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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.

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David Rockefeller Georges Berthoin Takeshi Watanabe

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In keeping with the Trilateral Commission’s dedication to the promotion of closer cooperative relations among the three main industrialized, democratic areas, our group’s 1982 plenary meeting, in Tokyo, focused on some of the major common problems we are now facing. It is not our intention here to try to present collective “conclusions.” The raison d’être of the Commission is to foster informed discussion of important policy issues, not to seek a detailed consensus—a sheer impossibility given the extraordinary diversity of viewpoints represented in this Commission and manifested once again in the Tokyo plenary meeting. The three of us wish, rather, to endorse as individuals a few particular points which were raised during our discussions.

The notion of sharing responsibilities among the countries of North America, Europe and Japan lies at the heart of our work. Recent international crises and the uneven performance of our nations in responding to them have made it clearer than ever that there needs to be a more comprehensive and effective sharing of support for the international economic and political order. The Commission’s task force report on “Sharing International Responsibilities,” however, provided a sobering analysis of attitudes towards sharing in the three regions, suggesting that domestic political trends in Europe, the United States and Japan are not always conducive to international sharing, and that there has not yet developed in the three regions a consensus on their respective or joint international leadership roles.

International responsibilities, the task force noted, are comprehensive in nature. Sharing is not simply a question of defense “burden-sharing,” but encompasses the sharing of policy-making responsibilities as well as political and financial burdens in the economic, political and security areas. The concept of “comprehensive security” recognizes that international security is multi-faceted and that contributions to security can be made along several different lines (particularly in the economic area); in the words of one American delegate in Tokyo, this concept might well assist in “elevating the present debate above dangerous mutual recriminations, misunderstandings and resentments.”

It is in the political and security areas that trilateral cooperation is perhaps least institutionalized. The task force stressed the importance of developing a common framework for analyzing challenges to the international order. The authors of the report recommended, and we endorse, the creation of a forum for regular, trilateral discussions of political and security issues. Such discussions could be held in conjunction with our nations’ annual economic summits; in addition, however, there need to be meaningful and on-going trilateral consultations below the summit level.

During the Tokyo plenary meeting, there was also a lively discussion of the need to share economic responsibilities, in part through a strengthened GATT (General Agreement on Tariffs and Trade) system. We wish to reinforce the call of some of the participants for the launching of a broad set of new negotiations following the GATT ministerial meeting in November. These participants from all three regions agreed that the international trading system is facing serious challenge, and is in danger, not so much of a collapse, but of a steady erosion as governments accommodate growing protectionist pressures. Much of this accommodation occurs on a bilateral or “voluntary” basis, not subject to the disciplines of the GATT. Not only does the GATT’s institutional framework need to be made stronger and more encompassing by establishing realistic rules on (Continues on p. 4)
The Trilateral Commission held its 1982 plenary conference in Tokyo, on April 4 to 6, under the chairmanship of Takeshi Watanabe. These three days of debates on major issues affecting Japan, Western Europe and North America were aptly opened, on the morning of April 4, by Japan’s Foreign Minister, Yoshio Sakurachi. Welcoming the 200-odd Commission members and guests assembled in Tokyo, Mr. Sakurachi reminisced about the choice made by Japan after World War II “to walk together with the North American and European countries whose societies are based on the fundamental values of freedom and democracy.” “Having visited the United States,” the Foreign Minister noted, “at the invitation of the U.S. government in 1951 on the occasion of the conclusion of the San Francisco Treaty of Peace, and having witnessed the outstanding development of our nation as a parliamentarian for more than 30 years, I cannot help feel a deep emotion filling my heart as I observe the Japan of today.” Against the backdrop of these memories, he proceeded to outline a number of contemporary challenges to the trilateral countries which were to occupy much of the Commission’s deliberations during the following sessions of its conference: trade tensions and the threat of protectionism; relations with the Soviet Union and Eastern Europe, and with the developing world; and cooperation on security issues among the trilateral regions. In so doing, he evoked a dominant theme of the conference – that of “sharing global responsibilities” among Japan, North America and Western Europe.

Other special speakers to address the Commission in the course of the conference included Vice President Adam Malik of Indonesia (see p. 30), Toshiro Komoto, Japanese Minister of State for Economic Planning (see p. 6), and Giorgio La Malfa, Italy’s Minister of Budget and Economic Planning. On April 5, Kiichi Miyazawa, Japan’s Minister of State and Chief Cabinet Secretary, hosted a reception at the official residence of the Prime Minister, during which participants were greeted by Premier Zenko Suzuki. In the wake of the conference, on April 7, the Commission’s three chairmen, Takeshi Watanabe, Georges

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safeguards, services, agriculture and other areas, but our governments must be politically willing to make better use of GATT dispute-settlement mechanisms.

As we decided at the very beginning of our activities, we place an increasing importance on our responsibilities towards, and relationship with, the rest of the world. In particular, more and more emphasis is put on North-South relations in the selection of our topics for Trilateral Task Force Reports and the way they are conceived. As Tri- alogue readers know (see Number 28), one of our upcoming reports will dwell on strategies for assistance to developing countries. In addition, a key personality from the developing world addresses each of our plenary meetings, and his personal input in our discussion is most valuable. This time, Adam Malik, Vice President of the Republic of Indonesia, was our eloquent guest and stressed that “since its founding in 1973 the Trilateral Commission ... has shown increasing awareness that, in solving major world issues, the shared responsibility and active participation of countries of all regions will be required, including, in particular, the developing countries.”

In its nine years of existence, this Commission has consistently focused its discussions on the fabric of the North American/European/Japanese relationship — always trying, at different times and in a deeply changing international context, to bring to the fore the shared values of our nations and all that binds them. In the beginning much of our attention was devoted to economic issues and the management of the international economic system. It may be a reflection of our success in deepening our “dialogue” that, in recent meetings, more sensitive political and strategic issues are increasingly debated, and in an open, frank manner. But this may also be a sign of the times — trying ones, when we feel that the need for trilateral cooperation in political/security areas is greater than before. Seldom has it been more important, in our view, to reemphasize the overriding nature of our common interests, and to demonstrate in practice our ability to work together.

David Rockefeller  Georges Berthoin  Takeshi Watanabe
Berthoin and David Rockefeller, were received by the Prime Minister.

The presentation and discussion of the draft reports of two Trilateral Task Forces occupied key sessions of the conference on April 5 and 6 (see p. 10). The first report is entitled Sharing International Responsibilities Among the Trilateral Countries; the second, Economic Dealings with the Soviet Union and Eastern Europe. At the heart of the Commission’s work, its task force reports are the product of teamwork among at least three authors—one from each trilateral region. As usual, the discussions in Tokyo of both 1982 reports were introduced by their respective authors. Now undergoing revisions, both reports are scheduled to be published this summer.

High on the Tokyo plenary’s agenda was a special session devoted to trade tensions among the trilateral countries and the ways and means of strengthening the GATT (General Agreement on Tariffs and Trade) system. These debates were introduced by former U.S. Special Trade Representative Robert Strauss, former Japanese Ambassador Hideo Kitahara, and former European Communities’ Director-General for External Relations Edmund Wellenstein (see texts of their presentations, pp. 15–27). Another session was devoted to a panel discussion of U.S. economic policy and prospects, led by Walter W. Heller, Regents’ Professor of Economics at the University of Minnesota and former Chairman of the Council of Economic Advisors (under Presidents Kennedy and Johnson), and Hendrik S. Houthakker, Henry Lee Professor of Economics at Harvard University and former member of the Council of Economic Advisors (under President Nixon).

Following the traditional pattern of the Commission’s plenaries, the first day in Tokyo, April 4, was devoted to a series of seminars on current economic and political developments in the three regions, and their implications for trilateral cooperation. The evolution of Japan’s society, of its economy and its foreign policy, were covered by Isamu Miyazaki, former Vice Minister of the Economic Planning Agency; Takakazu Kuriyama, Director General of the Treaties Bureau at the Ministry of Foreign Affairs; and Sumiko Iwao, Professor of Social Psychology at Keio University. Henri Simonet, a member of Parliament and former Foreign Minister of Belgium, opened the discussion of current developments in Europe. Developments in the United States and Canada were addressed, respectively, by columnist Joseph Kraft and Gail Cook, an economic consultant in Toronto formerly with the C.D. Howe Research Institute.

1See Mr. Kuriyama’s article, “Sharing Global Responsibilities: A Japanese View,” in Triadogue No. 27.
It is not only a pleasure, but a great honor, to have this opportunity at the Tokyo meeting of the Trilateral Commission to share with you my views on some of the problems facing the Japanese economy and the economy of the world today.

The advanced industrial nations of the West, whose three poles are Western Europe, North America and Japan, produce about 60 percent of the total world GNP. This concentration of economic power is not likely to break up quickly. The outlook for the rest of this century and the beginning of the next promises that more than half of all economic activity in the world will continue to be dominated by the same three regions. But the world economy is hampered by serious difficulties today. Whether Western Europe, North America and Japan can work together, with common goals, to help resolve our difficulties will have a strong bearing on the course the world economy takes from here on. Since Japan relies almost entirely on the goods and markets of the world just to survive, it is especially aware of the importance of a vigorous international economy. It is extremely timely and highly significant, I believe, that this session of the Trilateral Commission, which has contributed so much to economic cooperation among the three regions, should be held in Tokyo.

The World and Japan

As all of you know, the Japanese economy has reached and maintained a growth rate that is relatively high by international standards. The average annual growth rate in the 1960s was about 11 percent. In the 1970s, partly in reaction to the oil crises, it fell to 5 percent, but even then Japan has continued to maintain higher growth rates than any other industrially advanced nation. As a result, the position of the Japanese economy in the world has risen rapidly, bringing its share of total world GNP from 2 percent in 1955 to about 10 percent in 1980.

The basic factors in Japan’s record of growth are sustained, active investment in plant and equipment by private corporations, which have capitalized on the high rate of savings among Japanese, and the steadily rising labor productivity made possible by maintaining stable management-labor relations.

