

BROUGHT FORWARD

GENERAL

F04

Previously filed

2-16-71

Date

NAME

J.E. Moriarty

ORGANIZATION

*The Lobster Dollar
Company*

GENERAL

F04

New File Symbol

3-2-71

Date

FINAL ACTION

*Copy of
State memo re
Embassy action
re the above*

Ag

26379
GENERAL
FOH

DEPARTMENT OF STATE

Washington, D.C. 20520

S/S - 7103035

March 2, 1971

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: Letter to Robert Finch from
J. E. Moriarty

orig sent 3/3/71
In response to Mr. Finch's request dated December 21, I sent you on January 13 a suggested reply to a letter to Mr. Finch from Mr. J. E. Moriarty. Mr. Moriarty had requested assistance in obtaining compensation for a building taken over by the Government of the Philippines. We also suggested that action on this matter be transferred to Embassy Manila and so notified the Embassy.

The Embassy has made an initial investigation into the matter of the Robert Dollar Building in Manila and has written Mr. Moriarty informing him of the result of this investigation and requesting further information from Mr. Moriarty if further action by the Embassy is desired. A copy of the Embassy's letter is enclosed.

Wingate Lloyd
Theodore L. Eliot, Jr.
Executive Secretary

Enclosure:

Letter from Embassy Manila to
J. E. Moriarty dated February 11.

RECEIVED
MAR 5 1971
CENTRAL FILES

EMBASSY OF THE UNITED STATES OF AMERICA

APO San Francisco 96523

Manila, Philippines
February 11, 1971

Mr. J. E. Moriarty
Assistant to the President
The Robert Dollar Co.
311 California Street
San Francisco, California 94104

Dear Mr. Moriarty:

After Ambassador Byrnes returned to Manila from Washington late last month, he asked me to look into the question of compensation for the Robert Dollar Building in Manila. We were under the impression you had been requested to send to the Embassy some information about your prior efforts to collect this debt, but we have not received it yet. Our attempts to piece together the story from here have not been very successful.

We have your letter of December 9, 1970, to Mr. Robert Finch, with the attached report from Mr. Vicente Jose of Syco, Torres, Valayo and Co. We got in touch with Mr. Jose, who tells us the question of compensation is being handled entirely by Attorney Balenkita. We were able to contact the latter but were not able to get a very satisfactory report. He described a long series of unsuccessful attempts to consult with very senior Philippine officials, principally Vice President Lopez, but when we requested copies of his correspondence relating to the matter he stated he had not made a demand in writing for payment. Even more surprising, and contrary to the impression we had from the first paragraph of your letter of December 9, he states the amount of compensation to be paid is yet to be determined by a board of appraisers, which will consist of one representative each from the Philippine General Accounting Office, Bureau of Public Works, and the Robert Dollar Company. He proposes to continue his efforts to get this appraisal completed by calling senior officials in the Bureau of Customs, the Department of Finance, the Department of Agriculture and Natural Resources, and the Bureau of Lands.

Mr. Jose is of the opinion that Attorney Balenkita has not effectively asserted your claim with the appropriate Philippine officials. We are handicapped in our effort to assist him by his failure to make a record of his efforts to collect. We can, of course, approach the Government of the Philippines on the sole basis of the excessive time which has elapsed since the reversion, but we would be able to make a far more effective complaint if we can demonstrate what efforts have been made in the Company's behalf.

We have encouraged Attorney Balonkita to let us know how we may be of assistance, but so far his only suggestion is that the Embassy should join him in making representations to the Secretary of Agriculture. This may, in fact, be useful because Vice President Lopez has resigned his concurrent cabinet post as Secretary of Agriculture and his successor appears to be less burdened with interests and activities unrelated to that Department. However, before we speak to anyone in the Philippine Government, we would like to have more information. In particular, we would like to know whether your company concurs with the view of your attorney that the amount of compensation is not yet fixed, and if so, what your views are on the proposed method of appraisal. We would also need to be informed on the terms of the lease, including the agreed conditions under which the reversion occurred.

If you have not already done so, please send us this information and any further suggestions you may have as to assistance we may provide.

