Trialogue

MANAGING GLOBAL PROBLEMS: AVENUES FOR TRILATERAL – COMMUNIST COLLABORATION

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In January 1977, The Trilateral Task Force on Constructive Trilateral-Communist Cooperation on Global Problems presented its report to the Tokyo Plenary Meeting of the Trilateral Commission. The report was revised on the basis of discussions among Commissioners in Tokyo and later consultations among the authors. It was subsequently published in September 1977, with the title Collaboration with Communist Countries in Managing Global Problems: An Examination of the Options.

Henry Owen, Director of Foreign Policy Studies at the Brookings Institution, was the principal rapporteur. He was on leave from Brookings during much of the first half of this year as coordinator of US preparations for the Downing Street Summit in May. Says Owen: As is the case with all Trilateral Task Forces, our final report is the result of team work among three rapporteurs—Chihiro Hosoya (Professor of International Relations at Hitotsubashi University); Andrew Shonfield (Director of the Royal Institute of International Affairs) and myself. In addition, each of us has drawn considerable advice from a number of consultants in our three regions.

Reviewing today's prospects for collaboration with Communist countries in addressing global issues, our report focuses particularly on four areas where trilateral-communist cooperation seems to offer greater promise—and the greatest urgency:

*FOOD—we stress the need for creating an international system of national food reserves which the Soviet Union would have an interest to join.

*NUCLEAR EXPORTS AND NON-PROLIFERATION—here also, we emphasize the need, and some means, for the trilateral nuclear exporters to cooperate with the Soviet Union both in restraining exports of nuclear fuel and sensitive reprocessing facilities, as well as on other measures to prevent proliferation.

*THE OCEANS—in this area, we strongly recommend greater cooperation between Trilateral and Communist countries, particularly in view of their common maritime interests both within the Law of the Sea Conference, and after the Conference ends.

*TRADE—As East-West exchanges expand, the report underlines the desirability of an agreement between the Soviet Union and the Eastern European countries on the one hand, and the Trilateral countries on the other, upon at least a machinery to adjudicate trade disputes and provide a greater predictability in standards of trade behavior.

Besides these four major issues, we have also reviewed

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other areas (earthquake warnings and energy) which, although offering somewhat less promise, warrant serious exploration; and others—development aid, space and weather, the least promising ones at the moment, which deserve continuing attention.

Continues Owen: On the whole, we made it a rule to concentrate on issues of a global nature, where cooperation could serve the interests of all concerned without impinging on the essential national prerogatives of the participants. There is no sure way of assessing the chances of cooperation with Communist countries—but it is clear that these chances will be enhanced if the Trilateral countries begin by cooperating among themselves.

This issue of "Trialogue" highlights some of the major findings of the Hosoya-Owen-Shonfield report and presents a series of reactions to these findings–from North America, Europe and Japan–as well as a Soviet point of view on the general approach adopted by the Task Force.

HIGHLIGHTS

On Oceans Policy:

"Recent unilateral declarations of 200-mile economic zones on the part of the Soviet Union and most Trilateral countries have made it more necessary to promote cooperation among the Trilateral countries and the U.S.S.R., particularly since these moves have aroused a sense of isolation on the part of Japan, which has strong interest in distant-water fishing . . . . In view of the past statements of Soviet delegates at the Law of the Sea Conference, the U.S.S.R. may well be cooperative in establishing a set of principles governing the regime of the 200-mile zone—covering maximum utilization, conservation requirements, reasonable payments, respect for rights of traditional foreign fishing interests, and settlement of conflicts. Cooperation on this issue among the Trilateral countries and the U.S.S.R. should be sought at the Conference on the Law of the Sea. . . .

"Cooperation in determining an acceptable regime for the 200-mile economic zone will be the most pressing need. In the event of a Conference failure, only concerted multilateral action could avoid the unilateral adoption of conflicting regimes. . . .Cooperation in respect to deep sea mining should go more slowly, since close attention needs to be paid to fears of the developing countries. Indeed, even in other ocean activities, it would be desirable if developed-country cooperation could receive some form of United Nations or other international blessing."

On an International System of National Food Reserves:

"A reserve stock policy that could keep cereal price changes within a less disruptive range than in the recent past could make a considerable contribution not only to restraining inflation in the developed and developing worlds, but also to ensuring that adequate food supplies are available to developing nations at prices that will not impose an undue drain on foreign exchange reserves. . . .

"The U.S.S.R. would benefit from an international grain reserve system, since it suffers, along with other countries, from current fluctuating food prices and availabilities. If such a system of reserves were established, the U.S.S.R. would suffer from not participating since, as indicated above, it would have difficulty in satisfying its import needs in bad years—assuming that the participating countries agreed to give each other preference in selling grain exports in time of global shortage. . . .

". . . The advantages to the Soviet Union would be guaranteed access to the world market and lower costs than those involved in building up an additional autonomous national reserve. The exchange of information that would be required would pose no real threat to Soviet security. It is unlikely that Soviet participation can be secured, however, unless the Trilateral countries are themselves clearly prepared to proceed in setting up a reserve, without the U.S.S.R. if necessary. . . ."

On Nuclear Exports and Non-Proliferation:

"The Nuclear Suppliers Group has demonstrated that limited types of East-West cooperation on attempts to restrict the spread of nuclear weapons are possible. Differences among members of the Nuclear Suppliers Group did not always appear to break down along East-West lines. . . .

"In view of the large capacity of the Soviet Union in this field—it already possesses extensive reprocessing and enrichment facilities, has supplied nuclear enrichment services under contract to West European coun-

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tries and has its own fast breeder reactor program—it is important to involve the U.S.S.R. in the projected studies (of the International Nuclear Fuel Cycle Evaluation Program decided upon at the Downing Street Summit in London in May 1977). As of this writing, it seems likely that the U.S.S.R. will join."

On East-West Trade:

"It is a matter of common interest that East-West trade be subjected to minimum agreed ground rules. . . .

To this end, a Soviet commitment to abide by an internationally negotiated set of trade rules, or at least to accept an internationally negotiated set of procedures for arbitrating trade disputes, might be required by Trilateral countries as a normal part of any bilateral commercial agreement with members of COMECON. . . . If it became clear that access on favorable terms to Western markets for Soviet exports was dependent on minimum standards laid down by an international trade institution and subject to some degree of surveillance by it, or at least on agreed *procedures for resolving disputes, the arguments for a* new approach to this problem might become more evident to the U.S.S.R. . . .

"An overall set of agreed rules will be difficult to achieve; there would be less difficulty in setting up a regular GATT-type complaints procedure for dealing with certain matters in dispute, such as exchange rates used by the U.S.S.R., allegations of market disruption by Soviet exporters, or alleged failure by either side to adhere to the principle of non-discrimination. . . .

"It should be no part of Trilateral policy to push for the establishment of new East-West trade contacts and arrangements at the expense of the European Community common external commercial policy. Equally, Trilateral interests would not be served if the institutional arrangements for the conduct of East-West trade on the Soviet side served to promote the power of a centralized organization in COMECON over the trade of individual Eastern European countries. . . ."

On Some Other, Less Promising Areas:

Earthquake Warning: ". . . Although present exchange activities in the field of earthquake prediction are both useful and encouraging, they are not typical of scientific collaboration across national boundaries and will not, at least in the immediate future, set the pattern of scientific cooperation and exchange between China and the Trilateral nations. That cooperation should be sought on an *ad hoc* basis, as the occasion and opportunity arise."

Energy: ". . . it is difficult to be optimistic about early large-scale energy cooperation by the Trilateral nations with either the Soviet Union or China. The political obstacles, on both sides, are formidable. The subject warrants continuing exploration, but our tentative conclusion is that large-scale energy cooperation is more likely to follow than to precede a further easing of political tensions."

Development Aid: ". . . There is no evidence to suggest that the Communist countries will increase the volume or improve the terms of their aid in the near future . . . . Short-term political purposes are predominant and obvious in the Communist countries' aid programs; . . . Communist countries are especially concerned that aid be clearly identified with the donor *country; . . . [finally] COMECON countries' develop*ment assistance is designed to result in trade flows which benefit the COMECON countries. . . .

"Despite these attitudes, some of which also characterize non-Communist aid, we believe that efforts should be made to persuade the Communist countries to increase their development aid . . . Efforts should also be made to encourage Communist participation in specific multilateral consortia for providing aid to particular developing countries . . . It has been suggested that prospects for Communist participation in multilateral aid may be enhanced if aid is directed clearly to humanitarian purposes, e.g., aid to the poorest countries and aid to help countries increase food production. An effort should be made to explore these possibilities."

Other areas for cooperation covered in the report, and warranting at least "continuing attention," include space and weather technologies.

U.S.-Soviet Agricultural Cooperation

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After a long period of stability, world grain markets have gone through an unprecedented upheaval during the past five years. World grain prices reached peaks at three times their pre-1972 levels and became a factor second only to oil in accelerating the inflationary spiral. The instability in world grain markets, in turn, can be traced in large part to the emergence of the Soviet Union as a major—and highly unpredictable—grain importer.

Why the Soviets Import Grain

The reasons which prompted the massive Soviet net grain imports—26 million tons in the two years following the crop shortfall in 1972 and an estimated 34 million tons in the two years following the disastrous 1975 harvest—continue to be a matter of debate. Some explanations which have found wide currency in the West are of questionable relevance. While it is true that the productivity of Soviet agriculture is low compared with that achieved in the Western industrialized world—even allowing for less favorable climatic conditions in the U.S.S.R.—substantial progress has been made, particularly in grain production, which has been rising at an average annual rate of about 3 percent (and this largely as a result of increased yields per hectare). On a per capita basis, Soviet grain production in 1976 at 880 kgs, is only 25 percent less than in the United States.

