

RIUNIONE COMITATO ESECUTIVO

COMMISSIONE TRILATERALE

21-23 /10/ 1973      TOKIO

(C. MERLINI)



**THE  
TRILATERAL  
COMMISSION  
TOKYO  
MEETING  
'73**

日米欧委員会第一回総会

INTERNATIONAL

## TRILATERAL COMMISSION

### JAPAN

% Japan Center for  
International Exchange  
7A Hermanos Akasaka Bldg.  
8-4-3, Akasaka, Minato-ku,  
Tokyo, Japan  
Tel : (404)7417-7419

### NORTH AMERICA

345 East 46th Street  
New York, N.Y. 10017  
U.S.A. Tel : (212)-661-1180

### WESTERN EUROPE

% Institut  
De La Communauté Européenne  
Pour Les Études Universitaires  
1040 Bruxelles,  
Rue de Trèves 47  
Tél : 13. 67. 10.

## C O N T E N T S

### 1. Schedule .....1

### 2. Profile of Participants

North American Participants.....5

Western European Participants.....9

Japanese Participants  
(Members of the Japan Commission)..13

### 3. Members of the Trilateral Commission

The North America Commission.....37

The Western Europe Commission.....40

TUESDAY, OCTOBER 23

7:45 - 8:45

Executive Committee Session IV  
(Breakfast Meeting)

Discussion on the Trilateral Policy Program with  
opening statement by Dr. Zbigniew Brzezinski  
[Room 206 - Green Room, Palace Hotel]

(Please come down to Room 206 on the 2nd floor  
of the hotel at 7:45. Breakfast will be served.)

9:00

Assemble in the hotel lobby; depart for the Keidanren  
Hall.\*

9:15 - 12:00

Plenary Session

(The Executive Committee and the Japan Commission)  
[International Conference Hall, 11th floor of the  
Keidanren Hall]

9:15 Opening Remarks by Mr. Takeshi Watanabe,  
Japanese Chairman

9:30 Address by Prime Minister Kakuei Tanaka

9:45 Remarks by three co-chairmen on the role of  
the Trilateral Commission

10:15 Presentation of the Political Report and  
Statement of Purposes

10:30 Discussion

12:00 - 13:30

Informal Luncheon with Japanese Commissioners and Guests  
[Silver Room; 10th floor]

14:00 - 17:00

Executive Committee Session V

Discussion on the Monetary Task Force Report  
[Room 906]

Return to the hotel.\*

19:00 - 21:00

Dinner for the Executive Committee hosted by Japanese  
Chairman Takeshi Watanabe  
[Room 206 - Green Room, Palace Hotel]

(Please come to Room 206 on the 2nd floor of the  
hotel at 19:00.)

# THE TRI L A T E R A L C O M M I S S I O N

## TOKYO MEETING PARTICIPANTS

JAPAN	NORTH AMERICA	WESTERN EUROPE
<u>CHAIRMAN</u>	<u>CHAIRMAN</u>	<u>CHAIRMAN</u>
WATANABE, Takeshi	SMITH, Gerard	KOHNSTAMM, Max

### EXECUTIVE COMMITTEE

FUJINO, Chujiro	BONNER, Robert W.	ANDERSEN, P. Nyboe
HARAGUCHI, Yukitaka	BOWIE, Robert R.	BERTHOIN, Georges
HIRASAWA, Kazushige	HAGGERTY, Patrick E.	EYSKENS, Mark
KASHIWAGI, Yusuke	PEPIN, Jean-Luc	LAMBSDORFF, Otto
MIYAZAWA, Kiichi	REISCHAUER, Edwin O.	LOUDON, John
MUSHAKOJI, Kinhide	ROCKEFELLER, David	MERLINI, Cesare
OKITA, Saburo	WARNKE, Paul C.	MUNCHMEYER, Alwin
TAKEUCHI, Ryuji	WHITMAN, Marina	STAUNTON, Myles
		TIDEMAND, Otto Grieg
		YOUNGER, Sir Kenneth
		ZULUETA, Sir Philip de

### DIRECTOR

BRZEZINSKI, Zbigniew

### TASK FORCE RAPORTEURS

KAJI, Motoo	COOPER, Richard N.	DUCHENE, Francois
		SEGRE, Claudio

### SECRETARIAT

YAMAMOTO, Tadashi	FRANKLIN, George S.	HAGER, Wolfgang
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[The Japanese Commissioners will participate in the Plenary Session on the morning of October 23.]

NORTH AMERICAN PARTICIPANTS

(\* Canadian participants)

\*BONNER, Robert W.

Chairman of MacMillan Bloedel Ltd., Canada

1948: LL.B., University of British Columbia

1952 - 67: Various government activities; Attorney General for British Columbia

1968: Executive Vice President of MacMillan Bloedel Ltd.

1971: Vice Chairman of MacMillan Bloedel Ltd.

BOWIE, Robert R.

Clarence Dillon Professor of International Affairs, Harvard University Center for International Affairs

1934: LL.B., Harvard University

1945 - 55: Professor of Law, Harvard University

1953 - 55: Director of Policy Planning, Department of State

1955 - 57: Assistant Secretary of State for Policy Planning

1957 - 72: Professor of International Relations and Director of Center for International Affairs, Harvard University

COOPER, Richard N.

Provost and Frank Altschul Professor of International Economics, Yale University

U.S. Rapporteur of Monetary Task Force of the Trilateral Commission

1962: Ph.D., Harvard University

1961 - 63: Senior Staff Economist for the Council of Economic Advisers

1965 - 66: Deputy Assistant Secretary of State for International Monetary Affairs

Author: The Economics of Interdependence

HAGGERTY, Patrick E.

Chairman of Texas Instruments, Inc.

Member of President's Science Advisory Committee

Member of the International Advisory Committee, Chase Manhattan Bank

Trustee of Rockefeller University and the University of Dallas

1936: LL.D., Marquette University

1945 - 50: General Manager of Texas Instruments, Inc.

1969 - : Chairman and Chief Corporate Officer of Texas Instruments, Inc.





SMITH, Gerard C. North American Chairman of the Trilateral Commission

1938: LL.B., Yale University

1957 - 61: Assistant Secretary of State for Policy Planning

1961 - 69: Foreign Policy Counsellor, Washington Center for Foreign Policy Research

1969 - 72: Director of the U.S. Arms Control and Disarmament Agency and Chief U.S. Delegation to the SALT (Strategic Arms Limitation Talks)

Founder of Interplay Magazine

WARNKE, Paul C.

Partner of Clifford, Warnke, Glass, McIlwain & Finney

1948: LL.B., Columbia University

1962-66: Member of Advisory Committee to the National Commission on Civil Rights

1966-67: General Counsel, Department of Defense

1966-67: Member of Board of Directors, Health and Welfare Council of National Capital Area

1967-69: Assistant Secretary of Defense for International Security Affairs

BRZEZINSKI, Zbigniew

Director of the Trilateral Commission

Herbert Lehman Professor of Government and Director of Research Institute on Communist Affairs, Columbia University

1953: Ph.D., Harvard University

1966 - 68: Member of the Policy Planning Staff, Department of State

1970: Recipient of a Ford Foundation grant to study Japan's role in international politics

Author: Between Two Ages: America's Role in the Technetronic Era (1970)

The Fragile Blossom: Crisis and Change in Japan (1971)

FRANKLIN, George S.

North American Secretary of the Trilateral Commission

1939: LL.B., Yale University

1940: Assistant to Nelson A. Rockefeller

1941 - 44: World Trade Intelligence Division staff of the Department of State

1953 - 72: Executive Director of Council on Foreign Relations

[Additional Executive Committee Participant]

WHITMAN, Marina V.N.

Member of President Nixon's Council of Economic Advisers

Professor of Economics, University of Pittsburgh

1962: Ph.D., Columbia University

1965: Senior Staff Economist for the Council of Economic Advisers

1963 - 71: Lecturer, Assistant Professor and then Associate Professor of Economics, University of Pittsburgh

Author: Government Risk-sharing in Foreign Investment

## EUROPEAN PARTICIPANTS

ANDERSEN, P. Nyboe

DENMARK

Member of the Parliament (Liberal Party)

Member of the Board, the East-Asiatic Company

1946: Doctor in Economics, Aarhus University

1950 - 71: Professor of Economics, Commercial University

1962 - 68: Chairman of the Board for Technical Cooperation with the Developing Countries

1968 - 71: Minister for Economic Affairs, Nordic Relations and European Market Relations

1968 - 72: Member of the Central Committee of the Liberal Party

Author: From Gold-basis to Clearing

Denmark's Path - Yes to the E.C.

BERTHOIN, Georges

FRANCE

1948 - 50: Secretary to the Minister of Finance

1952 - 55: Chief Secretary to Jean Monnet; Press Office of European Coal and Steel Community (ECSC)

1952 - 55: Counsellor for Information of ECSC

1956 - 70: Deputy Chief Representative first of ECSC then of EEC in United Kingdom

1971 - 72: Chief Representative of EEC in United Kingdom

DUCHENE, Francois

UNITED KINGDOM

Director, International Institute for Strategic Studies

European Rapporteur of the Political Task Force of the Trilateral Commission

Educated at the London School of Economics, Ph.D.

1949 - 52: Leader-writer for Manchester Guardian

1956 - 58: Correspondent of the Economist, Paris

1958 - 63: Director of Documentation Center, Action Committee for United States of Europe (Monnet Committee), Brussels

1963 - 67: Editorial Writer for the Economist

1967 - 69: Recipient of the Ford Foundation grant to study international affairs

Author: Endless Crisis (1970)

EYSKENS, Mark

BELGIUM

Commissary General of the Catholic University of Louvain  
Professor of Economics  
Doctor in Law; Doctor in Economic Sciences  
1961 - 65: Economic Adviser to the Minister of Finance  
Formerly: Member of several official Commissions

KOHNSTAMM, Max

The NETHERLANDS

Western European Chairman of the Trilateral Commission  
President, European Community Institute for University Studies  
M.A. in History, Amsterdam University  
1948 - 1952: Dutch Foreign Service  
1952 - 1956: Secretary, High Authority Coal and Steel Community  
1956 - : Vice President of the Action Committee for the United States of Europe

LAMBSDORFF, Otto

WEST GERMANY

Member of the Parliament (Liberal Party)  
Member of the Board of Directors of the Victoria Ruckversicherungs-Aktien-Gesellschaft  
Formerly: Director of the C.G. Trinkaus Bank

LOUDON, John

The NETHERLANDS

Chairman of the Board, Royal Dutch Petroleum Co.  
Director of the main holding companies' Boards of Royal Dutch/Shell Group  
Trustee of the Ford Foundation  
Chairman of the Board, the Atlantic Institute for International Affairs  
Doctor in Law, Utrecht University  
Formerly: Senior Managing Director and Chief Executive of the Royal Dutch/Shell Group

MERLINI, Cesare

ITALY

Director of Institute of International Affairs, Rome  
1965 - : ~~Professor of Political Institute, Tulane~~

*Nuclear Technology, Turin*

MUNCHMEYER, Alwin

WEST GERMANY

President of the Federation of German Bankers  
Partner of the Bank Schroder, Munchmeyer, Hengst  
and Co., Hamburg  
Chairman of Advisory Council on Foreign Trade,  
Ministry of Economics  
Formerly: President of German Chamber of Commerce

SEGRE, Claudio

FRANCE

European Rapporteur of the Monetary Task Force  
of the Trilateral Commission  
Doctor in Law, University of Rome; Ph.D., Yale  
University  
1965: Director, Study of Coordination at EEC  
1965 - 67: Director of EEC's study on the  
development of the capitals in European market  
("Segre Report")  
1967 - : President and General Director of  
Lazard Co.

STAUNTON, Myles

IRELAND

Member of the Lower House (Fine Gael Party)

TIDEMAND, Otto Grieg

NORWAY

Shipowner

1952: Chairman of the Finance Committee of the  
Conservative Party  
Member of the Central Committee of the  
Conservative Party  
1965 - 70: Minister of Defense  
1970 - 71: Minister of Commerce and Shipping

YOUNGER, Sir Kenneth

UNITED KINGDOM

1927 - 30: New College, Oxford (Law)  
1946 - 47: Chairman, UNRRA Committee of Council  
for Europe  
1945 - 59: Member of the Parliament (Labor Party)  
1947 - 50: Parliamentary Under-Secretary, Home  
Office  
1950 - 51: Minister of State for Foreign Affairs  
1959 - 71: Director of the Royal Institute of  
International Affairs  
Author: The Public Service in New States (1960)  
New Perspective in British Foreign  
Policy (1964)

ZULUETA, Sir Philip de

UNITED KINGDOM

Chief Executive at Antony Gibbs and Sons

Educated at St. John's College, Oxford (Law)

1949 - 55: United Kingdom Foreign Service

Embassy in Moscow

1955 - 64: Chief Assistant to the Prime Minister

1962: Assistant Secretary of Treasury

1965 - 72: Director, Hill Samuel and Co.

1967 - 71: Member of the Advisory Council of  
British Broadcasting Corporation

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HAGER, Wolfgang

West Germany

Director of Studies, European Community Institute  
for University Studies

European Secretary of the Trilateral Commission

Graduate studies in International Relations at the  
University of Pennsylvania

1970: Research Assistant, Foreign Research  
Institute of University of Pennsylvania

THE JAPAN COMMISSION

\*Executive Committee Member

AMAGI, Isao

Present position: Director, Japan Scholarship Foundation

Address: Japan Scholarship Foundation  
42, Motomura, Ichigaya, Shinjuku-ku, Tokyo 160  
tel: 269-4261

Professional career: 1942: B.A., Tokyo Imperial University, Faculty of Law  
Director, Elementary and Secondary Education Bureau,  
Ministry of Education  
Director, Higher Education and Science Bureau, Ministry  
of Education  
Vice Minister of Education

Publications: Kyoiku Keikaku (Educational Planning)  
Daigaku no Miraizo (Future of the University)

ARIYOSHI, Yoshiya

Present position: Chairman of the Board, Nippon Yusen Kaisha  
Chairman, Nestle Japan Ltd.  
Vice Chairman, Japanese Business and Industry  
Advisory Committee to O.E.C.D.  
Governor, Atlantic Institute for International Affairs

Address: Nippon Yusen Kaisha  
2-3-2, Marunouchi, Chiyoda-ku, Tokyo  
tel: 212-4211

Professional career: 1925: B.A., Tokyo Imperial University, Faculty of Law  
Joined Nippon Yusen Kaisha  
1965: President of Nippon Yusen Kaisha  
1971 -: Chairman of Nippon Yusen Kaisha

Publications: Senryoka no Nippon Kaiun (Japan's Sea Transportation under  
the Occupation Period)  
Keiei no Kokoro (Mind of Management)

ASHIHARA, Yoshishige

Present position: Chairman of the Board, the Kansai Electric Power Company,  
Inc.  
President, Kansai Economics Federation  
Chairman, the Kinki Region Remodeling Council  
Chairman, Commemorative Association for the Japan World  
Exposition (1970)

Address: the Kansai Electric Power Company, Inc.  
3-5, Nakanoshima, Kita-ku, Osaka 530  
tel: 06-44-8821



ASHIHARA, Yoshishige (contd.)

Professional career: 1924: B.S., Kyoto Imperial University, Engineering  
Department  
1959: President, the Kansai Electric Power Co., Inc.  
1961: Ph.D. in Engineering  
1970 -: Chairman of the Board, the Kansai Electric  
Power Co., Inc.

