remains very necessary, because the free market will not spring forth by itself. And if it is encouraged dogmatically, it can produce a level of human and social suffering that will be very inimical to the consolidation, over time, of democratic institutions.

Moreover, we have to be careful not to assume that money is the source of all solutions. In fact, premature and excessive commitment of funds will not only lead to wastefulness, but perhaps will even delay certain kinds of reforms. A sense of timing and balance between the different strategic objectives has to guide our policy.

Finally, and as a footnote, we also have to be very careful not to undercut Yeltsin. Yeltsin is indeed a critical factor, perhaps a decisive factor of change in Russia today. He does represent the best that Russia has to offer. We have to be careful, particularly in how we treat Gorbachev abroad, that we don't undercut Yeltsin at home. Gorbachev has his own agenda and so do the people around him. Unless we are careful, we are going to become part of the game which is designed to undercut Yeltsin.

* * *

In brief, the way to approach this problem is to give some serious attention to the need for a comprehensive strategy that has a sense of stages to it, and appreciates the differences in the transformations of the former Communist countries. We do have to have an historical vision here. I suppose one way to look at this problem is to say that we are facing the end of stability, and therefore new dangers. But another way of looking at it is to say that while the end of the Cold War inevitably produces difficulties, most of all it produces opportunities. We can only seize them if we have a defined strategy.

Zbigniew Brzezinski is Counselor for the Center for Strategic and International Studies and former U.S. Assistant to the President for National Security Affairs.

* Saburo Okita, “Transition to Market Economy” (typescript)
Private-Sector Business Cooperation between Japan and Russia

In the way of context, first let me very briefly comment on two aspects of the overall relationship between Japan and Russia.

First, within the Japanese government and business community, there is wide understanding of the significance for Japan and the world of the changes in the former Soviet Union. "Avoiding chaos" in this region must be a high priority for the Trilateral countries, and Japan must collaborate with its Trilateral partners in taking appropriate and coordinated action.

Second, as everyone here knows, Japan's relations with Russia are complicated by the continued occupation of four Japanese islands to the northeast of Hokkaido. This does not prevent an improvement in relations. At the same time, Russo-Japanese relations cannot be truly and fully normalized until this issue is resolved. Resolution of this issue basically depends upon the Russian side.

The aspect of Russo-Japanese relations with which I am most familiar is private sector cooperation. Historically, the Japanese business community has played an important role in developing relations. As early as 1965, the Keidanren and the Japan Chamber of Commerce and Industry established the Japan-Soviet Economic Commission, which has recently been renamed the Japan-Russia Economic Commission. I chair this commission. Under the auspices of this commission, 13 conferences of business leaders have been held, and six large-scale projects have been established. These projects have been almost entirely connected with natural resource development in Siberia and the Russian Far East. They involve forest resources, coal, oil, natural gas, and the development of port facilities at the Far Eastern city of Nahodka.

All these projects were initiated between 1968 and 1976. In fact, the high point in bilateral economic relations was in the early 1970s. Today, trade between the two countries is only about $5 billion, or about 1 percent of Japan's total trade. Even from the Russian side, trade with Japan was only about 2 percent of its total trade until very recently.

It would be wrong to attribute the low level of the economic relationship only to the territorial dispute between two countries. Other factors are important. After the 1970s, structural changes in the Japanese economy and the availability of cheap resources from other regions decreased private-sector interest in Russian resources.

More recently, the serious internal political, social, and economic problems in the Commonwealth of Independent States have prevented all Trilateral governments and the business sectors from launching full-fledged economic cooperation and financial assistance. Although the CIS agreed on a common currency and tariffs, these agreements have yet to be put into practice.

Not only at the macro-level, but also at the micro-level, economic problems abound. A big problem between Japan (as well as other countries) and Russia is the latter's default on its debts. These include public obligations and bank-to-bank loans.

But of even more concern to the Japanese business community is the delay in the settlement of short-term export accounts and high-risk medium and long-term trade accounts. These total over $1 billion. Another problem is the frequent change in Russian laws and the constant revision of government regulations. For example, uncertainty in the legal system is one reason why a recent contract for the development of forestry resources has not yet been implemented. And there are still many other problems such as the lack of clear leadership on economic policy, poor investment conditions, convertibility of the ruble, delays in privatization, and difficulties in securing needed

... The high point in bilateral economic relations was in the early 1970s. 
materials and equipment.

Nevertheless, there are some positive factors. First, although the United States and Germany each have seven times as many joint enterprises in Russia as does Japan, the Japanese joint enterprises by far export the most Russian products—26 percent of the total of such exports compared to 16 percent for Germany and only 3 percent for the United States.

Second, the Japan-Russian Economic Commission is expanding its activities beyond Far East resources development into new areas. They include cooperation to facilitate the shift to the market economy, support for the conversion of military into civilian industries, and transfer of expertise in management and quality control. Our next commission meeting will take place later in the year, and I hope we will be addressing such topics as improvement in investment conditions, cooperation in science and technology, structural adjustment, and matters relating to financing, currency, and exchange. Moreover, our commission cannot remain aloof from the humanitarian needs in today's Russia. We have sent medical supplies and support for education.

Much of our private sector effort is focused on the Russian Far East. Almost all the Japanese joint enterprises are located here, and seventy percent of Russian exports to Japan are made up of products from the Far East. Japan now leads the world in promoting the production of western Siberian oil and natural gas. We intend to examine the feasibility of increased Japanese participation in the further growth of the Far East economy, centered around resource development and a plan for the formation of a regional free economic zone. In this way, we hope to facilitate the development of the market economy in Russia and the economic integration of the Russian Far East into the dynamic Pacific Basin economy. Last but not least, we hope that "GIS" also comes to mean "correct information and statistics," which is definitely needed by us.

Isamu Yamashita, former Japanese Chairman of the Trilateral Commission, is Chairman of the Japan-Russia Economic Commission.

...WE HOPE TO FACILITATE...
THE ECONOMIC INTEGRATION OF THE RUSSIAN FAR EAST INTO THE DYNAMIC PACIFIC BASIN ECONOMY.

SECTION 4
HUNGARY, POLAND, CZECHOSLOVAKIA

About ten days after the Lisbon meeting—on May 6—the Heads of State and Government of these three countries met in Prague and reiterated, in a detailed statement, "their shared objective to fully participate in the process of European integration." After stressing that "the deepening and the widening" of the European Community are "compatible with each other," they emphasized their interest in using their new association agreements with the EC (the "Europe Agreements") "to prepare their respective countries for full-fledged membership in the European Union." They expressed their "interest in cooperating with the future foreign and security policy of the European Union," and also stated that "the three countries intend to build up progressively closer relations with NATO and WEU in order the bring about the domestic and international conditions for their membership."

BELA KADAR

The Spirit Of Visegrád

IN 1335 AT VISEGRÁD, then capital of Hungary, the Kings of Poland, Hungary and Bohemia agreed to encourage trade between the three countries. After the bilateral Anglo-Portuguese trade treaty of 1297 of Methuen, this was the first trilateral inter-state agreement of the New Age of Europe while also constituting the first appearance of a cooperative Central European subregion extending from the Baltic Sea to the Adriatic. The Czech and Slovak Republic, Hungary and Poland—together comprising the greater part of the one-time zone of cooperation—again signed a treaty on furthering subregional cooperation on February 15,
1991. In addition to the (at first loose then gradually deepening) cooperation evolving in the area of foreign policy, the establishment of a free trade zone among the three countries has also begun, hopefully to be completed this year. Also, it is becoming more and more evident that some coordination in defense matters is unavoidable.

It is an honor and pleasure for me to be able to speak about the spirit of Visegrád on behalf of these three countries at the annual meeting of the Trilateral Commission, as the Trilateral Commission proposed first, already at the beginning of 1989, that the European Community conclude association agreements with the countries of Central Europe. The roots of this mentality are deep and far-reaching. They are part of the new European renaissance unfolding in this decade, of the return to the long-term course of European evolution, following the collapse of the post-Yalta system.

The paths of historical development taken by the three countries over the past thousand years have shown many similarities. A thousand years ago, these three countries, with a sense of historical simultaneity, became members of the family of the Christian Europe of those times. Two countries and the southern parts of Poland coexisted for a long period, exposed to similar legal, institutional and economic influences, within the confines of the Austro-Hungarian Monarchy. The multi-colored Europe of today—characterized by cultural, economic, political and military communication more intensive than in any other continent—can be interpreted in many ways, but it is certainly not a simple concept of geography. In a legal sense, it means the Roman and the Saxon law. Institutionally, it means the constitutional monarchy; economically, the predominance of market forces over central intervention; culturally, the marked presence of the Greek-Roman-German heritage, Gothic art, the Renaissance. There is no doubt that these three countries, with the specific characteristics of their national development, have always been part of the geographical zone reflecting the concept of being "European" and they cannot be regarded as a "no man's land" even today. The exclusion of the four-and-a-half decades after Yalta constitute only a prolonged episode in the history of the past thousand years.

These three countries paid dearest for the consequences of the Pact of Yalta imposed upon them by the Great Powers in terms of modernization coming to a standstill, economies thrust to the periphery of the world economy, and the socio-psychological distortions. It was by no means accidental that they all wished to bid farewell to the Stalinist, post-Stalinist...

...THOSE THREE COUNTRIES...
HAVE ALWAYS BEEN PART OF THE...ZONE REFLECTING THE CONCEPT OF BEING "EUROPEAN"....

