

# TRIALOGUE

***A Bulletin of N. American-European-Japanese Affairs***

*published by:*

**THE TRILATERAL COMMISSION (N.A.)**

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(As of June 15, 1974)

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- \*Paul C. Warnke, *Partner, Clifford, Warnke, Glass, McIlwain & Finney*
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- Arthur M. Wood, *President, Sears, Roebuck & Company*
- Leonard Woodcock, *President, United Automobile Workers*
- \* Executive Committee

TRILATERAL COMMISSION EXECUTIVE COMMITTEE  
MEETS IN BRUSSELS, DISCUSSES TASK FORCE REPORTS,  
AND ISSUES JOINT STATEMENT

The Trilateral Commission's Executive Committee gathered for its second meeting on June 23-25 in Brussels. At the close of these sessions, a Joint Statement was issued, which is printed in full later in this newsletter. In this Statement, Committee members emphasized their strengthened conviction that "interdependence has become a central and inescapable fact of relations among nations." They recognized that events of the past year have indicated the complexity of developing cooperative action. In some quarters, there is a tendency toward unilateral action and a "feeling that interdependence is a burden instead of the source of our wellbeing." The Committee stressed that "unless interdependence becomes cooperation, there is a high risk of global anarchy." Four basic recommendations for cooperative action are set forth in the Joint Statement. The measures and efforts suggested are considered "indispensable" by the Executive Committee in order to avoid a "serious disruption of the world's economy."

Three task force reports were presented to the Executive Committee in Brussels. These were the basis for much of the discussion and development of recommendations. First considered was the report of the task force on relations with developing countries, for which Richard N. Gardner, Saburo Okita, and B. J. Udink have served as rapporteurs. This report, entitled A Turning Point in North-South Economic Relations, concentrates primarily on responding to the "desperate plight" of some 30 resource-poor developing countries whose governments cannot pay their sharply increased bills for, in particular, oil, food, and fertilizer. In their Joint Statement, Executive Committee members supported the report's call for \$3 billion in additional concessional aid to be provided for these countries in 1974-75, a World Bank estimate of what is required in the short term. This effort, in the words of the report, "calls for an extraordinary act of cooperation between the countries of the Trilateral region and the oil exporting countries of OPEC." Both sets of countries should share in the emergency effort, "without prejudice to burden-sharing arrangements for the longer term." Hopes are expressed for participation of the Soviet Union as well.

Energy: The Imperative for a Trilateral Approach was the second report to be discussed in Brussels, prepared by the task force on the political and international implications of the energy crisis, for which Guy de Carmoy, John C. Campbell and Shinichi Kondo have served as rapporteurs. Wolfgang Hager took the place of Mr. de Carmoy in the Brussels meeting. A closely related discussion, based on an analysis by Richard N. Cooper, was concerned with handling the financial impact of the rise in oil prices, which have quadrupled since early 1973. Mr. Cooper, the North American rapporteur of the monetary task force, had prepared two brief memoranda: one on "Immediate Economic Actions Required by the Rise in Petroleum Prices" and another focusing in particular on the "Role of Central Banks in Financing Oil Deficits."

With regard to the financing of oil deficits, the Executive Committee in its Joint Statement suggests that the IMF be authorized to borrow money in its own name for its "oil facility," beyond funds pledged by governments. The

Committee recognizes that the oil payments problem is much more severe for some industrialized countries than for others, and emphasizes that closer monetary cooperation is necessary "to ensure that these differences do not lead to a serious crisis of the international trade and payments system." Governments, central banks, private banks, and international institutions are urged to "cooperate in innovative ways to avoid a collapse of the international trading and payments system."

With regard to oil and energy problems more generally, the Executive Committee supported the energy task force in calling for "cooperative energy policies" among the Trilateral countries, to accompany cooperative financial action. Discussion recognized important differences in position and outlook among various Trilateral countries, but saw a more fundamental common interest in cooperative action. This should take a number of forms, from sharing energy technology to developing emergency oil-sharing arrangements. Spokesmen from all three Trilateral areas urged a cooperative and continuing relationship with Middle Eastern oil-producing countries, for which there is considerable potential.

The third task force report considered at the Brussels Executive Committee meeting was Directions for World Trade in the Nineteen-Seventies, prepared by the task force on trade, for which Guido Colonna di Paliano, Philip H. Trezise, and Nobuhiko Ushiba have served as rapporteurs. The relevance of the report for the current round of GATT negotiations was underscored, negotiations which should be "pursued with vigor," the Joint Statement declares. The report and the Brussels discussions covered a range of trade-related topics. Some issues, such as export controls, are rather new; and others have not received much attention in earlier GATT rounds of negotiations. "For these new problems, new rules must be established," the Joint Statement concludes. "The task is no longer merely to perfect the international market place -- though much remains to be done in this field -- but to deal jointly with the task of managing its operations."

One session of this Executive Committee meeting was set aside for an open-ended discussion of the general situation in the three Trilateral regions. A Commissioner from each of the three Trilateral areas presented opening remarks dealing in particular with developments in his own region - Kazushige Hirasawa for Japan, Harold Brown for North America, and Francois Duchene for Western Europe. This open-ended session was quite successful. In order to share some of the opening comments more widely, the talks by Mr. Hirasawa and Mr. Brown are printed later in this newsletter. Mr. Duchene's comments were delivered extemporaneously and thus cannot be reproduced.