Sincerely yours,

Norman R. Thorpe
Legal Officer

N3C CORRESPONDENCE PROFILE

DOC	RECD	LOG NBR	INITIAL ACTION OFF
MO DA	MO DA HR		
03 02 13	03 10	26379	HOLD DRIDGE

DOC SOURCE/CLASS/DESCRIPTION

TO: PRES ☒ FROM: ELIOT ☒ U ☒ LOG IN/OUT ONLY ☒
 KISSINGER ☒ ROGERS, W ☐ LOU ☐ NO FORN ☐ NODIS ☐
 HAIG ☐ LAIRD, M ☐ C ☐ BUO ☐ EXDIS ☐
 S ☐ EYES ONLY ☐ LIMDIS ☐
 TS ☐ CODE WORD ☐ RES DATA ☐
 SENSITIVE ☐

SUBJECT: *Letter to Robert Finch from J.E. Moriarty*

REFERENCE: S/S *7103035* OTHER ☐ NOT XEROXED ☐

APP'TS: PRES ☐ HAK ☐ TALKER ☐ MEMCON ☐ DATE REQ. ☐

SECRETARIAT DISTRIBUTION/ACTION

INTERNAL ROUTING AND DISTRIBUTION

	ACTION	INFO	REC CY FOR
ADVANCE CYS TO HAK/HAIG	☒		
STAFF SECRETARY			
FAR EAST		☒	
SUB-SAHARAN AFRICA			
NR EAST/NORTH AFRICA			
EUROPE/CANADA			
LATIN AMERICA			
UNITED NATIONS			
ECONOMIC			
SCIENTIFIC			
LR PLANNING			
PROGRAM ANALYSIS			
NSC PLANNING			
CONGRESSIONAL			

ACTION REQUIRED

MEMO FOR HAK ()
 MEMO FOR PRES. ()
 REPLY FOR SIGNATURE ()
 FOR DISTRIBUTION/DISPATCH ()
 MEMO TO ()
 RECOMMENDATIONS ()
 JOINT MEMO ()
 REFER TO STATE ()
 ANY ACTION NECESSARY ()
 CONCURRENCE ()
 DUE DATE:

COMMENTS: (Including Special Instructions)

To Robert Finch

INTERNAL/INTERIM ROUTING

DATE	FROM	TO	S	ACTION REQUIRED	CY TO

DISPOSITION

CROSS REF WITH ☐ NOTIFY ☐ DATE ☐
 SEE LOG ☐ DISPATCH: LETTER/MEMO ☐
 JOINED BY LOG ☐ COPIES: (AS MARKED ABOVE) ☐
 SPECIAL FILE RQMT: ☐ SA, ☐ HP, ☐ HM
 SPECIAL DISPOSITION COMMENTS: ☐
 SUSPENSE CY ATTACHED: YES ☐ NO ☐

MICROFILM DATA

DO ☒ *25m*
 INIT *3/5*
 DATE *3/5*
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 TO)
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 PAF ☐
 WHC ☒
 SUBF ☐

February 16, 1971

Dear Jim:

Thank you for your letter, December 9, regarding the problem of obtaining compensation from the Philippine Government for the Robert Dollar Building in Manila. I am sorry to take so long to reply.

Ambassador Henry Byroade, our Ambassador in Manila, was recently in Washington on consultation, and at that time I asked the Department of State to discuss this matter with him. Ambassador Byroade will be happy to have his staff look into this matter on his return and determine what action the Embassy might appropriately take or what recommendations they might properly make to the Robert Dollar Company.

Unfortunately, your letter does not give adequate details to make an informed approach to the problem by the Embassy possible. I suggest, therefore, that you provide further facts and pertinent documentation which might best be sent directly to the Embassy in Manila.

With every good wish,

Sincerely,

BOB
Robert H. Finch
Counsellor to the President

x
Mr. J. E. Moriarty
Assistant to the President
The RobertxDollar Company
311 California Street
San Francisco, California 94104

TLELIOT,State:BB:tlh

x file
3

RECEIVED
FEB 19 1971
CENTRAL FILES

Suggested Reply

Dear Jim:

Thank you for your letter of December 9, regarding the problem of obtaining compensation from the Philippine Government for the Robert Dollar Building in Manila. I am sorry to take so long to reply.

