TOWARDS A RENOVATED INTERNATIONAL SYSTEM

Δ THE TRIANGLE PAPERS: 14

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I. The Purpose of the Report

The international order created after World War II is no longer adequate to new conditions and needs. In an increasingly complex world, problems multiply at a rate for which man's outlook, habits, and decision-making processes are not prepared. Existing institutions and procedures do not have the capacity to cope with global problems and processes of change.

The events in the wake of the Yom Kippur War dramatized that reality and have added grave strains. To be sure, the world economy has not collapsed as some pessimists predicted. It has in fact shown a remarkable resiliency. But breakdowns have often been avoided only by postponing their impact to the future or shifting burdens from the stronger states to the weaker ones. And the legacy of this period is a much sharper questioning of the features of the existing system and of how it functions.

None of the earlier problems of international concern has disappeared. East-West relations are still marked by rivalry and friction despite detente. Indeed, despite its advances, detente has not progressed at the desired rate, thus giving rise to a new debate about its goals and substance. The North-South relation, which in this decade has moved toward a North-South confrontation, has added new issues to persistent problems. The most pervasive fact is the steady expansion and thickening of the web of interdependence.

The world faces the double task of managing to survive and thrive from year to year, while at the same time moving toward a more effective and equitable order for an interdependent world. The urgent necessity to renovate the international system to meet new conditions is a challenge to creative innovation comparable to that after World War II.

The purpose of this report is to consider the strategy suited to this task. Inevitably, the scope of the report is extremely broad but it does have definite limits, which should be kept in mind in reading it.

First, the focus is mainly on the imperatives of interdependence. World politics is a mix of conflict and cooperation; thus the international system can be viewed from two perspectives. One approach is in terms of the cleavages which divide the nations of the world. Most serious is the gulf between the East and the West, which continues to separate them deeply, despite detente and the cooperative elements in nuclear deterrence. While sharing an interest in avoiding nuclear war, and developing some links in trade and other respects, the relation is basically one of rivalry and balance of power. The North-South cleavage is dif-
different. It arises from the colonial past, and from the weakness and instability of many of the developing countries. They resent the existing disparities in conditions and influence between them and the advanced countries. In their view, the present system is unfair, and is based on dependence rather than equality. The success of OPEC has whetted the appetite for change.

The second approach is to look at world politics and the international system in terms of the expanding linkages of interdependence. The extent of such linkages varies widely, of course, among the various groups of countries. They are most intimate and most dense among the industrial states of North America, Western Europe, Japan and a few others, such as Australia and New Zealand. They are relatively extensive between the industrial states and some developing countries which have made economic progress and developed their export markets, such as OPEC members, South Korea, Taiwan, Singapore, perhaps Brazil and some others. The remaining LDCs are also linked to the industrial nations by trade and their needs for capital, technology, and so forth. The linkages of the communist states to the rest of the world have been the most limited, but are expanding with the growth of trade; and, of course, the desire to avoid nuclear war is itself a form of interdependence between the U.S. and U.S.S.R.

Both cleavage and linkage perspectives are valid and necessary for a complete picture. This report is concerned mainly, however, with the implications of interdependence, and therefore treats the cleavages or divisions primarily as obstacles to cooperation. The divisions are not ignored. They are recognized as a part of the problem. But the specific policies necessary to cope with the East-West issues are not the subject of this report. Accordingly, the requisites for maintaining a stable peace and effective deterrence are not dealt with at any length.

Second, this report is an overview of the process of renovating the international order. The Trilateral Commission has already issued a dozen studies designed to contribute to solutions for specific problems, both among the trilateral countries and globally. In addition, the communication between citizens of the three regions fostered by the Commission has produced a wide range of insights, ideas and policy suggestions of which even the various reports issued under its auspices do not give a complete picture. This report does not attempt to summarize the earlier reports or the Commission’s work to date. It does, however, draw on some of that work.

Like other reports to the Commission, this one assumes that by understanding the forces at work and by cooperative action, mankind can influence the ongoing transition in the international order, to move toward its social and political goals. The postwar period provides numerous examples of statesmen pursuing creative policies. The contemporary problems seem greater in magnitude than those of the 1950s and 1960s but there is no practical alternative to approaching them jointly with a will to influence the course of events.

Third, this report is not a blueprint for a new international order nor a catalogue of solutions to all problems. Its premise is that the task of creating a more effective and a more equitable international system is a long-term effort. The necessary changes in relations, perspectives, and priorities will be achieved only by a coherent pattern of concerted actions over an extended time.

Thus an effective strategy must avoid either of two mistakes: (1) the excessive pragmatism of seeking to solve problems solely on a day-to-day basis; or (2) the visionary long-term approach that does not concern itself sufficiently with the practical steps for achieving the ultimate goal. Both approaches to politics have much the same consequence: Both tend to support the status quo, the short-term approach by merely tinkering with the symptoms of the problem, the utopian by fleeing from the realm of the feasible. In the last analysis, both leave the real problems unsolved until breakdowns or explosive changes occur.

This report develops a strategy of action in two steps: First, it sketches a frame of reference for identifying the major problems of our time and for defining the essential goals for the general direction of policy. Second, the report suggests some guidelines for devising measures for reaching those goals and for overcoming the obstacles to cooperation in the near term.

In this approach, the long-term goals help to set the tasks, to define the priorities, and to give a sense of direction. The guidelines suggest some of the criteria for choosing measures toward these goals, measures which often must fall short of the ideal but which may still facilitate necessary cooperation now and improve the chances for better working relations in the future. An analogy may be drawn to the underlying philosophy of Jean Monnet and his Action Committee for the United States of Europe. While aiming ultimately at some form of politically-united Europe, Monnet and his Committee deliberately left the details of such a structure to future developments. But through concrete proposals for actions in the immediate future they sought to prepare the ground in a realistic way for eventually achieving the goal of a political Europe.

Fourth, this report is addressed primarily to the countries of the trilateral regions. Like the Commission, it rests on the conviction that these industrial democracies must work together closely to solve their
many common problems and to contribute to the solution of pressing global problems.

These countries have the largest shares of world trade and finance and produce two thirds of the world’s output. They are the most advanced in terms of income, industry, and technology. They have experience in working with each other and a high degree of mutual trust and goodwill born of that experience. They also have democratic governments and share common values — industrial market economies, a free press, the commitment to civil liberties, an active political life and concern for the economic welfare of their poorest citizens. Their cooperative links exist at many levels, involving political leaders and officials, private institutions, corporations and individuals, as well as agencies like the OECD and NATO.

Accordingly, the premise of this report is that fostering an effective, working consensus among the advanced trilateral countries will be a positive contribution to renovating the international order in the interest of all. But the trilateral approach cannot be exclusive or parochial. These countries have no mandate to determine what is right or wrong for the rest of the world. They must be responsive to the interests and concerns of others and take them into account. Yet the trilateral nations will often serve the interests of wider cooperation if they can agree among themselves on proposals for consideration and negotiation with other nations or groups.

II. THE NATURE OF THE PROBLEM

A. THE CURRENT PREDICAMENT

1. An Interdependent World
The management of interdependence has become indispensable for world order in the coming years. Its origins lie in the extraordinary expansion of interaction between modern states and societies. Although such interaction existed in earlier times, the development of modern technology and the evolution of the international economic and political system have brought a quantitative and qualitative change.

Interdependence has grown in various domains: psychological, social, economic, and political. In the psychological and social domain, the growth of communication, the flow of ideas, and the movement of persons as a result of modern transport and mass tourism have resulted in greater knowledge about other societies, in the wider impact of ideas, and in the formation of transnational links of interest and even action. From this interaction has come the rise of expectations in poor countries, matched in some degree by a growing feeling of compassion and sometimes of guilt among a number of people in the rich countries with respect to the poor countries, especially among youth. Yet misgivings over the limited results of many foreign aid programs — frustrated partially by rapid population growth — and the failure of some developing countries to undertake necessary internal reforms discourage larger resource transfers from the industrial countries.

In the economic and political domains, interdependence has grown to an unprecedented scale. The rapid growth of international trade and finance has led to an intense degree of mutual dependence. The vast amount of internationally owned and managed production provides a particularly important transnational link, as does mutual dependence on vital imports such as oil, food, and other raw materials. Economic events — and shocks — in one country are rapidly transmitted to other countries. In modern welfare states, national actions to meet the needs of their citizens often vitally affect economic life and political activity in other countries.

This state of affairs displays the dual character of interdependence: Intensive interaction between societies at various levels is essential for economic efficiency and improving the standard of living for individuals. On the other hand, it produces mutual interference across national fron-
tiers which jeopardizes some of its advantages. Thus it requires steering mechanisms.

Among the negative aspects of interdependence are the threats of nuclear proliferation and harmful ecological change. Avoidance of nuclear war is rarely discussed as part of the problem of interdependence. Yet it is a condition for the solution of all other problems of world order, since nuclear war threatens the survival of mankind. Throughout the postwar era a stable nuclear balance, which affects the many states of the global system, has depended on the few nuclear powers, and primarily the United States and the Soviet Union.

Now, however, the worldwide resort to nuclear energy for power creates much wider risks of the spread of nuclear weapons. Effective measures against proliferation, therefore, can no longer be handled by a few; they require joint action by a large number of states with divergent outlooks and interests, and different economic status. Proliferation concerns no longer focus on countries like Germany and Japan — since they have ceased to be a problem in this respect, if they ever really were — but on unstable or adventurous countries in the developing world, especially in areas of conflict and violence, which could acquire capacity to build nuclear weapons. In fact, unless the states of the world can cooperate in this field, a period of instability and violence could be opened, compared to which the past quarter century may appear as a belle époque.

Undesired ecological changes present a different problem. They may not be foreseen, and may already be serious or irreversible when their first symptoms appear. The environmental problem has its origins in industrialization, modern agricultural techniques and the expansion of population — though the perception of its wide-scale importance is recent. The problem is often international in that pollution in one country frequently affects the environment in others as well. Moreover, outsiders do not have the limited option to reduce the harm by cutting transnational links and interaction, as they can in many other types of interdependence — though at considerable cost.

The pressure of man on the environment has already caused many undesired changes, and could threaten partial breakdowns. A breakdown of the globe’s biosphere is unlikely during this century, but there can be no certainty of its avoidance. Later, as the LDCs industrialize, the danger will increase. The prevention of ecological damage and breakdowns (and the repair of existing damage) are major tasks for the globe as a whole.

Extreme poverty, especially in South Asia and parts of Africa, poses still another problem of interdependence. Poverty has been wide-

spread throughout man’s history, but it has now moved to the foreground of world politics with the revolution in expectations and concern. Despite two decades of international development efforts, it exists today on a massive scale and there is a general sense of failure. Though national incomes have grown considerably in the Third World, much of the advance has been absorbed by population growth and the remainder only partially passed on to the poor as a result of failures of internal reform. In terms of purchasing power, the average income in the United States in 1972 was about thirteen times as high as in India. The total debt of the developing countries is now around 200 billion dollars. The number of those starving to death or dying from diseases related to malnutrition has to be counted in the millions annually.

The alleviation of poverty is a demand of the basic ethical principles of the West as well as of simple self-interest. In the long run an orderly world is unlikely if great affluence in one part coexists with abject poverty in another, while “one world” of communication, of mutual concern, and interdependence comes into being.

Interdependence varies considerably in kind and intensity in different regions, between particular states, and across different issue areas. It is highest among the countries of the trilateral area, due to intensive trade, investment, monetary interaction, security ties and other links. The general though varying dependence of the industrialized states on imports of raw materials from the Third World corresponds to mixed dependencies of the developing countries on capital goods and foodstuffs from industrialized countries. Among developing countries, interdependence is relatively low except for a general dependence on oil produced by some of them. In fact, the existing asymmetries of interdependence have themselves become a problem, one to which we shall return. And the communist nations have largely resisted close linkages with the non-communist world until the recent efforts to expand trade and technology transfers from the West.

2. Interdependence and the Welfare State
The interdependent world is made up of welfare states of various kinds. This inevitably poses problems for international cooperation.

The modern welfare state has developed in response to the rising expectations and demands of individual citizens who aspire not only to a minimum standard of living, but to social security in a broad sense, covering full employment, health services, security in old age, etc. To respond to these demands, all states conduct a wide range of policies to provide welfare for society and its groups, through overall economic management, employment policy, industrial and social policies and so
forth. Even in the West, the “invisible hand” of the market is more and more directed or circumscribed by governments. The liberal premise of a separation between the political and economic realm is obsolete; issues related to economics are at the heart of modern politics. And in the rest of the world, governments intervene in society and economic life far more extensively, according to criteria and through instruments which vary widely from country to country.

Interdependence, despite its many benefits, complicates the management of the modern welfare state — it creates disturbances, interferes with national priorities and policies, and transmits problems from other systems. Conversely, conflicting national priorities of modern welfare states inevitably complicate the problem of managing a system of interdependence.

Interdependence among welfare states, therefore, inherently poses a sharp dilemma: Tariffs, export subsidies, industrial policy, privileged treatment and so forth, the very instruments used to implement social policy nationally, inherently threaten the systems of interaction and interdependence which are a source of prosperity in the industrial world and a precondition for meeting and surpassing minimum human needs in the developing countries.

Thus politicization of the international economy lies in the logic of modern welfare states. National intervention is inevitable in the name of a more just society, but it should be guided through international agreement and joint action in such a way as to preserve the advantages of interdependence.

3. Interdependence and National Roles

An international system must be able to accommodate shifts in power among nations and their desires for new roles. In the postwar period, the industrialized nations were able to adapt their decision-making structures to reflect the rise of the Federal Republic of Germany and later of Japan. Now the problem arises in two forms.

Certain developing countries have risen rapidly to positions of economic weight and political influence on the basis of the critical importance of certain raw materials (in particular, oil) or of successful development. Understandably, they demand a greater say in the decision-making of the international system commensurate with their newly acquired position.

But the issue also arises at a second and more difficult level as a result of shifts in perceptions. To many developing nations the hierarchy of power characteristic of the postwar world is no longer acceptable. They reject the central legitimizing concept of the liberal world econ-

omy, the maximization of global welfare through the market system, and assert that the formal equality of all participants has not been accompanied by a fair sharing of benefits from the division of labor in the present world economy.

For the weaker developing countries, interdependence appears as a system of dependence. Hence the appeal of theories which stress elements of dependence in the world economy, including multinational corporations, and which underline much of the rhetoric, if not the political strategy, of many developing countries. As they see it, their entire economy and external trade have been shaped according to priorities defined by stronger industrialized states and not by their own needs.

Some intellectuals, groups, and governments in the Third World increasingly advocate a strategy of disassociating North and South. Various suggestions at the 1976 Colombo conference of the nonaligned states and at the 1976 Mexico City conference on economic relations among developing countries clearly express such goals, e.g., proposals for a developing countries' payments union, the establishment of a joint development bank, preferential treatment, multinational corporations of their own, and so forth.

