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JAPAN

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The Trilateral Commission

May 31, 1975

Kyoto, Japan

"INTERNATIONAL FINANCIAL SITUATION"

WITH PARTICULAR REFERENCE TO OIL DOLLAR RECYCLING

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"International Financial Situation"

with particular reference to oil dollar recycling

Ladies and Gentlemen:

It is my great honor and pleasure to be invited to this gathering of distinguished members and to talk on a subject-matter which is of so much interest to all of us--the international financial situation, and particularly the problem which is most on our minds--the problem of oil dollar recycling. I know there has been a very strong general interest in this problem ever since the creation of the Trilateral Commission. Today, I am happy to be in a position to address you with a much brighter feeling compared with a year ago.

Let me first make a retrospect of the recent year and a half. The quadrupuling of the price of oil in the 4th quarter of 1973 brought with it sweeping changes in the balance of payments of many countries and in the international financial situation of the world. Just about one year ago in the middle of 1974, the general feeling in the western world was extremely depressed and

pessimistic, because the oil-importing industrialized countries believed their increase in expenditures on oil imports would amount to additional foreign exchange payments of more than $50 billions per year and the non-oil-producing developing countries also seemed to face a similar more than $10 billions, whereas the oil-exporting countries did not seem to have any definite idea as to how to dispose of this new annual revenue increment of more than $60 billions.

Here emerged more or less naturally and automatically the term "recycling of oil dollars" which was considered to be of utmost importance for maintaining the international financial equilibrium or more correctly the balance of the world economy. Recycling, however, is and must be always possible in the sense that, in the aggregate, the surpluses of oil exporting countries must be equivalent to the oil-import-induced current account deficits of the rest of the world. But for individual oil importing countries, whether industrialized or developing, there can be no assurance that capital imports would be available to meet deficits due to oil imports. This aspect makes the recycling

problem somewhat confusing from the beginning.

One thing seemed to be, however, very clear to us all that the U.S. dollar should become relatively strong, because the United States was relatively less dependent on energy abroad, in sharp contrast with countries like Japan, which was more than 85 per cent dependent on imported energy. Accordingly it was generally believed that such countries like Japan affected most seriously would see a progressive weakening of their currencies. With prospects of a strong dollar, the necessity of the long discussed international monetary reform was apparently deferred and lost. This reform, it must be remembered, originally was in fact based on the assumption of a comparatively weak, overhanging dollar which needed to be consolidated by one way or another into SDR's to be issued specially for such purpose.

Against this background the international monetary reform came to be shelved by the C-20 on June 14th of last year when it returned its "Final Report". Ominous predictions were made by many authoritative sources including the World Bank about how huge

the oil exporters' financial accumulations would become by 1980 or 1985. In retrospect it may have been a little bit too simple a kind of extrapolation, because they did not take adequate account of the possibilities of demand for oil falling off due to the quadrupled price of oil or the very natural tendency for expenditures to rise very rapidly when incomes significantly increase. Many people in the western world were simply concerned and upset by these huge figures of impending balance of payment deficits they seemed to be obliged to face in the very near future. This commission's enhanced special interest in the problem, I believe, also, originated here.

In September 1974 at the International Monetary Fund Annual Meeting, the Final Report of C-20, was officially approved, in effect shelving the monetary reform which formed part I of the report while adopting for action the immediate steps to be taken comprising its part II. The standard basket valuation of the SDR using 16 currencies' weighted average was authorized at that time as an interim measure. It was no wonder that the Annual Meeting of 1974 looked more like a meeting for the recycling of

oil dollars. Everybody talked about the necessity of having some mechanism for "recycling". This mechanism would be official and multilateral designed to assist those countries who could not help themselves fully in the private markets.

Recycling through the market, however, was already by then actually materializing, but it apparently was inadequate and perhaps difficult to expand so much as to be sufficiently helpful to the weaker and less creditworthy countries. This was particularly so in view of the uncertainties in the international monetary and financial markets after the collapse of a number of banks and credit institution's in some Western countries due in part to their speculations in foreign exchange and in the light of the generally recognized vulnerability of the overexpanded Euro-dollar market.

In January of this year, we saw in Washington agreements born from the official recycling discussions and negotiations initiated in 1974. First, the OECD safety-net and second, the enlarged IMF oil-facility. Both were sure to take some time to

be implemented, in addition to being apparently insufficient, but it at least helped to calm down the extreme uneasiness prevailing in the international monetary and financial markets at that time, because the former meant the establishment of a last resort of international liquidity for OECD member countries and the latter, though small in size, was also meaningful for developing countries affected by the oil crisis.

In January, however, we also heard unexpectedly voices of a change in the prospects of recycling and oil-exporters' financial accumulations. The change, which came much sooner than anticipated by anybody last year, was first analyzed and forecast by the Morgan Guaranty Trust Company in their January bulletin and by Mr. Chenery, Vice President of the World Bank also in January's "Foreign Affairs". The more or less same tone of analysis and forecasts were successively reported by many sources in many countries all over the world including Mr. Willet of U.S. Treasury, Dr. Emminger of the Bundesbank, and Mr. Fried of Brookings Institution. Naturally there remains a wide range in these optimistic forecasts.

I do not think it necessary now for me to repeat any detailed report about this change in prospects. In short, recycling had been occurring mainly through the private channels more smoothly than anticipated and more basically the OPEC accumulation of funds until now and in the future seemed to look much smaller than was feared a year ago or even at the time of the last IMF Annual Meeting. This was due mainly to the larger purchases and investments by OPEC countries both domestically as well as internationally. In others words, adjustments of the world's external equilibrium abruptly dislocated due to the quadrupled oil prices were being made and moreover supplemented by international financing called somewhat ambiguously "recycling" since the beginning of oil crises.

In January and February, I myself visited seven Middle East countries as leader of a Japanese financial Mission composed of some 34 commercial bankers and securities people, for the purpose of just seeing the reality. I myself observed that the leaders of the Middle East countries were well awake to their responsibility to their own countries as well as to the world economy at

large in view of their tremendous balance of payments surpluses, obliging them to try to adjust quickly to the new situation through their purchases of goods and services for expediting domestic investment both in industry and infrastructure and through their long-term external investments. Moreover I was very much impressed by their very quick response. Indeed they are very keen now to enlarge their economic and social development and to improve their people's standard of living. Furthermore they also show interest in helping their neighbors and other non-oil-producing developing countries, Arab as well as non-Arab. Middle East countries' oil revenues form the major portion of OPEC funds so that the impression I personally received from my observations on the spot was to regard Morgan Guaranty's estimate to foresee OPEC funds peak out by 1978, even without a fall in the price of oil, to be quite reasonable and well within reach. I must stress, however, that this optimistic view depends on the smooth progress of the social and economic development of the OPEC countries.

