

# TRIALOGUE

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## ACTIVITIES OF THE TRILATERAL COMMISSION

**POLITICAL TASK FORCE** -- Members of the Trilateral Political Task Force met in Washington on September 20 and 21 to discuss the draft of the Task Force Report, "The Crisis of International Organisation," prepared by François Duchêne. The group included 8 participants from the U.S., 1 Canadian, 3 Japanese, and 7 Europeans. Earlier in the month, the Japanese members met with colleagues in Tokyo to consider the Duchêne draft in anticipation of the Washington meeting. Lively and constructive discussion culminated in a revised draft elaborated by Duchêne and his fellow rapporteurs, Kinhide Mushakoji and Henry Owen. The new draft is to be presented at the Trilateral Commission's Executive Committee meeting in Tokyo in October.

**MONETARY TASK FORCE** -- After meetings held last summer in Washington and Alaska, the rapporteurs of the Trilateral Monetary Task Force met in Paris on September 29 and 30 to review the draft of their Report, "Towards a Renovated World Monetary System." The report was drafted by the North American rapporteur, Richard N. Cooper, on the basis of close collaboration with his colleagues, Motoo Kaji and Claudio Segré. For the second time, the rapporteurs enlarged their meeting to include other monetary experts from the trilateral countries. In Paris they were joined by two consultants from the U.S. (David Grove and Yves-André Istel) and one each from Japan, Europe and Canada (Saburo Okita, Pierre Uri and Grant Reuber, respectively). Takeshi Watanabe, Chairman of the Japanese Commission, took an active part in the Alaska meeting of rapporteurs held in August. The Paris meeting followed extensive discussions of the draft by teams of experts in all three trilateral areas, involving a larger body of qualified individuals in the trilateral policy development process. Although a revised version of the Monetary Task Force Report will be presented at the Executive Committee meeting in Tokyo, it is expected that another draft will be submitted in 1974, as the current flux in international monetary affairs is likely to continue.

**REGIONAL MEETINGS OF THE TRILATERAL COMMISSION** -- In preparation for the Executive Committee meeting in Tokyo, regional meetings are due to be held this month in Japan and the U. S. The Japanese Commissioners will gather in Tokyo on October 11 and the North American Commission will meet in New York on October 15 and 16.

**EXECUTIVE COMMITTEE MEETING** -- The first ExCom meeting of the Trilateral Commission will be held in Tokyo from October 21-23. Prime Minister Tanaka is expected to address the gathering, and there will be discussions of the Reports to the Executive Committee presented by the Political and Monetary Task Forces. A press conference will be held at the end of the meetings to report on the work of the Commission and to outline forthcoming projects.

\*\* FOCUS \*\*

News and Opinion on Recent Developments  
in Trilateral Affairs

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TRILATERAL POLITICAL RELATIONS

JAPAN AND THE ATLANTIC POWERS -- Japan has launched energetic diplomatic efforts aimed at strengthening ties with Western Europe and establishing a relationship of equality with the European Community and the United States ... On September 18 and 19, Foreign Minister Masayoshi Ohira held extensive talks in Tokyo with Sir Christopher Soames, EC Commissioner for External Affairs. In recognition of the need for tightening the European-Japanese connection, Mr. Soames disclosed a plan by the European Communities to set up a representative office in Tokyo next year. Perhaps more significantly, The Times of London reported that the EC Commissioner left Tokyo "stressing the concept of a trilateral balance of equal partners -- the EEC, the United States and Japan." ... Prime Minister Kakuei Tanaka on September 26 began a lengthy trip to Europe that will take him to Paris, Bonn and London before he flies to Moscow. Before leaving Japan, Mr. Tanaka announced that a major goal of his trip would be to develop a "balanced triangle" of political and economic relations between the trilateral areas. To promote this aim, Mr. Tanaka said in Paris that Japan should be allowed to join an enlarged European Community and that there was a need for Tokyo, Brussels and Washington to build a "triangular forum" to discuss various problems. Commenting on the trip, The Japan Times editorialized:

At the moment, there are no problems of pressing urgency between Japan and the West European nations... If one was to be pointed out, however, it could be the reports of growing concern shown by the E. C. nations toward the Japanese trade inroads into the region. ... More serious is the lack of communications -- and serious understanding -- which is revealed through the talks of a mounting "trade war." It is true that Japan has been engrossed almost wholly in its relations with the United States and the West European nations have only drawn secondary interest. ... Things have changed, however. Not only has Japan emerged as a leading economic power but West Europe also with the establishment of the E. C. has become one of the important centers of power. It is only natural that Prime Minister Tanaka should renew old ties and lay the foundations of mutual cooperation in various fields of endeavor for the future.  
(September 27, 1973)

Meanwhile, the Japanese were taking a cautious wait-and-see attitude with respect to American proposals for a 'new Atlantic charter'. Some indication of Japan's true feelings on the matter may perhaps be gleaned from remarks made by Canada's Secretary of State for External Affairs, Mr. Mitchell Sharp. After meeting with Mr. Ohira in Tokyo on September 10, Mr. Sharp said:

...the question remains as to where Canada fits into the proposal, and the situation is the same in Japan. ... Dr. Kissinger, in passing, referred to Japan and Canada when he made that speech with regard to the U. S. policy of 'the year of Europe'. So that we are not sure how we fit into the pattern that the U. S. has in mind. It is going to be a continuing urgent subject to be discussed between Canada and Japan. Japan is obviously trying to find out what the Americans have in mind, and we would do the same.

EUROPEANS READY DOCUMENTS IN ADVANCE OF NIXON VISIT -- Meeting in Copenhagen on September 10 and 11, the foreign ministers of the Nine approved a proposal for a joint declaration on relations between the U. S. and the EEC. The 1,100 word text made no direct mention of Japan, but stated that the U. S. and the European Community "remain determined to maintain relations of close cooperation with other industrialized countries." and that all "have a common interest in managing their own economic policies in such a way as to promote the prosperity of all."

### THE MONETARY PICTURE

TRILATERAL AREAS AT CENTER OF IMF NEGOTIATIONS -- Although the annual meeting of the International Monetary Fund, held in Nairobi on September 25-26, failed to result in an agreement on the reform of the world monetary system, the assembled delegates announced their intention to conclude a reform accord by next July 31 ... The chief questions still to be resolved involve core issues that have unsettled relations between the U. S., the EEC and Japan since the formal collapse of the Bretton Woods system in August 1971 ... Foremost among these are, first, the nature of the adjustment system. The U. S. wants strict and balanced pressures on both surplus and deficit nations to adjust, but Europeans and the Japanese fear that the American position requires an unacceptably rigid degree of automaticity. As Japanese Finance Minister Kiichi Aichi stated, "In no country has a computer been appointed as finance minister." ... Also at issue is the meaning of the term "fixed but adjustable" in exchange rates. The U. S. is reasonably satisfied with a system of floating rates, but Europeans and the Japanese remain skeptical. French Finance Minister Giscard d'Estaing said, "Currency floats do not contain inflation. Nor do they correct exchange rates." He called for a new formula, "since the French and English translations are not even equivalent." Mr. Aichi echoed the European's reservations, stating, "Under a floating system, our most formidable enemy, inflation, tends also to gain in strength." ... Another outstanding issue involves convertibility. The Europeans are anxious to end the dollar's role as the world's leading reserve currency. The U. S. is willing to resume dollar convertibility into SDR's, gold or other reserve assets, but wants a provision allowing countries wishing to hold dollars to do so. ... As the negotiations began, it was reported that the Japanese objected to being excluded from a secret meeting of finance ministers held at Camp David in August, to which the U. S. Treasury Secretary Shultz had invited his counterparts from Britain, West Germany and France, but not Japan. ... Meanwhile, the Japanese foresee a greater role for the yen as an international currency. Speaking in Tokyo on September 7, Mr. Aichi said that "the yen will have to assume greater responsibility in the future." Both the Japan Economic Research Center and the Keidanren have already gone on record in favor of wider use of the yen in international business transactions.