Recent developments indicate that the Japanese economy has weathered the worst repercussions of the second oil crisis with relative ease. Commodity prices, in particular, pushed up by oil price hikes, increased fairly rapidly for a period, but by spring, 1981, they began to stabilize, and in 1982 the increase rate has been 3 to 4 percent over the previous year. But smaller increases in domestic demand and exports have slackened the tempo of recovery in business as a whole. Nevertheless, at least in the medium-term, Japan is capable of maintaining a relatively high growth rate among the industrially advanced nations, and I believe it is important both to Japan and to the world economy to fully use the capability. The essential precondition is an energetic world economy. Dependent on other countries for almost all its necessary resources, Japan has no choice but to cooperate with the rest of the world; for only with cooperation is economic growth possible. The vital and close relationship between the life of Japan as a nation and the world economy places an obligation on us. Now an economic power, Japan should ask itself not what it can do in the world but what it can do for the world. This nation, one of the three poles of the advanced industrial world of the West, is determined to make a contribution to the world commensurate with its economic power.
Challenges for the World Economy

Since the end of the Second World War, the tendencies towards multi-polarization and interdependence in the world economy have grown steadily stronger, encouraged by relatively peaceful international relations. World trade also has shown generally steady expansion helped by the IMF and GATT systems, both of which are based on the principle of free trade. Today, however, the world economy is under trial. The United States and the European nations are all suffering from high levels of inflation and unemployment, and non-oil producing developing countries are having a hard time coping with growing deficits in their balance of international payments and rapid increases in their foreign debt, among other problems. World business as a whole is sluggish, and trade is drooping. The world economy is losing its vitality. The high American interest rates at this particular time only make the management of each national economy more difficult, and they are slowing down the recovery of business in the industrially advanced nations. If the United States can take effective measures to contain the inflation in that country and pull out of the impasse that encourages the present high interest rates, the entire world will benefit. This is one concrete step that is feasible, and can be taken quickly.

In times like the present, when all nations seem to be in the grip of a sluggish economy and when employment everywhere grows steadily worse, the tendency towards protectionism inevitably grows stronger. This is dangerous, for the postwar world economy has developed through increasing interdependence among nations, by expansion of trade based on free trade principles; if individual nations turn protectionist for the sake of short-term goals, long-term development will be stymied midstream. At such a time, it is all the more important that the three poles – Western Europe, North America and Japan – combine their efforts to prevent the rise of protectionism and safeguard the free trade system. All of us recognize that in the long term, a strong free trade system is the best guarantee of a strong world economy, but we must work together if it is to operate efficiently.

We must also work together to find medium and long-term solutions for the problem of energy. Recently, partly because of conservation efforts on the part of oil-consuming nations, the worldwide demand for energy has been declining somewhat, and there is pressure to reduce the official price of oil. But the medium and long-term energy situation looks tenuous and involves numerous unstable elements that are hard to predict. At this moment, we are in a brief period of tranquility, and it is now that we must act, if we ever intend to tackle the problem seriously. Relying on international cooperation, we must steadily and emphatically carry out measures to secure stable supplies of oil, cut back energy consumption, develop non-oil energy sources, build up oil stockpiles, and do whatever else is necessary to ward off the kind of energy crisis that now threatens.

Other, equally serious global problems also demand long-term solutions. They include the rapid growth of population and food shortages in developing countries, and the progressive drying of many areas on the earth, turning arable land into desert. Without action, these problems are going to grow more intractable! It is estimated that the world population will increase from 4.4 billion today to 6 billion by the year 2000. Ninety percent of the increase is expected to occur in developing countries, where, it is estimated, food production will not be able to keep up with population increase. It is also clear that if no effective measures are taken, random land use and development are going to radically reduce forest and agricultural land to create ever-spreading desert areas. It is the duty of all of us, the industrially advanced nations, to pool our knowledge, resources, and efforts, to solve these problems.

Basically, to overcome the many short, medium, and long-range problems the world economy confronts, we must revitalize the economy. Our success or failure will make an enormous difference in the course the world economy takes.
in the 1980s and 1990s. It is incumbent on Western Europe, the United States, and Japan to work together with long-range objectives to help build up an international economy that works for the benefit of all nations.

**What Japan Can Do**

Japan’s prosperity has been made possible by world prosperity. If Japan is to sustain its development, the world economy must develop as well into a vital, ongoing system. Above all, that requires peace in the world. Japan’s economic existence in particular depends wholly on stable, interdependent relations among nations participating in such a world economy. The tasks involved in revitalizing the world economy, therefore, are Japan’s tasks. As a nation, it can make its best contribution in the following areas:

The first area is economic growth supported by domestic demand. The Japanese government estimates that the national economy will grow 5.2 percent in fiscal 1982 over the previous year, relying especially on domestic demand. The government will manage the economy promptly and adequately in response to economic changes. Japan is capable of maintaining an economic growth rate of 5 percent even in the medium term. Japan’s economic planning, also, is premised on an expected annual average growth rate of 5.1 percent, maintained chiefly through expansion of domestic demand, for the period between 1982 and 1985.

Second, Japan is working to make its economy more accessible and its society more open to the rest of the world. Judging simply by tariff levels and residual items on which import restrictions are imposed, Japan stands on a par with, or is even ahead of, the industrially advanced nations as a whole. To push one step further, the government recently decided to start uniformly lowering tariffs in stages two years ahead of the schedule agreed upon at the Tokyo Round. It has also decided to streamline imports inspection procedures, and to take other measures to facilitate freer economic interchange. It has just established a headquarters to speed up handling of complaints concerning the Japanese market. These moves are only a beginning to a long-range program of opening the economy and society of Japan.

The third area in which Japan wants to redouble its efforts is economic assistance. To support the economic development of developing countries through economic aid is the single most important task that Japan, as a peace-loving nation, must fulfill if it truly wishes to help establish and maintain world peace and prosperity in the world economy. The government has established the goal of increasing assistance to developing countries during the first half of the 1980s by more than double the amount used for aid during the latter half of the 1970s, and is already in the process of fulfilling that goal.

The fourth area is industrial cooperation. The government will actively facilitate the medium and long-term foreign investment and technological exchange of private industry, thus enabling the industrial vigor of Japan—the prime mover in its economic development—to help revitalize the world economy.

**Conclusion**

Since the Meiji Restoration in 1868, Japan has moved forward always striving to catch up with Europe and the United States. Now, that process is over, and Japan has achieved its own important place in the international economy. Aware of the duties of that position, Japan must gear its economy and society to open exchange with the rest of the world. Having entered a new era of internationalization, Japan is determined to “live for and with the world.”

Many problems in the world economy today seem to derive from the loss of economic vitality and a consequent “zero sum” situation. But we can pull out of the slump. We can create a brighter future for our economy, if the three poles of the West—Europe, North America and Japan—can cooperate to revitalize the world economy and create a “plus sum” situation. We can do this by concrete measures to facilitate technological development and expand trade and economic growth. Japan is already trying to make an active contribution to fulfilling this task, and will take on much more in the future.
Sumiko Iwao

Joseph Kraft

Kiichi Miyazawa, John C. Sannes
The subject of the first draft Task Force Report discussed in Tokyo, on "Sharing Global Responsibilities Among the Trilateral Countries," goes to the heart of the partnership of Japan, North America and Western Europe; perhaps the trilateral theme *par excellence*, it has been central to the Commission’s work ever since its founding in 1973, and dominated much of the Tokyo plenary’s three days of deliberations.

The report, as usual, involved a year of joint work by the three members of the Task Force, who also benefitted from extensive consultations with officials and experts in all three regions. In the words of one of the authors, it “attempts to identify the central questions about responsibility-sharing among the trilateral partners, and to provide evidence and analysis that will assist our leaders in formulating their own answers. It is an interim report on work in progress, on a subject which will continue to be debated among our countries for many years to come.” In its analytical parts, the report seeks to formulate and answer four central questions: "1) - The stakes in partnership: why should Japan, North America and Western Europe share responsibilities? 2) - The scope of partnership: how broad or narrow a partnership should the trilateral nations strive for? 3) - The terms of partnership: how should responsibilities be shared? Are there criteria and procedures which responsible leaders in the three regions can agree upon to allocate burdens and influence in addressing common concerns? 4) - Can the trilateral partnership sustain the minimum levels of cooperation necessary to achieve vital common objectives?" As a panelist noted in Tokyo, “We believe that these questions will shape the agenda of trilateral relations in the 1980s."

Major recommendations of the "Sharing International Responsibilities" Trilateral Task (Continues on p. 12)
Economic Dealings with the Soviet Union and Eastern Europe

Also discussed in Tokyo was a draft report by the Trilateral Task Force on Economic Relations with the Soviet Union and Eastern Europe. The main findings of the report were presented to the Commissioners by its three authors: Robert V. Roosa, a partner of Brown Brothers Harriman Co. and former U.S. Under Secretary of the Treasury for Monetary Affairs; Michiya Matsukawa, now a Senior Advisor to the president of the Nikko Securities Company after a long and distinguished career in the Japanese Ministry of Finance; and Armin Gutowski, President of Hamburg’s Institute for Economic Research and Professor of Economics at the University of Hamburg.

Also the result of a year’s team work among the authors that included consultations with a wide range of experts (in the trilateral regions and beyond), this report attempts to outline an approach to economic relations with the East which does set potential economic gains within appropriate political constraints. The report reviews recent trends in trade and capital flows between the trilateral countries and the member countries of the CMEA (the East’s Council for Mutual Economic Assistance), with particular attention being paid to their means of financing, and the implications of recent developments – Afghanistan, Poland, etc. – for our countries’ actions and policies. In subsequent sections of its report, the Task Force looks at key sectors where future expansion, if any, might be expected to occur, and turns to practical trilateral policies for the future. Some of the authors’ main conclusions bear on the need to strengthen Co-Com restraints and to make them more effective in controlling the transfer of particularly sensitive technologies; the need to avoid concessional terms in economic relations with the Soviet Union and much of Eastern Europe; and the need to work toward an understanding among the trilateral countries on the conditions for imposing sanctions in the future, including some sharing of the costly burdens of sanctions among these countries.