Such tendencies to "disassociate" need not necessarily be viewed with alarm. On the contrary, a healthy self-reliance may require some cutting of old links or dependencies, though it would have to overcome many obstacles before it could become a feasible strategy. The problem has to be taken seriously, however; for unless interdependence effectively serves the interests of the weaker states, the trend toward extreme disassociation is likely to grow, and to create disturbances damaging for the industrialized world, and probably even more harmful to the developing world.

B. THE NEED FOR COOPERATION FOR WORLD ORDER

The preceding analysis has brought into relief the most important tasks in striving for world order: keeping the peace; managing the global economy; controlling ecological damage; and meeting basic human needs. The specific requirements for these tasks will be examined later. Here the focus is on their common features.

These tasks all require extensive cooperation among some or most nations for effective handling. The separate states cannot cope with them.

Moreover, they call for joint action on two different time scales. The conditions of the contemporary world make it obvious that concerted efforts will be necessary to deal with current crises in order to
contain violence and prevent breakdowns in the global economy or ecology. That is the minimum cooperation required for managing from day to day.

The effort to get at the roots of many of these problems will take a long time indeed. Thus deterrence and detente should be able to avoid major war between East and West, but it will take a very long period to remove the sources of conflict and rivalry. Similar is the goal of meeting basic human needs of the poorest billion or more people. Even with immediate and energetic efforts, it will take decades to achieve substantial progress on a large scale.

The requisite cooperation for both the short and long term must be based on the shared conviction that it maximizes overall gain and increases the welfare of all those involved. The philosophical roots of such a conviction go back to the 18th century notion of progress, that the human condition as a whole could be improved through human efforts to master parsimonious nature. Such thinking represented a revolutionary departure from the age-old notion that one man's gain must be another man's loss, or that one group could improve its condition only by robbing or exploiting other groups. Put in modern terms of game theory, the concept that the benefits for all can be enhanced by cooperation is known as positive-sum thinking, in contrast to zero-sum thinking. Although international cooperation continues to experience failures and setbacks, the conviction that positive-sum behavior is the most rational approach to international affairs has become the prevailing concept among Western political and intellectual elites.

A cooperative, positive-sum approach is a precondition for maintaining economic security in a situation of interdependence. Greater economic vulnerability can entail the risk of national social and economic breakdown as a result of actions by others. In the worst case, such actions may threaten the economic security of all those involved, although some countries may be more vulnerable than others due to economic weakness or dependence on specific products, such as oil or grain.

Within industrialized countries, a sense of community has been at the basis of policies to promote more equal opportunity and distribution of income, and more broadly it underlies the rise of the modern welfare state. Such an attitude has its roots in ethical and philosophical values of the West as well as in enlightened self-interest, since a minimum of social justice and reform will be necessary for stability in the long run. The same applies at the world level. Some global sense of community among human beings is important for a functioning world order. In particular, it is necessary in order to generate the energy and motivation for sacrifices, for transfer of resources, and for support of domestic socioeconomic changes to facilitate economic progress in poorer areas of the world.

Neither the widespread application of cooperative behavior nor the existence of a global sense of community implies that conflict and competition between states, groups, and different political creeds will disappear. In fact, a pluralistic world system is a creative asset to be preserved. But the presence and strength of a cooperative predisposition and of a global sense of community will decisively influence whether the ongoing change in world politics can take place without major disturbances or breakdowns.

Finally, such change will also depend upon effective international decision-making. The following criteria, as we shall examine in greater detail later, are crucial: First, decision-making should adequately involve those needed for solutions and take into account the views of others affected. Second, it should seek to reconcile national policies in interdependent relationships through a system of consultative procedures and mutual commitments. Third, decision-making arrangements should allow for flexible action in times of crisis and emergency. Fourth, these arrangements should secure an adequate distribution of gains from interdependence.

C. OBSTACLES TO COOPERATION

A realistic strategy of action must take into account the major obstacles to cooperative management of interdependence. Obstacles of particular importance are the desire for national autonomy, the impact of domestic politics, disparities in conditions among countries, political barriers, and sheer numbers of countries.

1. Desire for Autonomy
The desire for national autonomy and the traditional concept of sovereignty aggravate the tension between national policies and transnational interaction. They tend to support attitudes and actions which disregard the effects of national measures on outside states or groups. They hinder the observation of the rules of international cooperation and impede the compromises and the day-to-day routines of consultation necessary for managing an interdependent world. These attitudes exist to some extent in all countries, often fluctuating over time in intensity.

The public and leaders of most countries continue to live in a mental universe which no longer exists — a world of separate nations — and have great difficulties thinking in terms of global perspectives and
interdependence. Consequently, in the environmental field, for example, there is still a widespread belief that countries can in practice afford to pollute the biosphere across their own borders despite commitments to the contrary. In the rich democracies, it is extremely difficult to convince publics of the necessity for substantial aid to developing nations. The development aid lobby is weak, even though aid policy is partially employment policy for the rich countries, and remains imperative for reasons of enlightened self-interest, as well as ethics.

In developing countries, many of which have become independent so recently, the desire for autonomy poses special difficulties. Jealous of their independence, they often tend to regard the types of accommodation and consultation necessary in interdependent relationships as interference in their domestic affairs and an encroachment upon their sovereignty.

2. Impact of Domestic Politics
Although the social, economic, and political life of many modern states depends on functioning interaction with the outside world, the structure and issues of domestic politics continue to be shaped primarily by domestic concerns. Foreign issues remain secondary except in times of crisis. Political leaders rise or fall primarily on their performance on domestic issues. The concept of legitimacy remains confined to the territorial state, leaving aside the growing involvement of outside forces and the impact of national action on others. Values, traditions, institutions and habits are still heavily dominated by the concept of the traditional sovereign state.

The negative impact of domestic politics on the management of interdependence is two-fold. First, since domestic politics is inevitably more shaped by internal than external priorities, the political process produces varying degrees of parochialism which disregard the impact of national action on the outside world and show little understanding of the requirements of interdependence. The pressures for protectionist measures or export controls provide endless examples.

Second, the pressures of domestic politics encourage a short-term view of problems. The fact that politicians must present themselves to the voters every few years has the unfortunate effect of concentrating their attention on immediate issues which will secure their reelection and not on problems of the longer future. It rarely pays domestically to raise long-term problems, particularly if this means confronting voters with difficulties ahead and the need for sacrifices to master them. Thus long-term problems and strategies to solve them are not discussed as concrete political issues. The failure of American and European politics to respond adequately to the necessity to reduce oil consumption provides a telling example.

The nondemocratic systems show similar tendencies toward parochialism and short-term views. The theoretical advantage of a leader who does not have to go back to the electorate with its local, regional, or national priorities does not improve policy in practice. On the contrary, the policies of nondemocratic developed countries have usually been less globalist and less concerned for poorer countries than those of tri-lateral democracies. The pluralism of democracy provides an important corrective to shortsightedness and parochialism which nondemocratic systems do not have, namely, open criticism and dissent, which ultimately have an impact on public debate and the election of politicians.

3. Disparities in Conditions
Disparities in conditions between political entities are natural; states inevitably differ in size, resources, population, geographic advantages and so on. Such disparities can, however, create obstacles for attempts to achieve a more effective world order. In particular, the wide disparity between rich and poor countries continues to be a serious impediment to the organization of relationships of interdependence which maximize welfare for all.

The disparity in income is associated with many other disparities. One is in vulnerability to outside forces, which make poorer states helpless victims of fluctuations of the world economy more often than wealthier states able to cushion the effects. Asymmetries in resources and economic wealth affect leverage in bargaining and disputes over the sharing of the world's resources. The disparity in economic prospects is equally striking: Even with very rapid economic growth, many countries can be sure that more than half of the benefit will be neutralized by population increase — a problem industrialized states no longer face.

Cooperation in a functioning world order presupposes national structures of decision-making capable of assembling information and implementing agreed decisions. Many states lack this requisite political and administrative infrastructure for cooperation. Many are weak either because they lack effective instruments of government or because of domestic instability, which may itself be closely associated with ineffective government or with unsolved social and economic problems. Such weakness makes it difficult for such states to protect their interests and fosters a sense of being exploited by more advanced nations.

Elites in some developing countries regard the present disparities between rich and poor countries as so extreme, with so little protection for the weak, that they tend to reject interdependence as a form of de-
pendence and exploitation. Hence they may reject or resist collaboration with the advanced nations even though that may impede the alleviation of their problems.

4. Political Barriers

Antagonism between states is hardly conducive to collaboration for mutual benefit. It strengthens tendencies to disregard the effects of one's own actions on others. In undermining positive-sum behavior and cooperative action, interstate antagonism destroys an essential prerequisite for the effective management of interdependence. Indeed, interdependence may even provide an instrument for pressure, for example, by applying a boycott on the supply of oil or foodstuffs for specific political purposes.

The deep-seated antagonism in East-West relations illustrates the problem. While a common interest in survival forces both sides to cooperate in limited areas, there are fundamental barriers between them, notably in ideology, political structure, and foreign policy. The communist states still cling to the notion that they are engaged in a revolutionary struggle with the capitalist world, which they seek to defeat with all means short of war. Their autocratic systems are centrally directed and in relatively complete control of all interaction with the outside world; in contrast, in the pluralistic West a multitude of individuals, groups, institutions, and corporate actors interact with the outside world in ways Western governments can only partially control. This difference raises the danger that communist governments will exploit relationships of interdependence between East and West, submitting them to the priorities of a foreign policy which sees their own systems locked in a fundamental struggle with Western states.

Ideological differences of a less militant nature may also raise obstacles to a constructive approach to global problems. For example, ideological differences between free market and planned economy approaches have added difficulties to the search for solutions regarding commodity agreements and a new regime for the seabed.

5. Number of Countries

In this interdependent world, most countries have an interest in the management of many of its problems, even if that interest is sometimes strongly attenuated. Does this mean that nearly 150 nations should participate in all, or virtually all, matters of international discussion, negotiation, and collaboration?

If so, it would seriously impede the necessary cooperation. The mere presence of large numbers does inhibit the close discussion that is often essential for negotiation and agreement. Moreover, the low interest of many nations in specific issues of importance to others leads to their representation by nonexpert diplomats, often those at the local post where the discussions are being held. Since these representatives do not know the issues, they understandably hesitate to agree on technical points. The low material stake is also more likely to lead to politicization of the issue for the sake of hoped-for benefits in other, quite unrelated areas, or even for the sake of rhetorical effect, such as comments by communist countries on multinational corporations.

Is it feasible to meet this problem by a system of representation, as has been used in the International Monetary Fund for years and tried in the 27-nation Conference on International Economic Cooperation opened in Paris in December 1975 to discuss energy, raw materials, development, and financial problems?

In practice, representation modeled on the IMF has not effectively dealt with this problem. For instance, during the 1972-74 discussions by the Committee of Twenty on reform of the international monetary system, the number of participants was much larger than twenty, rarely in fact under 200, due to the presence of one and sometimes two national alternates to each "representative" at the table, not to mention central bank and finance ministry officials from each country, as well as international staff. Partly as a consequence of the unwieldiness of the group, the Committee stayed obstinately on the wrong track until major world financial events brought it back to reality during the last few months before it was to report and disband. The system of representation adopted by the CIEC scored somewhat better but did not produce conclusive proof that the method works. Few countries are willing to trust others to negotiate on their behalf, even within as cohesive a group as the European Community.
III. THE NEED FOR A STRATEGY

With interdependence growing, the world community faces two challenging tasks: It must manage the urgent problems of survival and economic prosperity on a continuing basis; and at the same time, it must seek to develop a more adequate system of world order which is more secure, more effective in solving social and economic problems, more responsive to basic human needs, and more respecting of human rights.

A. LIMITS ON JOINT ACTION

The basis for the cooperation among the nations of the world required to achieve these tasks does not now exist. It faces the staggering obstacles already outlined. Trust and goodwill are very low at the global level; mutual suspicion is high. This is certainly regrettable, but it is a fact that cannot simply be wished away. The communist countries are avowedly hostile to the economic and political system of the industrial democracies, which are hostile to communism. Thus the basis for joint maximizing behavior is simply not present on many issues. This does not, of course, preclude collaboration on some specific issues.

Distrust of developed by less developed countries is also deep. As already discussed, this stems in part from the LDC view that the world economic system has been managed by the developed countries for their own advantage and in part also from the widespread suspicion of international business among the LDC elites.

In universal frameworks these obstacles, plus diversity of interest and experience, can lead to very slow progress on important issues and to inadequate outcomes based on least common denominators of agreement. For example, the attempt in the late 1940s to draft a comprehensive agreement covering international trade, investment, and management of national economies, which produced the charter for an International Trade Organization (ITO), resulted in a final agreement so riddled with exceptions and special provisions that it never came into force.

Greater progress can be made when smaller groups of like-minded or similarly situated countries collaborate together, as some twenty-odd countries did in adhering, also in the late 1940s, to the General Agreement on Tariffs and Trade (GATT), with a much smaller scope than the proposed ITO charter. Other examples could be drawn from the history of the European Community on a whole range of economic issues, from the Andean countries in the areas of foreign investment and trade, and from the African countries on political issues in the Organization of African Unity.

One main objective must be to allay mutual suspicion and build mutual trust on a universal scale. But that process will inevitably be prolonged; it must proceed in parallel with, rather than as a substitute for, international collaboration on pressing issues, which urgently demand immediate action. Such cooperation can often begin with the participation of those who have the largest stake in the issue, especially where they have the requisite experience in cooperation with others and a high degree of mutual trust and goodwill, often born of previous experience.

B. THE TRILATERAL ROLE

These conditions are most often met by the trilateral nations, who are best situated to take the initiative on many issues. Their cooperation is necessary to counter the tendencies toward disassociation in the developing world, as well as in the industrialized countries and the communist countries. In the LDCs, the idea of greater self-reliance, which is, in fact, an indispensable goal of development policy, could degenerate into a rejection of an integrated world economy if present trends continue. Similarly, in the advanced countries, the confrontational atmosphere in North-South relations tends to strengthen tendencies toward a closed and exclusive bastion of advanced countries, leaving the LDCs to their own fate. And the links of cooperation between the communist world and the West are clearly precarious. We believe that the best way to resist these tendencies is through effective, constructive actions by the advanced nations.