Publications: "Assumption of Demands in Electrical Systems", Ph.D. thesis

DOKO, Toshio

Present position: Chairman, Tokyo Shibaura Electric Co., Ltd. (Toshiba)  
Director & Counselor, Ishikawajima-Harima Heavy Industries  
Co., Ltd. (IHI)  
Vice President, Japan Federation of Economic Organizations  
Vice President, Japan Nuclear Industry Conference

Address: Tokyo Shibaura Electric Co., Ltd. (Toshiba)  
72, Horikawa-cho, Kawasaki-shi  
tel: 044-52-2111

Professional career: 1920: Graduate, Tokyo Industrial High School  
1950: President, Ishikawajima-Harima Heavy Industries  
Co., Ltd. (IHI)  
1957: Director, Toshiba  
1964: Chairman, Ishikawajima-Harima Heavy Industries  
Co., Ltd. (IHI)  
1965: President, Toshiba  
1972: Chairman, Toshiba  
1972: Director & Counselor, Ishikawajima-Harima Heavy  
Industries, Co., Ltd. (IHI)

ETO, Jun

Present position: Professor, Tokyo Institute of Technology  
Literary Critic

Address: Tokyo Institute of Technology  
2-12-1, Ookayama, Meguro-ku, Tokyo 152  
tel: 726-1111

Professional career: 1957: B.A., Keio University, Faculty of Letters  
Visiting Lecturer, Princeton University  
Associate Professor, Tokyo Institute of Technology  
Professor, Tokyo Institute of Technology

Publications: Selected Works of Eto Jun, 6 vols.  
Soseki and His Times, 2 vls.  
A Leisurely Stroll of a Critical Mind

ETO, Shinkichi

Present position: Professor of International Relations, Tokyo University

Address: Tokyo University, Faculty of Law  
7-3-1, Hongo, Bunkyo-ku, Tokyo 113  
tel: 812-2111

ETO, Shinkichi (contd.)

Professional career: 1948: B. A. , Tokyo University, Faculty of Law  
1952: Associate Professor of Political Science,  
Tokyo Institute of Technology  
1956: Associate Professor of International Relations,  
Tokyo University  
1967: Professor of International Relations,  
Tokyo University

Publications: International Politics of Modern China, University of Tokyo  
Press, 1970  
Prospects of Japan, University of Tokyo Press, revised edition,  
1972  
Peoples and Politics, University of Tokyo Press, revised edition,  
1973

\*FUJINO, Chujiro

Present position: President, Mitsubishi Corporation  
Vice President, Tokyo Chamber of Commerce

Address: Mitsubishi Corporation  
2-6-3, Marunouchi, Chiyoda-ku, Tokyo  
tel: 210-2121

Professional career: 1925: B.A., Tokyo Imperial University, Faculty of Law  
1925: Joined Mitsubishi Corporation  
1947: Director-Manager, Foreign Department, Mitsubishi  
Corporation  
1954: Managing Director, Mitsubishi Corporation  
1961: Senior Managing Director, Mitsubishi Corporation  
1964: Executive Vice-President, Mitsubishi Corporation  
1966: President, Mitsubishi Corporation  
1969 - : Vice President, Tokyo Chamber of Commerce

FUKUSHIMA, Shintaro

Present position: President, The Kyodo News Service  
Executive Director, Dentsu Company

Address: Kyodo Tsushin-sha  
2, Aoi-cho, Akasaka, Minato-ku, Tokyo  
tel: 584-4111

Professional career: 1930: B.A., Tokyo Imperial University, Faculty of Law  
1948: Deputy Chief Cabinet Secretary  
1953-1955: Director, Procurement Agency, Government  
of Japan  
1956-1972: President, the Japan Times  
Japanese Delegate to the United Nations General Assembly

GOTOH, Noboru

Present position: President, TOKYU Corp.  
President, TOKYU Land Corp.  
President, TOKYU Department Store  
Vice President, Tokyo Chamber of Commerce

GOTOH, Noboru (contd.)

Chairman of the Board, Japan Developers and Industry Association

Member, Pacific Basin Economic Council

Member, Central Council on Urban Planning, Ministry of Construction

Address: TOKYU Corp.  
26-20, Sakurakacho, Shibuya-ku, Tokyo  
tel: 463-1111

Professional career: 1940: B.A., Tokyo Imperial University, Department of Economics  
1940: Joined Tokyo Shibaura Electric Co.  
1945: Joined TOKYU Corp.  
1954: President of TOKYU Corp.

HAGIWARA, Toru

Present position: Advisor to the Minister of Foreign Affairs

Address: Hagiwara Office  
Room 982, Hotel New Japan  
Nagata-cho, Chiyoda-ku, Tokyo  
tel: 580-1387

Professional career: 1928: B.A., Tokyo Imperial University, Faculty of Law  
Joined Ministry of Foreign Affairs  
1946: Director, The Treaties Bureau, Ministry of Foreign Affairs  
1952 - 1967: Ambassador of Japan to Switzerland, Canada and France  
1968 - 1971: Commissioner General, The 1970 World Exposition, Government of Japan  
1971 - : Advisor to the Minister of Foreign Affairs  
Member, OECD High Level Special Trade Group

Publications: Taisen no Kaibo, (Analysis of the World War II)  
Kowa to Nippon, (The Peace Treaty and Japan)

HARA, Sumio

Present position: Chairman of the Board of Directors, The Bank of Tokyo, Ltd.  
Member, The External Development Cooperation Council, Office of Prime Minister  
Vice President and Director, Japan ECAFE Association  
Director, the Board of Directors, International Monetary Conference  
Director, the Executive Committee, Private Investment Company for Asia (PICA), S.A.  
Director, Board of Directors, Association Internationale Pour La Promotion et La Protection Des Investissements Prives En Territoires Etrangers

Address: The Bank of Tokyo, Ltd.  
1-6-3, Hongokucho, Nihonbashi, Chuo-ku, Tokyo  
tel: 270-8111

HARA, Sumio (contd.)

Professional career: 1934: B.A., Tokyo Imperial University, Faculty of Law  
1956 - 1960: Director General, the Tax Bureau, Ministry of Finance  
1960 - 1962: Commissioner, The National Tax Administration Agency  
1962 - 1965: Deputy President, The Bank of Tokyo, Ltd.  
1965 - : President, The Bank of Tokyo, Ltd.

\*HARAGUCHI, Yukitaka

Present position: Chairman, Central Executive Committee, All Japan Federation of Metal and Mining Industries Labor Unions  
Trustee, Japan Labor Association  
Member, Mining Industry Council, Government of Japan  
Member, UNESCO National Committee of Japan  
Member, Unemployment Policy Council, Government of Japan  
Member, Population Problem Council, Government of Japan

Address: All Japan Federation of Metal and Mining Industries Labor Unions  
5-21-15, Higashi Gotanda, Shinagawa-ku, Tokyo 141  
tel: 441-7191

Professional career: 1941: B.A., Kyushu Imperial University, Faculty of Law  
Joined Beshi Branch, the Sumitomo Metal and Mines  
Vice Chairman, Board of Executive Directors, ILO  
Chairman, Sohyo (Japan Federation of Trade Unions)

HASEGAWA, Norishige

Present position: President, Sumitomo Chemical Co., Ltd.  
Vice President, Osaka Chamber of Commerce  
Vice Chairman, Japan Committee for Economic Development

Address: Sumitomo Chemical Co., Ltd.  
5-15, Kitahama, Higashi-ku, Osaka  
tel: 06-220-3151

Professional career: 1931: B.A., Tokyo Imperial University, Faculty of Law  
1931: Joined Sumitomo Partnership Company, Ltd.  
1934: Joined Sumitomo Chemical Company, Ltd.  
1951: Director, Sumitomo Chemical Company, Ltd.  
1956: Managing Director, Sumitomo Chemical Company, Ltd.  
1963: Executive Vice President, Sumitomo Chemical Company, Ltd.  
1965: President, Sumitomo Chemical Company, Ltd.

HIDAKA, Teru

Present position: Chairman, Yamaichi Securities Co., Ltd.  
Director, Nippon Educational Television  
Vice Chairman, Tokyo Securities Association

Address: Yamaichi Securities Co., Ltd.  
1-3, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo  
tel: 668-1111

HIDAKA, Teru (contd.)

Professional career: 1929: B.A., Tokyo Imperial University, Faculty of Law  
1948: Director, the Industrial Bank of Japan  
1951: Managing Director, the Industrial Bank of Japan  
1960: Vice President, Nissan Chemical Industries, Ltd.  
1962: President, Nissan Chemical Industries, Ltd.  
1964: President, Yamaichi Securities Co., Ltd.  
1972: Chairman, Yamaichi Securities Co., Ltd.

\*HIRASAWA, Kazushige

Present position: Radio-TV News Commentator, Japan Broadcasting Inc.  
Advisor, the Japan Times  
Advisor, the Sankei Newspaper  
Chairman, the Board of Directors, International Orientation Center

Address: The Japan Times  
4-5-4, Shibaura, Minato-ku, Tokyo  
tel: 455-2788

Professional career: 1935: B.A., Tokyo University, Faculty of Law  
1935 - 1945: Ministry of Foreign Affairs, Government of Japan  
1941: Consul, Consulate General of New York  
1956 - 1971: Editor, the Japan Times

Publications: Europe, Japan and the United States, Hara Shobo, 1963

HORIKOSHI, Teizo

Present position: Vice President, Federation of Economic Organizations  
Advisor, the Tokyo Chamber of Commerce  
Executive Director, Japan Nuclear Industry Conference

Address: Federation of Economic Organizations  
1-9-4 Ohtemachi, Chiyoda-ku, Tokyo  
tel: 279-1411

Professional career: 1924: B.A., Tokyo Imperial University, Faculty of Law  
Trustee, the Bank of Japan  
Vice Director General, Economic Stabilization Board  
Director, the Tokyo Electric Company, Ltd.

HOTTA, Shozo

Present position: Chairman of the Board of Directors, The Sumitomo Bank, Ltd.  
Advisor to the Bank of Japan  
Advisor to the Ministry of Foreign Affairs  
Executive Director, Kansai Economic Association

Address: The Sumitomo Bank, Ltd.  
5-22 Kita-hama, Higashi-ku, Osaka  
tel: 06-227-2111

HOTTA, Shozo (contd.)

Professional career: 1926: B. A. , Kyoto Imperial University, Department of Economics  
Joined the Sumitomo Bank, Ltd.  
1947: Executive Managing Director, the Sumitomo Bank, Ltd.  
Vice President, the Sumitomo Bank, Ltd.  
1952: President, the Sumitomo Bank, Ltd.  
1971: Chairman of the Board of Directors, the Sumitomo Bank, Ltd.

ICHIMURA, Shinichi

Present position: Professor of Economics, Kyoto University  
Director, Center for Southeast Asian Studies, Kyoto University

Address: Center for Southeast Asian Studies  
University of Kyoto  
Yoshida Honmachi, Sankyoku, Kyoto  
tel: (075) 751-2111

Professional career: 1947: B.A., Kyoto University, Department of Economics  
1953: Ph.D., Massachusetts Institute of Technology, U.S.A.  
1955 - 1968: Professor, Osaka University  
1968 - : Professor, Kyoto University

Publications: How to Comprehend Contemporary World, Kodansha, 1969  
Consider Southeast Asia, Sobunsha, 1973

IMAZATO, Hiroki

Present position: President, Nippon Seiko K.K.  
President, Overseas Petroleum Corporation  
Director, Nippon Broadcasting Corporation  
Director, Sankei Newspaper  
Trustee, Japan Committee for Economic Development  
Director General, Japan Federation of Employers' Associations

Address: Nippon Seiko K. K.  
Yusen Bldg., 2-3-2, Marunouchi, Chiyoda-ku, Tokyo  
tel: 281-3821

Professional career: 1925: Graduated from Omura High School  
Managing Director, Japan Aeroplane Industries  
President, Japan Metal Industries

INAYAMA, Yoshihiro

Present position: Representative Director and Chairman of the Board of Directors, Nippon Steel Corporation  
Vice President, Japan Federation of Economic Organizations  
Chairman, Japan Steel Association

INAYAMA, Yoshihiro (contd.)

Address: Nippon Steel Corporation  
2-6-3, Ohtemachi, Chiyoda-ku, Tokyo 100  
tel: 242-4111

Professional career: 1962: Representative Director and President, Yawata Iron & Steel Co., Ltd.  
1965 - : President, Japan Iron and Steel Federation  
1968 - : Vice President, Federation of Economic Organizations  
1970: Representative Director and President, Nippon Steel Corporation  
1971 - 1973: Chairman, International Iron and Steel Institute  
1973 - : Representative Director and Chairman of the Board of Directors, Nippon Steel Corporation  
Vice Chairman, International Iron and Steel Institute

INOUE, Kaoru

Present position: Chairman, The Dai-Ichi Kangyo Bank, Ltd.  
Executive Director, Asahi Insurance Company, Ltd.  
Chairman, Central Council on Construction, Government of Japan  
Member, Insurance Policy Council, Government of Japan

Address: The Dai-Ichi Kangyo Bank, Ltd.  
1-6-2, Marunouchi, Chiyoda-ku, Tokyo  
tel: 216-1111

Professional career: 1929: B.A., Tokyo Imperial University, Department of Economics  
Director, the Dai-Ichi Bank, Ltd.  
Executive Director, the Dai-Ichi Bank, Ltd.  
Vice President, the Dai-Ichi Bank, Ltd.  
President, the Dai-Ichi Bank, Ltd.  
Chairman, the Dai-Ichi Kangyo Bank, Ltd.

ISHIKAWA, Rokuro

Present position: Executive Vice President, Kajima Corporation  
Vice Chairman, Public Relations Committee, Japan Federation of Employers Associations  
Chairman, Committee for the Study of New Economic Harmony, Japan Committee for Economic Development

Address: Kajima Corporation  
1-2-7, Akasaka, Minato-ku, Tokyo  
tel: 404-8111

Professional career: 1948: B.S., Tokyo University  
Joined the Ministry of Transportation  
1955: Executive Director, Kajima Corporation

ISHIKAWA, Tadao

Present position: Professor, Department of Political Science, Faculty of Law,  
Keio University

Address: Faculty of Law,  
Keio University  
2-15-45, Mita, Minato-ku, Tokyo  
tel: 453-4511

Professional career: 1946: B.A., Department of Economics, Keio University  
1955: Professor of Faculty of Law, Keio University  
1971 - : Dean, Faculty of Law, Keio University

Publications: Constitutional History of China  
Studies of the History of Chinese Communist Party  
Personal Views on the Problems of Sino-Japanese Relations

IWASA, Yoshizane

Present position: Chairman of the Advisory Committee, The Fuji Bank, Limited  
Chairman, Japan-U.S. Economic Council  
Chairman of the Board, Private Investment Company for  
Asia, (PICA)  
Vice President, Federation of Economic Organizations  
Trustee, Japan Committee for Economic Development  
Vice Chairman, Japan National Committee, Pacific Basin  
Economic Council  
Chairman, Council on Constructions, Government of Japan

Address: The Fuji Bank, Ltd.  
1-5-5, Ohtemachi, Chiyoda-ku, Tokyo  
tel: 216-2211

Professional career: 1928: B.A., Tokyo Imperial University, Faculty of Law  
1963: Chairman of the Board and President, The Fuji Bank  
1971: Chairman of the Advisory Committee, The Fuji Bank

KAJI, Motoo

Present position: Professor, Faculty of Liberal Arts, Tokyo University

Address: Faculty of Liberal Arts  
Tokyo University  
3-8-1, Komaba, Meguro-ku, Tokyo  
tel: 467-1171

Professional career: 1950: B.A., Tokyo University, Department of Economics  
1968 - : Professor of Tokyo University (after served  
as Research Assistant, Lecturer and Associate Professor)

Publications: "Japan-U.S. Economic Relations", Japan Quarterly No. 3, 1973  
"Trend of International Economy and Japan", Japan Commerce and  
Industry, No. 2, 1971



KAMIYA, Fuji

Present position: Professor, Keio University

Address: Keio University  
2-15-45, Mita, Minato-ku, Tokyo  
tel: 453-4511

Professional career: 1949: B.A., Tokyo University, Faculty of Law  
1953: Associate Professor, Osaka City University  
1961: Professor, Osaka City University  
1970: Professor, Keio University

Publications: Chosen Senso, (Korean War), Chuo Koronsha, 1964  
Gendai Kokusai Seiji no Shikaku (View on Contemporary  
International Politics), Yuhikaku, 1965  
Okinawa Igo no Nichibei Kankai (U.S.-Japan Relations after  
Okinawa), co-editor, Simul Press, 1970  
Senso to Heiwa (War and Peace), ed., Glorier International, 1971

\*KASHIWAGI, Yusuke

Present position: Deputy President, the Bank of Tokyo, Ltd.

