

GOING IT ALONE?

A Discussion of the Course of American Diplomacy

On 27 October 1988, the Fletcher Forum gathered a group of American policymakers to explore the future direction of US foreign policy. We asked: what strategic concepts should the United States espouse when conducting foreign relations with other nations?

Our roundtable featured Walter Manger, currently the State Department's desk officer for the Cosmoros, Madagascar, Mauritius, and Tanzania, whose most recent tour was at the United Nations Political Office. Captain William Spencer Johnson, the Pentagon's deputy chief of Naval Operations for Plans, Policy, and Operations; Alexis Rieffel, an assistant to the US executive director of the International Monetary Fund; and Peter Galbraith, staff member of the US Senate Foreign Relations Committee. As moderator, Fletcher's Alan K. Henrikson lent his exhaustive knowledge of American foreign policy.

Representing themselves rather than their institutions, the panelists unanimously rejected the idea of "going it alone." But a belief in American leadership suffused their remarks. An ambivalence, it seems, natural to American diplomacy.

HENRIKSON: Our subject today is American diplomacy. Our theme is "Going It Alone?" — a discussion of the course of American diplomacy. We will address several major topics, including Diplomacy and Peacemaking, Military Strategy and Cooperation, Multilateral Economic Cooperation, and Development and the Environment.

The issue before us is the question of unilateralism in American foreign policy. Some have argued that conditions have changed so fundamentally around the globe and in the international system that the United States no longer can conduct foreign policy in the independent manner of its past. In consequence, diplomacy, American diplomacy in particular, must become more cooperative.

Generations of American foreign policymakers have struggled between two tendencies. One is typically "isolationist," the other, "internationalist." The isolationist tradition emphasizes freedom of action in diplomacy, most clearly symbolized by the Monroe Doctrine, a unilateral declaration of policy.

Closely related is the idea of American self-defense. The very notion of continental impregnability, a premise of the Monroe Doctrine, has been perpetuated in the technological age in the form of "Star Wars," the notion of a protective shield over North America. Though obviously more complicated, the Strategic Defense Initiative (SDI) promises the inviolable security of the North American continent, a kind of auto-defense.

We also have an historic interest in economic self-sufficiency. For most of America's history, foreign trade has constituted only about 6 percent of the

gross national product. Although that percentage rose markedly in recent decades, American dependence on foreign markets and resources remains limited relative to other countries.

In contrast to this isolationist legacy, American presidents such as Woodrow Wilson, through his attempts to foster American participation in the League of Nations, and Franklin D. Roosevelt, through the establishment of the United Nations, fostered an "internationalist" policy.

Militarily, the American theme of "united we stand, divided we fall" was extended to include such agreements as the Rio Treaty of 1947, the Organization of American States (OAS), North Atlantic Treaty Organization (NATO), South East Atlantic Treaty Organization (SEATO), and so on.

Despite its tradition of relative economic self-sufficiency, the United States in the twentieth century has developed cooperative economic arrangements. The United States spearheaded the establishment of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), or the World Bank. Efforts to create an international trade organization ultimately took the form of the General Agreement on Tariffs and Trade (GATT). The Organization for Economic Cooperation and Development (OECD) also is a major cooperative relationship for the United States.

Over the last eight years there has been a rather awkward effort to combine these two traditions: the isolationist and the internationalist. It was considered psychologically and politically necessary to reassert America's leadership. Simultaneously, the world system dictated the need for continued cooperation and support of existing multilateral organizations. The term "unilateral internationalism" captures this duality. Moves by the US government under the Reagan administration, such as putting ships in the Persian Gulf in order to protect international shipping, exemplify this paradox.

These policy initiatives evoke a certain nostalgia. References to the leader of the "Free World" recall the roles that Franklin Roosevelt, Harry Truman, and Dwight Eisenhower played in the 1940s and 1950s. Yet conditions have changed fundamentally. Since the end of the Second World War, the number of countries has increased greatly; there are now three times as many countries as there were in 1945. The United States, as a result of this numeric minority, can be outvoted consistently in the United Nations General Assembly. On the military field, it is obvious the United States can no longer singlehandedly provide for its own defense.

Economic conditions also have changed. In 1945 the United States produced about one-half of the world's output as conventionally measured. Today that percentage is down to about 20 percent, a significant reduction. And of course, the United States of late has shifted from creditor status to debtor status. As a result, the American budget is under enormous pressure.

These developments provoked Arthur M. Schlesinger, Jr., in a recent article in *The New York Times*, to say: "We are no longer the undisputed top dog, numero uno, the big enchilada. Other nations no longer jump (or cry 'uncle')

when we crack the whip. Command in foreign affairs must give way to persuasion and collaboration."¹

And that is the focus of our panel today: the necessity for persuasion and collaboration in international affairs. What role will the United States adopt, given its independent and unilateralist tradition, to achieve an effective diplomacy consistent with its own past and character?

The United States does not have the economic or political position in the world that it had after the Second World War. Therefore it has had to find different ways of defending its national interests and achieving its foreign policy objectives. While I think that is certainly true, my sense is that a yearning in the world for US leadership still exists. Alexis Rieffel

Proceeding to the issue of Diplomacy and Peacemaking, and, more specifically, to the issue of America's participation in multilateral organizations, I turn to my colleague Walter Manger of the State Department.

MANGER: As we have been saying around the halls of the State Department, peace seems to be breaking out around the world. The decade of the 1980s has been characterized by a series of bloody and costly regional conflicts. During the course of this year many of these conflicts seemed to be moving toward resolution. The extraordinary thing is that in virtually all instances the resolution is coming under the auspices of the United Nations. 1988 witnesses a return to the original basis of the United Nations: the maintenance of international peace and security.