The authors’ final report is to be published in the course of this summer; it will include a summary of the lively debate which followed the report’s presentation in Tokyo – a debate which touched upon a wide spectrum of issues of concern to the three regions, ranging from the role of the private sector, to the Soviet gas pipeline in Europe, and, more generally the...
Sharing Global Responsibilities

Force address such issues as current protectionist pressures on the GATT system, an area where the authors call for a broad set of new negotiations and a major Japanese initiative; the need for a common analytical framework to overcome frequent differences among our countries' perceptions of the nature of the Soviet threat — and the Task Force's call for "the creation of a forum for regular trilateral discussion, at both staff and ministerial levels, on political and security problems"; and the need to "interpolate developing countries into international institutions, remove barriers in our structures towards their goods, improve the quality and quantity of foreign aid, and promote dialogue on political issues involving developing countries."

These issues occupied much of the Commissioners' debates throughout the Tokyo conference; they pervade this entire issue of Trialogue and the joint Commission Chairmen's editorial which opens it. The following excerpt from an American participant's intervention illustrates another important aspect of the Task Force Report's discussion in Tokyo: Japan's share of international responsibilities and the concept of "comprehensive security":

— "Agreement on goals is very easy, in terms of our mutual desire for an open trading system, as well as a political system at home and internationally based on democratic principles. Problems arise when we consider the very profound and different perceptions of threats — differences that are based on our respective histories, traditions, geographic locations, and politico-economic compositions at home. How do we define what actually constitutes security?"

"In the United States, today, an argument could be made that there is too great a preoccupation with a single index of security and strength — the military budget — and it has given rise to much friction, due to the emphasis on just one kind of narrow burden-sharing. On the other hand, it is clear that other partners in the trilateral group certainly are guilty of far too great an emphasis on political diplomacy or economic policy, a more attractive aspect of international intercourse. We all know that security is a seamless web, and that it properly includes the essential ingredients of sufficient military strength to deter aggression, foreign aid, trade, diplomacy, wise energy policies, and so forth. It seems to me that what is crucial is to elevate the dialogue... We must try to reach an agreement on what security consists of. In my own country, within the Congress and throughout the population, there is very little appreciation that, when we speak of defense or security, this does encompass a far wider vision and perception than is presently current in our debate with regard to the size of the defense budget.... The threats are varied and complex, and our security responses must be a medley which is equally complex and sophisticated; and each partner can contribute in very unique and valuable, yet different, ways."

"It seems to me that the best possible vehicle proposed in the Task Force Report is the concept of comprehensive security which has been advanced by the Japanese, particularly by the late Prime Minister Ohira in 1978. I would like to suggest that this could be a possible political vehicle in the United States Congress to broaden the debate, and allow greater, more serious attention to be paid to the proper ingredients and elements which are part of an enlightened conception of security policy.... Of course, it should not be used as an excuse by the Japanese or others to fail to increase their contributory share to our mutual defense efforts and burdens; but I do believe that we should consider the possibility in all our respective democracies of taking concerted efforts — through the media, and through our respective political processes and institutions — to try to achieve a greater mutuality of agreement on the definition of what constitutes security; and on what type of system we could design to weigh different types of contributions by the various partners, so that we could try to bring about greater public support."

(Continues on p. 14)
Trading with the Soviet Bloc

need to keep Western vulnerability within prudent limits, as well as differences in official trilateral policies on credits and the rescheduling of Eastern debts. The following brief samples of interventions by participants from all three regions is but an illustration of what constituted the core of the discussion in Tokyo; the search for a true strategy to guide our economic dealings with the East.

"Insofar as the Soviet Union is concerned, politics is supreme and political judgments determine Soviet policy. . . . Economic relations with the Soviet Union have to be seen in the context of an adversary political relationship of long standing— one which will remain highly competitive and is now, I think, in a phase of intensifying antagonism, great unpredictability, and probably occasionally sharpened conflict. It is in such a context that the question of sanctions should be examined.

"The Western response to certain forms of Soviet behavior cannot be either solely a military response or complete passivity, perhaps covered by a thin veneer of moral condemnation. Something in between is necessary, and the economic dimension offers that in-between. I think it is simply wrong, factually wrong, to condemn the policy of sanctions as a failure. The fact of the matter is that economic sanctions do have the purpose of inflicting some costs and of driving home to the Soviet Union the seriousness with which a particular action is viewed, so as to diminish the likelihood of repetition. I would argue also, more specifically, that some of the sanctions taken in recent years, and particularly the grain embargo, did have significant costs for the Soviets, involving discomfort and disruption. Obviously it would have been better if followed by others . . . . But the question then arises: Should the country which has some capacity for inflicting sanctions on its own, and has a major political interest in doing so, abstain because unanimity is lacking? I really wonder what would have been the reaction of the Europeans to American policy on the Soviet aggression in Afghanistan if the United States had not taken any sanctions at all on the grounds that the Europeans were not prepared to follow. I dare say that the chorus condemning the United States for weakness would have been overpowering . . . ."

"Sanctions, restrictions on technology transfer, and other means of guiding economic relations do not, in my opinion, constitute a strategy. They constitute occasional applications of certain processes of denial; but they do not address the much more difficult and much more controversial issue reflected, for instance, in the Soviet gas pipeline, in the grain trade, and in other aspects of economic relations: the issue of how we, the Western indus-

(Continues on p. 14)
and appreciation of the fairness and equity in the burden sharing exercise... If we were able to properly allocate and weigh security contributions along these broader lines, we could defuse—particularly in the U.S. Congress—a great deal of the very dangerous, debilitating bilateral bickering we are currently experiencing.”

Underlining the sense of urgency which characterized much of the debate on the “Sharing Responsibilities” Task Force Report in Tokyo, a European panelist noted that “All Trilateral Commission reports have been dealing with this subject... What is new today, and why it is urgent that we agree on this idea of responsibility-sharing, is that we seem to be close to a destruction of the international system. The new structure of power—whether you look at East/West or intra-West relations—has multiplied the difficulties in both the security and economic fields... The trend is now to what one could call generalized scapegoating, with each region accusing the others of being responsible for its difficulties.” This speaker pointed to the need for “a deeper understanding of mutual perceptions among our countries” — also a central theme in the report and the Tokyo debate.

Trading bankers—they are in the business of making business, not the business of making national strategy. It seems to me those issues need to be raised, debated and resolved at governmental level....”

“On military technology, I take it there is no disagreement with the thought that we ought not to aid Soviet efforts to build up their military capabilities by providing them with advanced Western technology. Certainly one of the limited number of Western advantages in the military balance is our technological superiority. CoCom does reasonably well at enforcing the present rules. It is probably more important to stop the leakage that takes place in violation of the present rules than it is to try to expand the scope of the present rules; and I think that tightening up the present rules is very important, because I believe the Soviets have significantly narrowed the technological gap by importation of Western technology.... At the other end of the spectrum, I come down against the idea of economic warfare, that is, the attempt deliberately to cause a collapse of the Soviet system by economic actions—first and foremost because I believe that Soviet autarky is such that it will not work....”

“I believe the gas pipeline is desirable on its merits, because I think the major probable threat to the West (as distinguished from virtual threats), is not from the Soviet Union but from disruptions in the Persian Gulf. The general point is that we cannot assess something like the pipeline solely in the context of East-West relationships. It has to be put into the global context. I think that disruptions of energy supplies in the next decade are still a very important threat to the West; therefore, any policy of diversification is a desirable one, including, if necessary, — and admittedly it is second best — diversification to Soviet supplies. The corollary of that, however, is that the Europeans should pay more attention than they have to fallback arrangements, in order to deter the Soviet Union from even thinking that it has some leverage over Western Europe. This means spending additional money in terms of excess capacity of various kinds; but I think the Europeans should be willing to spend that money.”
STRENGTHENING GATT

Outlook for the Three Regions

Robert Strauss

Two decades ago, John Kennedy told the world that a rising tide of international trade would lift all boats. He was right. The commitment to an open and equitable trading system that we have made and affirmed through multilateral negotiations has served us well. But the international trade which President Kennedy saw as contributing to the economic well-being of the peoples of all nations is today in jeopardy. Indeed, in my opinion, the system of rules which sustains that trade is passing through its most difficult period since the end of the Second World War.

Crisis in the World Trading System

There are three major concerns which I want to discuss with you today.

First, the economies of the industrialized world are faltering. When this condition is combined with a potentially disastrous economic situation in the developing world, it is understandable that we are on the verge of unleashing a new form of protectionism – perhaps we should be fashionable and call it “neo-protectionism.”

With every recession of the post-war era, we have seen renewed appeals for protection by those groups and industries left behind by technological advances and economic change.

But the protectionism of 1982 is a virulent new strain. It comes from a wide spectrum of what might be called “establishment” political, labor, intellectual, agricultural and business circles. Each of us daily hears the refrain of “neo-protectionism”: “No one else plays by the rules, why should we?”

There is more than economic nationalism in the growing doubt about the value of multilateral rules. What some people are saying with increasing vehemence is both significant and disturbing.

They say the advantages derived from a structured, interdependent trading system are diminishing rapidly; they say that anarchy is increasingly the rule; they say the others are cheating; and they say that in such a world, the only choice left to those determined to protect their own economic security is to join those who are disregarding the rules.

It does not take long to see the consequences of the philosophy and rhetoric of neo-protectionists. It is destructive of all that we have created.

This brings me to my second concern: It is when economic conditions worsen, and discontent among our citizens spreads, that we begin to lose perspective on the benefits which all of us receive as a result of an open and equitable trading system in an interdependent world. We must find ways to adapt international institutions to the realities of the day.

Evolution of the Post-World War II Trading System

The global trading system is now passing through a critical period in its evolution. Economic growth, which has virtually stopped in some countries, inflation and unemployment have combined to test the system as it has never
been tested before. There is plenty of fault to go around:

- In Europe, the crushing burden of industrial and agricultural subsidies and other national policies operate to stifle economic growth and breed protectionism.

- Japan, the second largest national economy in the Western world, imports fewer manufactures than Switzerland, a reality which, whatever its cause or justification, can only generate anger, resentment and Japan’s increased isolation from its trading partners.

- And, in the United States, we have mismanaged — and continue to mismanage — our economy, blaming many of our problems on our trading partners, without facing up to the problem of declining competitiveness. We adopt domestic economic policies as though they have no consequences for those same trading partners — policies which increase the risk of depression, aggravate import-sensitive industries and fuel protectionism. We must also recognize that reciprocity in a narrow, bilateral or sectoral sense has no place in any enlightened trade policy. We must recognize that reciprocity in its broadest sense — equality of competitive opportunities among the trilateral countries — is not only consistent with a liberal trade policy; it is the foundation of an open system.