A number of issues that the trilateral countries must address cooperatively hardly affect other countries. Others, in contrast, affect other countries profoundly. Their joint action is necessary for effective stabilization of the world economy, for further opening markets to the manufactured products of developing nations, or for the establishment of commodity agreements, to give only a few examples. In such cases, it is incumbent on the trilateral countries to hold an open ear to others in order to understand and, where possible, take into account these other interests. For example, the responsibility for stabilization of the world economy falls overwhelmingly on the trilateral countries and, especially, on the United States, Germany and Japan as the three largest national economies. But other countries have a deep interest in the actions taken by those countries, and coordination among the trilateral countries should take this into account.
Some issues, of course, do not require or fit trilateral cooperation. Individual trilateral countries will find it necessary or helpful to engage in bilateral cooperation with other countries, sometimes of the trilateral group, sometimes not. In other areas (e.g. avoidance of nuclear war), the trilateral countries do not include all of the key participants. And in still others a universal approach will be essential. In particular, the trilateral countries continue to have a high stake in the preservation and the strengthening of the United Nations system of agencies as international instruments for rule-making and for conflict resolution. Even in such universal frameworks, however, constructive action can often be most effectively advanced if like-minded groups of nations, such as the trilateral countries, caucus together, not necessarily to achieve common positions, but at least to better understand the positions each is taking.

A number of benefits for the rest of the world will flow from closer cooperation among the trilateral countries. First, it can produce a more coherent approach by countries whose cooperation is essential to the evolving character of the world order. Second, it can produce better management of important global problems in some areas, notably overall macroeconomic management. Third, it is more likely to result in more adequate assistance for the alleviation of world poverty and promotion of economic development in the poorer parts of the world.

C. ELEMENTS OF A GLOBAL STRATEGY

Given the nature of our current circumstances, what principles should guide the trilateral countries in their approach to cooperation for our increasingly interdependent world? With its numerous complexities and uncertainties, the temptation will be strong to adopt a completely pragmatic approach: to take each problem as it arises and try to deal with it as expeditiously and efficiently as possible, in short, to “play it by ear.” Future international relations will no doubt contain a great deal of such a pragmatic approach, perhaps even more so than in the past. But we believe that the trilateral countries should surmount this limited view; their aspirations should go beyond merely coping with future events to shaping these events. They should have in mind a broad global strategy for the management of interdependence.

A broad strategy is desirable for three reasons: First, as we have already noted, maximization of mutual gain in international cooperation often requires a high degree of mutual trust. Where this trust is already present, it should be cultivated; where it is weak, it should be developed over time. Second, major disturbances to international relations and to domestic societies can sometimes be avoided by anticipating potential difficulties now and taking action to stave them off. Conflict avoidance is usually preferable to conflict resolution. Third, several solutions to immediate problems may be feasible. Selection among them needs to be guided by a long-run view of what is desirable. In our view that entails building an international system that is pluralistic enough to permit cultivation of the values of the trilateral countries in all those countries that choose to cultivate them.

A realistic strategy of action cannot be a detailed blueprint of the future or be based on illusory appraisals of the state of world politics. It must recognize the practical obstacles which limit cooperation and the rate of progress toward solutions. Thus such a strategy must be long-term in its approach. It must provide (1) for as much joint action now as is feasible; and (2) for measures to expand the extent of cooperation by changing conditions over time.

Accordingly, such a strategy should provide a framework for policy composed of two elements: (1) a definition of the essential goals for the long-term, to provide priorities and a sense of direction for the next decade or two; and (2) a set of guidelines for specific actions and decisions, taking account of the current limitations and obstacles to cooperation. The next two chapters discuss these components of a strategy for the trilateral countries.
IV. TASKS OF A STRATEGY

The major tasks of a global strategy involve keeping the peace, managing the world economy, satisfying basic human needs, and protecting human rights.

A. KEEPING THE PEACE

A prime desideratum for any system of world order is keeping the peace. The distinctive characteristic of present circumstances is that the major “superpowers,” the United States and the Soviet Union, are separated by strong ideological differences and a low level of mutual trust, but share a mutually recognized need to avoid, in the interest of all, an outbreak of open hostilities between themselves. The use of nuclear weapons could bring about worldwide destruction; there would be no victors in such a conflict. Deterrence of nuclear war and maintaining a basic balance of forces must have top priority.

In addition, the utmost efforts must be made (1) to achieve limitations on and eventually reductions in the deployment of strategic nuclear weapons; (2) to reduce forces and de-escalate confrontation in conflict areas, such as Europe and Korea, where the use of nuclear weapons could threaten; and (3) to prevent other parts of the world, such as Africa or the Middle East, from becoming battlegrounds among big powers even when local conflicts erupt. Such local conflicts could well occur with greater frequency in the next quarter century than they have in the comparable period just past.

Containing the spread of nuclear weapons to other nations or non-governmental groups is a central aspect of preventing nuclear war. Preventing nuclear proliferation has become enormously more complicated with the growing dependence of the world on nuclear reactors as an important source of energy, and thus the possible diversion of nuclear fuel into weaponry. The current nuclear powers should cooperate to prevent the spread of nuclear weapons, and the trilateral countries should seek stringent controls on the use of nuclear fuel and the reprocessing of nuclear waste material, not only within their own borders but also in all countries to which they provide reactors and fuel. This issue is discussed in the Appendix.

Limiting the quantitative and qualitative arms race in conventional weapons is also an essential element of a more rational world order.

This applies not merely to the superpowers, but also to the rapid expansion of military sectors within the developing world, where a higher percentage of gross national product is now devoted to military expenditure than in the Western industrial countries. Localized arms races threaten not only regional peace but world peace also, because of the potential involvement of the superpowers. The United States is overwhelmingly the largest supplier of conventional arms, but France, Britain, and, to a much smaller degree, some other trilateral countries are also important sources of supply. The present military budgets around the world represent an extraordinary diversion of scarce resources from more productive purposes.

East-West tension will remain high for a long time. The autocratic, single-minded nature of the communist regimes will make difficult genuine relaxation of tensions with the pluralistic, democratic societies in the modern industrialized countries of the West. The policy of detente attempts gradually to change the nature of East-West relations while aiming above all at maintaining secure peace. In the long run, a variety of links between communist and non-communist countries may gradually build a network of interdependence which would, it is hoped, create additional incentives for resolving conflicts peacefully and for finding cooperative solutions to common problems. But the process is likely to be both uncertain and prolonged, and is complicated by the worldwide rivalry between the two dominant communist countries, the Soviet Union and China. Despite slow progress and setbacks, there is no constructive alternative to seeking to stabilize and gradually reduce East-West tensions, which, more than any other set of tensions in the modern world, endanger the survival of mankind as a whole if they erupt into war.

B. MANAGING THE WORLD ECONOMY

Beyond keeping the peace, the objective should be a world order that allows diversity of values and circumstances but also achieves the substantial gains to be derived from close international cooperation on a host of issues.

Since World War II, the advanced nations and many of the developing countries have grown rapidly. Open economies have allowed specialized output, fostered efficiency and competition, and produced much higher output, income, and living standards.

Such growth creates many complex problems, including issues both of its quality and of the distribution of its benefits. Yet it provides the conditions for social change without undue strains and for progress in the developing world. In practice, such growth need not be limited by
shortages of natural resources. As in the past, technology should enable mankind to stay ahead of the always imminent “exhaustion” of specific commodities, although the costs of adaptation may be heavy in some cases.

But the benefits of interdependence will not be automatic. They require various forms of coordination and management.

1. **Coordination of Macroeconomic Policy**

One requisite for stable growth is to maintain the right level of global demand, avoiding either undue contraction leading to recession or undue expansion leading to inflation. This balance requires close coordination of domestic policy among five or six of the key industrial states — all within the trilateral regions. The openness of their economies makes them much more sensitive to outside forces and deprives domestic macroeconomic policy, that is monetary and fiscal measures, of much of its effectiveness in stimulating and restraining the domestic economy. Thus each of them needs to set its policies within a global framework rather than merely on a national basis.

This effort is not easy. These nations differ in their priorities and trade-offs, for example, between inflation and employment. While flexible exchange rates have insulated these economies to some degree from the impact of external influences, they have had much more limited effect than many expected. The increase of integration at the market level must still be matched with an increase in coordination at the policy level.

2. **Maintaining a Liberal Trading Regime under Conditions of Interdependence**

*Free Trade among Welfare States.* Despite the steady removal of trade barriers and the extraordinary expansion of world trade since World War II, which has improved efficiency and living standards, there are still many forms of restraints on trade. The most obvious are in agriculture, where nations control imports by various means. While tariffs are still significant in some fields, other (non-tariff) barriers, often resulting from diverse legitimate regulations of welfare states responding to demands in their own societies, are now more important in blocking access to markets. If the existing liberal regime for exchange of goods, services and capital is to be reconciled with the social functions of welfare states acting in a context of interdependence, continuing efforts at cooperation and consultation on policies are necessary, mainly among the advanced industrial nations. As indicated below, maintaining the liberal regime is also vitally important to the developing nations.

*Competition.* World markets have now become sufficiently interdependent in a wide range of products that countries should together keep a close look on the degree of competition that prevails from industry to industry. The reduction of local barriers of language, custom, and tariff protection have in many instances increased competition. But nations should be alert to the possibility that takeovers and even rapid differential growth of large firms may result in too little competition. Thus all governments of market-oriented economies have an interest in greatly improving the flow of information on large business firms operating in world markets, especially the multinational corporations. Such corporations now account for a very large share of world trade and output. Thus their efficiency materially influences the operation of the global economy. And such firms have created issues in home states and host states regarding transfer prices, profits, taxes, and competition. More disclosure should be required on transfer prices and on country-by-country operating income, with special attention being paid to the possibility of illegal payments.

*Adjustment.* An open trading system inevitably results in constant shifts of industry from one region to another. While such shifts benefit the larger society, they can cause serious hardships to workers, firms, and communities, and generate strong pressures for protection. It is in the common interest that such changes take place at an orderly rate rather than suddenly or precipitately. When the growth of imports is so large and rapid as to be disruptive, some safeguards may be required in order to regulate the rate of change so as not to impose needless hardship. But any such provisions should be under some form of international oversight, and should not be allowed to block the changes which are required in the interest of efficiency.

Similarly, there should be adequate measures such as retraining, compensation, and other devices, designed to reduce the hardship on workers or firms which may be harmed by shifts in trading patterns. Such adjustment will, of course, be facilitated if the economy is operating in a vigorous and prosperous fashion, so that the demand for labor and capital will draw them into other fields of activity.

3. **The Monetary System**

During the past decade, the monetary system has been substantially modified, notably by creation of the SDR as a new reserve currency, and by the adoption of flexible exchange rates for the major currencies.

Central tasks for the next decade grow out of these changes. One is to develop a cooperative system among at least the core countries for operating the system of flexible rates, with guidelines to control erratic
shifts and competitive manipulation. The second is the management of world reserves and international liquidity, with greater reliance on SDRs. For both tasks the International Monetary Fund should play a major role, gradually evolving into a central bank for national central banks.

4. Global Problems

Interdependence has also been characterized by the emergence of a series of global problems which cannot be handled merely by national action. In part, they are the result of new technology and the growth of demand. For example, the oceans, which formerly were “free,” now require regulation. Improved means for fishing and the growing demand for fish make it essential to create systems for managing ocean fisheries. Similarly, the new technologies which would permit the mining of the nodules on the deep seabed require some form of regulation. And the growth of industry leads to the necessity for some common control of the pollution of rivers, seas and the atmosphere in the interest of the world environment. These new areas must be managed in the common interest.

Other fields, such as food and energy, also pose problems. Here, the difficulty arises from the worldwide demand which can be satisfied only from a limited number of sources. In the case of food, the problem is to smooth out the wide fluctuations from one year to another in supplies and markets. In the case of energy, there is now a strong need to explore and develop alternate sources of energy to replace oil or to provide alternatives.

C. CONTRIBUTING TO ECONOMIC DEVELOPMENT

A global strategy for the trilateral countries must also seek to foster economic development and alleviate poverty in the poorer countries of the world. Inevitably, the major effort for economic development must be made by those countries themselves; development cannot be imported. But the trilateral countries can facilitate economic development elsewhere in the world. They can also help to reduce the risks of interdependence and to distribute its risks and benefits more equally between the weak and the strong.

1. Stabilization

Above all, the major industrial countries will make a major contribution if they manage their own economies to assure a stable and vigorous demand for imports which are the major source of foreign exchange earnings for developing countries. Sharp ups and downs in economic activity in the trilateral countries do incalculable harm to economic progress in the developing countries. The experience of the 1960s shows that, under conditions of steady growth in demand, economic development can proceed at a rapid pace in those developing countries able and willing to take advantage of the opportunities that good export markets provide.

Second, sound economic management can be supplemented by explicit schemes for stabilizing both export earnings of developing countries and prices of certain primary products of special interest to developing countries, either as importers or as exporters. We already have the compensatory financing arrangement of the International Monetary Fund to provide special loans to countries whose export earnings have fallen below certain historical norms; and this is supplemented for some less developed countries by the Lomé Agreement with the European Community, although the amounts potentially available under the latter scheme are quite small. If it seems necessary in the light of future demand management, these two facilities should be improved.

Arrangements to stabilize export earnings help to smooth the flow of foreign exchange to the beneficiaries, and thus facilitate steady investment, especially when the import content of investment is high, as is typically the case. But such lending arrangements do not generally provide a steady flow of earnings to individual exporters in the developing countries.

Production and trade in primary products inevitably carry certain risks. Weather is quite important in the production of many of them, and others are subject to strong inventory cycles in the industrial countries. Without supportive arrangements, these risks could inhibit investment in relevant primary product sectors or encourage costly national attempts to avoid the risks. Some — by no means all — of the risks associated with primary product production could be reduced by appropriate management of buffer stocks of the commodities in question. Where private markets seem on the past record unable to provide an adequate degree of price smoothing, governments should consider the establishment of buffer stock reserves in order to dampen price fluctuations.

We do not underestimate the costs of holding large buffer stocks or the practical difficulties in managing them adequately. For many products they would be unworkable, even if the goal of price stabilization were kept wholly separate from the quite different — and more controversial — goal of price-raising. But price stabilization should be possible and desirable for some commodities. The major food grains (where developing countries are primarily importers) and some of the non-ferrous metals (where certain developing countries are major exporters) offer the best opportunities for success.
2. Structure of Production
The tariff structures of many industrial countries still provide artificial inducements to the location of early-stage processing industries in the industrialized countries. Low or zero tariffs are charged on raw materials and higher tariffs on materials that have gone through one or two stages of processing. This processing could sometimes be more economically located in countries where the raw materials originate, where it would also serve to increase employment, help develop a modern industrial labor force, and generate taxable profits. The industrial countries should remove these distorting effects of their tariff structures during the ongoing multilateral trade negotiations.

A more important commitment in the area of trade policy would be for the industrial countries to provide open markets for the growing volume of manufactured products that many developing countries are able to produce successfully. Exports of these manufactures to North America, Europe, and Japan have grown very rapidly. What is needed is assurance that success in exporting to these markets will not subject a developing country to the imposition of import barriers or to arm-twisting to introduce “voluntary” export restraint.