KAREL VON SCHWARZENBERG
JERZY LUKASZEWSKI

AFTER BÉLA KÁDÁR'S PRESENTATION, BRIEF COMMENTS WERE OFFERED BY Karel von Schwarzenberg and Jerzy Lukaszewski, who also participated in the subsequent discussion. Karel von Schwarzenberg is Chancellor to the President (Vaclav Havel) of the Czech and Slovak Federal Republic. Until 1990 he was President of the International Helsinki Federation of Human Rights. Jerzy Lukaszewski is Ambassador of Poland to France. From 1972 to 1990 he was Rector of the College of Europe at Bruges.
model: Hungary in 1956, Czechoslovakia in 1968, Poland in 1980. Nor is it accidental that, in the course of the past two years, these countries got furthest along the path of transformation into a market economy, of deregulation, privatization, decentralization and opening up to the world economy. And having skipped the authoritarian stage, all three of them ascended to the stage of parliamentary democracy.

What does, then, the spirit of Visegrad mean for these three countries? The policy of good neighborly relations is valuable in itself as it helps to master similar problems—to lessen the destabilizing impact of ethnic conflicts, of economic crisis phenomena, of the disintegration of the empire. Taking a joint stand on international issues mitigates the fate of small countries, the heritage of viewing them as a bloc which is still prevalent today in international relations. Great powers, regional organizations, transnational companies dislike bothering with small countries, small organizations, with their peculiarities seemingly so complicated from afar, for it is so much simpler to keep up contact with the major powers or blocs of the various regions. The CMEA perished, yet the former bloc approach is alive and small countries can hardly change this perception. What they can do is to take the “mini-bloc” approach and so gain international attention and improve their bargaining power. Subregional cooperation is gaining importance in national security. The collapse of empires is usually followed by lasting chaos, and the system of international relations has not been prepared to handle the short- and medium-term consequences of this chaos. Visegrad offers a subregional framework for doing this.

The most perceptible processes of this subregional cooperation are taking place in the economy. All three countries are called to curb and to reverse the negative processes evolving in the real economic sphere—the slump, the reduction in investments, the shrinkage of the markets, the increase in unemployment. The CMEA, terminated last year, had created vertical economic relationships within the region: that is, a unilateral dependence on the largest national economy of the region, the Soviet Union. The relative importance of horizontal relationships—that is, the cooperation among the small countries of the region—withered away. In the 1920s and 1930s, when the threat of military conflict had already cast its shadow on Czechoslovak-Hungarian relations, Czechoslovakia accounted for a tenth of Hungary’s foreign trade on annual average. In 1991, the year marking the end of the four decades of CMEA cooperation, this share fell to 2 percent, which is incredibly low for neighboring and interdependent economies. Similarly, Poland’s share in Hungarian trade also fell to 2 percent. This indicates that the removal of the barriers to Central European cooperation would, by itself, be concomitant with a favorable stimulus for growth and foreign trade. The gradual abolition of customs duties and trade barriers between the three countries over a period of ten years is related to the transformation of the model, of the order of operation, of the economy. It is more and more the new (and mostly still small) businesses that provide the engine for growth and external economic relations. Their geographical maneuvering capacities are limited, hence they tend to begin their foreign trading activities in neighboring countries. This also implies that the improvement of the conditions of cooperation between countries geographically close to one another offers favorable external conditions for privatization.

Beside the problem of export markets, it is the shortage of capital that most impedes the process of transformation and modernization. All three countries need foreign financial, technological and human resources. The small internal markets of small countries, however, do not constitute attractive investment targets for large companies active on a worldwide scale. As a result of the association agreements concluded with the EC, small countries can get rid of the fetters of their small internal markets. The domestic and the foreign investor today can develop, produce and sell in the largest market of the
world, in the process of unification. Similarly, as a result of the impact of the Visegrád spirit on free trade, the products of a plant set up in Hungary can have unhindered access to the markets of the other two countries and vice versa. Central European economic cooperation therefore provides more favorable investment conditions, whereby it can also accelerate the process of transformation.

The coordination of the infrastructure development projects and environmental protection projects of the three countries constitutes a specific area for the mobilization of resources. The transportation-communication-logistical systems of the three countries were developed in an eastern direction over the past four decades. As a result of the shift in market orientation, an urgent need has arisen for linking up with Western road and energy networks. Also, increasing economic flows between the Baltic area and South Eastern Europe give rise to new traffic in a North-South direction, requiring the appropriate infrastructure development projects (which are also an integral part of the cooperation between the Central European countries).

This Central European cooperation brings benefits to the world as well. Today, the Eastern borders of these three countries provide a kind of forward defense zone for Western Europe against destabilization, the consequences of eventual chaos, the risks of a flood of refugees, or terrorism. The expansion of the borders of a stable and progressing Europe in an easterly direction is an international and European interest, and security policy cannot neglect the value of the role of a Central European region able to ward off and contain tensions.

The three countries offered expanding markets to Western suppliers already last year. Over the past two years, Hungary's imports from the OECD countries increased by 48 percent, those of the Czech and Slovak Republic by 80 percent and of Poland by 135 percent. At the same time, Western deliveries to the other former CMEA countries withered away. Nearly 90 percent of all direct foreign investments made in the former CMEA region were actually effected in these three countries. They offer an abundant supply of highly qualified yet, in an international comparison, low-cost labor. After the end of the Cold War, the competition between various regions, regional organizations, countries and companies will be of a primarily economic nature, and the outcome is bound to be influenced by the extent to which the various powers will be able to exploit the undoubtedly remarkable human potential of the Central European countries.

Finally, what do the Central European countries, in the spirit of Visegrád, expect from the advanced market economies, or rather, from the Trilateral Commission comprising their decision-makers? The Central European countries expect understanding for the fact that they have embarked on the transition from a centralized political and economic system to a market economy and a pluralistic political system under the conditions of a comprehensive crisis. The frequent conflicts and clashes of political and economic views in the course of the comprehensive transformation mean that these countries also require favorable external conditions to ward off the threat of crisis inherent in the transformation. The "no man's land" from a security perspective cannot be maintained for ever; it would not be wise to neglect the expansion of advanced and stable Europe by including these countries in the in-depth development of European integration. The radical restructuring of national economies in Central Europe cannot be envisaged without the opening of Western markets to their goods. Although the implementation of the transformation process is the historic task of the countries concerned (which they deal with by mobilizing and regrouping their internal resources), this process cannot be accelerated without external support, without the transfer of external resources. Since the resources of the world are scarce and limited, it would be expedient to focus them where the conditions for their absorption are the most favorable, where their absorption can most efficiently develop international relations. Central Europe, already in the process of stabilization

The Radical Restructuring of National Economies in Central Europe Cannot Be Envisaged Without the Opening of Western Markets to Their Goods.
and moving forward, could itself directly take part in facilitating the more prolonged transformation processes of the East European countries—as suppliers under aid programs and in the transfer of experiences. Indirectly, Central European countries could exert a beneficial influence in the East European region by enriching the patterns and forms of transformation.

The world, much torn during World War II, went through the development of the past four decades in stages and groups. Starting out from the North American center in the 1950s and 1960s, first it was Western Europe and Japan and then, in the 1970s and 1980s, Southern Europe and the Far East that joined the group of advanced countries modernizing themselves at a fast pace. Presently, it is Central Europe and a few Latin American countries that face such a turnaround in their fortunes. The second millennium began with these three, formerly heathen countries joining the family of European Christian peoples. It is in the interest of a sound international system to begin the third millennium with the perfection of the spirit of Visegrád, with the full membership of these three Central European countries in Europe.

Béla Kádár became Hungarian Minister of International Economic Relations in 1990. From 1965 to 1988, he was Research Director of the Institute for World Economics of the Hungarian Academy of Sciences. In 1988-90 he was Director of the Institute for Economic Planning.

SECTION 5
DEVELOPMENTS IN PORTUGAL AND THEIR INTERNATIONAL IMPLICATIONS

The opening session of the Lisbon meeting was a seminar on developments in Portugal, with much emphasis on their international implications. Finance Minister Jorge Braga de Macedo made use of Portuguese experience in discussing the "conditions of international solidarity" and the path of sustained change in the economic regime, with an eye toward non-Trilateral countries to the east and south. Eduardo Costa discussed privatization through a similar lens, with the current and prospective experience of a number of non-Trilateral countries in mind. João Menezes Ferreira, a Member of Parliament from the opposition (Socialist), provided a political overview of the situation in Portugal.

Portugal has special ties to Africa, and we have also included in this section the remarks of José Manuel Durão Barroso, Portugal's State Secretary for Foreign Affairs and Development Cooperation, and a note on the presentation by Francisco Mantero, concentrated on private-sector cooperation.

JORGE BRAGA DE MACEDO

International Solidarity and Sustained Regime Change: The Portuguese Case

Conditions for International Solidarity

I am here to speak about Portugal and what our experience may teach those who believe that international solidarity may bring hope and results to that part of the world that is still living in poverty, the South and the East—the non-Trilateral world. Some discussion of the conditions for international
solidarity ought to take place in a country that has shown it could meet some of these conditions, and as a consequence has evolved from a situation of receiving funds to a situation where it can also provide an example of how to use them. I will naturally take the view of the Portuguese government, but I will shy away from any propaganda.

What are the conditions for international solidarity? The first condition is democracy. The second condition is market access—the country has to have some access to the world market, since we want to teach the benefits of international competition, and without prosperity, democracy is short-lived. But those two pre-conditions are not sufficient. We need correct national policies. (I will define those in a moment.) And to be sure that the policies of the national authorities are correct, we need some mechanism of multilateral surveillance. These are therefore the four conditions for international solidarity, which experience worldwide and of Portugal suggests: democracy, market access, correct national policies, and some mechanism of multilateral surveillance.