Some hold the opinion that we have reached the limits of economic interdependence, that maintaining — let alone expanding, international trading rules from hereon entails an unacceptable degree of international intervention in our domestic societies. I know from my personal experience that the world has changed dramatically:

When I was growing up in the small West Texas town of Stamford, in Jones County, life seemed simple: If the rain fell, the cotton grew, farmers had a good year and bought a new car or tractor, fixed up the house, purchased needed new clothes, and the town prospered. Our life seemed controlled by whether rain fell within a few miles of the town square.

Now, in this interdependent world, decisions taken in distant capitals — decisions on the price of wheat in Brussels, automobile production in Tokyo, oil production in Riyadh — have a more profound and immediate impact in Stamford, Texas than the rain which either did or didn’t fall when I was growing up. And every day that becomes more rather than less true, no matter what any of us try to do.

We thus have a great stake in multilateralism. I know that the results of the Tokyo Round are not flawless. However, I also know that the process of international negotiation — even in the context of global economic recession — is one of our strongest defenses against protectionism. The agreements and codes of conduct we negotiated in the Tokyo Round have not yet even begun to realize their potential.

Solutions to Halt the Crisis of Confidence

What is to be done to halt this crisis of confidence in the global trading system and the drift toward protectionism and bilateralism? There is much that can be done by the trilateral countries, working collectively and individually. Collectively:

- We can begin by reaffirming our commitment to the GATT system and to the multilateral rules which have served us so well. As Bill Brock¹ has stated, “The dynamics of trade are such that if we do not move forward, then we slide back. Either together we build the trading system of the future, or we will each be condemned to rebuild the walls of the past.” The OECD ministerial meeting next month, the Versailles Summit in June, and the GATT ministerial meeting next November present valuable opportunities to establish a realistic and sensible international agenda for halting the present drift toward protectionism and for strengthening the international trading system.

- We can renew our pledge to keep markets open and trade flowing.

- We can review and improve the operation of the codes on non-tariff barriers which were negotiated in the Tokyo Round.

- We can redouble our efforts to negotiate codes on safeguards.

- We can launch a meaningful international work program on the problems of investment and trade in services, a topic too long neglected.
We can redouble our efforts to increase the participation of less developed countries in the international trading system, in terms of their rights as well as of their obligations.

We can improve arrangements for agricultural trade for the benefit of both producers and consumers.

And we can try to prevent rhetoric and emotion, the offspring of economic stagnation, from overwhelming the need for a substantive discussion of these issues.

In summary, there is much we can do together to preserve and strengthen the trading system and to make it work in our collective interest. Talk and philosophy will not do the job—jointly governments must devise a strategy and jointly they must execute it.

National Actions to Deal with the Future

Likewise, there is much each of the three countries can do individually to sustain and strengthen the global trading system.

In Europe, the governments can recognize that agricultural and industrial subsidies and other forms of protectionism are economically and politically addictive and inconsistent with the long-term health of their economies.

In Japan, the recognition must be made—and acted upon—that faster changes are necessary in Japanese economic and trade policies which will enhance both the reality and the perception of Japan in the global community and permit this nation to play the larger role in international affairs to which it is destined.

As an American, I feel I should expand on what I believe to be my country’s obligations to strengthen the global trading system.

We have clearly embarked on a new political and economic course in the United States. It is fair to say that our people support the general thrust of the Administration’s program to reduce the size of government, to reduce the regulatory burden and to seek a balanced budget. On the other hand, there is strong and growing skepticism about the overall impact of the President’s economic and tax programs, as there is no end in sight to a deep recession.

No one can predict the outcome with assurance, but one thing is certain—a significant adjustment of the relationship between the U.S. government and the people is taking place.

The U.S. financial community, particularly, is still not convinced that supply-side economics will be able to reduce inflation, lower interest rates and bring about steady growth.

The United States must devise the policies necessary to regain its confidence, restore its economy and regain its competitiveness in the world marketplace. It is my hope that the Congress and the President will agree soon on a compromise economic plan to set the stage for our economic recovery. We must also recognize that although we are no longer preeminent in the world economy, the leadership of the Western world remains entrusted to us, and we lead best by the example we set for others.

There is more at stake here than economic stability and prosperity. What we are talking about is nothing less than the survival of freedom and the maintenance of peace in the world. It is no longer possible or appropriate to separate the mechanisms we have created for economic cooperation from those that bolster our political relationships and our collective security.

Today no nation can realistically advocate economic nationalism without jeopardizing political relationships with its allies. The economic well-being and political security of the West are inseparable. This is why American leadership to perpetuate an open and equitable trading system is imperative for Western strength and world peace.

I don’t believe that America will abdicate its role in this regard. I trust that our trading partners will be equally dedicated.

As long ago as 1844, Ralph Waldo Emerson wrote a few lines about trade and America that are pertinent for all of us today. He said:

“"The philosopher and lover of man have much harm to say about trade, but the historian will see that trade was the principle of liberty, that trade planted America and destroyed feudalism, that it makes peace and keeps peace, and that it will abolish slavery."

1 President Reagan’s Special Trade Representative.
EDMUND WELLENSTEIN

SERIOUSNESS OF THE PROBLEM

There has been no period I can recall since the end of World War II when there were no tensions among the industrialized countries on the subject of trade. The European Community had hardly worked out her first common policies when the United States engaged her in the so-called "chicken war." Battles were waged about rugs, plates, glass, cognac, cheese, et al. It was indeed a trade problem which provided me with the opportunity to come to Japan for the first time in my life, nearly 20 years ago, for consultations about tensions on the world steel market. As you see, there is nothing new under the sun.

But this time, things are more serious than before. We used to be able to ward off protectionist pressures by having recourse to the various instruments which the system provided and by devising ways and means for taking account of each other's domestic problems. Nowadays, one hears responsible people express doubts whether the major trading partners in this world will stay in the system, whether they will refrain from unilateral measures, which would in turn risk putting in jeopardy this very system by which we secured an unprecedented expansion of international trade for more than 30 years.

The situation is indeed a difficult one, much more difficult than at previous moments of tension:
- The numbers are incomparably bigger, since we talk about deficits of the order of tens of billions of dollars, not just of one or two billion;
- against the background of a very severe recession in the U.S., as well as in Canada and Western Europe, with ever rising unemployment figures, protectionist pressures are so much more difficult to contain;

Dr. Wellenstein served as Director-General for Foreign Trade and, subsequently, for External Relations of the Commission of the European Communities.

INTRA-TRILATERAL TRADE TENSIONS AND STRENGTHENING THE GATT SYSTEM

- erratic fluctuations of exchange rates introduce uncontrollable elements into the picture which cannot be remedied by trade policy or industrial policy measures alone;
- with growth rates near zero, or even under, structural adjustments are much more painful and difficult to implement, however indispensable they may be;
- finally, the general atmosphere surrounding trade problems is not a good one and may become a threat in itself if it is allowed to deteriorate.

THE DANGERS

Much attention is given in the press to the trade frictions between both North America and Europe on the one hand, and Japan on the other. But we should not overlook the clouds building up over the Euro-U.S. trade relationship, in particular over specific items like agricultural products and steel. All these tensions make for approaches which are tainted by an increasing amount of bilateralism, in the realm of procedures as well as of policies. Let there be no misunderstanding: Direct bilateral consultations and close cooperation in order to eliminate sources of possible open conflict are an absolute must under the present circumstances. But the point must be made also that the industrialized world has an overriding interest in maintaining, and if possible in improving further, the multilateral rules of the game which characterize the world trade policy structures.

These structures are mainly embedded in the provisions of the General Agreement on Tariffs and Trade (GATT), and in the practices developed over 30 years and more by the Contracting Parties of GATT. If there is one major danger in the present course of events, it is that we risk drifting slowly away from the common international discipline in trade matters which has been the fruit of patient and consistent efforts during the last decades, and that we ignore the consequences of such negligence for the "sys-
tem.” Indeed, the multilateral framework provided by GATT can only subsist as long as and in so far as the major partners adhere to the essential rules of the game: the international discipline rests on the self-discipline of the major industrialized countries, precisely the countries whose representatives are assembled here today, Together, they can keep the “system” going; but if Western Europe, or North America, or Japan, fails to live up to what the system requires, the two others will not be able to hold the line, certainly not in the present depressed world economic climate.

What Is at Stake

Since the 1950s, trade has functioned as a transmission belt of economic dynamism and creation of wealth second to none. This is not only true for the industrialized world; the developing countries which have found their way towards growth and economic expansion – and there are quite a few nowadays around this side of the world – have achieved this by their increased participation in international trade, not by isolating themselves. They have profited from the existence of the multilateral tariff rules of GATT. The tariff concessions exchanged between the industrialized countries have benefited them directly, by virtue of the Most Favored Nation clause, which is the cornerstone of the system. LDCs have not been asked to provide concessions themselves. As to the industrialized nations, they have operated in a framework of “reciprocal and mutually advantageous arrangements,” making for a global balance of concessions and trade relations.

It is under this system that in the successive rounds of trade negotiations (in the early days Annecy and Torquay; after the appearance of the European Community on the international scene, the Dillon, Kennedy, and finally Tokyo Rounds trade barriers have come down on all sides). Never could such a result have been achieved through bilateralism!

Let us therefore not be tempted to follow the dangerous path of bilateral reciprocity, or, even worse, of reciprocity product by product (which ipso facto also means country by country) in matters of trade policy. It is clear that actions based on such a concept, all the more because they would not be subject to any multilateral control, would quickly snowball and result in an avalanche of recriminations and counteractions.

One must therefore note with great satisfaction that the Special Trade Representative of President Reagan, Ambassador Brock, when discussing the preparation of new legislation in the field of trade with the Finance Subcommittee on International Trade of the Senate in Washington, made the position of the Administration very clear. On March 24 last, Ambassador Brock declared that among the principles to be observed, there must be included that any new legislation:

– must be absolutely consistent with current obligations under the GATT and other international agreements;

– must stress multilateral rather than bilateral or sectoral solutions, and strengthen existing international institutions.