The success of this open-ended session has led to planning of a similar discussion, on Inflation and Politics, for the next meeting of the Executive Committee. This will take place December 8-10 in Washington, D.C.

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Considerable press coverage was received by the Trilateral Commission and its task force reports around the time of the Brussels meeting, when these reports were publicly released. In its lead editorials of June 18, entitled "Collective Crisis..." and "...Collective Interest," The New York Times discussed the report

of the Commission's task force on relations with developing countries. Strong support was given to the emergency recommendations in the report, and to Commission perceptions of the gravity of the present situation. The Boston Globe, in an editorial of June 28, also concentrated on the developing countries task force report. "The mind boggles," the Globe noted, when the report "steps off" into discussion of longer-term issues such as "a new and more satisfactory international economic order." However, the editorial continues,

"it is important that the big questions should be asked. It is worthwhile to have a grand design in view. And, if the grand design posed by the Trilateral Commission has overtones of the grandiose, if the real solutions to the manifold world problems must continue to come slowly and in bits and pieces, the effort will have been worthwhile to the extent that it creates individual awareness and concern. Increasingly this is one world and we cannot ignore the tolling of the bell in nations and among peoples less fortunate than we."

In his syndicated column for June 25, Marquis Childs discussed and applauded the work of the Trilateral Commission, "this constructive attempt to build badly needed bridges."

"With America's relations with Western Europe and Japan suffering from neglect, it is good news that a voluntary agency is hard at work developing agreed goals for these three vital power centers. The Trilateral Commission meeting in Brussels is putting out a series of papers..."

Childs concentrated on the trade task force report in particular.

Among foreign reports was an article in the Frankfurter Allgemeine of June 26 telling of the Trilateral Commission, the Brussels meeting, and the task force reports. "Der vierten Welt muss geholfen werden," the headline reads - "The Fourth World must be helped." A sub-headline notes the proposal presented for a special aid effort for resource-poor developing countries ("Sonderfonds für rohstoffarme Entwicklungsländer vorgeschlagen").

#### PARTICIPANTS IN BRUSSELS MEETING

##### Regional Chairman:

Max Kohnstamm, European Chairman  
Gerard C. Smith, North American Chairman  
Takeshi Watanabe, Japanese Chairman

##### Executive Committee:

Kurt Birrenbach	Kazushige Hirasawa	David Rockefeller
Robert W. Bonner	John Loudon	William M. Roth
Harold Brown	Kiichi Miyazawa	William W. Scranton
Francesco Compagna	Kinhide Mushakoji	Ryuji Takeuchi
Marc Eyskens	Saburo Okita	Paul C. Warnke
Chujiro Fujino	Jean-Luc Pepin	Sir Kenneth Younger
Patrick E. Haggerty	Edwin O. Reischauer	Sir Philip de Zulueta
	Mary T. W. Robinson	

Other Commissioners:

Georges Berthoin  
Robert R. Bowie

William T. Coleman, Jr.  
Francois Duchene  
Alan Hockin

Count Otto Lambsdorff  
Leonard Woodcock

Director:

Zbigniew Brzezinski

Regional Secretaries:

George S. Franklin, North American Secretary  
Wolfgang Hager, European Secretary  
Tadashi Yamamoto, Japanese Secretary  
Bernard Wood, Executive Secretary of Canadian Group

Task Force Rapporteurs:

Task Force on Relations with Developing Countries

Richard N. Gardner, Professor of Law, Columbia University  
B. J. Udink, former Dutch Minister for Aid to Developing Countries  
Saburo Okita, President, Overseas Economic Cooperation Fund

Task Force on the Political and International Implications of the Energy Crisis

John C. Campbell, Senior Research Fellow, Council on Foreign Relations  
Guy de Carmoy, Professor, European Institute of Business Administration  
Shinichi Kondo, former Ambassador to Canada

Task Force on Trade

Philip H. Trezise, Senior Fellow, The Brookings Institution  
Guido Colonna di Paliano, a former Commissioner of the European Community  
Nobuhiko Ushiba, former Ambassador to the United States

Monetary Task Force

Richard N. Cooper, Frank Altschul Professor of International Economics,  
Yale University

Oceans Consultant

Ann L. Hollick, Director, Ocean Policy Project, School of Advanced  
International Studies, Johns Hopkins University

### REGIONAL MEETINGS

A meeting of North American Commissioners was held in New York City on May 29-30, a few weeks before the Executive Committee meeting in Brussels. Dinner on May 29 was followed by an address by Mr. Paul Volcker, just leaving his post as Under-Secretary of the Treasury for Monetary Affairs (United States). A full day of discussion ensued on May 30. In the morning, consideration was given to the draft report of the task force on relations with developing countries, with Richard N. Gardner, the North American rapporteur, leading the discussion. Over lunch, Commissioners heard a report from Ann Hollick, consultant to the Commission, who presented her "feasibility study" looking toward a full-fledged task force on the oceans. Such a task force, as noted later, was approved at Brussels and will be getting underway this fall. In the afternoon, John C. Campbell, North American rapporteur of the energy task force, opened discussion of that group's draft report, and Richard N. Cooper, North American rapporteur of the monetary task force, likewise presented his short memorandum on handling immediate financial aspects of the oil crisis.