**Sustained Regime Change**

You cannot just throw money at the problem. It is not your money—it is taxpayers' money—and it doesn’t work. The way in which solutions must be sought involves change. It involves sustained change. It involves sustained change in the entire economic regime.

This is an exceedingly ambitious undertaking, even though it is rather parochial, because we are only speaking about the economy, leaving undefined the social background in which the economic regime is embedded.

It could be a statist social background, as is the case in the Eastern European countries, as was the case possibly in Portugal. It might be more individualistic—more North American perhaps.

Independently of what the social background might be, we believe that sustained change in economic regime is an essential part of the solution. This is where we come to the balancing that must always occur between where history has put the country and the expectations of a better future. There will always be this tug of war between history and expectations.

Sustained regime change is a challenge for any country, no matter how developed. If we look at the conditions for sustained regime change a little bit more closely, we would once again find a pre-condition being democracy. This has really to be said over and over again. But we should introduce two further elements: one is social consensus, absolutely paramount for a sustained regime change; the other is what I would call the role-model dimension.

Now the role model can be oneself, the country, that is. This is typical in some of the old industrial democracies. They look at their past, at their national traditions, and say, “Well, that’s the role model.” Portugal is a little bit more hesitant there. One of our role models has always been our own language and cul-

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**Mario Soares**

On the evening before the Trilateral meeting began, the President of Portugal, Mario Soares, gave a dinner including current and former Chairmen and Deputy Chairmen and a few others. The dinner was held in the official residence of the President, the Palacio de Belem. Mario Soares became President of Portugal in 1986. He was Prime Minister in 1976-78 and 1983-85. He was Minister of Foreign Affairs in 1974-75 and 1977-78.
ture, because it is universal, it spreads all over the world, and we have a diaspora of emigrants.

But the other role model, more relevant to the economic regime, has now very, very clearly become the European Community. This is one of the major effects of our recent past. There was some hesitation, between Sweden and Albania with some passing references to Woodstock! But since 1986 the role model is very clear—it is the European Community, and it is to take advantage of Community solidarity.

Portuguese Government Policy:
“Slowly we go far.”

Let me talk to you about some threats to our success story. In the government’s program voted in Parliament some six months ago, the government asked for patience, and this was not always well-understood. At the moment, we have the typical problems of a middle-income country. Like the middle class in our societies, there’s a bit of relative deprivation in the air. We have had very successful periods since accession to the European Community and growth has been rather spectacular, as has structural change. We have managed to eliminate the threat of external payments deficits which plagued the country for many years. We have eliminated the threat of unemployment. We have even eliminated, I dare hope, the threat of excessive budget deficits (thanks to a multi-annual fiscal adjustment strategy that has been going on for several years, and will continue to go on until the end of the century, when a single currency for Europe will hopefully be in force).

We still have the problem of inflation. It’s going down, very firmly indeed, but the ambition of the government is to persuade the social partners that inflation must go away without tears. This is where the relative deprivation of the middle classes, the relative frustration of the middle-income country, may come up. You see, Portugal is still a poor country by European standards. So when the government spends many, many hours persuading the social partners to accept a gradual disinflation over the next four years, to match European Community standards, there is this contradiction between the rate at which wages are allowed to increase and their absolute level. It is a very sobering experience. I must tell you, but it is at the heart of the conditions for international solidarity.

We will not succeed in exporting our values and our way of living, if you allow me to be Trilateral for a second, if we are not patient in persuading others of the need for a sustained change in economic regime, including the understanding that inflation is a hidden tax, a regressive hidden tax. We’re trying, and we will continue to try until the next election. We believe there is a great deal of consensus that will emerge, because we don’t believe there is any other way. We don’t believe in a brutal engineered recession, which some fundamentalist countries have attempted to introduce in order to get rid of inflation, with results that are not sustained, with results that are idiosyncratic, attached to a particular person no matter how courageous. That’s not the Portuguese way. I propose this to you with very profound political conviction. The battle against inflation must be sustained. If it is not sustained, if you are too ambitious at the beginning, you fail.

Let me give you some more details about how we go about it in Portugal. As I said before, we have eliminated the problem of the external deficit and the problem of unemployment. Is that to say that our competitiveness is a foregone conclusion? Of course not; it never is. But we do not see immediate threats there. Budget consolidation is going on; it’s going on well. We are soon going to be able match the convergence criteria that were set up at Maastricht, which are rather ambitious: 3 percent budget deficit for the entire public sector, so-called general government. We are now at 4 percent, from 6 percent last year. We are doing it gradually but surely. This is the first pillar of our policy mix and it is a crucial one. It has involved a very gradual approach but a sustained one. For example, this year we are introducing mobility schemes so as to allow civil servants to allocate themselves closer to a more
productive task, or in fact leave the civil service. We want to do this over the next few years. At the same time, public investment has been extremely sustained in our country, so as to take advantage of Community solidarity, Community funds. Once again, you can only take advantage of Community solidarity if you have enough discipline in your budgetary process so that you can, in fact, benefit from external resources. Otherwise, you are just throwing money at problems.

We also had a rather difficult decision with respect to taxation. We have eliminated the zero rate of the value-added tax—a complete absurdity. Yet, the change is hard to explain in Parliament or to the social partners: “Here is a hidden tax called inflation. You’re actually paying it and we’re not getting any revenue. We’re going to lower this hidden tax and we’re going to give you a real strong tax that you can really see and understand that you’re paying!” It’s hard to sell.

Budget consolidation is the first pillar. The second pillar is the social dialogue. It’s quite clear that what needs to be done cannot be done without the social consensus that I mentioned earlier. This involves a great deal of government time and attention to actually persuade employers and trade unions on a common gradual path of wage moderation. We have been successful this year because we have signed a single-digit wage agreement, we are quite proud of that. It’s 9.75 percent—that’s the gradualism element—but it’s one digit.

As for the structural policies, Eduardo Costa (pp. ??-??) touches upon reduction of the weight of the public sector through privatization. I’d like to touch upon another aspect, which will become rather important in Portugal in the next few years. This is an intelligent application of the principle of “subsidiarity.” It is now very commonly accepted in Europe; it is even in the Maastricht Treaty. It has to do with providing a public good at the level which is most efficient and therefore cheapest from the taxpayers’ standpoint. Portugal is a unitary country, with a unitary tradition, but we are now trying to devolve some competencies to local authority. This is a process from which we hope to make a great deal of progress. It is a very time-consuming process—it has to be done in a context of consensus—but it’s very important to make the changing economic regime rooted everywhere in the country.

What are the prospects? Well, the government felt confident enough about the three pillars of economic policy that I’ve just mentioned to request accession recently to the Exchange Rate Mechanism of the European Monetary System, and even to announce that this would imply a sustained lowering of interest rates. But I would like to stress once again the difficulties of the middle-income situation, and the need to continue to nurture the social consensus which has taken us this far. This is why Portugal is so keen on the forms of Community solidarity that make sense, on the so-called Delors-II package.

Let me conclude with a point that is philosophical in nature. We wonder often in Portugal about how long you have to be virtuous to be taken seriously. The Calvinist would say, “You gotta do it for a long, long time.” Catholics are a bit less exacting, I would say, and I think they are right—we are right. Reputation is something you can lose very quickly, and you should not be discriminated against because you are acquiring it fast, independently of where you were. You might say, “Well, Portugal has managed to bring back sound fiscal management because even when it was a picturesque village it already had that.” You might argue the same way for some of the Central European countries. We don’t like that. What we like is a popular proverb which I will leave with you and which exactly states, I would say, the philosophy of the government and of our country: “Slowly, we go far away.”

Jorge Braga de Macedo is Finance Minister of Portugal
The Situation in Portugal

Stagnation and Awakening

I see Portugal at an important moment in its history, symbolically represented by its ephemeral Presidency of the European Community. Halfway through this century—1950—Portugal was a stagnant country, feeding on the remains of an empire which politicians claimed was five centuries old. The times were no longer favorable to retaining colonial empires, and with Portugal's international isolation becoming increasingly marked, the regime started to advance the pathetic slogan that the Portuguese stood proudly alone.

To be strictly accurate, Portuguese stagnation and lack of glory dated further back, since this was true of literally the entire period of the constitutional monarchy of the 19th Century. It continued during the radical parliamentary government and disorganization of the first republic, and assumed its ultimate form with the establishment of the long authoritarian and conservative regime in 1926.

There is no doubt that isolation has its pros as well as cons. Portugal was fortunate to escape the horrors of the Second World War, but it was unfortunate that Portugal did not share the need felt in 1945 to engage in peaceful renaissance and rapid reconstruction, the cornerstone of the creation of the European Coal and Steel Community in 1952, and of the European Economic Community in 1958.

So, the country was in reality a large picturesque village with its accounts in order, based on primitive agriculture, protected industry, and oligarchic trade. The opening up of the economy and the liberalization of trade within EFTA, and the alignment with the Western powers within NATO, might have allowed the situation to continue indefinitely. But the colonial wars, which broke out in 1961, called for a military, economic, and, most particularly, psychological effort which proved excessive for such a small country.

The awakening occurred in April 1974 almost by chance, in the only known example in contemporary world history of a coup d'état of democratic inspiration launched by the army forces. You can't emerge from fifty years of lethargy without a few jolts. In effecting a major break with the past, it is very difficult to prevent the pendulum from swinging to the opposite extreme. And let us not forget this was happening in the mid-1970s. The generation that was awakening was still hearing the echoes of Woodstock, of the libertarian radicalism of Paris in May 1968. Even the so-called popular socialist democracies still held an attraction for many people, despite the fact that they were disintegrating internally.