And Mr. Brock added that a distorted use of the concept of reciprocity could undermine an already vulnerable multilateral trading system and trigger retaliation abroad.

Those who have misgivings about some of the bills introduced in the U.S. Congress will have been gratified to note these clear statements by the U.S. Administration, which deserve our full support.

Equilibria and Disequilibria

In a multilateral trading and payments system, a reasonable external equilibrium of each partner allows a great variation of bilateral positions, according to the international division of labor based on a whole series of differential factors.

And then, one must not look at trade alone: a positive trade balance can be compensated by a negative balance in services, or by investments abroad or other items on the capital account. We should therefore look at the global picture. The European Community, for instance, has a very considerable trade surplus with some neighboring countries like Austria and Switzerland; but the latter have a very big surplus in services with the Community.
The Community has, on the contrary, and this is little known, a big historical trade deficit with the United States, which has by now grown to about the same size as the Community's deficit with Japan. Also little known is that the greater part of this deficit is in agricultural policies which are not exactly popular in America.

Now why do such disequilibria of the order of ten billion dollars annually arouse so little interest when they occur across the Atlantic, whereas they play such a negative role when they originate in the Pacific? I owe our Japanese friends an explanation, and being in Tokyo in this conference provides an excellent opportunity to do so.

First, I do hope our Japanese colleagues have taken note of the statement Vice President Haferkamp made last month in Brussels when the distinguished mission led by Mr. Masumi Esaki of the Liberal Democratic Party visited the European Commission. Mr. Haferkamp said on that occasion:

"Let me make it clear that there is no question of making Japan a scapegoat for our own domestic difficulties. On the contrary, since we both belong to a single world economic system, the fact that the Japanese economy is in better shape than our own is indirectly to Europe's benefit, or would be if our trade relationship were not so one-sided."

May I add that I have seen with no pleasure at all that now growth rates are coming down in Japan also; I do hope Japan will be able to avoid going through as serious a recession as most of our countries have witnessed for two years. But this generally bleak picture only underlines the need to take due account of each other's difficulties. And that brings me to the explanation of why the trade relations of my part of the world with Japan have become such a problem.

Worries

The first reason is the persistent trend of things getting worse all the time. When I had the privilege to have my first discussions about these matters in Tokyo, a long time ago, we in the Community were beginning to worry about an emerging trade deficit of one billion dollars; nowadays that sounds like a ridiculously small sum. But we were worried because this deficit amounted to 50 percent of the trade — or 100 percent if you counted the other way round, and because we saw no structural reason why this should be so. Today, this alarming proportion still prevails, or even worse, because the figures for 1981 are a deficit for the Community of more than 10 billion against about 8.5 billion Community exports. In brief, our products have consistently failed to profit from the growing prosperity in Japan, whereas the reverse does not apply. Only at times has this persistent trend slowed down, when the Yen appreciated temporarily to a more realistic level compared to our currencies.

Our second worry is about the concentration of Japanese exports, in a quasi-strategic fashion, on certain sectors, often sensitive ones, of industrial production. We all know their names. When we see on the other hand how low the proportion of manufactures in Japanese imports still is, not much more than 20 percent instead of around 40 percent for other industrialized countries of comparable structure, we feel that something is wrong. We know Japan has to import practically all its raw materials and has to earn them by exports; but, she is not alone in this situation. Major European partners have the same plight.

All this grew into a really dangerous situation when our countries, under the impact of oil shocks and recession, entered an era of low and then zero growth, whereas the growth rate which Japan maintained was for the greater part export-led — exports to our stagnating markets, which were not compensated by other accounts.

I have the feeling the Japanese perception of the political dangers inherent in this state of affairs, if perhaps late, is now breaking through. Mr. Esaki visited our countries as special envoy of Prime Minister Suzuki. A number of measures had been taken previously, some symbolic rather than substantial, like the tariff cuts on whiskey and biscuits. Some others, relating to non-tariff barriers (testing), are of the kind we would like to see more of. But we have not much time to
Commission Chairman Watanabe looks on as Prime Minister Suzuki greets Harold Brown
lose experimenting.

The trading relationship of Japan with Europe as well as with North America requires the utmost care if we want to avoid a clash, which would be detrimental to all of us. We must remain within the rules of the game and that is, no doubt, the reason why the European Community has just decided to bring these matters up in the GATT under the relevant article, namely art. XXIII. May this procedural decision help to ease the situation soon.

Agriculture

Agricultural trade figures prominently in the list of trade disputes between the United States and Japan as well as between North America and the European Community. It is a sensitive subject, which will require constant attention. GATT has special rules for trade in commodities, and the world over, agriculture is the object of sometimes very special governmental policies and interventions. These aim at mitigating the often violent fluctuations which tend to characterize production and prices — and therefore the related incomes — of agricultural products. These policies are not always perfect, far from it; but they exist and it would be naive to think they could be simply eliminated. But one can and must claim that the policies do not overshoot and do not damage the legitimate interests of the trading partners. These ideas, embodied in the GATT (art. VI.7 and XVI) have been elaborated in the Code on subsidies and countervailing duties negotiated during the Tokyo Round. That is the framework for the multilateral discipline and the multilateral procedures which apply to trade in agricultural products.

I shall not dwell here on how to deal with the special waivers which the United States and Switzerland have obtained for their agricultural legislations. A system without exceptions for particular members, but perhaps incorporating those same exceptions for all countries where the special conditions which justify them prevail, might be part of the program to be set in motion at the next ministerial meeting of GATT, in November.

The GATT Ministerial Session, November, 1982

At the time of the November ministerial meeting of the Contracting Parties of the GATT, it will have been more than nine years ago that the previous session of that kind took place, here in Tokyo, under the chairmanship of the late Mr. Ohira, to whose memory I want to pay homage when recalling the Tokyo Round. Many were skeptical at the time, and the ensuing economic difficulties (oil shocks, recession) did not make the environment for these negotiations any easier. But the Tokyo Round became a full success, tackling not only tariffs but also non-tariff barriers and establishing several important “Codes,” a new form of GATT action of a more sophisticated nature. Indeed, the very fact that the partners were engaged in such negotiations acted as a barrier against protectionist tendencies.

In the same vein, the GATT ministerial will be a good occasion for the responsible ministers of some 80 or 90 trading nations to recommit themselves solemnly to the multilateral GATT principles. Beyond that, what constructive program of work could and should they agree upon?

Without suggesting an exhaustive list, containing e.g. such technical but highly important subjects as preparing a common tariff nomenclature, or combating counterfeit trade, it seems to me that the following points could be tried:

— the review of the Tokyo Round “Codes,” to see if they are functioning properly and in some cases to renegotiate certain provisions;

— trade with developing countries: It is of great importance to keep the trading channels for LDCs open if we do not want them to succumb to their indebtedness and lose the potential of being good customers. For the poorest amongst them, some additional concessions could be studied. But the spectacular advances made by a number of other LDCs as industrial producers and international traders should encourage bringing them more into the responsibility of running the system, alongside the older industrialized countries. They should be induced to open their own
markets, especially in favor of their less-advanced fellow LDCs, within the framework of adequate multilateral disciplines.

- transparency: many *ad hoc* trade measures are adopted nowadays without proper knowledge of what is going on. More systematic notification and consultation could constitute a barrier against slipping into a quagmire of avowed and unavowed, voluntary and less voluntary, obstacles to the normal flow of trade;

- agriculture: a frank discussion on the lines I stated previously;

- and, finally, there may be possibilities for the GATT to embark upon totally new fields of activity, like services. This is certainly an important, but also highly complex, subject with many ramifications. No "across the board" formula exists to tackle restrictions on the international exchange of services, such as we use to apply general arithmetical devices to cut tariffs in an equitable way. It is therefore necessary to make in-depth case studies of what future negotiations could and should be about, and what they would aim at. OECD is doing useful preparatory work in this field, which should be pushed forward.

The November GATT meeting will certainly not be in a position to decide anything specific, but it might express the formal intention of governments to create the framework for future negotiations on liberalization of services by ordering the necessary studies to be completed with a view to underpinning a negotiating program in the foreseeable future.

**A System for the World**

To conclude this European view on current trade frictions and on possibilities of strengthening the "system," may I just say that trade policy cannot only be a matter of applying rules mechanically and blindfolded. It is a matter of policy, i.e. of judgment and sensitivity to imponderables. In these very difficult times – and many more difficult years may lie ahead – the degree of understanding between the partners is crucial: They must take account of each other's difficulties, not just of their own. And they – we – must be aware of their – our – responsibility to the world. Because, until the moment when new industrializing countries will be able to share this responsibility, it is our group of nations which manages, whether we like it or not, the trading system of the whole world.

This last remark brings me to my concluding point: It is excellent that we have such an elaborate framework for consultation, discussion, concertation and conciliation between ourselves. But let us never forget that we are at best some 20 out of the more than 150 sovereign nations which compose the modern world. Some may be tiny, others, although big, may carry little economic weight as yet. But several are beginning to emerge as potent and dynamic economies: The times when our nations had the monopoly of advanced industry are over. The GATT Report which came out last week underlined the importance of the overall positive performance of the non-oil developing states, importwise and exportwise, in an otherwise totally stagnant trade picture for 1981: a 1 percent decline in world trade value, paralleled by zero growth in the volume of goods traded.

All we do in our group of countries to keep the world trading system going and to improve it is welcome and necessary. But we should never create the impression that we claim a monopoly on running the world at the exclusion of other partners who can and want to contribute. What we do must be, and must be seen as, helping to create a more stable, more efficient and more equitable system, taking account of the problems and the situations of all concerned.

The transparency of our policies, our readiness to discuss and explain them, in GATT and elsewhere, is therefore of the essence. And only thus can we overcome our own problems, as parts of the bigger whole.

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1 According to Japanese statistics; this deficit amounts to more than 14 billion dollars in "Eurostatistics" (European statistics).
2 Two trillion dollars.
To strengthen the GATT, some would argue, requires the most fundamental kind of reform—new institutional arrangements, perhaps even the transfer of some sovereign powers to a new international trade organization. I do not believe it would be politically feasible to do so, nor even wise. In fact, the GATT has been a very successful body over the past three decades, and repeatedly has proven its worth and flexibility. Basic GATT principles such as non-discrimination and reciprocal tariff reductions have stood the test of time. But GATT is now facing a series of new and difficult challenges, and it is doing so at a time when it lacks much political visibility or explicit governmental support. Therefore, I think that the Trilateral Commission can play a constructive role both in providing new ideas and in mobilizing support for the GATT system.

