

Triologue

ECONOMIC COOPERATION AND RESOURCE MANAGEMENT TOP PARIS AGENDA; CHIRAC, CARLI, CHEYSSON ADDRESS MEETING

The Executive Committee of the Trilateral Commission met in Paris from November 29 to December 2. The principal theme for the meeting was trilateral policy regarding world economic issues. Two trilateral task force reports were discussed, under the combined heading of global resource management. Both of these reports deal with policy areas in which important global negotiations are taking place — commodity market arrangements and a new regime for the oceans. The Executive Committee adopted a statement dealing with these subjects at the conclusion of the meeting (text on page 3 of this issue).

The Paris meeting also heard addresses on other international economic problems. Claude Cheysson, who holds the development assistance portfolio on the Commission of the European Communities, spoke about North-South economic relations, and particularly the relative absence of the Soviet Union and Eastern European states from North-South dialogue and action. The former Governor of the Bank of Italy, Guido Carli, addressed himself to international and national causes of inflation. Prime Minister Jacques Chirac, in his speech to members of the Commission, spoke of two primary goals for the interna-



Discussion at the Paris meeting of the Executive Committee of the Trilateral Commission. From the left, those pictured are Jean Rey, a European member of the Trilateral Commission; Zbigniew Brzezinski, the Commission's Director; Takeshi Watanabe, Japanese Chairman; Max Kohnstamm, European Chairman; Carl Beigie, North American rapporteur of the task force on commodity issues; and Johan Jorgen Holst, a European rapporteur of the oceans task force. Beigie, who is Executive Director of the C. D. Howe Research Institute in Montreal, presented the report of his task force. Holst, who has subsequently become Deputy Minister of Defense in Norway, presented the oceans task force report.

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tional economy: a "more rational" economic relationship among industrialized countries, and "a more equitable economic order in the use of natural resources."

Chirac stressed the "*mondialisation des grands problèmes de notre temps*," that the great problems of our time are taking on a global character. Related themes were sounded at many points in the Paris meeting. Kinhide Mushakoji put the matter rather vividly in his remarks: "The club of nations has been enlarged. Now there are many newcomers and they are not necessarily playing the game according to the rules set by the original club members." An "open trilateralism" is becoming very important, Mushakoji emphasized. "An open trilateralism . . . would mean negotiation and bargaining with other parts of the world. This is how we should exercise our collective leadership — not in exclusion of others but in calling forth leadership in other parts of the world as well."

The Oceans

Global negotiations over a new regime for the oceans are underway in the Third United Nations Conference on the Law of the Sea, scheduled to resume in March in New York, after earlier substantive sessions in Caracas (1974) and Geneva (1975). The trilateral task force report on the oceans* was prepared against the background of these negotiations.

The report describes the main driving force at the Conference as the movement towards increased coastal state jurisdiction. The concept of the 200-mile exclusive economic zone appears to have won general acceptance through the Conference irrespective of whether or not it

*Entitled *A New Regime for the Oceans*, the report was written by Douglas M. Johnston, Professor of Law at Dalhousie University in Halifax; Michael Hardy, Legal Adviser to the Commission of the European Communities; Ann L. Hollick, Executive Director of the Ocean Policy Project at Johns Hopkins University's School of Advanced International Studies in Washington, D.C.; Johan Jorgen Holst, Director of Research at the Norwegian Institute of International Affairs in Oslo; and Shigeru Oda, Professor of Law at Tôhoku University in Sendai; with Richard N. Cooper, Professor of Economics at Yale University, as a special consultant. This report will appear in published form in February 1976.

is finally approved in treaty form. In the international area beyond the economic zone, seabed minerals have been declared the "common heritage of mankind" and an International Seabed Authority (ISA) is being negotiated to manage the exploitation of these minerals for the international community. Collective management of approximately one-half the globe — albeit under water — would be a significant step forward in the organization of international society. It is emphasized in the report, however, that most exploitable ocean resources are located not in the international area but in regions to be covered by economic zones. About 80 percent of currently exploited fish stocks are to be found in the relatively shallow waters within 200 miles of the coast, and virtually all offshore oil and gas deposits exploitable now or in the near future are located within the continental margin. Most shipping takes place in these zones as well. The report stresses that nearly half of the oceans area covered by economic zones will go to high-income countries, which contain less than one quarter of the world's population. Given the distributional consequences of 200-mile economic zones, the task force recommends that wealthy coastal states reserve for international purposes (primarily development assistance) a generous portion of their royalties (such as one half) from exploitation of continental shelf resources beyond the outer limit of the territorial sea (12 miles) to the limits of the economic zone. Recognizing this proposal now stands little chance of acceptance in the Conference, the task force also presents less generous alternatives that would preserve the principle of international revenue-sharing from the economic zone.

The main matters still in dispute in the negotiations concern the precise extent of coastal state rights in the economic zone, and the role and structure of the ISA in managing the exploitation of seabed minerals beyond the economic zone. The task force makes a number of recommendations aimed at improved marine management across economic zones. It sees joint ventures as a possible avenue for settlement between developing and industrialized country conceptions of the role of the ISA. The report recommends that Trilateral countries should not proceed unilaterally in 1976 to extend offshore jurisdiction over marine resources or to commence mining in the deep seabed.

Much of the discussion of the task force report in Paris revolved around the view advanced by one Commissioner that a regime of 200-mile economic zones should be accepted only if certain clearcut conditions on coastal state performance are attached. Orderly management, international payment of royalties, and no expansion of economic sovereignty to broader sovereignty were the primary conditions mentioned. If these conditions are violated, it was argued, the coastal state should lose

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TRILATERAL COMMISSION
EXECUTIVE COMMITTEE
Joint Statement

Paris, December 2, 1975

The Trilateral Commission, which is composed of citizens from Western Europe, Japan and North America, met in Paris from November 29 to December 2. Its members met with Prime Minister Chirac, with M. Edgar Faure, President of the National Assembly, with M. Alain Poher, President of the Senate, and with M. Paul Delouvrier, President of EDF, and Chairman of the French Group of the Commission. The importance of trilateral relations was stressed on all these occasions.

The meeting discussed various aspects of trilateral responsibilities in the world economy, focussing specially on two Trilateral Commission Task Force Reports, "Seeking a New Accommodation in World Commodity Markets" and "The Future of the Oceans." These Reports made proposals regarding trade, development, and multilateral management of global resources. There were also presentations by a number of speakers on a wider range of topics relating to trilateral and global issues.

In General

The reshaping of the world economy requires new forms of international cooperation for managing the world's resources for the benefit of both the developed and developing countries. Better mechanisms could help to create a more stable economic and political climate and facilitate the global economic growth essential to improving the living standards of the world. The 27-nation conference due to open in Paris on December 16 is a hopeful sign of a more cooperative dialogue on these issues. The Trilateral Commission, which has in the past consistently advocated the urgent need for such a dialogue, hopes all the participating governments will place the needs of interdependence above narrow national or regional interests in seeking a successful outcome of the conference. The Trilateral Commission hopes that the reports of its Task Forces will be a useful contribution to a constructive dialogue on these issues.