The United Nations Charter is a small, fairly short, and very simple document. A good part of the text of the Charter deals with the mechanics of how the United Nations should run. The essence of the UN Charter is contained in the preamble, where it says that this organization — we the people of the United Nations — wants to avoid for all time the scourge of war which has twice devastated the planet in this century.

Over the years the United Nations has not had a particularly good track record in maintaining international peace and security. The peacekeeping force in the Congo in the early 1960s did have some impact in settling that conflict. More recently, however, United Nations peacekeeping forces in Cyprus simply preserved a very unfortunate status quo, the division of the island of Cyprus.

¹ *The New York Times*, 25 August 1988, A.

The UN peacekeeping forces in southern Lebanon, the so-called UNIFIL, have not been particularly effective due to local conditions.

Now, in many respects, new life is being breathed into the organization. For example, the Afghanistan settlement is under UN auspices. The ceasefire and, hopefully, negotiations for settlement of the conflict between Iran and Iraq, are under UN auspices, with a very direct participation of the secretary general himself. In other regional conflicts, it appears the United Nations will play a big role. As you probably are reading in the newspapers, the United States is acting as an honest broker in negotiations to resolve the conflict in Angola-Namibia, the so-called Quadripartite Talks. The stage is set for the deployment of UNTAG, which is basically a UN peacekeeping and monitoring force in Namibia. A little bit further down the road is the resolution of the Western Sahara conflict, again under UN auspices.

The United States, under the Reagan administration, has had a somewhat ambivalent attitude toward the United Nations. It is no secret. A good deal of that attitude reflects a general feeling among the American population and in the US Congress that the United Nations has strayed very far from its original premises, and in a sense it has.

The overall question here is what is the proper mix of American foreign policy between unilateralism and multilateralism? Walter Manger

The United States, however, has been trying to work very closely with the United Nations as an organization, as an institution, to make it run better. One of our major complaints about the UN during this decade is that it is a prime example of waste, fraud, and mismanagement, a "bloated bureaucracy." It has often expended funds and engaged in various activities which are of questionable value. Under the Reagan administration, efforts to promote UN reform have borne some fruition. There is now a ceiling on personnel. There is a new consensus-based budget process. The United Nations as an institution is starting to shape up.

Recently, President Reagan determined that sufficient reforms have been made in the institutional practices and budget practices of the United Nations to begin paying our back dues. I think this is an important decision because the United Nations can play an important role, as we now witness in Afghanistan, in Iran and Iraq, and hopefully soon in Angola-Namibia. We need to encourage these developments.

What is happening with the United Nations now, perhaps not coincidentally, perhaps coincidentally, is a new Soviet attitude toward the United Nations. A new leadership in the Soviet Union seems to be developing the view that the Soviet brand of unilateralism is not particularly serving its

interests, as demonstrated in Afghanistan. This Soviet attitude is best exemplified by an initiative announced three years ago in the General Assembly, calling for a Comprehensive System of International Peace and Security (CSIS). Although a vague, ill-defined concept, CSIS is a Soviet attempt to foster a comprehensive system of insuring international peace and security in all aspects: in political, economic, environmental, humanitarian, and social respects. The Soviets introduce a General Assembly resolution to this effect every year. The United States consistently opposes it, claiming the Soviets have been unable to define what they are talking about, what this system looks like. Would it replace the UN for example? The Soviets can never answer our questions. But the fact that they are pushing it so hard, and the fact that the Soviets have been cooperating in Security Council consideration of peacekeeping efforts, is a sign of a new attitude toward the United Nations. This is something the new administration will have to consider as it develops its own position.

The overall question here is what is the proper mix of American foreign policy between unilateralism and multilateralism? I would say that the mix depends upon the circumstances, and the time, and prevailing conditions. For example, chemical weapons are a scourge which now threaten the world more so than ever before, as we have seen recently in Iran and Iraq. Chemical weapons are a worldwide problem; unilateralism just will not work. I think the United States will have to look more and more at multilateral solutions. Unilateralism simply is not going to be the answer in an increasingly interdependent world.

HENRIKSON: Could I put a couple of questions to you? I sense you are a kind of "strict constructionist" on the subject of the United Nations Charter. You believe that the primary, if not the exclusive role of United Nations, ought to be maintaining peace and security. The Soviet Union's proposals hint at the creation of a new security system, implying perhaps that the Charter ought to be rewritten in some ways, or that the balance within the United Nations ought to be changed such that the peacekeeping role increasingly would come under the Security Council. The Russians have proposed that member countries earmark certain military components in their own militaries for use in peacekeeping purposes. This implies that the Soviet Union and the United States themselves would have a direct role as participants and not simply as mediators. What is your view about what, if any, direct role the United States should play under the Charter as it is, or perhaps as it is somewhat rewritten?

MANGER: Traditionally the two superpowers tended to stay out of direct participation in UN peacekeeping operations. For example, the UN peacekeeping force in Cyprus is manned largely by troops from neutral and non-aligned countries. The superpowers probably should stay out of peacekeeping operations except to the extent that they can provide financial and logistical support. In my opinion, enough member states in the United Nations with

— shall we say — “capable” armed forces can supply sufficient troops for the peacekeeping operations currently in place and envisaged.

HENRIKSON: I would like to press you briefly. The United States has been offering more than logistical support in some situations. It recently offered assistance to the military commission dealing with the Angola-Namibia problem. Secretary of State George Shultz has offered his offices in dealing with the Palestinian issue. Are these not examples of unilateral internationalism? Instead of stepping back and simply providing the wherewithal for others to act, must not the United States often take the initiative within some kinds of multilateral activities?