Changes in the World Trading System

There have been major changes in both the economics and politics of trade since the GATT was first established.

First of all, our national economies are much more exposed than ever before to changing patterns of competitive advantage. In the past, industries could expect some time to adjust to international competition. Now, partly because of the success of the GATT itself in reducing trade barriers, partly because of the revolution in international marketing, partly due to worldwide diffusion of industrialization, changes in competitive advantage can occur very quickly.

Another change has been the adoption of floating exchange rates and the liberalization of capital flows, which increase the interdepen-

dence between trade in goods and services and the macroeconomic policies of major countries.

Still another important change involves public expectations of government. Now governments are expected, as a matter of course, to play an active role in the economy, guaranteeing employment and a high standard of living for the public at large. This increases demands on our governments to interfere in trade flows and protect labor against import competition. It also encourages export subsidization.

A fourth change has been the addition of new areas of trade, such as trade in services and the growth of intrafirm trading. These areas do not lend themselves easily to international regulations or discipline.

Weaknesses in GATT

First, the GATT has been criticized as a static arrangement, not able to respond to the “declining industry” problem. Article 19, in particular, is vague on this increasingly important aspect of the national economic scene. This question and the notion of selective safeguards are the most controversial issues in discussions of GATT. I personally feel that any erosion of non-discriminatory treatment in the application of safeguards would be a serious blow to the international trade system and would tend to politicize the GATT. That is, the use of safeguards against some countries and not against others would allow factors other than strictly economic ones to come into play, although this danger might be mitigated if some international approval were required before such safeguards could be employed.

In the absence of satisfactory protection for declining industries, there has been a proliferation of under-the-table deals. Television, steel, and autos come readily to mind, not to mention the more open, although generally agreed to, departure from the rules embodied in the Multi-Fibre Arrangement. Once consummated, such
deals become impossible to abolish, almost permanent forms of protection backed by powerful domestic interests. Moreover, they generate pressures for further special deals outside the GATT process. It is conceivable that such arrangements could become the norm rather than the departure, and this calls for a concerted effort to reinforce GATT principles as well as to provide realistic means of dealing on an international basis with the declining industry problem.

A second weakness has been the erosion of the policing powers built into the GATT. The essence of policing the GATT is that there is a sanction for a violation of the rules – the injured partners may retaliate. The GATT system, in a sense, is held together by a kind of “balance of terror.”

There were always problems with the GATT sanction of retaliation. First, by definition it is contrary to the basic premises of modern economic theory that more liberal trading policies ensure the fullest play of competition, which benefits any country, regardless of actions by the others. Second, it is impossible to penalize only the offending party. For example, if Japan retaliated against restrictions on its auto exports by restricting wheat imports, it would penalize wheat exporters who did not want restriction on autos as well as Japan’s own consumers.

More fundamentally, however, there has been a decline in the governmental support for enforcing the rules. To be effective, GATT must have the active support of its member governments. While the GATT secretariat must play an active role, the GATT Secretary-General needs the encouragement and support of our governments. At one time, the U.S., to its great credit, was committed to upholding the rules and was determined to see that others also observed the rules. But the U.S. no longer provides the leadership it once did, and no other country has been able to fill this vacuum. The EEC always reacted rather than led, and exploited GATT rules to its own benefit. The developing countries are asking to assume more rights and benefits, but without assuming appropriately increased obligations. Japan has been striving to conform to GATT premises, but its effort has not compensated for the decline in political will on the part of the U.S. I would hope, however, that Japan could do more to provide leadership than it has done so far.

Strengthening the GATT

First of all, there needs to be a much stronger, more vigorous effort by all the governments to show GATT’s continuing relevance to the present economic situation. In a period of prolonged economic crisis, there is all the more need to exploit whatever additional benefits we can from increased international specialization and freer trade. The present atmosphere of tensions and frictions between Japan, Europe, and the United States has a depressing effect on trade and growth, and encourages still further confrontation. We have to break this vicious circle, in my view, by a call for coordinated multilateral action. If we can agree on a general action program at this stage, seeking solutions on the basis of expanded trade opportunities and not contraction of trade, this in itself could materially improve the international trading outlook.

Fortunately, the coming ministerial meeting of the GATT can provide an opportunity to organize a cooperative, multilateral effort to strengthen the political base of GATT support and to set in motion some new initiatives. Active preparations should begin in anticipation of a new major multilateral negotiating effort.

What would be the subjects of such a negotiation? Clearly we would have to deal with areas left over from the Tokyo Round, such as safeguards. There should be a careful review of the operation of the codes agreed to in the last round and adjustments made, if needed. Then, there are a variety of new areas that governments must begin to explore – such as service, trade-related investments, and a variety of high-technology issues. There should also be a continuing effort to integrate the developing countries more appropriately into the GATT system.

There is a question, however, of political will. At the time of the Tokyo Round, governments were genuinely interested in achieving further substantial reduction of tariffs and tackling the
difficult question of non-tariff barriers. It remains to be seen whether new areas such as services, which are less well-defined, can command the kind of interest from governments that is needed to sustain difficult negotiations and generate the necessary support for constructive give-and-take. It is difficult to envisage a sufficiently interesting potential package that can be perceived in advance as enabling governments to launch a major negotiation.

However, I am very positive that such an effort can be successful. In the past, major trade negotiations have been brought to a successful conclusion through the adoption of new negotiating techniques. The linear cut in tariffs approach of the Kennedy Round, for example, was a major innovation over previous GATT reciprocity bargaining rules. So too was the imaginative approach adopted in the Tokyo Round for balancing concessions on non-tariff measures. Codes.

There may be other ways of approaching a new negotiating round. For example, we should not exclude from consideration areas outside the traditional area of trade negotiations, such as reforms in the monetary area or a low-keyed inquiry into how differences in our tax systems affect basic decisions on business activities, such as investments.

To summarize, I believe that there needs to be a broad investigation into all means of strengthening the trade regime. Of course, there are many difficulties, the most important of which is the lack of clear leadership. But what are the alternatives? It is obviously better to be engaged in a multilateral negotiating process seeking expanded trade opportunities in a setting that would enable us, by the presence of a large number of participants, to increase the size of the pie to be cut and shared, rather than a bilateral process that would limit possibilities and encourage conflict. I think of a political process, the new negotiations, could help deter new restrictive measures. In this sense, GATT can be likened to riding a bicycle. Unless we continue the momentum forward, we may fall.

My basic theme, is that there needs to be coordinated consultation and strong political support for the GATT. In particular, active interest from those at the political and ministerial level is needed. For such individuals, GATT negotiations have been regarded as an inhospitable forum since they are symbolized by a mass of agonizing technical details, difficult to grasp for the uninitiated. In fact, the coming ministerial meeting is the first such ministerial review since the 1973 meeting which launched the Tokyo Round. The involvement of ministers on such a sporadic basis need not be the case, and in the future, ways need to be found not only to permit, but also to require active ministerial participation.

I think the Trilateral Commission may have a special role to play in advance of the GATT ministerial. A private sector group can explore possible trade-offs in a more creative fashion than is possible for governments. For example, I believe it would be very helpful for the Commission to have a task force or study group that would follow-up on our discussion today as well as on the recommendations contained in the Shared International Responsibilities Task Force. In this way, the Commission could play a most important role in influencing public debate, in generating governmental leadership, and in enhancing public appreciation of the importance of a multilateral, non-discriminatory trade regime, the core of which will be a strengthened GATT.
Midland Ark Exec: Raise Int Rates

The manager of a Midland Bank subsidiary in Tokyo, "Our objective," he said, "is to increase the interest rates. This will enable us to be competitive and ensure our rapid growth.

Franco-Japan: Wisemen Meet

The first meeting of the Japanese-French business group was held in Tokyo. "We have to promote trade and economic relations between our two nations," said the French ambassador.

Intelligent men came drifting in from the sea and from the West border. And with them, and with you, especially.

And they made nothing of sea-crossing or of mountain-crossing.

And we all spoke out our hearts and minds and without regret.

Li Po

Translation from the Chinese by Ezra Pound
Zbigniew Brzezinski was instrumental in the creation of the Trilateral Commission and served as its Director from 1973 to 1976. Following are excerpts from Dr. Brzezinski's presentation at the last session of the Tokyo conference—an afternoon devoted to a discussion of the future of the Trilateral Commission as it is about to enter its second decade.

When the Trilateral Commission was conceived some 10 years ago, we recognized that creating a trilateral institution was an idea whose time had come. We took stock of the existing challenges and we defined an organizing framework for our efforts. Our goal was to outline a wider and more cooperative world order, in response to the challenges we then faced.

I think it is not irrelevant to go back and look at those challenges, for they are instructive. At that time, advanced societies faced a waning of the rapid growth they had been experiencing, and we were on the eve of the oil shock, a cataclysmic event which would produce its own new challenges, including the complex task of an orderly recycling of suddenly redeployed wealth. Yet, our own societies were still moving forward rapidly and experiencing the internal political and social problems of growth. Secondly, we were deeply concerned with the need to deal somehow with the significant disparity between the richer countries, which were getting richer so much more quickly than in the past, and the poor countries, which were not getting rich quite as quickly, and in some cases were getting poorer. The task, in other words, was to integrate the third world into the larger framework. Thirdly, we were in the context of what could probably be justifiably characterized as the apparent waning of the cold war. We were relatively hopeful that current political developments in the areas of arms control, economic interaction, and so forth were foreshadowing a more constructive East-West relationship. Fourthly, and most immediately, the Commission was born in the context of growing frictions between the United States and Western Europe, a growing crisis in the American-Japanese relationship, and the absence of a Japanese-European relationship; U.S. relations with the European and Japanese allies had been severely strained by the failure of the so-called "Year of Europe" and by the Nixon "shocks," while a European-Japanese relationship was virtually non-existent. In the general context of all of these challenges, our effort was to conceive of how to mesh our collective resources so that we could move towards a broader and more orderly cooperative international system.