The markets of the industrial countries are large relative to the exports of the developing countries, and only rarely do imports result in substantial injury to industries in the developed countries. In industrial countries, market pressures due to imports are typically far smaller than other sources of economic change, such as the development of new products, shifts in government demand, or economic recession. The presumption that the foreign supplier can be penalized when he is successful should be abandoned. Only in the most extreme circumstances should import restrictions be imposed, such as when exports of a particular product have increased so rapidly and arrive in such volume that the normal processes of assisted economic adjustment still result in great hardship. And even then import restraints should be temporary and under close international surveillance.

At their best, foreign-owned firms can be a powerful stimulus to economic development by introducing more efficient management and marketing techniques, production technologies, and capital. Foreign-owned firms have frequently been charged with introducing inappropriate technology into developing countries, and no doubt many examples can be cited. But that has largely been a response to national policies in the host country that distort the choice of production techniques, e.g. toward capital-intensive means of production. Countries that want economic development would be well-advised to welcome foreign firms on appropriate terms. Where necessary, they can obtain outside assistance, for example from the World Bank, in negotiating with such firms. But the industrial countries should avoid seeming to push direct foreign investment onto unwilling developing countries. There are many paths to economic development and if countries choose one with minimal foreign ownership of local business firms, other countries should not object.

3. Alleviating Poverty
Poverty has been endemic throughout man’s history. Over the last two centuries a remarkable thing has occurred: Roughly one third of mankind has been lifted from grinding poverty and is now able to enjoy many of the amenities of life that over the ages have been limited to only a tiny fraction of the world’s population. The same improvements in transportation and communication that have made the world more interdependent economically, and more productive, have also increased the flow of information about other societies and hence create psychological interdependence - enlarging aspirations in the poorer parts of the world, and engendering guilt feelings in the richer parts.

It is not possible to eliminate world poverty at a stroke. The present ratio of real per capita income (in terms of local purchasing power) between the wealthiest ten percent and the poorest ten percent of the world’s population has been estimated as thirteen-to-one. It has recently been suggested that this ratio should be reduced to three-to-one by the year 2010. This target seems beyond the realm of practicality, however; it would require that the poorest ten percent—basically, India—should achieve over the next 35 years a per capita rate of growth about 50 percent higher than Japan’s extraordinary rate of growth (7½ percent in real per capita GNP) during the 1950s and 1960s. But it is possible for the richer countries to contribute toward the improvements in nutrition, health, and education that are necessary now and in the near future before individuals can begin to take a longer view of self-improvement.

A great deal of our past thinking on economic development has failed to put human beings in the center of transitional strategies. The almost exclusive emphasis on GNP per head in much development planning neglected the conditions of certain strata or groups; rising per capita

[^1]: International comparisons are usually based on each nation’s gross national product converted into common units (e.g. dollars) at official exchange rates. On this basis, the ratio of per capita income between the world’s richest ten percent and its poorest ten percent exceeds thirty-to-one. However, exchange rates do not accurately reflect real purchasing power available to the typical family, and the inaccuracy tends to be greater, the larger the disparity in income between the two countries being compared. When correction is made for real purchasing power in terms of goods and services, the current discrepancy is reduced to thirteen-to-one.
GNP figures may well obscure increasing misery within the state in question. Moreover, GNP per capita can never be the exclusive criterion for development, for it leaves out noneconomic but essential conditions of a civilized life. Effective economic development must, therefore, be defined not primarily in terms of average income of states or regions but, rather, according to fulfillment of basic human needs for food, health, and education.

We believe, therefore, that the trilateral countries should substantially increase the flow of resources addressed to alleviating world poverty, with emphasis on improving food production, providing simple health care delivery (including healthful water supplies, sanitation, and help in family planning), and extending literacy. These programs should be available wherever there is poverty, with minimal political constraints. The grants can properly be subject to conditions to achieve their stated objectives and be closely monitored for their effectiveness in alleviating poverty. Recipient countries whose sense of national sovereignty is offended by such conditions can decline the foreign assistance.

Meeting basic human needs is not necessarily the same as fostering economic development, although it is difficult for a malnourished, rapidly growing population in bad health to make great economic progress. Alleviating poverty is a worthy objective in itself. In addition, there is evidence that it can contribute to economic development by raising the productivity of the labor force and in time contribute to the vital importance of reducing birth rates. We would encourage further the tendencies that now already exist in foreign aid programs to shift the relative emphasis away from big capital projects in the industrial sector toward those activities mentioned above which alleviate poverty more directly and tend to provide jobs for more people, especially in rural areas. We would also increase substantially the total amounts of foreign assistance now being offered.

To assist economic development more broadly, the stabilization and market structure policies discussed above would provide an environment in which those countries really interested in economic development can succeed, especially if these actions are complemented by policies that remove some of the impediments still confronting developing countries in their efforts to borrow abroad. By providing a variety of channels of financial intermediation, some private and some public (such as the World Bank and its affiliates), the trilateral countries can facilitate the flow of capital to the developing countries.

In summary, our program for dealing with the problem of economic development involves a component (with several parts) that is directed to improve the conditions of the poorest people in the world today, and a component (also with several parts) that creates the conditions under which nations desirous of economic development can, with their own direction and effort, achieve it. The latter can be justified largely on ethical grounds, as reducing the inequality of opportunity in today's world, but also on grounds of contributing to economic development. We do not have the human resources to eliminate poverty within the immediately foreseeable future; but we can contribute toward that end over a longer period of time. The latter component can be justified on grounds of mutual gain to developed and less developed countries alike.

The measures proposed would serve the interests of the trilateral countries as well as helping create the conditions in which economic development can take place. They thereby minimize the potential humiliation intrinsic in a donor-recipient relationship. While economic progress will depend mainly on the less developed countries themselves, as it inevitably must, they would be able to pursue development in an environment that substantially facilitates their own efforts.

D. HUMAN RIGHTS

Human dignity demands that individuals enjoy freedom of expression, a significant say in the running of their political and social affairs, and access to their own culture. If basic human needs are understood to include these individual rights, a policy which attempts to meet these needs is confronted with the dilemma of reconciling the acceptance of a pluralistic world structure with a desire to promote human rights.

The acceptance of a variety of traditions, cultures, and political creeds in the world is not only part of a realistic approach to the future of world politics but an essential belief which the trilateral countries share. They regard acceptance of pluralism as an essential characteristic of human organization. Being fully aware of the differences between themselves and others, they do not set out to remake the world in their own image but accept the existing variety.

But acceptance of the pluralistic nature of world politics cannot and must not imply passive acceptance of gross and arbitrary disparities in distribution of gains, violation of human rights, and repression. With modern communications connecting all parts of the globe, the fundamental solidarity among human beings and compassion for human suffering extend beyond the material side of human existence to encompass also the elements of human dignity, in particular the freedom of the individual and his opportunity to realize his aspirations.

The trilateral countries face the dilemma of where to draw the line between acceptance of political pluralism and promotion of human
rights. A policy which promotes democracy and human rights will inevitably come into conflict with prevailing conceptions in other states, including some developing countries extremely jealous of their newly won sovereignty and particularly sensitive to any interference by outsiders. However, a totally "standoffish" policy on human rights is not acceptable, for several reasons: First is basic human solidarity with the oppressed. Second, a world in which democracy and freedom of the individual were confined to the countries of the trilateral region would be likely to affect negatively the future of democracy within the trilateral region itself. Finally, a world order that does not fulfill the minimum of human dignity and freedom for the individual does not correspond to the objectives for which mankind should strive.

In many cases, the support for human rights will have to be balanced against other important goals of world order. Some trilateral conceptions of detente with the Soviet Union and other communist states tend to conflict with a policy of promoting human rights. Moreover, it is argued, the expansion of human rights itself depends on a continuation of detente among governments. While due respect must be given to the substantial dependence of expanded human rights on governments, the liberal democracies cannot renounce their concern for human rights in other parts of the world and in their midst.

V. COOPERATION AMIDST DIVERSITY
SOME MODEST GUIDELINES

Handling the major tasks outlined in the preceding chapter will clearly require extensive cooperation among a wide range of countries on a host of issues. Given the obstacles to such cooperation already discussed, it will seldom be feasible to achieve the ideal form or extent of cooperation under current conditions. In some cases, the most effective means for coping with the problem will not have been developed and can be learned only by experience over time. In many, the deep cleavages and distrust among states will block agreements which include all those interested. Or the pressures of domestic politics will prevent collaboration on the most desirable scale.

Yet, in general, efforts for joint action cannot wait for the perfect solution with participation by all who may have an interest. It will often be necessary to begin with less adequate measures among fewer participants. This chapter focuses on the process and procedure for facilitating necessary cooperation under these conditions. The aim is to make the tasks more manageable and cooperation more likely by various means. For this purpose, it suggests some general guidelines for seeking cooperation amidst diversity: (1) treating issues separately, where feasible (piecemeal functionalism); (2) rule-making with decentralized management; (3) flexible participation; and (4) allowance for evolutionary change.

None of these guidelines is presented as a principle of universal validity in handling international problems. There will always be exceptions. Far from a blueprint, the guidelines indicate rather a certain general approach to the problems in order to overcome or bypass the obstacles to moving forward. They are "first approximations," rough "rules of thumb" which must be adapted (or sometimes rejected) in coming to grips with any particular situation. The Appendix offers more concrete illustrations of the general approach in four particular issue areas, and in doing so points up some limitations as well as strengths of the basic guidelines.
A. PIECEMEAL FUNCTIONALISM

In general, the prospects for achieving effective international cooperation can often be improved if the issues can be kept separate—what we call piecemeal functionalism. Progress on solutions is likely to be faster and the solutions are likely to be more durable.

Where cooperation on a functional issue offers all participating countries potential specific gains, these gains are most likely to be achieved by focusing on the issue in question rather than combining it with negotiations cutting across many areas. By narrowing the negotiation, it can be kept concrete and deal with specific arrangements and procedures. In such cases, specialists (who are more likely to dominate more limited discussions) may be better able to reach agreement than political generalists for whom issues are more likely to become symbolic of victory or defeat for particular national or regional political viewpoints. Specialization creates common bodies of knowledge and intellectual frameworks among experts from many nations. Coalitions of specialists can be built across national boundaries in specific functional areas, blunting the nationalism that might otherwise hinder international agreement. These factors do not mean that the issues may not be "political" or involve political choices. Indeed, the choice of specialist negotiations is itself a political decision. It is a matter of how political leadership is exercised.

This guideline can be illustrated in several issue areas of current or recent importance. International monetary arrangements are the subject of an extended illustration in the Appendix. The failure of attempts, after the disintegration of the Bretton Woods system, to draw up a comprehensive detailed blueprint applicable to all participating countries suggests the wisdom of a more piecemeal approach, concentrating on improvements on the arrangements we already have. It is not clear that current law of the sea negotiations, which combine all the issues, represent the best path toward improved oceans management. The effort to construct a comprehensive package deal in these drawn-out negotiations holds in suspension agreement in particular areas and has frequently raised these issues above a specialist level of consideration. Solid progress might have been greater with a more piecemeal approach, an approach to which some countries may revert if the construction of an overall package collapses. In the area of commodity agreements, integrated approaches tying together a diversity of commodities into a single negotiating strategy are likely to bring protracted delays in making meaningful progress. The effectiveness of commodity price stabilization arrangements depends upon a wide variety of factors that differ significantly among commodities. In the area of peaceful uses of nuclear energy, however, the extended analysis in the Appendix indicates that a full separation of issues does not appear feasible. Nevertheless, in searching for openings for cooperation, it seems useful to distinguish between the supply of reactors, enrichment technology, and reprocessing technology, keeping in mind the many linkages.

We do not underestimate the difficulty of separating issues for the purposes of discussion or negotiation. Nor do we mean that issues should always be divided as finely as conception allows. Many linkages exist among seemingly diverse issues. Three types of linkages may be distinguished. First are technical, inherent linkages that obviously cannot be avoided. Second, linkages are sometimes made for bargaining purposes, especially where a party, which has little leverage on the specific issue, has more on another. In the jockeying leading to the Paris negotiations in the Group of 27, between the advanced and developing countries, the OPEC states used their leverage to insist on the wider agenda of economic issues. Third are comprehensive approaches, joining together large numbers of issues over a very broad field, such as the negotiations on the law of the sea.

The advantages of functional specificity are borne out by the experience with international institutions. As argued in an earlier report, "functionally specific international organizations succeed far better than multipurpose organizations in accomplishing concrete tasks. . . . This is clearest for essentially nonpolitical issues, such as those handled by the Universal Postal Union and World Health Organization. But it is also true for the functionally specific economic institutions, such as the IMF and GATT. . . . The same countries which will often indulge in fanciful rhetoric in a broad, multipurpose organization (such as various UN agencies) will often be negotiating seriously and cooperatively in another organization (such as GATT) on the same issue at the very same time. The more technical focus, and lesser public awareness, of such organizations promotes such a result. . . . (B)roader, multipurpose groups (such as the United Nations) also have an important—though quite different—role to play. They are better than functionally specific groupings for legitimizing broad new concepts. They may be able to coordinate the activities of many functionally specific organizations. . . . They enable governments to transmit their political concerns, and convey their domestic political pressures, without fear of jeopardizing progress toward

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concrete goals. Their wide-ranging debates can help set future agendas for functionally specific organizations.\textsuperscript{3}

The separation of issues raises the question of how the gains from cooperation are to be distributed among the participants, of how to achieve what in tariff negotiations is called reciprocity. Such negotiations are likely to falter unless the distribution seems fair or appropriate to the major participants. Yet if every step forward has to be fully balanced among all the participating countries, that also slows down agreements. They can be reached faster, with benefit to all, if the parties are willing to proceed on the assumption that the balance of gains (and costs) will be achieved over an ongoing process, so that smaller gains to a particular participant in one area will be balanced by relatively larger gains in another area, typically in a different forum and at a different time. Obviously, this presupposes a considerable degree of confidence among participants, and a rich and varied agenda of negotiable issues between them, so that appropriate solutions on a variety of issues favor first one country and then another.

Admittedly, these two conditions are more often fulfilled in the relations among the advanced countries than between them and the developing nations. Trust is higher and the agenda much larger among the advanced nations.

\section*{B. RULE-MAKING WITH DECENTRALIZATION}

In devising international arrangements to deal with a particular problem or manage some continuing aspect of interdependence, the objective should be to minimize the extent and complexity of cooperation required. In general, there should be a deliberate effort to design the international regime as a framework of rules, standards, and procedures and to decentralize decision-making and operational management as much as is consistent with attaining efficient and equitable solutions to global or regional problems.

National publics and governments remain jealous of their national autonomy. Moreover, there has been growing dissatisfaction everywhere with the increasing centralization of the modern world. This has contributed, among other disadvantages, to public alienation from the policymaking process and even from government more generally. Indeed, in today’s world two pressures are in sharp conflict. On the one hand, the nature of the problems to be solved often seems to call for centralizing decision-making to increase efficiency. On the other hand, the growing remoteness of governmental decision-making from those directly affected has intensified demands for wider participation in decision-making. The nation state, now the most important unit of decision-making, finds some functions being pushed upward to international levels to help manage growing interdependence, while others are being pushed downward as a result of increasing pressure for participation. This second guideline is directed to minimizing the tension between these conflicting pressures of participation and centralization.