MANGER: Yes. There is no doubt that unilateralism, and in some cases bilateralism, often has to serve as the catalyst for multilateral peacemaking, conflict resolution, and negotiations. For example, the chemical weapons negotiations often get impetus from private bilateral talks that we have with the Soviets on the margins because we are the two superpowers. And there is no denying that a unilateral US role, now exemplified by the Quadripartite Talks on Angola-Namibia, often serves as a catalyst. Somebody has to give the push. In some cases I guess you would call it “pentilateralism.” I am talking about the five permanent members of the Security Council. The Iran-Iraq ceasefire was propelled for over a year almost exclusively by intense consultations among the five permanent members of the Security Council.

I might just add that the founders of the United Nations had great foresight in creating the organization’s institutions. In terms of conflict resolution, the focus in 1945 was placed and remains on the Security Council, a small but diverse representation of the world community able to act for the maintenance of international peace and security. I think the Iran-Iraq situation is an extremely good example of that.

HENRIKSON: I am sure that your remarks have catalyzed some reactions on the part of our panel.

GALBRAITH: I look at the United Nations a bit differently. There is a great tendency to see the United Nations as an independent entity. It is in fact a reflection of the world community, and if you do not like the music coming from it, do not blame the concert hall, blame the musicians. To continue this metaphor, a more peaceful world, in part, reflects a greater harmony between, particularly, the United States and the Soviet Union. This concordance results primarily from a new leadership in the Soviet Union.

It is important to bear in mind that the value of the United Nations is really as an essential tool for promoting international peace, but not to say that it itself causes events to happen. I do not credit the five Security Council members with bringing about the ceasefire in the Iran-Iraq war. I credit the Iraqis and the use of their chemical weapons, as horrible as that is. But without the existence of the United Nations, without the existence of Reso-

lution 590, they may not have reached an agreement. There would have been no forum, no vehicle under which the Iranians could accept a ceasefire while retaining a certain amount of national pride, without admitting to their own public that they lost the war. Take a look at the Afghanistan negotiations. Of course great credit goes to the Afghans who fought so hard, not to the United Nations or to the United States. Yet the persistence of the special negotiator, Diego Cordova, who shuttled back and forth locking each side into specific positions, narrowed the ground so that an agreement could be reached. Without that negotiator service, which could only come from a United Nations, that end result may not have been achieved.

Now I think the United States faces a problem with the United Nations. We have had eight years of UN-bashing from the Reagan administration. One US ambassador said he would not mind if the United Nations sailed off into the sunset. Among other things, he got his geography wrong. We are \$500 million in arrears, straining the whole system, and we have failed to recognize the advantage of being the largest contributor. Our annual dues are about \$200 million; a few wrenches, some might say, in other departments of the government. That is an unfair shot. But that buys us influence. New York plays host to the world's best diplomats: reading our newspapers, watching our television, dealing with our American community. Such exposure is worth far more than \$500 million. We spend a couple of hundred million dollars a year on exchange programs, aimed at, among other things, elites. We have these people here in essence for free, and also incidentally, contributing to our economy. We need to have a beefed-up role in the United Nations, and we need to continue paying our dues. The Reagan administration trumpeted the fact that the United States votes all by itself or with one other country on many issues. I am not sure that I would consider that to be a diplomatic achievement. But there are ways to work with other countries to reduce the level of contention.

Finally, we have enormous security interests in the specialized agencies of the UN. For example, one of the great global threats is the potential proliferation of nuclear weapons. The source by which most countries will get nuclear weapons these days is to divert material from their civilian nuclear power programs. In many countries those power programs are under safeguards. Who administers the safeguards? The International Atomic Energy Agency (IAEA), one of the affiliated agencies of the United Nations. Again, a failure to support the IAEA undercuts that effort. Later I will talk about the contributions of the United Nations Environment Program (UNEP) and the World Health Organization.

JOHNSON: If I could make three quick points. First of all, I agree that the United Nations served as an important diplomatic arena in which the Iran-Iraq war could be resolved. I do not think, however, that any of us should lose sight of the fact that it took well over eight years for that conflict to be resolved at an estimated cost of over one million human casualties. That is a

terribly high price to pay. I think we need to bear in mind the genuine cost before we declare an overwhelming diplomatic success.

Secondly, UN peacekeeping forces are in fact not forces. They come from armed services of various countries, but they are so poorly armed and so thinly manned that they really do nothing more than serve as a trip wire. They are there to investigate and report on violations of ceasefire agreements. If the two warring countries decided to resume their hostilities, the UN peacekeeping force undoubtedly would be removed immediately because they have no significant defensive capability whatsoever.

Thirdly, the UN peacekeeping forces do not have US or Soviet contingents. In many parts of the world, a force from either country would be simply unacceptable to the participants, mainly because both superpowers would be assumed to have some form of hidden agenda. For political reasons, countries such as Canada and Finland are far more acceptable, although we do give significant logistical and equipment support. I think our role is definitely limited for all the reasons of policy and diplomacy with regard to those conflicts.

RIEFFEL: I think the proposition Professor Henrikson has put to us is that the world has changed. The United States does not have the economic or political position in the world that it had after the Second World War. Therefore it has had to find different ways of defending its national interests and achieving its foreign policy objectives. While I think that is certainly true, my sense is that a yearning in the world for US leadership still exists. We are not in a position where we can rely on other countries, or on more effective international institutions, to achieve our foreign policy interests. For various historical and cultural reasons, the world looks to the United States for solutions.