Aside from this North American meeting, a meeting of European Commissioners was held in Brussels, just before the Executive Committee sessions began.

### THE TRILATERAL POLICY DEVELOPMENT PROGRAM

Of those task forces reporting at Brussels, both the energy task force and the task force on relations with developing countries will be continuing their work. Second reports are planned, looking at longer-term issues in their respective areas of concern. As noted above, approval was given at Brussels to a full-fledged task force on the oceans, to begin work this fall and hopefully to report before the likely resumption of the United Nations Law of the Sea Conference in Vienna next spring. In recognition of different national perspectives, rapporteurs from both Canada and the United States will be involved in this task force. A similar arrangement may be developed for Norway and the Common Market countries. There will also, of course, be a Japanese rapporteur. This task force will not necessarily strive for agreed recommendations, being concerned more immediately with sorting out issues and interests and assessing the implications of likely developments. There was some feeling in general at Brussels that the Trilateral Commission has progressed sufficiently to now focus some of our attention on more controversial issues, rather than always looking to agreed conclusions and recommendations.

The decision was also made at Brussels to go forward with a longer-term project on the "Renovated International System." This "Overview" project will focus on the needs for both a new political framework and novel economic arrangements. A preliminary brainstorming exercise, with participation from the three regions, will be held on the eve of the next Trilateral Executive Committee meeting, in Washington in December.

Another longer-term project is that of the task force on the governability of democracies, organized in early 1974 with Michel Crozier, Samuel P. Huntington, and Joji Watanuki as rapporteurs. Plans call for a major study of the future

of modern democratic systems of the trilateral world. Attention will be given to the danger of erosion of core political beliefs and institutions, and to the effects of economic growth, the mass media, and increasing education and political participation. The three rapporteurs held their first session together on April 20-21 at Stanford University, along with the Commission Director. Their next meeting will take place in November, with the report scheduled to appear in middle or late 1975.

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FULL TEXT OF JOINT STATEMENT  
ISSUED AT THE BRUSSELS MEETING  
OF THE EXECUTIVE COMMITTEE

June 25, 1974

The Trilateral Commission was founded by private citizens from Japan, North America and Western Europe in order to further international cooperation in a period of rapid change in our industrial societies and in world politics.

I

The economic cooperation of the last 25 years has been the result of a gradual liberalization of international exchanges, made possible by the acceptance of a number of rules of behavior. However, the growing volume of trade and transactions, and the divergence of interests among both the advanced and newly emerging nations have made the international economic system more complex.

Solutions must now be found for serious balance-of-payment problems resulting from inflation and the recent rise in raw material prices. For the poorest part of humanity life itself is at stake and in some industrial countries the existing social and political system could be endangered. The international community must help those who are hit hardest to buy time so that they may adjust to new circumstances.

The events of the past year have shown the difficulty of working out joint solutions. The dramatic rise in commodity prices threatens to damage the international economic order. Inflation is causing severe strains within our nations and the machinery of international cooperation is in danger of being overtaken by events. This is leading to unilateral actions and to the feeling that interdependence is a burden instead of the source of our wellbeing. Unless interdependence becomes cooperation, there is a high risk of global anarchy.

II

In Brussels, on June 24/25, the Executive Committee has discussed current economic and political problems on the basis of the following reports:

- A Turning Point in North-South Economic Relations
- Energy: The Imperative for a Trilateral Approach
- Directions for World Trade in the Nineteen-Seventies.



Our discussion strengthened our conviction that:

- interdependence has become a central and inescapable fact of relations among nations;
- cooperation among Japan, North America and Europe is indispensable in order to find solutions for the problems caused by interdependence;
- only if united can the nations of Europe play their full part in shaping a cooperative world order;
- confrontation between the advanced and the developing countries must be avoided and progress must be made towards an equitable world order, which takes full account of the problems of those nations lacking in material wealth;
- the vitality of the industrial societies is an indispensable condition for the solution of the problems of all countries.

### III

Our discussions have resulted in the following conclusions and recommendations:

First: there is an urgent need to help the nearly one billion people in some 30 resource-poor developing countries whose governments cannot pay the increased costs of oil, food, fertilizer and other products. The Executive Committee urges an extraordinary effort of international cooperation to provide the \$3 billion in additional concessional aid that the World Bank estimates is needed for these countries in 1974-75. Without prejudice to burden-sharing arrangements for the longer term, we believe the responsibility of providing the \$3 billion should be shared by the countries of the Trilateral region on the one hand and the oil-exporting countries on the other. Our proposal takes account of the fact that the Trilateral countries have a vastly greater total national income, while the oil-exporting countries have enjoyed a dramatic increase in their export earnings and therefore in their capacity to invest abroad. We hope the Soviet Union will also participate in this \$3 billion emergency program.