At the international level, emphasis should be placed on rule-making rather than management. By rule-making we mean establishing frameworks of rules, standards, and procedures (e.g., for taking or refraining from specific actions or for settling disputes) which leave operating decisions — within the rules — to the participating nations or even to private firms or individuals. Such rule-making constrains operating decisions in such a way that national decisions aggregate into a consistent and beneficial whole rather than working at cross-purposes.

Wherever it is possible, therefore, to achieve the desired results through an agreed framework of rules, the functions of operational management and decision-making should be left to national or smaller units of government. Such decentralization gives a greater sense of local participation and allows for variations in local circumstances. It often will improve the quality of management, which for complex systems is difficult to carry on efficiently in a highly centralized fashion. It is much harder for operational decisions to be well made at global levels where the participating units are extremely diverse or numerous.

Certain issues may, nevertheless, call for strong centralization at the international level. Control of the nuclear fuel cycle — an illustration discussed extensively in the Appendix — may be such an exception. Direct international (or regional) management of the most sensitive parts of the fuel cycle may be necessary, to give adequate assurance against proliferation while meeting needs for nuclear fuel for peaceful purposes.

Such centralization should be avoided, however, when it can be done without jeopardizing the substantive objective. Sometimes, within an agreed framework of standards or criteria, even rule-making can be left to national governments or to small groups of national governments acting in concert with respect to a particular problem. A variety of mechanisms is possible and desirable: no uniform organizational blueprint is required. With goodwill, considerable flexibility in fitting the operation of the rules to suit particular circumstances will be possible.

As discussed in the Appendix, the international monetary system

is an area in which decentralized management is generally feasible within an agreed system of rules. With general agreement on actions that should be avoided or occasionally those that should be taken, the actual execution of actions can be left largely to individual countries (with the exceptions of international lending and creation of new international reserves). Actually, a negotiated monetary framework needs to apply only to the five to ten leading countries in international trade and financial transactions. With an agreed framework among these “core” countries, other individual countries can adopt different arrangements, better suited to their individual circumstances, without jeopardizing the central framework.

The discussion of national industrial and social policies in the Appendix concludes that, under the right conditions, a high degree of decentralization in the national determination of such policies is both possible and desirable. If some areas of national action and international cooperation are working well — notably the stabilization of total demand and management of flexible exchange rates — other areas, such as structural policies, can be handled more easily because diversity can be made tolerable. Procedural rules for considering both conflicts in objectives and the distribution of costs of adjustment will frequently put substantive areas of policy on the international agenda, but only when it is necessary.

In the area of food reserves, the shift in international discussions in recent years from visions of an internationally-managed reserve to the more limited notion of nationally-managed, internationally-coordinated reserves indicates an awareness that the scale of projected international cooperation needed to be reduced to a more feasible level.

The discussion of pollution control in the Appendix stresses that the origins of environmental pollution lie almost exclusively within national states, and that solutions can only be brought about through national action. Rule-making at the international or regional level can take the form of parallel pollution standards. With some exceptions, management, policing of rules, and surveillance could be left to the national level. Pollution, like tariff wars and competitive currency depreciations, is an area where international rules can restrain beggar-thy-neighbor policies, and can aggregate national policies into a beneficial whole.

The emphasis on decentralized management and decision-making casts a new light on the role of national institutions. The easy correlation of increased interdependence and increased international management is too simple. Growing interdependence, as stressed earlier, has been accompanied by renewed emphasis on national autonomy. The complex task of reconciling the “imperatives” of interdependence and the quest to retain adequate degrees of national autonomy will pervade the evolution of international arrangements for some time to come. In some cases, it will be necessary to expand the operational tasks of international institutions. But often, that course may be less suitable than establishing an agreed framework to foster constructive policies within individual countries.

C. FLEXIBLE PARTICIPATION

The focus on functionalism and rule-making seems to us to represent the best way to make tangible progress in managing international interdependence to mutual advantage. But as we have already noted, these approaches also require considerable trust and goodwill among nations to work effectively — trust because the distribution of gains cannot always be balanced evenly in each issue area, goodwill because the spirit with which nations act within the agreed frameworks will often be as important as the frameworks themselves. And for reasons already discussed, trust and goodwill are low at a global level; mutual suspicion and hostility are high. Hence wide participation may impede action on important issues and produce solutions too complex or compromised to be effective. Greater progress can be made when smaller groups of like-minded or similarly situated countries collaborate together.

Accordingly, the trilateral countries need to pursue two courses simultaneously — one to deal with urgent problems of the near term, often with limited participation, the other to help build the trust and goodwill among a wider group of nations to support more adequate solutions in the future. An inevitable tension exists between these two courses, for countries excluded from any particular forum of discussion or decision-making may feel that such exclusion jeopardizes their interests, and they become distrustful. Thus the desirability — indeed, the practical necessity — of proceeding with close cooperation among the trilateral countries should be complemented by also continuing discussions in broader fora, including universal ones.

A trilateral approach is not intended to decree what is right or wrong for the rest of the world, nor to create a closed club of fixed membership. It is essential that the trilateral countries not only remain sensitive and responsive to needs and problems elsewhere in the world, but that they also be flexible in their approach to each particular issue, consulting frequently with others and participating with them as the particular issue permits or requires. The world changes rapidly. As other countries develop economically and evolve politically, they will face similar problems and will have similar experiences. Both their apprecia-
tion of the need for collaboration and their potential contribution to it will increase, and they should be brought into it.

As argued in an earlier report, "(t)he creation of new institutions limited to the industrialized countries would generally be a mistake, since at least some developing countries must be integrated in virtually every issue-area. . . . The established powers should, in general, be alert to the opportunity to broaden their groupings to engage additional countries whose importance in a particular issue-area suggests that international progress will be more readily achieved if they are active participants at all levels of the decision-making process."

Thus participation should be guided by the nature of the problem, the degree of interest in the solution, and the prospect of success in reaching agreement on a solution. Many issues can be handled through a series of circles of participation, involving, in the outer rings, general consultation and discussion, and moving inward toward closer cooperation until, in the innermost rings, close collaboration and coordination of policies occur among the key group. Over time and across issues, participation in the various rings will change. This notion of concentric circles of decision-making has been somewhat more extensively developed in an earlier report. Such an approach is not anti-institutions, but rather seeks a more effective mode of reaching agreements in the proper institutional frameworks. Informal collaboration in the earlier stages of discussion would support eventual agreement in more formal institutional settings.

There can be no certainty that the rules and experiences developed within the uniquely intensive relationships of interdependence among the industrialized countries will always be the right ones to be applied to other parts of the globe. Therefore, the trilateral nations should be ready to review their arrangements and to adapt them in case of need as participation expands.

As the issues discussed in the Appendix show, the trilateral grouping is not always the most suitable core grouping. In the realm of peaceful uses of nuclear energy, the London Suppliers Group now includes the Soviet Union and three Eastern European states, and may be extended further. Moreover, the analysis in the Appendix argues the inadequacy of discussions limited to suppliers. The time has come to include key recipients of nuclear technology as well. With regard to international monetary arrangements, the five to ten core countries essential for a negotiated monetary framework do not include all trilat-eral countries. The discussion of pollution control argues that an approach at the trilateral level often appears particularly suitable; but this does not apply across the board. More local approaches will make sense on many particular pollution hazards. Others will necessitate wider groupings for meaningful progress.

D. EVOLUTIONARY CHANGE

Whatever form international cooperation takes in a particular area, it should entail mechanisms for review and adaptation to changes in underlying circumstances. It would not make sense in today's world to freeze any institutional arrangement into a particular pattern or membership. Collaboration among nations must allow for, and even encourage, changes in institutional relationships (including participation) as objective circumstances change, so that effective decision-making and management may continue.

A problem requiring special attention is the apparent resistance of international institutions to evolutionary change — a characteristic not unlike that found in domestic governmental institutions. It appears that international institutions can seldom be relied upon for originating formal changes in the relevant systems. In the international monetary area, as noted in the Appendix, the process of adaptation to new circumstances in this decade was prolonged. The new arrangements, notably the switch to flexible exchange rates, were forced by events rather than negotiated by governments in the IMF. Proposals for change have generally come from national or group initiative outside the IMF, and this experience should be taken into account in constructing mechanisms for review and adaptation. In the nuclear energy area, as discussed in the Appendix, we face an important problem of adaptation. The safeguards regime developed through the NPT and IAEA appears increasingly inadequate to deal with the danger of nuclear proliferation, arising from the prospective worldwide expansion of the nuclear sector.

The emphasis on allowance for change is implicit in the three earlier guidelines presented in this chapter. Piecemeal functionalism is based to some extent on the inflexibility of comprehensive approaches in ever-changing contexts. Decentralization of operational management is intended to recognize variations in local circumstances, over time as well as over space. Flexible participation explicitly recognizes that relationships change, that core countries in any particular area are likely to change over the years. As cooperation proceeds we learn more about how to do it, conditions alter, and the relative roles of countries change.

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For all these reasons, organizing to deal with greater interdependence necessarily must be somewhat exploratory in character. Periodic reviews of the adequacy of procedures and rules should be built into any particular effort.

E. INSTITUTIONS

In most cases cooperation can be carried out most effectively through international or regional institutions. In our view, the approach to their structure and functions should be governed by the four guidelines discussed above. When feasible they should deal with specific tasks, embody rules to regulate decentralized operations, be flexible in membership, and be designed to adapt and evolve over the time both in functions and participation. There will, as recognized, be exceptions, where issues cannot be decoupled, where international management is necessary, or where wide participation is essential. Some exceptions have been discussed above or in the Appendix. Yet general adherence to the guidelines should make the necessary exceptions more acceptable and more workable.

This approach is compatible with the conclusions of the earlier Tri-lateral report on The Reform of International Institutions, which analyzes more fully their vital role in managing interdependence and makes specific proposals for reform. They are useful both to help restrain participants from unilateral policies harmful to themselves and others, and to foster constructive collaboration. As argued in that report, their influence often goes beyond their specific rules and constraints. The very existence of such cooperative structures, more than the specific rules themselves, inspires confidence in both private sectors and government circles around the world that progress will not be disrupted by conflict among nations. International agreements strengthen the hand of outward-looking forces within each government. They promote trans-national coalitions among those forces, whose meshing of like interests often proves importantly reinforcing in pursuing internationalist initiatives.

Moreover, the secretariats of such institutions can be extremely valuable. "Such leaders can propose solutions when no country is able or willing to do so, help galvanize support in individual countries, and implement decisions when everyone else goes on to the next issue." The experience in GATT and the IMF and some other agencies indicates how much can be contributed by strong Secretaries-General. They do not need strong formal authority. Their influence comes from impartiality, integrity and good political sense, as well as intellectual command of the subject. Under those conditions, they will be in a position to make suggestions which the governments will be prepared to consider, and to bridge differences and to initiate compromises which would not otherwise be possible.

While new institutions may be required in some areas, the general emphasis should be on the adaptation and reform of existing institutions, such as the IMF, GATT, OECD, World Bank and its affiliates and others. New agencies may, however, be needed for the oceans, oversight of multinational corporations or stabilizing commodity prices. As argued in the earlier report, these reform efforts deserve high priority in the overall task of "making the world safe for interdependence."

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The stress on functionally specific agencies and arrangements raises the problem of coordination among related fields. The agencies responsible for specific issues do not have either the authority or the duty to relate their actions with others which may overlap. This could create problems in the monetary, trade, and development or other fields. To some degree an agency like the World Bank could provide some leadership in coordinating activities in the field of resource transfer to the developing countries. The Conference on International and Economic Cooperation might conceivably evolve into some form of coordinating institution.

Still, the main task of assuring consistency in the various fields will fall to the trilateral nations which must assume leadership of the system. If their own policies are coherent and open to the needs of others, they will be able, through their participation in the various agencies, to assure that their activities do not conflict or cancel out each other. This need puts a premium on coherent policymaking within each of these key countries and, especially, the United States, Japan, Germany and one or two others. But it also calls for some methods of coordinating their policy, at least informally. To formalize this function might well prove offensive to some of the trilateral and other countries which do not take part. By exercising this role informally and by being responsive to others, the trilateral countries can effectively help in coordinating the activities of various international agencies and in solving concrete problems relevant to many outsiders.
VI. CONCLUSION

The premise of this report is that the nations of the world are caught in a serious dilemma. On the one hand, interdependence requires that many issues and problems be jointly managed in the common interest. On the other, many countries are not yet ready or willing to act in close cooperation with others, and the scale of the cooperation needed may outrun existing capacities. To make the tasks more manageable, they need to be tackled on two planes: (1) handling the urgent issues on bases taking realistic account of current obstacles and limitations; (2) seeking over time to reduce the obstacles and to extend the areas and scope of cooperation.

Both tasks call for leadership. Some group of nations will have to take the responsibility for insuring that the international system functions effectively. No single nation appears to be likely to assume this role in the near term. The United States no longer seems willing to play it fully. Japan and the European Community are not yet ready to assume such leadership. Accordingly, it can only be done collectively for some time by the members of the trilateral region and notably some of its key states. They must act to provide the initiatives and proposals for wider acceptance. They must be on the watch to assure that the system does not break down as a result of the various tensions and pressures.

For both coping with pressing problems and shaping emerging conditions, the trilateral nations need a common strategy to concert their policies and actions. A wholly pragmatic approach will dissipate their influence and lack the coherence necessary for effectiveness and cumulative impact. Yet any large-scale blueprint for a new order would be too ambitious and impractical.

Under these conditions a practical strategy needs two components: (1) consensus on the tasks or goals for the next decade or so; (2) guidelines for approaches to joint action which are flexible enough to adapt to changing conditions and which limit the extent and complexity of cooperation to the essential minimum. As progress is made in reducing the obstacles, the mechanisms can be adapted and improved to make them more adequate and effective.

Close trilateral cooperation will improve the chances of an orderly and peaceful evolution of the global system. The trilateral countries should be “outward-looking” in their perspective on the rest of the world, generous and constructive in spirit, attempting to internalize the interests of others, in particular, the less privileged countries. If the world were to divide into three encapsulated regions of advanced countries, developing countries and communist countries, that would undermine the precarious prospects for global order. We believe that effective, confidence-building cooperation is the best way to resist these tendencies. Amidst complexity, and uncertainty, trilateral leadership can create a “pole of cooperation” which will attract and draw in others.
APPENDIX: ILLUSTRATIONS
OF THE GENERAL APPROACH

The purpose of this Appendix is to illustrate the general approach outlined in the report by analyzing several concrete areas which require close international cooperation of some kind. The four areas chosen for discussion are: international monetary arrangements, environmental pollution, the international impact of national economic and social policies, and the increasing reliance on nuclear energy. All four topics are important, but their selection for this Appendix does not mean that they are more important than other areas requiring international cooperation. Nor is their order an indication of relative priority.