In helping the world arrive at solutions, the United States will need to increase its use of available international instruments. We must first understand the extent to which the world is looking to the United States for solutions and leadership. Otherwise, we will find ourselves dealing with problems at a stage where they have become more acute, where the efforts needed to overcome the problems are more costly to the United States. Using the environment as an example: an investment today of \$100 million toward solving some fundamental environmental problems would save the United States billions of dollars in the future. The current Defense budget will pale by comparison to the cost the United States will have to bear in twenty, thirty, or fifty years if it does not begin dealing now with some of these crucial environmental problems.

GALBRAITH: The basic point is that it is not an either/or proposition. For example, I do not agree that chemical weapons use is an issue we cannot address unilaterally. In fact, the Senate passed very tough sanctions against Iraq. Those sanctions led to the largest recent anti-American demonstration in Baghdad. I took this as a sign they really cared what we thought. It led

to their apparent decision to stop using chemical weapons. So there are things the United States can do unilaterally. The Administration opposed sanctions, because it did not want to jeopardize relations with Iraq. Instead, it argued the United Nations was a better forum. But it is a two-track process: you can act unilaterally and you can go to the United Nations.

JOHNSON: Again I would agree. Until the United Nations really has powers of enforcement it is not really in a position to police or enforce sanctions against powers that violate norms of international law or behavior such as utilizing chemical or biological warfare agents.

HENRIKSON: Our second topic is Military Strategy and Cooperation. In recent years there have been signs of a reluctance on the part of America's allies and friends overseas to maintain military relationships with the United States. Given the pressure on the American budget, it is natural that the cry of "burden sharing" is raised. Burden sharing too often is discussed simply in budgetary terms. The issue is much more complicated, involving exposure to risk and loss of opportunity, as well as sheer money costs. I would like to ask Captain Johnson to share his thoughts with us.

JOHNSON: I would like to address security issues, and particularly security issues in a changing world. Although peace is breaking out in the State Department, we in the Pentagon remain concerned with conflict. In the next twenty-five or thirty years, are the prospects greater for peace or for conflict of a different type? Quite honestly, my prognosis is that conflict, with us since the beginning of time, will be with us throughout our lifetimes.

With that in mind, I would like to take a quick look around the world as seen from the Pentagon. The United States woke up after the Spanish American War and found that it was a colonial power. The United States woke up briefly after the First World War and discovered it was a world power, but a world power essentially centered on Europe, and it happily went right back into the stupor it had been in prior to that great conflagration. After World War II the United States woke up and discovered, whether it liked it or not, it was a world power.

The perception of the United States, both internally and externally, is one of a global power, both in the diplomatic sense where Walt Manger speaks softly over in the State Department, and also in the military sense where we carry a big stick in the Pentagon. How should a global power confront world changes?

We are witnessing vast and subtle changes across the globe. From a realignment of economic powers to a bloody reworking of sectarian and ethnic divisions, the contours of our world are shifting. The result is a dramatic reordering of our security and diplomatic constructs: a redefinition of our international outlook. The question for those of us in Washington is how to manage that change. Can we do that alone? I do not think so. Can we do it

multilaterally? I hope so. And in many cases we will have to do it on a bilateral basis.

I would even go so far as to say that in the military context we probably have not gone it alone since the end of World War II, except perhaps for the expedition to Grenada. Everything else has been done in a multilateral or a bilateral setting.

What are some of the problems for our security relationships in the near-term future? First of all, we have to recognize that American national security policy always has been one of a forward defense. By forward defense, I mean we oppose the perceived adversary on the front line, telling him in no uncertain terms that if a conflict starts, he will get a bloody nose in his corner of the ring. It is just that simple. Boiled down, we call that deterrence.

In terms of threat, our principal adversary is the Soviet Union. It suffers from a number of geographic constraints that work to our advantage. If we

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practice forward defense to take advantage, in naval terms, of the geographic choke points, then we in effect may have achieved most of our aims. The US Maritime Strategy is simply a definition of how we would do that.

In another context, our positioning overseas in Europe and the Pacific is a commitment to our allies. The proof of the pudding is the fact that American troops are stationed in Europe. To remove those troops, or to leave only an ineffectual cadre, says we are not as involved as they would like us or we need to be.

Is that deterrence or not? We have problems with regard to bases. Bases are important in maintaining the forward defense strategy, the NATO Alliance strategy, bilateral strategies, and our unilateral strategy for the defense of the United States. Bases are important for logistical reasons.

In 1945 about 100 countries in the world hosted US base facilities of some sort. Today there are thirty-seven. While I do not think the United States wants to keep a base that is unwanted, it is important to remember these bases are not there just to serve US purposes. They are there to serve the purposes of the host nation, any alliance, and US purposes. And in many cases, if the United States acts unilaterally we may not have the use of those

bases. This was proven most recently in the strike on Libya and Khaddafi when France refused overflight rights.

Are there options to the bases? Yes, there are. We can use more support from ships at sea and we can supply by using fleet support assets. Will it cost more money? Yes, it probably will cost more money, maybe more than \$500 million. If the United States were to withdraw many of its bases in Europe, would there be other means of projecting its military might? Yes. Power projection can be sea-based; it can be moved to non-European countries.

Many claim that we are paying rent for bases in the Philippines. I myself do not like to think in terms of rent because I think the bases in the Philippines are to the great mutual advantage of both countries involved. This is certainly recognized in the negotiations. The agreement with the Philippines does provide financial aid, does help them with their debt problem, and does guarantee economic support for a faltering economy. From the viewpoints of Filipinos and Americans, the bases are vital because they insure not only the external defense of the Philippines, and a perceptual guard against internal insurrection, they give pause to other countries in that part of the world which might act hegemonically. I am talking about a burgeoning China. The bases in the Philippines also are largely irreplaceable because of their geographic location.

