Trilaterals: Europe and Japan should supply Soviets with high technology

by Susan Johnson

Last week, *EIR* reported on two major demands of the Trilateral Commission's "Draft Task Force Report, Democracy Must Work: A Trilateral Agenda for the Decade," circulated privately at the commission's meeting in Washington, D.C. on April 1-3 in Washington, D.C. Those demands: 1) that the United States cut its budget deficit by slashing defense spending and entitlements programs for the elderly and ill; and 2) that the Europeans and Americans spread out their colossal unemployment through work-sharing and early retirement schemes, under the banner of the "leisure society"—as if the tasks of world development do not require the full effort of every human being. "Trilateral" refers to the United States, Western Europe, and Japan.

Below we present excerpts from the report's prescriptions for the economies of Europe, Japan, and the underdeveloped nations. The authors say the report is aimed at influencing the 1984, 1985, and 1986 summit meetings of the seven leading industrialized Western nations.

The Trilateral Commission continues to operate despite the fact that its members (among them the executive board's Henry Kissinger) and their higher-level sponsors (the centuries-old imperial families of continental Europe) sabotaged U.S. defense capabilities, destroyed the dollar-gold reserve standard, contrived the oil crises of 1973-74 and 1979, and dictated the Federal Reserve's post-October 1979 destruction of the U.S. industrial base.

Despite the Trilaterals' claim that high interest rates are the result of the U.S. budget deficit, that deficit in truth was largely *caused* by the collapse in government revenue, increase in government transfer payments, and decreasing productivity incurred under the industrial depression which Federal Reserve chairman Paul Volcker deliberately triggered.

The nominal authors of the report, British Social Democratic leader David Owen, Carter National Security Adviser Zbigniew Brzezinski, and Club of Rome spokesman Saburo Okita of Japan, acknowledge that the report owes much to the work of their aides: Charles Morrison of the Japan Center for International Exchange and the East-West Center in Honolulu; Masahiro Sakamoto of the Japan International Trade Institute; Michael Stewart of the British Foreign Office; and Carol Rae Hansen of Harvard, the State Department, CIA, and NSA. The report's dull, fatuous style is the bureaucratese of those who wish never to be held responsible for the consequences of the measures they advocate.

The Western economies: *The authors hail the growing ratio of non-productive employment to productive employment, and assert the unlikelihood of a global economic collapse.* EIR*'s LaRouche-Riemann econometric model has conclusively demonstrated that it is precisely a proliferation of "service" overhead while the industrial base shrinks that ensures a collapse.*

An encouraging trend, widespread throughout the trilateral regions, is the shift to service industries. Part of the natural evolution of Western industrial societies, it offers scope of absorbing large numbers of unemployed. In the U.S., for example, nearly all the increase of 13 million jobs between 1973 and 1983 was in three main service areas: wholesale and retail trading; finance, insurance, and real estate; and professional, scientific and miscellaneous services. Compared to some European countries, especially Britain, a much higher proportion of the increase in the demand for services fed straight through into an increase in employment. . . .

Although rising demand for both public and private services has led to an expansion of employment in the services sector, much of this extra employment has been provided by women not previously in the labour force, and has thus far failed to lead a corresponding fall in unemployment. . . .

The overriding international economic issue is one of achieving stable and sustained economic growth. . . . There are at least five reasons why the growth of the GDP might be expected to be slower over the next decade. Two of these are essentially a consequence of national income accounting conventions, and should not be regarded as a cause of concern. First, output in many parts of the service sector is difficult to measure, and is often assumed to move in line with inputs, so that the figures show no increase in productivity. With an increasing proportion of the labour force being employed in the service sector, this is bound to have the statistical effect of slowing down the growth of the GDP. The same effect will result from. . . a move towards shorter lifetime hours of work. . . . A voluntary increase in leisure, at the expense of work and income, must increase people's welfare, or they would not choose it; but it reduces the GDP. . . .

[Other reasons:] the removal of barriers to trade and capital flows. . . has largely come to an end. . . . the slowing down of the growth of productivity, particularly in the American economy. . . [and wrong] macroeconomic policies. . . .