The four brief discussions to follow are not intended to provide full solutions to these problems. The aim is rather to case the main problems involved using the general approach developed in earlier chapters. What is the problem requiring international cooperation? What are the obstacles to that cooperation — from domestic politics, from ideological differences among nations, from disparities in condition, or from linkages to other issues? What are the possible bases for cooperation — who needs to participate; how much decentralization of rule-making and of management is possible; is a trilateral approach useful? And what is the scope for any particular solution to evolve over time?

A. INTERNATIONAL MONETARY ARRANGEMENTS

During the past decade there has been much turmoil in international monetary relations. The monetary system laid down in the mid-1940s came under increasing strain, and the need for substantial adjustments in monetary arrangements became clear. But there was considerable disagreement — some technical in nature, some political in nature — on the magnitude and the character of the required revisions. So the process of adaptation to new circumstances was a prolonged one, and in the end new arrangements, notably the Switch to flexible exchange rates, were forced by events rather than negotiated by governments. Belatedly, governments have accepted the situation as it evolved and have begun to build on it.

International agreement on the basic ground rules of monetary relations is highly desirable. Systems without overt cooperation can be imagined, but they would be stable only if implicit rules of behavior developed. We should be able to improve on that with a negotiated framework.

Several features of international monetary arrangements are worth noting: First, except when things go badly they are not a salient issue in domestic politics. Second, “monetary arrangements” is an esoteric subject, requiring a certain technical expertise. On both counts, domestic political considerations do not greatly complicate international negotiations, as they do international trade negotiations. On the other hand, international monetary questions have sometimes taken on high symbolic value — President De Gaulle once referred to the “exorbitant privilege” of the reserve currency countries — and that symbolic aspect has occasionally made negotiations more difficult than in other arenas, which have not become involved in the high politics between nations.

The extent to which monetary arrangements are separable from other issues depends on the nature of the arrangements. Under fixed exchange rates, it was ultimately difficult to separate monetary questions from questions of trade and foreign investment. A persistently overvalued currency, for instance, led to pressures for protection against imports. The separability of monetary questions is greater with arrangements that do not permit prolonged over- or undervaluation of a country’s currency. On the other hand, flexible exchange rates that in fact fluctuate widely and frequently can also create important problems outside the monetary area, especially for those engaged in foreign trade or in management of the domestic economy.

The monetary system is an area in which rule-making with decentralized management is eminently feasible; with general agreement on actions that should be avoided or occasionally those that should be taken, the actual execution of actions can be left largely to individual countries. The major exceptions to this generalization are international lending and creation of new international reserves. The latter is intrinsically collaborative if it is not to favor particular countries — those that produce gold or those whose currencies are used as international reserves. The former requires international cooperation if the scale of lending is such that it requires the spreading of risk and responsibility among a number of countries. And of course there are important advantages to the central collection and analysis of information, since the functioning of the system as a whole cannot usually be discovered from looking only at the individual parts.

Finally, a negotiated monetary framework needs to apply only to the five to ten leading countries in international trade and financial transactions. With an agreed framework among these “core” countries,
other countries are likely to adopt similar arrangements; and if they find it preferable to adopt different arrangements, better suited to their individual circumstances, they can do so without jeopardizing the central framework. For example, many smaller countries could adopt flexible exchange rates without threatening a regime of fixed exchange rates among major currencies; or many smaller countries could fix the exchange rate of their currencies in one fashion or another without threatening a system of flexible exchange rates among major currencies. In this sense, the international monetary system is a question primarily for the major non-communist countries. Other countries, however, have a major interest in how it works. (Communist countries have by choice insulated themselves from the world’s monetary arrangements through tight, occasionally brutally tight, exchange controls. Their influence is small, and is likely to remain small so long as they maintain these tight controls.)

The upshot of all this is that the major features of the core of the international financial system must be agreed and operated by the leading five to ten countries; a wide variety of arrangements is then possible for other countries around that central core. Widespread interest in the monetary system requires a mechanism for discussion of ongoing developments and of proposals for formal change in the system. These two requirements can be met under existing arrangements, with ongoing developments discussed within the nearly global International Monetary Fund and its various committees, and proposals for formal change discussed not only there but also by outside groups such as the Group of Ten. International institutions, by their nature, cannot be relied upon as sources for originating formal changes in the system, so such proposals generally must come from national or group initiative outside the IMF.

What about the content of monetary arrangements? Substantial changes have been made in the last decade. First, a new, man-made international money, the SDR, has been created for central banks. Related to this, the monetary role of gold in the international system has been diminished, just as it was diminished in domestic monetary systems decades before. Second, flexible exchange rates have been introduced among the major currencies. Most other currencies continue on an “adjustable peg” arrangement. That is, they are linked with a nearly fixed exchange rate to some major currency or to some group of currencies, such as the 16-currency composite SDR or the European “snake,” but that exchange rate can be adjusted from time to time as economic conditions require.

These are major changes in international monetary arrangements, and they have not yet been fully digested. Central tasks for the next decade are to learn how to operate a system of flexible exchange rates and to assure that the SDR provides most if not all of the incremental reserves needed by the world economy. The first of these tasks involves developing practical guidelines to prevent large and erratic movements in exchange rates, which are damaging to foreign trade and other normal international economic transactions, and to prevent competitive manipulation of exchange rates, e.g. deliberate undervaluation of a currency to help create an export surplus and domestic employment. Collaboration is needed in this area since each exchange rate is inherently two-sided; without collaboration, countries could be working at cross-purposes.

The responsibility here to provide a workable core falls mainly on the leading countries, partly because other currencies are typically attached to theirs, partly because of their sheer preponderance in international transactions. Failures of smaller countries in exchange rate management are not consequential for the system as a whole. As a result, they may enjoy greater freedom, and each can take responsibility for its own currency with respect to the core. Countries in the central core will change over time. During the past two decades Britain’s relative importance has declined, while Japan, which was not consequential in this area twenty years ago, has become of central importance. Twenty years from now further significant changes will undoubtedly have taken place, and the system for collaboration must accommodate these gradual changes.

The second task is world reserve management. This involves wider cooperation, since the key to world reserve management is restraint in the additions to central bank holdings of gold and of reserve currencies such as the U.S. dollar, the German mark, the British pound, and the French franc. So long as countries build up their international reserves with national currencies, the SDR will remain a secondary source of reserves. It will not be easy to switch habits to greater reliance on SDRs, and some observers even doubt the desirability of doing so. Thus the management of total world reserves will require further discussion and negotiation. It is not at the moment a matter of high priority, but it could once again become one, and that day should be anticipated through continuing surveillance of what is happening and continual discussion of possible alternative arrangements.

Such discussions should encompass not only official reserve holdings, but also the growth of international liquidity, some in official

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6Since mid-1974, the SDR has been valued in terms of a “basket” of 16 currencies. The weights established for the currencies are broadly based on the 16 countries’ shares in world exports of goods and services over the five-year period 1968-72.
hands, some in private hands, that occurs annually through the medium of the international financial markets, and especially the Eurocurrency market. This market is only lightly regulated, and while it has been the source of much of the strength of international financial relations during the past decade, it also represents a source of potential vulnerability to the system's stability as well as a relatively uncontrolled source of international liquidity.

With respect to both tasks, it is desirable that the International Monetary Fund increasingly evolve into a central bank for national central banks. It already performs this function as a source of financial support, although it is not yet a true lender of last resort due to limitations on its resources. If SDRs become the principal reserve asset, the IMF will play a central role as a creator of international reserves. Moreover, under the Jamaica agreement of 1976 the IMF is charged with exercising close surveillance over currency interventions to influence exchange rates, with a view to assuring their consistency with agreed objectives and limitations on the use of exchange rates.

Beyond these tasks, the world economy requires much better coordination of macroeconomic policies than has been the case in the past. This again is a responsibility primarily of the major countries, especially the United States, West Germany, and Japan. These three countries are too large to ignore the rest of the world in framing their actions. They impose heavy costs on other countries, even under a regime of managed exchange rate flexibility, when they deflate their economies excessively or when they inflate their economies excessively. Some have done both in recent years. The international community should have a medium for making its views on economic management known to the responsible officials in the leading countries, and again the IMF in the future could provide the appropriate forum, if it were given that responsibility.

In terms of our general approach, in conclusion, international monetary arrangements illustrate several points: First, there is wide scope for different exchange rate arrangements by individual countries, but within a broad international framework. Second, the essential cooperation for maintaining that framework involves a relatively few countries, although all countries have an interest in it. Third, the failure of attempts to draw up a detailed blueprint applicable to all participating countries suggests the wisdom of a more pragmatic approach, concentrating on improvements on the arrangements we currently have.

B. POLLUTION OF THE ENVIRONMENT

The environmental problem is one of the predicaments of our time. Man's pressures on the environment in the wake of industrialization, population growth, and the development of modern agriculture have assumed such proportions that they raise serious dangers for human health, the functioning of modern societies, and indeed, for the physical survival of a growing number of species — even, some argue, for man himself.

What is generally referred to as the environmental problem covers an extraordinarily wide spectrum of issues. It includes, for example, physical damage within the biosphere, depletion of resources, deterioration of man's relationship with his social and political environment, and doubts about economic growth and existing life styles in industrialized societies.

We shall confine ourselves here to the problem of environmental pollution. Pollution dangers are immediate and visible. Possibly irreversible changes may have been started, and the cost of repairing damage often vastly exceeds the cost of preventing it.

The origin of environmental pollution lies almost exclusively within national states. Apart from a few exceptions, such as pollution caused by shipping on the high seas, pollution burdens air, water, and life cycles within national areas and is then transmitted across frontiers to the outside world. Consequently a solution to the problem can only be brought about through national action.

Domestic politics, therefore, has great impact in the field of environmental pollution and on strategies for its control. Two aspects of this impact are particularly important in the context of our discussion. First, parochialism and shortsightedness have always been strong when it comes to dealing with pollution. In this respect, the behavior of governments has not differed substantially from that of private firms which in the past tried to save costs by not undertaking antipollution measures, thus passing on the costs to others, usually the public at large. Governments have often adopted the policy of passing on pollution to
other states (although, in reality, pollution does not typically disappear when it leaves national jurisdiction; it often burdens the biosphere with long-term consequences which the originator will have to bear along with everyone else).

Second, the importance of domestic politics means that remedial action on pollution is forthcoming only if national reasons exist for such action, e.g. damage to health or to the preconditions for a well-functioning production process. Pressure to change policy arises from national groups acting within national frameworks upon the appropriate local, regional or national authorities. To be sure, there are cases where governments have acted to reduce pollution for the benefit primarily of other countries, or where environmental groups have cooperated transnationally, but these remain exceptions.

How can international cooperation contribute to the solution of a problem where domestic politics has such a strong impact? In the past, international cooperation has played an ambivalent role. On the one hand, international approaches have brought about improvements. The United Nations 1972 Stockholm Conference on the Human Environment mobilized consciousness everywhere, defined criteria and principles of policy, and induced many countries for the first time to view systematically the problem in a comprehensive national framework. On the other hand, however, the call for international solutions to pollution problems has repeatedly been the road to immobilism. It enables governments to justify their own inaction by pointing to the missing activities of the other countries involved. The failures of international programs to fight pollution in the Rhine River illustrate the case.

On balance, international cooperation can contribute to solutions, indeed it may significantly facilitate success. It is useful to distinguish between trilateral and global levels for such cooperation.

An approach at the trilateral level appears particularly meaningful for two reasons. First, most of the world’s pollution is generated in the industrialized world; moreover, transnational pollution is particularly intense in Europe. Thus attempts to reduce world pollution by focusing on the industrialized world make good sense and offer high returns for the investment.

Second, the factors of experience in cooperation, common outlook, and similarity of economic structure among the trilateral countries suggest that a coordinated approach within this group would have a good chance of meaningful success. In particular, the common elements of a free market system and the large amount of trade among the trilateral countries make it desirable to avoid competitive disadvantages due to different standards of environmental protection with different effects on production costs. The existence of similar standards would help neutralize opposition to stricter pollution control, an opposition which would otherwise object in the name of keeping down costs, remaining competitive, or preserving jobs.

Consequently, rule-making should ideally occur at the trilateral level, in the form of conscious parallels in pollution standards. Similar standards should be sought in specific areas of production where they matter most. Management, policing of rules, and surveillance could be left to the national level, with the exception of regions with particularly important transnational pollution, such as in border lakes or rivers. Moreover, in the special case of the European Community, an area of intensive economic cooperation, it makes sense to move elements of management to the regional level. This is, in fact, already happening.

Participation in the necessary decision-making should be confined to those concerned with the problem at hand, possibly in the framework of regional subgroups, but, as always, kept open and flexible to accommodate changing circumstances. With regard to cooperation with communist states, the problem of competitive disadvantages due to pollution is practically of no relevance; but in the interest of an effective reduction of pollution, trilateral countries should extend cooperation to them, in particular in the field of antipollution technology. The same applies to developing countries. Although their contribution to world pollution remains small compared with that of the industrialized states, the trilateral countries should attempt to involve developing countries in the effort to apply antipollution standards and try to pass on available environmental technology. This becomes all the more necessary as the Third World advances in industrialization and use of modern agricultural techniques.

A global approach is necessary where global implications are reasonably obvious, as with radioactive fallout. Two areas appear particularly important here: The first involves nondegradable pollutants, which exist in a multitude of forms in the effluents of all kinds of industries and accumulate in the biosphere with uncertain, but possibly detrimental consequences. The second area is the world’s climate, which appears to be increasingly affected by man-made pollution. In both of these cases, great uncertainty prevails. Measures at the national level, such as a reduction in the use of nondegradable pollutants or in air pollution in the major countries, are undoubtedly a first and useful step, but a worldwide approach will soon be imperative.

The trilateral countries should support worldwide surveillance of nondegradable pollutants, in particular the “Earthwatch” program of the United Nations Environment Programme, now seriously hampered by
the reluctance of some nations to provide the necessary data or financial means. In addition, because our knowledge is limited, a particular effort should be made to undertake research in these areas, accompanied by a full exchange of results. There are a number of apocalyptic predictions about certain chemical products in the biosphere, such as the release of aerosols which destroy the earth's protective ozone layer, or other products which produce either a "greenhouse effect" by warming the earth's atmosphere or a new "ice age" by shielding out solar rays. While such predictions are inevitably uncertain, they counsel action to prevent possibly irreversible damage to the world community as a whole.