The problem is multifaceted and must be viewed that way. The bottom line is that in terms of defense and security questions, the United States really cannot go it alone. We have learned that even within the construct of our own plans or policies, we cannot function without the sister services. Likewise, we cannot function without the help of our friends and allies.

Most people think of burden sharing in terms of economic payments. I view burden sharing in terms of how much of the real defense burden — which is providing forces and providing assets — the other countries are willing to bear. What kinds of forces would we really want to see developed? Where would we like to see our allies invest their defense funds?

HENRIKSON: That comprehensive review of the security agenda, among other things, points out the inseparability of security and diplomatic relations.

JOHNSON: That is correct. What happens in terms of base negotiations is watched closely in one country by the diplomats of a second. And believe me, if you have learned the principle of “most favored nation,” it applies to base negotiations. If a certain item were granted in the course of base negotiations with Spain, you can well bet that item becomes the bottom line for negotiations with the Greeks. It is an interconnected, tight construct, diplomatically.

HENRIKSON: Our next topic is Multilateral Economic Cooperation. One issue to focus on is that of the “coordination” of the economic policies of the United States with its closest economic partners. I would like to ask our

colleague from the International Monetary Fund, Alexis Rieffel, to address that subject.

RIEFFEL: Because I speak for the dismal science, I will try to be brief. I think the economic agenda for the immediate future fits neatly into the theme of this discussion, which is unilateralism versus multilateralism. I see three topics at the top of the agenda, each of which represents a struggle or a debate between these two approaches.

The first could be called economic policy coordination. This is the process manifest in the so-called G-7 Summit country coordination process, which began in September of 1985 in a meeting of finance ministers at the Plaza Hotel in New York City. One way of looking at this debate is to ask whether this is a process designed to cover up deficiencies in US economic policymaking, or whether it is a process designed to address worldwide economic problems.

Take the shift in US status from a creditor country to a debtor country. This is a fairly fundamental process. The economic policy coordination now in place makes it easier to explain this shift in ways that are nonthreatening to the United States. The economic policy deals with the shift in a less drastic, slower fashion, to cover up the policy reversal that has to come to bring the United States back from a debtor position into a creditor position.

The second item on the economic agenda is trade. What is fascinating to me about trade is that it is an issue where the political conflict between domestic interests and international interests is the sharpest. When you talk about access to markets — access by US businesses and investors to countries overseas — when you talk about foreigners investing in the United States, you touch raw nerves. The United States must choose among multilateralism, bilateralism, or unilateralism when negotiating its trade agreements.

A third issue, the gut financial issue at the present time, is the debt of the developing countries. I think within five years this issue will disappear from the international agenda. We then will look at more basic questions, like the structure of the international monetary system, the trading system, investment regimes, and so forth.

When thinking about what we would discuss today, two general themes struck me as relevant. One I will call “economic determinism and foreign policy.” That is the extent to which we are moving away from a view that governments have an important role in the economic life of nations. We have reached the limit of that trend and are now going in the other direction. Much of what is occurring in Russia and China, for example, reflects a reaction to the economic limits of what is possible, and the fact that countries must determine different organizational approaches to economic problems.

The other general theme is “competition and foreign policy.” We live in a competitive world. We compete economically with Russia and developing countries. It seems to me we can not have a discussion of this kind without talking about population. We live in a world with five billion people. When your children go to the Fletcher School, they will be living in a world of ten

billion people. These statistics only heighten the central question of economics: how do you share or divide scarce resources? The fundamental issue of population growth will shape our standards of living and our relationships with other countries. Finally, we should acknowledge the issue of competition among the industrial countries.

HENRIKSON: Can I probe your hypothesis that the United States uses global economic policy management to cover up deficiencies in national economic policy?

RIEFFEL: Now we are going to have to plunge into macroeconomics. To understand the dynamic that led to this process, you have to go back to the global inflation of the 1960s and 1970s. Inflation fed the debt problem and led to the critical moment when the finance ministers and the central bank governors of the world decided: the fixed exchange rate system will not work any longer, we have to move to an adjustable exchange-rate system. If this process of global inflation, which I believe originated in the United States, had not taken place, we might still have a fixed exchange-rate system. Despite some successes under an adjustable exchange-rate system, some yearn to return

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to a fixed exchange-rate system. My first impulse is to say we cannot go back to a fixed exchange-rate system, which is basically better for the world, until the United States corrects its own economic imbalance. When the largest economy in the world has some fundamental imbalances, it is not the time to go back to a fixed exchange-rate system.

So the question becomes how to move the United States from a large balance of payments deficit back to an external surplus. The United States found it difficult to do this by itself, and it found it difficult to do this in an environment where exchange rates were entirely free. The United States realized that under the adjustable exchange rate system, it needed the help of other countries by working on their surpluses, by stabilizing exchange rates.

If you were sitting in the IMF trying to apply the IMF medicine to the United States, what would you recommend? The answer is simple. You would recommend all the things that the IMF recommends to Brazil: reducing the

fiscal deficit and maintaining a prudent monetary policy. The United States is not doing it. So in effect the coordination process allows the United States to avoid doing exactly what the IMF says we should be doing.

HENRIKSON: Would you say something about the control of the IMF? That is, to what extent does the United States have the decisive voice in making decisions of this kind?