Second: the oil payments place very uneven burdens on different industrialized countries. Closer international monetary cooperation is necessary to ensure that these differences do not lead to a serious crisis of the international trade and payments system. The Executive Committee has noted with satisfaction the decision of the IMF to establish a new lending facility to help developed nations to finance their increased oil imports. In order to obtain funds in addition to those already pledged to the IMF for this purpose, the Fund should be authorized to borrow money in its own name. Recycling has taken place so far mainly through the leading private banks. But additional action will also be required to deal with the immediate problem. The Executive Committee urges the governments, central banks, international institutions and private banks to cooperate in innovative ways to avoid a collapse of the international trading and payments system.

Third: these measures, indispensable in order to buy the time necessary for orderly structural changes, must be accompanied by cooperative energy policies of the trilateral countries. Our countries should enhance their efforts in

energy conservation and efficiency of energy use. Our countries should also diversify their energy supply sources. Long-term investments are required for developing new energy resources. Faced by insecure supply and the high cost of energy in the coming decade, our countries should work out necessary measures to encourage such investment. In order to promote conservation, efficient use and increased supply of energy, the exchange and R&D of relevant technology throughout the world should be stepped up, especially in cooperation with the oil-producing countries. Our governments should work together with a view to establish an emergency sharing scheme, to protect against the risk of supply interruptions. The Executive Committee urges our governments to pursue these efforts with the greatest diligence and to avoid time-consuming overlap between new and existing international machinery.

Fourth: the Executive Committee is of the opinion that special efforts are needed to maintain, reinforce and adapt the present trading system, which constitutes one of the most impressive achievements in economic cooperation of the past 25 years. Therefore, parallel with the efforts to establish a new monetary system, the GATT negotiations commenced last autumn in Tokyo should be pursued with vigor. The developing countries must obtain better access to our markets. Export controls and non-tariff barriers, which have taken on greater importance, must be brought under the supervision of the international community. Agricultural trade must be reorganized to maximize efficiency of production, security of supply and insurance against sudden shortages. For these new problems, new rules must be established. The task is no longer merely to perfect the international market place - though much remains to be done in this field - but to deal jointly with the task of managing its operations.

The Executive Committee considers that these measures and efforts are indispensable in order to avoid a serious disruption of the world's economy. By taking them speedily our governments will safeguard the fruits of interdependence, and avoid the drift back into policies that may promise short-term advantages for some but will spell long-term disaster for all.

#### IV

Finally, in a longer time perspective the cooperative use of ocean resources is of fundamental importance for the adaptation of the existing economic order to tomorrow's needs. The Executive Committee has therefore set up a task force to report on an efficient and equitable ocean regime. Moreover, since the central question for the future will be how to preserve and enhance our democratic systems and how to organize a more effective and cooperative international system, the Executive Committee has authorized two longer-range projects: one on the future of modern democracy and the other entitled "Towards a Renovated International System."

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"A REPORT ON THE JAPANESE SITUATION"

Comments by Kazushige Hirasawa

given at the  
Executive Committee meeting  
in Brussels  
June 25, 1975

Dr. Edwin O. Reischauer, in his recent excellent publication entitled "Toward the 21st Century," stresses the need to further consolidate the triangular relationship between North America, Western Europe and Japan. In order to make this possible, Dr. Reischauer hopes that the Japanese people, in particular, will make efforts to develop their sense of international interdependence and solidarity. I quite agree with him.

I believe that, although slowly, the Japanese are already proceeding toward the goal Dr. Reischauer envisions. Recently we have witnessed several developments which have made the Japanese turn their eyes to the outside world, willing or not.

One of these developments was the oil crisis. Japan must import almost all of the oil it consumes. Eighty per cent of the imported oil comes from the Middle East. Seventy per cent comes through the six major international petroleum companies, under American and British direction.

Among the oil-consuming countries of the world, Japan was, one might say, "the most seriously affected country" in the recent oil crisis. The oil crisis has shown to the Japanese how mutually dependent the nations of the world are. The critical oil problem has occasioned serious arguments in Japan that the Japanese economy, with its extremely high growth rate and the Japanese people's way of life with enormous wastes, must be remodeled. Another argument is that in Japanese diplomacy more efforts should be made to improve relationships with developing nations, and that a common philosophy of prosperity should be cultivated between developing and developed countries.

An occurrence that shocked the Japanese more than the oil crisis was the student violence that greeted Japanese Prime Minister Tanaka when he visited Southeast Asia early this year. This phenomenon has caused the Japanese to wonder if they are lacking in some essential quality for dealing with other nations, because they are a homogeneous people long locked up in their string of small islands. Discussions are underway on the importance of evolving an effective pattern of education for developing international-mindedness among the next generation of Japanese.

Another potential threat which is troubling the minds of the Japanese people today is the likelihood that the Law of the Sea Conference in Caracas may extend the exclusive economic zone or "intermediate zone" to 200 nautical miles from a nation's coastline. If this decision is made, it will very

seriously affect the Japanese fishing industry and the Japanese people's diet. Catches by Japan's pelagic fishing fleets would be reduced to almost half of the present amount and the Japanese, a great fish-eating nation, would have that much less protein food on their dining tables.