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In terms of our general approach, environmental pollution is an area where action by trilateral countries can make an important contribution to a global task, although global approaches are required in a few cases. Most of the world's pollution is generated in industrialized areas, and various general factors in trilateral relations suggest good prospects for meaningful cooperation. Rule-making at the trilateral level should generally take the form of conscious parallels in pollution standards. Management and policing can, for the most part, be left to the national level. The necessary technologies to deal with the problems at hand are available in many cases; where they do not exist, the scientific and technological bases to develop them do, if only a more deliberate effort is made to mobilize them for this purpose. The trilateral countries should move ahead, set an example, gradually involve others and support global approaches where necessary. Even if it will take some time, given the importance of domestic politics in this area, until other countries are forced by domestic problems to move in this area, the trilateral countries will have started action on problems where time may be running out.

C. NATIONAL SOCIAL AND INDUSTRIAL POLICIES

In pursuit of a variety of social objectives, most countries take measures that affect the structure of production. Actions range from requiring safety measures to reduce the risk to workers in particular activities to providing special tax incentives to increase employment in particular regions of the country.

Government actions in pursuit of social or industrial policies may create difficulties with other countries because special government incentives may be perceived by others as conferring an unfair competitive advantage on the activities enjoying the preferential treatment. They seem to violate the principle that trade should be based on production according to special talents, resources, and availability of capital and labor. Moreover, if two or more governments take a similar view about what industries are desirable, a competition may result among governments in giving subsidies to those activities, as has happened with shipbuilding for instance.

The presence of myriad special requirements or special privileges, all affecting the ability of particular industries to compete in international markets, would seem to provide a particularly strong candidate for close intergovernmental coordination of economic policies affecting industrial structure. Before we reach such a far-reaching conclusion, however, let us consider the all-pervasive nature of government influence on industrial structure and ask to what extent close coordination of such influences really is necessary.

Sometimes governments support entire industries, on grounds varying from relief of social distress to essentiality for national defense to a desire for modernity. Examples are special support for farmers, especially grain and dairy farmers; for production of weapons and munitions and ships; for electronics or steel production, the latter especially in developing countries. From the perspective of the United States, Japanese and European support both for local agricultural production and for high-research-intensive industries (such as computers) seems to threaten the two areas of American real export strength. Even if these policies are not designed to inhibit foreign trade, that may be an unintended effect. (It should be noted that extensive support to one industry
makes more difficult — or expensive — support to another industry. Thus, European support for agriculture, which entails substantial subsidies to exports of agricultural products, leads to more appreciated currencies than would otherwise be the case. This makes other European industries less economic than they would be without the subsidized agricultural exports.)

Sometimes the principal concern of governments is with economically depressed or lagging regions of the country, and their support is directed toward any productive activity that will locate there. Thus most countries now have “regional policies” of one kind or another, whereby special subsidies or tax remissions are given to firms that locate within the favored areas. Firms enticed into these areas may become successful exporters, yet they will have done so with the help of the special governmental favors, generating resentment in competing foreign firms and calls by these foreign firms for countervailing action by their governments.

Sometimes government policies are concerned not with particular industries or regions, but with social conditions. The range of such policies is vast, encompassing wage legislation (e.g. minimum wages or equal pay for men and women), labor legislation (e.g. limiting the types of jobs children or women may hold), safety requirements in mines or factories, effluent regulations to limit pollution, and so on. Only rarely do these regulations focus on a particular industry, yet in an open world economy they may affect substantially the competitiveness of some industries relative to others. This is because such regulations have a differential effect on different economic activities, penalizing especially those that have low labor productivity or involve high risk or produce much waste material, for instance. Under conditions of full employment and effective adjustment in international payments, moreover, such policies also in effect benefit the industries whose costs are raised less than the average by such regulation. That is, these industries are made more competitive. One among many possible examples would be the impact of minimum wage legislation that raises the lowest wages above what they would otherwise be. In an open economy, this will make the low-wage industries less competitive and will stimulate imports of their products, leading to some depreciation of the exchange rate, which in turn will make the higher-wage industries more competitive internationally, and thus stimulate exports, production, and employment in the higher-wage industries. Compared with a condition of laissez-faire, therefore, we may conclude that effective minimum wage legislation has penalized the low-wage industries and benefited the high-wage industries.

It is in the nature of these industrial and social policies that they are closely governed by domestic political considerations in all countries. Moreover, they are occasionally governed by strong ideological considerations as well, with some political parties arguing that extensive industrial or regional planning should take place as a matter of principle, whereas other parties adopt an ideological stance against such economic planning. The communist countries represent an extreme example of industrial planning, where market considerations are rarely allowed to guide the allocation of resources, and preferred industries are treated in numerous favorable ways, from preferential allocation of scarce materials and skilled labor to interest-free loans of capital. Finally, because industrial and social policies are so pervasive, it would seem to be difficult to separate them from other areas of economic intercourse among nations.

There is, then, considerable potential tension between national actions that affect the structure of production and international competitiveness, on the one hand, and the objective of an open world market for goods and services based on fair competition and efficient use of resources on the other. One possible resolution to this tension would be to elevate production planning and social policies to a global level, deciding what should be produced in each country. This course is impractical. Under what political authority should such an allocation be decided? How would conflicts between nations be resolved? Whose knowledge and “models” of economic intercourse would be used?

An alternative would be to limit foreign trade to the extent necessary to realize national objectives. The difficulty with this course is that many nations could not even begin to satisfy their economic objectives without the gains from specialization that foreign trade makes possible. It would simply be too costly.

Neither of these radical courses of action is practicable. Fortunately, neither is necessary. The kind of global strategy that we envision, with its emphasis on pluralism and as much decentralization in decision-making as possible, suggests that it is not desirable to inhibit any community from determining its social conditions for employment or its structure of production, and from taking steps to achieve its objectives. This freedom should be encouraged. In an interdependent world, however, the behavior and expectations of others can be strongly influenced by present and past relationships, and violation of these expectations, on which investment plans have been made and on which employment depends, at least in the short run, should be undertaken only with circumspection.

Thus we would urge countries to follow several steps in consider-
ing policies to influence the structure of production, or policies which as a by-product have a substantial influence on the structure of production and international competitiveness:

- **First**, governments undertaking a change in policy should provide full information on both the expected gains and the expected costs to flow from that change, so that outsiders can also evaluate the effects of the new policy.

- **Second**, insofar as possible, the change should be structured so that the country making it bears the costs along with enjoying the benefits. In other words, changes for which a major part of the costs fall on foreigners should be avoided. The first two considerations would lead to general restraint, or at least caution, in undertaking major changes in policies affecting particular regions or industries.

- **Third**, as a corollary to the second point, any major change in pre-existing patterns of production, and hence trade, should be introduced gradually and with suitable notice, so that other countries have an opportunity to adjust comfortably to the new situation. Abrupt changes should be avoided.

- **Fourth**, the nature and timing of the measures to be introduced should be discussed with those other nations which are also required to make a major adjustment, to explore methods to reduce the costs of adjustment. And there should be procedures for hearing and resolving disputes. Where direct conflicts arise (as when the sales of a particular product desired by several countries taken together exceed the world market for the product), international negotiation to remove the conflict should be undertaken.

The overall economic framework must be of such a character that this relatively permissive stance toward industrial policies can work. We believe the framework that we have outlined above (Section A of Appendix) will do this. This framework involves the maintenance of full employment by each major country through the use of domestic instruments of policy, combined with relatively flexible exchange rates among major currencies. Full employment is necessary to ensure that any jobs lost as a result of structural policies in other countries are replaced by other jobs, through the maintenance of aggregate demand; flexible exchange rates are necessary to internalize many of the costs to any major country making a change in structural policies, so that the costs of favoritism to one industry or region are largely imposed on other regions or industries of the same country, as they should be. Both these conditions taken together have the further advantage of eliminating the two frequent but misguided reasons that governments have often invoked in the past for undertaking sectoral policies: to increase (overall) employment and to improve the trade balance.

As the openness of economies increases, the effectiveness of monetary and fiscal measures in maintaining total demand is diminished. This condition may lead countries, as it has often led cities or provinces within countries, to compete with one another for the location of mobile firms through the offer of fiscal or other incentives, for the sake of generating employment. This competition can be avoided if it is recognized that for the community of nations as a whole (or for important groups of countries) the effectiveness of monetary and fiscal policies in maintaining total demand remains unimpaired. As national economies become more open, therefore, the need for coordination of monetary and fiscal policies will also increase. Subject to that condition, business firms should be free to migrate from countries of stifl regulation to countries of lighter regulation, provided both countries know fully what they are doing, and provided the change is sufficiently gradual so that adjustment can take place smoothly. Objective environmental circumstances and national values will vary, perhaps substantially, from country to country, and the world as a whole can benefit from locating its productive activities to accord with those differences in values and circumstances.

To sum up, we believe that under the right conditions a high degree of decentralization in the national determination of economic and social policies is both possible and desirable. Our pluralistic approach can make an apparently unmanageable problem — the need to coordinate hundreds of specific policies among dozens of nations — quite manageable. With some areas of national action and international cooperation working well — notably the stabilization of total demand and management of flexible exchange rates — other areas, such as structural policies, can be handled more easily because wide diversity can be made tolerable. Finally, procedural rules for considering both conflicts in objectives and the distribution of costs of adjustment to changes in national policy will frequently put substantive areas of policy on the international agenda, but only when it is necessary.
D. PROBLEMS OF PEACEFUL USE OF NUCLEAR ENERGY

Orderly development of the peaceful use of nuclear energy requires a special and urgent effort at international cooperation. A number of national and international events in this area have given rise to growing conflicts between states. In fact, this problem could well become a most divisive issue between the United States and some of the European allies and Japan, as well as between developing countries and nuclear supplier states. Shortsighted actions may now create accomplished facts which make it yet more difficult to find cooperative solutions in the coming years. The first task of the trilateral countries in approaching this area is to examine the nature of the problem, to disaggregate its components insofar as this is possible, and to look at the contribution which the trilateral countries may be able to make in cooperation with others in minimizing potential difficulties and moving toward long-term solutions.

The urgency and relevance of the overall problem are immediately obvious. Indeed, it has moved into the foreground of domestic and international politics. Animated domestic debates have started in practically all democracies looking at the implications of nuclear energy for safety and even raising the question whether nuclear energy should be developed at all in view of possible risks. In the international context, the peaceful use of nuclear energy is raising a number of familiar issues on a new scale. When nuclear energy first became a feasible approach to producing energy for peaceful purposes, governmental policies and international arrangements were developed in order to avoid negative consequences in the form of a proliferation of nuclear weapons. The most important instruments developed in this period were the Non-Proliferation Treaty (NPT) and the International Atomic Energy Agency (IAEA).

Nobody foresaw at that time the extraordinary expansion of this sector which it now appears will take place during the closing decades of this century. This expansion may raise the present 160 commercial reactors in the world to around 400-500 reactors in the 1990s. The heightened concern about depletion of oil reserves and about independence from external sources of energy, which have become major determinants of the energy policies of all countries since the oil crisis of 1973-74, provide a powerful driving force for the expanded use of nuclear energy. Although there will, hopefully, be alternatives developed in the future, for present policymakers there seems to be no alternative to nuclear energy for the next decades. Beyond then, the large scale and economic development of clean coal, solar, ocean thermal or other energy sources may supply the world's demand for energy. In the meantime, the magnitude of the required expansion of the nuclear sector raises serious questions about the safeguard system developed through the NPT and IAEA. They appear increasingly inadequate to deal with the danger of nuclear proliferation by way of the sensitive parts of the fuel cycle, notably through enrichment and reprocessing of fuel, both of which offer the potential for producing nuclear material of the quality required for explosives.

Finally, the rise of terrorism has made us aware of the great potential danger from the nuclear energy sector's vulnerability to terrorist attacks. Hence the physical security of both nuclear installations and transport of nuclear materials has become a major problem and will become even more important in a world with hundreds of operating nuclear reactors, each requiring supplies of fissile material and removal of dangerous waste products.

Although a multitude of problems arise out of the peaceful use of nuclear energy, at the heart of concern and consequently of the ongoing international disputes are the sensitive parts of the nuclear fuel cycle. It is here that the most immediate and potentially most dangerous problems arise. Any attempt, however, to disaggregate the overall problem into its component parts soon reveals two characteristics which we have earlier identified as barriers to a rational approach to international cooperation: First, deep-seated considerations of national security, national autonomy in the field of energy, and national priorities for economic development are added to the traditional impediments to international cooperation. Second, the various dimensions of this problem involve an extraordinary degree of linkage between rather different subject areas, including proliferation and security, energy policy, industrial structure and exports, security of supply, North-South relations, and the environment. Even relations between friends and allies are affected by this issue, as evidenced by the objections expressed by American politicians to the agreements to sell sensitive nuclear technology by the Federal Republic of Germany to Brazil and by France to Pakistan.
For these reasons, a strategy which is based on a separation of issues according to functional specificity appears difficult. Nevertheless, it is useful in searching for cooperative approaches to distinguish between the supply of a) reactors, b) enrichment technology, and c) reprocessing technology, keeping fully in mind the linkages which exist between these three areas and with other problems. As we proceed, we should keep in mind five basic criteria:

- The avoidance of proliferation of nuclear weapons through the by-products or technologies connected with the production of nuclear energy.
- The maintenance of physical security in order to avoid sabotage, terrorist attacks or diversion of nuclear material — accomplished through adequate measures of protection of nuclear installations and of fissile material or waste products.
- The provision of nuclear energy, requiring basically several things: assured access to reactor-produced energy, security of waste disposal of spent fuel elements and security of supply of fuel.
- The maintenance of environmental safety by avoiding the entrance of radioactive and toxic materials into the biosphere during reactor operation and waste disposal.
- The maintenance of reactor safety through adequate cooling systems, etc.

Of these five criteria, the fifth is primarily important in the domestic debate on nuclear energy, but it also has an international dimension insofar as reactor safety becomes an international concern when nuclear installations exist near to international borders or, as is the case in Western Europe, in regions of high population density.

Supply of Reactors

With regard to acquisition of nuclear reactors, there is a general international consensus that every country should have access to this technology if it chooses and provided it is willing to accept IAEA safeguards and controls. This applies to developing as well as industrialized countries.

At the present stage of the international and domestic debates there is considerable disagreement as to whether nuclear energy is necessary, in particular for developing countries. It is argued in a study by the World Bank that only 10-15 developing countries will need nuclear power in the next ten years, while other studies, such as those from the IAEA, suggest that nuclear power is a sensible road for all developing countries to take. Opponents of nuclear energy suggest that developing countries in particular should choose a nonnuclear road in selecting among energy alternatives. While this controversy cannot be settled here, the principle should be accepted that every country has the right to decide whether or not it wants to utilize nuclear reactors to satisfy its energy needs.

Only the United States, Canada, the Soviet Union, Britain, France, and West Germany are now in a position to supply complete nuclear power installations; and all of them, including France, which is not a party to the NPT, do so only under the strict safeguard system of the IAEA and sometimes under additional national control systems as well.

Access to reactor technology and the associated safeguards is thus not a problem under present conditions if reviewed in isolation from other questions. The problems arise the moment reactor technology is connected with the other parts of the fuel cycle.