The most extreme danger, a major collapse of the world economic system, is also the least likely. One can distinguish between two potential causes of collapse. The first is a major shock, such as the actual default of a major debtor country, leading to a chain-reaction of defaults. . . . The second kind of collapse could come from. . . a series of irresponsible or disfunctional policies, such as the competitive protecionist measures which various governments took in the early 1930s. . . . A much more likely danger is a fizzling out of the current economic recovery and relatively slow growth throughout the rest of the decade. . . . [I]n the longer term, the slow growth danger becomes less and less distinguishable from the economic collapse scenario because slow growth weakens support for international economic institutions and strengthens the forces conducive to collapse. . . .

Western Europe: *The European Community should become a "technetronic" giant, with capital provided by Japan. It should also beef up its economic and political ties with the Warsaw Pact—becoming in effect a high-technology satrapy for the Soviet Union, to fuel its war machine.*

Unless the countries of the European Community take steps to enhance their scientific and technological development, it appears likely that Europe will be unable to keep pace with America's and Japan's plunge into the technetronic age. . . .

Despite the two oil shocks of 1973 and 1979, wage-earners in Europe managed to maintain the increase in their purchasing power, in spite of the slowdown in growth, far more than in the U.S. or Japan. This European preference for consumption has led to low profitability, low investment and to the inhibition of economic growth. There is also a growing technological gap between Europe on the one hand and the U.S. and Japan on the other. Meanwhile, the cost of the social services in Europe has been rising considerably faster than national income. . . .

There are certain sectors in which Europe as a whole is in the forefront of technical advance. These include nuclear energy and all the technologies connected with the nuclear fuel cycle; biotechnology, especially where the food and pharmaceutical industries are involved; even robotics and numerically controlled machines, mainly where high precision or high flexibility instrumentation is required; and professional electronics, especially when applied to the public service sector. . . . The other area of European strength. . . is a proven ability to inject emerging technologies, such as lasers and microprocessors, into traditional industrial fields. This integration. . . has allowed the revamping and rationalisation of mature industries which only a few years ago seemed condemned to migration to the Third World.

The relative weakness of Europe. . . is due to its low standing in a variety of solid state technologies: Very Large Scale Integrated Circuits and semiconductors. . . and the development of large-scale computers are not areas where Europe has been able to compete. This is an ominous trend for Europe and clearly much must be done. . . .

Above all, Europe must. . . seize on the opportunities offered by the microelectronic revolution. One priority here is greater collaboration with the Japanese or North American firms which are at the frontier of the high-tech developments of the late 1980s and 1990s: In particular, joint ventures in which Japanese capital and technology are combined with European labor to produce the goods and services of the future could be of benefit to both regions. Another way forward—not inconsistent with the first—would involve much greater rationalization of industry on a Europe-wide scale, so that a plethora of national firms would give way to a smaller number of large European firms. . . .

Americans must come to appreciate that European history and geography mean that their complex relationships with Russia should not be automatically labeled as neutralism or characterised as "Finlandisation.". . . The division of Europe is resented by many West and East Europeans, with the German desire for closer national links serving as the major catalyst for change. How such change may occur will determine whether the relationship between the East and the West remains stable or becomes increasingly turbulent. . . .

Efforts by the trilateral countries to intensify their economic, scientific, and cultural ties with East Europe can contribute to gradually binding East and West Europe more closely, progressively undoing the division of Europe that has existed since 1945. Present tension in East-West relations, notably between the U.S. and the Soviet Union, should not inhibit such efforts. Indeed, over a longer period of time such efforts can also create the basis for a more wide-ranging pattern of economic relations with the Soviet Union itself while in the meantime contributing to the gradual undoing of the existing division of Europe.