Commodities

The Commission recognized the need for more effective international arrangements in the commodities field. In particular, it welcomed proposals:

- for new international initiatives for information and research on commodities;

- for new approaches for damping or compensating for undue short-term price fluctuations;
- for trade reform measures to improve the access of developing countries to developed countries' markets.

Ocean Resources

The Commission recognizes the importance of the current effort to establish a new regime for management of the oceans. The outcome of the effort, which could result in a major reallocation of world resources, will largely determine whether the oceans will be an area of conflict or of cooperation in the decades ahead. The Commission urges governments to make a sustained and serious effort to reach agreement in the coming year. Governments should not proceed unilaterally in 1976 with respect to any of the issues which are currently under negotiation. In the interest of improving international equity, a new ocean regime should provide for the sharing of revenues from the future exploitation of marine resources, especially for assistance to the poorest nations.

Trilateral Economic Cooperation

The Commission welcomed recent progress, notably at the Rambouillet meeting of November 16-18, towards closer coordination of domestic economic policies among the trilateral governments, and in particular the pledge by them to refrain from restrictive actions affecting international trade. It hopes that means will be developed, on a continuing basis, to ensure that each nation's decisions in the fight against inflation and recession are taken in full awareness of the interests and intentions of other industrial countries. The Commission also reiterated its conviction that there should be an intensified effort to help the most adversely affected countries.

Future of the Commission

The Commission decided to extend its activities for another period of three years from 1 July 1976, and to ask support for this purpose. The Commission will hold a plenary meeting in Ottawa, Canada, May 9-12, 1976. The Commission welcomed the selection of M. Georges Berthoin as the European Chairman of the Commission, and it expresses its warm appreciation to Mr. Max Kohnstamm, who retired, to devote himself fully to the presidency of the European University.

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economic sovereignty in the zone. The concept of "trusteeship" should be central. Coastal state control of the zone is not a "natural right."

This view was attacked in Paris as "unrealistic" and as "too late" in the current advanced stage of negotiations. The concept of a 200-mile zone cannot now be stopped, it was argued; and it will be extremely difficult to obtain agreement to any revenue-sharing at all within 200 miles. We cannot even agree, one Commissioner reflected, on the transfer of wealth not owned by anyone yet. Exploitation of the deep seabed, another stated, will be the primary source of international revenues from the oceans. Another Commissioner emphasized that the response of the trilateral countries to developing country views of the International Seabed Authority would be a vital test of our credibility in responding constructively to demands for a "New International Economic Order." Others noted decision-making difficulties on marine issues in much smaller groups of states, in particular the European Community.

The importance of these oceans issues is not immediately obvious to many, one Commissioner stated, but their long-term importance is great. He feared "a nightmare of instability in the next century." The task force report sees an increase in oceans disputes in coming years, even if a treaty is successfully negotiated. One of the rapporteurs, in closing comments, noted that we shall have only started on oceans management by establishing a general legal framework.

Commodity Issues

Commodity issues have been among the most prominent on the international agenda in recent years. Discussions concerning particular commodities or broad commodity issues have been engaged in a number of fora, most recently in the 27-nation Conference on International Economic Cooperation (CIEC) which opened in mid-December.

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Georges Berthoin is New European Chairman of Trilateral Commission Egidio Ortona is New Deputy Chairman



Egidio Ortona



Georges Berthoin



Max Kohnstamm

The European Group in the Trilateral Commission has selected Georges Berthoin as its new Chairman. Berthoin replaces Max Kohnstamm, who has stepped down from the Chairman's position to devote himself fully to direction of the new European University Institute in Florence. Egidio Ortona has become European Deputy Chairman. François Duchêne continues as Deputy Chairman as well.

Georges Berthoin, born in 1925, has had a distinguished career in European Community institutions. One of his first European positions (1952-55) was that of Principal Private Secretary to Jean Monnet, then President of the High Authority of the new European Coal and Steel Community. Berthoin's most recent European post was Chief Representative of the European Commission in the United Kingdom, in the years just before British entry into the Community. *The Economist* of London recently praised his "very able" service as Chief Representative. "M.

Berthoin . . . did a brilliant job in winning friends and influencing people for the EEC."

Egidio Ortona retired last summer from the Italian diplomatic service. He had been Ambassador to the United States since 1967. He was Director-General of Economic Affairs in the Italian Ministry of Foreign Affairs in 1961-66, after serving for three years as the Permanent Representative of Italy to the United Nations.

Max Kohnstamm was Secretary to the High Authority of the European Coal and Steel Community in 1952-56, after serving as Vice-President of the Netherlands delegation during negotiations concerning the Schuman Plan. In 1956 he began many years of service as Vice-President of Jean Monnet's Action Committee for a United States of Europe. Before assuming his current position in Florence, he was President of the European Community Institute for University Studies in Brussels.

GUIDO CARLI
Inflation, Employment, and Free Enterprise
November 30, 1975

I

Central bankers are supposed to know almost everything about inflation. I have been a central banker myself, but I have lost part of my faith. In this speech, to interpret the origins of inflation, I take refuge in a quotation from a French economist. I suppose he is a socialist.

"The idea that western democracy is growing weaker is more and more widely accepted. One may even detect symptoms of a crisis of civilization. It has been said that inflation is one of the causes of this crisis. The opposite is true. Inflation is a manifestation of the breaking up of national communities and of the international community. This does not mean that there has ever been a period during which the interests of each social group would have converged. Such convergence has never existed. But what has existed and is now dying is a collective acceptance of the social pressure which has kept all social groups within bounds set by the dominant group: the bourgeoisie. Up until now inflation has been preferred to force. Inflation permits the government to buy social peace by giving apparent satisfaction to the claims of different social groups. Inflation is indeed a means of purchasing social peace by granting partial and, above all, provisional material satisfactions, as well as by concealing the question of power."*

Conflicting pressures from various social groups inside individual nations coinciding with the rapid advancement towards a greater interdependence among national economies have brought about the collapse of the international monetary system based on the Bretton Woods Agreements. The functioning of that system assumed the capability of governments to reorient the incomes of the various social groups by means of general policies, namely fiscal and monetary policies, and the transmission of their impulses by a flexible social and economic system. In case of fundamental disequilibria devaluations were acceptable, the purpose of devaluations being to generate absorption of income — in other words, to make a higher portion of income in real terms available for export. General policies were witnessed during the 50's and early 60's. In the late 60's and early 70's, however, general policies have been replaced more and more by discriminatory interventions by government officials in investment and production decisions, as well as by bargaining between governments and large firms.

I believe that the increased centralization and concentration of the power of the mass media have enhanced this tendency. Mass media can easily dramatize specific problems, which are easily noted by journalists and easy to present to the general public; whereas general and more abstract problems (which can often be solved by general

policies) are much more difficult for the mass media to understand and transmit. One example is being given now by the Italian newspapers: The front pages of Italian newspapers are almost entirely occupied by the case of Innocenti Leyland. At the beginning it was a case involving 1,500 people. Newspapers have announced that the heads of governments of the European Community meeting tomorrow in Rome will discuss this problem. In the 60's, I had to deal with a similar problem myself. It was solved without intervention by the government, and with an indifferent public opinion.