RIEFFEL: At this stage, the US position in the IMF is a difficult one. The IMF was created to conform to our standards of how countries should manage their economies. Today the United States is not meeting the very standards it established forty years ago. The IMF has to apply the same standards to every country. All 151 members get called on the carpet once a year. Their economic policies are reviewed and criticized. At the end they are given a report card. The United States is subject to this same process. But the IMF does not have the authority to send in auditors or bankers to run the central bank, or provide financial services. All it can do is issue the report card and provide a procedure whereby the world has a chance to comment on US policies. The IMF provides a much more effective forum, if you will permit me, than the United Nations to make known the concerns of the world about how the United States manages its economy. Ideally, in the years ahead, when we start correcting our economic imbalances, both the IMF and the G-7 coordination process will help a US administration explain to the American public why we are doing what we are doing, which may be uncomfortable and painful for a while.

GALBRAITH: I cannot let that last comment go. I just can imagine how it will play in the US Congress for an administration to come in and say the IMF has told us that we have to cut the standard of living for Americans. At the end of the day, the obvious victim will be the IMF. I do agree with what lies behind your comment, that is to say, that the recent US fiscal policies have put us into the position of a superpower Brazil. As we come back to the theme of this discussion of going it alone or taking a multilateral route, the economic reality argues much more for multilateralism. We find while our military expenditures are up, our foreign assistance — bilateral as well as multilateral — is greatly reduced. Through burden sharing we are getting Japan to do more. Well, it is terrific that Japan is doing more in terms of economic development, but doing more greatly increases Japan's influence at the expense of our own, and we have to recognize such. Throughout East Asia and increasingly in South Asia, Japan is replacing the United States as the number-one bilateral donor. Foreign aid is far more productive, dollar for dollar, than military expenditure, although military expenditure obviously is essential if you are a superpower. But the United States is going to have to adjust its assistance policies because of economic policies. I hope it will not be thought of as poison. The last eight years have greatly weakened our ability to respond internationally. One of the great ironies is that we live in a time

when the Soviets are pulling back. They are devoting a lot of attention to their internal political problems and their internal economic problems, yet we are not in a position to take advantage of it.

HENRIKSON: You mention the Soviets are pulling back. Should the United States encourage the Soviet Union or China to join some of these multilateral economic institutions?

RIEFFEL: China is a member of the IMF and the World Bank, Russia is not. Personally, I think it would be extremely unfortunate if the Soviet Union joined the IMF in the foreseeable future. While the IMF does not do a bad job right now, its task would be immensely complicated if it had to apply more political filters.

HENRIKSON: Moving to the final topic, Development and the Environment, I will ask Peter Galbraith to share some of his thoughts about these issues.

GALBRAITH: In the 1980s we have begun to see an international dimension to the already established domestic constituency on environmental issues. Acid rain is a good example. If you are a Canadian, you are awfully grateful that acid precipitation also falls on New England. When you have polluted your neighbor, but also have polluted yourself, at least some political impetus will result.

It is difficult to see that kind of immediacy translating to global environmental issues. Throughout the summer, as we talked about the greenhouse effect, there was some thought that it would disappear as a political issue with the first cold snap, that worries about the drought would disappear with the first rains. To some degree that is occurring. We are aware of it. We do not know what to do about it. As it passes as an immediate issue it also passes out of our consciousness.

There is an additional problem. The time horizon for your average American politician is two, four, six years. The problems creating the greenhouse effect stem from events of the last fifty years. If we were to take immediate remedial steps, which we all know we will not take, we would not feel the benefits until some time horizon way beyond that of politicians now active. This problem can and must be addressed unilaterally.

While not the only international environmental problem, global climate change certainly may be the biggest single problem. It can be addressed unilaterally and probably will have to be. The United States, with 5 percent of the world's population, consumes 30 percent of the world's natural resources and 25 percent of the world's energy. We produce 20 percent of the carbon dioxide, which, of course, is the largest single cause of the greenhouse effect. But even if we act unilaterally, even if we can persuade people that last summer's drought was a product of global climate change, reducing our contribution to the problem is not very meaningful unless the Soviets participate. Nor will it be effective unless the problem of deforestation in the

Amazon, exacerbated by a lag in Brazilian governmental environmental consciousness and consequent ability to implement policies, is successfully addressed.

I paint a rather discouraging picture. The UN agency responsible for global environmental issues, which I suggest will be the big issues in the 1990s and the millennium to come, has a budget of about \$30 million. The US contribution is \$10 million. Domestically the Environmental Protection Agency (EPA) spends in the neighborhood of \$5 billion. So compare the \$5 billion spent by the federal government, and additional sums by the various state and local governments, with the international effort of a \$10 million US contribution.

UNEP is doing some good work, particularly in the area of developing legal instruments to address environmental problems. The Montreal Protocol on ozone is one example. Based in Nairobi, UNEP is one of a handful of specialized UN agencies located in the Third World, even though two-thirds of the UN membership is in the Third World. It has played a role in changing Third World attitudes, at least governmental attitudes, about the environment. One of the seminal events in the birth of the international environmental

What about the question of "imposing" US standards? This country has developed some good standards for environmental protection which we ought to promote. Some people might think that sounds a bit imperialistic, but we do have a global crisis. The notion that every country can go it alone is simply not tenable over the longer term. Peter Galbraith

movement was the 1972 Stockholm Conference on the Human Environment. At that time Third World countries said: we want some of your pollution, we would like to have some of these problems. Pollution is equal to development. Ten years later I was in Nairobi for the Tenth Anniversary Conference and found an emphasis on sustainable development, a greater recognition that environmental policies enhance development.