The cost of defending the West must be more equally shared among the trilateral countries. . . . Clearly, anything which persuades the United States administration to slow down the growth of its defence expenditure will be a helpful element in the crucial task of reducing the budget deficit. . . . There is a second argument for transferring some part of the existing defence burden from the U. S. to Europe. There is growing unease in Western Europe about. . . the prospect that NATO might feel it had no alternative, in the event of a conventional invasion from the East, to the early use of these nuclear weapons. If a greater European defence commitment were to take the form of a strengthening of its conventional forces, the prospect of ever having to use nuclear weapons would be reduced. . . .

Japan: *The Japanese should not attempt to build up their export of capital goods to develop the Third World, but should fund the IMF and other anti-growth agencies to bail out the creditors, finance Kissinger's plan for Hong Kong-style economies in Central America, and should abandon their domestic markets and monetary control to trilateral influence.*

Japan's economic recovery continues to lag behind North America's, and given Japan's massive merchandise trade surplus and continuing trade frictions with its trilateral partners, an export-led recovery is internationally inexpedient. An expansionary economic policy on the part of Japan is now needed. . . . More rapid growth in Japan can help to stimulate the world economy through rising Japanese imports, particularly if Japan makes further efforts to reduce the difficulties which other countries sometimes encounter when attempting to export to Japan. . . . Japan could increase substantially its contributions to the international financial institutions such as the IMF, the World Bank (including IDA) and the regional development banks; and could also assist in reinvigorating Europe, by direct investment accompanied by an injection of advanced technology and management skills. Finally, Japan should continue its efforts toward internationalisation of the yen, so that it becomes a more important reserve and trading currency. . . .

West Europe and Japan should give serious consideration to becoming associated. . . with longer-term socio-economic development plans for the Central American and Caribbean regions. . . .

Energy: *There are too many poor people in the world, consuming too much wood. Nuclear power is out of the question.*

The very long lead-times involved, and the irreversibility of the build-up in the atmosphere of the carbon dioxide that results from the burning of fossil fuels, and of the danger represented by the increasingly widespread use of nuclear—particularly breeder—reactors makes the question of a global strategy to develop inexhaustible energy sources such as solar power an increasingly urgent item on the international agenda. . . .

The world's "other energy crisis," wood shortage rather than oil shortage, is exacerbated by population growth and is already radically altering the world's ecosystem. . . . "Non-commercial" energies are still used by half the world in preparing food. . . . If present trends continue, a full 40% of the animal and plant varieties alive today will be extinct by the end of the century as their habitats disappear. . . .

Third World: *The International Monetary Fund policy makers must remain in charge. The fundamental problem is overpopulation.*

Too often the vital relationship between economic growth in the developed and in the developing worlds is overlooked. . . . Developing countries provide the market for about one quarter of OECD exports. . . . [The lack of capital for growth] must be met by collective international action: through regional development organisations, governmental lending, Western investment, and private bank involvement. . . . Likewise, worldwide organisations such as the IMF. . . will have to coordinate giving for critical areas of special concern, such as Africa. . . .

The most insidious danger is demographic, for it threatens to undo every other gain in health, medicine, and technology. Although the birth rate has actually declined in all regions of the Third World since 1960, and this reduction appears to have accelerated, the world's population will exceed 6 billion by the year 2000. . . . The problem will be compounded in the developing countries by the continued explosive growth of urbanisation. . . .

LDC debt: *Only if the U.S. budget deficit is cut can there be lower interest rates for the Third World. Everyone must sacrifice to maintain the present system.*

At the present time, rescue operations by the banks, international agencies, and governments do little more than stave off an ultimate economic or political reckoning. . . . Thus a critical question in the medium term. . . is how to assure adequate capital infusions for growth, assuming that commercial bank lending will be much more restricted than in the past. . . . The importance of a reasonably rapid and sustained rate of growth in the trilateral countries. . . can scarcely be exaggerated. . . . Thus these projections [of higher interest rates increasing debt burdens] strengthen the argument. . . for a reduction in the size of the American budget deficit and hence a fall in U.S. and world interest rates. . . .

All three parties will have to bear some of the costs of putting the situation to rights: the developing countries, some degree of austerity; the banks, some writing-off of loans; the taxpayers of the OECD countries, increased funding of the international financial institutions. . . .