Portugal lived for a year and a half with a market economy that was constantly placed in question and with the political and military situation verging on the chaotic. Portugal's international isolation continued, but was nothing new to the citizens. It fell to the Socialist Party led by Mario Soares, today President of Portugal, to head the anti-Communist front, and also to launch a three-word slogan which would take the country into the 21st Century: "Decolonization, Democratization, Development."

Portuguese decolonization occurred belatedly and was certainly traumatic for many people, both those who left Africa and those who remained there. But it was effected rapidly and it is generally accepted today that virtually all the old colonial wounds have healed, and strong and healthy political relations have been re-established.

As for the consolidation of democracy and promotion of development, Mario Soares took the most desirable course—membership in the European Community—to which we applied in 1977, and of which we became a member in 1986 after eight years of negotiating. I won't describe in detail the last fifteen years of the economic, political and social life in Portugal.
Dinner on the Second Evening was given by the Government of Portugal. The host was Minister of Foreign Affairs João de Deus Pinheiro, who also serves as Chairman of the European Council of Ministers during the first six months of 1992 while Portugal chairs the European Community. Mr. de Deus Pinheiro took up his duties as Foreign Minister in 1987. Prime Minister Anibal Cavaco de Silva, in his European Community capacity, was in Washington and Ottawa as members of the Trilateral Commission gathered in Lisbon.

These years were initially spent in technical preparation and training of personnel for Community membership, and later in reaping the benefits of the Community’s political solidarity and in the first experience of full exposure to competition in an open and much more demanding market.

Social Democracy, Representative Democracy

I will now comment briefly, from the angle of a Socialist who believes himself to be modern, on two political questions central to these years of sowing and reaping. The first is the ideological struggle waged in Portugal between Liberalism and Social Democracy—once it became clear to everybody that the market economy has no alternative. The legacy of fifty years of an authoritarian and conservative regime is reflected not merely in political lethargy, which can be remedied by introducing democratic institutions. Social inequalities flourished in that regime. The lack of resources, and also of political will, caused deficiencies in the infrastructures for education, culture, health, communication, access to justice and social security, which are the guarantee of what we call equality of opportunity.

When the need for an anti-totalitarian front had ceased to exist, it became necessary to develop the social fabric in a balanced manner, fighting against the idea that the market in itself and alone produces such balance. Mario Soares and the Socialist Party were accused of putting socialism on the back burner, and it is indeed true that one of the foundations of socialist doctrine, collective appropriation of certain strategic factors of production, was dropped without regret. But let us reflect on the hypothetical benefits for democratic Portugal, emerging from fifty years of conservatism and two years of collectivist illusion, if radically liberal political philosophies had at that time taken root. What degree of balance would exist today in the social fabric of this country? What kind of middle class would we have? Would there be a sufficient consensus to produce convergence by the end of the century with the more advanced European economies, in which the model of the welfare state predominates to a greater or lesser extent? But history prevented this path from becoming reality in Portugal, and just as well.

Portugal not only is but should always be in line with Community Europe—past, present and future. Western Europe is based on a Social Democratic model of development and it should retain this. Certain politicians and many businessmen say that such a model is
...PORTUGAL HASN'T LOST ITS VOICE, IT HAS GAINED MORE VOICE.

take a thought for man's happiness.

The Communists in Portugal in the mid-1970s were very quick to seize and vacate central powers, but this brief period was sufficient for them to occupy key positions, for instance in the production structures of southern Portugal, in the local power apparatus, in the trade union movement, and in the essential services of the public administration. If a prudent strategy had existed in '74 and '75, the Communist Party would never have been able to become entrenched in such positions of real power, from which they held out against democratically elected governments. It is only now, fifteen years on, that it can be said that these real powers are dissolving, and that the weight of the Communist Party in Portuguese society is approximately equivalent to that of other Communist Parties throughout Europe.

The Portuguese example serves to remind us that in any society, unanimity is dangerous. Counterbalances must exist. Men with the courage of their convictions should not disappear. There is no better system than representative democracy.

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After six years of membership in the European Community, there remains broad political support in Portugal for the need to strengthen Community construction on the road to future European Union. It is clearly apparent that Portugal took a major qualitative step forward after 1986, and it is only to be expected that Portugal wishes to advance further until it catches up with its richer partners. It is understandable, moreover, that it will continue to rely on a certain degree of solidarity from its Community partners in achieving these aims.

It is obvious to me that Portugal has not lost its ability to engage in foreign policy, and neither has it lost its soul. As I am in the habit of saying, it hasn't lost its voice, it has gained more voice. But if economic performance should deteriorate markedly, in a climate of growing international pessimism, there will be doubts and hesitation with anti-European or nationalistic solutions even being advocated.

In the meantime, optimism reigns. You will no doubt hear speeches from members of the government, backed up by facts and figures on the development of the Portuguese economy in comparison to that of other European economies. That today Portugal is a successful democracy, you can take their word for it. They might go on to add that this is all due to six straight years of government under the same Prime Minister. Don't take just their word for it. Today is the eighteenth anniversary of the re-establishment of the Portuguese democracy, and throughout all this time we have all been working to become what we are today.

Moreover, destiny has provided us with conditions protecting us from many of the scourges of recent world history. Ladies and gentlemen, how many countries have you visited recently with over eight centuries of history under the same name, seven centuries of unchanging borders, six centuries of a single and autonomous language, five centuries of multi-racial contacts and almost no signs of xenophobia or racism? With a single race? With a single major religion and marked tolerance for other religions? With an unfailing but strange diaspora, which causes emigrants to return even after several generations. I think of this when I read my morning paper or watch the news at night.

João Menezes Ferreira is a Member of the Portuguese Parliament
Privatization: Alternative Approaches

There are no secret recipes for privatizations; however, two key principles ought to be followed: 1) broad participation by domestic investors, and 2) a transparent market approach in the process of transfer of ownership. In this presentation, I will first focus briefly on the recent experience with privatizations in Portugal—which overall has been fairly successful. Second, I will suggest ways to create sufficient incentives to attract most domestic savers to participate in the privatization process. Third, I will mention two market-type approaches that can be used when privatizing.

Privatization in Portugal

It is fair to say that the Portuguese Government is fully committed to having most productive resources in private hands. The Government’s policies in this regard are clear. They were recently reemphasized by stating that, other than those sectors where externalities do not allow for the market to function properly, the government would be selling all its participations to the private sector. These are significant resources, worth about 1,000 billion escudos (or more than 7 billion US dollars). With the planned sales, the share of state-owned companies in the Portuguese economy should be reduced from about 16 percent now to about half that value by 1995.

The question in Portugal (and to an even larger extent in some Eastern European economies) is not whether to privatize, but how to execute a privatization program. This is particularly difficult when you have a limited number of private entrepreneurs, when the financial resources of these entrepreneurs are limited, and when domestic capital markets are small in relation to the resources being privatized.

Nevertheless, the privatization program in Portugal has been relatively successful. Since it began in 1989, 17 companies have been privatized worth about 500 billion escudos (or 3.5 billion US dollars). A variety of methods have been used, ranging from public offerings coupled with auction-type systems, to closed bids for controlling blocks. Particularly in the initial privatizations there was good demand, and in a few cases, significant participation by small shareholders.

These are commendable results. But there were some drawbacks: 1) Whenever there were controlling shareholdings being sold as a block, with only one exception only one buyer came forward. This may reflect the scarcity of strong economic groups in Portugal, but

José Alberto Tavares Moreira

The Central Bank of Portugal hosted the dinner on the first evening of the Lisbon meeting. In brief remarks at the end of the dinner, José Alberto Tavares Moreira, the outgoing Governor, described the course toward Economic and Monetary Union in the European Community set out in the Maastricht Treaty. Portugal recently took the important step of joining the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS).
obviously competition did not work. 2) With a few noteworthy exceptions, the participation of small shareholders has been limited. Often these were primarily the companies’ own employees or other groups who benefited from special incentives. 3) In some public offerings there was insufficient demand, particularly for some tranches created for specific investors.

Mobilizing Broad Domestic Participation
How can we improve? What lessons should Portugal, and other countries, derive from this experience? One current of thought argues that, whenever there is not enough domestic demand in any privatization program, an easy solution is to let foreign investors participate freely in the process. However, for any country where a significant part of its key productive resources is being sold, this is not a realistic solution. Although foreign investment is very important, there are both political and economic reasons to condition the degree of foreign involvement at this stage. This is particularly so when domestic investors are not on a level playing field with foreign investors. The issue then is how to mobilize enough domestic investors, and how to do so in a fair and efficient manner.

This leads me to the second part of my presentation—how to mobilize the majority of the population towards the privatization process. For this, special incentives need to be created. One possible proposal is to use fiscal incentives. For instance over a four-to-five year period any small investor, up to a certain amount, could deduct annually from his income taxes one-fourth or one-fifth of the investment made. Although this would have a negative budgetary impact, that would be felt only in the future. In the meantime, it would 1) promote the involvement of small investors in the privatization process, 2) provide a strong incentive for savings and for capital markets development, and 3) build stability of ownership, since investors would not want to give up future tax benefits. It is important to note that this option is different from having a separate block of shares at a lower price. The use of different pricing detracts from trading in a free market, leading to either short-term speculation or the creation of artificial trading restrictions.

Obviously, any incentive mechanism would need to be adapted to the specific situation of any country. In Portugal, where private savings are sufficiently large, a sizable future tax benefit is likely to be sufficient. In other cases where savings in private hands are insufficient, the mechanism may have to rely more heavily on lower values for the enterprise being privatized, or on some sort of credit to be paid, at least in part, against future tax payments. In Portugal a variation of the proposed tax credit is already being applied.