Address: The Bank of Tokyo, Ltd.  
1-6-3, Hongokuchō, Nihonbashi, Chuo-ku, Tokyo  
tel: 270-8111

Professional career: 1941: B.A., Tokyo Imperial University, Faculty of Law  
1941: Entered the Ministry of Finance  
1966: Director General, International Finance Bureau,  
Ministry of Finance  
1968: Vice Minister of Finance for International Affairs  
1971 - 1972: Special Advisor to the Minister of Finance  
1973: Deputy President, the Bank of Tokyo, Ltd.

KAWAMATA, Katsuji

Present position: President, Nissan Motor Co., Ltd.  
Senior Consultant to the Japan Automobile Manufacturers  
Association, Inc.  
Vice President, Federation of Economic Organizations  
Governing Director, the Japan Federation of Employers'  
Association

Address: Nissan Motor Co., Ltd.  
6-17-1, Ginza, Chuo-ku, Tokyo  
tel: 543-5523

Professional career: 1929: B.A., Tokyo University of Commerce  
1929: Joined the Industrial Bank of Japan  
1947: Joined Nissan Motor Co., Ltd. as Managing Director  
1962 - 1972: Chairman, Japan Automobile Manufacturers'  
Association, Inc.

**KIKAWADA, Kazutaka**

**Present position:** Chairman, the Tokyo Electric Power Co., Inc.  
Chairman, Japan Committee for Economic Development  
Chairman, the Economic Council, Government of Japan

**Address:** Tokyo Electric Power Co., Inc.  
1-3, Uchi Saiwaicho, Chiyoda-ku, Tokyo  
tel: 501-8111

**Professional career:** 1926: B.A., Tokyo Imperial University, Department of Economics  
Joined the Tokyo Electric Light Co.  
1951: Director, the Tokyo Electric Power Co., Inc.  
1952: Managing Director, the Tokyo Electric Power Co., Inc.  
1961: President and Chief Executive Officer, the Tokyo Electric Power Co., Inc.  
1971: Chairman and Chief Executive Officer, the Tokyo Electric Power Co., Inc.

**KITAURA, Kiichiro**

**Present position:** President, the Nomura Securities Co., Ltd.  
Chairman, International Economic Policies Committee, Japan Committee for Economic Development  
Director, the Bond Underwriters' Association  
Chairman, Nomura Research Institute of Technology and Economics  
Chairman, Nomura Computer Systems Co.

**Address:** Nomura Securities Co., Ltd.  
1-1, Nihonbashi, Chuo-ku, Tokyo  
tel: 211-1811

**Professional career:** 1933: Graduate, Kobe College of Commerce  
1933: Joined Nomura Securities Co., Ltd.  
1968: President, Nomura Securities Co., Ltd.

**KOBAYASHI, Koji**

**Present position:** President, Nippon Electric Company, Ltd.  
Special Advisor, the Council for Science and Technology, Science and Technology Agency, Office of Prime Minister  
Advisor to the Space Exploration Committee, Office of Prime Minister  
President, The Electronic Industries Association of Japan  
President, The Japan Electronic Industry Development Association  
Commissioner, Club of Rome

**Address:** Nippon Electric Company, Ltd.  
5-7-15, Shiba, Minato-ku, Tokyo  
tel: 452-1111

KOBAYASHI, Koji (contd.)

Professional career: 1929: B. A. , Tokyo Imperial University, Faculty of Engineering  
Joined Nippon Electric Company, Ltd.  
1939: Ph.D., Tokyo University, Faculty of Engineering  
1962: Senior Executive Vice President, Nippon Electric Company, Ltd.  
1964: President, Nippon Electric Company, Ltd.

Publications: Challenges to the Computer Age  
The Problem of Management in the 1970's

KOMAI, Kenichiro

Present position: Chairman of the Board, Hitachi Ltd.  
Chairman, Center for Marine Science and Technology  
Chairman, Center for Nuclear Administration  
Vice Chairman, Okinawa Marine Exposition  
Chairman, Japan Patent Association

Address: Hitachi Ltd.  
New Maru Bldg.  
1-5-1, Marunouchi, Chiyoda-ku, Tokyo  
tel: 212-1111

Professional career: 1924: B.A., Tokyo Imperial University, Faculty of Engineering  
Joined Hitachi Ltd.  
1955: Executive Director, Hitachi Ltd.  
1961: President, Hitachi Ltd.  
1971 - : Chairman of the Board, Hitachi Ltd.

KONO, Fumihiko

Present position: Counselor, The Mitsubishi Heavy Industries, Ltd.  
Vice President, Federation of Economic Organizations  
Member, Advisory Committee of Japanese National Railways,  
Government of Japan

Address: The Mitsubishi Heavy Industries, Ltd.  
2-5, Marunouchi, Chiyoda-ku, Tokyo  
tel: 212-3111

Professional career: 1921: B.A., Tokyo Imperial University, Faculty of Engineering  
Joined the Mitsubishi Internal Combustion Engine Manufacturing Co., Ltd.  
1964: Executive Vice President, The Mitsubishi Heavy Industries, Ltd.  
1965: President, The Mitsubishi Heavy Industries, Ltd.  
1969: Chairman of the Board of Directors, The Mitsubishi Heavy Industries, Ltd.  
1973 - : Counselor, The Mitsubishi Heavy Industries, Ltd.

KOSAKA, Masataka

Present position: Professor, Kyoto University

Address: Kyoto University  
Faculty of Law  
Yoshida Honmachi, Sakyo-ku, Kyoto  
tel: 075-751-2111

Professional career: 1957: B.A., Kyoto University, Faculty of Law  
1959: Assistant Professor, Faculty of Law, Kyoto University  
1960 - 1962: Visiting Scholar, Harvard University

Publications: Kaiyo Kokka Nippon no Koso (A Plan for Japan - A Maritime Nation)  
Saisho Yoshida Shigeru (Shigeru Yoshida)  
Sekai Chizu no Naka de Kangaeru (Thinking in the World Map)

MAKI, Fumihiko

Present position: Principal Partner, Maki and Associates, Design, Planning and Development  
Lecturer, University of Tokyo, Department of Urban Planning and Development

Address: Maki and Associates, Design, Planning and Development  
Tokyo Green Bldg.  
3-6-2, Nihonbashi, Chuo-ku, Tokyo  
tel: 274-6681

Professional career: 1952: B.A. in Architecture, University of Tokyo  
1954: M.A. in Architecture, Harvard University, Graduate School of Design  
1954 - : Taught at Washington University, Harvard University and University of California, Berkeley

Publications: Movement System in the City, Graduate School of Design, Harvard University, 1965  
Methodology of Contemporary Urban Planning, Iwanami Shoten, 1973

X MATSUMOTO, Shigeharu

Present position: Chairman, Board of Directors, International House of Japan, Inc.

Address: Kokusai Bunka Kaikan (International House of Japan, Inc.)  
11-16, 5-chome, Roppongi, Minato-ku, Tokyo  
tel: 401-9151

Professional career: 1923: B.A., Tokyo Imperial University, Faculty of Law  
1935 - 1939: Shanghai Bureau Chief, Shimbun Rengo (predecessor of Domei News Service)  
1940 - 1944: Editor in Chief, Domei News Service  
1944 - 1945: Executive Director, Domei News Service  
1951: President, National Economic Research Association  
1952 - 1970: Chairman, American Studies Academy  
1954 - 1957: Commissioner, Fulbright Commission

MATSUMOTO, Shigeharu (contd.)

1957 - 1963: Vice Chairman, National Committee for  
UNESCO in Japan

1971 - : Chairman, Board of Directors, International  
House of Japan, Inc.

Publications: ed: A.J. Toynbee, Lessons of History, Iwanami Shoten  
ed: George Kennan, Basic Problems of U.S. Foreign Policy,  
Iwanami Shoten  
ed: World History, Vol. 16, "Contemporary Age", Chuo Koron

\*MIYAZAWA, Kiichi

Present position: Member, House of Representatives

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Room 437  
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Tel: 581-4732

Professional career: 1941: B.A., Tokyo University, Department of Political  
Science, Faculty of Law  
1942 - 1952: Served in Ministry of Finance  
1953 - 1962: Member of House of Councillors (L.D.P.)  
1962 - 1964: Director General, Economic Planning Agency  
1966 - 1968: Director General, Economic Planning Agency  
1967- : Member, House of Representatives (L.D.P.)  
1970 - 1971: Minister, International Trade and Industry

MORITA, Akio

Present position: President, SONY Corporation  
Member, International Council Morgan Guaranty Trust of  
New York  
Director, the Board of Directors, IBM World Trade Corp.  
Member, University Council, Rockefeller University

Address: SONY Corporation  
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tel: 445-2002

Professional career: 1914: B.S., Osaka Imperial University, Physics  
Department  
1946: Founded Tokyo Tsushin Kogyo K.K. with Masaru  
Ibuka  
Executive Director  
1958: The name Tokyo Tsushin Kogyo K.K. was changed to  
SONY Corporation  
1959: Vice President, SONY Corporation  
1961: President, SONY Corporation

MUKAIBO, Takashi

Present position: Professor, Faculty of Engineering, Tokyo University  
(Applied Chemistry)  
Vice Chairman, Japanese National Commission for UNESCO  
Member, the United Nations Advisory Committee on  
Application of Science and Technology to Development

Address: Tokyo University  
Faculty of Engineering  
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Professional career: 1939: B.S., Tokyo University  
1946: Associate Professor, Faculty of Engineering,  
Tokyo University  
1954: Ph.D., Tokyo University  
1959: Professor, Faculty of Engineering, Tokyo  
University

Publications: Effects of the Possible Use of Nuclear Weapons, (co-author)  
United Nations, 1968  
Education in Information Society, (co-author)

\*MUSHAKOJI, Kinhide

Present position: Director, Institute of International Relations, Sophia  
University  
Member, The Japanese Political Science Association  
Member, The American Political Science Association  
Member, The International Peace Research Association

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Professional career: 1953: B.A., Political Science, Gakushuin University  
1956 - 1958: Studied at Institut d'Etudes Politiques  
de l'Universite de Paris  
1963: Assistant Professor at Gakushuin University  
1965: Visiting Scholar at Northwestern University,  
U.S.A.  
1968: Professor at Sophia University  
1969: Director, Institute of International Relations,  
Sophia University

Publications: Political Consciousness of Contemporary France, Kobundo, 1960  
International Politics and Japan, Tokyo University Press, 1967  
An Introduction to Peace Research, Kodansha, 1969

NAGAI, Yonosuke

Present position: Professor of Political Science, Tokyo Institute of Technology

Address: Tokyo Institute of Technology  
2-12-1, Ookayama, Meguro-ku, Tokyo  
tel: 726-1111

Professional career: 1950: B.A., Tokyo University, Faculty of Law  
1953: Associate Professor, Hokkaido University  
1960-1966: Professor, Hokkaido University  
1962-1964: Visiting Professor, Harvard University  
1966-: Professor, Tokyo Institute of Technology

Publications: The Price of Peace; Chuo Koron-sha, 1967  
The Society of Flexible Frame and Violence; Chuo Koron-sha, 1971  
The Study on Political Behavior; Iwanami Shoten, 1971  
The Structure of Multipolar World; Chuo Koron-sha, 1973

NAGANO, Shigeo

Present position: Counselor, Japan Development Bank  
Counselor, Bank of Japan  
Honorary Chairman, Japan Steel Association  
President, Japan Chamber of Commerce  
President, Tokyo Chamber of Commerce

Address: Japan Chamber of Commerce  
3-2-2, Marunouchi, Chiyoda-ku, Tokyo  
tel: 211-4411

Professional career: 1924: B.A., Tokyo Imperial University, Faculty of Law  
Joined Asano Trade Company  
Joined Asano Trade Company  
Director, the Fuji Steel Company  
President, the Fuji Steel Company  
Chairman, Nippon Steel Corporation

NAGASUE, Eiichi

Present position: Member, House of Representatives, Democratic Socialist Party  
President, the Nagasue Publishing Company  
Director, the Nagasue Public Polls Institute

Address: House of Representatives Bldg.  
2-2-1, Nagatacho, Chiyoda-ku, Tokyo  
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NAGASUE, Eiichi

eiichi, NAGASUE

Professional career: 1941: B.A., Tokyo Imperial University, Faculty of Law  
Joined the Manchurian Railways Company  
1946: Founded the Nagasue Public Polls Institute  
Councillor, Kyoto City Council (twice)  
Councillor, Kyoto Prefecture  
Councillor, House of Councillors  
Bureau Chief, the Public Relations Bureau, the  
Democratic Socialist Party  
Member, House of Representatives (four times)  
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NAKAMURA, Toshio

Professional career: 1933: M.A., Tokyo University of Commerce  
Present position: President, the Mitsubishi Bank, Ltd.  
Executive Director, the Mitsubishi Warehouse  
Chairman, All Japan Bankers' Association  
Chairman, Tokyo Bankers' Association  
Publications: Collected Works of Ichiro Nakayama, 1973-1974  
Address: The Mitsubishi Bank, Ltd.  
2-7-1, Marunouchi, Chiyoda-ku, Tokyo  
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tosho, NAKAMURA

Professional career: 1932: B.A., Tokyo Imperial University, Faculty of Law  
Joined the Mitsubishi Bank, Ltd.  
Manager, the New York Branch, the Mitsubishi Bank, Ltd.  
Bureau Chief, the Research Bureau, the Mitsubishi Bank, Ltd.  
tel: 234-4311  
Director, the Mitsubishi Bank, Ltd.  
Vice President, the Mitsubishi Bank, Ltd.

Joined Ministry of Commerce and Industry  
Director General, Bureau of Mining, Ministry of Industry  
Director General, International Trade and Industry  
Director General, Bureau of Industries, Ministry of Industry  
Present position: President, Overseas Technical Cooperation Agency  
Counselor, The Industrial Bank of Japan, Ltd.  
Address: The Industrial Bank of Japan, Ltd.  
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\*AKITA, Saburo

Professional career: 1929: Graduate, Tokyo University of Commerce  
Joined the Industrial Bank of Japan, Ltd.  
1947: Director, the Industrial Bank of Japan, Ltd.  
1950: Managing Director, the Industrial Bank of Japan, Ltd.  
1954: Deputy President, the Industrial Bank of Japan, Ltd.  
1961: President, the Industrial Bank of Japan, Ltd.  
1968: Chairman, the Industrial Bank of Japan, Ltd.  
President, Overseas Technical Cooperation Agency  
1970: Counselor, the Industrial Bank of Japan, Ltd.



NAKAYAMA, Ichiro

Present position: President, Japan Institute of Labor  
President, Japan Statistics Association  
Member, Japan Academy  
Member, Advisory Council Economic Planning Agency,  
Government of Japan  
Professor Emeritus, Hitotsubashi University

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Chutaikin Bldg.  
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Professional career: 1923: M.A., Tokyo University of Commerce  
Ph.D., Tokyo University of Commerce  
1950-1957: President, Hitotsubashi University  
1962: Professor Emeritus, Hitotsubashi University

Publications: Collected Works of Ichiro Nakayama, 18 vols., 1972-1973

OHJIMI, Yoshihisa

Present position: Advisor, Arabian Oil Co., Ltd.

Address: Arabian Oil Co., Ltd.  
3-2-3, Marunouchi, Chiyoda-ku, Tokyo  
tel: 214-4311

Professional career: 1941: B.A., Tokyo University  
Joined Ministry of Commerce and Industry  
Director General, Bureau of Mining, Ministry of  
International Trade and Industry  
Director General, Bureau of Industries, Ministry of  
International Trade and Industry  
1971: Resigned Administrative Vice Minister of  
International Trade and Industry  
1973: Advisor, Arabian Oil Co., Ltd.