Where are we now, some 10 years later? I think that the problems we confront today imply a somewhat different agenda from that called for in the past. We face an oil glut which is suddenly producing very severe political and social vulnerabilities for some key countries which had pitched their political and economic growth to relatively high incomes which they can no longer sustain. A number of key countries are thus experiencing a mounting liquidity crunch with all sorts of unpredictable consequences. More generally, there is the phenomenon of the global recession, with its accompanying inflation, growing unemployment in key democracies and high interest rates in some of them. Political and economic cooperation is in danger of being fractured by genuine protectionist waves. In effect, we are moving away from global cooperation to a possible regional protectionism with a variety of consequences.

On the political plane, we see growing alliance dissension. In the most traditional of our alliances, particularly the Atlantic Alliance, we
differ on East-West issues, on the Middle East, and on Central America; furthermore, our publics often seem more interested in escaping from conflict rather than in maintaining a highly competitive yet stable East-West relationship.

These aspects of alliance instability are paralleled by the Soviet bloc's growing difficulties. The succession problems introduce uncertainties in the Soviet Union. There is a general slowdown of economic productivity in the Soviet Union and in the other Communist countries. Poland is a specific symptom of the crisis throughout the Soviet bloc. These developments mean that Soviet policy, which by and large has been assertively predictable, is likely to become less predictable, more zig-zaggy, and thus potentially more dangerous.

Finally, the cold war which appeared to be waning 10 years ago now seems on the verge of reignition, in a context of greater strategic uncertainty than in the past. America is not strategically inferior to the Soviet Union, as our President recently and very unfelicitously said, but there is an ambiguous equivalence which is difficult to measure precisely and which produces its own uncertainties. This imprecise equivalence is coupled with conventional inferiority, and there is the risk that this combination could produce a suction effect if some local crises get out of hand. This unstable U.S.-USSR balance contributes to a political decoupling between the United States and some of our principal allies. The effect is less control and more instability.

If our task 10 years ago was to structure a wider world order, I would say that today, increasingly, our task is to strive collectively to avert a massive global breakdown. This is a very important difference in the essence of the historical challenge we confront. To be sure, the Trilateral Commission has been a working success and should continue, but we have to recognize that the essence of the historical context in which we are operating has become profoundly different. Ten years ago, to repeat, our goal was to build a wider world order; today, in my judgment, it is to strive with a real sense of urgency to avert a really dangerous global breakdown.

Such a change in context implies, to me, certain changes in the way the Commission operates. It seems to me that we have to consider the desirability of paralleling some of the work the Commission has been undertaking on longer-range problems with an effort to develop shorter-term policy-oriented proposals which focus on the more immediate challenges that we confront. To some extent I believe that our effort to focus by-and-large on longer-range issues was a necessary step in the confidence-building process in which we were engaged as trilateral colleagues. I believe that today we have the confidence in each other to work together on issues that we would have found too sensitive before. This mutual confidence is quite an accomplishment, but there is something else which we lack: a genuine sense of political leadership in the trilateral world for addressing the strategic crises that we collectively confront. We can of course propose that such a leadership emerge – I remember proposing myself, on leaving office, that the annual economic summit be transformed into a strategic summit – but the fact remains that it is unlikely that our political leaderships will soon develop the capability for adequate strategic leadership. This, it seems to me, gives the Commission a rather unique opportunity to fill an important void. We do now have the sense of collegiality, of mutual trust, and to some extent the public clout to have our proposals recognized and listened to, even if not adopted. I therefore would like to urge that the Commission, in addition to whatever longer-range studies it wishes to launch, fashion concrete proposals on the more immediate problems we believe our leaderships should confront. Concrete, tangible proposals are urgently needed on vital concerns such as, for example, arms control, the Persian Gulf, Poland, the World Bank's survival and capability. I think such projects will help us in coping with the larger problems and will relate our work to the core of the historical challenge that we confront.
The following is excerpted from Vice President Malik’s address before the Tri-
lateral Commission in Tokyo, on April 4, 1982.

As the decade of the 1980s unfolds, one need not be an incurable pessimist to be deeply con-
cerned at the continuing deterioration of the global economy. Persistent high inflation and un-
employment, coupled with sluggish growth and reduced productivity, continue to afflict the
industrialized countries. These conditions fur-
ther aggravate the plight of the developing coun-
tries, where problems of mounting debts, of
balance of payments deficits, and steadily wors-
ening terms of trade have recently been com-
pounded by falling commodity prices, high
interest rates and an alarming wave of new
protectionism in the developed countries.

There is an even more disquieting aspect to
this situation. Instead of resolutely joining in a
concerted and comprehensive response to these
problems, the major developed countries appear
to be moving in the opposite direction: by
adopting inward-looking policies and ad hoc
measures, by increased resort to bilateralism,
based on considerations of short-term national
interest rather than on the long-term multilateral
requirements for common progress and revival of
the world economy. Meanwhile, new concepts
and policy orientations are being advanced by
some major developed countries in the areas of
aid, trade and resource development, purpor-
tedly in support of new, more effective ap-
proaches towards international cooperation. In
effect, however, they are infusing even greater
rigidities, uncertainties and anomalies into an
already highly unsatisfactory international eco-
nomic system.

For example, it is now being suggested that
developing countries ought to rely less on foreign
aid and more on enlarged trade and private in-
vestments, within the beneficial workings of free
and open markets; that concessional assistance
should rightfully be limited to only the most
needy and that henceforth the “graduation” of
certain developing countries into the advanced
bracket ought to be accelerated; that instead of
creating new institutions and new modalities of
North-South cooperation, existing institutions
such as the International Monetary Fund, World
Bank and the GATT ought to be supported and
strengthened.

But what do we see in practice?

Over the past decade, the average performance
of the industrialized countries as regards Official
Development Assistance (ODA) has at any rate
been disappointingly below target. Now there
seems to be even less to hope for, not even, I am
afraid, for the poorest developing countries, as
shown by the rather ambiguous results of the
recently concluded Paris Conference on the
Least Developed Countries.

Meanwhile, despite the stated preference and
professed support of certain major developed
countries for such institutions as the IMF and the
World Bank, the International Development As-
sociation (IDA), as a principal source of multi-
lateral development assistance, is in deep trouble
today. It is facing a considerable shortfall in
funding because of drastically curtailed re-
plenishment commitments by the United States
and the threat of pro-rated contribution adjust-
ments by the other major donors. The disturbing
aspect of IDA’s present plight is that its diffi-
culties appear not so much to be inspired by
considerations of economy at a time of world-
wide budgetary pressures but rather by a political
perception as to what the IDA is, or should be, or
should do!

In this context, I cannot but wholeheartedly agree with what Mr. Clausen, President of the World Bank, recently stated in a speech before the Asia Society in New York:

"...IDA is not an international entitlement program. And the basic issue is not generosity. On the contrary, IDA is a hard-headed investment in international trade, and economic growth, and greater global stability and cohesion, and the U.S. ought to live up to the international agreements it has made with respect to IDA because it is in its own best self-interest to do so. And that is true of every donor country that contributes to IDA."

Under these circumstances, however, can we really expect the slack to be taken up by freer and more generous flows of trade and private investment?

I cannot think of any developing country that would deny the importance of trade or of private investment in national development. But the fact is that private enterprises cannot be expected to build roads or irrigation networks or to engage in basic health and education programs, for the simple reason that there is no profit to be gained in such investments. These aspects of development must be supported by government financing or aid programs, just as has been the case in the development of even the most advanced countries today. It would not make much sense, therefore, to debate the merits or demerits of aid over private investment and vice versa. A combination of both will be needed, and the pertinent question to ask is whether private investment alone will be enough and whether it is going to be extended in a fair and mutually acceptable manner to the developing countries.

As to trade, the Tokyo Round of Multilateral Trade Negotiations (MTN) has indeed resulted in a further reduction of tariff barriers and of some quantitative restrictions. But as preliminary studies by the UNCTAD and GATT secretariats show, this reduction has been uneven, and the barriers that remain tend to affect to a much greater extent imports from developing countries, and especially those labor-intensive manufactures, agricultural products and processed commodities so vital to their further industrialization. Furthermore, the easing of tariffs has been accompanied by a marked rise in non-tariff barriers and a variety of new measures of contingent protection, directed against developing and developed trading partners alike. Unlike tariffs, many of these measures tend to fall outside the purview of the GATT/MTN rules. Their application and implications are very much dependent on the unilateral interpretation of the importing country or on bilateral arrangements between affected parties. They appear to be mainly directed against a small number of dynamic exporting developing countries and some competitive developed-country exports. Inevitably, they have introduced an even greater degree of uncertainty and discrimination into the world trading system and, as members of the three regions of this Commission may perhaps readily acknowledge, also much greater danger of mutual retaliations.

In sum, the contradictory picture that emerges is that of a post-MTN trading system moving in some ways towards further liberalization while at the same time harboring even more insidious forms of protectionism. Thus, in the face of declining levels of aid, the much vaunted prospect of growth through increased export trade cannot but appear equally dubious to the developing countries.

In sketching this rather bleak scenario of the world economy, it is not my intention to present you with a litany of developing countries’ grievances. Neither do I wish to assign blame to any particular country. But the only inference that can be made is that the present disarray in the world economy is caused by factors not simply transient in nature. On the contrary, it reflects a much more fundamental malfunctioning of the international economic system itself and a structural imbalance in international relations as well as in the functioning of international institutions. Solutions, therefore, should not be sought in ad hoc measures and short-sighted policies. New
and far-sighted concepts and structures will be required, as well as new ethics in global cooperation designed to forge a new kind of partnership for development among nations.

Stripped of rhetoric, this in essence is what the call for a New International Economic Order implies: a more democratic order, better capable of ensuring greater equity, viability and efficiency to global economic development. After years of patchwork reform of a system in such an obvious state of degeneration, has the time not come to at least begin to conceive a new one, better attuned to today's vastly changed requirements for global peace and prosperity?

Of course, such a renovated global order cannot materialize overnight. It can only come about through a process of sustained global dialogue and negotiations, conducted within a coherent and integrated approach.