It is important for oil producing countries, particularly Middle East countries, which have 80% of the oil exports in the

world, to succeed in effective development of their economics through productive investments while their revenues are abundant, on the principle of a sound international division of labour, a principle I believe still holds true. Otherwise the precious resources which they are fortunately bestowed with would be wastefully dissipated and not effectively used. I fear that little would remain once when the oil resources were exhausted unless good care is not taken to assure the development of viable economies. Indeed I think they should resist the temptation of doing too much diversification of their economic structure by one stroke. It is therefore, not only the urgent problem for Middle East countries, but also should be the serious concern for the whole world to equip them with all necessary technique, knowhow, planning and management to assist them in their efforts to achieve viable economies. All industrialized countries including Japan, I believe, should participate now in this global development program.

In other words, cooperation, not confrontation, with the oil producing countries, is the task before us all now. In this sense, I am very sorry to hear no successful results have come

out from the Paris preparatory conference in March of both oil producing and oil consuming countries. But I have not lost hope for the future.

Above is a brighter aspect, at any rate of recent developments. However, there are naturally the darker aspects. First, the recession the world economy as a whole now faces has further deepened in the latter half of 1974 due to restrictive policies taken in the oil consuming major industrialized countries. The inflationary outburst witnessed in all countries after the oil crisis has not yet been contained. I believe some improvement can be seen in restraining demand-pull inflation but much remains of cost-push inflation which presents a serious headache to almost all countries. How to cope with this stagflation or a combination of economic stagnation and inflation is a matter of concern not only to countries individually but to the entire world, particularly the industrialized world, which is now so interdependent and moves more or less synchronized, as movements of goods, services and capital have been substantially liberalized.

However there are wide differences among nations in their

economic and social structure, their labor conditions, their order of priorities among major policy objectives. A change in the policies pursued by one country may cause a major change in the circumstances or environment for the economies of other countries. I believe, nonetheless the ultimate economic aims of stable development for each and every country should be compatible and there cannot be any basic conflict among the nations. What we see today may be the unavoidable results of a rapid adjustment to the abrupt change in the oil price, accentuated by floating rates which have permitted wider fluctuations of the world economy than before.

Herein lies the need for all countries to have ample opportunities of exchanging ideas in international forums such as the OECD, on the official level, or this tripartite commission, at the private level, with a view to trying to reach some consensus and take action to resolve the common problem of stagflation in their national interest. I think we should bear in mind that in the long run the solution of a problem such as stagflation depends on political decisions by individual countries based on international cooperation

Second, the U.S. dollar, notwithstanding the earlier expectations of many observers, seems to be rather weakening at present. Last year at one time we all had in mind the formula that an oil crisis meant a relatively strong dollar due to dollars being short and that meant the shelving of the reform of the international monetary system which was designed on the assumption of an overhang of weak dollars. Now that the oil crisis has changed its impact somewhat a "strong dollar" might be replaced by somewhat "weak dollar". Moreover, the dollar standard of today in reality tends to force the United States to finance in dollars the balance of payment deficits of other oil consuming countries, whether developed or developing. This is a problem called, legitimately or illegitimately, the "liquidity dillemma" which for many years has existed and still remains unsolved with the international monetary reform suspended indefinitely. Moreover even though it is an absolute necessity and there is at present no alternative but to maintain a dollar standard, the stability of the value of the dollar cannot necessarily be expected under circumstances where the United States must still be very keen in pursuing economic and social objectives other than the stability of its currency's external value. We cannot,

however, necessarily blame too much the United States for this position, under her extremely difficult circumstances called a trilemma of a recession, inflation and an energy crisis. The United States may have little choice but to award lower priority to her balance of payments problems and the stability of the external value of the U.S. dollar. This, however, amounts to the attitude of benign neglect, so often criticized by many Non-Americans in the past.

So I have come to the conclusion that this problem of the U.S. dollar again requires the concerted study and action on the part of the industrialized nation represented in this tripartite commission. It is of course primarily a matter of the United States but it no longer can be her concern alone but a matter of world economic policy and world monetary policy. I think it might be appropriate to take up again in this commission the study of how to initiate and implement the international monetary reform so obviously important today.

As a matter of fact, this monetary reform on which much effort had been made was only shelved during the rainy days of

the energy crisis and worldwide inflation, awaiting the arrival of better sunny days.

In the meantime we have seen the IMF oil facility and the OECD safety net. It must be remembered that they were originally designed to meet the exigencies of a shortage of liquidity to finance so-called oil deficits of developed as well as developing nations of the world. They may have been satisfactory for the rainy days of an oil crisis and worldwide inflation.

But today the situation is improving and the world economy so far as the oil problem and inflation is concerned seems brighter. The sunny days may not be long off and I believe it is not too soon to start once again with our efforts towards an international monetary reform.

In discussing the reform of the international monetary system today it is important to bear in mind, as I earlier explained, that we are likely to have to live with the dollar standard, at any rate, in the present circumstances for some time to come. I would therefore prefer initially at least to attempt some practical

reforms to strengthen the present system rather than some theoretical grand design to achieve a perfect global system as was studied in Part I of the "Final Report" of C 20.

In this connection I would wish to stress three points:

First, the importance to keep the external value of the dollar stable and attractive for non-residents to hold and use. This is particularly important today when OPEC countries do not conceal their intention to avoid and get away from the U.S. dollar if its value continues to be unstable and to deteriorate. We have recently seen some indications of changes or possible changes in the thinking of OPEC countries regarding the dollar. There is talk of pricing oil in terms of SDR's or units of some currencies other than the U.S. dollar. Indexation of oil prices to let them cope with the inflation and depreciation of the dollar is reported to be under consideration. Some possibility of rejection by OPEC countries of payment in dollars has also been rumored. Many combinations of the above are conceivable. At any rate all such moves away from the dollar may lead in the future to some disruption and confusion to the international markets.

Secondly, I wish to stress that, although maintenance of the value of the dollar can only be implemented by efforts of the United States herself, despite her present difficult circumstances, the other major industrialized countries must also try to share in this responsibility more fully with the United States. Particularly some countries in Western Europe and my country, Japan, which are at present in more or less relatively favourable situation economically should try to take on more of the burden now resting practically solely on the United States to maintain the equilibrium of the world economy. What I have primarily in mind is not the trade aspects but the need for them to take over a larger role in the international financial picture through greater use of their currencies internationally.

One final point to which I would like to refer briefly is the problem of energy as it is closely related to the monetary question. The United States appears quite reluctant to be dependent on energy abroad to the extent that most other major industrialized countries are or have had to be. The proposal to set an international floor price of oil or to promote domestic

production of energy at the expense of higher or less imports has different implications among the industrialized countries, in the light of the differences in their environment and situation. Here too appears much room for needed dialogue and consultation among the industrialized nations represented in this commission. I believe a common front on the oil question will surely help to lead to better financial stability of the world economy.