\*OKITA, Saburo

Present position: President, The Overseas Economic Cooperation Fund  
Chairman, The Japan Economic Research Center  
Special Advisor to the Chairman of the International  
Development Center of Japan  
Commissioner, Club of Rome  
Commissioner, UN Development Planning Committee

Address: The Overseas Economic Cooperation Fund  
Iino Bldg. 2-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo  
tel: 501-2156

Professional career: 1956-1962: Director General, Overall Development  
Bureau, Economic Planning Agency  
1962-1963: Director, General, Overall Planning  
Bureau, Economic Planning Agency  
1968-1969: Member, the World Bank's Commission on  
International Development

OKITA, Saburo (contd.)

- 1970-1971: Member, High-level Expert Group of OECD  
on Science Policy in 1970's  
1971-1973: President of International Development  
Center of Japan  
1964-1973: President of the Japan Economic Research  
Center

Publications: Global Limits and the Future of Japan, 1973  
Role of Economists, 1973  
New Image of Japanese Economy, 1971

SAEKI, Kiichi

Present position: President, Nomura Research Institute of Technology  
and Economics  
Member, Council of the International Affairs Study  
Center  
Member, Council of the International Institute for  
Strategic Studies in London  
Member, Science and Technology Committee, Science  
and Technology Agency

Address: Nomura Research Institute of Technology and Economics  
1600, Kajiwara, Kamakura  
tel: (0467) 46-7151

Professional career: 1936: B.A., Tokyo Imperial University, Faculty of Law  
1939-1943: Joined the Economic Mobilization  
Department of the Planning Bureau,  
Government of Japan  
1949-1952: Deputy Chief, Economic Rehabilitation Office,  
Economic Stabilization Board, Government  
of Japan  
1952-1953: Chief, First Planning Section, Planning  
Department of the Economic Council Agency  
1953-1961: Senior Professor, National Defense College,  
National Security Agency (after 1954  
known as the Self Defense Agency),  
Government of Japan  
1957-1961: Councillor of the Self Defense Agency  
1961-1963: President, National Defense College  
1965-: President, Nomura Research Institute of  
Technology and Economics

Publications: Security of Japan, the Japan Institute of International  
Affairs, 1966  
Security of the Far East, co-author, Hara Publishing Co.,  
1968

SASAKI, Kunihiro

Present position: Chairman of the Board and President, the Fuji Bank, Ltd.  
Director, the Federation of Bankers' Association of Japan  
Vice Chairman, the Tokyo Bankers' Association Incorporated  
Executive Director, Japan Federation of Economic  
Organizations  
Executive Director, Japan Federation of Employers' Association

SASAKI, Kunihiro (contd.)

Address: The Fuji Bank, Ltd.  
1-5-5, Ohtemachi, Chiyoda-ku, Tokyo  
tel: 216-2211

Professional career: 1932: Graduate, Tokyo Imperial University, Faculty  
of Economics  
Joined Yasuda Bank  
1954: Director, the Fuji Bank, Ltd.  
1957: Managing Director, the Fuji Bank, Ltd.  
1963: Deputy President, the Fuji Bank, Ltd.  
1971: Chairman of the Board, President, the Fuji  
Bank, Ltd.

SATO, Kiichiro

Present position: Counsellor, The Mitsui Bank Ltd.  
Director, The Mitsui O.S.K. Lines, Ltd.  
Director, The Mitsui & Co., Ltd.  
Chairman of the Board of Councillors, Federation of  
Economic Organizations  
Managing Director, The Industry Club of Japan

Address: The Mitsui Bank, Ltd.  
1-12, Yurakucho, Chiyoda-ku, Tokyo  
tel: 501-1111

Professional career: 1917: B.A., Tokyo Imperial University, Faculty of Law  
1948: President, The Teikoku Bank Ltd.  
1959: Chairman, The Mitsui Bank, Ltd.  
1968: Director and Counsellor, The Mitsui Bank Ltd.  
1973: Counsellor, The Mitsui Bank Ltd.  
1948-1968: Vice President, Federation of Economic  
Organizations  
1957-1967: President, Federation of UNESCO Association  
in Japan  
1962-1964: Chairman, Special Research Commission on  
Administrative System, Government of Japan

\*TAKEUCHI, Ryuji

Present position: Advisor to the Ministry of Foreign Affairs  
Special Advisor to the President of Japan Air Lines  
Chairman of the Board of Directors, Japan Roche Co.

Address: Room 746, Fuji Bldg.  
3-2-3, Marunouchi, Chiyoda-ku, Tokyo  
tel: 213-6556, 6557

Professional career: B.A. Tokyo Imperial University, Faculty of Law  
Director General, International Trade Bureau, Ministry  
of International Trade and Industry  
Minister, Japanese Embassy in Washington  
1954-1956: Ambassador of Japan to Belgium  
1956-1960: Ambassador of Japan to Germany  
1960-1963: Vice Minister of Foreign Affairs  
1963-1967: Ambassador of Japan to the United States

TOYODA, Eiji

Present position: President, Toyota Motor Co., Ltd.  
Executive Director, Toyota Motor Sales Co., Ltd.  
Toyoda Automatic Loom Works, Aishin Seiki Co.,  
Toyoda Machine Works, Aichi Steel Works  
Chairman, Japan Automobile Motors Association  
Chairman, Japan Motor Industry Federation  
Chairman of the Board, Japan Automotive Research  
Institute

Address: Toyota Motor Co., Ltd.  
Toyota-machi, Toyoda-shi  
tel: 0565-28-2121

Professional career: 1936: B.A., Tokyo Imperial University, Faculty of  
Engineering  
Joined Toyoda Automatic Loom Works  
1937: Joined Toyota Motor Co., Ltd.  
Managing Director, Toyota Motor Co., Ltd.  
Executive Vice President, Toyota Motor Co., Ltd.

TSUTSUMI, Seiji

Present position: President, the Seibu Department Store, Inc.  
Vice President, the Seibu Railways, Ltd.  
Member, Council on National Livelihood, Government of  
Japan

Address: Seibu Department Store, Inc.  
1-28-1, Minami Ikebukuro, Toshima-ku  
tel: 981-0111

Professional career: 1951: B.A., Tokyo University, Department of Economics  
Auditor, the Seibu Railways, Ltd.  
Executive Director, the Seibu Railways, Ltd.  
Secretary to Chairman of the House of Representatives

Publications: Shishu: Ihojin (Anthology: Stranger)  
Leisure no Kagaku (Science of Leisure)

UEMURA, Kogoro

Present position: President, Federation of Economic Organizations  
Chairman of the Board, Nippon Broadcasting System, Inc.  
Counselor, Bank of Japan  
Counselor, Japan Development Bank  
Advisor to the Ministry of Foreign Affairs  
Chairman, Council on Coal & Mining Industry, Government  
of Japan  
Chairman, Council on Petroleum, Government of Japan

Address: Federation of Economic Organizations  
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tel: 279-1411

UEMURA, Kogoro (contd.)

Professional career: 1918: B.A., Tokyo Imperial University, Department  
of Political Science, Faculty of Law  
1940: Vice Minister of Planning Board of the Cabinet  
1941: President, Coal Control Commission  
1952: Vice President, Federation of Economic  
Organizations  
1954: President, Nippon Broadcasting System, Inc.  
1963: Chairman of the Board, Japan Air Lines Company,  
Ltd.

UMEZAO, Tadao

Present position: Professor, Kyoto University  
Member, The Japanese Society of Ethnology  
Member, Japan Society of Futurology  
Member, Japana Esperanto-Instituto

Address: Director, Preparation Office for Establishment of  
National Institute of Ethnology  
Ministry of Education  
3-2-2, Kasumigaseki, Chiyoda-ku, Tokyo

Professional career: 1943: B.S., Kyoto Imperial University, Faculty of  
Science  
1949: Associate Professor, Osaka City University  
1965: Associate Professor, Kyoto University  
1969: Professor, Kyoto University

Publications: Mogoru-zoku Tanken-ki (The Mongols in Afghanistan)  
Chiteki Seisan no Gijutsu (Techniques of Intellectual  
Production)

USHIO, Jiro

Present position: President, Ushio Electric Inc.  
Executive Director, Institute for Social Engineering, Inc.  
President, Japan Junior Chamber of Commerce  
Trustee, Japan Committee for Economic Development  
Advisor to the Science and Technology Agency, Government  
of Japan

Address: Ushio Electric Inc.  
2-6-1, Ohtemachi, Chiyoda-ku, Tokyo  
tel: 242-1811

Professional career: 1952: B.A., Tokyo University, Department of Political  
Science, Faculty of Law  
1954-1955: Studied at Department of Political Science,  
Graduate School, University of California,  
Berkeley  
1958: Executive Vice President, Ushio Industrial Co.,  
Ltd.  
1959-: Founded Ushio Electric Inc.

WATANABE, Shogo

Present position: President, The Nikko Securities Co., Ltd.  
President, The Bond Underwriters' Association  
Executive Director, Federation of Economic Organizations  
Trustee, Japan Committee for Economic Development

Address: The Nikko Securities Co., Ltd.  
3-3-1, Marunouchi, Chiyoda-ku, Tokyo  
tel: 212-7531

Professional career: 1938: B.A., Tokyo Imperial University, Department of Economics  
Joined Industrial Bank of Japan  
1962: Joined the Nikko Securities Co., Ltd.  
1970: President, the Nikko Securities Co., Ltd.

\*WATANABE, Takeshi

Present position: Chairman, Trident International Finance, Ltd., Hong Kong  
Advisor to the President, Bank of Tokyo

Address: Bank of Tokyo  
1-6-3, Hongokuchō, Nihonbashi, Chuo-ku, Tokyo  
tel: 270-8111

Professional career: Minister Extraordinary and Plenipotentiary in Washington  
Executive Director, World Bank and IMF  
President, Asian Development Bank

Publications: Memorandum on Japanese Public Finance During Occupation Period

YASUI, Kizo

Present position: Chairman of the Board, Toray Industries, Inc.  
President, Japan Chemical Fibers Association  
Executive Director, Chairman, Committee on Taxation,  
Federation of Economic Organizations  
President, Japan-Yugoslavia Economic Council

Address: Toray Industries, Inc.  
2-2, Muromachi, Nihonbashi, Chuo-ku, Tokyo  
tel: 270-0111

Professional career: 1926: B.A., Tokyo University of Commerce  
1926: Joined the Mitsui Bank, Ltd.  
1959: Deputy President, the Mitsui Bank, Ltd.  
1961: President, Mitsui Petrochemicals Co., Ltd.  
1963: Executive Vice President, Toray Industries, Inc.  
1971: Chairman of the Board, Toray Industries, Inc.

KAWAI, Ryoichi

Present position: President, Komatsu Seisakusho Ltd.  
Chairman of the Board, Japan China Economic Association  
Executive Director, Federation of Economic Organizations

Address: Komatsu Seisakusho Ltd.  
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Professional career: 1939: B.A., Tokyo Imperial University, Department of  
Economics  
Joined Ministry of International Trade and Industry  
Vice President, Komatsu Seisakusho, Ltd.

MATSUSHITA, Masaharu

Present position: President, Matsushita Electric Co., Ltd.  
Chairman, Matsushita Electronics Industry  
Executive Director, Kansai Federation of Economic  
Organizations

Address: Matsushita Electric Co., Ltd.  
4-8-2, Shiba, Minato-ku, Tokyo  
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Professional career: 1935: B.A., Tokyo Imperial University, Faculty of Law  
Joined the Mitsui Bank, Ltd.

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YAMAMOTO, Tadashi

Present position: Japanese Secretary of the Trilateral Commission  
Director, Japan Center for International Exchange

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Professional career: 1962: M.B.A., Marquette University, U.S.A.  
1963-1969: Executive Secretary, Japan Council for  
International Understanding  
Executive Secretary, Japan Association  
for International Exchange  
1970-: Director, Japan Center for International  
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(As of October 8, 1973)

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POLITICS AND ECONOMICS  
IN THE MULTIPOLAR AGE

From Cold War Consensus to Post-nationalism

by  
Yōnosuke Nagai

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## POLITICS AND ECONOMICS IN THE MULTIPOLAR AGE

### From Cold War Consensus to Post-nationalism

#### I. Japanese-American Relations in a "Transitional Period"

America is really unlucky. Just when the United States has pulled one foot out of "the quagmire of the endless Vietnam War," it stumbles into the "quagmire of the endless Watergate affair (electronic surveillance of Democratic party headquarters). Thanks to Dr. Henry Kissinger's brilliant diplomacy, the United States has rung the curtain down on the international cold war, but now there is a new show in town, the domestic cold war. The term "cold war" originally indicated rather imprecisely the intelligence operations and Fifth Column activities of the 1930s. The Watergate scandal suggests that this kind of cold war has replaced normal "politics" in America. Indeed, there was a great danger that the unprecedented, multi-faceted domestic crises in America from 1968 to 1970 might have heated up to open conflict. Granted that the Nixon administration was trying to keep the crises in the cold war dimension and avoid bloody civil strife (the maintenance of "law and order"), political writer Stewart Alsop has called the Watergate incident "war, not politics." The Nixon forces regarded the Democratic party, particularly its left wing, more as an ideological "enemy" rather than as a domestic opposition group, and they were prepared to take any kind of unilateral action except the use of force.

The opposition forces, including the liberal Eastern newspapers have also declared war. Dr. Daniel Ellsberg's disclosure of the Pentagon Papers also shares the Watergate syndrome in his willingness to take illegal action for the sake of a cause. A letter to the editor of the Baltimore Sun made this point by saying that Ellsberg and the Watergate

conspirators both believed that the end justifies the means. Whereas Ellsberg had been freed and even lionized, the Watergate defendants were condemned as immoral. The writer thought justice should be impartial and that the media were showing unprecedented bias. Other commentators were more judgmental on the planners of Watergate. Senator Hubert Humphrey said that the main organizers were not professional politicians but specialists, lawyers, public relations and advertising men who disdained politicians and politics. Syndicated columnist Joseph Kraft called Watergate the work of homebody "managers" who were paragons of loyalty, diligence and morality.

The Watergate conspirators carried out a third-rate spy movie plot at a time when everyone could see that McGovern's candidacy did not have a chance. Why they did this is a better mystery than their intrigue itself. They just extended to the presidential campaign the same approach--the loyal completion of tasks--they demonstrated in the Nixon government. Someone neglected to tell them that this job was unnecessary, that Nixon was sure to be reelected, so they just went ahead with earnest zeal. The "organization man" young executive who handles any task faithfully, efficiently and without asking questions moved into politics after the Kennedy reign. But the dashing James Bond-style operators, Madison Avenue attache case in hand, were already in the White House by the early 1960s. The collapse of the cover-up plot because James McCord put his loyalty to the "organization"--the Central Intelligence Agency--ahead of the Nixon administration symbolizes this incident.

Two years ago I forecast the direction America might go under the Nixon administration as follows:

Considerations of the distant future aside, the possibilities for

revolution or fascism from below are slight. The Nixon administration is most likely to use the "silent majority's" fear of left/right radicalism and of social disintegration to gradually move the whole political system from a flexible absorption of stress to a rigid rejection of dissent. In other words, even if the violence and disorder disappear from the university campuses and the streets, Hannah Arendt's "the invisible terror of a police state" and a sense of powerlessness will permeate the polity in the name of "law and order." On the basis of a tacit understanding among conservative groups, which will also include quite a few liberals, an imperceptible, authoritarian structural control (an efficient, managed society where computers and punch cards are widely employed) will probably be established.<sup>1</sup>

The Nixon administration put together from 1969 a vast domestic intelligence operation, of which the Watergate incident and the burglary of the offices of Dr. Ellsberg's psychiatrist were only a small part. I had imagined a rather more sophisticated operation with the term "imperceptible, authoritarian structural control" but the Nixon administration made up in quantity what it lacked in quality. The target was the urban guerrilla warfare of the Black Panthers and the New Left. The White House gave initiative and guidance, and the operation included the Federal Bureau of Investigation (FBI), the Justice Department and legions of agents and informers. Whether the Nixon administration could only freeze the domestic confrontation at the cold war level--short of open conflict--by these "chilling" tactics, is a separate issue. Government leaders unquestionably felt they were in an acute domestic crisis.