If the tendencies I have described develop further, entrepreneurs, particularly in large firms (public and private), will obtain new means of competition: bargaining with public officials and politicians in order to receive subsidies and various other kinds of discriminatory favors. If these tendencies go very far, we might wind up in an economic system where good contacts with government officials and politicians become more important for the successful operation of a firm than the ability of the management to pursue efficient production, innovation and marketing.

II

The international monetary system based on the Bretton Woods Agreements relied on the principle of authority. A group of leading nations oriented the action of the International Monetary Fund. The rest adjusted their policies accordingly. Those leading nations are no longer willing to do so; they do not have the power.

During the century 1814-1913 the international monetary order was based on the gold standard. The system worked because: A) the strength of Great Britain as the leading world power was unchallenged, and B) all countries accepting the system behaved consistently with its principles.

Can it be considered consistent behavior that those countries which have preached for years that the new monetary order should not be based on reserve currencies have conducted themselves in such a manner as to bring about a dollar standard? I do not believe that everybody in the United States is satisfied about this evolution, though it might have pleased somebody. Between 1970 and the second quarter of 1975, international reserves increased from 94 billion dollars to 231 billion dollars. The foreign currencies included in these reserves grew from 86 to 174 billion dollars and the proportion represented by official claims outside the United States grew from 8 to 94 billion. In the same period, the foreign assets of commercial banks have increased from 108 to 410 billion dollars. Considering the historic average annual growth

*Michel Rocard, *L'Inflation au Coeur* (Paris: Gallus, 1975)

CARLI (Continued)

rate of 30 to 40 per cent in the volume of euro-currencies, the presence of this market poses significant questions as to the adequacy of the existing instruments of monetary management. The power of central banks to control the relevant monetary aggregates is substantially blurred. The problems of controlling the growth of privately-held international liquidity was placed on the international agenda more than five years ago.

The increase in the price of oil and the trouble created by the financing of related imbalances jointly reflect the precarious status of international monetary and trade arrangements. The oil imbalances, instead of being financed by transactions in existing reserve assets (which would have meant a better use of current liquidity and/or a better distribution of the oil burden among countries), have been financed by the creation of additional reserves. During the period from 1973 to June 1975, the addition to reserves was 47 billion dollars — 41 billion accrued to the oil producers. The major industrial countries achieved a spectacular improvement in their external current accounts. The second half of 1975 compared with the first half of 1974 shows an improvement of 21 billion dollars, while the capital account deteriorated accordingly. The burden arising from the oil countries' surplus is being borne by the medium-weight and light-weight affluent states and by the Third World. It should not be a matter for satisfaction that industrialized countries have got back into the black years ahead of schedule, for their success has been achieved largely at the expense of the weaker countries in the world. The comparative calm at present characterizing the monetary scene is far from being an indication that the work of getting the world economy on an even keel is well under way. The world is more profoundly divided. The economies of some industrialized countries have not yet accomplished the process of adaptation to the new terms of trade. It must be added that the economies of certain countries suffer under the load of large indebtedness and the consequent necessity to reduce it over time. The oil crisis was managed at the expense of:

- A) a major world recession coexisting with the highest rate of inflation experienced since the war;
- B) the aggravation of the problems of the poor countries and the laceration of the tenuous fabric of international cooperation;
- C) an increase in international liquidity, combined with the maldistribution of it, which makes it difficult to restore a monetary order.

The ignorance of "economic structures" played a relevant role in the management of the crisis. A large number of economists approach the so-called "sheik-tax" as a conjunctural phenomenon in conflict with the already operating inflationary process in Western economies. The majority of them refused to admit that the increase in the

price of oil (and the inflationary process also, to a large extent) is a structural change, which still requires a change in international arrangements. If we reread the chronicles and the analysis published when the Great Depression was in its course, we find the same blind interpretations and suggestions of mismanagement that we have discovered for the "Great Inflation." In the light of these points, it seems that the definition of the oil crisis as unmanageable was correct.

The solution of the problem of bringing about greater control over international liquidity creation involves some restriction on the freedom of countries with respect to their reserves. Such an approach might aim for the regulation of international liquidity through countries agreeing to hold a certain proportion of their international reserves in the form of Special Drawing Rights. This would involve a certain measure of compulsory asset settlement. In such a system the International Monetary Fund would function as the exclusive issuer of official international reserve assets and as a lender of last resort to central banks. To obtain international consensus on such a major change requires the acceptance of the principle of authority. But it is the principle of authority which is challenged.

III

I move from the international to the national scene to catalogue the causes of inflation. Among them, I include:

- A) intensified claims of the public sector as expressed by increased deficits both of central governments and local administrations. These deficits are exacerbated by the non-wage claims of households, such as social security, health insurance and, in more general terms, the aspiration to an improved quality of life.
- B) the growth of concealed unemployment, of compensation to unemployed workers, and in general of devices by which the continuity of remuneration is secured irrespective of the production of goods and services. The number of workers being kept idle inside their workshops tends to increase. The number of workers being kept active to produce goods which are not being requested by the market tends to increase too. The physiognomy of the economies of certain countries (I must admit I have in mind my own country) tends to reproduce that of the economy of Great Britain immediately after World War I. Let me quote Winston Churchill. He wrote of this period in his memoirs: "Compromise solutions were adopted. There was to be no immediate general discharge of munition workers. Thus for many weeks after the War was over we continued to disgorge upon the gaping world masses of artillery and military materials of every kind. It was certainly waste but perhaps it was a prudent waste." I do believe that this kind of waste (not necessarily prudent waste) is taking on more and

more importance in some of the economies of our countries.

- C) income differentials between different groups of labor, what is called in Italy the "jungle of remunerations." There is a tendency to equalize remunerations by converging to the higher levels without regard to productivity.
- D) in the distribution of income between labor and capital, an increased share is attributed to labor, bringing declining profits, less self-financing, and deteriorated leverage (i.e., the ratio between indebtedness and the total financial means of a single firm). In the end this brings an extension of the public sector at the expense of the private sector, a lower average level of efficiency, and a larger burden on the productive sector by the "unproductive" sector.

On the side of supplies, the sources of inflation can be described as follows:

- A) deterioration in the outlook for the supply of food, raw materials and energy;
- B) increased investment requirements resulting from the energy crisis, environmental problems, and structural changes;
- C) less mobility of labor.

The factors mentioned above are responsible for generating an adverse response by the private sector to the worsening economic environment. There is a prospect of inadequate investment, both because of investment requirements rising too rapidly and because of a weakening of the propensity to invest by the private sector related to financing problems. Low rates of return and greater economic and political uncertainties also are important.