In concluding, I wish to say I have perhaps oversimplified, in the limited time available, discussing an extremely complex, and difficult situation. The United States, the Western European nations and Japan, all I think, have a particular responsibility in the field of international finance during this important period of transition now before us to establish a new stable regime of economic development. It is my belief we should expect much from the performance of and the cooperation among these countries. The Tripartite Commission has a unique role to play in furthering this cooperation from the private side and I look forward with great eagerness to their continued constructive efforts in the near future.

Thank you.

May 31, 1975

(2)

The Basic Issues in Japanese Diplomacy

Speech delivered by Kiichi Miyazawa,
Foreign Minister,
at the Trilateral Commission Kyoto Meeting

I am delighted to be back again in the company of my old friends of the Trilateral Commission and to have this privilege of giving an address to this distinguished audience as a former member of the Executive Committee and as incumbent Minister for Foreign Affairs of Japan.

The world has witnessed in recent years a series of momentous developments; the move for East-West detente, the fourth Middle East War followed by the oil crisis, the consequent world-wide inflation and recession, the surging power of the developing countries given a renewed vigor during this time of economic difficulties, and of course, the new situation in Indochina. These developments are having far reaching effects upon world politics and the international economic structure and upon the domestic conditions within the individual countries; furthermore, because they have occurred in succession over a very short span of time, they have given rise to many other problems, for none of which we see easy remedies.

In this world of today, our group of advanced industrial democracies -- Japan, North America and Europe -- has an increasingly important and difficult role to play. It has been with this awareness in mind that the Trilateral Commission was conceived

and has undertaken various activities in search of new and more creative formulas for international cooperation to meet the requirements of our age. I pay my heartfelt respect to the distinguished delegates who have taken part in the current meeting and actively engaged in earnest discussions.

I would like to consider briefly here those main trends in international relations that have an important bearing upon the future of the world.

First, with regard to the East-West relations, the United States and the Soviet Union will continue their efforts to minimize and avoid the chances of direct military confrontation. It seems that the People's Republic of China, too, will continue to maintain its dialogue with the West. What has come to be called "peaceful co-existence" between East and West is likely to continue. Such trends, however, will not remove the basic ideological or political differences between them. Furthermore, latent and often explosive dangers of regional conflict will persist in various parts of the world. The future of Sino-Soviet rivalry can be a cause of our concern as well.

A few words now on Asia. Asia is marked by complexity and diversity. The socio-political, cultural or religious experiences differ strikingly from country to country. The Asian topography has accentuated the heterogeneity of the area. In addition, the colonial experiences so many of the Asian countries had to endure deterred the development of a sense of regional solidarity among them. Many of them with relatively short history of independence are developing countries; they are therefore confronted with the

difficult task of attaining both internal stability and development in a turbulent world situation while seeking to establish their own identity.

In these circumstances, the moves Japan, the United States, China and the Soviet Union may each take can put a tremendous impact upon the whole scene of Asia. After the recent development in Indochina, the situation in Asia is in flux.

Stabilization of Asia is the urgent need for us all. Yet, the situation is such that it is extremely difficult to work out a viable international framework that can embrace the whole of Asia and guarantee its long-term stability. This is the agony of Asia.

Stretching from the Korean Peninsula to Suez, the regions of Asia and Middle East are suffering from more factors of instability than any other parts of the world. In order to avoid the eruption of new conflict and tension in these regions, it is imperative that all countries exercise restraint and try their utmost to facilitate all levels of dialogue. There is also an urgent need to strengthen the socio-economic infrastructures of the countries in the regions. Our tripartite group bears responsibility to participate creatively in the effort to that end.

Perhaps I need not dwell upon the basic tenets of Japan's diplomacy. It has conducted a diplomacy aimed at cultivating friendship and cooperation with all countries in the world, regardless of differences in ideological or political systems, with Japanese-American friendship and cooperation as the key element.

The stability and development of Japan have to depend upon peace and stability of the world. For us to create such an international environment, an international framework of security is essential. It should be kept in mind that the move for detente I mentioned earlier has been predicated upon the reality of the balance of power under the nuclear deterrence of the United States and the Soviet Union and upon the existing arrangements of international security. In this sense, the cooperative relations between Japan and the United States based on the Japan-U.S. Treaty of Mutual Cooperation and Security and the cooperative system among the western powers under N.A.T.O. are proving highly effective in guaranteeing the peace and stability of the international community. We need sustained efforts to retain their credibility as well as to improve their efficacy to cope with ever more complex problems of security.

As I have already said, Japan deems it a matter of great importance to maintain stable relations with countries of different political systems. With regard to China, we are making efforts to maintain peaceful and friendly relations, as expressed in the conclusions of various inter-governmental agreements and the increase in economic and cultural exchanges. With the Soviet Union, too, we have deepened our mutual understanding and developed interchanges in all fields. To place the Japanese-Soviet relations on a truly stable foundation, however, it is necessary to solve our territorial problem and to conclude a peace treaty.

Here I should like to say a few words on the question of the Nuclear Non-Proliferation as it has been a genuine concern of the

Japanese.

My government is now trying to obtain the approval of the Diet for the ratification of the Non-Proliferation Treaty. I urge all nations to take positive measures at every opportunity to prevent the further proliferation of nuclear weapons. At the same time, I appeal to all nuclear weapon states to recognize the legitimate anxiety of non-nuclear weapon states for their own security. I also urge them to effect further nuclear disarmament.

The intense difficulties we are today experiencing in the problems of inflation, recession, natural resources, energy and primary commodities have made us increasingly aware of the need to cooperate with other countries. It is a reflection of the interdependence of our world that the European countries are working for regional integration, that the developing countries are moving toward various forms of concerted action, and that the oil-producers and the oil-consumers are consulting with each other. In taking such joint action, the countries concerned should not pursue only the interest of their own groups, but should always seek a path to relate them to the interests of others so that an effective global cooperation can be worked out. This is the task that our tripartite group has been fully aware of.

Here, for a better understanding among members of our tripartite group, I would like to touch upon some characteristic features of decision making underlying the Japanese diplomacy.

In the first place, a traditional social ethics called "WA", to be translated as "Harmony" or "Concord" compels the Japanese to spend a great deal of time to create a policy consensus before

arriving at and executing a policy. Through this time consuming process, we make ourselves familiar with the details of the specific measures to be taken. Consequently, once a decision is taken, we can put it into practice quite expeditiously. This Japanese tradition of policy making, coupled with the habit to resort to expressions often consciously inarticulate to ensure "WA" of people involved, often causes misunderstanding between the Japanese and their Western friends. In this manner, however, we deal with complex issues without causing serious social tension inside Japan and even without losing sight of priorities.