### TRADE

GATT TALKS OPEN -- A 3-day ministerial meeting officially opened the latest round of GATT trade talks on September 12. The conference began with the conclusion of an agreement between the EEC and the United States on the question of linking monetary reform and progress on trade liberalization. An abstract formula was found in which the French agreed to mute their earlier insistence that U. S. support of the dollar in foreign exchange markets and the maintenance of fixed parities serve as preconditions to starting meaningful trade discussions. Under the principle agreed upon on September 12, France accepted the view that "continuing efforts to establish a durable and equitable monetary system" would parallel the discussions on trade. Language to this effect was incorporated in the Declaration unanimously adopted at the conference on September 14.

French Finance Minister Giscard d'Estaing credited Japan with playing a very important part in mediating between France and the United States over the phrasing of the disputed items in the Declaration ... The question of agriculture looms as one of the most controversial to be considered when full-scale negotiations formally begin sometime in early 1974. The United States has already declared its intention to seek easier access to European markets for its agricultural products in the face of barriers imposed by the EEC's Common Agricultural Policy. For their part, the Japanese appear to be supporting the Europeans' opposition to more liberalized terms of trade in agriculture. On September 3, Naohiro Amaya, director of MITI's economic affairs department, indicated that both Japan and Europe were damaged by the U. S. imposition of export controls on grains and soybeans last summer, and declared that the Japanese government would seek to protect Japanese small family farmers against competition by U. S. agribusinesses ... The Japanese, who avoid using the term 'Nixon Round' when referring to the GATT talks, also plan to seek the total elimination of tariffs on industrial goods and to argue that, in view of considerable concessions on trade made by Japan over the last couple of years, it is time for other nations to reciprocate, notably those of Western Europe ... Protectionist sentiment in the U. S. Congress recently prompted a British reaction. Not long after the House passed two 'buy American' amendments, Britain sent the State Department an aide-memoire asserting that the amendments were in "serious conflict" with the aim of removing non-tariff barriers.

#### ENERGY

A TRILATERAL OIL POLICY? -- Following Libya's nationalization of 51% of all foreign oil assets and the decision of oil-exporting countries to renegotiate the industry's basic pricing accords starting in October, the U. S. is seeking to work out oil-sharing arrangements with Canada, Western Europe and Japan to provide emergency supplies of oil in case of production disturbances. Secret discussions on the matter began on September 11 in the OECD oil committee. Analysts feel that a unified policy would be difficult to achieve in view of French and Japanese resistance to formation of a consumer bloc poised for confrontation with the OPEC countries. The French want to maintain a free hand in dealing with the Arabs, while Japan is particularly anxious to maintain an equal distance between oil-producing and oil-consuming nations. An editorial in The Japan Economic Journal on September 11 stated:

...Japan...depends little on Libya for supply of oil... There is no reason, of course, for Japan to give full support to oil majors' stance of confrontation. Japan, rather, should call for solution through flexible negotiations. However, it is still important for it to refrain from behaviors that may put it overtly at odds with other oil consuming countries.

...The EEC Commission is now devising a common energy program based initially on a system of surveillance over the Community's imports and exports of energy supplies. Discussions may begin at a later date on the possibility of EEC intervention in the activities of oil majors.

COMMON DOMESTIC PROBLEMS

INFLATION AND ITS CONSEQUENCES -- On the domestic front, inflation once again emerged as the principal common enemy in the trilateral countries, as indicated in the following figures:

	Average Rise in Consumer Prices	
	<u>June-Sept. 1973</u>	<u>Sept. '72-Sept. '73</u>
EEC	+2.5%	+8.8%
U. S.	+2.0%	+5.5%
JAPAN	+5.0%	+10.5%

... To combat these tendencies, the Japanese government introduced a 4-point program intended to reduce spending in both the public and the private sectors and to impose tighter restrictions on consumer credit. The plan also envisages controlled adjustment of supply and demand in areas where shortages are most acute, such as kerosene, paper and the like. It is hoped that these measures will slacken the steady rise of inflation rates, which have already made their mark on Japanese GNP figures. During the April-June quarter, the nation's nominal GNP grew by 5.5% over the previous quarter, but its real GNP rose by only 0.7%. The real rate of growth in GNP for the April-June period dropped from 13.9% in the first quarter of 1973 to 2.8%. Even before these second quarter figures were released, the Japan Economic Research Center had predicted a drop in the real GNP growth rate to less than 8% by 1974. When the latest evidence of the toll taken by inflation is added up, it would appear certain that this gloomy forecast will not be as wide of reality as more optimistic observers hope. ... One measure always at the disposal of countries hit by inflation is the manipulation of discount rates charged by the central banks. Lately, nearly all the trilateral countries have resorted to this weapon in an effort to cut back domestic money supply. The following rates were in effect as of September 22:

	<u>Current Rates</u>	<u>Date of Most Recent Change</u>
Great Britain	11.5%	27 July 1973
France	11.0	20 September 1973
Denmark	9.5	14 June 1973
United States	7.5	13 August 1973
West Germany	7.0	1 June 1973
Japan	7.0	29 August 1973
Canada	6.75	6 August 1973
Belgium	6.5	1 August 1973
Netherlands	6.5	8 August 1973
Italy	4.0	9 April 1972

WHO'S WHO IN THE T.C.

The rapporteurs of the Monetary Task Force are:

RICHARD N. COOPER ... b. 14 June 1934 ... AB Oberlin, 1956 ... M.Sc. in Economics, London School of Economics, 1958 ... Ph.D. Harvard, 1962 ... M.A. (hon.) Yale 1966 ... Senior Staff Economist, Council of Economic Advisers, 1961-63 ... Deputy Assistant Secretary of State for International Monetary Affairs, 1965-66 ... Author of The Economics of Interdependence, 1968, and co-author of Britain's Economic Prospects, 1968 ... Currently Provost and Frank Altschul Professor of International Economics, Yale University.

MOTOO KAJI ... b. 13 August 1925 ... Graduated from University of Tokyo, 1950 ... Lecturer at University of Tokyo, 1956... Associate Professor, 1957 ... Full Professor, 1968 ... Author of The American Economy (in Japanese) and other works on American and world economic problems.

CLAUDIO SEGRÉ ... b. 5 February 1932 ... Doctor of Laws and Agregé in Economic Sciences at the Faculty of Law, Rome ... Ph.D. Yale ... Member of the Monetary Policy Division (1959), Chief of the Capital Movements Division (1961), and Director of Studies and Coordination (1965) of the General Administration of Economic and Financial Affairs of the EEC Commission ... President of a group of experts established by the EEC Commission to study the development of a European capital market (Segré Report), 1965-67 ... Associate-director of Lazard Freres & Cie. and President-director general of Lazard S.A., 1967-72 ... Author of books and articles on monetary and financial affairs.

The rapporteurs of the Political Task Force are:

FRANÇOIS DUCHÊNE ... b. 17 February 1927 ... Educated at the London School of Economics ... Leader writer, Manchester Guardian, 1949-52 ... Press attaché, High Authority, European Coal and Steel Community, 1952-55 ... Correspondent of The Economist, Paris, 1956-58 ... Director, Documentation Center of Jean Monnet's Action Committee for a United States of Europe, Paris, 1958-63 ... Editorial writer, The Economist, London, 1963-67 ... Ford Foundation research grant in international affairs, 1967-69 ... Director, International Institute for Strategic Studies, London, since 1969.

KINHIDE MUSHAKOJI ... b. 1929, Brussels ... B.A. Gakushuin University, 1953 ... Studied at the Institut d'Etudes Politiques, Paris, 1956-58 ... Assistant Professor, Gakushuin University, 1963 ... Visiting Scholar, Northwestern University, 1965 ... Professor, Sophia University, Tokyo, since 1968 ... Director, Institute of International Relations, Sophia University, since 1969 ... currently Director of the Institute of International Relations for Advanced Studies on Peace and Development in Asia, Sophia University.

HENRY D. OWEN ... b. 26 August 1920 ... A.B. Harvard 1941 ... Economist, Office of Price Administration, 1941-42 ... Lieut., U.S. Navy, 1942-46 ... Department of State Intelligence and Research, 1946-55 ... Member, Policy Planning Staff, 1955-62 ... Counselor and vice-chairman, Policy Planning Council, 1962-66 ... Chairman, 1966-69 ... Director, Foreign Policy Studies Program, The Brookings Institution, since 1969... Editor, The Next Phase in Foreign Policy, 1973.