Today there is an awareness on the governmental level in developing countries, thanks in part to UNEP, thanks in part to American leadership, that the environment is a part of the development process. If you invest \$500 million in building a dam but forego proper watershed management, you will make a dam that becomes worthless not in a hundred year life cycle, but within ten or twenty years. It is not economical under cost-benefit analysis. Visible consequences of this abound.

The difficulty is, of course, that population pressures and construction efforts in Latin America, Africa, and parts of Asia prevent governments from exercising effective control over much of the development process which affects not only the domestic environment but ultimately the global environment. The process of converting unsuited forest land, for example, to agricultural land, ultimately contributes to deforestation, which in turn reduces the cover of rain forest and the cover of tropical forest. This reduction affects many species, as well as the climate.

What is the prescription? It includes a greatly strengthened UNEP. We need US leadership, which notably has been lacking in the environmental field. We started the whole process and then sat back. What about the question of "imposing" US standards? This country has developed some good standards for environmental protection which we ought to promote. Some people might think that sounds a bit imperialistic, but we do have a global crisis. The notion that every country can go it alone is simply not tenable over the longer term.

On the other hand we obviously have to understand that not every US standard is applicable to other countries. We ban DDT in this country because, among other things, the environmental consequences far outweigh the benefits in terms of dealing with indigenous pests. In other countries where the pests are more serious, that kind of cost-benefit analysis may not apply. But we do have a high set of standards developed over a long period of time which we can and probably should promote.

HENRIKSON: What are the various ways the United States could impose its own standards? I am thinking primarily of the World Bank. President Barber Conable is reported to be more interested than his predecessors in the integral relationship between development and environmental protection. Do you think an effective way of imposing American standards on, for example, Brazilians, would be to offer a progressive reduction in their debt burden in return for certain constraints on the development of the Amazon? Is this thinkable, especially from the point of view of the United States Congress, and how would such an agreement be mediated institutionally?

GALBRAITH: The Congress is thinking about it. Such legislation has been passed or is in train and will return in the 101st Congress. The notion of swapping debt for nature is gaining some currency. One has to look carefully at the mechanics, but the notion of holding out debt forgiveness for a country like Brazil in return for much tighter control on the destruction of the Amazon is reasonable and entirely justifiable. After all, it is not just the Brazilians who are affected by the destruction of the Amazon. It affects all of us. Of course the United States has to recognize its own responsibility for, among other things, the greenhouse effect. For example, we use twice as much energy per dollar of GNP as the Japanese. But we can impose our standards by the use of the lever of US foreign assistance. We do that on a number of issues. The executive branch never likes it. The international financial institutions

do not like it. But we do it, and I think it is worth doing. Of course that assumes we have an adequate level of foreign assistance. When you pay the piper you call the tune. If we are not paying, we are not going to be able to impose our will. I think we ought to make environmental standards a condition of our contribution to the World Bank and to other international financial institutions.

Trade is another tool. One of the major causes of deforestation in this hemisphere is cattle ranching. Cattle products are imported to the United States. My son is a participant in his own consumer boycott of one of the hamburger chains for that reason. He and his classmates are only ten years old. But one might analogize on a governmental level.

HENRIKSON: A beautiful example of thinking globally and acting locally. Let me open the floor up to discussion.

JOHNSON: I would just like to say that several of the economic statistics used here are intriguing to me. You mentioned, professor, that we are currently spending about 5.7 percent of our Gross National Product on defense, and I think that is probably about right. That is probably the lowest figure we have spent on defense since before the Korean War, so we are, relatively, at a low level. Secondly, defense expenditures comprised 50 percent of the federal budget in the early 1960s. Defense spending today accounts for less than 25 percent of the federal budget. Japan spends about 1 percent, in fact, 1.01 percent of its GNP on defense. While that sounds like a low figure, when put in real terms in the "Free World," Japan is now the fifth largest spender on defense, because the yen is such a powerful buying tool. That causes some problems. The Japanese are terribly sensitive, because the 1 percent spending figure is an internally imposed arms limitation in accordance with their Constitution. Exceeding the 1 percent figure sent a signal to the rest of Asia that Japan was going to provide whatever was necessary for its own defense. The Japanese are extremely concerned, living as close to the Russian bear as they do, with the Soviet naval buildup and the Soviet presence in not only Northern islands but also in the Soviet Far East. That in turn causes perceptual problems for China, for the Philippines, and for all the countries that have memory of former Japanese domination as far south as Australia.

Now why is all that important to us? It is important to us because many of the countries in the Far East see the United States Seventh Fleet as the great balancer. So long as the fleet regularly makes calls in Far Eastern ports, or is visibly present, they are not going to see a harbor full of other ships. The United States is playing a real diplomatic balancing role almost in the classical sense for the countries in that part of the world.

HENRIKSON: Your initial point about how the 5.7 percent figure is lower than it has been implies a larger point as well about burden sharing over time. Certainly the role the United States has played in the Pacific since 1945

is one which is defined in significant part by memories of the past. To analyze problems of burden sharing by assessing simply the short-term budgets of different countries overlooks the historical character of a lot of these problems.

The floor is now open to general discussion. If you have a question for a particular member of the panel, please indicate so.

QUESTION: I would direct my question to Mr. Galbraith. Having worked in Congress for three years before coming to the Fletcher School, I heard all the burden sharing cries you have mentioned. First, do you think that the 101st Congress will want Japan and West Germany to pay more of their share of defense? Second, if that is the case, is such burden sharing problematic? Captain Johnson picked up on the second point by saying Japanese revanchism might be a real problem for the other countries in that area. If so, are there creative ways that Japan can contribute more to its defense, perhaps not by rearming itself, but by paying more of the cost for American troops stationed there? What is your opinion?