Soviet grain consumption, at 800 kgs per capita, is actually greater than in the United States. This is only partly explained by higher bread consumption (143 kgs compared with 65 in the U.S.). A more important reason is the inefficient use of grain in livestock feeding. More grain is fed to livestock in the U.S.S.R. than in the U.S., yet meat and egg production is only 60 percent of U.S. production (but milk production is 50 percent higher). No doubt, the U.S.S.R. could be more than self-sufficient in grain and at the same time, improve the diet of its people considerably if feeding efficiencies were to approach the levels attained in the U.S.

But low agricultural productivity is not a new problem in the Soviet Union; and it hardly explains the massive grain purchases of the past few years.

The weather provides a more plausible explanation. The 1972 grain crop fell about 20 million tons short of the trend; the 1975 crop about 65 million tons. But in 1963 and 1965, the Soviet Union also experienced crop shortfalls of about 25 million tons each; yet net grain imports in those years were only 5 and 4 million tons, respectively.

The major reason for the heavy Soviet grain imports must undoubtedly be sought in the Soviet government's commitment to the ambitious livestock development program, involving heavy investments in large-scale specialized feeding operations, which was started by Khrushchev and pursued vigorously under the personal direction of Mr. Brezhnev. As a result of this program, grain requirements for livestock feeding have been rising at a rate of 4 to 7 million tons annually. This program, and the Soviet government's increased sensitivity to consumer pressures, have made it more difficult to cut back on livestock feeding in years of short crops.

What is perhaps more difficult to explain is the failure of the Soviet leadership to build up adequate grain reserves to guard against recurrent crop failures. The state of the world grain market throughout the 1950s and 1960s may have led it to count on virtually unlimited supplies of low-priced grain that could be tapped whenever the need arose. As it turned out, the Soviet grain trading agency, by skillful maneuvering in the grain market, managed to cover the bulk of its import needs following the 1972 crop shortfall at low prices. This was no longer possible after the 1975 crop failure, when the Soviet Union had to spend some 5 billion dollars in foreign exchange on grain imports covering little more than half of the shortfall.

"Food Power"

The foregoing analysis should help to provide some perspective on the widely debated issue of U.S. "food power" over the Soviet Union. Growing dependence on grain imports, it is held, renders the Soviet Union increasingly vulnerable to pressures by the U.S. and other grain exporting countries, much as the oil-importing countries have become vulnerable to actions by the OPEC. Why shouldn't the U.S. take advantage of its market power in grains to extract economic and political concessions from the Soviet Union? Why not use grain as a bargaining lever to secure Soviet petroleum deliveries at a concessional price? Why not use grain supplies to get the Soviets and Cubans out of Angola?

This reasoning has a basic flaw: it greatly overestimates U.S. bargaining power in this matter. First, it is not at all clear that other grain exporting countries would cooperate with the U.S. in a policy of restricting exports to the Soviet Union to obtain economic—let alone political—advantages. Second, as both the U.S. and the Soviet Union have demonstrated during the recent "food crisis," grain consumption can be reduced on fairly short order, by as much as 15-20 percent, by reducing feeding to livestock. Even at their peak, in 1975, net grain imports amounted to only 12 percent of normal grain consumption in the U.S.S.R. Denial of these imports would have forced the Soviet Union to slaughter more of its livestock, which would have increased its meat supplies in the short run but would have had adverse effects in future years until livestock herds are rebuilt. At no time would the basic nutritional position of the Soviet population—in terms of calories and essential nutrients—have been threatened. It is not surprising, therefore, that U.S. leverage proved to be rather modest: enough to get the Soviets to agree to being overcharged on part of the shipping costs for the grain, but not enough to extract concessions on oil prices (the Soviets could point out that the U.S. was charging the full market price for its grain).

There is, however, another meaning to the term "food power." The U.S. can use its agricultural abundance to develop mutually beneficial trade with the Soviet Union and incidentally, to earn foreign exchange needed for its imports of oil and other materials. Expanding trade, in turn, can improve the climate for cooperation in other fields.

The Basis for U.S.-Soviet Cooperation in Agriculture

As in all aspects of U.S.-Soviet relations, it is important to seek out areas where our mutual interests coincide and where opportunities for more or less self-balancing agreements exist.

The United States, as the major grain exporter, is interested in developing a long-term market for grains and soybeans in the Soviet Union as well as in Eastern Europe. But it would like this trade to be predictable and stable.

There is considerable evidence that the Soviets look upon this trade not as a permanent relationship but as a temporary necessity, for a period of five or ten years, until Soviet grain production catches up with requirements for livestock feeding, with enough to spare to build up reserves. The salient features of the new Five-Year Plan—heavy investments in land improvement, agricultural machinery and fertilizer production; a reduced rate of growth of livestock production; and additional storage capacity for 30 million tons of grain—would seem to support this hypothesis. But in the meantime the Soviets may be expected to be favorably disposed toward stability in their trading arrangements with foreign suppliers, which facilitates long-term planning. They will also have a continuing interest in acquiring Western technology in food production, storage and processing. They know that this cannot be done without exposing their experts to Western contacts and influences—a "price", from the point of view of the Soviet leadership, but a plus from the point of view of the broad Trilateral interest in the development of peaceful contacts.

The Record of U.S.-Soviet Agricultural Cooperation

The evolution of U.S.-Soviet agricultural relations since 1972 has been consistent with the mutual interests as perceived by the two countries.

Following the successful Soviet "raid" on U.S. grain supplies in 1972 which aroused the American consumer, the immediate U.S. reaction was to try to build an internal defense against a repetition of these events, in the form of prior reporting requirements and an informal understanding with the grain trading companies to obtain prior approval of large grain sales. Some use has been made of these arrangements to slow down exports as grain prices reached new peaks but it soon became clear that the U.S. government had no way of enforcing its recommendations to the companies and that the farm groups will bring strong political pressures to bear against export controls in any form.

The U.S. at the same time made known to the Soviet authorities its desire for information on current crop conditions in the Soviet Union. This type of information, which is regularly published in the U.S. by the Department of Agriculture's crop reporting service, is kept secret in the U.S.S.R.

The U.S.-U.S.S.R. Agreement on Cooperation in the Field of Agriculture, signed on June 19, 1973, broadened the scope of previous official exchanges of scientific information to include statistical and economic information, including forecasting. Four years of persistent efforts by the U.S. side, however, have failed to elicit any Soviet forward estimates of agricultural production and utilization other than the well-publicized plan targets. U.S. teams have been able under the agreement to visit the Soviet Union to observe crop conditions in selected grain-growing areas, but these observations have been of only limited value in improving the U.S. Department of Agriculture's forecasts which are based on a number of indicators including weather factors.

Other aspects of the agreement have been carried out to the apparent satisfaction of both sides. Numerous teams are being exchanged each year to study such subjects as plant breeding, selection of winter-hardy grains, feed production and use, the organization of large-scale livestock complexes, grain storage technology, the economics of irrigation, the treatment of saline soils and of permanently frozen soils. The exchange of seeds and other plant materials, which antedates the agreement, has been expanded. In economic research, the Soviets showed considerable interest in various aspects of American agri-business. While the Soviet side has probably profited more from the exchange of information than the U.S. side, experts have gained useful information in some fields (especially in plant science and soil science) and the exchange has opened up some export opportunities

for U.S. protein feeds, breeding stock, machinery and technology. Most important perhaps, in the long run, is the establishment of contacts with a large number of Soviet experts and institutions.

The U.S.-Soviet Grains Agreement of 1975

When the full extent of the Soviet crop failure became known in the summer of 1975, and grain prices rose sharply, domestic pressures began to build-up in the U.S. to restrict grain exports. The labor unions, espousing the consumer's cause (and also with an eye to extracting concessions for American shipping) refused to load shipments to the Soviet Union and resumed work only under court order. The farm organizations protested loudly against a policy which had called for full production but was now attempting to restrict the farmer's market. It was at this point that the idea of a long-term bilateral purchase and supply agreement evolved.

The agreement, signed on October 20, 1975, represents a departure from the multilateral non-discriminatory tradition of postwar U.S. trade policy (but no new departure for the Soviet Union which had concluded similar agreements with Canada). It gave the Soviet Union a minimum supply assurance for 8 million tons of wheat and corn annually for five years in return for a minimum purchase commitment for 6 million tons.

The agreement was widely hailed as putting U.S.-Soviet grain trade on a stable basis, thus removing the major element of uncertainty from the international grain market. But it becomes clear, upon more careful analysis, that the agreement will contribute little to stabilizing that market. In a situation of shortage, it leaves the Soviet Union free to buy unlimited quantities of grain in foreign markets, thus putting indirect pressure on U.S. supplies. In a period of glut, there is nothing in the agreement that would keep the Soviets from offsetting their contractual imports by exports of their own grain to Eastern Europe or to any other destination. The net grain trade position of the U.S.S.R. could thus continue to fluctuate between plus 5 and minus 20 million tons or more. The value of the agreement to the U.S.S.R. is limited because all it says in effect is that it will be able to bid on equal terms with other foreign purchasers for at least 8 million tons of grain. It provides no assurance against the imposition by the U.S. of general export controls that would limit total exports so long as the amount is not less than 8 million tons. In the event such controls were imposed, the Soviets would have to pay higher prices than domestic purchasers.

Will the Soviet Union Participate in an International Grains Agreement?

Effective stabilization of world grain markets would require a much broader international agreement, in which most if not all major grain exporting and importing countries participate. Consultations concerning such an agreement are underway in the International Wheat Council, of which the Soviet Union has been a member since its inception in 1949.

The history of international commodity agreements has shown that effective stabilization within a price range can be achieved only if provision is made for an adequate buffer stock which can be drawn upon in periods of shortage and which is replenished in periods of glut. It is not necessary for this purpose that the stock be managed by a central authority; it is sufficient to establish a system of national stockpiles provided these are subject to common guidelines and consultations concerning their size and their acquisition and release depending on the state of the world market. There are indications that an agreement of this kind may be negotiable, at least among the major Western grain-trading countries.

The U.S.S.R. thus far has expressed itself in favor of an international agreement involving maximum and minimum prices for grains but has not shown any interest in joining a multilateral system of grain reserves which is necessary to make it work.