Supply of Enrichment Technology

There now exist several technologies for producing enriched uranium. The oldest of these, gaseous diffusion, is well known but highly expensive and only economic when operated on a very large scale. The new technologies, such as the centrifuge and the nozzle, are less proven but applicable in smaller units. Some of these technologies can be supplied by the countries that can deliver nuclear reactors. Most of these countries, however, have in the past refused to provide this technology; some have, instead, provided enriched fuel prepared in their own domestic enrichment facilities. Only the Federal Republic of Germany has so far promised to deliver enrichment technology — to Brazil, under stronger safeguard arrangements than those required by the IAEA in the context of the NPT.

There is only one acceptable argument for a recipient state to seek to acquire this technology, that of security of supply of enriched fuel. The fear that dependence on external supplies could be exploited for foreign policy purposes is widespread and was strongly reinforced by the Arab oil embargo of 1973. Practically all industrialized states are concerned with their dependence on external sources for enriched uranium. This applies not only to Japan and those European states which are highly dependent on imports but even to the United States, which has domestic production and which through the rhetoric of "Project Independence" has reinforced these feelings in other countries. Needless to say, these concerns also exist in developing countries. They reject monopoly control by the industrialized states of the delivery of enriched uranium for the same reasons that industrialized states seek a diversification of sources of energy. In the present atmosphere of North-
South relations supply commitments by industrialized states are viewed with skepticism by developing countries.

The only other argument for acquiring enrichment technology is to acquire the capacity to produce nuclear weapons, which, of course, in the context of a policy of non-proliferation, cannot be accepted.

The delivery of enrichment technology even under safeguards creates a proliferation problem for, as is often overlooked, the IAEA safeguard system is only an accounting system which alerts the world about unauthorized use but cannot prevent it. Moreover, states can break the safeguard agreements under which these technologies are delivered. Even if such a step was not necessarily planned at the outset, it may occur as the result of a change in the political regime of the country. The presence of enrichment installations and the acquisition of the necessary know-how creates the opportunity and options which facilitate misuse if the political will exists at a later point.

The concern about the proliferation implications of a wide diffusion of enrichment technology is especially great in areas traditionally ridden with conflict and instability, where the likelihood of nuclear weapons being used may be relatively high, with unforeseeable but possibly grave consequences for security in that region and to world peace. Moreover, many countries today are still “soft states” with insufficient infrastructure and authority to avoid accidents or thefts resulting in misuse of nuclear material.

On the other hand, a simple withholding of enrichment technology in the name of an anti-proliferation policy remains insensitive to the legitimate desire of countries to decrease their dependence on outside supply by diversifying their sources of fuel. Moreover, the insinuation that either the suppliers or the recipients of such technology have no other purpose in mind than to break the agreements not only is likely to misrepresent real motivations but also is conducive to introducing an element of antagonism which will not be helpful in creating a cooperative solution to the problems at hand.

Supply of Reprocessing Technology

The delivery of reprocessing technology shares some of the problems connected with enrichment technologies though others have to be added. A number of countries possess and can handle reprocessing technology on a commercial or a laboratory scale. They include the U.S., the U.K., France, West Germany, Belgium (for Euratom), Italy, Spain, Yugoslavia, Japan, Taiwan, India, Argentina, and Canada. Some of them are able to export the know-how. Reprocessing of used fuel from reactors is as dangerous from the point of view of proliferation as enrichment, for it produces plutonium which can be used for nuclear weapons. Moreover, while retrieving some unburned uranium which can be returned to the reactor, it also separates a number of waste products which are highly radioactive.

The aspects of reprocessing other than its potential misuse for the production of weapons-grade material must also be assessed. It is argued, notably in Europe, that there is an economic and ecological case for reprocessing. Reprocessing enables the reuse of unburnt fuel in the reactor, thus stretching uranium supplies. Reprocessing also makes it possible to burn the radiotoxic plutonium, which would otherwise have to be stored indefinitely, with the well-known risks. Proponents of reprocessing argue that storage of used fuel rods represents only an intermediate solution. In the longer run, reprocessing may be cheaper than long-term storage of used fuel rods.

However, reprocessing poses the proliferation issue sharply. Fuel-grade plutonium is generally usable for nuclear explosives, though they are comparatively crude. Proponents of reprocessing, however, argue that the separation of plutonium, besides avoiding the ecological problem of storing a substance that remains radioactive for almost a million years by returning it to the reactor, has the distinct advantage of eliminating plutonium by burning it in the reactor.

Moreover, once the fast breeder reactor becomes fully operational, plutonium will be a major fuel. In the eyes of many proponents of reprocessing, notably in Europe, which barely has any uranium resources, the fast breeder provides a sensible alternative to reactors using uranium, which may be depleted in a few decades, by stretching the uranium resource for centuries. Therefore, they argue, unless other energy alternatives can be developed (such as high temperature reactors based on thorium, fusion, solar or ocean thermal energy), the use of plutonium using reactors is inevitable.

But the reprocessing problem differs from enrichment in that reprocessing is only economic if a large number of reactors are operational. None of the less developed countries is likely to have a large number of reactors within the next decade; even Brazil, if the present German-Brazilian agreement is implemented at the envisaged rate, will take about 20 years to create a large nuclear power capacity. Hence there is no immediate need for reprocessing or delivery of reprocessing facilities for countries just starting their reactor program. Policymakers, therefore, have time to review the entire question with the purpose of finding solutions.

The reprocessing technologies offered by the Federal Republic of Germany and France for export are intended to be installed in a smaller
than commercial capacity although they might well be able to produce the relatively small amounts of plutonium sufficient for a few nuclear weapons. In any case, delivery of equipment according to existing agreements is not immediate.

Consequently, the intensity of the dispute and recriminations among suppliers, recipients and third parties with regard to reprocessing technology is vastly out of proportion to the immediate urgency of the problem. For these reasons policymakers not only have every reason to review the problem with more equanimity, but they have some time to study possible approaches for a cooperative solution. What would be the elements of such a solution and the role of the trilateral countries?

Elements of a Solution

It is vital that agreement among all suppliers of the three kinds of nuclear technology (reactors, enrichment and reprocessing) is reached. In practice, the trilateral countries should become the driving force and decisive element, but the cooperation of the Soviet Union is vital. Judged by the relatively strict anti-proliferation policy of the Soviet Union in the past and her behavior in the discussions with other supplier countries, there seems to be a good chance to involve the Soviet Union in a cooperative effort.

But two uncertainties remain. First, if China decides to abandon its present policy of total withdrawal from the export market in this field, its involvement becomes a necessity, for it has reached a high level of nuclear technology. Second, India has acquired a degree of technological sophistication in this field that makes it able to provide the know-how at a scale that could be sufficient for a fellow developing country which is anxious to develop a nuclear capacity for military purposes, e.g., by acquiring only one or two weapons or nuclear explosives. The economic problems of India and her dependence on outside support make her particularly vulnerable to a bargain in which these technologies are exchanged for economic advantages, such as the delivery of oil or other vital raw materials. In fact, should it become impossible to find cooperative solutions between supplier countries and recipient countries in the developing world, India could well become the country, in the rise of tension and antagonism that might ensue, that breaks up a possible strategy of non-proliferation in the field of sensitive technologies. In view of the fact that other developing countries will master sensitive technologies, their inclusion in the dialogue becomes a necessity as well.

It goes without saying that a solution cannot be imposed by the supplier countries alone. A cooperative approach involving the develop-
capacity for the recipient countries. Multinational fuel cycle centers could offer a possible alternative to a supply of fuel from industrialized states and would have the advantage of supply from groups of like-minded states and of stronger safeguards and physical protection. Nevertheless, they pose a number of problems: On whose soil and under whose authority should they be placed? How would they operate in times of conflict among those who share the center? Should there be only a few global centers with a number of negative consequences for physical protection for the transport of material, or should there be more numerous multinational centers? Moreover, the objections likely to be raised by public opinion in the democracies make it appear difficult, and perhaps impossible, to establish multinational fuel centers on their territory servicing many other countries.

But these questions do not have to be answered at once, nor is reprocessing an immediate need. For these reasons the trilateral countries should strive for an approach consisting of the following elements:

- A moratorium for a limited period should be agreed upon by suppliers and recipients with regard to commitments to deliver on a national basis enrichment equipment usable for weapons production and technology for reprocessing.

- The trilateral countries should initiate a study of the alternative approaches to solving the legitimate needs of suppliers and recipients. This should be done through an intensive dialogue, so far missing at the political level, to define in common what the problems are and how one can develop a coordinated, if not a joint, strategy. With the full involvement of the relevant recipient countries, alternative approaches should be examined, such as multinational fuel cycle centers and the expansion of existing agreements (such as the German-Brazilian one) into multilateral arrangements.

- The dialogue should be extended beyond that in the London Suppliers Group and take place among supplier and recipient countries.

- In view of the grave dangers of proliferation in the concluding decades of this century, this dialogue should examine the possibility of making acceptance of the NPT a prerequisite for the delivery of any kind of nuclear technology.

- Steps have to be undertaken to strengthen the IAEA in order to prepare the organization for vastly expanded functions in the coming years, such as control of multinational fuel cycle centers including international storage of used fuel.

If countries decide to develop nuclear weapons they usually have political, military or psychological reasons to do so. No doubt the availability of weapons material will influence that decision, but the trilateral countries jointly with future recipients should examine political, diplomatic and economic measures that might eliminate or alleviate the potential causes which induce countries to acquire nuclear weapons.
SUMMARY OF THE REPORT OF THE TRI-LATERAL INTEGRATORS TASK FORCE

Towards a Renovated International System

This report, written after the first three years of the tri-lateral commission, is a broad overview of the process of renovating the international order. The international order, created after World War II, is no longer adequate to cope with new global problems and processes of change. To be sure, the international order has not collapsed under the strains of this decade, but the legacy of the old system and how it functions is the most pervasive characteristic of the current situation.

The steady expansion and tightening of the web of interdependence has become indispensible for world order, particularly given its dual character: intensive interaction between societies at various levels, threats to the welfare of national welfare states, etc. Interdependence complicates the management of international priorities and policies. The management of interdependence is inevitably complicated by conflicting national priorities. Moreover, current arrangements are severely criticized by many developing countries, which demand a greater say in international decision-making and a more equitable sharing of benefits from the world economy.

The requisite cooperation for both the short and long term must be based on the shared conviction that it maximizes overall gain and reduces the welfare of all those involved. Such cooperation faces major obstacles, however, which a realistic strategy must take into account: the desire for national autonomy, the impact of domestic politics, disparities in conditions among countries, and the sheer number of countries involved.

What principles should guide the tri-lateral countries in their approach to management of international interdependence? With its numerous complexities and uncertainties, the temptation will be strong to adopt a completely pragmatic approach, in short, to "play it by ear." The tri-lateral countries should surmount this limited view and have in mind a broad strategy for the management of interdependence.
burden existing capacities. What is required is a strategy for action which will provide (1) a definition of the essential goals for the long term, to provide a sense of direction for the next decade or two; and (2) a set of guidelines for specific actions and decisions, taking account of current limitations and obstacles to cooperation.

The essential goals for a global strategy (Chapter IV) include keeping the peace, managing the world economy, contributing to economic development and the satisfaction of basic human needs, and promoting human rights. Within these broad goals, countries should work out modes for international cooperation that are practicable and effective for each of the particular problems they face. There are several important guidelines for making problems more manageable, for facilitating cooperation amidst diversity in the management of interdependence (Chapter V):

- **Piecemeal Functionalism.** In general, the prospects for achieving effective international cooperation can often be improved if the issues can be kept separate — what we call piecemeal functionalism. Progress on solutions is likely to be faster and the solutions are likely to be more durable.

- **Rule-Making with Decentralization.** In devising international arrangements to deal with a particular problem or manage some continuing aspect of interdependence, the objective should be to minimize the extent and complexity of cooperation required. In general, there should be a deliberate effort to design the international regime as a framework of rules, standards, and procedures and to decentralize decision-making and operational management.

- **Flexible Participation.** Trust and goodwill are low at a global level; mutual suspicion and hostility are high. Hence wide participation may impede action on important issues and produce solutions too complex or too compromised to be effective. Greater progress can be made when smaller groups of countries collaborate together. Participation should be guided by the nature of the problem, the degree of interest in the solution, and the prospect of success in reaching agreement on a solution.

- **Evolutionary Change.** It would not make sense in today’s world to freeze any institutional arrangement into a particular pattern or membership. Collaboration among nations must allow for, and even encourage, changes in institutional relationships (including participation) as objective circumstances change, so that effective decision-making and management may continue.

There will of course be exceptions to these principles, where seemingly diverse issues cannot be effectively uncoupled, where effective manage-
for cooperative approaches to distinguish between the supply of a) reactors, b) enrichment technology and c) reprocessing technology. There is general agreement that every country should have access to reactor technology, provided it is willing to accept IAEA safeguards and controls. It is the sensitive parts of the fuel cycle which are at the heart of international concern. The trilateral countries cannot manage this area alone. The cooperation of other suppliers and major recipients of nuclear technology is vital. A concerted international effort involving both sides is necessary to develop further the instruments of non-proliferation while at the same time respecting the desire of many countries to expand nuclear energy generation. Meanwhile, steps should be avoided which make such a task more difficult at a later stage.

The Trilateral Process

The report which follows is the joint responsibility of the three authors, with Richard Cooper and Karl Kaiser serving as principal drafters. The authors have been particularly aided in their work by Robert Bowie. Prof. Bowie worked with the authors during the course of their efforts and undertook the final revision of the manuscript after it was discussed at the Trilateral Commission meeting in January 1977. The authors also consulted with Zbigniew Brzezinski (then Director of the Trilateral Commission), George S. Franklin (now Coordinator of the Trilateral Commission), and Wolfgang Hager (Senior Fellow at the Research Institute of the German Society for Foreign Policy).

SCHEDULE OF TASK FORCE ACTIVITIES:

December 7, 1974 — Preliminary discussion of project in trilateral “brainstorming” session in Washington, D.C., including Cooper, Kaiser, Bowie, Brzezinski and 22 others.
May 29, 1975 — Meeting of authors, Bowie and Brzezinski in Kyoto to discuss task force concerns.
November 30, 1975 — Meeting of authors in Paris to develop outline of report.
April 15-16, 1976 — Cooper, Kaiser, Bowie and Franklin meet in Cambridge to start preparation of first draft of report.
September 6-8, 1976 — Authors meet in Bonn with Bowie, Franklin and Hager to discuss elements of first draft.
September 23, 1976 — Kaiser leads discussion of task force work at meeting of European members of Trilateral Commission in Rome.
Early November, 1976 — First full draft completed.
November 21, 1976 — Authors meet with Bowie and Franklin in New York to review first full draft of report.
Late November, 1976 — Second draft completed and circulated to Commission members.
March, 1977 — Bowie completes reorganized draft.
July, 1977 — Draft completed by authors for publication.
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