Secondly, geographically Japan is immediately surrounded by countries of different political and economic beliefs and systems such as the Soviet Union and China, and also by countries which are at considerably different stages of economic development. Therefore, Japan is required to pay careful attention to its neighbors and the policies reflecting it often evades the easy understanding of the people of Europe and North America.

Now turning back to the stern realities of today's world, I find it meaningful to reconfirm the resolve of our tripartite group to adhere unswervingly to the principles of individual freedoms and political democracy which form the common bases of our societies. These principles are faced with the kind of challenges unseen in the past. We must learn to meet these challenges instead of retreating from them.

At the same time, we must realize that not all the countries in the world are like ourselves in their political creeds or social systems.

Such realization, of course, while making us more humble about ourselves, prompts us to pay even more careful consideration to the diverse realities of individual countries. Particularly, we should appreciate the difficulties of the developing countries and cooperate with them with patience and understanding in their nation-building effort in a manner suited to their requirements. At the same time, we should call upon them to cooperate with us, recognizing the relations of interdependence, in the establishment of harmonious cooperative world relations.

This is no time for rhetoric but for creative and concrete action. It is for this reason that I expect a great deal from the work of this commission, since only imaginative and intellectual effort can today secure our survival.

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The Trilateral Commission Kyoto Meeting: Text of Speech

May 30, 1975 Morning Session

for Vedrine a Billi

Global Redistribution of Power

by Saburo Okita
President
The Overseas Economic Cooperation Fund

When we look back across the thirty years since the end of World War II, we find two kinds of change: those drastic changes that all notice, and the more gradual, evolutionary developments that have, perhaps in an even more profound historical sense, introduced new elements into relations both between advanced nations and between the developed and developing countries.

It is the second category that I would like to discuss today. I want to focus especially on six factors that I consider of special importance. They are: 1) the decrease in the relative weight of the U.S. economy, 2) the increasing role played by natural resources in influencing power, 3) the shifts in relationships between greater and lesser powers, 4) the increasing assertiveness of the poorer nations, 5) the growing importance of global issues and 6) the new developments in the international division of labor.

The first of these is the long-term decline in the relative position of the United States economy. Shortly after the end of World War II, the United States' GNP equaled more than half that of the entire world excluding communist countries. Its share was equivalent to the proportion now held by Japan, the United States and Western Germany together. But today it has declined to a point where it occupies about one third of the total world GNP excluding communist countries.

At the end of 1945, the United States' balance of short-term foreign debts was

$6.9 billion, while its gold reserves amounted to $20 billion. It had a concentration of economic power that made it the pillar of the IMF system, a system that was itself based on dollars and gold. But as the economies of Japan and Europe recovered and grew, the relative preponderance of the United States in the world economy decreased. The United States was unable to free itself quickly of the worldwide commitment that it had taken on as the greatest economic power at the end of the war. As its economic power declined, it found itself over-extended. And as a result, a large volume of gold flowed out of the United States and the dollar grew weaker. At the end of 1974, the balance of short-term foreign debts had grown to $116.8 billion, while gold reserves had declined to only $11.8 billion. This became a major destabilizing factor in the international economic system.

The United States was, however, well aware of the need to readjust the level of its overseas commitment. Through the Nixon Doctrine in 1970 and the New Economic Policy of 1971, it set out to reduce its military presence and political-economic commitments to a level commensurate with its economic strength. The impact of these U.S. efforts is evident in the Asian situation, most notably in Indochina, as well as in the international economy. The suspension of the policy of dollar convertibility into gold introduced in 1971 is an example of this impact. The decrease in the relative strength of the U.S. economy and the concomitant relative decline of its political and military influence has resulted in a multipolar structure. This is probably one of the main factors in the global redistribution of power.

In this connection, I cannot help recalling a conversation with G.D.A. MacDougall in London some ten years ago. At that time, Professor MacDougall was advisor to the Finance Ministry in the British government. When I asked him what the

reasons were for the decrease in the value of the pound, he said: "That happened because Britain won the war. We have had to maintain the past glory of the British Empire on the basis of an economy that has shrunk in size." In other words, although the economic basis of the empire had grown much smaller worldwide, the British had attempted to maintain past glories, thereby upsetting the balance between production and consumption. They were living beyond their means, so to speak. And, according to MacDougall, this was a fundamental reason for the weakening of the British economy.

This observation may, to some extent, be applied to the present-day situation of the United States. By contrast, those nations defeated in the war--Japan, Germany and Italy-- were reduced to extreme poverty and had to start all over again from scratch. They started out fresh, intent on recovering from poverty. And as the economies of Japan and Europe grew at remarkable rates, their influence in the world economy also grew.

The second factor is the new-found role of natural resources in influencing power relationships. The ability to supply energy and food is becoming more and more important in shaping the global redistribution of power.

The United States has vast quantities of domestic resources at its disposal, and, as a result, it should be technically feasible for that country--despite the relative decline in its GNP-- to pursue a policy of self-sufficiency in energy and at the same time to export grains amounting to several tens of million tons from its annual grain production. Among the developing countries, the Mideastern nations have come to world power by virtue of possessing oil resources. They are now

capable of exerting a tremendous impact on the world economy--so much so that their relative position in international society at large has been greatly strengthened. We have witnessed a new trend during the past several years in which countries possessing vital natural resources have become fully aware of just how those resources can be used as a tool for exercising power.

The third factor is the change in the relationships between greater and lesser powers. The progress of human society has long been accompanied by calls for increased respect for the rights of the weak. These calls have now been extended to the international arena, where smaller countries and economically weak nations are being given a greater say. This shows up in the United Nations, where each country, regardless of its size or power, has an equal vote. International democracy is historically significant as the antithesis to chauvinism or domination by the great powers. It is increasingly difficult for these powers to control or prevent autonomous and independent initiatives on the part of the smaller nations. And the great powers are less and less capable of influencing internal changes within these smaller nations. This trend is shown in the recent events in Vietnam.

At the same time, when grass-roots democracy encourages parochialism in a given country, it also tends to make the people look inward. And that process, in turn, affects that country's relations with other nations. This probably should be cited as another element in the global redistribution of power.

The fourth factor is closely related to the third. It is the increase in the demands of poor countries that their rights be recognized. Issues such as the "North-South problem" were hardly ever raised before the Second World War. But they have become increasingly dominant since then. The process in which

the weak criticize the strong is another example of the expansion of egalitarian thinking to the international level.