Combating inflation by means other than income policies and mainly by recourse to monetary policy has the effect of preventing enterprises from passing higher costs into higher prices. Hence, there is a vicious circle. It begins with a profit squeeze, lower ability to raise equity capital, higher leverage, lower propensity to invest, and requests for various forms of assistance. This results in higher transfer payments and therefore ultimately in larger deficits for the public sector or the transfer to the government of a proportion of the wages paid by firms. Confronted by these contradictions, Treasuries and Central Banks have to decide how to finance the increased deficits. The alternatives are to finance by recourse to money creation (which fuels inflation), or to avoid recourse to money creation by obtaining the financing in the market in competition with the financing of the private sector (which in the end means less investment, less employment, less production). The best trade-off between the two exigencies — *less inflation and more production* — has not yet been found. It seems to me that in certain countries (including my own) the fact that the deficit of the public sector moves in only one direction will sooner or later represent a constraint on the government, the choice being

inflation or less investment, less employment, less production, with the adjustment being made at lower and lower levels of activity.

Under the described conditions, the function of the private enterprise is being "rediscovered" in many countries. The same political forces which have struggled in recent years against self-financing seem to have learned the lesson. Conscious of the economic and financial weakness of the enterprise, the unions have seemed to shift their claims from wages to power — hence the problem of the margin of discretionary power left to entrepreneurs. Again the contradictions of the system appear. To the extent that the solution of the conflicting claims on resources is being found on the side of inflation and on the side of expansion of indebtedness by enterprises, the margin of autonomy of managers is limited by the extension of indebtedness. The more the unions take a moderate attitude on the side of wages, the more they extend their requests for power, and again there is the problem of the margin of discretionary power which should be left to managers in order to preserve a system based on the notion of free enterprise.

To conclude, I am in agreement that the current inflation is a manifestation of the disaggregation of the national community and of the international one. I do not believe that in order to moderate conflicting claims on resources the solution will be less democracy. Friends of mine who recently attended a discussion on these problems in the United States told me that some among our friends there, professors of economics and monetarists, came to the conclusion that the solution is on the side of less democracy. Personally I believe that the answer is an extension of democracy in the field of organization of production, on the condition that its implementation be achieved by preserving freedom of management — I mean by preserving responsibility. The transition is towards new forms of consensus — not an easy task, but not impossible. ■

Faure and Poher Receive Commissioners

Edgar Faure, President of the French National Assembly, hosted a luncheon on December 1 for participants in the Paris meeting of the Trilateral Commission. The luncheon was held in his official residence, the Hotel de Lassay, next to the National Assembly building. Mr. Faure's comments to the group were responded to by Mr. David Rockefeller, a North American Executive Committee member. On the succeeding day, Alain Poher, President of the Senate, hosted a luncheon for the Commission. This event was held in his official residence adjoining the Palais du Luxembourg, home of the Senate and the site for the Trilateral Commission meeting. Mr. Poher's comments to the group were responded to by Mr. Max Kohstamm, the retiring European Chairman of the Commission.

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The draft trilateral task force report* considered by the Commission's Executive Committee in Paris cuts into these issues through problems of commodity shortages. Four types of shortage problems are identified and discussed: 1) *Natural Shortages* have received renewed interest in recent years with forecasts that the world is "running out" of essential resources. The task force states that concerns about natural shortages should be treated with considerable skepticism in a current policy context. At the same time, concerns about natural shortages are widely held and justify a major effort towards independent information collection to provide a more concrete base for policy decisions. 2) *Cyclical (or Temporary) Shortages* involve imbalances between supply and demand that can be expected to reverse themselves over time. Commodity markets have historically been subject to pronounced fluctuations, though these fluctuations have been of increasing concern in recent years. 3) *Contrived Shortages* result from systematic efforts to restrict physical availabilities or increase the margin between price and production costs. Such efforts may be initiated by governments in producer nations or by private firms with sufficient market power. The task force judges that the OPEC success should be regarded as a special case, not one which can be generalized. Nevertheless, contrived shortages may work for a period of time and cause considerable disruption. 4) *Structural Shortages* relate to factors such as an unattractive investment climate, decision-making delays or jurisdictional uncertainties (e.g., on the seabed). The search for a new equilibrium with respect to the institutional and economic environment for investment decisions is one of the most basic problems for the future.

The task force report stresses that an effective policy response to these commodity problems must be comprehensive and must be perceived as balancing the interests of producers and consumers, and of industrialized and developing countries. In the "new accommodation" sketched by the task force, producing nations would gain a sharp reduction in the "escalation" of tariff rates of industrialized consuming countries, rates which rise as the degree of processing of imported commodities increases. Generalized preferences for the exports of developing countries would be made more meaningful. The authorized capital of the International Finance Corporation would be increased with provision for this capital to be used to

**Seeking a New Accommodation in World Commodity Markets* is the title of the draft report of the task force, whose rapporteurs are Carl E. Beigie, Executive Director of the C. D. Howe Research Institute in Montreal; Wolfgang Hager, Senior Fellow at the Research Institute of the German Society for Foreign Policy in Bonn; and Sueso Sekiguchi, Senior Staff Economist at the Japan Economic Research Center in Tokyo. A revised task force report will be published in early 1976. An article on the Paris meeting in *Le Figaro* (Dec. 2) gave much attention to the commodities report.

help host countries acquire equity participation in resource projects.

An organization patterned on the GATT would be established for investment, its terms including a code of conduct for enterprises and host country governments, including recognition of the principle of prompt and fair compensation in the event of expropriation and agreement to submit disputes to an international body. The principle of access to supplies on a non-discriminatory basis would be established, subject only to exceptions negotiated internationally in advance.

Overall, the task force proposed an international information and research center for commodities. It supports commodity agreements for the single objective of stabilizing price fluctuations caused by cyclical or temporary shortages. Prices would remain responsive to market forces over the long term. Buffer stocks would be part of such commodity-by-commodity agreements. The task force takes the view that there are narrow limits on the usefulness of commodity agreements as instruments for economic assistance to poorer countries. The distribution of commodity production potential is inherently unequal and artificially higher commodity prices would be more likely to widen income inequalities than to lessen them. The overall export earnings of developing countries should be protected through the use of compensatory financing programs.

Discussion of the draft task force report in the Paris meeting covered a wide range of points. One issue which received some extended comment was the use of buffer stocks in damping fluctuations in commodity prices. One Commissioner raised a "cautionary note" about buffer stocks as a solution to instability. He noted the difficulty in agreeing among producers and consumers on the range within which prices are to be held. He mentioned the Tin Agreement and the mistakes and limited capacities of the Tin Council in operating its buffer stock in the 1973-74 boom. The Council did not stabilize prices, and may even have aggravated instability. This Commissioner also mentioned the problem of financing buffer stocks. He had calculated the costs of buffer stocks that would have stabilized the prices of four non-ferrous metals (copper, tin, lead and zinc) in the 1973-74 boom, "stabilized" meaning on average no more than a 15 percent rise in prices against manufactured products. The acquisition costs for the buffer stocks would have been \$5-10 billion (in 1971 prices) with carrying costs of \$250 million per year. How would such costs be borne? What would be the net benefit? Buffer stocks are not an "easy solution."