Regrettably, despite the dismal record of years of intensive, but mostly fragmented, negotiations both within and outside United Nations
forums, including at the recently held Cancun Summit, some major developed countries have yet to grasp the validity and urgency of such an approach. At the U.N. General Assembly, after two years of bickering, it has still not been possible to agree on even an agenda and procedures for a new round of Global Negotiations.

I can agree with those who say that the global dialogue could do with less rhetoric and less confrontation and that it instead be conducted with a more practical orientation. Nevertheless, we are essentially engaged in political negotiations aimed at a fundamental restructurings of existing patterns of world production, trade, finance and decision-making. Hence, the demand for a commensurate political will is not rhetoric but a call for the necessary vision and courage from governments and their constituencies, to acknowledge the problems as they really are and to effect the changes that have to be made.

The Brandt Commission in its Report suggested as the conceptual framework for negotiations the mutuality of interest all nations share in changing the present international order, rather than earlier notions of charity or historical guilt.

Developing countries do not believe that mutual interest will suffice as the sole motivation to effect the desired structural changes in the world economy, and the Brandt Commission Report itself acknowledges this. Firstly, the element of social justice should remain a principal motivation in reducing some of the inherent imbalances and inequities which have been built into the present system and which continue to operate to the disadvantage of developing countries in general. Secondly, mutual interests alone do not provide an adequate basis for change in the present pattern of power and responsibility-sharing in the management of the global economy, which developing countries insist must be an essential part of any restructuring. Thirdly, mutuality of interest in an increasingly interdependent world is indeed inevitable. But interdependence by itself does not generate mutuality of interest nor the political will to reorganize the global economy accordingly. Thus, the concept of mutuality of interest, in its various manifestations, still needs to be further defined and operationally quantified.

Apart from these provisos, however, there can be no doubt as to the validity of mutual interest as a central negotiation rationale. And if governments could be brought around to make it so, I am convinced that already on this limited basis the Global Negotiations could be moved forward considerably.

For it should be in the mutual interest of both North and South to arrive at a global food program which would ensure increased world food production and an effective system of international food security, just as it should be in the global interest to reduce uncertainty over the short-term and long-term prospects of oil and other energy sources.

It should be in the mutual interest of producers and consumers alike to achieve greater stability and predictability in the supply of basic commodities, at prices remunerative and fair to both sides, through equitable international commodity agreements and the establishment of a viable Common Fund.

It should be in the mutual interest of rich and poor nations to increase the flows of financial resources to the developing countries, in order to alleviate debt burdens, meet liquidity needs and ensure their continued development. For such flows will at the same time prevent the further contraction of the world economy, the concomitant loss of growth opportunities for the industrial countries as well as the risk of defaults of the international banking system.

It should be in the mutual interest of all to reverse the present dangerous slide towards more protectionism, so that world trade can continue to flourish within an open, expanding and freer trading system. Industrialized countries cannot expect to overcome problems of excess industrial capacity or unemployment or maintain their exports to developing countries if at the same time the latter's earning and purchasing capacities are reduced by closing or restricting access to de-
developed country markets.

It should be in the mutual interest of all to broaden the scope of multilateral financial institutions, including establishing a new energy agency, and to initiate major reforms in the decision-making arrangements within these institutions. Such reforms will not only constitute the beginning of a genuine sharing of responsibility in the management of the world economy, but will also prove instrumental in optimizing the use of available surpluses in developing countries and in matching savings and investments at the global level.

And surely, it should be in our mutual interest to bring all these interconnected problems and their recommended solutions together into one integral package and to try to negotiate a kind of global compact of concrete measures, programs and understandings that would yield a positive balance of advantages to all sides.

The present challenges to the international economic system are indeed unprecedented in their magnitude, their complexity and their interacting implications. They are more than simply cyclical or temporary phenomena and reflect a deeper-seated malfunctioning of the system itself, thus requiring its drastic overhaul. They are not insurmountable, however, provided governments and the world community at large can bring up the political will and maturity of vision to appreciate the true nature of the problems and to effect the necessary structural changes and integral solutions, through a process of global negotiations. Solutions will not come any easier by delegating this process or indulging in gradualist approaches, whether by design or for reasons of political convenience.

I know there are those who, despairing at the slow and often frustrating pace of negotiations in large, global forums, have voiced their preference for dialogue among smaller, more manageable groups of countries, where issues and interests perhaps can be more readily reconciled and the atmosphere more pragmatically oriented. The idea behind this seems to be that if we are yet unable to come to terms globally, why not try to come to terms regionally, or inter-regionally, or within specific interest groups.

This idea is, of course, not without its merits or attraction, especially in the present stalemate of the North-South dialogue. In fact, you may be aware that the ASEAN group of countries to which Indonesia belongs has been in the forefront of efforts to develop precisely these kinds of consultations and negotiations with a number of their major economic partners and other regional groupings, including with the European Community, North America and Japan. These approaches, however, cannot and should not be seen as an alternative to global negotiations to which the ASEAN countries, as all other members of the Group of 77, remain firmly committed. Indeed, it is only to the extent that the pursuit of the regional interests of ASEAN converge with, or can possibly promote, the larger interests of the third world that ASEAN will be found willing to explore whatever possibilities there may be for intra-regional or inter-regional solutions.

I am also aware that there are many who wonder how the industrial countries, beset as they are with grave financial and economic problems of their own, can ever be expected to engage in a far-reaching exercise in restructuring the world economy. Furthermore, with increased East-West tensions threatening to set off an even more wasteful new round of global arms spending, and with today's headlines focused on Kampuchea, Afghanistan, the Middle East and Central America, can North-South development issues really remain a priority concern for the major powers?

I cannot deny the disturbing relevance of these questions and I can only answer with a counter-question: Do we really have a choice?

For the price of inaction in redressing global economic inequities and imbalances may very well be chaos - born out of mass destitution and despair and caused by change being imposed on the system and proceeding on its own dynamics, unmanaged and uncontrolled. Surely, this could pose as grave a danger to world peace as the traditional threats of political or military conflict.
From Two Trilateral Task Force Reports
Forthcoming This Summer

#24 “East-West Trade at a Crossroads” by Robert V. Roosa, Armin Gutowski, and Michiya Matsukawa

“This study examines the possibilities for constructive economic relations between the trilateral West and the Soviet East in the current environment. The alternating waves of amity and antagonism between East and West since World War II have not yet produced among the trilateral countries a comprehensive strategic policy for future relations with the Soviet Union and Eastern Europe. It seems clear that economic factors and forces have not thus far been woven consistently or effectively into the strands of political and military policy with which the Western allies seem to be wrestling. The consequence has been precipitate action, with little coordination, applied in ways that proved relatively ineffective or counterproductive.

“A major underlying theme is that the sheer facts of economic geography and human resources in the trilateral and the CMEA countries, were it not for their basic political differences, would impel a broad two-way flow of materials, products, and services between these vast areas. Political and strategic considerations inescapably limit the extent to which these economic potentials can be realized. After reviewing the remarkable trade expansion that occurred under the umbrella of detente during the 1970s and considering some of the potentials that might lie ahead along many of the same lines, this study has focused on the kinds of boundaries on trade that need to be drawn by the West.

“Great power rivalry is at a crossroads. The turn can be backward toward aggressive confrontation, or it can be forward toward a measured interdependence. This study of the economic potentials for the years ahead finds promise in the prospects for a cautious, respected coexistence.”

#25 “Sharing International Responsibilities,” by Nobuhiko Ushiba, Thierry de Montbrial, and Graham Allison

What roles do the trilateral countries play, individually and collectively, in addressing our global responsibilities? How do we assess the scope of our partnership?

“The subject of this inquiry lies at the heart of the trilateral partnership among Japan, North America, and Europe: sharing responsibilities. How urgent is it that we move ahead in fashioning new sharing arrangements rather than continuing the drift back to unilateralism? We believe that:
– forces inside and outside the trilateral countries will threaten the international political and economic order more severely in the 1980s than in any decade since the 1940s;
– a collapse of the existing political and economic order would have catastrophic consequences for the trilateral countries and for most of the rest of the world; and
– because of their stakes and their capabilities, the trilateral countries have a special responsibility to act to preserve an acceptable international order.”

The authors approach these concerns in a discussion of the stakes involved in the trilateral partnership, the scope and terms of that partnership, and the obstacles to greater sharing and cooperation.
In the Next Issue of Trialogue

Raymond Aron, Zbigniew Brzezinski, Makoto Momoi, Joseph Nye, Gerard Smith, Takahiro Yokomichi and others on Security and Disarmament
Hope To Meet Brezhnev At UN.

Lambsdorff Opposes Trade Protectionism

The U.S. dollar hit a two-year high of 103.85 yen in early trading on the Tokyo Foreign Exchange market, but closed slightly lower Tuesday, closing at 103.45 yen, or 97 yen, lower than Monday's close.

The peak rate, registered in the morning, was attained at 103.90 yen March 22, 1978, when it was the highest since the war. Banks in Tokyo quoted the U.S. dollar at 103.45-50 yen.

The market opened higher at 103.60 yen, reflecting a rise in New York, and the dollar rose to 103.55 yen. It was then on a steady rise through the morning, hitting 103.90 yen in the early afternoon.

Bills dealers said that the yen strengthened because the U.S. dollar, which weakened earlier in the session, was gaining while the dollar was falling.

When the dollar reached the peak evening rate, the banks in Tokyo appeared to be holding onto the market, while the New York market was closing.

The dollar's strength was attributed to expectations that U.S. money supply will increase during April, as the budget deficit will be reduced.

Trade Protectionism

The West German minister of finance has opposed any plans for a payments agreement between the U.S. and Japan.

Dr. Gerhard Lambson, in a recent interview, has been criticized by the opposition for weak measures to protect the yen.

"The West German minister of finance, in an interview, has been criticized by the opposition for weak measures to protect the yen.

"The Japanese foreign minister has warned the United States against a trade agreement that would lead to a payments imbalance.

"The Japanese government has announced plans to increase its budget deficit, which has been a cause for concern among some economists.

"The West German minister of finance has also expressed concerns about the potential impact of a payments imbalance on the German economy.

"The West German minister of finance has been critical of the payments agreement, saying it would lead to a loss of control over the yen.

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