GALBRAITH: The answer to your first question is yes. Unless there is some kind of political cataclysm, the 101st Congress will be much like the 100th in that it will certainly want Japan and to some degree our European allies to contribute more toward defense. This is not likely to be any more effective than it has been. There are some advantages to the United States being the preeminent military power in the Pacific and within the Western Alliance. I agree with the other premise that one ought to encourage Japan to do more in terms of economic assistance, and it is doing more. The Japanese are also increasingly becoming interested in international environmental issues, and they should be encouraged. Since the United States is contributing less to these activities, it is losing political influence. The prescription is not for Japan to do less in those areas, rather, the United States should increase its emphasis on environmental issues, and allocate its budget accordingly.

JOHNSON: I would like to add a couple of points on this issue. Up until a year ago I commanded seven ships in Yokosuka in Japan, so my experience is fairly recent. For instance, the Japanese now pay roughly one-third to one-half of the daily wage rate of a worker in a shipyard supporting my ships. They pay for the construction of new buildings and other US military facilities in Japan. There is a certain Catch-22 in asking them to do a lot more for us. Do we want them to pay for the entire daily wage rate of that worker in the shipyard? It will not take long for Japan to figure out that maybe it ought to be spending the money on Japanese rather than US interests.

We could ask them to pay for 100 percent of the cost of repair and maintenance of our ships, but then you would run smack into the lobby in our own Congress which says that shipyard repair ought to be done in our country where we are paying American workers and creating American jobs. Why are we giving this business to Japanese shipyards? There is another Catch-22 in asking the Japanese to provide not only for their own defense but

for regional defense in the Northwest Pacific. We have mentioned the sensitivities of the Japanese and their neighbors. A US retrenchment in the Pacific would make the Japanese expand to the point where they were comfortable with their own security.

QUESTION: My question is for Walt Manger and challenges the assumption that because of the change in world order American influence has diminished. It seems to me the issue has been around for a long time but has gotten more dire in the last eight, ten years. Do US diplomats feel less influential now than they did a decade ago, especially given our debtor status and other aspects of decline? What is the status of US leadership and attitude?

MANGER: When the Reagan administration came to office in early 1981, it was perceived in many parts of the world as beginning a new Cold War between East and West. There was not much progress in terms of general East-West relations for the first couple of years of the administration. But with recent developments such as the INF Treaty, other advances with the Soviets, and negotiations in Southwestern Africa, the general attitude that one encounters abroad is that the administration is somewhat more influential. That certainly makes our job a bit easier.

In the United Nations context, for example, the signing of the INF Treaty engendered a general era of good feelings toward the United States among many Third World delegations. I find it ironic that as we move toward nuclear reductions with the Soviets, Third World countries with scarce resources continue to acquire — not necessarily nuclear weapons — but more and more highly sophisticated weapons of their own.

JOHNSON: I think there are five nuclear powers today, and it is estimated by the turn of the century there may be as many as forty. Even more disturbing than the proliferation of nuclear weapons technology is the increasing ability to deliver nuclear and chemical warfare weapons. Within this past year alone, we have seen countries such as Iran, Iraq, Saudi Arabia, and Israel acquire medium-range ballistic missiles. That trend will most likely continue. This situation is a wonderful arena for multilateral negotiations, bilateral negotiations, and, if necessary, unilateral efforts to try to put the genie back in the bottle. I just do not think it is going to happen.

GALBRAITH: I am certainly not nearly as pessimistic as you are in the area of nuclear proliferation, of which there has been little since 1964. On the matter of US influence, I am not sure I agree with Arthur Schlesinger's quote. In some ways we are no longer "numero uno," and in some ways people do not jump when we say something. Yet I am struck, as I travel, by the influence that the United States still has.

Working in the Congress for the Senate Foreign Relations Committee, I sometimes think we are a mini-United Nations. Political leaders from a variety of countries come to the Congress and plead their cases. They want us to pass

resolutions on behalf of democracy. They care what we say, even in the form of non-binding resolutions. These countries care what conditions Congress puts on assistance. We were pushed hard by the Democratic opposition in Pakistan to link our assistance, the third largest assistance program we have, to human rights; and the Pakistani government cared. Pakistan's foreign minister and president came repeatedly to the Senate, to say they were going to make progress. When progress was made, diplomats privately attributed success to US pressure. That example was repeated in South Korea. Look at the experience of the Philippines and the enormous influence that the United States wields. After all, Marcos made his election announcement on American television. So in many ways the status of US leadership — moral leadership, and this gets to your final question — is, I think, very high.

HENRIKSON: I think the answer to the question "Going It Alone?" is probably "no." In many respects, however, the United States is still the leader, the first among equals, the focus of attention, if nothing else.

JOHNSON: One example of US leadership is when we sent forces to the Persian Gulf. Because we had a finite number of forces available, some of the forces we sent came from our NATO commitment in the Mediterranean. The German navy, being constitutionally limited to the NATO area, and several others sent destroyers and frigates to the Mediterranean to cover our commitment, while the United States was otherwise occupied with an area perceived to be in the interests of all. That is a form of burden-sharing that we really need to explore.

RIEFFEL: I wanted to go back to the last question and say that I think leadership: moral leadership, political leadership, economic leadership, depends on a unilateral effort to strengthen the US economy. I think this is a message for both the Democrats and Republicans. The United States is not going to be able to project this leadership, leadership that the world wants and needs, unless it has a budget surplus and a balance of payments surplus as well.

JOHNSON: If I can echo what Peter said? Certainly in my travels around the world there are places which still consider us, good, bad, or indifferent, the "last best hope for mankind," and I find that fact very warming in a sense.