Ambassador Henry Byroade, our Ambassador in Manila, *was recently* *at that time* ~~is now~~ in Washington on consultation and I ~~have~~ asked the Department of State to discuss this matter with him. Ambassador Byroade will be happy to have his staff look into this matter on his return and determine what action the Embassy might appropriately take or what recommendations they might properly make to the Robert Dollar Co. *PP* Unfortunately, your letter does not give adequate details to make an informed approach to the problem by the Embassy possible. I suggest, therefore, that you provide further facts and pertinent documentation which might best be sent direct to the Embassy in Manila.

W.E.G.W.
Mr. J. E. Moriarty,
Assistant to the President
The Robert Dollar Co.
311 California Street
San Francisco, California 94104



DEPARTMENT OF STATE

Washington, D.C. 20520

25040

oh CR

7100195

January 13, 1971

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: Letter to Robert Finch from
Mr. J. E. Moriarty

In response to Mr. Finch's request of December 21, which we received on January 7, I enclose a suggested reply to a letter to Mr. Finch from Mr. J. E. Moriarty. Mr. Moriarty requested assistance in obtaining compensation for a building taken over by the Government of the Philippines. We are suggesting that action on this be transferred to Embassy Manila. The original correspondence is returned for your files.

Theodore L. Eliot, Jr.
Theodore L. Eliot, Jr.
Executive Secretary

Enclosures:

1. Suggested reply.
2. Original correspondence.

SYCIP, GORRES, VELAYO & CO.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 589, MANILA
PHILIPPINES

CABLES: CERTIFIED
ADDRESS
6760 AYALA AVENUE
MAKATI, RIZAL
PHILIPPINES

MANILA
CEBU
DAVAO
BACOLOD
ILOILO
ILIGAN
—
TAIPEI, TAIWAN
—
BANGKOK, THAILAND
—
DJAKARTA, INDONESIA

January 20, 1971

The Robert Dollar Co.
Robert Dollar Building
San Francisco 4
U. S. A.

Attention of Mr. W. F. Vonderheid,
Assistant Treasurer

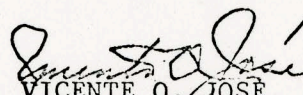
Gentlemen:

We were informed by Atty. J. L. Balongkita that, so far, the claim against the Philippine Government in connection with the transfer of the company property at Port Area, Manila, is not yet determined. The government representative and the appraiser hired by Atty. Balongkita have not yet submitted any report on the value of the property. We understand from Atty. Balongkita that he will talk to Customs Commissioner Rolando Geotina these coming weeks to get some action on this matter. As soon as he gets the favorable endorsement of the Commissioner, he will confer with the new Secretary of Agriculture and Natural Resources, Mr. Arturo Tanco, Jr.

As to the amount that will be collectible from the government, Atty. Balongkita believes that the figure will not be less than P210,000, the assessed value of the property transferred.

We shall be glad to answer any question you may have on this matter.

Very truly yours,


VICENTE O. JOSE
Partner

cc: Atty. J. L. Balongkita

REC'D

JAN 23 1971

W.F.V.

NATIONAL SECURITY COUNCIL CORRESPONDENCE ROUTING AND CONTROL PROFILE

NUMBER MO DA HR

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DOCUMENT SOURCE/CLASS/DESCRIPTION

TO: PRES X
HAK X

FROM: ELIOT X
ROGERS _____
LAIRD _____

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SENSITIVE
PARIS MTG
NO FORN

DOC DATE: 01/13

FINCH, R

MORIN, J E

SUBJECT: Acknowledgement to Mr. Morin re compensation for
the Robert Dollar Bldg. Taken over By Govn of Philippines

ENCLOSURES: 7/00195 () NOT XEROXED FOR SUSPENSE FILE

SECRETARIAT DISTRIBUTION/ACTION

INTERNAL ROUTING AND DISTRIBUTION

NAME: _____

	ACTION	INFO	RCD CY FOR:
ADVANCE CYS TO HAK/HAIG			
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NR EAST/NORTH AFRICA			
EUROPE/CANADA			
LATIN AMERICA			
UNITED NATIONS			
ECONOMIC			
SCIENTIFIC			
PLANNING GROUP			
PROGRAM ANALYSIS			

ACTION REQUIRED

MEMO FOR HAK ()
MEMO TO PRESIDENT ()
REPLY FOR HAK SIGNATURE ()
REPLY FOR PRES SIGNATURE ()
MEMO TO ()
RECOMMENDATIONS ()
JOINT MEMO ()
APPROPRIATE ACTION ()
ANY ACTION NECESSARY ()
CONCURRENCE ()
DUE DATE: _____