As against this, another participant argued that the historical experience with buffer stocks is not terribly convincing. We have not yet had a buffer stock regime with universal membership and substantial buffer stocks. The tin group and its stock have been rather small. The estimated acquisition cost presented for four non-ferrous



Nobuhiko Ushiba speaks during the Paris meeting. Ushiba was Ambassador of Japan to the United States. To his right is Otto Grieg Tidemand, former Norwegian Minister of Defense and Minister of Economic Affairs. To Ushiba's left are Tadashi Yamamoto, Japanese Secretary of the Trilateral Commission, and Sir Kenneth Younger, former British Minister of State for Foreign Affairs.

metals would not have been a net resource cost, it was stated, and 15 percent was much too narrow a band in which to hold prices. We should aim for something much more modest. On the problem of where the money would come from, one recent idea was that central bank reserves be used to purchase commodity stocks. The idea had major problems, but also perhaps considerable potential.

Oil was the particular commodity which received the most attention in discussion. One Commissioner stated his judgment that OPEC is still a rather tight cartel and will continue to function. Thus it is "unrealistic" to expect any reduction in prices over the next five years or so (except perhaps in real terms), and the floor price issue is a "purely academic" one. Dialogue with the oil producers is to be welcomed, not with hopes of price reductions but to point out the bad effects of further increases. The lack of policy in the United States is a great boon to OPEC, this Commissioner continued. Unless changes are made, the United States will be importing 50 percent of its supplies in 1980. Another Commissioner was distressed at how little attention is now given to energy conservation and the needed enormous investments in new energy sources. How can our countries be pushed into taking these necessary long-term steps? Oil consumption has declined since 1973, but the reduction has been almost completely due to recession, not conscious conservation policies. Another Commissioner thought the oil floor price issue might not be just an academic one. Is not the lead time on relevant energy investments something like 10-15 years? Is not the fear of declining prices sometime in the 1980's a major deterrent to new investments now? Will OPEC hold together that long?

Some Commissioners commended the proposal for an international information and research center for commodities. One question raised was how the center would be able to obtain adequate information from the Soviet Union and other communist states. Where would the center be established? The GATT and the IMF, with

their limited memberships, would presumably not be appropriate frameworks. One Commissioner thought the task force should drop the impossible hope that the center be "non-political," and give more concrete attention to its composition and operation.

Jacques Chirac

Prime Minister Chirac devoted much of his Paris address to international commodity issues. He saw a "more equitable economic order" for the use of natural resources as the key element in a sort of "social contract" among all nations at a time when international society was beginning to sense its unity. What was at stake in the primary commodities area, he argued, was the long-term relationship between industrialized and developing countries. Thus the French Government has been particularly active in this field, as evidence most recently by French initiative on the 27-nation conference opening in Paris in mid-December.

The Prime Minister laid much emphasis upon the stabilization of raw material prices, and noted a long-standing French interest in this objective. He stressed the "extraordinary uncertainty" in the current situation, including a lack of sufficient information, information needed to improve "the transparency of the market."

The several parties involved with a particular commodity should meet not merely through the market, Chirac suggested, but more closely, in the framework and procedures of commodity agreements. "An atmosphere of trust and practices of working together . . . would result from negotiating such agreements and jointly implementing them." Agreements will vary according to the product involved, but one may expect most agreements to involve a price mechanism, indicators of production and consumption, and buffer stocks financed by both producers and consumers. Commodity agreements are not applicable to all raw materials nor are they likely to solve the problems of all producing countries. Thus we also need the

(Continued on page 11)

CLAUDE CHEYSSON
Partial Summary of Remarks
November 29, 1975

M. Cheysson devoted the major part of his remarks to the role of the state-planned economies in relations between industrialized countries and developing countries. He observed with anxiety that the CMEA countries are very largely absent from the dialogue between industrialized and developing countries. Admittedly, we find them present at UNCTAD or in the debates of the United Nations, but their presence is at the level of speeches and political action. There are at the present time very few East European countries* in the most effective organizations in the field of development assistance, namely the great international financial organizations — the IMF and the IBRD. Only Romania and Yugoslavia are members of and participate in these financial institutions. The countries with state-planned economies are therefore absent from the great international organizations where real action on development assistance has been undertaken. Hope was born when we saw the CMEA countries present at the World Food Conference. But this hope was largely disappointed after the Rome conference, when they once again absented themselves.

At the level of direct action, the role of the communist countries is singularly limited. As early as 1952, an important declaration was made at Moscow indicating that the CMEA countries, behind the Soviet Union, would provide financial aid to the Third World. Unfortunately this promise was not followed up and the available statistics indicate that the financial aid furnished by these countries from 1952 to 1973 did not exceed \$14 billion, roughly the equivalent of the current contributions in the course of a single year from the countries of OECD's Development Assistance Committee. In 1973, the value of the financial aid from all the communist countries was \$850 million.

At the commercial level, the participation of the state-planned countries at the meetings of UNCTAD has been very useful. At the second UNCTAD meeting at New Delhi (1968), which decided in favor of a policy of generalized tariff preferences, the U.S.S.R. played a determining role. Unfortunately, since then, no tariff advantage to the developing countries has been agreed to either by the Soviet Union or by any of the other East European countries.

As to raw materials, some of the East European countries participated in the world wheat agreement, in the sugar agreement, and in the cocoa and tin agreements. But these agreements were incomplete, without provisions for buffer stocks and without a real market management

policy; and as a result they either gradually became ineffective, or are in the course of being renewed. Thus communist participation in such agreements is unfortunately still not representative.

It could be argued that the East European countries participate in exchange equalization with developing countries by means of barter agreements. In effect, they do contribute in this way to establishing an equilibrium between supply and demand in these countries. For India and for Sri Lanka this is important. But what we know of the terms of these agreements shows that East European countries often obtain the lion's share of the benefits. What I have myself heard about the conditions of the purchase of Algerian wine or of Moroccan citrus fruit, and what one can read about the conditions of the purchase of Cuban sugar, shows that this form of involvement has not always been carried on in conditions which were economically worthwhile for the developing countries. In any case, this form of involvement is in absolute contradiction with the general approach of developing countries and our own countries, namely that systematic bilateralism in this area leads to serious politico-economic constraints.

We cannot, however, ignore the East European countries in the framework of establishing general policy for relations between industrialized and developing countries. We can do this even less because we are currently in the midst of a systematic policy of detente between the two greatest powers in the world, which leads us to treat problems in their global dimension, integrating all the various elements.

At the commercial level, it is true that only 5 percent of the foreign trade of developing countries is with East European countries, as against 20 percent for the United States and 40 percent for the European Community. Nevertheless, even this 5 percent share is not conducted in conditions which we should hope for in order to permit the development of countries which are still poorly provided for and underequipped. In particular, one should recall that the commercial balance between the East European and the developing countries is systematically favorable to the East European countries, to an extent which represents an element of disequilibrium at the global level. If one puts a value of \$10 billion on the exports of East European countries to developing countries, the deficit of the developing countries (and thus the trade surplus in favor of the East European countries) is \$3.5 billion. The U.S.S.R., one is not surprised to see given its industrial power, is the determining element, since its positive balance of trade with developing countries may be estimated at \$3 billion out of a total volume of exports of \$7 billion. A massive debt results from this, which must be added to debts resulting from other trade relations, in particular in the field of armaments.