Before leaving the concept of spreading share ownership to the bulk of the population, I believe it is worth noting an innovative scheme currently being implemented in Czechoslovakia. In this particular case, every citizen is entitled to one set of vouchers for almost a nominal value (equivalent to an average weekly salary). These vouchers can then be used to acquire shares in companies being privatized. There is no incentive to hold the vouchers or shares, however, and they tend to be traded almost immediately. Under the scheme proposed here, the incentive of tax benefits for a five-year period or so would discourage any immediate divestment. Domestic ownership, at least for the initial years, would be somewhat assured.

Mechanisms to Let the Market Work
I believe that we must let the market work. If political or developmental reasons require that preferential treatment be given to certain participants, this should be done in a transparent manner, and in a way that does not distort the market, like the fiscal incentives I described previously.

I will mention two possible market mechanisms: The first, a very traditional one in more advanced markets, is simply to have financial institutions underwrite the sale. The issue would be placed at the underwritten value. Market makers would maintain thereafter an active market in these securities. This is a favored
solution to promote the development of capital markets. However, it does require the existence of capable financial intermediaries, and competitive bidding among these financial intermediaries for the underwriting role. Basically, the price is set by the highest bid presented to the government by the potential underwriters. This is certainly a viable alternative for some privatizations in Portugal—particularly given the existence of a comprehensive Securities Law, recently implemented, coupled with the rapid development of domestic financial institutions in the recent past.

A second market solution is a bidding process directly with the final investors. In this bidding process any investor could place an order at any price for any size block. Starting with the highest bid, the government would select in decreasing order the winning bids, until all shares are sold. Investors could place a bid conditional on attaining a minimum shareholding, but the overall selection of bids would always be implemented to assure the maximum cash intake for the government. This mechanism would balance supply and demand, is very transparent, and guarantees equal treatment to every investor. A bidding process like this may be more appropriate than the traditional use of underwriters when capital markets are not sufficiently developed or the placing of a strategic block is at stake.

* * *

In conclusion, aside from the desirability of a larger or smaller degree of involvement by foreign investors, I believe that the issue of whether a country has enough domestic private resources to conduct an effective privatization program is a non-issue. If the country is the holder of the companies being privatized, then the country, by definition, has the resources. The question is simply one of the exchange or transfer of those resources from public to private hands. There are trade-offs in any approach followed, particularly in terms of cash intake by the government. However, using a combination of appropriate domestic incentives and competitive market mechanisms, there are ways to assure that the transfer to private hands is done in a fair and efficient manner.

Eduardo Costa is Managing Director of Finantia

LUI S MIRA AMARAL

PORTUGAL'S MINISTER OF INDUSTRY AND ENERGY, Luis Mira Amaral, hosted the closing reception. He noted that “Portugal, along with Spain, has enjoyed one of the fastest-growing economies in Europe during recent years. The recovery which we see today began in the middle of 1985.” Private investment has been very important in fueling this growth—“over the past few years, private investment has grown at an average annual rate of 12.5 percent.” Minister Mira Amaral also stressed that “Portugal is a remarkably open economy. The sum of imports and exports of goods and services made up about 72 percent of our 1990 GDP.” There has also been a “dramatic upturn” in foreign investment in Portugal since 1986. “One of the government's chief objectives,” the Minister stated, “is to use the high level of international confidence which Portugal enjoys to strengthen our industrial base and competitiveness.”
Africa and the International Agenda

The International Agenda is filled with proposals to create a new international order that can steer change towards our values of freedom, democracy and a free-market economy. It is unavoidable for the industrial democracies, just 6 percent of the world population by the end of the century, to be able to uphold in more global terms the momentum towards democracy and a market economy.

I am quite aware that Africa is not the top priority of that agenda. However, in my view, Africa is instrumental in this context. I see no real alternative. Africa can’t be left alone to its own destiny. It is essential to support the democratic reforms there and to build on the cooperative structures (such as the World Bank and the IMF) a new hope for the Africans. Our ability to provide for that hope will be decisive in determining whether international relations become increasingly well-ordered or sink instead into increasing disorder.

In this vein I would like to mention the international support for Angola’s transition process, the very first and very important democratic experiences in Cape Verde and in São Tomé, and the European support materialized by the re-negotiation of the Lomé Convention as examples that can inspire further change. There is no other way to overcome long-standing rivalries and resentments. There is no other way to obviate the threat of ethnic disintegration, religious fundamentalism and human rights violations. Poverty and deep economic inequities demand international intervention and emergency humanitarian aid. Population pressures, vast economic migrations, and ecological disasters all contribute to instability and are not in our interest.

Despite the huge size of the problems ahead of us, it is possible to be successful. Take the Southern Africa region as an example. Namibia is a good case for those who believe in a less gloomy future. If one compares recent speeches by SWAPO’s President with past rhetoric, one sees a sea of differences. Take the peace process in Angola that Portugal mediated, or the positive changes in Zambia, or the more recent promising steps in Mozambique, or President De Klerk’s referendum that opens up the way for South Africans to live in brotherhood—take these few examples and you will recognize that, despite all the structural problems, hope is on the agenda.

Africa needs to understand that we care. Without functioning economies, democracy cannot flourish. Even as a resource-rich area (one of the richest on the globe), Southern Africa will only make it with the assistance of the European Community and the major global financial institutions. But it is not only money that is at stake. What in fact is at stake is neglecting the Third World, and refusing a new order that would bring about the reorganization of the relationship between North and South.

Stabilizing the Northern Hemisphere and bringing the Second World of the post-Communist countries into line with the First World of industrial democracies will enable us to have the necessary political cohesion and economic resources to sufficiently address the even greater future needs of the Third World. We cannot afford to stand by and passively watch the course of history unfold. We must actively support the forces which shape change according to our goals and values. Progress does not come automatically. Freedom and prosperity do not just “happen”—they have to be achieved, which is difficult, and maintained, which is even more difficult.

José Manuel Durão Barroso is Portugal’s State Secretary for Foreign Affairs and Development Cooperation
FRANCISCO MANTERO

FRANCISCO MANTERO, a Portuguese lawyer and businessman, is the current president of a group promoting European private-sector cooperation with Africa, the Caribbean and the Pacific (the “ACP” countries linked the the European Community through the Lomé Convention).

Mr. Mantero noted that “with the consolidation of political democracy (in Portugal), European integration, the advance of internal economic liberalization and its implications for management in Portugal, we can once again turn our attention to the definition of the nation’s role in global interdependence between North and South. This role implies the elaboration and achievement of an efficient foreign economic policy,” which depends upon “the capacity for agreement between the public and private sectors.”

Mr. Mantero gave special attention to Africa, noting the “great diversity” on the continent. Some countries are making progress toward democracy, some with economic reform, some with both. “At present more than twenty African countries are showing signs of economic recovery and for the first time in many years the population growth rates are lower than the economic growth rate.” Within Africa, Mr. Mantero gave some special attention to Angola, where Portugal is particularly involved. The Portuguese central bank, after a request for technical assistance from Angola, is about to open its first ever branch abroad—in Luanda.

Most of Mr. Mantero’s presentation was devoted to a description of a “Charter of Principles which the European private sector considers it essential for African governments to put into practice in order to attract indispensable foreign investment and to strengthen the African private sector.” The Charter is nearing completion. It covers government macroeconomic policy, commercial policy, tax policy, and exchange regulations. It stresses adequate infrastructures, public administration and legislation. Mr. Mantero also stressed the importance of “clear and attractive foreign investment codes, of joining institutions such as MIGA and proper functioning of the local courts.”
FOREIGN POLICY AND THE 1992 CAMPAIGN

The presidential election campaign of 1992 has been extraordinary in many respects, few of them edifying. One way in which it has been a very unusual campaign so far is that American foreign policy has been largely a phantom issue. Everyone, including the candidates, knows that it's there. And everyone knows it's important. But no one can make out very clearly the contours of a serious substantive or conceptual debate between the two principal candidates.

There are several reasons why this is true. The most obvious, of course, is the disintegration of the USSR, which for 45 years has been the global bête noire of the United States, whose very existence helped our Presidents to define their friends, their enemies, and their mission. Insofar as foreign policy was a contentious issue in past Presidential campaigns in the United States, it usually boiled down to the question of how to wage the Cold War—in Korea, Vietnam, Afghanistan, Cuba, Angola, or wherever. And with the Cold War over, that issue has largely gone away.

Meanwhile another issue, much closer to home, has risen to take its place. There is, I think, a general awareness in the United States that in the years immediately ahead the biggest challenge to America's national security and to America's international leadership is going to be how to restore the soundness and solvency of the American economy, and the strength of the American system. Precisely because the problems of the domestic economy and of American society are so much on the minds of so many voters, George Bush as a candidate for re-election is eager to play up his interest in those matters, and conversely to play down those that lie beyond the water's edge. The Democrats are doing much the same thing, although for somewhat different reasons. In the weeks leading up to the New Hampshire primary, during what seemed to be innumerable and interminable televised debates among the contenders for the Democratic nomination, there was virtually no mention of any foreign country at all, with one exception—Japan, which in context was not a foreign policy issue, but a domestic economic one: in President Bush's famous phrase—"jobs, jobs, jobs."