One thing should be said in the interest of fairness. The hasty conclusion from these incidents that America is a society of conspiracies and intrigue would be the same mistake as equating the Kennedy administration's fumbling invasion of Cuba (the Bay of Pigs' attack) with the Soviet Union's open invasion of Hungary, the Chinese conquest of Tibet or the Russian suppression of the 1953 East German revolt.<sup>2</sup> On the contrary, Americans are the most inept people at conspiracies and intrigue. Compared

to countries like England, Russia and China, where political intrigue has been refined for centuries, America is a relative amateur and newcomer. Until about World War I American leaders considered even the monitoring of hostile countries' codes to be immoral, ungentlemanly conduct. They were loath to set up a government office to break other nations' secret codes. Professor Edward T. Shils, in his study of McCarthyism, compared England and America to show very vividly the extraordinary difficulty of protecting national secrets in an "open society." In a homogeneous society like Japan, where since the Tokugawa Bakufu a very tight "law and order" has been firmly established on a system of mutual surveillance, since the 17th century, we cannot imagine the deep insecurity in America engendered by diverse ethnic and racial groups. Perhaps the strongest impressions left by Watergate are the American people's deep-rooted sense of moral fastidiousness and the media's awesome tenacity and independence.

Watergate has unquestionably greatly injured the Nixon administration's prestige and credibility at home and abroad. This was evident in two major foreign policy events in the late spring of 1973. On April 23 Dr. Kissinger made a major speech announcing the concept of a "New Atlantic Charter," and on May 3 the president submitted his annual Foreign Policy Report to Congress. Neither attracted much attention because of Watergate. As the Watergate incident grew more serious, the European reaction to the "New Atlantic Charter" became particularly more negative and cautious.

It is extremely difficult at the present time, when the very existence of the Nixon administration is uncertain, to forecast the future of Japanese-American relations in the modern multipolar world. Yet if President Nixon is able to survive this crisis, it will be due to two reasons: the indifference of domestic opinion--cynicism--and support from

the U.S.S.R., China and Western Europe, who want the Nixon-Kissinger foreign policy to continue. Foreign support highlights the basic characteristic of Nixon-Kissinger strategy: the conversion of domestic weaknesses into diplomatic assets. The Nixon administration stands on a reality: the increased power of the new isolationism and economic protectionism, what George Ball has termed "an American version of creeping De Gaullism." On the one hand, the administration uses its persuasive powers to convince its enemies (the Soviet Union and China) that the realities of domestic politics make the gradual withdrawal of America from Asia and Europe inevitable. On the other hand, the United States uses its allies' (Western Europe and Japan) insecurity and terror at an American withdrawal (fear of the Finlandization of Europe) as leverage (perhaps it should be called blackmail) for "responsibility sharing" in the security sphere and "reciprocity" in the international economic sphere. This is the core of United States policy, and it means that the Watergate incident has not weakened America's negotiating power in the foreign policy arena as much as one might imagine.

America presently faces two great problems. The first is the continuing dismemberment of a pair of great alliance systems: in foreign affairs, the "disintegration of the Cold War Coalition," and domestically, the "collapse of the New Deal Coalition." The second major problem is the lack of a grand design for a new foreign policy to replace the domestic cold war consensus that guided American foreign policy and gave it moral vigor for 25 years after World War II. 24

The Nixon-Kissinger diplomacy has appeared to fill the gap during this "transitional period" from disintegration to restructuring. That diplomatic strategy deftly turned weakness--the sense of domestic crisis and the

absence of a consensus--into an opportunity for hard-headed reexamination of "global anti-communism." The Nixon-Kissinger diplomacy makes maximum use of "linkage politics" as a negotiating technique. This has opened up the possibility of forming multilateral "crosscutting coalitions" on every issue, which may well become the dominant feature of diplomatic strategy in the multipolar world. We should understand the nature of this "transitional period" and the logic of America's basic diplomatic strategy, as shown in the Foreign Policy Report, the "New Atlantic Charter" and other events. I believe the time has come for a restructuring of Japanese-American Relations.

## II. The Collapse of the Cold War Consensus

In the preface to his 1973 Foreign Policy Report, President Nixon said that "One of my basic goals is to build a new consensus of support in the Congress and among the American people for a responsible foreign policy in the 1970's." In the conclusion he states that "As we look toward this nation's two hundredth birthday, we shall continue our efforts--with the people and with the Congress--to create this new consensus." Other significant statements include "We seek a stable structure, not a classical balance of power," "Negotiation with adversaries does not alter our more fundamental ties with our friends," "Detente does not mean the end of danger" and "We intend to share responsibilities, not abdicate them."<sup>3</sup> In this "transitional period," foreign policy objectives are expressed only gingerly in passive and negative forms. These statements prove by their very diffidence that America now lacks a grand design and a consensus for its foreign policy.

The influence of cold war revisionist scholars, centered around New Left historians, has suddenly increased in America as a result of frustration at the military intervention in Vietnam. The challenge of the revisionists to the standard interpretations of the cold war by liberal historians has its strengths and weaknesses. On the weak side, it is a unilateral approach (the "illusion of omnipotence," the suggestion that American power alone could control the postwar world), an approach similar to that of the right wing of the Republican party (a kind of "conspiracy theory").<sup>4</sup> In the words of one writer, the revisionist writing is "frequently based on incorrect information, filled with malicious intent and lacking in objectivity." On the positive side, the New Left radical critique of American foreign policy has raised serious doubts about America's postwar "role" and "sense of mission" and about the validity of the basic premise--global anti-communism--which had been unquestioned. The refutation of hoary cold war truths is now in full swing. Graham T. Allison, with a list of eleven, and Lincoln P. Bloomfield with a longer list of eighteen, have recently taken these implicit assumptions from the shadows and arranged them neatly for critical reexamination.<sup>5</sup>

I have prepared my own list by reducing the cold war propositions to three axioms. The first is the axiom of the zero-sum game. This holds that "a victory for one side is a defeat for the other side and advantages for one side are losses for the other." In the bipolar cold war age America insisted that a country "that wasn't a friend was an enemy," regarded the existence of neutral and non-aligned countries as evil and refused to accept their noncommitted status. However, at present the lesser powers have opportunities for independent maneuver and their sense of loyalty and solidarity to the superpowers America and Russia has greatly

diminished. This is evident in the actions of India, Egypt, Indonesia and other non-aligned countries, and in the Malaysian foreign ministry statement announcing that country's withdrawal from the Asian and Pacific Council (ASPAC) as the normalization of Japan-China and America-China relations developed.

The second maxim is the indivisibility of peace. Denying the uniqueness of each Free World country's objectives and methods, rejecting the heterogeneity of nations, and insisting upon the "unity of conflict" had profoundly deleterious results. "Peace on the installment plan," a little here and a little there, became impossible. During the cold war every issue between the U.S. and Soviet blocks tended to become a "security" problem and end in a stalemate. However, this maxim is also crumbling. The "international economics" sphere gradually lost its autonomy, and as economic problems became diplomatic disputes, there was an "evaporation" of cold war issues." It is now possible to engage in linkage politics by coupling all kinds of issues.

The third maxim is the precedence of military strategy. To Americans this was the inevitable corollary of the premise of a "monopoly of morality." Nowadays, however, few would deny that advances in military technology have reduced the value of the "advanced bases" not only for the nuclear deterrent strategy but also for large-scale conventional war. Military alliance relationships and the *raison d'etre* of the U.S. military are both undergoing marked change.

Of course, the White House, the State Department, the Defense Department, other officials involved with foreign affairs and the general populace did not all equally believe these premises and maxims. There were differences in viewpoint and emphasis within the leadership and among



government agencies, and there were conflicts ("bureaucratic politics") over the adjustment of views among government offices. There was a particularly wide gap between the esoteric truths, the "understood facts" shared by the inner circle of policy makers and the vulgar simplifications and crudities preached to the general population. Nevertheless, it is an irrefutable fact that the cold war consensus was at the core of U.S. diplomacy for 25 years and these maxims prescribed the framework of choices for foreign affairs' officials.

For example, Graham T. Allison has cited the case of Paul Nitze, the man most responsible for writing in 1950 the famous National Security Council memorandum-68 (the basic document that defined America's postwar military posture).<sup>6</sup> Nitze admitted that "on the point of a military danger to the United States, we thought the public would discount it considerably, so even though it was to a certain extent irrational, we exaggerated the threat of communism." Lincoln P. Bloomfield's list of maxims contains one that applies precisely to George Kennan's experience at the State Department: "Challenging underlying assumptions is 'speculative,' 'theoretical,' and a one-way ticket out of the inner policy circle." Kennan was so labelled and driven out of the State Department's policy planning staff in 1949 because he opposed the rearmament of West Germany and NATO.

It is noteworthy, as shown in the above examples, that the cold war consensus was the only means whereby the inner circle of foreign policy decision makers could obtain the support of the general public and Congress. Graham T. Allison has written about how the Truman administration frightened and cajoled the Congress early in the cold war.<sup>7</sup>

The issue was that of military aid to Greece and Turkey. The

question was how the Truman administration would drum up Congressional and public support for an action that the Administration strongly favored. At the crucial White House meeting with the leaders of Congress, Secretary of State Marshall presented the argument that had persuaded the Administration: Greece had been a loyal ally; Turkey was important to the British position in the Middle East. The men from Congress seemed dubious.

At this dramatic moment Under Secretary of State Acheson, spoke up with an impassioned warning against the Soviet Union. According to Acheson's memoirs:

A highly possible Soviet breakthrough might open three continents to Soviet penetration. Like apples in a barrel infected by one rotten one, the corruption of Greece would infect Iran and all to the east.... The Soviet Union was playing one of the greatest gambles in history at minimal costs...

Acheson's move succeeded.

A long silence followed. Then Arthur Vandenberg said solemnly, "Mr. President, if you will say that to the Congress and to the country, I will support you and I believe that most of its members will do the same." Without much further talk the meeting broke up.<sup>8</sup>

As Acheson's memoirs show, the cold war consensus "justified" shifting America from isolationism--its traditional character--to internationalism. The center of world politics was still in Europe. The peace of Europe traditionally meant the stability of Central Europe backed by British naval power, a balance of power among the European states. However, England and France had been greatly weakened in World Wars I and II, particularly World War II, and it was impossible to expect them to check the Soviet Union, which had become very powerful because of its huge conventional military forces and control of Eastern Europe. This objective fact forced America to change from its traditional isolationism to internationalism. However, because most Americans were not accustomed to the pragmatism of the European-style balance of power, the dualistic logic of the wartime alliance structure ("peace-loving allies" versus "fascism") was converted

intact into the logic of the cold war coalition structure ("Free World" versus "communism"). Even suitably equipped with moral imperatives, the government was just barely able to get public support.

The formation of the "cold war consensus" was intertwined with the confrontation between the president and the Congress, which became the keynote of postwar domestic politics. In David Riesman's memorable phrase about President Kennedy, "in some ways it has been easier for him to contain the Russians than to contain the Americans."<sup>9</sup> The U.S. government could only get wide public support for the Marshall Plan and economic/technical aid to the developing countries by stressing the threat of communism. The arguments that persuaded the public at some point became maxims that bewitched the policy makers (see for example, the statements of Dean Rusk, secretary of state in the Kennedy and Johnson administrations). Maintaining postwar prosperity by the institutionalization of the cold war economy brought a huge military-industrial complex, a proliferation of bureaucratic structures and an analytical and organizational inertia that was virtually unchallengeable. This vicious cycle resulted in the tragic military intervention in Vietnam.

The Truman administration used the cold war consensus to "contain" the various latent contradictions and conflicts in domestic politics in order to absorb or compromise with the anti-New Deal coalition that had become very powerful in Congress from about 1937 or 1938. Two of the long-muted issues are now cacophonous disputes. For example, the New Deal coalition formed in the 1930s was a coalition of various "little guys"—urban organized labor, blacks and other ethnic groups, farmers, liberal intellectuals and the southern wing of the Democratic party. But the sustained economic growth and prosperity after World War II made it

impossible to prevent the latent conflicts of interests among these groups from gradually emerging. The clash between white urban workers (particularly Catholics--Irish, Italians, Polish and other ethnic groups) and black workers, and between white workers and students and intellectuals was especially marked. The contradictions in the traditionally liberal groups' "welfare policy" and "civil rights program" burst into the open. Similarly in foreign policy, the wisdom of maintaining expensive overseas security commitments to defend other countries (the United States has military alliances with forty-two nations) and allowing those countries to make huge profits from the American market--free trade--increasingly came under attack. The southern states shifted to protectionism after World War II and the policy of international free trade. For reasons that I shall explain below, organized labor, agro-business, and the business world no longer staunchly support free trade. Professor Samuelson has observed that at the present time in America one cannot find an advocate of wholly free trade anywhere but in a university economics department.

The cold war consensus deserves some credit. By submerging these various conflicts and aggregating them as cold war issues, it played an important function in maintaining domestic unity for two decades.

The Nixon forces temporarily succeeded in forming a negative coalition (the frightened aginners) by appealing to diverse emotions and fears:

- (a) the conservatism of the suburban upper-middle and middle classes;
- (b) the anti-black sentiment (particularly regarding education, housing and welfare policy) of the blue collar workers and lower-middle classes left behind in the cities;
- (c) the traditional antipathy against the Eastern liberal establishment and the fear of left or right-wing populist movements (the McGovern and Wallace candidacies) of the middle class in the

southeast and southwest (Florida, Arizona, California), areas more important and populous since they have become centers of defense spending and space research. However, the 1972 elections clearly showed that the Democratic party retains its congressional strength and that at least as far as the real issues are concerned, (welfare policy, etc.), the inertia and legacy of the Democratic alliance survives. In that sense, it may be correct to think that President Johnson's "policy of reverse images," where he used the Johnson Ranch and nostalgia for the West as a political soporific but pushed very hard in the real world for liberal racial and welfare policies (however, they failed because of Vietnam), has been inherited intact by President Nixon. This reverse image is fairly apparent in President Nixon's Southern strategy.

Of course, the Nixon administration has tightened up the government by the appointments of Haldeman and Ehrlichman (both from southern California) as presidential assistants and the appointment of other men, all from the "sun belt" states, to high positions. Those appointments and the unique qualities and style of these self-made men may be behind the Watergate incident. These rough men and their rough tactics were a substitute for genuine political strength. The Nixon alliance was not a basic realignment of political forces like the great Republican electoral victory in 1896 that guaranteed the position of the Republican party for 30 years. The Nixon victory was achieved by skillfully using the disputes and conflicts that attended the collapse of the "unity of issues" which had supported the Democratic coalition during the cold war and by using highly contrived political techniques, such as "displacement of issues," "linking issues" and "creating new enemies." David Riesman's charge that President Nixon is a "great opportunist" is appropriate in that the president

made the most of an opportunity. However, the cost of these Machiavellian moves is proving to be inopportunistically high. The political cost of Watergate may bankrupt the Nixon administration.

### III. The Erosion of Spheres and Linkage Diplomacy

The classical balance of power model is no longer adequate for an understanding of the complex and diverse interaction among more than one hundred and thirty nations. Moreover, the modern diplomatic game is conducted simultaneously in two spheres and follows two different sets of logic. On the one hand, the "traditional foreign policy strategy game" (politics-military game) centered on "security problems" still continues. I shall call this sphere I. The "tripolar structure" game involving the United States, the Soviet Union and China belongs mainly here. The game remains but the rules and objectives have changed. It is no longer a political struggle utilizing territorial expansion and military occupation. The game is now mainly political competition to assure influence with third countries.

On the other hand, there is a sphere of problems which is distinct from the great powers' games and extends far beyond individual national sovereignty. The issues in this dimension include the growth of multinational corporations, the dissemination of scientific technology, the expansion of cultural exchange, the problems of trade-currency-resources (international economic problems), and the problems of international crime--environmental pollution, airplane hijacking and narcotics. I shall refer to this dimension as sphere II.

Sphere I problems have been called "high foreign policy" and sphere II,

"low foreign policy."<sup>10</sup> The former category has been given a higher priority by the great powers, particularly during the 25 years of the cold war.