This raises a number of questions. What are the reasons behind the Soviet position? Is it possible to overcome the Soviet objections? Is there any point in proceeding with an agreement without the Soviet Union? If so, how would it work and what would be the implications for the Soviet Union?

We can only speculate about the reasons for the reluctance of the Soviet Union to participate in a multilateral system of grain reserves, but it is likely that the following considerations enter into it:

(1) Distrust in the functioning of an international system in periods of stress;

(2) A strong preference for operating a national reserve to compensate for fluctuations in grain production in the Soviet Union rather than in the world as a whole, even though this would involve higher costs than the Soviet share in an international system;

(3) Reluctance to share information on crop conditions and stock levels;

(4) A preference for bilateral agreements. (It is quite possible that the U.S.-Soviet agreement helped dissuade the Soviets from contemplating participation in an international reserve system.)

(5) Confidence in the ability of grain producers and traders in exporting countries to block any attempt to restrict exports to a major non-participating importer such as the U.S.S.R.

There are, essentially, two ways in which the Western grain-trading countries could deal with the problem:

(1) They could go ahead with an international system of grain reserves without the Soviet Union, with provisions for member preferences in periods of shortage;

(2) They could seek an accommodation with the Soviet Union by which the latter would operate a national reserve designed to reduce year-to-year fluctuations in its grain import demands.

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Beyond Functionalism: Underlying Factors in Improving East-West Relations

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One of the reports presented by a Trilateral Commission task force at the Commission's January meeting in Tokyo is entitled "Constructive Cooperation Between the Trilateral and Communist Countries for Meeting Global Problems." The paper is an examination of "potential Trilateral-Communist cooperation in nine areas of global concern—food, energy, oceans, space, weather, earthquake warning, aid for development, trade policy, and nuclear exports and non-proliferation." I found it highly instructive, and quite revealing on the following two counts.

First, it suggests that, although difficult at first glance, mutual cooperation between East and West can be effective if problem areas are specified, and concrete methods worked out. Second, the report also indicates that the more specific the examination one makes of areas where such cooperation is feasible or desirable, the clearer it becomes that certain fundamental barriers to the future of cooperation between East and West are impossible to overcome through a particularistic approach.

Closely related in approach is another Task Force report entitled "Towards A Renovated International System," also presented at the Trilateral Commission January meeting. In answer to the question, "What principles should guide the Trilateral countries in their approach to managing our increasingly interdependent world?", this second report says that it is necessary to "have in mind a broad strategy for the management of interdependence," but that "large-scale detailed blueprints for action are too ambitious at the present time and likely to lead to no action." As a method for probing appropriate strategies for action, what is called "piecemeal functionalism" is proposed. Piecemeal functionalism seems to be the same thing as what I call the particularistic approach to finding solutions to questions posed in the first paper. If, in trying to renovate the international system or improve East-West relations, the action is initiated only after the fundamental philosophy and an all-encompassing approach have been solidly formulated, it is quite likely that nothing at all will be achieved. It would be wholly realistic and action-oriented to begin with a particularistic/functionalist approach, and then build on the accumulated results.**

A Broader Approach

Such a positive appraisal of the particularistic, functionalist approach, however, does not lessen the need to look at the deeper, more fundamental problems from a broad perspective. It is, of course, necessary to thoroughly examine the preconditions for making piecemeal functionalism applicable. This is particularly true in endeavoring to improve East-West relations—the reason being that zero-sum game thinking still dominates these relations, particularly on the part of the Communist nations. In order to improve relations, it will be necessary to move away from zero-sum game thinking to a non-zero-sum or, better: to a positive-sum game concept. The particularistic, functionalist approach will help to encourage such a trend by enabling both East and West to acknowledge that a positive-sum game is indeed possible for certain specific issues. On the other hand, there are at least two obstacles that may hinder a change in thinking. One is the possibility that the overall zero-sum game thinking will place more restrictions than necessary on positive-sum game cooperation in a given area. The other obstacle may be the persistent fear on either side that the other is going to take what benefits itself and give nothing in return. One of the players might choose conciliatory, cooperative relations with the other in one area, in hopes of getting similar concessions in another, but there is no guarantee that this expectation would be fulfilled.

Just as a great number of West Germans thought that Willy Brandt's *Ostpolitik* yielded too many concessions, and as many Western critics said that the Helsinki agreement would give away more than it would get, there are those who tend to regard mutual concessions as a unilateral give-away. Many are afraid that our side's concessions may mean

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**The same method should be used in improving the United Nations. It would be more important to initiate a series of concrete accomplishments that would, little by little, improve the functioning of the U.N. It would be far better to employ a particularistic, functionalist approach towards the problem than it would to attempt drastic reform through wholesale revision of the U.N. Charter, a move that would almost surely end in failure.

that the other side will eat and run without paying its share of the bill. As long as this zero-sum confrontation pattern of thinking remains firmly entrenched in the minds of people in both East and West, it will intrude itself upon specific areas of cooperation, preventing compromises that might otherwise take place.

In order to properly discuss the possibility of constructive cooperation between Communist and non-Communist countries, one must remember that several fundamental problems will remain unsolved—problems that are beyond the functionalist approach. In the following, I would like to take up a few of the questions which seem particularly important in the near future.

The first problem is the foreign policy stance of the United States. The introduction to the Task Force paper on constructive cooperation says that any program of cooperation between Communist and non-Communist countries should in no way unduly interfere in the internal affairs of participating countries. Not only must a particular cooperation program be free of elements which smack of domestic interference; it must also be carried out in a spirit in which neither side becomes suspicious of the other's stance and motives. Without such a spirit of trust, even a very specific program of cooperation will meet with difficulty.

The human rights diplomacy of the Carter administration presents several problems in this connection. When the American President wrote a letter to Soviet physicist Andrei Sakharov, the Soviet Union lodged a strong protest, calling it an act of interference in internal affairs. Since then, the U.S. has toned down its human rights diplomacy, and Secretary of State Cyrus Vance made the statement that such a diplomatic posture will not be assumed with every nation in the same way. In his speech at Notre Dame University Commencement on May 22, however, Mr. Carter maintained that the emphasis on human rights would remain the most important pillar in the conduct of his administration's foreign policy.

I am well aware that the moral concepts of human rights, freedom and democracy have a traditional appeal to the American people. I also have the highest praise for Mr. Carter's reverence for such principles, and do not intend here to debate the pros and cons of his diplomacy. Nevertheless, I would like to point out that, by their fundamental nature, questions of human rights and questions of diplomacy are two different things. The President of the United States is free to place the two on an equal level as an ideal of American government, but for a person in his position to emphasize human rights excessively and confuse those rights with the concepts of diplomacy, is likely to lead other countries to believe that he is interfering in their internal affairs. Such an eventuality would have a negative effect not only on American foreign policy but on the entire framework of world politics. No matter how lofty the ideals or principles that undergird American diplomacy, it would be sheer contradiction to attempt an expansion of cooperative relations with the Communist countries while, at the same time, interfering in their domestic affairs. Such a diplomacy simply cannot be effective.

Trilateral Priority

Another point that I wish to make with regard to the basic stance of American foreign policy has to do with its tendency toward unilateralism. In a paper on East-West relations published in the Summer-Autumn 1976 issue of *Survey*, Zbigniew Brzezinski discusses three interrelated areas that are to be given priority in the conduct of U.S. foreign policy. The first is the Trilateral relationship, the second is the North-South relationship and the third is the East-West relationship.*** According to Brzezinski, if there is no improvement in the first area, there can be no progress in the second, and without improvement in those two areas, the future of East-West relations will continue to be conflict-ridden. I thoroughly agree that in order to improve East-West relations, it will first be necessary to stabilize the cooperative relations of the advanced industrialized areas of Western Europe, the United States and Japan and put them on much more solid footing than they are today. Since his election campaign, Mr. Carter has consistently emphasized the overriding importance of alliance with Western Europe and Japan in his policy. A third summit conference of Western leaders was held in London in May, following up the conferences at Rambouillet and San Juan. However, despite the apparent emphasis on Trilateralism, one cannot but feel apprehensive about the present American government's attitude and about the implicit tendency toward a unilateral diplomacy.

The United States government has decided to withdraw all ground troops from Korea in four to five years. The reason given is that this was a promise made to the American people during the campaign. President Carter and his advisers said that troop withdrawal would be made after full consultation with the government of Japan and the Republic of Korea, leading many people (at least in Japan) to believe that consultations would start with fundamental questions such as whether or not the troops should be reduced at all—and, if withdrawal were considered necessary, which forces would be reduced and to what extent. However, at the summit conference between the United States and Japan in March, the American side maintained that the policy of total ground force withdrawal had already been irrevocably decided, and what was meant by consultation was a reference to talks on the timing of the withdrawal and technical details of execution. Thus, basic policy had already been unilaterally determined by the United States.

For a long time, the *raison d'être* of American troops being stationed in the Republic of Korea has been that, to an important degree, the continued survival of that republic is

***Dr. Brzezinski was Director of the Trilateral Commission, 1973-1976. Since the above-mentioned article was written, he has become Assistant to the President for National Security Affairs.

essential to Japanese security. Since the 1969 Sato-Nixon communiqué, Japan has unstintingly adhered to the position that its own security is inseparably tied to that of the Republic of Korea and the Korean peninsula as a whole. For more than twenty years, the stationing of United States armed forces in the South has been considered essential to the security of the Korean peninsula. Thus, whether they should be there or not is a crucial question for Japan as well.

I am not saying all this simply because the issue directly affects Japan. I am speaking from a broader, more long-range perspective, for the benefit of closer Trilateral relations in the future. We willingly accept the leadership and initiative of the United States in this three-cornered relationship. But just at the time when the countries of Western Europe and Japan are ready to follow the American lead, it behooves the American government to be more cautious before it tries to shove any of its unilaterally determined policies off on its allies. If the U.S. emphasis on the importance of relations with allies amounts to no more than consultations with Western Europe and Japan on how to carry out the technical details of policies already unilaterally decided, then the future of the Trilateral relationship is shaky, and the outlook for improvement in East-West relations is not very bright.