Moreover, the Democrats are now closing ranks, albeit slowly, messily, and unenthusiastically, behind a candidate who, despite a sojourn in Oxford, has spent his entire career as a public servant in Little Rock, Arkansas—in short, who has no discernible experience in international matters. Yet on the fundamental questions of America's role in the world, there is not a great deal of difference between these two men. On April 1, Governor Clinton delivered his first major foreign policy speech since the primaries began. As I listened, I tried to peel away the rhetorical, partisan and forensic flourishes, particularly those aimed at obvious ethnic constituencies. For example, Governor Clinton criticized the Administration for being too slow to recognize Slovenia and Croatia. That complaint was sure to play well among the South Slavs of the American Midwest, in Cleveland and Chicago. That's fair enough in politics. But such partisan applause lines really amount to little more than quibbles having to do with the tactics and the tone of American foreign policy, not the overall direction.

On the major questions facing the United States—aid to the former Soviet bloc, the conduct of U.S.-Japan relations, North American free trade, the pursuit of an Arab-Israeli settlement that will entail concessions that the...
Likud government in Israel is so far ruling out—Mr. Clinton's speech was a work of what might be called crypto-bipartisanship. And that spirit is reciprocated on the part of the Administration. Secretary of State Baker recently gave a speech to the Chicago Council on Foreign Relations that, with the subtraction of a few plugs for the current Administration, might just as well have been delivered by Governor Clinton.

There are two ways to look at the relative quiescence of the foreign policy issue in campaign '92. One is to say that, now more than ever, we desperately need a debate over competing grand strategies, competing visions for the post-Cold War era; and it's a shame that the candidates are not engaging in such a debate. Perhaps. But let me offer the consoling counter-suggestion that it is a blessing we are being spared such a debate. Over the years, our Presidential election campaigns have proved to be just about the worst possible forums in which to have intelligent discourse about foreign policy—or, for that matter, about anything else. Remember that in 1960, John Kennedy had great success with the utterly bogus charge that the Republicans were responsible for a "missile gap" between the United States and the Soviet Union. In both 1976 and 1980, two successive incumbent Presidents—one Republican and one Democrat—were defeated in part because they had done the right thing in pursuing détente and nuclear arms control with the USSR. Which is why I suggest that it may be just as well that President Bush and Governor Clinton are not slugging it out over foreign policy—especially because they do not have that much to disagree on, at least where the fundamentals and the overall direction are concerned.

When, come November 3, all is said and done between these two gentlemen, it will be clear to American voters and to the rest of the world that they are both, at their core, committed to free trade, active American engagement in the world, American participation in, and leadership of, multilateral institutions and initiatives, and, not incidentally, the strengthening of American ties with Japan and the European Community. President Bush has already beaten back a nativist, protectionist, isolationist challenge within his own party in the person of Patrick Buchanan. And Governor Clinton will continue, I believe, to resist similar temptations and strains within his party.

Strobe Talbott is Editor at Large and Foreign Affairs Columnist for Time Magazine.

DAVID GERGEN

The 1992 Presidential Race

Backdrop of Discontent

A ME R ICANS, more than at any time I can remember, are disoriented as a people. The Cold War is over, and we have emerged pre-eminent as a country. Yet we are very uncertain about what role we ought to play in the world, and very insecure about it. Our President has been much better at cleaning up the debris of an old order than he has been at forging a new order.

Economically, America is the richest nation on earth, and yet we feel like we are the poorest—and we're acting like that. The polls show an astonishing belief that Japan is now ahead of us economically. Public attitudes, already sour toward Japan when we met a year ago, have hardened since then. Within the Bush Administration, Japan is now viewed more favorably than it was a year ago—there is a sense that Japan is more flexible than it was then. But there is an astonishing degree of irritation and resentment within the Bush Administration directed toward Europe—mostly done privately.

...IT MAY BE JUST AS WELL THAT PRESIDENT BUSH AND GOVERNOR CLINTON ARE NOT SLUGGING IT OUT OVER FOREIGN POLICY.
The most important single change within the American mind is a growing belief that the country has been drifting downhill for some twenty years, and that our government has lost its effectiveness. We first saw the signs of hostility toward government during the Vietnam and Watergate periods. They reached a peak during the late 1970s. Oddly enough, a President who didn’t like government, Reagan, presided over a partial restoration of trust. But since the Iran-Contra period in the mid-1980s, frustration and anger have been steadily rising again. Polls now show that two-thirds of our people believe that government cannot be trusted to do what is right; two-thirds believe that government is run mostly for the rich. Americans feel more disconnected and fed up with the political establishment than at any time in the post-war period. We face a crisis in leadership, perhaps more severe but not unlike that facing some of the other nations represented here.

Candidate Bush

As a people who are unhappy and insecure, we are in the midst of one of the strangest elections that I can recall, one that may be especially difficult to understand from overseas. In Europe and Japan, many keen observers now believe that President Bush is unbeatable. He is indeed likely to win, but he is not unbeatable. At the moment, Bush is ahead of his opponents by a reasonable margin, and things are apt to get better. The economy is brightening—not quickly enough, but it is brightening. We have had a foreign policy crisis in every other year of his Administration; why not this year? And as you know, George Bush is a strong competitor. All those things would suggest that the President will win re-election.

But President Bush is weaker than he looks from across the water. He suffers today in large part because he has been a managerial President, much like Jimmy Carter. When things go well for a managerial President, there is no ceiling on his political approval. He can go right through the roof, as President Bush did in the Persian Gulf War. The disadvantage of being a managerial President is that, when things go badly, there is no floor on your popularity. Twelve months after the Persian Gulf War, President Bush had fallen fifty points in the surveys. He fell farther and faster than any other President in our history.

Inside strategists on politics measure our politicians not just by their approval ratings but by what’s called their negative ratings—how many people disapprove of what they’re doing. If you get a negative rating much above 35 percent, alarm bells ring within your campaign. Bush is well over 40 percent in negative ratings at this moment. He has the highest negative ratings of any incumbent President seeking re-election in post-war history. So, he is favored to win re-election, but he is weaker than he looks.

Candidate Clinton

The Democrats seem sure to nominate Bill Clinton. Over here in Europe, Bill Clinton appears unelectable. He is not. He does have very high negative ratings; the highest in fact of any major challenger since Barry Goldwater in 1964. Many people in our politics think he has no chance whatsoever. It is true that Bill Clinton is unlikely to win, but I would not write him off. This man is a very resilient campaigner and politician. He has a much better record than the country now understands. His fellow governors have voted him the best governor in the country. He has been very good on domestic issues, such as welfare and education, and he has been extremely good in practicing something that is very important in our country, bi-racial politics—he’s been excellent at helping to create harmony between the races. As time goes on, a lot of that will become more apparent and he’ll become a stronger competitor.

Candidate Perot

Coming up on the outside is Ross Perot. Many of you probably think Ross Perot is unbelievable. But he’s not. There is so much
disappointment in Bush and disillusionment with Clinton that many voters are now shopping for an alternative. And Perot may fill that void. What is most remarkable about his candidacy is the army that is gathering behind him in state after state—not just Texas—and how intense that group of people is. I haven’t seen this level of intensity in American politics for any political figure since the early days of Reagan, and you may have to go back to the Kennedys. There are people in our country today who will walk through a wall for Ross Perot. Why is that true? In the Cold War period America turned to a general, Dwight Eisenhower, to be our President. Now, in a time of economic distress, many are looking for a business figure to become President. They look upon Ross Perot almost as a savior. He’s a folk hero to many. He symbolizes something that all of the conventional politicians do not.

Ross Perot is very likely to disintegrate as a candidate. He has many, many flaws. His knowledge base about government is very thin; some would call him ignorant. Unless he looks at the issues and listens and learns for the next ninety days, he will disintegrate. But if he can in fact straighten himself out—and he has shown in the past that he is a quick learner—he is going to be a serious candidate.

He could change both the dynamics and the dialogue of this race. On the dialogue, he will do one thing that will be very healthy for our politics, and that is force the candidates to look at the serious issues, such as the deficit. Clinton and Bush are ducking when that question arises right now. Neither one wants to talk about our federal budget deficits. That is the heart and soul of what Perot stands for. On the dynamics of the race, there is a poll that has come out in Texas. Perot is running ahead of Bush and Clinton in Texas. What is most striking is that Perot wins among the whites in Texas by a fairly healthy margin, Clinton wins among blacks by a very large margin, and Bush wins among Hispanics by a fairly healthy margin. That begins to change the dynamics of our politics. If Clinton needs the black vote, as he will if Perot is a serious candidate, Jesse Jackson’s stock, for example, is going to go straight through the roof. He is going to have a lot of leverage in this campaign, because the Democrats will need a big black turnout. The White House is looking at those numbers and saying we need white women. But the Supreme Court is about to make a judgment on abortion that could cut against them in terms of bringing out white women. Those are the kinds of internal dynamics that the campaigns are all thinking about.

I don’t know what will happen to Ross Perot. There is a possibility that this election could be thrown into the House of Representatives, for the first time since 1824. I think there is a very small chance that Perot could be our next President.

The Next Four Years
So what we have is a very volatile election—a President who is weaker than he looks, a challenger who is stronger than he looks, and an independent candidate who is more serious than he looks. Let’s assume for the moment that Bush does win, that the most likely outcome occurs. What should we expect in the next four years of a Bush Administration? On paper, it would appear that prospects during the Bush second term are decidedly mixed. Clearly, he will remain an internationalist. The more difficult proposition is what may happen on the home front. The current wisdom about a Bush second term, I must tell you, is very discouraging, to put it mildly. All American Presidents during this century have had poorer second terms than first terms. Presidents tend to run out of steam; their staffs get tired; their people get stale. The Presidents’ reputations are more tarnished. In short, they simply are not as effective on the home front. President Bush would face the problem that civil war could break out within...
his own ranks as people jockey to succeed him in 1996. He is very likely to face divided government, as Congress will remain in Democratic hands despite major changes in its membership.