With regard to raw materials, the East European countries are, overall, in equilibrium in their production and

*Eastern Europe includes the U.S.S.R.

consumption of minerals and metals. By contrast, for agricultural products, which are so important for the developing countries, the situation is very different. Here the Eastern European countries are large importers. As importers of wheat when the harvest is bad, they find themselves in competition with the imports of the developing countries. Moreover, they are not negligible importers of tropical agricultural products, in quantities which range from 4 percent of world imports of coffee to 11 percent for jute and wool, 18 percent for cocoa, and 28 percent for rubber. For tropical agricultural products, therefore, the countries of Eastern Europe play an important role in world commerce. Furthermore, their economic system permits rapid, opportunistic, often brutal interventions in the markets, which provoke sudden, unforeseeable and dangerous fluctuations, notably for the developing countries. In this connection, our friends in Eastern Europe have acquired such a mastery of our capitalist processes that they are able to behave with a skill which any savage capitalist speculator would envy.

This situation is serious, for we cannot reasonably allow our efforts to establish a dialogue between North and South to be compromised by sudden, brutal fluctuations and by unexpected interventions coming from an important, respectable and powerful part of the world. The developing countries, on their side, must surely realize that in their future progress, in a world in which they have demanded to be partners where hitherto they have only been suppliers, they must be able to count on the cooperation of all countries, whatever their political regime. May one not suppose that it is also in the interests of the countries with state-planned economies that their supplies should be more certain and at regular prices, which must be the object of

our policy in the field of natural resources? May one not suppose that a regularization of the markets as a result of a certain amount of planning would also suit the Eastern European countries? *Vis-à-vis* their domestic opinion and their doctrine, they could present this evolution as going in the direction of their own desire for planning and of their rejection of our entirely liberal economic system.

Where to integrate them, how to integrate them? These problems are much more delicate. UNCTAD, after having been a pressure group of the 77, could perhaps become a place of real meeting between countries of all forms of economic development. We can hope that other procedures of an ad hoc variety will be worked out at the global level, for food, and for various other products. The financial problems will be difficult to treat, for one cannot see how the Eastern European countries could tomorrow become real participants in efforts undertaken within the world financial organizations. A multiplication of bilateral agreements could also represent a means. The recent agreement between the United States and the U.S.S.R. on grains was perhaps a first step in this direction. In any case, it seems very important that these questions be posed, that they be posed without acrimony or provocation and in the framework of the present economic situation, in which the Third World countries have gained the right to be equal partners, and in which we are also all agreed that *detente* should be pursued and that, as a result, all important problems should be discussed. The Third World has ceased to be a marginal problem. From now on industrialists, trade unionists, parliamentarians, journalists, professors, thinkers are all concerned. Whence the important role of a group like the Trilateral Commission, an organization dedicated at the same time to thought and to action. ■

(Continued from page 9)

technique of stabilizing export earnings of developing countries, whether through the IMF or through regional frameworks like that of the Lomé Convention.

Aside from stabilization of commodity trade, the French Prime Minister emphasized the need to solve the problem of investments in the production and processing of raw materials. There would be a serious danger indeed if the present general uncertainty were to continue. Private operators might refrain from making the investments necessary for developing production capabilities. The bottlenecks of 1980 could be created today. This was why we should start discussions in depth with raw material producers, be they rich or poor, on the terms of stable and sufficiently large investments. Meanwhile it would also be necessary to tackle the problem of expanding capacities for primary processing industries beneficial for the development of poorer countries.

The Prime Minister saw two primary goals for trilateral countries in the current world economy. One was the

global "social contract" mentioned above, centered on commodities. The other was "a more rational (and therefore more stable) economic relationship among the industrialized countries," which still account for the largest part of world trade. Industrialized countries are looking for "a new economic rationality," it was stated, linked with an awareness that we should prevent the continuation or resumption of a crisis like the one that recently struck the whole of the industrial world. Continued stagnation would generate violent internal tensions, and cause and maintain conflicts between nations.

The remedies are known, Chirac stated. We must be firmly determined to apply them — nationally by not resorting to overly permissive policies which generate inflation, and internationally by way of agreement in the monetary field and in concerting growth policies.

Returning to stable currencies is the condition for a lasting and balanced expansion. We should first establish some rules, so as to avoid general uncertainty of monetary values. Greater security should be given to trade on inter-

national markets, which implies that states should commit themselves to some discipline in managing their economy and currency. We cannot reach this goal without an international agreement. Here the French Prime Minister praised the recent meeting in Rambouillet, initiated by the French President, of the heads of state or government of "the six countries that can in the monetary field define the directions which are so necessary to a resumption of international trade in an atmosphere of mutual trust and with an outlook of stability." The arrangement reached in the monetary field at Rambouillet bore witness to the importance of that meeting.

We must also accord our views on growth policies, the Prime Minister emphasized. He deliberately used the term "growth" to show that he was confident in the development of our economies during the coming decade. This development will bear a different character, however, and we need to invent a "new art of accounting" to record it. It

would take in such values as pollution control and sound town management. "Many are the individual goods which would remain useless without relevant collective equipment." Overall, our better understanding of the problems of the international economy makes us more aware of "the solidarity binding on all" and "the need to impart coordinated impulses to domestic economic policies, while developing reflexes of self-discipline." Such was the meaning and scope of the meeting at Rambouillet.

Guido Carli, Claude Cheysson

The speech by Mr. Carli is presented on pages 5-7 in this issue. The former Governor of the Bank of Italy gave his analysis of the causes of the current inflation, speaking of both the domestic and international scenes.

Claude Cheysson is the Member of the Commission of the European Communities in charge of development

KINHIDE MUSHAKOJI **Reform of International Institutions** **(excerpts)** **December 1, 1975**

The club of nations has been enlarged. Now there are many newcomers and they are not necessarily playing the game according to the rules set by the original club members. Present world organizations were set up after the Second World War. Already in the 1960s there were newcomers, including my own country. I recall that we were very much pleased by the fact that we were admitted into the OECD. In those days, in the early 1960s, newcomers like my own country were quite well-behaved. However, the reason my own country has been well-behaved is not that we are naturally well-behaved. It was because Japan, not only in the 1960s but also in the Meiji Restoration, entered alone into the club of nations. We were forced to be well-behaved because otherwise we would not have been included.

Now the problem is that there is a bunch of newcomers and those newcomers are numerous enough not to follow the old club rules. According to trilateral perceptions, although international institutions are not old British clubs, they do have many important rules which are being infringed. The newcomers on their side, however, want not only to be accepted as members of an old club. They want a new club of nations where they will have equal participation, or more participation sometimes, in the setting up of the rules of the game.

It seems to me that there is a kind of suburbia complex on the part of the industrialized countries. In the United States, the big cities are more and more becoming places into which various newcomers are coming, while the old club members are going away to suburbia, leaving the big

cities in the hands of the newcomers. What I fear is that the same thing has begun to happen in the United Nations since September. Quite recently, since the unfortunate resolution about Zionism, some may think that some of our friends here could even consider the possibility of stepping out of the United Nations. I do not think that this suburbia complex, this effort to create a nice new club in the suburbs, will be helpful for all of us. Trilateral countries have to find a way to avoid becoming suburbanites, just commuting into the big cities.