Two reasons stand out: (1) a magnetic force attracted and concentrated all lesser problems around the highest priority "security" issues;

(2) under the world economic order established by the Bretton Woods system (including the International Monetary Fund and the General Agreement on Tariffs and Trade [GATT] system, sphere II international economic problems (trade, currency, tariffs, etc.) were clearly distinguished from sphere I international politics, and they were regarded as non-political.

Of course, there was some overlap of political problems, like the formation of the European Economic Community (EEC) and the issue of trade with the communist bloc, but generally economic matters did not intrude into sphere I. The autonomy of the two spheres was preserved and disagreements over international economic issues did not cause tension in other foreign policy affairs. It hardly need be stressed that Japan's postwar prosperity and security were supported by this basic structure.

In sphere I, the basic zero-sum game is operative when two countries interact. Therefore, there can only be stability in this sphere by a multilateral balance of forces. We see a striking resemblance between this dimension of international politics and the interaction and behavior patterns of the five New York Mafia families. They deny the authority of the federal government (its police authority), they maintain security by arming themselves and they consolidate their spheres of influence whenever possible. The resemblance occurs because both are structures of "inter-relationships of isolated units." A different philosophy governs sphere II, whose principal raison d'etre is multilateral relationships. Unlike the sphere I zero-sum game between two countries, at least from a long-range

perspective, in sphere II an increase in advantages for one side establishes a mutual dependency and a complementary relationship that leads to an increase in benefits for the other side. Sphere I has not been immune from a similar trend. Multipolarization is eroding the zero-sum game logic, and a pluralism has developed regarding "security" issues. The superpowers are no longer so afraid of the neutrality or nonalignment of the smaller states, and it may be possible to localize disputes. The superior-inferior hierarchical relationship between the great powers and the small powers in the cold war alliance has not dissolved but the increased importance of sphere II issues (trade, currency, balance of international payments, etc.) is bringing significant changes in the great power game in sphere I. This trend has been in the world headlines for the past year or two and will become more pronounced after a peace settlement in Vietnam.

The postwar "two track system"--security questions riding on one track and economic matters on the other--that had guaranteed the autonomy of each sphere was derailed. It ran successfully until the mid-1960s, but after the formation of the European Coal and Steel community and the EEC, foreign trade problems became politicized and the erosion of both spheres began.

The result was the linking or displacement of issues from each sphere. It became possible to form crosscutting alliances, and the country with a superior ability to arrange crosscutting alliances gained a new "great power" capacity in the sense of being able to influence other countries' actions. A typical scenario might be as follows: "If your country will support our position on issue A, we will support you on B." (For example, "If Japan will support America's position on textiles and yen revaluation, the United States will agree to the reversion of Okinawa.") It works the other way as well: "If your country will not support us on



issue A, we will withdraw our support from you on issue B." (For example, if the Soviet Union had not overlooked the United States' mining of Haiphong Harbor and the bombing of North Vietnam in March 1972 and had cancelled President Nixon's visit to Moscow, the United States would have suspended the export of agricultural products to Russia.") Of course, problems are not this simple and the linkage of issues is never so explicit. Henry Brandon, Washington bureau chief for the London Sunday Times, has analyzed the complex calculations of American leaders regarding the Haiphong blockade. The United States was seriously worried that the Soviet Union might postpone or cancel the Moscow summit conference. However, Russia's Leonid Brezhnev had to count the cost of such action. It would: (1) endanger the ratification of various treaties concluded with West Germany; (2) be obvious to the world that U.S.-Chinese relations were developing more favorably than U.S.-Soviet ties; (3) force Brezhnev to accept responsibility for delaying the expansion of U.S.-USSR trade, including the import of American food products, and for destroying the mood of reduced tension with the West upon which he had gambled his own position. Compared to these high costs, the temporary cooling of relations with the North Vietnamese, the embarrassment to the USSR's status as leader of an ideological bloc and champion of socialist solidarity, and other negative consequences were not significant. A transactional relationship was established on broad issues: America made certain concessions to the Soviets in the SALT negotiations and in Vietnam for which the Soviet Union was expected to "pay off" with reciprocal concessions on the Middle East, so important for oil and the energy crisis.

Diplomatic negotiations are a transaction based on give and take. Although the word linkage itself was never used, it has been the major

negotiating technique of European balance of power diplomacy since the 17th or 18th century. Of course, modern state to state relations are conducted on a scale undreamed of a hundred years ago. There are far more countries participating, and they are spread across the world, not just in Europe. Now there is extensive horizontal and vertical interaction involving complex, multiple negotiating networks. Indeed, as Kissinger has written of Metternich, modern diplomacy must be "finely spun, with sensitive feelers in all directions."<sup>11</sup> Security and political-military problems, because of the aforementioned erosion of spheres, are now deeply intertwined with new kinds of problems--resources, currency, trade, tariffs, food, cultural exchange and pollution. The United States and the Soviet Union have overwhelming superiority in sphere I, but in order to compensate for certain weaknesses in sphere II, they are increasingly using linkage politics.

From the perspective of the new structural change in power, what will the Nixon-Kissinger five-bloc multipolar balance of power look like over the next decade?

The three-cornered game of political competition among the United States, the Soviet Union and China in sphere I and the tree-cornered economic game of the United States, Western Europe and Japan in sphere II will probably be the major characteristic of international politics for the next ten years. Both the United States and the Soviet Union have overwhelming superiority in nuclear weapons, are self-sufficient in resources, have great scientific capabilities and ample populations. As long as they do not abuse their military and political strength, although their relative superiority may decline somewhat compared to the cold war period, they will remain superpowers with an ability to form cross-cutting alliances.

Since the United States and the Soviet Union hold the ultimate power to preserve "world peace" in sphere I, even a considerable proliferation of nuclear weapons will probably not change the basic structure of peace. In 1958 Malcom W. Hoag flatly and erroneously predicted that "By 1970 there will be eight or ten nuclear powers."<sup>12</sup> This was one contribution to a frequent tendency to exaggerate the spread of nuclear weapons. It is safe to predict now that the five power blocs will not establish a balance of power through parity of nuclear weapons. The present leading nuclear states will retain their superiority. Instead of nuclear spread, there will probably be a proliferation of diverse local sub-systems under the U.S.-USSR-Chinese tri-polar nuclear umbrella.

However, in sphere II the European Community (EC) and Japan will probably rank with the United States and the Soviet Union as units of international economic action and will have a far greater autonomy and voice concerning particular issues. Neither an expanded EC nor Japan will stand independently as a basic action unit in the sphere I diplomatic strategy game. (In particular, it will take a long time to overcome the natural heterogeneity of the EC members, and while the establishment of a European nuclear force composed of France and England is not out of the question, it does not seem likely within this decade.) Western Europe may occupy a position far superior to America and Japan in sphere II regarding technical development and economic capacity. In addition, Western Europe has an advantage in its traditional cultural affinity with former colonial regions (for example, England and France's relationship with their former colonies). The political potential of Western Europe--the formation of Eurafrica under an expanded EC, etc.--is extremely promising.

China will probably have to rely more on traditional techniques in sphere I competition than on exchangeable material assets in sphere II. Even if there is a significant proliferation of nuclear weapons, the probability of a Nuclear-age Marco Polo Bridge incident, a full-scale nuclear war among the superpowers due to an intentional act or an accident by a third country, will increase. That increase, combined with China's diplomatic maneuverability in the Third World ensures her negotiating power in the diplomatic strategy game will remain formidable. China's traditional diplomatic moves will probably be especially effective in the North-South split, Soviet Union-Eastern Europe disputes and our local triangle--America, the Soviet Union and Japan. Even if there is a truce in the Sino-Soviet dispute, the fundamental confrontation is probably beyond resolution by diplomatic negotiations unless there is a wholesale turnover in the leadership of both countries. Several factors have coalesced to give China less maneuverability in its foreign policy: a new generation of leaders will soon emerge, the bureaucratization of diplomacy, economic difficulties at home and decided weaknesses in sphere II.

The rapprochement with the West will almost surely lead to gradual changes in China's internal political structure. The image of China as an "aggressor nation," a picture painted by the United Nations during the Korean War, will surely fade very quickly. This was already evident in President Nixon's informal remarks on Guam in July 1969 (reported by the New York Times as a change in President Nixon's views on China). China has engaged in military action outside its borders nine times since 1949. However, Prof. Allen S. Whiting, a specialist in Chinese military strategy, has carefully analyzed these forays and concluded that they were all

defensive reactions to external threats (perceived as threats by China).<sup>13</sup> As long as there is no provocative military buildup by the Soviet Union and Japan, there should be no great change in China's basically defensive military posture over the next ten years.

The preceding analysis indicates that the qualifications of a major power include the following: (1) domestic economic and political stability; (2) a capacity for scientific and technological development; (3) an ability to form crosscutting alliances on many issues and (4) a cultural affinity with the Third World. The usual criterion of superpower status, "military power," is being eroded by two basic trends; the relative importance of military power in its narrow sense has decreased remarkably, and its nature is also changing. These new trends may be stated as "laws." The first is the "law of the greatly increased cost of military action." The consequences of using military force (the loss of life, destruction of property, etc.) now greatly exceed the benefits to be gained (national pride, protection of the political system, the nation's property or the people). The second is the "law of the greatly increased cost of controlling another state." The most dictatorial authority cannot control another people militarily and politically for an extended period of time. (George Kennan, aware of the gross inefficiency of the Soviet bureaucracy, dismissed as ridiculous the cold war fantasy that Russia might control the world.) These two trends are not only gaining momentum in sphere I but as the importance of sphere II increases in international politics, Japanese strength, based chiefly on economic power, has been reassessed and Japan's role as an economic superpower has attracted much attention and speculation. There have been many oversimplified inferences about how Japan's economic strength might be projected in sphere I. For example,

Yet it would certainly be one of the great anomalies of history if a state with the potential power, the extensive foreign interests, the long-run security problems, and the national vitality of Japan should indefinitely entrust the military protection of its interests to another state or the vicissitudes of a military balance controlled by others.<sup>14</sup>

This kind of judgment totally ignores the complex domestic political balance, the great influence of the mass media and other factors. The view that Japan has a "great power" status and role as one of President Nixon's "five power blocs" is an illusion based on wishful thinking. It is true that Japan has the economic growth rate and technical capacity to surpass the United States and the Soviet Union in per capita GNP in the 1980s. However, as Seyom Brown has recently written, Japan will still be decidedly inferior to the EC as a world power.<sup>15</sup> Japan has assets--high technical ability, political cohesion, international financial power and a highly skilled labor force--which will make many countries desire our cooperation in sphere II. However, Japan is a "fragile blossom," in Zbigniew Brzezinski's phrase, because we must rely on other countries for raw materials, market expansion and security. We also must rely on peaceful international environment--the absence of large-scale local wars that would disrupt the supply of raw materials--but we lack the power to assure peace. Japan is unilaterally dependent upon the good will of other countries.

Therefore, Japan has almost no capacity for making vertical cross-cutting alliances that link issues in the first and second spheres. Japan also lacks Europe's historical and cultural affinity toward the Third World. The impact of our enormous economic expansion--Japanese exports--has not been softened by this kind of cross-cultural legacy, with the result that Japan has been resented as an "economic animal." As the bloody history of prewar Japan shows, the attempt to compensate for these weaknesses

by becoming a military power will neither alleviate Japan's essential fragility in the slightest nor increase our ability to form crosscutting alliances. On the contrary, whenever Japan attempts to convert sphere II problems--resources for example--into a sphere I issue, as in the "Malacca Straits Doctrine" that guaranteed passage through the straits is essential to Japan's survival, there will be undesirable consequences. Japan will isolate herself from Southeast Asia and the other producers of raw materials, and an "anti-Japan crosscutting alliance" (a modern edition of the ABCD encirclement--an alliance of China with Thailand, Malaysia, Indonesia, the Philippines, etc.) will probably be formed. There is a myth that resource problems, oil and so forth, are a crucial "security" issue, but there is no direct connection with sphere II. Charles L. Schultze has attacked the notion (believed by the Right and Left) that powerful military forces abroad are essential to safeguard important assets, resources and markets.<sup>16</sup> The current shortage of Middle East oil is due to political factors. The improper insertion of sphere I "security" considerations into a sphere II economic problem, a characteristic tactic of Nixonian foreign policy, will resolve nothing. The issue should be settled on a purely economic basis by negotiations between the associations of oil producing nations and oil consuming nations.

Japan cannot even be a "local power" over the next decade, and we should be very realistic about the future. At the same time, we must be aware that Japan is seen by other countries as rapidly becoming a power that can change the Asian status quo. In a certain sense, this is a reasonable view. Japan has, after all, been seeking great changes in the postwar world order (the structures erected at Yalta and by the San Francisco peace treaty)--even if we have used peaceful means. Other events have

contributed to the picture: Japan's rapid economic expansion has disturbed the existing international economic order; the reversion of Okinawa affected security arrangements in Northeast Asia; the normalization of relations with China shattered the status quo of Japan-Nationalist China ties, and the call for the restoration of the northern territories is another effort to redraw the map.

The Japanese people do not fully appreciate the rapid change in how other countries regard us. Among the various factors impeding perception are a deep-rooted nationalism on the part of government and business leaders and the mass media's (especially the newspapers) treatment of these events.

As I have suggested above, the most serious problems over the next decade will probably be, due to the mutual erosion of spheres I and II, economic and cultural conflicts among the capitalist countries in the new political-diplomatic sphere. From this premise, I want to hazard a few observations on Japanese-American relations, which I regard as crucial to Japan's existence.

The cancellation of the emperor's visit to America was a severe psychological shock to the United States. A New York Times analysis observed that "The Japanese government's decision this week to cancel Emperor Hirohito's projected visit to the United States provides insights into the weakness of Premier Kakuei Tanaka's government, the lack of Japanese sophistication in international affairs and the decay of the American-Japanese alliance."<sup>17</sup> The absence of a clear, detailed explanation for the cancellation, which was the minimum necessary to save face for the Nixon administration, made the situation even worse. Perhaps Japan and the United States should heed the warning of the Los Angeles Times: "Before



studying the communications gap, the two nations would be well advised to take a look at the communications vacuum."<sup>18</sup> In late July 1973 Premier Tanaka will begin a series of meetings with government leaders in America, the Soviet Union and Western Europe. We must not forget that even in a multipolar world, the core of Japan's foreign policy remains in the Japanese-American relationship. With that in mind, we should carefully examine Japan's basic diplomatic stance.

#### IV. Linkage--a Multipolar World and Japanese Diplomacy

(1) Japan lacks the ability to vertically link issues in spheres I and II. But America's basic approach, as evidenced in the Foreign Policy Report and Kissinger's "New Atlantic Charter" proposals, is to link issues in each sphere and treat economics, politics and security as one package. The approach throws down the gauntlet at Western Europe and Japan, who have benefitted from the system of separate political and economic spheres. Those days are over, America is saying, and henceforth economic and political issues will be inseparable. Japan's advance to "economic super-power" status was due to special benefits--easy acquisition of raw materials--derived from "dependence on America for security." If Japan expects to be protected by America and wants the political relationship to continue, we will have to show more "reciprocity" in economic matters. The language of the Foreign Policy Report could be interpreted as a threat to Japan: "It will require a conscious effort of political will not to make the key decisions according to short-term economic or political advantage. This is more than a problem of bureaucratic management: it is a test of statemanship."<sup>19</sup>

When Premier Tanaka and President Nixon meet in mid-summer, the United States will probably demand drastic solutions to a wide range of issues, from "cooperation in correcting the trade imbalance" to "sharing defense responsibilities." Henry Kissinger hinted in his "New Atlantic Charter" speech that America was disappointed at the working-level negotiations because the experts and bureaucrats tend to concentrate on protecting domestic special interests from foreign competition. Kissinger suggested that negotiations with Europe and Japan on trade and currency questions are only possible through a "broad political approach" and a political understanding at the top. He is fully aware that U.S. arguments on trade, currency, etc., are weak at the economic-technical negotiating level. Kissinger hopes to defend American interest in the second sphere by tying them to other questions, including security, in the broad political relationship that America has with Europe and Japan.