All of the current wisdom is not overly encouraging, yet I would conclude with this thought. America has been a highly resilient country in the past. We have a system that encourages change and reform, and the transitions we are undergoing today can actually have a very healthy outcome. It was Mark Twain who once said of Wagner, his music is not as bad as it sounds. I think that is true of what we see in the United States today. We have had a history of being very good at responding when we saw a wolf at the door. We have been very bad at dealing with termites in basement. What we see today are many problems that have gradually built up within our midst. They’re not a wolf at the door, but everybody knows that the termites have festered so long the roof is caving in. Everybody now sees that, and there is within the country, much more than there was a year ago, I think, a gathering of will to address these problems even though Washington seems to be paralyzed. All around the country—in our manufacturing sector, where higher quality products are being turned out; in efforts at the local school level; in citizens trying to respond—I see a gathering of American will to move on and deal with these problems. Even though the political prospects sometimes look bleak, one should not write this country off. As Churchill said, Americans can be relied upon to do the right thing—that is, after they have exhausted all the other possibilities. And we’ve reached the point where we’ve exhausted all the other possibilities.

David Gergen is Editor-at-Large for U.S. News & World Report

L. Yves Fortier, C.C., Q.C.

A Light at the End of the Constitutional Tunnel

To speak about “political developments” in Canada today is a euphemism for our perennial existential question: to be or not to be? Let me provide you immediately with my personal prediction: I am confident that, not without some further difficulties, we will find a reasonable compromise to our present constitutional quagmire in Canada. Ten years from now when you look at a map of North America you will still see a land mass, Canada, exactly where it is today. It will be a different Canada—we will have moved some of the furniture around—but it will be one Canada, which will include Quebec.

I must start with a little history. In 1976—sixteen short years ago—the Parti Québécois (the PQ), a separatist party, was elected and formed the government of the province of Québec. Article One of the PQ platform calls for the separation of Québec from Canada. In 1980, the PQ government of Québec held a referendum. A very soft question was posed to Quebecers—should a mandate be given to the government of Québec to negotiate some form of “sovereignty association” with the rest of Canada? Notwithstanding the soft question, sixty percent of the people in Québec voted “no”—in effect voting “oui” to Canada. Within one year after the referendum—some of you will be perplexed—the Parti Québécois was re-elected.

In 1982, the Canadian Constitution was repatriated from Westminster by the government of Pierre Elliot Trudeau; a very signifi-
cant bill of rights was also adopted by Parliament at that time. Quebec was absent from the table when this deal was consummated. In 1984, Brian Mulroney became Prime Minister of Canada. One of his major promises during the campaign which led to his election was that he would seek to bring Quebec back into the Canadian family. In 1985, Robert Bourassa, at the helm of the Liberal Party, a federalist party, was elected Premier of Quebec. In 1987, pursuant to the Mulroney promise, a deal was born, executed by Mulroney and the ten provincial premiers—the “Meech Lake Accord”—which catered to some of Quebec's traditional demands and made it possible for that Province to adhere fully to the Canadian Constitution. In my view it was a good deal for Quebec; it was a good deal for the rest of Canada. If ratified, it would have meant the end of the Parti Quebecois raison d'être for many years to come.

The ratification process was a laborious and lengthy one. Suffice it for me to say that it required three years, and it required unanimity. During those three years, some of the provincial premiers who had signed in 1987 lost elections in their provinces. Some of their successors reneged on the signature of their predecessors. In 1988, Mulroney was re-elected; and in 1989, Bourassa was re-elected in Quebec. In June of 1990, at the eleventh hour, yet again the ten provincial premiers and the federal prime minister put their “John Does” on the Meech Lake Accord. Within two weeks, two of the provincial premiers failed to deliver the endorsement of their provincial legislatures. The Meech Lake Accord was dead.

In Quebec, rightly or wrongly, the perception at that time was that Quebecers had been rejected by the rest of Canada. (In fact, the two provinces which did not ratify Meech—Newfoundland and Manitoba—represent together only about 7 percent of the Canadian population.) In the streets of Montreal and Quebec City, after the defeat of Meech Lake, there was much rejoicing by members of the Parti Quebecois—and there was much disappointment and frustration by tens of thousands of other Quebecers. Many of the Quebec federalists lost faith in the federal system and entertained the notion of “sovereignty.” On the morrow of the collapse of the Meech Lake Accord, Bourassa delivered a very statesmanlike address to all Quebecers in effect saying that Quebec was master of its own destiny and that it would determine alone what would be its constitutional status on the North American continent—but he stressed yet again that his first and principal consideration would be the economic well-being of all Quebecers.

1990 was a very hot summer in Quebec. We witnessed a major confrontation between some of our native people and the Quebec government. Robert Bourassa was diagnosed with a very serious form of skin cancer. He was eventually hospitalized and, in effect, disappeared from the political scene for two or three months at a very crucial time. The leaders of the Liberal Party of Quebec sought to preserve the federalist option, but militants were clamoring for a change in the constitutional orthodoxy of the Liberal Government. Robert Bourassa had no room to maneuver. This is something which even some of us in Quebec have failed to understand fully; and in the rest of Canada, except for a few pundits, it has never been understood. Robert Bourassa was walking on a very narrow political fence. On one side, there was the PQ, clamoring for independence. On the other side, there were members of his own party pleading for more political sovereignty for Quebec. Some friends I had always known to be confirmed federalists were entertaining seriously some form of separation for Quebec from the rest of Canada.

Eventually Bourassa set up a commission of enquiry to advise him on Quebec's future course of action. Business, labor, political parties, artists, youth—all factions of Quebec—were represented on what was called the Belanger-Campeau Commission. Eventually the Commission delivered a more-or-less unanimous report, the essential conclusion of which...
was that before the end of October 1992
Quebecers must choose in a referendum—yet
another referendum—whether they wish to
remain within a renewed Canadian federation
or whether they wish to go it alone as an indepen-
dent country. This report was delivered at
the beginning of the summer of 1991 and the
clock has been ticking ever since.

Emotions have run high in Quebec since
the defeat of Meech Lake. If there had been a
referendum in Quebec in the months which
followed June 1990, polls show that some form
of sovereignty for Quebec would have been
chosen by 65-70 percent of the population.
This was what I call the emotional phase. Today
the reaction is far more rational and the most
recent polls indicate that the people of Quebec
in another referendum would vote in a way
not dissimilar to the way they voted in May
of 1980.

Jacques Parizeau is the leader of the PQ
today. He was a highly competent and much
respected minister of finance in the PQ gov-
ernment from 1976 until 1984. As leader of
the party, he has run into hard times recent-
ly, mainly because of some statements he has
made which have either left Quebecers incred-
ulous or antagonized members of his own party.
For example, he has said and repeated that an
independent Quebec would continue to use
the Canadian currency and its people could
still use their Canadian passports. Recently, he
opined that maybe the referendum should be
held not this October but a year or two from
now after the recession had ended.

Brian Mulroney, on the other hand, has made
some very significant and important state-
ments in Quebec in recent months. In effect,
what he has said is that Quebecers cannot be
half-Canadian. The thrust of his remark has
hit home and has convinced a number of soft
federalists that the time has come to cease toy-
ing with the separatist option.

One of the criticisms of the Meech process
was that it had allowed for very little public
participation. Well, this time around, Canadians
have been saturated with commissions of inquiry,
constitutional conferences and other forms of
public consultations. There is a thriving cot-
tage industry in Canada which lives off our
constitutional crisis.

Meanwhile, serious negotiations are going
on between the federal government and nine
provincial premiers. Bourassa, faithful to a
promise he made to Quebecers in June 1990,
has refused to participate in any of these con-
stitutional discussions. He argues that, twice
during the last 10 years, other provinces have
reneged on deals they had made with Quebec.
It is up to the rest of Canada to make a pro-
sal to Quebec and Bourassa says that he will
then decide whether he can recommend accept-
tance of that proposal to the population. But
the negotiations are going on nevertheless.
Unfortunately the present negotiations do not
deal solely with the Quebec question. Now
that the Canadian federation is being reviewed,
there are many other provinces, many other
special interest groups, many other con-
stitutencies, who have decided that they want
to be included in this process of rebuilding
Canada. Issues such as the status and rights
of our aboriginal people, the composition and
the powers of our Senate are the object of
intense discussions.

When I returned to Canada in January 1992
at the end of my term as Canada’s Ambassador
to the United Nations in New York, I sensed
a great deal of concern and uncertainty about
the future of Quebec throughout the country.
In recent weeks, in my view, the attitude, the
mood, has changed. There is now much more
rationality and far less emotion about the
upcoming agenda and referenda.

Why do I refer to upcoming referenda? I
told you earlier that we must have a referen-
dum in Quebec. Until a couple of weeks ago,
Bourassa had implied that the referendum
would be on the sovereignty option. Two
weeks ago M. Bourassa gave an interview to
Le Monde in which he said that he would now
prefer to hold a referendum in Quebec in the
fall on the federal proposals. In other words,
if the proposals from the rest of Canada are,
in his opinion, sellable to Quebecers, he would prefer to ask Quebecers to vote on a new form of federalism rather than on sovereignty. This has caused havoc in the separatist camp, where they insist that the referendum must deal with the sovereignty option. Prime Minister Mulroney has said that he also has the option of holding a national referendum on the proposals which will emerge from the ongoing negotiations. Some of the other provinces also have legislation which requires that any constitutional proposals be submitted to their populations by way of a referendum. So we may be facing a plethora of referenda in Canada in the next few months.