It would seem from this that my criticism is directed only at the United States, and that I am allowing the conduct of others to go unblamed. But I say this only to show that no nation other than the United States can be the central actor in improving either Trilateral cooperation or East-West relations. For this reason, I beseech the United States to be more careful in the conduct of future foreign policy.

East-West: The Long-Range Perspective

My third point concerns the basic stance adopted by the Western powers in their efforts to improve cooperative relations with the Communist nations. Although the objective is cooperation, few would deny that the fundamental tone of conflict will persist for years to come. How do the Communist countries, particularly the Soviet Union, view this future? A comparison of the speeches made by Secretary General Leonid Brezhnev at two separate Party Congresses is significant in identifying the nature of this attitude.

The first is an address given at the Twenty-Fourth Congress in February 1971, the other at the Twenty-Fifth Congress in February 1976. Both speeches express support for the Communist doctrine that the forces of socialism will overcome those of capitalism. Although dealing with the same proposition, they differ in emphasis. In 1971, Mr. Brezhnev said, in effect, that socialism is destined ultimately to defeat capitalism and liberalism, but since capitalism will remain powerful for a long time, the socialist camp has to be prepared for a difficult and prolonged struggle. The gist of the 1976 statement was that capitalist forces are still strong and the socialist camp must continue its struggle, but that capitalism is doomed. A straightforward interpretation of this shift in emphasis suggests that in those five years, the leaders of the Soviet Union became more confident and optimistic of their ability to surpass the West. I do not want to get involved in a lengthy discussion here as to whether this statement was simply a show of strength on Mr. Brezhnev's part, whether he was really serious when he said it, or to what extent we should recognize the statement as an objective judgment of Western strength. Nonetheless, it may be said that the relative stagnation and internal confusion in economic, military and political spheres in the non-Communist world during the first half of the 1970s was enough to make the Communist world optimistic about its own position. During a visit to Japan in November 1976, the former chairman of the NATO Military Committee, General Johannes Steinhoff, gave a speech entitled "The European Perspective on East-West Relations." In his conclusion, Gen. Steinhoff said, "In short, NATO is still strong. But if the present situation continues, it will not be advantageous to NATO." As long as the Communist countries maintain their optimism, it will be quite difficult to draw them into a constructively cooperative relationship.

As Dr. Brzezinski wrote in his *Survey* article, there are two prerequisites for more stable relations between East and West. First, the United States must be self-confident and display adequate military strength, both strategic and tactical. But the problem goes beyond a shortage in confidence and military preparedness by the U.S. An examination of what has taken place in regard to the situation on the Korean peninsula is a vivid illustration, on a much smaller, regional scale, of the nature of the East-West rivalry.

Clearly, economic conditions in the Democratic People's Republic of Korea lag far behind those of its southern counterpart. Yet despite this, Pyongyang continues to deny the legitimacy of the Seoul government and refuses to enter into serious dialogue. The reason is that the Kim Il-sung regime believes the internal and external foundations of the Park regime are so weak that sufficient pressure on the Seoul government will eventually bring about its collapse. Even if this did not happen, Pyongyang believes that relations between North and South will eventually turn in their favor. If North Korea were to realize that its view is mistaken and the rigid dogmatic stand vis-à-vis the South is not only ineffective but detrimental to any change in relations, it might shift to a more flexible, realistic posture. This would provide the opportunity to put relations on a more constructive basis leading to substantial cooperation between the two governments, and eventual peace and stability on the Korean peninsula.

Developing mutually beneficial relations between East and West depends on the building of genuinely cooperative and lasting relations among the European countries, the United States and Japan. The test of whether this can be done lies in the Trilateral nations making a concerted effort to shift national interest from the present narrow focus to a much broader, more long-range perspective. ■

Trilateralism—Whither?

Yevgeniy Rusakov
New York correspondent, "Pravda"

The issue of East-West cooperation is both important and complex and an analysis of the various areas covered by the Trilateral Commission report on "Constructive Collaboration with Communist Countries" would require the efforts of several experts. I will therefore limit myself to some comments, mostly of a general political nature. These comments reflect my personal views.

First of all, I gladly agree with the main thrust of the Trilateral Commission report, which leans more or less towards recognition of the increasing importance of constructive cooperation between Western (i.e. capitalist) and Eastern (i.e. socialist) countries. In my view, there are two major imperatives underlying this increasing cooperation—the necessity to lessen the danger of nuclear war as well as the growing importance of economic and technological exchange on the one hand, and the international division of labor on the other.

It is difficult to stress enough the importance of mutual efforts on the part of all countries, especially nuclear states, towards lessening the danger of nuclear war, curbing the arms race and diverting huge resources from weapon-making to bread-and-butter making. I cannot fail to express my regrets that the West turns down, too often and too lightly, Soviet proposals to this effect put forth at the United Nations and elsewhere.

Cooperation vs. Competition

Relaxation of tensions—or detente—has become a significant step forward in achieving the above-mentioned goals. Needless to say, a number of obstacles must be overcome to move forward. On this very important and complex issue, let me simply mention one point: observing the American political scene, I have the impression that many Americans are somewhat confused by the idea of promoting East-West *cooperation* within the framework of *competition*—or vice versa. More often than not, either side of this duality is overstressed, with the result of presenting—wrongly, of course—detente in a dubious light. This is a trick which is often used by hawks to influence public opinion in the U.S. Naturally, it is not so easy, in a rapidly changing world, to strike a proper balance in this duality. But it is possible if both sides observe the principles of peaceful coexistence and do not try to obtain unilateral advantages. The "trilateral relationship" itself also implies, although in quite different terms, cooperation in the framework of competition (or vice versa); as a matter of fact, this very cooperation is quite often much more spectacular on paper than it is in reality.

Moreover, and this is one of the major achievements of detente, legal and practical foundations have been laid down for East-West cooperation, as witnessed by such agreements as the Helsinki Final Act and SALT-1. These foundations include such principles as peaceful coexistence, non-interference in internal affairs, sovereign equality, equal security, and mutual renunciation to the use (or threat) of force. It is regrettable that, in some Western countries, the Helsinki agreement seems to have been reduced merely to its "third basket", which is interpreted in a highly biased way. I would hope that businesslike, and not propagandistic, approaches would prevail so that further progress can be achieved in a number of areas: European security, economic cooperation, and last but not least cooperation on human problems—which includes cooperation in improving contacts between people, information, cultural exchanges and education. One should also stress the importance of confidence building measures such as advance notice of military maneuvers and exchange of observers.

Due to the very nature of the Trilateral Commission, the report of its present task force covers mainly economic and scientific issues. Still, I felt that the criterion for choosing these issues was rather artificial and subjective. Problems such as the "weather war" or nuclear non-proliferation, for example, are basically related to curbing the arms race—they are *security* issues, which are usually not covered by the work of the Trilateral Commission. In this respect, I would also like to note that the Soviet Union did not only take a favorable position, as the report mentions, but was actually one of the initiators of both the treaty on nuclear non-proliferation and the agreement on a ban on climate modification for military purposes.

As for growing economic and technological exchanges, they are a natural result of progress in industry, science, technology, communications, and of the increasing flow of manufactured goods and raw materials.

There is also a growing number of issues which can be solved only on a global basis—the oceans, the environment, space, even energy. . . . Detente has created an atmosphere favorable to cooperation in these areas. At the same time, trade and cooperation on global problems contribute to further the relaxation of tensions. Once again, I do support the

basic idea of the increasing importance of constructive cooperation between East and West in these areas. And rather than focusing on the specifics of the report, which are more suitable for experts, my comments will address the *general approach* of the task force.

Ambiguities of the Trilateral Approach

We have to face a basic fact of international life: innovation in world politics cannot derive from the "free flow of imagination" of a poet or, for that matter, of a single or several distinguished thinkers or politicians. Innovative ideas are *real (i.e. effective) only if they are based on realities*, established principles, existing trends, structures, treaties, etc. Creative innovation in international politics does not mean merely creative thinking. Innovation for the sake of innovation and exercises in intellectual brilliance may in effect prove more destructive than creative. World politics is not some kind of circus where a magician can produce a couple of spectacular tricks if he is sufficiently imaginative and skillful. Innovation in world politics needs down-to-earth, painstaking, sometimes tedious analysis and work. This is particularly true of the East-West relationship: there, no one can overcome in one stroke problems which result from fundamental social-political differences; real breakthroughs are rare and their results ought to be taken seriously and cherished; and unilateral decisions in areas where some understanding has been reached simply do not work. A down-to-earth, realistic approach is closely connected with the fundamental principle of international relations—the sovereignty of every state and the rule of non-interference; for innovative ideas are good as far as they are accepted by all the countries concerned. Innovations are brought by changes in world politics and not just by the brilliant thinking of egg-heads. The postwar era was full of changes and innovations, positive or negative. Innovations in third world politics came as a result of changes brought by national liberation struggles, the strengthening of the political independence of, and cooperation among, developing countries. Detente has become a reality as a result of changes in world politics. I do not want to underestimate the importance of creative thinking, but simply to stress that it is effective only when based on realities.

I do not view the concept of trilateralism as a doctrine or a theory. It is up to the Trilateral Commission to decide whether it needs a well-developed doctrine or theory. I simply observe the notion of trilateralism as it is revealed in practice, mainly in the reports which were published by the Commission. I have followed with interest the Trilateral Commission from the very beginning, particularly since I happened to be stationed successively in Japan—the most reluctant partner in trilateralism—and in the USA—the most ardent advocate of this idea. Having researched Japan's foreign policy, I have become interested in this venture which for some time was one of the very few attempts to bring Japan into this kind of relationship.