COMMENTS: (Including Special Instructions)

Log in & out

INTERNAL ROUTING

DATE	FROM	TO
<u>01/14</u>	<u>NSC/s</u>	<u>FINCH, R</u>

ACTION REQUIRED

For your Handling

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TO)	PAF <u>✓</u>
	WHC <u>✓</u>
	SUBF

DISPOSITION

DISPATCH: LETTER/MEMO _____
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PAF X HAK APP'L
WHC _____ HAK MARGINALIA
SUBF _____ NS3 FORM REQUIRED

THE WHITE HOUSE OFFICE

REFERRAL

7100195

To: State Dept.

Date: Dec. 21, 1970

ACTION REQUESTED

- ☒ Draft reply for:
____ President's signature.
☒ Undersigned's signature.
____ Memorandum for use as enclosure to reply.
____ Direct reply.
____ Furnish information copy.
____ Suitable acknowledgment or other appropriate handling.
____ Furnish copy of reply, if any.
____ For your information.
____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

☒ Letter: _____ Telegram: _____ Other: _____
To: Robert H. Finch, Counsellor to the President
From: J.E. Moriarty, Robert Dollar Co., San Francisco, Calif. 94104
Date: Dec. 9, 1970
Subject: Needs help to collect payment for building taken over by govt of Manila.

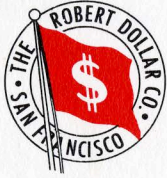
By direction of the President:

Robert H. Finch / ebr

Robert H. Finch
Counsellor to the President

bkl

State/suggested draft



THE ROBERT DOLLAR CO.

SHIPPING AND LUMBER

ROBERT DOLLAR BUILDING
SAN FRANCISCO 94104

7100195

December 9, 1970

Mr. Robert Finch, Presidential Assistant
The White House
Washington, D.C.

Dear Bob:

We have a problem which we have been trying to work out for some time without much success. Some years ago, we built The Robert Dollar Building in the port area of Manila, P. I. The Philippine Government decided to take over the building for Government use three or four years ago and we were ordered to evacuate. This was, of course, on a very friendly basis and we sent our former Manila manager, Mr. Howard Cavender, to Manila to negotiate settlement. Since that time, we have been waiting to receive payment.

We have no representation there now except for an attorney, Mr. J. R. Balonkita, who has been our legal counsel for many years. He has been unable to make any headway on this subject which is evidenced by the attached copy of the last letter we received from our CPA on the subject.

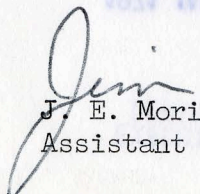
It is apparent to me that this matter will drift on forever unless we can enlist some help through the Ambassador in Manila. We do not know him and I am looking for some help. Naturally, when I'm looking for help, I turn to the most influential man I know, Mr. Robert Finch.

Seriously, Bob, I would appreciate your suggestions on this matter. Perhaps you and I should go out there and collect it.

If you need any documentation or other information, please let me know. If not, I will expect a check to be forthcoming in the near future.

I hope everything is well with you, Carol and the family and let me in on the early planning when you decide your next move which hopefully will be out here.

Warmest regards,


J. E. Moriarty
Assistant to the President

SYCIP, GORRES, VELAYO & CO.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 589, MANILA
PHILIPPINES

MANILA
CEBU
DAVAO
BACOLOD
ILOILO
ILIGAN
—
TAIPEI, TAIWAN
—
BANGKOK, THAILAND
—
DJAKARTA, INDONESIA

CABLES: CERTIFIED
—
ADDRESS
6760 AYALA AVENUE
MAKATI, RIZAL
PHILIPPINES

RECEIVED
OCT 28 1970
C.I.P.

October 19, 1970

The Robert Dollar Co.
Robert Dollar Building
San Francisco 4
California, U. S. A.

Attention of Mr. C. J. Patterson, Treasurer

Gentlemen:

This is in reply to your letter dated September 30, 1970 requesting information for any development on the company's claim against the Philippine Government.