George Ball, former under secretary of state, speaking on March 28, 1973 at an Amsterdam conference on U.S.-European affairs, shocked his distinguished audience by expressing extremely pessimistic opinions about the future of United States-European relationships. Ball said that America was disillusioned with the narrowminded and isolationist attitudes in Europe. He warned that a kind of unilateralism, an "American version of de Gaulism," was rapidly gaining strength in the U.S. government. Ball added that the American public faced "incomprehensible problems." They were not accustomed to the chronic crises that usually befall small, weak countries--deficits in the international balance of payments and a trade imbalance--and there was a dangerous inclination to find a scapegoat. The Gallup poll is not the last word on whether the United States is in an isolationist mood, nevertheless, public sentiments on foreign trade are a

noteworthy barometer. A recent survey showed that 43 percent favored import restrictions and 50 percent supported free trade (7 percent had no opinion). Free trade policies are losing support. Although postwar prosperity rests on free trade, there is a real danger that it will collapse along with the New Deal coalition, which was its powerful supporter.

Signs of impending collapse are abundant. Organized labor, as represented by the AFL-CIO, is reacting against the flood of Japanese imports by switching from support of free trade to protectionism. A belief that expanded overseas investment by multinational corporations is disadvantageous to American workers is helping to spread antipathy to free trade. "Middle America" applauds John Connally's tough actions against Japan and other major trading countries. The appointment of the hawkish Peter Brennan as secretary of labor for Nixon's second term is another straw in the wind. American agriculture, except dairy farming, has traditionally supported free trade. Now, however, mainly because of resentment against the expanded EC, American farmers are prepared to believe Clifford M. Hardin, former secretary of agriculture, when he says that "American agriculture got nothing from the Kennedy round" of tariff reductions. The farm bloc in Congress is disenchanted with the expanded EC and now supports the Mansfield resolution for the withdrawal of United States troops from Europe. Frustration in sphere II can quickly manifest itself in sphere I. The same withdrawal of support for free trade is occurring in the business community. Business interests that have supported free trade because of involvement in overseas investment and multinational corporations are now taking an ambivalent position, in an effort to avoid friction with the textile and other weaker industries. Finally, protectionist sentiment has organized political power. The protectionist vote in the

House of Representatives against the 1962 Trade Expansion Bill was overwhelmingly Republican (90 of 125) and completely Republican in the Senate, except for one Democratic vote. Geographically the opposition was strongest in the northeast and weakest in the mountain states, the South and part of the Middle West. If Congress voted according to the Gallup poll, the protectionist trend might gain enough votes to defeat free trade.

President Nixon's second term cabinet appointments leave the distinct impression that the free trade forces are in full retreat. Consider the chairmanship of the Economic Policy Council, which might be called the "National Security Council" of sphere II. Henry Peterson, former secretary of commerce and a free trade exponent, was forced out and Secretary of the Treasury Schultz now heads the council as an additional duty. I have already mentioned Mr. Brennan. There was also the selection of Mr. Dent, who played a notorious role in the textile negotiations, as secretary of commerce (reportedly at the insistence of Republican Senator Strom Thurmond).

While we want Japan and the United States to have a relationship, there is one kind of possible interaction that brings nightmarish shudders: Japan and the United States push their national interests to the limit, resulting in American isolationism and protectionism and the advent of Japanese militaristic nationalism. The analogy of a bitter, broken marriage ending in divorce only suggest the terrible consequences of this separation. Japan's minimum objectives in our relations with the United States should be to avoid a situation of mutual incompatibility.

(2) Japan and America both appreciate that sphere II is where they can really cooperate. In order to prevent the improper intrusion of Mafia thinking and restore the autonomy of the second sphere, America should establish multilateral consultative structures between Japan,

Western Europe, and the developing countries of the Third World (for example, conferences of senior specialists like the <sup>e</sup>Ray committee of the Organisation for Economic Co-operation and Development (OECD) in June 1971). Regular international conferences of influential private citizens from the United States, Europe and Japan have started, and cooperative structures among several countries, operating at various levels depending upon the issues, are being formed. The central intellectual concept in these efforts is probably the revival of internationalism through the intermediary of a new regionalism. We must understand the fundamental difference in the logic which dominates sphere I and sphere II. While we acknowledge the logic of a multilateral balance of power as a condition for stability in sphere I, we must absolutely insist upon the importance of "international cooperation" in sphere II.

For example, currency exchange rates more or less reflect each country's economic strength. But to determine appropriate exchange rates the international community's value standard, which transcends national sovereignty, must be stable. Unless there is a stable international value standard, international economics may be thrown into endless chaos and anarchy. Whether an authority can be established that is capable of intervening to correct the "basic disequilibrium" will depend upon the flexibility of the regulating process. To that end, America must continue its efforts to get "internationalism," which was derailed by anti-communist globalism, back on the right track. America's first priority should be to elucidate a design for the reconstruction of a new international economic order and to seek the cooperation of the expanded EC and Japan.

Japan must cooperate in the new economic order by quickly abolishing all tariffs on manufactured products (starting with large computers) and

removing the remaining restrictions on imported agricultural products or at least greatly liberalizing the existing quotas. There is no other way for Japan to survive.

(3) Japan is not qualified to become a power comparable to America, the USSR, or China in the diplomatic strategy game of sphere I. If Japan increases its military strength and becomes an Asian power, other countries will combine against us, saying that we are a threat to the unity of Asia. Japan is qualified to become a scapegoat in this way because we appear strong, a plausible sinner, but actually lead a fragile existence. We are so dependent on others that we would even have difficulty refuting false charges. We cannot vertically link "security" issues and "international economy" issues, and can at best link issues horizontally.

Let us consider the problem of the northern territories, a sphere I issue in our relations with the Soviet Union, which is becoming a major political and symbolic question. On the one hand, it is related to the Sino-Soviet border dispute; on the other, it is intertwined with European political problems (Willy Brandt's Ostpolitik, talks on mutual disengagement and European security). Our strategy must appreciate these complex factors, and we must consider the issue from a broader global perspective than we have hitherto and with a fine sense of "timing." Our negotiators must avoid the vertical linkage of this question with other negotiations with the Soviet Union (particularly economic problems like the development of western Siberia, the fishery issue, etc.). The USSR's vertical linking ability is so overpoweringly superior that Japan's position on economic matters would be weakened. China's handling of the Taiwan issue provides some instructive pointers, assuming for argument's sake that the importance of Taiwan to China is comparable to that of the northern territories to

Japan. Even China with its rather rigid principles is establishing close contacts with the United States and Japan by deferring a solution to Taiwan. Surely Japan should not take the inflexible attitude that unless there is a resolution of the northern territories, there can be no progress on other outstanding issues between Japan and the Soviet Union (a peace treaty with the Soviet Union is in a separate category, of course). However, if the hastiness demonstrated in Tanaka's diplomatic approach to China is repeated with the Soviet Union, Japan's foreign policy may be in for a setback. A cautious attitude is desirable in negotiations with the Soviet Union, and the public should not expect too much.

Japan has the ability to make crosscutting alliances in sphere II by horizontally linking every issue, and we should, with Western Europe, take the diplomatic initiative. For example, we can combine with Europe to resist the United States on currency adjustment and on an international agreement regarding multinational corporations. By the same token, we can cooperate completely with the United States on the free trade issue and urge liberalization on Europe. We can increase our negotiating strength in sphere II vis-a-vis the United States and Europe by expanding our trade with the Soviet Union and China without jeopardizing security arrangements. However, even in the current multipolar age, the logic of power is operative in sphere I and differences of political system, ideology, culture and race have lost little of their hold over man. It would be a serious error to overestimate the present American-European discord and expect too much in the way of "markets" and "resources" from Europe.

(4) Japan must reduce its surplus of international accounts with America and the developing countries, increase our imports from these countries, and provide a greater amount of capital to the developing areas.

✓ We should increase our productive capacity where we have a comparative advantage. Japan should reject the old concept of economic blocs and promote a new regionalism, through cooperation among countries, in order to accomplish an efficient international division of labor. Of course, to accomplish a new system geared to international harmony will require a qualitative change in Japan's domestic industrial and productive structure. When an economic slowdown becomes inevitable because of rapid changes in the international economy, we must not yield to the temptation that seduced the United States in the 1960s. The United States stimulated the economy by artificial economic demand--increasing armaments and space exploration. Our response must be genuinely rational and productive. We can accelerate the conversion of our low productivity sector by promoting trade liberalization, reducing tariffs, tightening the regulations on where industry can be built, enforcing strict environmental standards, improving traffic and labor conditions and regulating the use of energy. At the same time, a conversion of our social development policy is in order (improving living conditions in our cities and in local areas and increasing our investment in transportation, hospitals, universities, educational and cultural facilities), and we must make up for our tardiness and neglect regarding environmental protection and government-provided social and welfare benefits. These suggestions also amount to a basic policy for the yen. A fair degree of optimism in our ability to do all this is justified because of the Japanese economy's unique blend of government prodding and private initiative. There will be problems, of course. The political base of the ruling Liberal Democratic Party--agriculture and medium and small industry--is a great barrier to implementing these new policies. The long-standing determined opposition by MITI and the Ministry of



Agriculture and Forestry to American demands for trade and investment liberalization was due to this basic political reality. Unless the LDP can shift from a rural-based party to one with urban strength, it will not be able to adjust economic relations with the United States and it will not be able to retain power at home either. A similar situation exists in America where protectionist pressures operating through the political parties inhibit the government's ability to conduct a rational trade policy. Japan and the United States must organize new stable political alignments that reflect the rapid social changes or there can be no enduring stability in Japan-U.S. relations.

(5) Japan must greatly increase its economic aid and cooperation, with government grant aid a major component, to Southeast Asia and other developing areas. Japan should retain the Japan-U.S. Security Treaty until a collective security arrangement that includes the United States, China and the Soviet Union is created. Our military expenditures (including the cost of defense sharing) should be kept at about 1 percent of GNP, but we should increase our outlays for economic cooperation and cultural exchange to 2 percent of GNP. Thus we should set aside annually about 3 percent of our GNP as "essential expenses" for national security broadly conceived. American resentment against Japan will not abate unless we do so.

The "correct" amount Japan should spend for defense depends very much on one's perspective. The situation may be visualized as a meteorological map. There is a high pressure area in the United States. The U.S. public and Congress show a certain animus toward Japan for an alleged "free ride" on defense. This resentment at the "free loader" is an unstated theme of the Japanese Policy Report. The United States insists

that Japan raise its share of defense costs and increase its military power. However, there is a low pressure area in Asia formed by an intensification of domestic opposition to military bases and the apprehension expressed by China and Southeast Asian countries at Japan's rearmament. This set of views insists that Japan keep its defense expenditures low and not increase its military power. The correct amount of Japan's military buildup rests at a point in the middle of these crosscutting pressures. Either more or less defense expenditures will upset the "natural balance." Typhoon-experienced Japan should be able to find that quiet spot in the center of the storm, and there are indications that America has accepted this kind of weather report. To expect Japan's military power, determined by such countervailing forces, to increase our diplomatic strength is like asking for perpetually sunny days.

Self-imposed limits on our diplomatic objectives, an awareness that "fragile" Japan is in very sturdy competition, is the sine qua non for our security. Self-restraint is neither easy nor popular, and there are influential voices calling from different ends of the political spectrum for less self-discipline. The mass media (particularly the press) are ignoring Japan's actual "capabilities" and fanning the public's expectations and desire for an independent foreign policy. From another quarter, the right wing of the LDP is demanding a "capability" befitting their ambitions (Japan as a great power!). Both sets of advocates share an unconscious nationalism (especially toward America). We must recall that Japanese nationalism led us into the tragedy of World War II. This nationalist ideology does not bode well for the future, especially since the political opposition and the press pay relatively little attention to the danger of a reckless independent defense doctrine and concentrate their

critical fire on the dangers of Japan of the Japan-U.S. Security Treaty and the U.S. bases here.

The multipolar decade will probably witness nationalistic demands for autonomy and independence.— These are honorable objectives and we can support them—up to a point. Only up to a point, however, because we have been down that road before. It led to the autarchic blocs of the 1930s and 1940s. The great depression and runaway nationalism first ruined international trade and then international order. Japan must take the other route this time and work for the reconstruction of a vigorous international economic order. It may sound paradoxical but our national interests transcend our national interests. By that I mean that nationalism may lead to a cul de sac, whereas a genuine internationalism is liberating economically, politically and culturally. Japan's real security and prosperity lie there. We must become a post-nationalism society, and we can begin by putting our house in order because internationalism cannot be delayed. We have belatedly made some organizational arrangements with the establishment of the Japan Fund and new ventures by MITI and the Ministry of Education. Yet the issue cannot be resolved by organizations, only by people and beliefs. There must be a certain liberality in all our actions. There is no room for Mafia-style thinking—"I'll make you an offer you can't refuse"—in the sphere of international economics and cultural exchange. Japan must approach the multipolar world with the conviction that each nations' culture is essentially universal, can be appreciated by other peoples and has an integrity that transcends political and economic conflict.

# FOOTNOTES

- 1 The author's "Kaitai suru Amerika (atogaki)" [Disintegrating America (postscript)] in Jūkōzō shakai to bōryōku [A Flexible Social Structure and Violence] (1971).
- 2 Seymour M. Lipset, preface to the Japanese edition of Man in Politics (Seiji no naka no ningen), pp. 22-24.
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(Translated by the staff of the Center for Japanese Social and Political Studies.)

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PROSPECTS FOR INTERNATIONAL MONETARY REFORM

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### Summary

Prospects for agreement on international monetary reform brightened considerably at the Annual I.M.F. meeting, last September, and the meeting of the Deputies of the newly formed Committee of 20, on November 28-29, in Washington. There now is reason to hope that a so-called "outline" agreement might be ready by the next I.M.F. meeting, in September 1973, in Nairobi. Yet, this agreement is nearly certain to leave unresolved some crucial issues and to require still a time-consuming process for finalization and ratification.

In the meantime, a number of dollar crises should be anticipated, not only as a result of continuing -- even though hopefully tapering-off -- U.S. deficits, but also whenever any other country -- like the United Kingdom, last summer -- settles its own deficits with previously accumulated dollars. The central banks of surplus countries will continue to face the unpleasant choice of either redeeming from the exchange markets these inflationary dollar overflows, or to let their own currency appreciate, or to tighten further their exchange controls on capital inflows, or to adopt some compromise combination of these unpleasant policies.

Momentous developments should also be expected within the next year or two in the initial stages of the European Economic Union called for by the Paris Summit Meeting, last October. These developments cannot fail to play a major role in the shaping of the international monetary system and of the worldwide reforms still to be negotiated.

### An Emerging Consensus

An icy climate surrounding the negotiations thawed perceptibly at the last I.M.F. meeting, following an unexpectedly conciliatory and constructive speech of Secretary Shultz, in sharp contrast with the bullying tactics of his predecessor. While still insisting on the link between monetary reform and "related negotiations", particularly on trade matters, he recognized that monetary reform need not await the results of specific trade negotiations. He also expressed encouragement - rather than suspicion - toward the European program for monetary union, saying that "For countries moving toward a monetary union, the guidelines (about the balance-of-payments adjustment process) might be applied on a collective basis, provided the countries were willing to speak with a single voice and to be treated as a unit for purposes of applying the basic rules of the international monetary and trading system."

This new U.S. attitude elicited an equally conciliatory and constructive speech from the French Minister of Finance. Giscard d'Estaing proposed indeed a negotiating time-table that would maximize the chances for initial agreements and leave to later stages the negotiation of the most divisive issues:

(1) "At our meeting in Nairobi we should finalize our agreement on the exchange-rate mechanisms and on the respective monetary arrangements in favor of the developing nations."

(2) "In a second stage (i.e., after Nairobi) the restoration of the convertibility of currencies could be brought about."

(3) The status of gold in the future monetary system would be taken up only in "the third stage" of the negotiations.