In following the Trilateral Commission I have felt that the concept of trilateralism was rather vague. It is still developing—and whither? I have some doubts about a trilateral approach, which are enhanced by some of the ideas expressed in the report on East-West cooperation. In my view, the Trilateral approach is more and more influenced by a "bloc mentality"—particularly in the areas of relationships with socialist countries, and for that matter with the third world. There are areas—economic, monetary, trade—where a trilateral approach is probably natural. But many issues—world oceans, the East-West relationship, energy, the "new economic order," etc.—do not call for a "bloc" approach, but rather for a global (UN, UNCTAD or other UN affiliated or separate institutions), a regional (e.g. the Helsinki conference) or a bilateral approach. There is a danger of a trilateral approach bringing supranational interference of third countries in bilateral relations, undermining existing relationships and treaties and reviving the mentality and practices of the cold war. In essence it may just come to a formula *"NATO plus Japan*," involving Japan indirectly into NATO affairs and complexes.

The Case of Trade

The section of the Commission's report which deals with trade reveals, in my view, the doubtful aspects of both trilateralism and artificial innovation in world politics.

"It is a matter of common interest that East-West trade be subjected to a minimum framework of ground rules agreed by both sides", says the report. Indeed, East-West trade and economic cooperation need some "ground rules", as does just about any relationship. The point is, however, that these "ground rules" *do* exist, as stated in the Helsinki Final Act, the Charter of Economic Rights and Duties of States approved by the UN General Assembly and numerous bilateral agreements. The only difficulty is in their implementation—particularly since the U.S., for example, still clings to the Jackson and Stevenson amendments, which run counter to the spirit and letter of the Helsinki Final Act and the U.S.-Soviet trade agreement.

The Helsinki Final Act and bilateral agreements provide "ground rules" worked out by and for all countries—capitalist and socialist. The Commission's task force now suggests some new "standard set of trade rules." If what is meant by this is a revision of the principles and practices already agreed upon, then it is a step backward, not forward. This kind of trilateral approach can only result in the imposition of limitations to the dealings of some western countries with their socialist partners.

Which country could, better than the Federal Republic of Germany or France, know where the German and French interest lies in trade and economic cooperation with Poland or the German Democratic Republic? Which country knows better than Japan how to defend Japanese interests with regard to the Soviet Union? Foreign trade is a life-or-death proposition for Western Europe, and even more so for Japan. Trade with socialist countries is also essential for them. In the case of Japan, it also contributes to her policy

of diversification of sources of raw materials and energy. Besides, it seems that Japan advocates that politics be left out of trade issues under negotiation.

On the other hand, the United States, the most influential and ardent advocate of the trilateral approach, has used trade—at least since the beginning of the cold war—as an instrument of political pressure and interference in domestic affairs of socialist countries. This policy contributed to the hardships of the Soviet people in the difficult years of the postwar recovery. Nevertheless, the Soviet Union swiftly reconstructed and moved ahead in industry, science and other key-areas of the economy. Economic blockade failed, essentially because the Soviet Union has a self-sustained economy. But as a result of the blockade, the cold war became even more bitter and American companies lost trade, contracts and jobs.

Cold War Policies

Not only did the United States use cold-war trade policies itself; it also imposed them on those countries which are now called trilateral. In due time, however, Western Europe and Japan challenged these policies; they got rid of this kind of "cold war obsession" and entered into meaningful trade and economic relationships with socialist countries. My point here is not just to reminisce about those old days of the cold war. The COCOM* machinery—this instrument of economic blockade against socialist countries—exists up to this very day (albeit in a relaxed version). Although the U.S. Administration Act of 1969 subjected only military and strategic goods to export controls, the definition of these goods is so vague as to allow U.S. politicians and the Pentagon to include in it practically anything. Similarly, COCOM limits the list of strategic goods prohibited for export, but a broad interpretation of such definition gives COCOM—and above all the U.S.—a leverage to slow down East-West trade and scientific exchanges. The U.S. has imposed on other countries and foreign companies an American "control system," which includes the blacklisting of foreign companies for disregarding U.S. limitations on exports which happen to be on the American list of strategic goods.

In short, I do have the impression (I stress once again the personal nature of my observations) that the U.S. is more interested in the whims of its hawkish politicians than in trade with socialist countries. The Jackson and Stevenson amendments, which tie up trade with interference in the domestic affairs of the Soviet Union, still survive—and I do not see any serious efforts being made to repudiate them. The most-favored-nation treatment is not a favor or a privilege: it is a normal practice for countries which maintain diplomatic relations, and it simply means ending discrimination. So much is said in the U.S. about alleged "violations," by the socialist countries, of the Helsinki Final Act; but Washington does not seem to care about the existence of both the Jackson and Stevenson amendments which constitute a gross violation of the Helsinki Final Act and the Charter of Economic Rights and Duties of the States.

The new administration has now launched—and I have never read or heard that it consulted with U.S. allies before doing so— a "human rights" campaign which contributes to the policy of using every possible instrument, including trade, for the purpose of interfering in the domestic affairs of socialist countries. In my view, this drive reflects an isolationist trend which is still strong in the U.S. foreign policy and takes the form of an indifferent, if not arrogant, attitude, oblivious of the interests and problems of other countries, including its own allies. I do not think that Western Europe and Japan share, or can afford to share, this kind of approach. This is why I am doubtful about trilateral, mostly American-oriented, approaches towards trade with socialist countries. Wouldn't a new "set of trade rules" become just an appendix to the COCOM machinery, with the basic aim of using trade not as an instrument of economic exchange, but as a means of political pressure and interference in the domestic affairs of socialist countries?

I can hardly agree with the task force report when it says that there is a need "to insure that Soviet trade dealings with the Trilateral countries are not arbitrarily managed, e.g., by discriminating between individual Trilateral countries on non-economic grounds or by the sudden imposition of restrictions or by otherwise withholding or granting trade as political leverage," or a need "to secure a higher degree of predictability about the Soviet policy aims and the conduct of external trade by the Soviet side." In addition, I do not think that the problem of cooperation between the Soviet Union and Western countries in energy projects results from "stiff" terms on the part of the Soviets.

The Soviet commitment to mutually beneficial trade and economic cooperation, especially on a long term basis, is guaranteed both on the domestic side (first of all by the decisions of the XXVth Congress of the Communist Party), and internationally (by the numerous bilateral and multilateral agreements, notably the Helsinki Final Act). As I mentioned above, it is not the Soviet Union, but some Western countries and above all the U.S., which are using trade as a political leverage. The Soviet trade negotiators do not sign contracts only to break them for foreign policy motives. Numerous foreign companies and politicians have indeed stated that the Soviet Union is a reliable trade partner.

The Task Force's fears of large-scale cooperation in the field of energy—because of "undue dependence on Communist sources of supply" and potential "interruption of deliveries for foreign policy reasons in some future crisis"—sound particularly strange to my ears. There is no reason to doubt the credibility of the U.S.S.R. as a reliable trade partner. This reflects a device used by some Western politicians to block progress in trade and in detente in general.

Some far-fetched projections about "Soviet military superiority" in the middle of the 1980's are used in the name of

*Coordinating Committee—a special committee on trade with Communist countries which includes all NATO countries and Japan.

world stability and U.S. defense interests to undermine the rough strategic parity which exists now, and to block efforts to curb the arms race—which can only be successful if one observes the principles of equal security and maintenance of strategic parity. In a similar fashion, hypothetical projections of "foreign crises" are used to block cooperative efforts to avoid such crises, to stonewall the danger of nuclear war, to make the world more stable. . . .

Mutually Beneficial Exchanges

I do not want to underestimate the problems on both sides, including that of adjusting to each other's norms and practices in foreign trade. Tough bargaining is sometimes needed. And naturally, the Soviet trade associations, as any other international trade organization, sign contracts with those companies which propose the best terms. But trade is not a charity; it ought to be mutually beneficial. If Western companies sign such contracts, they must somehow be profitable to them. It is a two-way street. If the Soviet trade negotiators eventually signed a contract for the purchase of an aluminum enrichment plant with French companies instead of Kaiser Industries, it would not mean that the Soviet Union was being discriminatory towards the U.S. companies which trade with the Soviet Union; it would simply mean that, because of discriminatory trade and credit legislation, the business terms offered by the U.S. companies were less favorable than those of Western European or Japanese firms. The Soviet Union does make cash purchases in the U.S., but it is an outdated and basically unprofitable practice. It is no wonder therefore that U.S.-Soviet trade is presently slowing down. Some U.S. companies lose contracts worth billions of dollars because the Soviet Union is forced to turn to Western European and Japanese companies which offer better terms and better credit arrangements.

Last winter, the natural gas crisis in the U.S. showed once again the kind of counterproductive consequences of U.S. discriminatory legislation. It ruined the negotiations with such U.S. companies as Tenneco and Texaco Western in the $7-billion project "Polar Star" for the construction of a gas-pipeline and liquid gas plant in Western Siberia in exchange for deliveries of liquid natural gas to the U.S.; and it added to the difficulties of the negotiations on Soviet-Japanese-U.S. cooperation in the development of Yakutsk Oil.

The possibilities of East-West trade, economic or energy cooperation are great and they can grow, providing the Western partners are willing to trade on an equal, non-discriminatory, mutually beneficial basis.

Let us look at some facts. In 1976, the Soviet trade with Western countries grew faster than with other socialist countries or the third world. Having increased 18.6 billion roubles (that is, more than 20 billion dollars) it amounted almost to one third (precisely, 32.9 percent) of the overall Soviet foreign trade.

Large-scale, long-term compensatory projects have contributed significantly to the growth of Soviet trade and economic cooperation with Western countries. Under the terms of such agreements, the Western companies provide the U.S.S.R. with long-term credits to purchase machinery and equipment for large industrial projects; the companies then purchase from the U.S.S.R., on a long-term basis (usually 10-15 years), part of the product or raw material resulting from these projects to cover the credit and the interest. The Soviet Union has signed about 60 such agreements with French, West German, Japanese, American, British, Italian and Austrian companies. On the other hand, the Soviet Union also participates in some industrial projects in the West.