Federalism is a very flexible form of constitutional government. As I said at the opening of my remarks, I do predict that the Canadian federation will survive, but I also predict that the Canadian federal system which we will choose will be different from the one which exists today. There will be a devolution of more sovereign powers to provinces in general and Quebec in particular. After all, federalism itself is a form of “sovereignty association,” an association of governments more or less sovereign in different areas.

So, I believe we are nearing the end of our most recent constitutional journey. There are still some very important markers in the sand before we reach the promised land. Prime Minister Mulroney has stated that he would publish the federal proposals before the end of May. He hopes they will be supported by the nine other provinces, the two territories and the native people of Canada. In due course, there will be reactions to those proposals from Quebec, and indeed from every other provincial capital. In Quebec, within six short months from now, we will have a referendum; we must have one.

There is a great deal of constitutional fatigue in Canada. The recession has not helped the separatist cause. A few spectacular business failures in Quebec in recent months have contributed to the weakness of the separatist option. These are some of the many issues which are contributing to a new frame of mind in Quebec right now.

There have been a couple of important international news items recently which are relevant to our debate. The UNDP, in its annual country survey just published, has ranked Canada as the country where the quality of life is the highest in the world. This will be an additional argument which will be used by the proponents of federalism in Quebec in the next few months. And last week the IMF predicted that, among OECD countries, in 1993, Canada will have the fastest rate of economic growth.

So I believe there is a light at the end of our constitutional tunnel and it is not the separatist locomotive. It is not a done deal, but I think we will have a deal. 125 years after the creation of Canada and the adoption of our Constitution, Canadians will be able to enjoy a better, more modern constitution, a better federal system than the one which, by and large, has served us fairly well since 1867.

L. Yves Fortier is a Senior Partner and Chairman of Ogilvy Renault, Barristers and Solicitors, in Montreal. He served as Canada's Ambassador to the United Nations from August 1988 until January 1992.

...The Canadian Federation Will Survive, But... Will Be Different From the One Which Exists Today.
SECTION 7
1991-92
WORKING GROUPS

Three sessions of the Lisbon meeting related to the concerns of groups of members at work over the preceding months. Papers produced in the course of the work of these groups—by the group leaders or by associated members—will be published elsewhere. Presented here, to provide some sense of the work, are excerpts of the papers for the Lisbon meeting from the leaders of the three groups.

JOHN ROPER

Shared Security Responsibilities

For the countries in the Trilateral world the virtual removal of the principal threat to our security is something for which we are profoundly grateful, but it is something which presents us with some new and unfamiliar challenges. The existence of a shared adversary with the massive military might of the Soviet Union gave us interests and priorities in common. In most of our countries it provided a strong, virtually irrefutable argument for the priority to be given to defence and security expenditures; it meant that for all of us our first foreign policy priority, the containment of the Soviet Union, was the same. Now the relative ranking of external and internal priorities in all our countries is open to a new debate....

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There are two interests that are clearly shared and which represent fairly high priorities for all of us. The first is the continued progress of the ex-Communist states to becoming pluralist political democracies with effective market economies. Any setback in this process would not only lead to dangerous instabili-

ty....It would also have a serious indirect effect. The collapse of Communism in the Soviet Union and in Central and Eastern Europe has already had an effect in much of the rest of the world. It has been seen in Africa, Latin America and South East Asia that this is a system which has failed....However if we were now to have a failure of pluralist political democracies and market economies to provide a satisfactory basis for these post-communist states, if they were to prove unviable in Europe—the cradle of such democratic values—then the message would be a very serious one for the values which we hold essential....

The second interest which is shared by all Trilateral countries is a concern about the risks of proliferation, not only of nuclear weapons, but also of other weapons of mass destruction and ballistic missiles that could deliver them on our cities. Developments of recent years have added to our concern:

• the potential for proliferation by disintegration in the successor republics to the Soviet Union,
• the potential nuclear and weapons brain drain from those republics and particularly Russia,
• the discovery of how much Iraq had been able to achieve in spite of all the control systems that were assumed to exist,
• the intelligence reports of North Korean and Algerian nuclear developments,
• the 1,000-km range of the latest North Korean Scud derivative missiles from Pyongyang could target Osaka if not Tokyo,
• the Chinese CSS-2 missiles with a range of 2,700 kms have already been sold to Saudi Arabia and with that range, if based in Tripoli, could threaten Cork, London, Copenhagen and Warsaw.

Clearly some of these developments present more of an immediate challenge to some Trilateral countries than others, but the total picture is sufficiently alarming.

John Roper is Director of the new Institute for Security Studies of the Western European Union
Regionalism in a Converging World

IT IS IMPORTANT to place the current movement toward regionalism in a balanced perspective…

First, the public discussion often assumes that regionalism is developing in the same direction and at the same pace in Europe, North America, and Japan. In fact, the processes leading toward regional cooperation in these areas are occurring under very different political, economic, and social conditions, affecting their nature and speed. The three regions should not be equated with one another.

Second, the growth of interdependence and regional cooperation among geographically neighboring countries does not necessarily imply a “bloc.” Most countries are undergoing simultaneously a process of increased interdependence with neighboring countries and with the rest of the world…

Finally, and most importantly for this paper, regionalism need not be opposed to globalization. The world should not have to choose between one or the other. It needs to live with both. The challenge—and central topic of this paper—is how to channel the forces of regionalism in directions compatible with and supportive of globalization…

Europe
Western Europe represents regionalism in its truest form…As the European economic integration process accelerated in the late 1980s, there was considerable fear in the other regions that Europe could become a closed region, or “Fortress Europe.”…Although outsiders (like Europeans) justifiably complain of excessive bureaucracy in Brussels, the basic thrust of the integrative process is to simplify the interaction of outside businesses with Europe as a whole…

In sum, the regional integration process in Europe can be seen as akin to an exercise in nation-building. Although there are many steps yet to be taken, Europe will increasingly act as a united economic unit and may eventually become a political unit as well. The rest of the world should support the process of integration itself, insisting at the same time that the new European Union be firmly committed to be outward-looking and non-protectionist, thus strengthening trilateral economic and political relationships.

North America
North America presents a very different case of regionalism. First, only three countries are currently engaged in regional trade arrangements: the United States, Canada, and Mexico…Second, the proposed NAFTA is far less comprehensive than the European Union…

Any negative economic impact of NAFTA as currently being negotiated on global economic arrangements is probably slight…Moreover, a central purpose of NAFTA is to promote trade liberalization on the part of the member countries…

East Asia
Regionalism in East Asia is by far the least developed of the three regions, in part reflecting the diversity of the region and in part the strong intrusion of outside economic influence, especially from the United States…

Despite the limited institutional development of regionalism in East Asia, there has been considerable discussion of the potential for an “economic bloc” within the region or between it and North America…In one formulation the concern is that despite the lack of governmental institutional arrangements, private Japanese companies are weaving the economies of the region together in a way reminiscent of Japan’s own economy, spreading a form of capitalism and inter-business relations that are resistant to outside penetration and influence. This perception has not been seriously analyzed, and it can be equally hypothesized that the outward spread of Japanese capital and production pro-
cesses are internationalizing Japanese firms, whether they like it or not.

In sum, there is little concrete sign of the development of Asian or Asia-Pacific regionalism in a manner inimical to global economic relationships. Regionalism in this area is more likely to be defensive in nature, that is, a bargaining tool vis-a-vis the other regions or a fallback because of the fear of exclusion.

Toyoo Gyohten is Chairman of the Bank of Tokyo.

R O B E R T  H O R M A T S

Interim Note on Migration and Refugee Issues

NATIONAL POLICIES with regard to the taking in of migrants are a matter for sovereign decision. Indeed, different Trilateral countries have very different policies with regard to immigration. These differences are not just technical. They relate to basic national traditions and ideas of national identity.

In contrast to migrants, refugees are governed by international convention. The well-established international regime for refugees is one of the most admirable creations of the international community in the period since the Second World War. All Trilateral countries have signed and ratified the 1951 Refugees Convention.

The distinction between refugees and migrants is of central importance, but there is now a crisis in its application. Among Trilateral countries, that crisis is most evident in Europe. The hundreds of thousands of asylum-seekers entering European Community countries in recent years (especially Germany) do not, for the most part, qualify for refugee status. The end of the Cold War and the collapse of Communist regimes have taken away the easy designation as refugees of individuals fleeing these countries—individuals who generally fled in conveniently small numbers. But neither are these hundreds of thousands of asylum-seekers easily classified as simple migrants. There is a broad intermediate group of persons who have some measure of a humanitarian claim.

The in-migration pressures which stir many Trilateral countries are not just immediate, but also longer-term—related to demographic trends and economic differentials. "How can a rich world of stable population size," Doris Meissner asks, "interact with a less-developed world of dramatic population growth?"

The response of Trilateral countries cannot be found only in border controls and policies within our own societies. Migration and refugee challenges require pro-active policies with "sending areas."

The overwhelming majority of refugee movements across international borders are in the developing world, as are the overwhelming majority of 15-17 million refugees under the protection of the United Nations High Commissioner for Refugees (many in camps for ten years or longer) and the overwhelming majority of those internally displaced in refugee-like situations.

The Trilateral countries are critically important participants in and supporters of the multilateral frameworks and instruments that have been developed to address these challenges. The international humanitarian aid and protection system for refugees is poorly funded and chronically understaffed. The current period should offer substantial opportunities for repatriation with the winding down of some Cold-War-related conflicts; and a strengthened international system may be able to moderate some of the large potential population movements that undoubtedly lie ahead.

Robert Hormats is Vice Chairman of Goldman Sachs International.