The world today includes both people who get sick from consuming too much food and those who starve to death because they do not have enough to eat. One result of this situation has been the emergence of scathing criticism of the existing order and of the market forces that control it. The idea of free competition may serve those in power, say the critics, but when the gap between levels of power becomes too great, a situation results where the weak merely get weaker while the strong grow stronger. Criticisms of this sort in international circles have been increasing ever since Raúl Prebisch delivered a report to the first meeting of the United Nations Conference on Trade and Development (UNCTAD) in 1964. They are aimed at the market economy and free competition, and they usually involve support for the idea that planning should become a part of both national and international economies.

5) The fifth factor is related to the increasing concern with the global issues. Since the world community has been affected by economic and technological developments in many areas, such as transportation and communication, it has become necessary to develop a global approach in many different fields.

An important, distinctive feature of the seventies has been the convening of a number of international conferences on such problems as the environment, the oceans, food and population-- conferences intended to grapple with these problems from the global perspective. Examples of these are the UN Conference on Human Environment held in Stockholm in 1972; the Conference on the Law of the Seas in Caracas, the UN Special Session on Resources in New York, the World Population Conference in Bucharest and the World Food Conference in Rome, all of them held during 1974. These conferences indicate a heightened

awareness of the limitations that exist in the resources, environment and land of the earth, as well as a growing consciousness of the need to manage these problems on a global level.

Despite this awareness, the truth is that international politics still tend to be premised on the belief that national sovereignty is paramount, a situation that makes it quite difficult for domestic welfare policy to go beyond national borders. In other words, technology and economics require a global approach. Yet the United Nations is not strong enough to assure such an approach and no other international institution is designed to do so. A group of 25 experts, including the author of this paper, appointed by the Secretary General of the UN published its report on the "Restructuring of the United Nations System" on May 21, 1975. As always, the realities of international politics remain mainly predicated on national interests.

Nevertheless, in today's environment, not even the great powers can formulate national policies without taking global considerations into account. The conflict between global and national interests is, in other words, becoming increasingly important in influencing the global distribution of power.

The sixth factor relates to new developments in the international division of labor. Both labor shortages and high wages in the industrialized nations have given the developing countries a comparative advantage in the labor-intensive sector. They have an excess labor force, and, as a result, the labor-intensive sector is shifting rapidly to the developing nations. In addition, the growth of resource nationalism means that the processing industries will be expanded in those countries that have resources. As this trend progresses, the result will be a reallocation of industrial production.

And as industry and technology are distributed throughout the world, the dominance of today's industrial nations will decrease, and international power will be further dispersed. As that happens, the industrialized nations may introduce import restrictions against the cheaper products made by the developing countries with their abundant labor forces. They would do this to protect employment and the high wage levels in their own labor forces, but it would mean the victimization of the poorer labor forces in the impoverished nations. So what might be considered a "welfare policy" domestically would be seen as an " anti-welfare measure " internationally. An increasing awareness of this paradox among the developing countries will lead to more and more criticism of the policies of the industrialized nations.

Each of the problems that I have enumerated points to a need for a new international economic order. The Sixth Special Session of the United Nations General Assembly adopted a declaration on the "New International Economic Order" and its "Action Program" in May 1974 which, in my view, covers only part of the issues. One of the Trilateral Commission's important tasks is to understand the basic nature of the North-South problem--both from a long-range perspective and in the context of enlightened self-interest.

We must be mutually aware of the interdependence that exists today between the developing nations and the Trilateral World. And, as a result of that awareness, each of our countries must adjust its policy formulations to fit a global framework built on cooperation rather than confrontation.

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At the meeting of the Trilateral Commission +) at Kyoto/Japan on 30 May 1975

Dr. Gerhard Schröder, former federal minister, will speek on the subject of

Prospects of Peace for the Middle East

dice poco

+) The Trilateral Commission is an organization of americain, westeuropean and japan economic experts, trade union leaders, editors and writers, scolars and politicians concerned with the study of vital questions of mutual interests.

Prospects of Peace for the Middle East

I Introduction

The Arab-Israeli conflict has become one of the most dangerous sources of crisis in our time. It is a threat not only to those directly involved but to the peace of the whole world. This was so harshly demonstrated by the last war in October 1973. At that time, it seems, we went to the brink of the abyss. Global interdependence has seldom been seen in such stark relief so that it is obvious we all have a stake in an equitable, lasting, and - this I should like to emphasise - constructive peace settlement in the Middle East, one that holds out good prospects for the future. I am therefore particularly glad that at this meeting of the Trilateral Commission we shall be looking at the possibilities of resolving the Middle East problem, a task which calls for thoroughness, courage, and imagination. With your permission I shall begin by outlining my own views.

II 30 years ago - Truman

Let us cast our minds back 30 years. When on 29 November 1947 the United Nations General Assembly adopted with 23 votes against 13 with 10 abstentions a resolution to partition Palestine and create a Jewish state, those who took part in the vote, either directly or indirectly, could hardly have foreseen the situation we find ourselves in today. They could not know that in less than 30 years the membership of the United Nations would be almost trebled, that the balance of world power would have changed - perhaps not yet decisively, but considerably - that in the struggle for self-determination hitherto unknown occurrences would have become almost customary, that we would find ourselves discussing whether and when a fifth war would break out over Israel.

This contrast of views then and the reality of today, and our own ideas about establishing what could prove to be lasting peace could certainly be continued. Some of

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the principal figures of those days have put their thinking and motives on paper. It would probably be exciting to compile them for perhaps - I say perhaps - they could help us foresee future developments. Be that as it may, we must in our attempts to discuss the kinds of developments we want and the ways and means of bringing them about take into account the experience of almost 30 years - both on the spot and elsewhere - and apply them in terms of the future. Naturally, one could go back a lot further - 2,000 years even - but we must not forget that developments over the past twenty or thirty years have resulted in a tremendous increase in the speed of discoveries in the scientific, economic and technological fields, and in the political sphere.

Of those who featured prominently in those historic events of 1947, I would recall briefly the words of the then President of the United States Harry S. Truman (who, I must add, seems to be experiencing a renaissance at the present time). Allow me to quote three passages from his memoirs:

"I was of the opinion that the proposed partition of Palestine could open the way for peaceful collaboration between the Arabs and the Jews. Although it was difficult under the present circumstances to bring the Arabs and the Jews together, I could foresee that under the proposed plan of the United Nations, calling for an economic ~~opinion~~ union of the partitioned areas, the Jews and the Arabs might eventually work side by side as neighbors.".

In his Presidential election programme of November 1948, Truman outlined his position as follows:

"We approve the claims of the State of Israel to the boundaries set forth in the United Nations resolution of November 29 and consider that modifications thereof should be made only if fully acceptable to the State of Israel,.....

"We continue to support, within the framework of the United Nations, the internationalisation of Jerusalem and the protection of the holy places in

/Palestine."

Palestine."