The value of mutual deliveries under the agreed compensation projects amounts to dozens of billions of dollars. Among the biggest are the Soviet-French projects providing for the delivery to the U.S.S.R. of equipment and pipes for pipelines, and the purchase of Soviet natural gas (e.g., deliveries to the U.S.S.R. for the Ust-Ilimsk pulp and paper factory, and purchase of Soviet pulp). On a similar basis, West German companies participate in the construction of chemical and other plants. The Soviet Union and Japan cooperate in the development of South Yakutian coal. These are just some of the increasing number of Soviet-Western compensatory projects.

Considerable efforts have been made to achieve ground rules for East-West trade and to guarantee their practical implementation. Even more can be done on a mutual basis—without the sort of doubtful innovation which undermines what has been achieved.

Development Aid

In another area, the rather harsh view of Soviet aid expressed in the Commission report is not just incidental; rather, it reflects the basic difference between socialist and capitalist countries in their approach towards developing countries.

First, the draft report emphasizes the concept of "collective responsibility" of the socialist and capitalist countries for the problems of ex-colonial countries. However, the Soviet Union and other socialist countries were not and are not a party to the colonial and neocolonial exploitation of the developing countries. Second, the socialist countries' aid to the third world comes directly from their very own GNP; basically, the West gives under the label of "aid" a part of what it has "squeezed out" of the developing countries.

In 1974 and 1975, for example, U.S. companies drew out of the third world some 23.3 billion dollars in profits, dividends, etc., while investing, mostly at the expense of unshared profit, i.e. of local resources, about 13 billion dollars.

Development aid is important, but the aid *per se* can hardly be expected to solve the problems of the developing countries anymore than thrown money has solved the problems of the poor in the U.S. What is needed is structural

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The first course would be defensible: non-members clearly cannot expect to benefit from an agreement to which they do not contribute. It would be workable if exporting member countries could agree to give preference to importing member countries before satisfying the needs of non-participants. Such preferences could take the form of: (1) controls or surcharges on sales to non-members in periods of shortage; (2) guarantees to supply members with stated quantities of grain at a stated maximum price. Member importers would have to agree not to re-export to non-members when the shortage provisions are in effect. Non-members would then be confronted with higher prices in the residual free market and with the possible imposition of export controls by the grain exporting countries.* The system would stabilize grain prices in member countries. Since the U.S.S.R. is a major source of instability in world grain markets, non-participation by the U.S.S.R. would have the incidental advantage of reducing the size of the required reserve.

The main problem with this approach is the existence of strong pressure groups in the exporting countries that would oppose measures likely to antagonize an important and valued customer. It would also create enforcement problems in importing countries.

What would be the reaction of the Soviet authorities? It is possible that the risk of facing discrimination might induce them to participate in an international system. It is more likely, however, that it would lead the Soviet Union to build up its own reserves. This in itself would help stabilize the world market.

The second course would, in effect, grant a special "associate" status to the Soviet Union in which it would be free to run its own national reserve to stabilize its grain supplies. This solution, while not as desirable as full Soviet participation in an international system subject to common guidelines, would nevertheless be preferable to the present situation in that it would reduce the risk of disruptive Soviet interventions in world grain markets. It would, however, require Soviet cooperation in providing, at a minimum, information concerning the movements of stocks in its stabilization reserve. (Any additional stocks held as a strategic reserve need not be reported.)

*The U.S. would, however, be bound by its five-year commitment to supply at least 8 million tons of wheat and corn a year to the U.S.S.R.

Eastern Europe

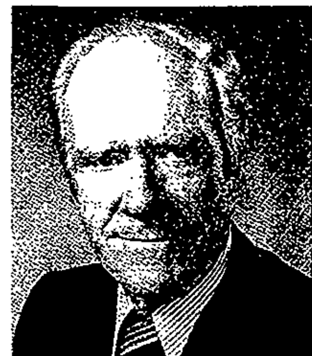
Like the Soviet Union, the Eastern European countries have had difficulties in meeting their growing livestock feed requirements from domestic production. Their net grain imports have been rising, from about 4 million tons in 1966-1969 to about 8 million tons in the 1970s. While the Soviet Union was their major supplier throughout the 1960s, these countries have turned increasingly to the U.S. and other Western sources to cover their grain import needs. In November 1975, Poland and the U.S. reached an informal understanding on U.S. exports of grains and other agricultural products and there is a continuing program of cooperation in agri-business, scientific and farm youth exchanges.

In conclusion, there is modest scope for further expansion of East-West cooperation in agriculture. But it is a case of mutual interest in limited areas, which has to be nurtured, not a compelling case of interdependence—let alone inevitable Soviet dependence on the U.S., as some popular writers on "food power" have alleged. If the West approaches the problem realistically, without deluding itself about a leverage which does not exist, agriculture could become a promising area for the development of trade and of peaceful contacts. ■

David Rockefeller Succeeds Gerard C. Smith as Chairman of Commission's North American Group— Mitchell Sharp Becomes Deputy Chairman

DAVID ROCKEFELLER

In mid-July 1977, Gerard C. Smith was confirmed by the Senate of the United States as Ambassador-at-Large for Non-Proliferation Matters in the new Administration and resigned his chairmanship of the North American group of the Trilateral Commission, which he had held since the Commission's inception in 1973. David Rockefeller, Chairman of the Chase Manhattan Bank and the early initiator of the Commission, succeeded him as North American chairman. Seconding him as North American Deputy Chairman—a newly-created post—will be Mitchell Sharp, formerly Canadian Minister for External Affairs (1968-1974), Minister of Finance (1965-68) and Minister of Trade and Commerce (1963-65).


MITCHELL SHARP

Trade Agreements with Communist Countries: The Shadow and the Substance

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It is hard to quarrel with the Trilateral Task Force's choice of trade as a promising field for cooperation with communist countries. East-West trade is far below the level it would reach if it were not hampered by the differences between the two systems. Yet despite these differences, trade has grown impressively in the past decade. Both firms from the trilateral countries and the economies of communist countries have been deriving benefit from it, and there can be little question that they will continue to do so. The question is, rather, what governments can do to increase the amount of trade and the benefits derived from it.

To this question the governments of the trilateral countries seem to have no satisfactory answers. Nor does the report of the Task Force point towards an answer in any but the most general terms. The hard fact is that, although the firms from market economies know what they are about when they do business in state-trading countries, there is no such clarity as to what our governments can seek to achieve, that would be of genuine benefit to our countries, in official trade negotiations with the Soviet Union or the East Europeans.

Does the Soviet Union Know What It Wants From Trade Negotiations?

This absence of clarity as to what trade negotiations should really be about seems to be reciprocated on the Soviet side. There is plenty of talk, from Soviet officials and publicists, about the merits of inter-governmental agreements on trade and cooperation, and a great deal of press photography when agreements are signed. But with one or two significant exceptions, the Soviet Union seems to have nothing of importance to demand from its western trade partners.

The Russians make heavy weather of their claim for most-favored-nation treatment. But although they do not get such tariff treatment from the United States, they do get it from most other western countries and from the European Community in particular. Their right to it may not, in theory, be as secure as for members of the GATT. But it is in practice most unlikely to be withdrawn; and it is hard to believe that Soviet negotiators would really bargain seriously for something they already have.

The Soviet Union also secures advantages from the European Community countries in credit terms. These are of two kinds: there is the official backing for export credit insurance, without which banks would not provide credits and many exporters would not export; provided that the terms of insurance do not imply a subsidy, this is justified on commercial grounds, because the Soviet Union and East Europeans have, up to now, unimpeachable payment records. On the other hand there are the much publicized official credit lines granted to the Soviet Union, particularly by Britain and France, on terms which constitute a subsidy from the British and French taxpayers to the Soviet state. This largesse is motivated solely by the desire to "steal a march" on competitors, and has no justification in the general interest of trilateral countries. While the Soviet Union may wish to obtain more of these subsidies in the future, there is no good reason why it should get them. The only reasonable Soviet objective, with respect to credits, is for American exports to the Soviet Union to qualify for insurance through the Exim Bank, so that American firms can participate in large cooperation projects without undue risk.

When it comes to the Soviet Union's exports of specific products, there are few western barriers that stand in the way. The bulk of Soviet exports are raw materials, which encounter no tariffs or other hindrances in western markets. The smaller, though growing, exports of manufactures do encounter tariffs. But unlike the East Europeans, who sell large quantities of textiles, footwear and other "sensitive" products in western markets, which are subject to high tariffs and restrictive quotas, the Soviet exports tend to be products of heavier industries, encountering lower tariffs and few quotas. In the detail of barriers to trade, which is what most trade negotiations are about, the Russians have little that they need to request.

The failures of Soviet harvests and the need to secure their imports of wheat did serve to put some content into recent Soviet negotiations with the United States; and the Soviet Union was spurred into a lively desire to negotiate by the effect on its North Sea fishing of the Community's 200-mile limit. Most-favored-nation tariffs together with normal treatment from the Exim Bank are also reasonable objectives for the Soviet Union to seek from the Americans. But apart from this, Soviet trade negotiators seem to have few concrete aims in their dealings with western governments. Unlike transactions with firms, which concern practical matters like price, quality and delivery date, their negotiations with governments are not so much bargains as public relations exercises.

Even if they know what they want from the Soviet Union in trade negotiations, then, it is not easy for the Community countries to get it, because there is so little that the Soviet Union wants from them, other than to be allowed to go on doing what it has been doing up to now. The Americans, who have not given MFN and credit insurance treatment away for nothing, still have something to bargain with. The position of the Japanese seems more like that of the Europeans than of the Americans. The Americans, therefore, are better placed to demand Soviet acceptance of a standard set of trade rules, as the Task Force suggests, in return for according the Soviet Union MFN treatment, whereas the Europeans and Japanese are almost in the position where they would have to impose new restrictions on their trade with the Soviet Union if they wanted to gain similar bargaining strength.