This series of events has made the Japanese realize that the international issues of today intermingle politics and economics and are global in character. We have to deal with interlocking problems of energy, resources, food, population, pollution, and monetary arrangements multilaterally and on an equal footing.

I expect that such an awakening on the part of the Japanese people to their position in the world will form the basis of Japan's political trends in the years ahead.

Another new political phenomenon in Japan is the strong demand among the people for social justice and equality. This tendency is a byproduct of the inequality developing between that segment of the population which benefits from spiralling inflation and those who suffer from it. Popular discontent over this matter has manifested itself in declining support for the ruling Liberal-Democratic Party and the growing popularity of the Japan Communist Party.

The increasing popularity of the Communist Party may also be attributed to a few other, more direct causes. One is the fact that the Communists have changed their strategy from sheer militancy to a more flexible stance. Another factor is the evident devotion of party members to their day-by-day activities.

Ordinarily, the people's angry reaction to social injustice would be advantageous for the growth of the Socialist Party. But this party is dominated by left-wing elements who are preoccupied with Marxist-Leninist theory and lack the flexibility and practical wisdom which even the Communists have. Moreover, the Socialist Party is under the control of former trade union leaders who refuse, unlike the Communists, to take in political talents from professional groups such as scholars, physicians, lawyers and social workers.

Nevertheless, I do not think that the Communist Party will someday outstrip the Socialist Party. As the Communist Party gains influence, it will meet proportionately stronger resistance not only from the Liberal-Democratic Party but also from moderately leftist groups such as Komeito, the Democratic-Socialist Party, and the right-wing of the Socialist Party. Another factor in my negative view of the Communist Party's future is the skepticism with which a considerable portion of the Japanese people look at the flexible appearance of the Communist Party's strategy.

The Japanese Communist Party's representation in the House of Representatives of the parliament is 39 seats out of a total of 491 members. As for the popular vote in the latest general election, the Communist Party's share was 10.4 per cent, as against the Liberal-Democratic Party's 48 per cent and the Socialist Party's 21.9 per cent. As I see it, the Communist Party may be growing, but it will not become a great political force in Japan.

One cannot deny, however, that it is a force to be reckoned with. The Communists have their nationwide membership networks among youth and women and in such enterprises as small businesses and small hospitals and clinics. The party has about 2,700 members in provincial assemblies across the country. Its vigorous day-by-day activities among the populace are posing quite a threat to the ruling Liberal-Democratic Party.

This threat has brought about two different reactions in the Liberal-Democratic Party. One is the emergence of a militant anti-Communist group of young Turks called Seirankai. Because of its dashing activities, this group has caused some suspicions abroad that the Liberal-Democratic Party may turn rightist and that the pendulum of Japanese politics may swing to the extreme right in the future.

In my opinion, however, the Seirankai is overestimated. Actually, the group is not capable of influencing the basic platform of the Liberal-Democratic Party. It did play a meaningful role in demonstrating the Liberal-Democratic Party's right-wing reaction to the growth of the Communist Party, but lately its solidarity has weakened considerably.

Another reaction from the Liberal-Democratic Party to the growth of the Japanese Communist Party is the demand for more attention to public interests raised by a more liberal faction in the party. As I said earlier, the Communist Party was aided by public discontent with social inequity as seen in the glaring inequality arising from the skyrocketing prices of land, and the unfairness in taxation. In other words, the outcry centers on inequality in the distribution of wealth and income.

The liberal elements in the Liberal-Democratic Party are, therefore, calling for bold steps to give a fair chance for land acquisition to the common people and a fair redistribution of wealth brought about by the conservative party instead of the radicals. Mr. Kiichi Miyazawa, an eminent parliamentarian and one of our colleagues, called for social justice in a party organ a year ago and announced a practical program for implementing that theory in a recent issue of Chuo Koron, a respected intellectual journal.

Thus, the Liberal-Democratic Party is facing a turning point in its guiding principle. In my opinion, the voice of the liberal elements in the Liberal-Democratic Party like Mr. Miyazawa will have a greater influence in the party than the rabid anti-Communist faction shouting for a militant confrontation with the Communist Party.

Finally I would like to touch briefly on the forthcoming House of Councillors election scheduled on July 7. In this triennial election, a half of the 252 Upper House seats will be at stake.

In the Lower House of the Japanese parliament, the Liberal-Democratic Party has a 34-seat majority, but in the Upper House, it has a margin of only eight at present, excluding vacancies.

In such circumstances, the Liberal-Democratic Party is facing the election with a keen sense of crisis. Prime Minister Tanaka has thrown his own and his party's strength into the election campaign in order to increase his party's seats in the Upper House and strengthen the foundation of his government.

It is true that Mr. Tanaka's popularity rating in the polls is quite low. And it is also true that he and his party are exposed to bitter criticism by the people about inflation.

But strangely enough, Mr. Tanaka is still able to draw the largest audiences for his campaign. A general forecast for the July 7 election is that, unless any unforeseen development happens, the Liberal-Democratic Party is expected to emerge from the election at least without losing its majority.\* If that is the case, Mr. Tanaka may be re-elected as his party's president in July next year and stay as Prime Minister until 1978.