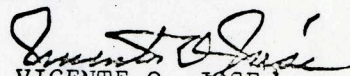
We went to the office of Atty. J. Balonkita on September 4, 1970 to confer with him on the results of his talks with Vice President Fernando Lopez, Secretary of Agriculture and Natural Resources. We were not able to meet him as he was indisposed.

A week later, we called him up however, we were told that he was having a conference.

On October 6, 1970, we contacted Atty. Balonkita and he informed us that he was not able to meet Vice President Lopez in September 1970 as the Vice President was always out in the provinces. He also told us that he will try if he can arrange a meeting with him this coming weeks. As to the status of the company's claim with the Philippine Government, he informed us that there has been no change in it.

We have noted that Atty. Balonkita is quite a busy man and following up a claim with the Philippine Government requires constant contacts with the government officials. We believe that he seems not to have the time to follow it up with these officials. Since this claim has not been settled for a considerable length of time, we suggest that a written report on its progress and status, be requested from your lawyer every month. This information will keep you posted on any development on this claim.

Very truly yours,


VICENTE O. JOSE
Partner

R. D. Co. Letterhead

December 9, 1970

Mr. J. R. Balonkita
Peoples Bank Building
Manila, P.I.

Dear Mr. Balonkita:

It has been a long time since I've written you. I guess since Globe Wireless days. Mr. Patterson has kept me informed with regard to the Philippine Government condemnation of our Building and the negotiations involved in effecting a settlement. Pat retired on November 30th and I am taking over this particular problem.

After discussing this matter with Howard Cavender and again reviewing the correspondence, it seems apparent to me that the settlement will not be forthcoming unless we can bring some political influence to bare. For this reason, I am proceeding to contact our friends in Washington and hope we can induce someone to give us a hand.

I hope you concur in this and I would very much appreciate any other suggestions you may have.

Warmest regards,

J. E. Moriarty
Assistant to the President

JEM/lp

cc: Howard Cavender

cc/

GENERAL

FOI
FI9

September 13, 1971

Dear Miss Wernett:

Dr. Kissinger has asked me to thank you for sending him your manuscript entitled, "Gold as the Ultimate Standard Supporting International Currencies". It is a most thoughtful and thought-provoking piece of work, and will be given close consideration in the formulation of future policy on the international monetary situation.

Sincerely,

Robert D. Hormats
Staff Member for
International Economic Affairs

Miss Gretchen E. ^XWernett
155 South Wilton Place
Los Angeles,
California 90004

RECEIVED
SEP 14 1971
CENTRAL FILES

September 3, 1971

Dr. Henry Kissinger
Western White House
San Clemente, California

Dear Dr. Kissinger:

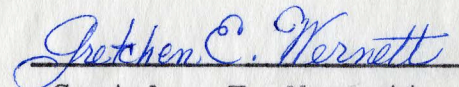
Enclosed is a manuscript that was submitted as a supplement for an international economics class at the University of Southern California, to Dr. Nake Kamrany from the International Bank of Reconstruction and Development.

This manuscript, I feel would benefit the United States and participating member nations in regard to assessments of the balance of payments and alleviating the United States debt. An international economic monetary policy for the present and future probably has begun; this would assist those who are compiling such proposals.

I have directed this proposal to you for the purpose of assisting the government and to channel it to proper sources.

Your handling of our economic monetary policy is commendable.

Respectfully yours,



Gretchen E. Wernett
155 South Wilton Place
Los Angeles, California
90004
Phone: 213 463-6606

attached:

SUPPLEMENT

"GOLD AS THE ULTIMATE STANDARD"
SUPPORTING INTERNATIONAL
CURRENCIES
JULY 30, 1971

Gretchen Wernett

The United States economic position of its current and capital accounts in terms of its monetary affairs is existing on the "Bretton Woods" system. This policy adopted in 1944 as the two tier gold standard by which the dollar is supported by gold, and other international currencies define their exchange rates in relation to the dollar has assumed a theoretically fallible application for the stable monetary policy in practice. ¹The United States is functioning on its national debt managed through interest rates and outside devices stemming from the international system of payments balances.