If the trilateral countries were to work together in seeking Soviet acceptance of general trading rules, this disparity in their bargaining positions would not matter. Nor would bargaining strength be such a primary consideration if a multilateral framework of rules could be found that would appear in the common interest to the Soviet Union as well as to the trilateral countries. But in either case, the validity of the Task Force proposal depends on whether a feasible set of rules can be devised.

What Could Trilateral Countries Ask in Return?

Such rules could hardly be easy to devise, or somebody would have done it already. Instead, we find that western governments, in trade negotiations with the Soviet Union, seem to have been as baffled as the Soviet negotiators in trying to identify objectives that would be both achievable and of real benefit to their countries. To satisfy the professional pride of the diplomats on both sides, the discussions have been made to *look like* negotiations. But they have been a kind of shadow boxing, in which either nothing has been traded for nothing (which, as elementary mathematics shows us, is a fair and equal bargain), or a western government has given the Soviet Union something, such as subsidized credits, for nothing (which, as every schoolboy but not apparently every government knows, is not).

In the last multilateral attempt to find common economic ground among the Soviet Union and western countries, in the negotiations of the Conference on Security and Cooperation in Europe, the European Community sought better access for businessmen to the relevant people and places in the Soviet Union, and better statistical and market information. This was a sensible and realistic demand, and despite some progress there is still much room for improvement on the Soviet side. But it could hardly be regarded as more than a first step towards seeking to bring Soviet behavior towards what is normal in the world economy.

The Task Force report is rightly skeptical about the rules devised by the GATT for Poland and Rumania, to meet the problem of reciprocity when state-trading countries accede to an organization designed for market economies. In so far as Hungary is a market economy, the Hungarian tariff is a significant instrument for trade negotiation; and it has been accepted as such by the GATT. But even if this represents valid reciprocation for Hungary, about which there are doubts, it would be meaningless for the Soviet Union, where a tariff is no more than an accounting device in the state's vast system of double-entry bookkeeping.

Unfortunately, there is also reason to question the merits of the Task Force's own suggestions for the criteria that western countries should seek to devise for the behavior of state-trading countries. They suggest a "complaints procedure for dealing with such matters as allegations of dumping, market disruption by Soviet exporters, or discriminatory restrictions on Soviet imports."* Dumping and market disruption have indeed worried western countries, and one of the few demands of substance that they have made in trade negotiations with COMECON countries has been that the COMECON partner should not sell its exports below prevailing market prices in the western country. But it is hard to take this seriously as a concession by the eastern partner. The state-trading countries do not themselves ask us to be so kind as to accept more money for what we sell to them. If they want to sell imported goods at a higher price in their domestic market, they put what amounts to a levy on them, so that the state pockets the difference; and there is no question of their consulting us about it, let alone asking us if we will be so helpful as to charge a higher price instead. It seems doubly quixotic on our part if we not only ask them to pocket the difference on some of their exports too, in the name of refraining from market disruption, but also offer them a say in the way that this generosity is organized.

If, as with anti-dumping duties rather than systems of price alignment, we refrain from indulging in such one-sided generosity, there is a case for agreement on the procedures that govern their imposition. But a say in these procedures is something we would be offering the state-trading countries, not a concession we would be asking from them; and we would have to be clear what concession we were seeking from them in return.

Here we are still in difficulty, for although there is little doubt about the importance of the third subject the Task Force suggests for a complaints procedure, that of discriminatory restrictions on Soviet imports, there is much doubt as to whether anything practical can be done about it. For five years after a hundred or so Soviet "diplomats" had been expelled from London in 1971, the value of British exports to the Soviet Union stagnated. Soviet spokesmen lost no opportunities to say that this was because British exports were uncompetitive. At the same time, however, British exports to the Soviet Union's East European partners, as well as to almost all other countries, were increasing in value quite rapidly. But how to prove that the real motive of

*The language in the final report was slightly different than the language in the near-final draft with which Mr. Pinder worked. The final report suggests a "complaints procedure for dealing with certain matters in dispute, such as exchange rates used by the U.S.S.R., allegations of market disruption by Soviet exporters, or alleged failure by either side to adhere to the principle of non-discrimination."

economic rationality? This would be hard enough even if the Soviet Union had a more open system of government. But when the Soviet planners decide the quota of money to be spent on imports from Britain next year, they do not do so in public; and even if they agreed to discuss their reasons with an international tribunal or committee, how could the tribunal find out whether the declared reasons were the real ones?

Perhaps the western countries should propose such procedures, just as they call for the Soviet Union to respect human rights, in order to achieve a little now and, perhaps, more later. There is also the prospect that the Soviet Union's East European partners, which have much more to ask of the West, and of the Community in particular, on the terms of access for their industrial and agricultural exports, would be more amenable to western proposals along these lines. Four of them are already members of the GATT and there have been some genuine efforts to find ways of reciprocating western trade concessions. But as far as the Soviet Union is concerned, neither the old approaches nor the specific suggestions of the Task Force seem likely to bring substantial improvements to the conditions under which enterprises carry on East-West trade. Unless new approaches to East-West economic collaboration can be found, going beyond what the Task Force suggests, this trade will continue to be useful, even important, but limited in its perspectives by the lack of real significance in the official framework, whether bilateral or multilateral.

Possible New Approaches

None of the approaches to negotiation considered so far seems to be worth much. They are either empty rituals, like the average bilateral negotiation between the Soviet Union and a western country; or a one-sided giveaway, as when a western government offers subsidized credits; or impossible to realize, like the Task Force's wish to identify and prevent discriminatory Soviet import policies. Negotiations will continue to be undertaken, but there is little prospect of their having a substantive effect on trade unless they are based on some new thinking.

This means that significant multilateral negotiations on trade and economic cooperation can hardly be expected inside the medium term. It may be thought politically or diplomatically desirable to organize multilateral get-togethers on economic themes, but they are not likely to yield more than did the economic basket in the CSCE, that is to say nothing of substance. Even if new thinking is available now, it will take time to work through into a form in which it can be used in negotiations where agreement must be sought between parties with such divergent perspectives as the western countries and the Soviet Union.

But as Maréchal Lyautey is reputed to have said on being told by his gardener that a tree would take a hundred years to grow, that is all the more reason to plant it today; and the Task Force has done a service by raising the topic of new approaches to East-West negotiations as a subject for discussion. They took the risk of making some suggestions, and it would be indeed cowardly if, having criticized some aspects of their approach, this writer failed to take a similar risk by suggesting something himself.

The western economies are based on the market, and they negotiate with each other about the terms of access to their markets, which are protected by various devices, typically tariffs but also sometimes levies or quotas. The state-trading countries also seek improved access to the western markets, which is especially important to the East European countries that encounter severe obstacles to their exports of manufactures and foodstuffs. Western countries have tended to make concessions to the East Europeans, without troubling themselves much about reciprocity. But a one-sided negotiation is not really healthy. The western countries have little incentive to make any really important concessions if they expect nothing in return; and trade negotiations need to embody the principle of mutual benefit if they are to perform the politically constructive role that the Trilateral Commission report is seeking.

If the western countries are to make concessions about market access that really matter, they must know how to ask for concessions that matter as much from the eastern side. Their reaction is usually to seek reciprocation in the terms of market access. But where the market is not the guiding mechanism in the eastern economy, the appearance of symmetry and logic in this reaction may be illusory. The mainspring of the COMECON economies up to now has been the plan and not the market; or, more exactly, the planners' decisions on investments have determined the path of the economy and of each industry, not the response of enterprises to market forces.

If the western countries are to make concessions on market access to their eastern partners, then, the really significant reciprocation by the eastern countries might be concessions relating to their investment plans. Instead of offering tariff concessions for a range of items of chemical equipment, for example, they could agree not to invest in the production of that equipment. This would ensure a market for equipment of that type, which might be open to supply from the various potential exporting countries, or could be supplied by a particular firm under a long-term contract, as is the case with some existing industrial cooperation agreements.

It may be objected that COMECON countries, and the Soviet Union in particular, would not agree to this, for reasons similar to those that were earlier adduced against the Task Force's proposal to counter discriminatory Soviet import policies. But the COMECON countries do in fact negotiate specialization agreements among themselves, which amount to making just such concessions to each other; and as has been indicated, some cooperation agreements with western countries have pointed in much the same direction. Amid the verbiage of Soviet pronouncements on East-West trade, there does emerge a genuine interest in more stable, long-term trade relations, implying a higher level of the international division of labor. It does not seem to be such a

Rusakov *(Continued from p. 13)*

changes both on the domestic and international scale. Domestically, in my view, the developing countries need to create and develop an industrial basis, particularly in the state-owned sector; they need agrarian reform, full mobilization and use of their resources, and social changes. On the international scale, the third world needs first of all a new economic order—an order providing for equitable economic exchanges and a liquidation of all forms of exploitation and discrimination in international economic relations. The liquidation of "price scissors" between manufactured goods and raw material seems to me far more important than the increase of foreign aid, because the third world loses much more as a result of these "scissors" and inflation than it gets and can get from aid.

As S. Lens mentioned in the magazine "skeptic"*, "a tractor made by Ford could be bought by Uruguay in 1954 for the equivalent in dollars of 22 young bulls; in 1963 it cost the equivalent of 42 young bulls. Thus the U.S. grew richer by 20 young bulls and Uruguay by half a tractor." I guess that up to now Uruguay has lost even more bulls to a tractor. The drastic rise of oil prices should not overshadow this basic fact of the economic relationship between the West and the third world. As the Conference of Foreign Ministers of the Coordinating Bureau of Non-Aligned Countries (April 1977) noted in its final communiqué: "developing countries continue to pay higher prices for their imports with little likelihood of increases in export earnings. Furthermore, developed countries have intensified import restrictions on goods from the developing countries and new restrictions have been imposed, mostly in the form of non-tariff barriers and unjust trade laws." It also stressed that, "while the effects of inflation and recession generated in developed countries have had serious consequences for developing countries, the measures taken by developed countries to counteract their high rates of inflation and recession had only aggravated the adverse effect on developing countries."