Mr. Tanaka is 56 years old, more than 10 years younger than the average age of his predecessors. If he remains at the helm of the government for another four years, he can be expected to work hard for achievements in the diplomatic field.

When his regime was inaugurated two years ago, Mr. Tanaka set his sights on carrying out his pet program, known as "remodeling the Japanese archipelago," while leaving all foreign policy matters to his Foreign Minister, Masayoshi Ohira. The "remodeling" program, however, has not progressed as Mr. Tanaka hoped, due to an extraordinary increase in real estate prices. In the field of diplomacy, however, he has worked energetically, with a series of summit meetings with top leaders of the world, and has gained a great deal of self-confidence in diplomacy. This, I hope, will be a welcome matter to our Tri-lateral Commission.

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\* Editor's Note: This general forecast was borne out in the election. The Liberal-Democratic Party retained a slight, though reduced, majority.

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"THE AMERICAN CONDITION"

Comments by Harold Brown

given at the  
Executive Committee meeting  
in Brussels  
June 25, 1974

One way to evaluate the American condition is to compare certain facts, attitudes, and even some index numbers of five years ago with current ones. Perhaps that will suggest where things have gone better than we expected, where worse, and what problems were less expected and therefore deserving of another look.

Such an approach could also tell us which of our problems are more individual to each of our respective trilateral areas and which are most strongly interactive internationally, needing more strongly cooperative activities for their solution.

Let me turn first to matters of national and international security, including military affairs.

Five years ago, the American involvement in Southeast Asia was still going full force. There were nearly 600,000 U. S. troops in South Vietnam and Thailand. Now there are about 35,000, essentially all in Thailand. The general feeling among the American public was (and is) that U.S. involvement had been a mistake. The view of many influential opinion-molders was that our actions were an anti-sacrament: a particularly immoral outward sign of an inward state of damnation in American foreign policy. These factors made it almost certain that the United States would try to reduce its existing military and foreign policy commitments throughout the world and would be very unwilling to take on additional ones. The limitation of strategic arms between the Soviet Union and the United States had been derailed by the Czechoslovakian invasion, and then by Soviet disinclination to deal with a lame duck administration. No one expected a rapid easing of relations between the U. S. and China.

Under cover of a diplomatic coup which put the United States at the fulcrum of the Soviet-Chinese relationship, substantial U. S. disengagement from Southeast Asia has taken place. Perhaps as a consequence (and to me one of the most surprising things about the past five years), despite the Congressional pressure for substantial withdrawals of American forces from Europe and from the Northwest Pacific (Korea, Japan, including Okinawa), these have not taken place. The former number about 300,000 troops, the latter about 100,000. This suggests to me that despite what some of the opinion polls say, the American public knows where U. S. vital interests are involved and is prepared to continue military commitments in those areas. Indeed, the most widespread criticism of present foreign policy, a foreign policy generally approved by the Establishment, is that it devotes too little attention to Europe and Japan. In recent months, influential organs of public opinion -- the New York Times, the Washington Post -- have urged the view that U. S. troop cuts in Europe should depend on Soviet attitudes at the MBFR, and on the attitudes of our European partners toward their military and political cooperation.

Some military aid and all economic (particularly concessional) aid programs are in much more trouble. Real and substantial funding cuts have already taken place.

The 1969-74 history of United States relations with Europe and Japan, of SALT, of MBFR (and proposals for unilateral American troop cuts), and of U.S.-Soviet and U.S.-Chinese relations all suggest to me that continuity in U. S. policies is likely to survive most likely changes in Administration.

Nixon made many changes but they were all to policies considered sensible by, and in some cases unsuccessfully advocated by, Democratic predecessors. Thus there is little party variation. Somewhat greater personal variation exists between Nixon predecessors and potential successors, but the biggest changes are from long-term trends influenceable by our partners. Success is more dependent on the details of leadership.

The U. S. Defense Department budget rose by a few percent in current dollars between fiscal 1969 and fiscal 1974, but when the effect of inflation is taken into account, it has actually dropped by about 25% in constant dollars. It was near 7% of GNP in 1969, fell to near 6% in subsequent years, and now may be about to climb back toward 7% next year. Though during this period the number of uniformed personnel has fallen by about a quarter, the percentage of the Defense Department budget spent on personnel has risen from under 50% to nearly 60% of the total. These factors mean that considerably less materiel is being purchased than five years ago, and although the very large materiel consumption of the Vietnam war is behind us, there is considerable question whether U. S. stocks could sustain the consumption rates experienced in the recent Mideast war. This has obvious implications for aircraft, tank, and other equipment needs both in Europe and in Northeast Asia, where any military operations are likely to be of at least the level of sophistication and intensity experienced in the Mideast rather than those of Southeast Asia.