And finally a passage from Truman's letter to President Weizmann on 29 November 1948:

> "In closing I want to tell you how happy and impressed I have been at the remarkable progress made by the new State of Israel. What you have received at the hands of the world has been far less than was your due. But you have more than made the most of what you have received, and I admire you for it. I trust that the present uncertainty, with its terribly burdensome consequences, will soon be eliminated. We will do all we can to help by encouraging direct negotiations between the parties looking toward a prompt peace settlement."

III The situation today

Let us try to describe the situation today: the territory of the Jewish state, which had been fixed at 56 per cent of Palestine territory, was increased to 77 per cent as from 1948. Today Israel holds Sinai, Gaza, West Jordan, the whole of Jerusalem, and the Golan Heights. A disengagement agreement exists for Sinai east of the Suez Canal and a second has been worked out for the Golan Heights. These two agreements are the outcome of American step-by-step diplomacy. Kissinger's efforts to bring about another agreement in Sinai have failed - at least for the time being.

United Nations and European Community

What is the attitude of the United Nations? It is set out in a number of resolutions of the Security Council, beginning with No. 242 of 22 November 1967, through to the General Assembly resolution of 22 November 1974. Their essential elements are:

- renunciation of the acquisition of territory by war;
- evacuation of the territories occupied by Israel (I will not go into the difference between the English and French texts because I feel it is of little

political relevance);

- the right of all states in the Middle East to live in peace within secure and recognised boundaries;
- the right of the Arab Palestinians to national independence and sovereignty, i.e. their right to statehood;
- observer status for the PLO at the United Nations as representative of the Palestinians.

The United Nations has, moreover, provided the civilian and military personnel to implement and ensure the observance of the two disengagement agreements for the Sinai and the Golan Heights.

In this connexion it is appropriate to consider the attitude of the European Community. Its official position is set out in the statement agreed between the Foreign Ministers in November 1973, which says that a peace settlement should be based on the following points:

1. Inadmissibility of the acquisition of territory by force.
2. Need for Israel to withdraw from the territories she has occupied since the 1967 conflict.
3. Respect for the sovereignty, the territorial integrity of every state in the region, as well as its right to live in peace within secure and recognised boundaries.
4. Recognition that in the creation of an equitable and lasting peace the legitimate interests of the Palestinians will have to be taken into account.

The Foreign Ministers recalled that, in accordance with resolution 242, the peace settlement would have to be the subject of international guarantees.

We see, therefore, that the positions of the United Nations and the European Community match each other in the main points.

/Deploying

Deploying for a fifth war in the Middle East ?

I spoke of a possible fifth Middle East war. Certainly, everyone here sincerely hopes this will not happen, but as the nations directly involved do not rule out this possibility I should like to make a few comments on this point.

We know that the two superpowers are involved in the conflict and, in the event of another outbreak of hostilities, could find themselves lined up against each other - perhaps against their will. There is no need for me to describe the dangers that would bring. But we also witness the massing of military potential in the whole of the Middle East region. On the Arab side - counting only Egypt, Syria, Jordan and Iraq - military personnel exceeds 700,000 (with about the same number of reservists), with about 5,000 tanks and at least 1,200 fighter aircraft. They also have the most up-to-date anti-aircraft equipment, and probably medium-range missiles. The Israelis can muster, with reservists, about 500,000, also with modern equipment, over 2,000 tanks, and about 500 aircraft. These figures are, if anything, below the actual levels, but they show that the danger of an explosion in the Middle East should not be underrated.

In the event of war the "oil weapon" is certain to be used again. This could have untold economic, but also political and military consequences. Obviously, therefore, we have every interest in a peace settlement supported by all concerned.

Tenable and constructive peace?

What are the conditions for and prospects of a peace settlement? Let us consider first of all the demands of both sides. The Arabs insist that Israel vacate the territories she has held since the 1967 war - in other words the entire Sinai Peninsula, the Golan Heights, the eastern part of Jerusalem, the West Bank, and the

/Gaza

Gaza Strip - and that the legitimate interests of the Palestinians find expression.

Israel for her part demands recognition as a state and the right to live within secure boundaries.

Change in the Arab attitude

If we weigh up the demands of the two sides there emerges one fact of great significance: The ones who carry most weight on the Arab side are prepared to recognise Israel's existence as a state. That will, I am sure, also be the case one day - or better on the day a peace agreement is signed - with the PLO under the terms that would be agreed. Let us leave aside the question of how the change of attitude on the part of the Arabs came about, except to say that the approach of the United States and the Soviet Union has played a big part. I shall be taking this matter up again a little later on.

Israel a fortress?

The second cardinal point concerns the question of secure boundaries. I am inclined to the view that boundaries are only secure if they are accepted and respected by one's neighbours, though we leave open the question as to why this happens. We must realise that we shall have to create conditions which will lead to such attitudes and the corresponding behaviour, and maintain them. It must surely be clear then - but perhaps only after some discussion - that in the age of intercontinental missiles "safe" boundaries can only be preserved by creating the right attitudes and thus evoking the corresponding conduct. Anyone who tries to assess the present psychological situation of those concerned sees Israel in a besieged fortress and developing a corresponding mentality: still more cement bastions, still more weapons of the very latest design, then one lives in security and is respected. That respect is enhanced by the occasional successful sortie against the besieger. I will not take the description any further for everyone will know and

/agree

agree that life under these conditions cannot be a permanent basis for future generations, only a temporary arrangement. I would mention another point which is perhaps metaphorically comprehensible. Arab propagandists have from time to time contended that they would drive the Israelis into the sea, but against this the Israelis can defend themselves.

Israel - island in the Arabian ocean?

The proportions and potential development weigh so heavily in favour of the Arabs that Israel, rather than be driven out, might one day simply be overflooded, like an island by a tidal wave. The population of the Arab countries is increasing at the rate of 3 to 4 million a year - in Egypt alone the rate is one million. If we imagine the situation only ten years hence the Arab population will be 200 million, 50 million belonging to Egypt.

Israel's population - not counting the territories occupied since 1967 - is 3.3 million. 2.8 million of these are Israelis, about 500,000 Arabs. The birth rate of this Arab community in Israel, Palestinians, is twice as fast as that of the Israelis. If this rate continues Israel's Arab population will double every 15 years or so. These are alarming demographic prospects for Israel, for if immigration stagnates or becomes retrogressive - it having accounted for two thirds of Israel's population growth in the twenty years up to 1968 - the Israelis could become a minority in their own country within the space of a few decades. For this very reason it is important to prepare for possible but certainly necessary co-operation.

Constructive plans for the future - Max Planck Society

I will say quite frankly that during the long and heated international debate on the Middle East I have heard of no plans that have fired the imagination of all concerned. What plans and preparations need to be made for the future? Of course, I am not blind to the fact that egoism, self-interest and sluggishness, as well as new problems, give rise to scepticism, but this explosive part of the world justifies a special effort and, depending on the ingeniousness of those con-

/cerned,

cerned, the probability of their being implementable increases. I remember one sentence from a speech by Henry Ford II in Cologne at the ceremony to mark the 25th anniversary of the Confederation of German Industry. He said that we should work together to change that Middle Eastern part of the world into a thriving industrial society.