International currencies such as the German Mark, Dutch Guilder, and Swiss Franc(etc.) have appreciated in relation to the dollar in May 1971. It can be assumed the United States is treading mud in a swamp of quick sand and the present monetary system has no provisions for a recovery. Therefore, the lingering bankruptcy problem must be resolved. It is necessary to begin with the gold standard that substantiates the dollar. Since, our gold reserve stocks have decreased to ²9,959 million by two and two thirds dollars which is the lowest since 1938. Considering not to psychologically undermine the confidence in the dollar as a currency in a par value with other currencies and their exchange rates the alternative remains in ¹"re-establishing gold in place of the dollar as the ultimate standard". However, if a modified gold standard is established using the "Classical Theory" as a model, gold has the opportunity to fluctuate. A proposal of elastic bands for a flexible floating standard could be recognized in conjunction with the conclusion of this theory. Such that, nothing presently is

stable, rather it is susceptible to change and from this (like capillary vessel dialation and constrictions) is determined by supply and demand flow internationally, in the case of gold which provides the discipline in its fluctuations.

The connection of the U.S. dollar to the suggested gold standard will assume a new position internationally. It would be regarded, strictly as a medium of exchange internally within the nations as other international currencies function now. Yet, for loans, return payments, and aid internationally; assistance should be provided by tied methods. If reimbursements on the international trade scale to a well developed nation donot call for the tied method due to a surplus of commodities, gold can be the medium of exchange bought and given to the loaner nation. Such that imbalances of foreign currencies would not occur and if this takes place by means of tourism the convertibility of that currency can be exchanged by gold. When a nation is assisted by a loan the grace period should be reasonable to the underdeveloped country to afford the reimbursements without a strain on its balance of payments.

Finally, it is assumed that all currencies are supported by the modified gold fluctuating standard with elastic bands. It is necessary to reconsider exactly how international currencies will function which as adaptations from the ³"Fisherian model of quantity theory", and is based primarily on similar operations of the gold standard functioning in the following manner.

All international currencies must re-establish their exchange rates. Since gold will fluctuate, it will determine

the fluctuation in prices for international exchange rates. Currencies will adjust by the flow of demand and supply between elastic bands a discipline in the flexible floating system. A tighter discipline can emerge through a nation's treasury. For example: if inflation is predominant internationally, contraction must occur internally through taxes and other methods. Then the bands can widen since a new growth period is climbing leaving room for additional changes. The currency has caused a constriction within and outwardly the surplus can be sold to the exchange market or if an excessive surplus results gold could be purchased additionally for future corrections needed in the balance of payments.

Supports are evident for the flexible floating system with elastic bands through the presented arguments which are used to enforce this method.

On a floating rate system a currency does not resist managed floating and a government submits itself to pre-announced restraints or wider bands; providing the needed discipline.

However, on a fully floating rate no intervention is allowed and rates fluctuate in respond to random capital movement; resulting the prices to be unstable for trade and adjust spontaneously. This appears to have a negative approach, yet trade is based on the ratio of one currency to another for price exchanges. Therefore, the flexible movements of these transactions are necessary to stabilize internal capital.

Regarding fluctuating prices for trade, the time and date of the transaction will be important to the price of that currency. Since, the trade could be long range monetary assistance, the equivalents median measure must be taken into consideration to provide the funds adequately.

Government control can be withheld to a degree due to the limited supply of gold and reserves keeping these relation to in foreign currencies fluctuating in value, that would hamper certain interventions.

Discipline is encouraged by the system since it would not free participating countries from having to watch their balance of payments and monetary reserves. Due to uncertainties of exchange rates in the fluctuations assuming a relatively unstable position would require more attention payed to them than under a fixed exchange rate which in turn would alleviate a portion of the unemployment.

Economic Effects toward fluctuating exchanges illustrate that flexibilities are needed. The affect of international price relationships interfere with international investments and encourage protectionism, virtually slowing economic growth internationally since the prevalent economic growth rates are jumping instead of growing in an increased stabilized

manner.

Political effects would provide each currency with a recognition of its existence and the U.S. dollar would cease to be a leading key currency assuming the dollar to have equality among international exchanges. If other leading currencies also were set free to float with alternating currents the world's limited supply of gold would be left as the sole settler of international accounts and monetary reserve material. Thus, the tied arrangements for settlements previously mentioned, would allow for gold to continue its defined role and support the S.D.R.'s liquidities with encouragement for I.M.F. purchases of more gold to substantiate these reserves. This would provide for an additional adequate gold supply for international agreements.