The new administration coming to power five years ago, whose antecedents were such that only the lunatic fringe could accuse it of ideological softness on Communism, was able to make a start on strategic arms negotiations with the Soviets. It remains to be seen whether these first steps will be followed by real stabilization of strategic arms competition. The last year has seen in the U. S. a more realistic appraisal of the limitations of detente, in view of continuing Soviet military and political ambitions and the lack of an internal thaw (the Mideast war, the Soviet military buildup, Solzhenitsyn, Sakharov, and Jewish immigration issues). But the realism is not yet disillusionment about the need for negotiation, or the need to prevent nuclear war.

There has been a widespread questioning of the results of the SALT I agreements of May 1972. This comes not only from the right wing of the political spectrum and those strongly oriented toward maximizing U. S. military capabilities. Some moderates and liberals question it either because it failed to go far enough in limiting offensive forces on both sides, qualitatively as well as quantitatively, or because they perceive a psychologically (or even militarily) important numerical advantage being granted to the Soviets by the interim agreement on offensive forces. The more sophisticated among them, admitting that in the absence of the interim agreement, the offensive force numbers would not have been any more favorable relatively to the U. S., still assert that formalizing the discrepancy, even temporarily, was unwise. Depending on one's tastes, one can compare numbers of U. S. and Soviet missiles, total launchers, megatons, equivalent megatons, or independently targeted warheads, and get almost any relative strength one likes. My own view is that the limitations in the ABM treaty make anything beyond assured destruction not very meaningful militarily.



But the whole question of political and psychological advantages to be gained by quantitative and qualitative edges in strategic nuclear arms remains a real one. An authoritative, thoughtful, and dispassionate evaluation of the SALT I agreement appeared in a recent article by Gerard Smith.\*

General understanding has increased during the past five years that national and international security depends on many things other than military strength -- natural resources, economic health, social/political cohesion. Understanding of the importance of military capability as a component has made a comeback since the October war.

In social terms, five years ago the racial and generational tensions that still divide the United States were acute, and at their worst yet. It was not clear how these relationships would evolve -- and it remains unclear -- but there have so far been no large-scale racial uprisings, and some of us feel that the current generation of college students is not active enough. There has been an amalgamation of blacks into the political process; their election to political office in large numbers is occurring at all levels and in all parts of the United States. At the same time, despite a major increase in the percentage of government expenditures going toward income maintenance, there has been a nearly complete failure to interrupt the vicious cycle of poverty (poverty-lack of education-lack of jobs-welfare status-poverty) affecting many Americans, in particular a large proportion of blacks, Spanish-speaking Americans, and Indians.

Various urban guerrilla movements, terrorist activities, and kidnappings have come to the United States -- some crackpot, some perhaps potentially dangerous to the social fabric. Violent resistance to authority and violent support of it remain strong factors -- though in my opinion not so strong as they were five years ago.

The polls in the U.S. show a continued falling away from traditional religious adherence, from orthodox morality in personal life, and from work and family as the center of life. These effects appear to be slowing -- though not reversing -- among college youth, but now have spread to working-class youth. There has apparently been some reversal of the trend toward a private life style instead of work and career. A large majority, even of the college group, now aim at finding a career in the society, trying to change it somewhat, yet expressing themselves in a personal life style. This may work. One very large change during the past five years is the steady drop in the birth rate, to below the replacement level. Over the longer term, births per 1,000 persons in the population have fallen from 25.1 in 1953, to 21.7 in 1963, to 15.0 in 1973. But, even in the unlikely event of no further change, the age-distribution of the population would make the population increase by another 50 million before it began to fall in 35 years. We follow Japan on population trends, but may forecast Europe.

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\* Editor's Note: This article, entitled "SALT and Strategies," can be found reprinted in the Congressional Record, Vol. 120, Monday, May 20, no. 70, pp. S8580-84. It was introduced into the Record by Senator Mathias of Maryland.

Economically, five years ago the United States was undergoing a demand-pull inflation, at rates which at the time were considered excessive. In the interim we have gone through a cost-push inflation that was moderated in the United States by remarkably statesmanlike behavior on the part of labor leadership, reflected in compensation demands. There followed the great rise in oil prices, which the OPEC countries have been able to enforce by virtue of one of the more effective monopolies within memory (charging 50 times the marginal cost of production), and smaller but still very substantial rises in the prices of grain and other mineral commodities, where the market forces seem to work more smoothly but almost equally painfully. Now we appear to have emerged into a combination of cost-push and demand-pull inflation, with both being exerted in large part across international boundaries. If there is a way to avoid inflation at a 5% rate with the social unease that implies, or 10% with the immeasurably greater social disruption that implies, without a period of sharp recession and unemployment, the U. S. has not found it. The rapid inflation reopens issues of distribution of income, and I see some greater thrust toward tax reform, to redistribute income and even wealth; but even a big party shift in 1974 will not, in my view, change such arrangements -- because big majorities fragment.

Between first-quarter 1969 and first-quarter 1974, the estimated increase in the U. S. Gross National Product was nearly 50%. But during that period the price index (GNP deflator) has increased by over 30%, so the net real GNP increase was at the rate of only about 2.7 percent a year, and the per capita real GNP increase under two percent per year. The free market price of gold has gone up from a bit over \$40 to about \$160 per troy ounce during the five years from 1969 until 1974. The price of crude oil per barrel has gone up from about \$3 to about \$11 during the same time, most of it within the last year.