The politicians should not merely call upon others outside the government to produce ideas, whilst they themselves just sit back and criticise. I am convinced, and so no doubt are many others, that the future of Israel and her neighbours lies in co-operation. Today it may seem as if the road to that goal is barred by mountains of distrust and walls of hatred, but perhaps a few scholars could do some pioneering work in preparation for broad-based co-operation? The German Max Planck Society, for instance, could invite Israeli and Arab, and perhaps other European and non-European scholars to study this problem or that together, problems that are of special importance to that part of the world in hostile confrontation. Desalinisation of seawater, for example, is one, and indeed practically all aspects of rural development and environment problems could be considered. At present the Arabs are holding back and are likely to do so as long as Arab territory remains occupied. But in my view a better tomorrow must be discussed and thought out today.

Responsibility of the United States and the Soviet Union

The tactics with regard to a peace settlement have not yet been finalised apparently. Or should one say single elements are being cautiously tried out first. It will be possible to establish and co-ordinate tactics when agreement has been reached on the strategic objective. Do the Arabs want peace as quickly as possible? Is Israel playing for time? Is she awaiting the outcome of the US presidential election? Do the Israelis intend to wait for the bigger results in the creation of new sources of energy as an alternative to oil? Will Israel's position improve if the oil weapon is blunted or no longer usable? What is the point of Israel seeking partial progress in the Sinai but discussing neither the inevitable withdrawal from Golan nor a realistic and feasible solution to the Palestinian problem?

/I pose

I pose these questions because here at least they might find an answer, or an attempt may be made to answer them. I feel that through their intervention the superpowers have assumed the responsibility for creating stable conditions for peace in the area as soon as possible. They alone, not individually but together, have the strength to achieve that goal if it is approved by both sides. The US Administration has been accused in various quarters of the mistake of operating alone without first co-ordinating with the Soviet Union. Well, that may be a fair charge, but I think the United States realises how much a tenable and constructive peace settlement depends on Soviet participation. It is also suggested occasionally that the United States wishes to avoid any charge from "anti-communist" quarters at home of joining hands with the Soviet Union to put pressure on Israel. Be that as it may, a Geneva conference without US/SU accord could hardly work. We shall see. But the nations concerned who are watching on will have only limited patience.

IV Peace and Co-operation are possible

To sum up:

- a peace system should be constructive, the basis for a prosperous Middle East;
- this will be possible only if all nations concerned co-operate with each other;
- this will take time - mountains of hatred and mistrust have to be removed;
- Israel has a lot to contribute to such co-operation: her intellectual, scientific-technological potential is much greater than she needs for her own development (Weizmann Institutes, Lod aircraft factory);
- Arab oil money could be used sensibly and peacefully over the entire region;
- Europe has an important and rewarding opportunity of helping with its economic resources and technological know-how;
- Removal of poverty and sickness will eliminate many a source of conflict;
- the appreciation of the people that peace brings prosperity and progress will be conducive to its attainment;
- these are major tasks; we must be able to cope with them for the dangers, too, are considerable.

5

European-Japanese Relations.

A note on a proposed programme of studies.

It has been found to be particularly difficult for Europeans to interpret the underlying trends of Japanese external policies in the light of what they know about the domestic politics of Japan. It is a familiar experience of students of international relations that the connection between the internal and the external politics of any given country is often complicated and subtle. In the case of Japan it is particularly elusive. In a period when the traditional line separating the internal from the external aspects of policy-making is becoming increasingly blurred, this deficiency in understanding on the European side presents particular dangers. Hitherto Japanese external policies have not impinged much on Europe, except in the field of international trade. It is a safe prediction that they will impinge on the Europeans a great deal more in the future. What one wants to avoid, if possible, is a situation in which the Europeans wake up one day and wonder what has hit them.

One of the first questions that one would wish to ask is whether a comparable problem in comprehending European policies exists for the Japanese. If not, we might learn something from the Japanese experience in overcoming it. If it does exist, at any rate in some measure, we should consider how we might improve our mutual comprehension by a systematic exchange of information and ideas. What we seem to require is a combination of a larger pool of expertise in interpretation with more frequent direct contacts with Japanese experts in international relations.

It is noteworthy that the United States seems to have made a more successful start in tackling this problem than the Europeans. Again one would like to know whether on the Japanese side it is felt that there exists a corresponding comprehension of the processes of American policy-making, and in particular of the connection between internal and external politics.

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Our aim is to set in motion in a few important centres in Western Europe a process of systematic study of contemporary Japanese affairs which will have some of the sophistication which is beginning to be achieved in the United States. We might well try to draw initially on this pool of American expertise. But that could only be ancillary to the development of a programme of direct contacts and exchanges between Europeans and Japanese.

For a start, it seems to us that more active studies of contemporary Japanese policy-making should be initiated in some of the larger of the West European countries. The Institutes of International Affairs in Britain and in Germany have discussed this matter in a preliminary way and are agreed that they would be interested in embarking on a programme of this kind. We think it would be useful to have a preliminary discussion in Japan itself with the relevant persons on the spot about the means of improving our capacity to interpret each other's policies, with particular reference to those policies which impinge on our respective external relations.

To this end we would consider it useful if during 1975 a small group of people selected by the German and British Institutes of International Affairs visited Japan for a conference lasting perhaps two or three days, followed by a series of meetings with the institutions and people who might contribute to such a programme of studies and exchange. The numbers on the European side should probably be no more than ten, and should include scholars with a general interest in international relations as well as some experts on Japanese affairs. We would think in terms of a Japanese group of the same size similarly composed - with Japanese experts on European affairs included - for the conference. In the subsequent series of visits wider contacts would be sought among Japanese institutions (including government departments and commercial enterprises) in various parts of Japan. The whole operation, including travel between Europe and Japan, should be conducted inside a fortnight.

Andrew Shonfield
December 1974

The Trilateral Commission Kyoto Meeting: Text of Speech

May 30, 1975 Morning Session

(6)

Opening Remarks

Takeshi Watanabe
Japanese Chairman
The Trilateral Commission

Ladies and gentlemen,

it is my great pleasure to open the Trilateral Commission Meeting here today in Kyoto in the presence of such a distinguished group of leading private citizens from Western Europe, North America and Japan.