In the work of reforming international institutions, we need to think not only about making old institutions more effective, but we also have to find a new legitimacy for the old institutions — a new legitimacy accepted both by us and by the newcomers. Thus, while we have to use existing institutions like GATT or the OECD, as already discussed in various reports to the Trilateral Commission, in doing so we are not trying only to increase efficiency by finding functionally specific organizations to solve the problems at hand. On top of this, we also have to try to find a way to give to the existing institutions a new legitimacy as useful organizations. This is especially true of the United Nations, not only in terms of its services but also as a forum for negotiation. If trilateral countries view the matter only in terms of efficiency, we will say that the United Nations General Assembly is useless. We will turn more and more to functionally specific institutions and organizations. But it is very important to keep contacts with the newcomers and to be able to discuss with them our common problems. It is to this end that many proposals have been made to improve the rules of the game within the United Nations. To cite only one example, the Twenty-Five Experts recommended to the United Nations last May the use of bargaining groups for negotiations on outstanding issues. This is probably one means which can allow us to find how to set new rules with the newcomers.

assistance. A partial summary of his remarks on the role of Eastern Europe and the Soviet Union in North-South dialogue and economic relations is presented on pages 10-11 of this issue. He also made a number of comments about the European Community and Third World needs. Europeans should be particularly sensitive to these needs because of their dependence on the Third World for raw materials and their interest in rapidly developing markets outside Europe. The Community has been playing an active role in global discussions and progressively increasing its aid. It was the first to introduce a broad system of generalized preferences. And it has moved yet further with those developing countries which have been linked to Europe for a long time by their habits, economic structures and cultural affinities — as seen, in particular, in the Lomé Convention and agreements with Mediterranean countries.

MUSHAKOJI (Continued)

In more general terms, this problem of consultation, not only among ourselves but with the Third World countries as well, is a very important problem. Sometimes when trilateral countries talk about world institutions, we are just interested in ideal blueprints. But what is needed here and now is not only a blueprint for future ideal solutions but a kind of *modus vivendi* which allows us to keep in touch with the Third World countries and also with the Communist countries, and to go beyond rhetoric in discussing our common problems. We have to find a balance between efficiency and dialogue. The usefulness of dialogue and the usefulness of international institutions for dialogue is just as important as their efficiency in the provision of services.

Global-local contradictions are another difficult problem we face now. Nationalism is a fact which we cannot ignore, while global responsibility is often used to cover some hidden motives. And in that sense, globalism is not the solution if we cannot try to strike a bargain between the national-local needs and the global needs of the human family. Exactly in this context the Third World countries — the newcomers — are not trustful enough of our globalism. Thus they do not want to come into our global scheme. On our side, we feel that the Third World countries are too nationalistic and narrow-minded. They are narrow-minded, but probably the way we may help them become less narrow-minded is to find a way to link their local demands with our global concerns. We can learn from the example of the European Community where, on the one hand, nations with diverging interests come together with a Minister representing each national position, while, on the other hand, there is an extra-national body (the Commission) representing an objective interest transcending the national and local interests of the members.

Reshaping the International Order

After discussion of the two draft task force reports in Paris, a more general discussion was held under the heading of "Reshaping the International Order." Three members of the Trilateral Commission provided extended perspectives in this session.

The first was Kinhide Mushakoji, Professor of International Relations at Sophia University in Tokyo, and recently named Vice-President of the United Nations University. Prof. Mushakoji's remarks are to be found on pages 12-13 of this issue.

Count Otto Lambsdorff, a member of the Bundestag, was the second speaker. He spoke of the Rambouillet meeting and world economic management, beginning with a diagnosis of the present situation. He saw both 1) an "unprecedented disintegration" of the "normative order" of the world economy, as evidenced in the collapse

When we want to link local and global concerns the European Commission can be used as a model for all of us.

My last point is the contradiction between leadership and participation. After the Second World War, American leadership was supporting the United Nations and the other world institutions. Since the War, the United States has intentionally supported its friends, especially in Europe and in Japan, and allowed them to become more influential on the world scene. In this sense, Europe and Japan have to share the responsibility which has been so far only in the hands of the United States. Perhaps we can say that collective leadership should be created in establishing new institutions or in giving new blood to the old institutions. But on the other hand, the problem is that when we say leadership by a few countries, we are by the same token excluding some other countries. The problem of participation becomes very crucial. I think there is, if I may coin a phrase, a Rambouillet dilemma. At Rambouillet there were six countries talking to each other and trying to exercise leadership, which probably was a good thing. But on the other hand, this excluded many of our friends. In terms of participation, the Rambouillet experiment was not a satisfactory solution. The same contradiction exists not only among trilateral countries but between trilateral countries and Third World countries. The dilemma is that the trilateral countries should exercise leadership; but if they exercise this leadership in an exclusive way they are going to prove to the others—to the newcomers—that they are trying to keep the club of nations for themselves. In that sense an open trilateralism is becoming very important. An open trilateralism would not impose on others unilaterally what the trilateral countries think. It would mean negotiation and bargaining with the other parts of the world. This is how we should exercise our collective leadership — not in exclusion of others but in calling forth leadership in other parts of the world as well. ■

of the Bretton Woods monetary arrangements and the erosion of GATT rules, and 2) worldwide disturbances of the overall economic equilibrium, disturbances along several dimensions.

What should be done? An urgent requirement, Lambsdorff argued, is broader and better cooperation among the countries which, due to their large share in world trade and the international monetary system, bear special responsibility for the whole. This is why the Rambouillet conference was held. While we should not overrate the possibilities of such cooperation, Rambouillet did produce a number of encouraging statements and results — express acknowledgement of the need to combat inflation, rejection of trade protectionism, some measure of agreement between France and the United States on monetary issues, and the readiness of all participants to take part in the North-South dialogue and to assist the non-raw-material-exporting developing countries.

The trilateral countries must coordinate their economic and monetary policies even more intensively than hitherto, Lambsdorff argued. We can only get out of the recession together. The fight against inflation must be fought together. Together we must ward off all protectionist tendencies. Together we must promote our efforts to restore greater stability in monetary relations.

The economic policies of trilateral countries in the next few months will concentrate on the reduction of unemployment and the restoration of opportunities for growth. This will also be in the interest of developing countries, which can only achieve growth if the industrial countries are also growing. Only then can the latter finance a transfer of real resources to the Third World. It is a fact that only the increment of growth is available for distribution. Any distribution of what is already there would involve unpredictable frictions.

Given the value of the Rambouillet meeting, it probably should not remain a one-time occasion. This does not mean that cooperation of the six should be institutionalized, however. And conferences such as that at Rambouillet cannot take any binding decisions. Such decisions remain the prerogative of the international organizations of which the six are members. Meetings of heads of governments should not be overdone. Rambouillet has given sufficient impulses to the ministers concerned for them to carry on with the coordination process.

Our motto on all these issues, Lambsdorff stressed, must be cooperation, not confrontation. The call for the new international economic order has overtones of confrontation. We tried, therefore, to restore the discussion to a constructive note at the Seventh Special Session of the U.N. General Assembly, and it gives us great satisfaction that we did succeed.