Also during this period, the environmental movement in the United States, and in Canada as well, has become an important factor in economic and political decisions. Legislation influencing many production facilities, automobile design, and the efficiency of consumption of gasoline, and many other activities, has passed and is already beginning to have a profound effect on the economic growth and style of living in the United States. These changes seem to me to be so far delaying, rather than crippling, in nature. I would judge that though they are as yet by no means as widespread and influential, similar attitudes will come to prevail in all of the industrialized market economies, with corresponding effects.

I would say that the rapid rise of energy and commodity prices, and the effectiveness of some producer consortiums, are among the more unexpected events of the past five years. There was at first a rapid adjustment to conservation in the recent crisis. People half-believed in a real need to do so, though there is a general tendency to blame it on 'them': oil companies, the U. S. Government, the Arabs. Now, however, the willingness to conserve seems to be disappearing.

The food and energy shortages were not unpredicted, still less unpredictable. But the extent and the rapidity with which they took place were indeed shocks. These conditions, and their effects on the international monetary system, showed that statements of high principle often go out the window under pressure, in all countries. The United States turned out to be no exception. Yet for the long run, the North American economies are strong. We are in a position where a combination of conservation, new exploration, and a gradual adaptation of new technological methods to the generation of energy resources make energy independence a conceivable, if not necessarily the best, alternative. And, of

course, the U. S. is likely to remain a grain exporter for the foreseeable future.

In fact, as I view America's problems of national security and international relations, of domestic and international economics, and of domestic social and political order, what strikes me is that the resources are there and the institutions have proven resilient and capable. The strength of the system has been displayed by its ability to function at all under the strains on, and failures of, its leadership.

Where we have been failing in the past few years is through a loss of national nerve, and above all, through a failure of leadership. Where these elements have not been weak or absent, we have been surprisingly successful. For example, in areas of international security and foreign affairs, particularly those (decreasing in number) where economic problems play a relatively small role, the United States has been able to be effective despite the unparalleled political disasters of Watergate inflicted by the present administration on itself and on the country. Perhaps this is because the structure of American government confers extraordinary powers on the President in foreign affairs, or perhaps it is because the members of Congress and the public are willing to recognize accomplishment and continue to support those who have achieved it in areas where they have achieved it.

However, trust has been completely eroded in domestic affairs and in moral leadership. Domestic initiatives are indeed paralyzed, both by a preoccupation on the part of the White House with survival, and by a failure of the negotiating process that usually operates between conservatives and liberals in domestic politics. Given the extremely limited success of the formulas of both conservatives and liberals in social and economic policy over the past 15 years, it is not clear to me how much of a loss it would be to have a temporary moratorium on further experiments from either side in the social and economic area. I do think that the absence of natural resource initiatives is going to hurt us during the rest of the 1970's and 1980's, even if carefully planned initiatives of this sort are undertaken after the next two or three years.

That the American political system continues to operate at all after the shocks that it has suffered during the past dozen years is worthy of considerable notice and a source of real optimism. I am impressed by the number of young people who seek and receive graduate fellowships to work overseas on international cooperation, and by the students who want to work on making new energy resources a reality or on improving the environment. There is a great deal of energy in the upcoming generation.

Unfortunately, in my view, there is an increasing tendency toward egalitarianism, a search for equality of result rather than of opportunity. There is, as always, a distribution of views, but there has been a shift of attention away from increasing the pie toward reslicing it. But this is not yet a decisive change.

Most of all, the disillusion with mass revolutionary action has not been accompanied by an extinction of idealism. For every group of terrorists, there are a million nonviolent idealists. And in the U. S., the structural changes made in the universities in 1968-70 were not such as to leave power in the hands of a militant minority of students and young faculty after the tide had receded among the bulk of those groups.

To summarize: the human resources exist. The required institutions exist and are probably capable of being modified appropriately. The material resources exist or can be developed. Certainly problems exist in numbers and importance sufficient to occupy the industrialized market-economy countries. What needs to be added is the leadership, and if possible a new synthesis of world-view, life style, and ethic. It would be foolish to seek the leadership in one man or the synthesis in one existing group -- even the scientific-pragmatic (now also out of favor) which is my own. In my view, it would be still more foolish in the U. S. to seek the political leadership in 535 equal Senators and Congressmen. It will have to come from a new administration, a new leadership in Congress, and a new generation in business, the intellectual establishment, and elsewhere. I must admit that such political leadership is not apparent to me in the U. S., in office or on the near horizon, but I retain a rather agnostic hope that it may appear. The new leadership will have to inspire and then live up to the confidence and trust that has been lacking for a decade. Only such a leadership can persuade its people to make sacrifices of individual interest and group advantage in order to produce the long-term benefits of international economic and political partnership abroad and a just distribution of economic and social opportunity and benefits at home. Only such a leadership can make possible the adjustments that will be needed in the transition to a national and international situation in which we all shall be living in the world of the year 2000. That world will be one of sharply finite external resources. It will also be a world experiencing a revolution in applied biology that will make the revolution in applied physics that took place from 1940-70 look rather tame.

I should add that such leadership will be needed not only in North America.

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