Such a time-table dovetailed completely with the priority given by Secretary Shultz to the balance-of-payments adjustment process and with the U.S. reluctance to restore dollar convertibility until our own balance of payments is in better shape. Finally, it relegated to the third stage of the negotiations the gold issue in which French views have clashed most resoundingly in the past with those of the United States and of most other I.M.F. members.

Other governors also recognized the need for improvements in the adjustment process and on the role of exchange-rates in this process whenever national governments are unwilling to adopt, or unable to implement, a sufficient coordination of their internal budgetary, fiscal and credit policies. Equal stress, however, was placed on the need to reform the settlement and reserve system, in which the primary role should be assumed by an SDR type of asset, while the role of national reserve currencies - overwhelmingly the U.S. dollar - should be gradually confined to the level of working balances needed by central banks for their interventions in the exchange market. Convertibility should be defined in terms of SDR's, rather than gold, and the restoration of dollar, and sterling, convertibility would require the substitution of some modified SDR's for outstanding reserve currency holdings inherited from the past and in excess of necessary working balances.

Finally, considerable stress was placed by a number of governors on a revision of the present system of SDR allocations, and particularly on the possibility of establishing a "link" between SDR creation and development aid.

The favourable negotiating climate developed at the I.M.F. meeting was fully preserved at the first meeting of the Deputies of the Committee of 20, on November 28-29, in Washington. Its Chairman, Mr. Morse, succeeded beyond all hopes in organizing in an efficient manner the debates

of this unwieldy gathering of more than 140 people from several scores of nationalities. The most ambitious and comprehensive paper offered for discussion was a remarkably blunt and detailed U.S. memorandum on the mechanism of adjustment.

### The Main Issues

The main issues in the current negotiation may be summarized under four headings:

1. The acceleration of the adjustment process;
2. The composition of reserves and settlements;
3. The future allocation of SDR's;
4. Controls over destabilizing movements of - primarily short-term - capital.

#### 1. The Adjustment Process.

The U.S. stresses that agreement on the process of adjustment is an indispensable prerequisite to the successful implementation of the institutional rules to be adopted regarding the restoration of any form of convertibility and the nature of the assets available and acceptable for settlements and reserve accumulation.

The basic U.S. proposal espouses fully the "fork" proposal which I first outlined briefly in an article for Foreign Affairs, three and a half years ago, and developed more fully in a number of other publications (1). In brief,

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(1) See particularly:

- A. "The Thrust of History in International Monetary Reform", Foreign Affairs, April 1969, p.490.
- B. The International Adjustment Mechanism, Federal Reserve Bank of Boston, 1969, p. 61.
- C. "International Monetary Collapse and Reconstitution", Journal of International Economics, September 1972, pp. 391-393.

it suggests that reserve fluctuations - up or down - may be properly used to defend exchange-rate stability in the face of temporary balance-of-payments disequilibria, but not to frustrate needed adaptations in the case of persistent surpluses or deficits. International I.M.F. consultations should be triggered by any substantial (e.g., 25%?) increases or decreases of reserves above or below "normal" levels. Even then, changes in internal policies may be diagnosed as a more appropriate solution than exchange-rate changes, if the disequilibria can be ascribed to erroneous "demand policies", or interest-rates, rather than to basic cost and price disparities. The "burden of the proof", however, should be placed on the persistent surplus or deficit country. If it is unwilling, or unable, to adopt and implement alternative internal adjustment policies, it could be enjoined by the Fund from market interventions having the effect of pushing its reserves further away from "normal" levels (e.g., by 33%?). Alternatively, its interventions might be limited either in absolute amounts, or to whatever amounts would be necessary to smooth out exchange-rate changes to a "crawl" rather than to a sudden "jump". In any case, persistent surplus or deficit countries would no longer be free to intervene without limit in the market in defense of an overcompetitive or undercompetitive exchange rate.

Agreement should - and is not unlikely to be - reached on a formula of this sort; but it leaves a number of questions open to debate.

For instance, many countries suspect the United States to be primarily concerned to force upvaluation upon persistent surplus countries, so as to ease its responsibility to correct its own huge deficits. They point out that the breakdown of the international monetary system was essentially the result of U.S. deficits which could be sustained for so long, and on such a scale, only because of the

reserve currency role of the dollar enabled the U.S. to settle only a fraction of these deficits through asset losses, and to finance most - and recently practically all - of them through a continuing piling up of dollar claims as reserves by foreign central banks. The problem of adjustment disciplines is thus viewed as inseparable of a reform eliminating what President De Gaulle used to call the unique and "exorbitant privilege" of reserve currencies countries to incur unlimited deficits by being able to settle them with their own IOU's.

## 2. The Composition of Reserves and Settlements.

### a) Reserve Accounts with the I.M.F.

Symmetry in the adjustment process thus requires a strict limitation in the use of national currencies in the international settlements and reserve system. This is interpreted by a few Colonel Blimps as dictating a return to a mythical pure gold standard, in which gold would replace reserve currencies in these functions. President De Gaulle himself, however, recognized that an "international credit superstructure" - no longer monopolized by the dollar alone - was needed to complement gold in this respect, and Giscard d'Estaing has repeatedly argued that "an increasing role should be given to what I shall call 'objective liquidities', such as the SDR's."

A large consensus has emerged in the official debates of the last few years on the need to center the international settlements and reserve system upon reserve accounts with the I.M.F. - broadly patterned upon the present SDR's - and adjustable in amounts to the objective reserve requirements of an expanding world economy. Central banks would use such reserve accounts in settlements very much in the same way as private firms and individuals use their checking account with a commercial bank in their own

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settlements. The payer's reserve account with the I.M.F. would be credited, and the reserve account of the payee debited, by the amount to be settled. The acceptance and maintenance of such deposit accounts with the Fund would, in turn, enable it to expand its credit and investment operations in such a way as to adjust the world reserve pool to the requirements of an expanding world economy (i.e., probably at a presumptive 4 or 5% average annual rate, to be reviewed - and corrected - from time to time, when needed to combat worldwide inflationary or deflationary trends).

This consensus on the role of a reformed SDR system, however, is still marred by divergent views concerning the gradual "phasing out" of the traditional reserve instruments inherited from the past, i.e. gold and the national reserve currencies.

b) Gold.

The use of gold in official settlements is practically paralyzed at the moment by the huge discrepancy between its market price (hovering \$60 an ounce) and its official parity (\$38 an ounce). In view of the definitional link between gold, on the one hand, and SDR and I.M.F. transactions on the other, this discrepancy also makes member countries reluctant to incur gold-guaranteed obligations by using their special, or ordinary, drawing rights.

A first step, around which agreement seems probable, would be to review the Washington agreement of March 1968, and to revert to Article IV, Section 2 of the I.M.F. Articles of Agreement. Members would remain barred from buying, but no longer from selling, gold in the private market at prices above par value plus the margins prescribed by the Fund.

A second step would be to amend the Articles of Agreement so as to authorize official gold transactions between monetary authorities - including the I.M.F. - at current

market prices. Gold would become a commodity, like any other, but would cease to be "monetized" in the future by purchase from the private market. Monetary authorities, on the other hand, would be free to mobilize their huge gold stocks, at realistic prices, by selling it to the market, to each other, or to the Fund, whenever they wish or need to do so in order to mop up excess liquidities in the market, or to procure SDR's or foreign currencies for the settlement of their deficits.

c) Reserve Currencies

As long as SDR's or I.M.F. accounts cannot be held by private banks, firms and individuals, it will remain necessary for central banks to use some reserve currency or currencies for their stabilization interventions in the private exchange market. Such use, however, should be limited to the modest working balances needed for this purpose. Otherwise, the untrammelled accumulation of national reserve currencies as international reserves could, once more, frustrate at their very roots, both the adjustment mechanism and the efforts to adjust world reserve creation to world needs rather than to the balance-of-payments deficits of one or a few reserve currency countries. Agreement on this point was expressed by many governors - notably the British Chancellor for the Exchequer - at the last two I.M.F. meetings. Acquisitions of national currencies from the market exceeding agreed working balances (5% of annual imports, or 15% of global reserves?) would be turned over to the I.M.F., credited to the reserve account of the depositor, and debited from the reserve account of the debtor. Conversely, any deficit country could draw any needed currencies from its I.M.F. account to reconstitute its depleted working balances.

It is also agreed that such a system could only be applied to reserve currencies accumulated in the future. All

or most of the huge "overhang" of dollar - and sterling - claims inherited from the past, could not be debited overnight from the U.S. - or U.K. - account, but would have to be retained by the I.M.F. as long-term investments, or even "consols", to be amortized primarily at the initiative of the debtor country, or at the request of the Fund, when the reserves of that country rise well above "normal" levels.

Such a semi-consolidation would be essential - and, to my mind, urgent - to make a restoration of dollar convertibility possible, and particularly to enable the U.S. to earn reserve assets when in surplus, and to lose reserve assets only when in deficit. Under the system now in operation, U.S. surpluses may be settled through a reduction of U.S. liabilities, without any gain of reserve assets. Even more significant is the fact that the U.S. would be exposed to reserve losses whenever any other country draws on its dollar "overhang" to settle deficits with a country which then presents the dollars to the U.S. for settlement.

Such proposals have long been advanced by various I.M.F. Governors and, at the last annual meeting of the I.M.F., Secretary Shultz finally acquiesced that "careful study should be given to proposals for exchanging part of existing reserve holdings into a special issue of SDR, at the option of the holder."

The last clause ("at the option of the holder") expresses, however, an important qualification, especially in the light of the preceding sentences: "At the same time, official foreign currency holdings need be neither generally banned nor encouraged. Some countries may find holdings of foreign currencies provide a useful margin of flexibility in reserve management, and fluctuations in such holdings can provide some elasticity for the system as a whole in meeting sudden flows of volatile capital." This may well be true, and it is extremely likely indeed that some countries may

wish to become, or remain, members of a more or less formally defined "dollar area". At the same time, the unregulated and unlimited use of reserve currencies would continue to frustrate the basic objectives of international monetary reform, and remain the source of crises similar to those that were mainly responsible for the collapse of the previous system. Acceptable compromises on this point will not be easy to hammer out, but must - as a minimum - entail reasonable limitations on the use of national reserve currencies, particularly by large reserve holders.

### 3. The Future Allocation of SDR's.

Agreement is also likely to emerge about a needed revision of the present system of SDR allocations, which now allots about 3/4 of them to the 25 richest, so-called developed countries, and only 1/4 to 88 countries of the so-called third world. Even more absurd is the fact that SDR creation is blindly used to finance blindly all national policies, whether readjusting or maladjusting.

Ideally, the international community that has to agree on SDR creation should also choose the objectives that should be financed by it and command the highest priority. The "link" to development financing should obviously be one - but not the only one - of several objectives that should qualify for this purpose. Others would include the traditional assistance of the I.M.F. to programs of monetary stabilization, the "recycling" of highly disturbing capital movements, in accordance with the stated purposes of the Fund's "Generale Arrangements to Borrow", etc.

The Joint Economic Subcommittee of the U.S. Congress on International Exchange and Payments has repeatedly and unanimously endorsed the earmarking of a portion of SDR creation for the financing of I.D.A. development assistance.



At the last I.M.F. meeting, Chancellor Barber expressed the "considerable sympathy" of the Commonwealth Finance Ministers for such a "link", provided that certain obvious conditions were met, and particularly that "it would not lead to pressures for the excessive creation of SDR's beyond what prudent, internationally agreed judgment regarded as appropriate to the prospects for world liquidity as a whole."

In view of similar statements by many other Governors during the I.M.F. discussions, it would be surprising if some move of this sort were not finally agreed within the next year or two.

#### 4. Controls over Destabilizing Capital Movements.

Secretary Shultz reiterated the U.S. view that "controls on capital flows should not be allowed to become a means of maintaining a chronically overvalued currency" and that "no country should be forced (italics mine) to use controls in lieu of other, more basic, adjustment measures." While nobody could object to these two important platitudes, there is a growing and generalized concern about the enormous size and high volatility of capital movements, capable of thwarting needed national policies of sound monetary management. Long debates are thus in prospect about the indispensable coordination and joint enforcement of agreed policies aiming at:

- a) "recycling" (see page, , above) destabilizing movements of - primarily short-term - capital.
- b) reducing, if possible, to a more manageable size sudden capital movements objected to by both the capital-exporting and the capital-importing countries;
- c) stimulating, on the contrary, capital movements deemed readjusting and desirable by the countries concerned;
- d) devising, in particular, some code of behaviour

limiting, or discouraging, sudden and excessive capital movements by large, multinational, corporations, either unrelated to their legitimate business activities, or resulting in excessive domination by foreigners of some important sector of a national economy.

e) introducing - through some form of reserve requirements, for instance - some kind of public supervision upon the now uncontrolled pyramiding of liquidities by the so-called Euro-currencies or "Xeno-currencies" markets.

The glaring fact is that the integration of capital markets by private economic sectors has far outrun the integration of official policies and institutions, and left them unable to cope with the problems arising from such integration. The national framework of public policies must adjust to these developments and devise the joint policies and institutions indispensable to handle them efficiently, if we are to remove one of the major sources of international monetary crises and instability.

#### Regional Monetary Integration

It is widely hoped that the new climate of negotiations will rally agreement in Nairobi on a broad "outline" covering at least some essential points of the indispensable and drastic reform of an anachronistic international monetary system now in shambles. Yet, the completion and implementation of such a reform is still very distant. The Rio de Janeiro SDR "outline" was agreed in September 1967, but the legal finalization and ratification of the I.M.F. amendments took another two years, and the first issue of SDR's did not materialize until January 1970. The prospective time-table for needed I.M.F. amendments will be even slower, in view of the many issues unlikely to be fully resolved in Nairobi, and even for a considerable time afterward.

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Ad hoc cooperation and transitional agreements - particularly among the major financial centers - will be indispensable in the meantime to prevent or handle foreseeable crises. They would also help pave the way for the worldwide agreements that must follow.

An accelerated pace of progress in the negotiations concerning European Economic and Monetary Union could play a most useful role in both of these respects. The Paris Summit Meeting of last October has not only produced a most ambitious agenda for the long term future, it has also outlined a number of concrete commitments and deadlines regarding the first phases of the program for Economic and Monetary Union.

A European Fund for Monetary Cooperation will enter into operation by next April 1st, and its prospective functions and means of action should grow rapidly, following the reports requested by next September 30th and December 31st, regarding the revision of existing short-term monetary support arrangements and, particularly, the progressive "pooling" of the international monetary reserves of the nine countries of the enlarged Community.

Exchange-rate margins between member currencies will continue to be progressively narrowed down, and ultimately eliminated, in sharp contrast with their enlargement vis-à-vis the dollar. This unavoidably entails a reduced role for the dollar, and an enlarged role for member currencies, both in market interventions and in subsequent settlements among central banks.

Pending worldwide agreements on the restoration of some form of dollar convertibility and on the respective roles of gold, SDR's, and reserve currencies in settlements - issues unlikely to be all resolved in Nairobi - the Community will inevitably be forced to evolve its own rules, and these will undoubtedly have a major influence on the final

shaping-up of the world-wide reforms under negotiations in the I.M.F. and the Committee of 20.

A full appraisal of future prospects should consider three alternatives hypotheses:

- a) Close cooperation between the Community, the United States and Japan would best assure an orderly transition and maximize the chances for successful worldwide agreements.
- b) The lack of such cooperation might lead to a division of the world between three major monetary blocs, maintaining some sort of internal order within their respective areas.
- c) Continued wrangling within the Community itself would also make worldwide agreements impossible. The final outcome, in this case, might be;

- (i) either a worldwide surrender of national monetary sovereignty to the U.S., through the precarious consolidation of a more or less -- probably less -- formalized "dollar area", deeply resented by many of its participating members; or

- 'ii) even worse, a generalized relapse into the nationalistic, beggar-my-neighbor policies that followed the suspension of convertibility by the former "reserve-currency" country, the United Kingdom, in September 1931.

As for myself, I am no crystal-gazer, but I remain an unredeemed "optimistic Cassandra", and continue to hope that past and future crises will, sooner or later, rally the indispensable agreement of men of good-will around the common-sense reforms indispensable to world peace and prosperity.