It has been a little over a year and half since we had the first Executive Committee Meeting of this Trilateral Commission in October, 1973. We were honored at that time to have the first official meeting of the Commission in Japan. We are once more honored to be the host country this time for the first meeting of all the commission members from the three regions, as distinguished from our second meeting in Brussels last June, and the third meeting in Washington last December when only executive committee members attended. I am sure that I am not the only one among the Japanese commissioners to be impressed by this excellent participation by the commissioners from the other parts of the trilateral regions who have traveled a long distance to join us for this occasion. For this, on behalf of the Japanese Commission I would like to express to all the overseas participants our deepest sense of appreciation and warmest welcome to Japan and to this historic city of Kyoto. To my Japanese colleagues I would like to express my gratitude for your cooperation in many different ways in enabling us to receive our overseas colleagues in this manner.

When Mr. David Rockefeller, who is here with us today, took the very first initiative in creating this Trilateral Commission, it was his feeling, as he stated in the Tokyo meeting in 1973, that many of the world problems had been, up to that point, discussed only among the Atlantic nations despite the fact that the solution of many of these problems required the involvement of a third party, namely Japan. He felt that when the strength and economic importance of Japan, as well as Europe, had become a fact of life in the international world, it would be logical and desirable for the three advanced industrial regions to discuss our common problems and opportunities. When the Trilateral Commission was launched with several leading figures in the three regions in full agreement with Mr. Rockefeller's suggestion, it was a welcome development for Japan because this was the first such private international undertaking in which Japan was an original founding member, unlike other cases of similar efforts where Japan was added to the membership almost as an afterthought. We had felt all along the importance of such an international dialogue by private citizens as envisioned in the idea for the Trilateral Commission, where the members could deal with common problems and pursue their solutions with a broader and more historical perspective, than governments could afford to have, as they are inevitably concerned with immediate interests. For Japan, grappling with the new increasing responsibility of assuming a greater role in the international community, and trying to define such a role in its dialogue with other nations, the Trilateral Commission has come to provide us with new opportunities and, at the same time, new challenges.

In the course of the past one and a half years, we have completed several task force reports with the joint participation of commissioners and distinguished specialists from the three regions. These reports were "Toward a

Renovated World Monetary System", "The Crisis of International Cooperation", "A Turning Point in North-South Economic Relations", "Direction for World Trade in 1970's", "Energy: The Imperative for a Trilateral Approach", and "Energy: A Strategy for International Action".

They were circulated and discussed among the commissioners of the three regions in the previous three executive committee meetings, and resulted in some specific recommendations. They have been also sent to many government officials, political leaders, business leaders, scholars, journalists, and other opinion leaders in order to encourage further discussion on these important issues in the trilateral regions. These are crucial issues on which effective cooperation and joint action of the advanced industrialized countries in the trilateral regions are in the countries' own interest, as well as in the interest of the rest of the world in view of the trilateral regions' greater influence in the world economy and their massive relation to one another.

International developments in the past months have dramatically heightened awareness among all of us of the ever increasing interdependence among the world's nations. Even in the short period since the creation of the Trilateral Commission, crises have occurred which have had a great impact on the whole international system, necessitating its transformation. We have witnessed the entry of major new participants in the international political arena. We have witnessed further worsening of conditions in the fourth world. Insuring a secure supply of resources for the future has become of utmost concern among many nations, including the advanced industrialized nations in the trilateral regions. The continuing unstable situation in the Middle East threatens the welfare of the whole international community. The most recent development in Indo-China has created uneasiness among many Asian countries.

Such situations, in which we find ourselves today, seem to require an entirely new reassessment and reevaluation of the international system. Such a re-evaluation, however, has to be undertaken not unilaterally by any single nation or region, but with multilateral consultations among all of us. In this context, the Trilateral Commission is not seeking to exclude the other regions of the world but is rather conscious of its responsibility to first encourage the three regions to "set its own house in order" not only for their own sake but for the sake of the rest of the world as well. The Commission believes that it can contribute toward this goal by playing an important role in helping to bring about intensive consultations among the three regions. The growing interdependency, especially among Western Europe, North America, and Japan also generates problems and frictions which endanger not only the well-being of the three regions but adversely affect all of the other regions as well. Such is the rationale and the concern behind our selecting the various new task force themes, and convening this Kyoto Meeting.

In working together in the past year and a half in this Commission, we have been frequently reminded of various constraints in each region working against establishing a smoother dialogue among us.

The three regions are quite different from each other in historical background and international setting. The political system, social structure, culture, and customs of the three regions and the countries within them are varied and Japan still maintains certain conditions which continue to make her inaccessible and insular from the outside world. Nevertheless, I personally feel that the intensity with which our activities have been carried out is unique among the many non-governmental international projects involving Japan in recent years. Also I feel we have come a long way in achieving our original goal of

having a constructive trilateral dialogue and developing a habit of working together among the three regions. Many Japanese colleagues particularly emphasize the important role the Commission has played in broadening our contact with influential leaders in European countries with whom we have not had very intimate contact until recently.

On the other hand, I also realize that we still have a long way to go. I particularly feel the extreme importance of broadening the circle of those involved in this trilateral dialogue. Although I do recognize without a doubt certain immediate fruits of our work such as the task force reports and the recommendations which have been brought about as a result, I personally feel the true measure of the success of this Commission will lie in how effectively we can have a broader and more positive participation of all the commissioners as well as other opinion leaders in the discussions. This must be with the distinct purpose of finding solutions to some of the specific common issues, facing them together -- not sitting at opposite sides from each other at the conference table, working closely together -- not confronting each other. The impact of the Trilateral Commission, in my view, will come not so much through public pronouncements but through all of us in the Commission acquiring, through our work, a new perspective in addressing ourselves to international and domestic issues, and if I may repeat again, acquiring a habit of working together.

It would be unrealistic and futile to attempt to come to any definitive resolution of any of the complex issues on our agenda in just two days of discussion. But we will have achieved something very important and essential if we can set in motion a process of more intensive participation involving a larger number of commissioners.

When I was about to leave the post of President of the Asian Development Bank in late 1972, I was asked to give a farewell talk to the staff of the Bank. I summarized the lesson that I had learned; those I had learned the hard way in the six years of my service at the Bank. They involved three indispensable conditions for further strengthening the effectiveness of our bank. I cited, one, "common aspirations," two, "mutual understanding," and three, "co-ordinated effort" as something the staff should keep in mind as they carry on the task of running a multinational, international organization. After a year and a half of my association with the Trilateral Commission, I feel that these lessons I learned at the Asian Development Bank may very well apply to our current efforts.

We have formed this group and have come together today, certainly, sharing common aspirations. I hope we can clarify and define such aspirations in our discussion. We have been striving to develop mutual understanding in our past work. To understand differences is always the first step to identify what is common among us. As to the co-ordinated effort, we have tried hard but much more is left to be done.

The task in front of us is formidable but is yet a most exciting challenge. I hope we can set to work on this task in the coming two days and in the months and years ahead, with a determination and patience.

Thank you.