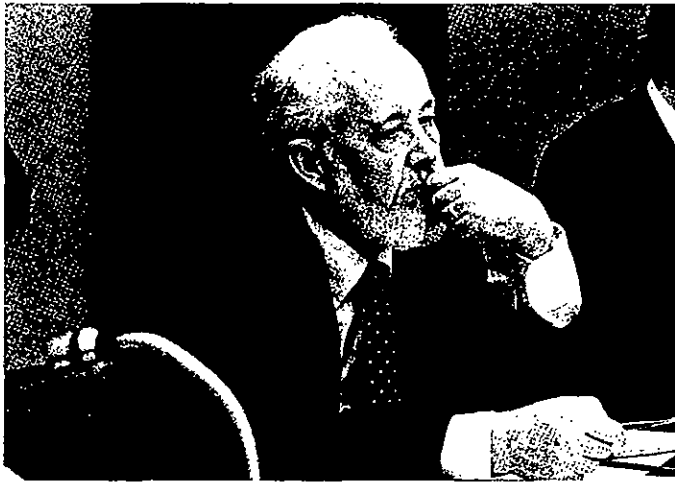
Count Lambsdorff was followed by Patrick Haggerty, Chairman of Texas Instruments, who devoted his speech to a strong defense of private institutions. He saw a

number of rather optimistic signs at present. A large number of citizens are examining more carefully their judgment in seeking public instead of private sources for solutions.

One of the virtues of private institutions is that their resources are limited to the funds generated as a consequence of their own actions. They must operate so that there is a quid pro quo in every arrangement into which they enter. Only the individuals and the institutions which balance well the giving and taking prosper over the long term. The consequence is that those same business and industrial organizations which have the most to give are also the ones which have done the best job in balancing resources against objectives sought. Our economic system requires that a profit be made if an institution is to survive.

Haggerty stressed that, while profits are vital to the success of a private business institution, they are not the reason for its existence. Business organizations do not exist to make a profit, but the opportunity to operate at a profit is the incentive to provide useful products and services to society. Every long-lasting institution evolves a culture of its own, and the relatively automatic operation of the market economy creates a culture which is common to all private enterprise. It is a culture dependent on and oriented toward the need to provide products and services for customers at a profit. It automatically biases the entire sector toward high and increasing productivity. That bias simply does not exist in the non-private, governmental sector. It is this bias toward constantly increasing productivity per person, Haggerty argued, that has made possible the steadily increasing standard of living which has been enjoyed in all of our countries. Profits have been like a catalyst in a chemical reaction. They play a very important part in making the whole system work and in creating these gains in productivity; yet in themselves they are a very small part of the price at which the product or service is sold.

To illustrate this last point, Haggerty related some 1972 figures for the United States. In that year, total corporate sales or turnover amounted to \$1803 billion. Total profits before taxes on those sales were \$98 billion (5.4 percent). Profits after taxes were \$55 billion, out of which corporations paid \$26 billion in dividends. The profits retained by the corporations were thus \$29 billion. The taxes paid by the corporations were \$43 billion, and \$6 billion in taxes were paid by individuals on their dividends, which totals \$49 billion. Without any public investment in the more than three trillion dollars worth of assets which were used by these corporations in 1972, the citizens of the United States shared in the profits just as though they owned 50 percent of the shares of those corporations. It seemed nonsensical to talk about a need for broad public or governmental ownership of corporations when the tax system functions in this fashion.



Patrick E. Haggerty, Chairman of Texas Instruments and a North American member of the Executive Committee of the Trilateral Commission.

Haggerty does not believe we face continuing material resource shortages which are inevitably going to press on us so hard that continued economic growth is an impossibility. There are technological forces present, he argued, which inherently have the capacity to improve the productivity of our industrial societies over the long run. We are all acquainted with the immense power, for example, of contemporary data processing machines. The basic technology represented there has just begun to have an impact on the productivity of our societies. Thus far most of the gains proceeding from the industrial revolution have fundamentally multiplied man's muscle and improved his mobility. With the widespread availability of inexpensive and powerful data processing packages, we are for the first time really multiplying man's mind. The possibilities for continued future gains are boundless. Haggerty hoped that "this illustration of the potential power of just one technological development, and there are others, will serve to counter the undue pessimism with which so many of us are facing the general problems of our earth's limited resources, and to free us from the mental shackles that those kinds of oppressive fears produce for the physical welfare of future generations."

The wealth of the trilateral nations, Haggerty concluded, is primarily in their complex of dynamic people and institutions. It is a kind of wealth which is creative and it can generate more wealth provided a society and its leaders understand its value is entirely in the developed capacity of the nation's men and women and the institutions they create and manage. This kind of wealth can be possessed by the developing nations too if they pursue the long task of developing the human capacities of their people and creating the kind of institutions which free their wills and encourage their competence.

In the discussion which followed the three speeches, considerable attention was given to the Rambouillet meeting. Should we repeat the Rambouillet experiment? Would

it be worth the loss in participation and accountability? The Rambouillet system, as one Commissioner described it, is a "directorial" not "multilateral" system. And it is multilateralism that should have more emphasis. The largest countries must not return to old hierarchical ways, it was argued. This breeds a sense of isolation among those excluded. "Interdependence among unequals" is a serious problem. Another Commissioner argued that we have to allow for occasional exceptions like Rambouillet. At some times, there has to be a leadership group. It is an inevitable aspect of any arrangement that it will have imperfections. Lambsdorff thought Rambouillet certainly should not be made a regular institution. From a European perspective, he opposed the idea of some sort of European nucleus. He had welcomed Rambouillet because of its inclusion of Japan and its trilateral aspect.

Considerable comment was also directed to Haggerty's remarks. One Commissioner argued that the language used gave an image of modern-day conquerors. As such it helps engender a spirit of revenge in Third World countries. If international institutions are to gain a "new legitimacy," part of that effort will be finding a new language that does not project a conqueror's image. "Open trilateralism," as one of the speakers had suggested, is a good concept. This Commissioner also objected to what he thought he detected as an exultation of private enterprise as the only type of enterprise capable of performing. He disagreed, and contended that public enterprise could perform just as brilliantly.

Another Commissioner wondered if private enterprise is so justified in very poor societies. When people are so poor, there is very little margin and profits become very easily political. He pointed to ill-effects of market systems in particular developing countries. Even in his own country, government measures were required to balance resource flows in ways that cannot be done by the market mechanism alone. Another Commissioner wondered if developing countries would be willing to take the time necessary to fit into the model Haggerty suggested. It was replied that there is no other choice. We must not mislead the poorer countries, and raise false expectations about shortcuts to development. ■

COMMISSION EXTENDS ACTIVITIES

The initial three-year mandate of the Trilateral Commission will be completed in mid-1976. After months of discussion and planning, the Executive Committee decided in Paris to extend the activities of the Commission for another period of three years and to ask support for this purpose. There was active discussion of the Commission's policy program for the next period, and some areas were selected as most useful for new task force work.

THE TRILATERAL COMMISSION

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