The Soviet Union and other socialist countries support the efforts of the developing countries for structural changes on both the international and the domestic levels. Their efforts include political, diplomatic and, naturally, economic support, including aid. There is also room for cooperation between trilateral and socialist countries, providing that the West is ready to meet the just demands of the developing countries. In my view, however, this cooperation can be more effective if pursued on a global basis—in the UN, UNCTAD, UNDP and other UN affiliated or independent institutions where the third world participates. There is no need for socialist countries to discuss separately with, or join the efforts of, the trilateral countries on third world issues. Besides, in the UNDP for example, the trilateral countries have not showed much inclination to cooperate really with socialist countries.

On the other hand, constructive cooperation between the East and the West and, of course, the third world, is particularly needed in order to curb the arms race and curtail military budgets and to allocate portions of these added resources to the development need of the developing countries. Resolutions to this effect initiated by the U.S.S.R. have been approved by the UN General Assembly. They now need to be put into practice—it is not an easy task but it ought to be done.

It is difficult to move forward in social and economic development in the atmosphere of international tension and local conflicts to which the arms race greatly contributes. The arms race eats up every year a tremendous amount of money—some 350 billion dollars—literally draining more often than not the modest resources of the developing world. It also contributes to the stagflation of the Western economy, which in turn damages the economy not only of developed capitalist countries, but also of the developing nations.

In conclusion, there is a broad area and an even greater potential for East-West cooperation. Much has been achieved, yet much more needs to be done to move forward. To this end, our innovations must be realistic, down-to-earth, and based on mutually accepted and agreed upon principles and practices. ■

*New York, May-June 1977

Pinder *(Continued from p. 17)*

giant stride from this to the acceptance that long-term relations must have implications for investment programs which can be discussed with trading partners; and within COMECON, in the form of the specialization agreements, this step has already been taken.

On the western side we would have to be ready to make concessions of equivalent interest to the eastern partners. In part these would doubtless take the form of specialization agreements in which the western partner is a company rather than a government, along the lines of some industrial cooperation agreements. In part, also, the western countries can reciprocate in one of the ways indicated by the Task Force, by accepting constraints on their right to impose anti-dumping duties or other safeguards, so that the access for eastern exports of a given product to their markets could be guaranteed on existing or improved terms. But given concessions on eastern investment programs such as would have a genuine effect on the pattern and level of trade, such constraints would be worth the western countries' while to accept.

This is only one possible approach to the development of East-West trade relations, which certainly can, and doubtless will, have many holes shot in it. But if the Task Force's general idea of increasing constructive cooperation is to be applied effectively to official East-West economic negotiations, we must follow their good example and accept such exposure to target practice, in the hope that proposals with sufficient strength and durability will eventually emerge. ■

UNILATERAL LEGISLATION IS BOTH THE PRINCIPAL OBSTACLE TO EAST-WEST TRADE FLOW AND COUNTERPRODUCTIVE ON HUMAN RIGHTS

A Conversation with Gerald L. Parsky

Gerald Parsky was Assistant Secretary of the Treasury for International Affairs from 1974 until 1977. In this capacity he took part in all the major negotiations conducted with the East during this period, while serving as Executive Secretary of the East-West Foreign Trade Board. He reviews here, for *Trialogue*, some aspects and the main lessons of this experience.*

Q. *Could you summarize what has been your experience of East-West trade: major difficulties and prospects, with which particular countries?*

A. I think the potential for East-West trade is quite large. The real question is: how can we realize this potential? The world today does not consist of one power nor two powers nor even five powers; because of the transfer of financial resources to countries like the oil-producing countries, because of natural resource development in countries such as Brazil, and because of the desire on the part of the Eastern non-market economies to participate in the world economy, we live in a truly *interdependent world*. From the United States' standpoint, I don't think this is something which we should fear, but rather something that we should build on. In order for this to happen, it will take leadership from the United States, for the world is looking to the United States to see how we respond to today's interdependence. My hope is that we reject policies of confrontation and those of isolation and build a world-wide framework of cooperation. One key element is an expansion of mutually beneficial trade between East and West. The essential words here are "mutually beneficial", for I don't see trade as a one-way street, but rather two-way.

With respect to East-West trade, I think there is great potential for trade between the United States and the Soviet Union as well as between the United States and Poland, Rumania, and Yugoslavia. The principal impediment is a political one, not an economic one, although you cannot separate totally the economic from the political. Nevertheless, as long as legislative impediments exist in the U.S. trade law, they will constitute the major obstacle to a free flow of trade between the United States and the Soviet Union.

Q. *How do you evaluate the Soviet need for trade with the West and to what extent would this encourage them to really cooperate and abide by certain accepted rules, as is suggested in the Commission's report?*

A. Over the last two years, I have witnessed a clear desire on the part of the Soviet Union and other Eastern European countries to increase actively two-way trading relationships, and the notion of a set of trading rules or guidelines would not be totally alien to either party. The essential question, however, is this: Will we continue to try to impose on a country like the Soviet Union non-trade requirements through legislation or other confrontational means. If we do, I think that we will run into difficulties. Purely considering our objective of increasing two-way trade, I think the notion of some form of "rules of the game," would not be rejected.

Q. *Is granting the most-favored-nation status essential to expanding East-West trade? And do you think that the United States Congress is likely to change its position on this? How do non-trade concerns, on human rights for instance, fit into the picture?*

A. Issues relating to human rights are most complex and must be handled with much care. From the United States standpoint, I believe it is important to communicate to the rest of the world that the subject of human rights is not just political. Rather, it reflects a broad-based concern in our country which goes much beyond political considerations. All Americans want to have human rights respected throughout the world. The only differences of opinion seem to involve the proper means to achieve this objective. For instance, I happen to disagree with the idea of unilateral legislation in the United States as a means to achieve those objectives.

There is no question that the most-favored-nation status is *essential* to an expansion of East-West trade. Most members of Congress I have talked to, and most Americans who have studied the issue, feel that the legislative impediments that were imposed were mistakes. Not because the objectives were wrong—the concern about Jewish emigration from the Soviet Union is a broad-based concern, and I do not think that we should in any way try to diminish it. But the fact is that, in this particular instance, the objectives have not been achieved: there was much more emigration taking place *before* this legislation was passed than after.

More generally speaking, we have seen that every time the United States unilaterally tries to challenge the sovereignty of another country through so public and confrontational a means as legislation, our objectives are not achieved. This is true with respect to Jewish emigration from the Soviet Union, political prisoners in Chile,

*This interview was made in March, 1977.

or the Arab boycott of Israel. This does not mean that I feel we should abandon our fight to preserve human rights. Rather, we should pursue it through an alternative to unilateral legislation. I am convinced that we can find a non-confrontational way to link our private sector and governmental way to relationships in a manner that will prove productive. I would advocate an approach that is not just centered in the government, but brings in the private sector as a full-fledged participant. If we can develop such a combined approach and we see some results, I think that Congress will move to eliminate the impediment.

Q. *How do you see the COMECON as a trading partner?*

A. It would be a big mistake not to utilize both the multilateral COMECON channel *and* bilateral network. Not just from the political standpoint, but from the economic standpoint as well, it is in our interest to be looking to the countries of Eastern Europe individually, as independent trading partners, while using at the same time the larger COMECON framework to increase trade. And I think that if we were to exclude the bilateral relationships, we would automatically exclude the possibility for greater independence in these countries. It seems to me that we should be in a position to strengthen our bilateral relationships at the same time that multilateral relationships unfold. Unfortunately, the word "bilateralism" has always taken on some kind of negative tone; it seemed to be something which nobody wanted to pursue. I think that bilateralism, if portrayed positively on the economic and trade side, should definitely be pursued on a parallel track.

Q. *Negotiations are underway to establish an international grain reserve system with Soviet participation. Can you sum up where we stand in this area?*

A. In the past several years we have indeed been an advocate of the establishment of a grain reserve system. There is no doubt that the participation of the Soviet Union is essential to such a system. Many people say: how can you support a grain reserve system while being reluctant to support a precommitment to commodity agreements? I have always seen the grain reserve system as a *contingency*—something which would not operate normally; it wouldn't interfere with the functioning of the marketplace in normal circumstances, but only if there were an emergency situation. I still see this as useful. As in any attempt to negotiate a multilateral system, the process has been very slow; and it is now at a stage where it is wallowing a little in uncertainty. Still, it is important to pursue these negotiations as long as the proposed system does not become a way of securing acceptance of price fixing agreements.

Q. *Do you foresee a possibility for American firms to participate in the development of Soviet oil and natural gas?*

A. I see this as a very real possibility. Not only does Soviet oil and gas represent a very high potential, but much of these reserves are located in areas of the country which are very difficult to reach. It will require advanced technology and expertise to develop those resources, which United States companies have. Given the size of the reserves involved, the potential for cooperation is truly great. I have seen this as one of the reasons why the United States should pursue bilateral oil discussions with the Soviet Union: not that it would immediately secure a great deal of oil; but such cooperation could open up an avenue for our private sector to participate extensively in the development of a resource which we all need.

Q. *To what extent is there a hard and potentially damaging competition between, say, some countries of Western Europe and the United States, or between Japan and the United States, in trading with the East?*

A. I believe that the world economy today can withstand fair competition. I am a strong advocate of a free trading system, but that also means fair trade. There is a very clear difference between fair trade and unfair trade; between fair competition and unfair competition. An element of healthy competition is good for the ultimate consumer. Accordingly, in terms of the relationships with the East, competition is desirable. I do believe, however, that it is important to achieve some higher level of cooperation in providing official credits to the East: numerous disparities have existed in this area and they have, indeed, caused difficulties between the European countries and the United States. There are great avenues for cooperation between the United States, Europe, and Japan in the overall relationship with the East; and I believe that the United States, as a government, should be pursuing these avenues—we can have fair competition and cooperation. ■

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