Currencies no longer must perform a stable function internationally, as proven with the Canadian dollar that floated for twelve years from (1950 - 1962) resulting in an appreciation of its value. Other major currencies have favorable results due to floating resulting in their appreciation. Hence, a flexible floating system with elastic bands would provide an international monetary system with the opportunities to adjust accordingly without a severe currency crisis and modulate international affairs.

FOOTENOTES

1. Paul Fabra - Euromoney May 1971 Le Mande Should
a European Currency Become A Reserve Currency
2. NNNN 1205 Gold 6 London
July 28, 1971 International Wires
3. Monetary Theory and Controlled Flexibility in the
Foreign Exchanges
Ronald I. McKinnon
International Finance Section
Department of Economics
Princeton University Princeton, New Jersey
Essays in International Finance
No. 84 April 1971 ppl5
4. Charles Nehrt- International Finance For Multinational
Business
Herbert Bratter, Banking June 1962 (pp48, 126, 128)
Flexible Exchange Rate Not For Us ppl72-174

BIBLIOGRAPHY

1. Euromoney 1971 January, April, May, June
2. International Wires Reports July 28, 1971
Gold (6,5,4,3,2,) London;
BOP 2 Tokyo (1402)
1050 London Gold - New Two Year Peak;
1559 Paris Gold Price Gains;
Gold 2 Paris (1616)
3. Monthly Economic Letter June 1971
First National City Bank ppl2-15
4. C. Nehrt International Finance For Multinational
Business published 1967
5. R.I. McKinnon Monetary Theory and Controlled Flexibility
In The Foreign Exchanges No. 84 April 1971
6. Gold And Gold Shares
I. U. Cobleigh The Commercial And Financial Chronical
November 1970
7. Special Acknowledgement
H. Hampartzoumian United California Bank
Research and Planning Development

32324

GENERAL

FIG

FOA

THE WHITE HOUSE
WASHINGTON

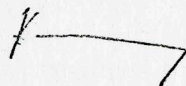
COUNCIL ON FOREIGN
RELATIONS

September 20, 1971

Dear Fred:

Thank you for your letter of September 3 and for sending me the final chapter of your book on the international monetary system. I have heard a number of very complimentary remarks about your work in the last few months at Brookings and continue to wish you well in your endeavors.

Warm regards,



Henry A. Kissinger

Dr. C. Fred Bergsten
The Brookings Institution
1775 Massachusetts Avenue, N. W.
Washington, D. C. 20036

*You have been a great teacher
- the question is whether I will learn
fast enough to affect events.*

Dispatched via Stripping Desk @ 1420 *K* 20 Sept
Cys to Hormats, HAK Margin & HAK Chron. *rj*

SEP 21 1971

CEN 105

THE WHITE HOUSE
WASHINGTON

33514-5
GENERAL

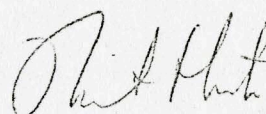
PR13
BE3
F04

October 19, 1971

Dear Mr. Burrige:

Dr. Kissinger has asked me to thank you for your letter of October 13 and the Communique of the APCAC attached thereto. The views and position of APCAC will be given close consideration in future policy deliberations on our relations with Asia.

Sincerely,



Robert Hormats

Mr. A. Lewis^X Burrige
Chairman
The Asian-Pacific Council of AMCHAMS
322 Edinburgh House
Hong Kong

(American
X
Chambers of Commerce)

24
THE WHITE HOUSE OFFICE

REFERRAL

GENERAL 3

PR13
BE3
FO4

To: The Secretary of State

Date: October 26, 1971

ACTION REQUESTED

- ☐ Draft reply for:
☐ President's signature.
☐ Undersigned's signature.
- ☐ Memorandum for use as enclosure to reply.
- ☐ Direct reply.
☐ Furnish information copy.
- ☒ Suitable acknowledgment or other appropriate handling.
☐ Furnish copy of reply, if any.
- ☐ For your information.
- ☐ For comment.

NOTE

Prompt action is essential.

If more than 72 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

☒ Letter: ☐ Telegram: ☐ Other:

To: The President

From: A. Lewis Burridge, Chairman, The Asian-Pacific Council of Amchams, 322

Date: 10/13/71 Edinburgh House, Hong Kong

Subject: Attaching Communique incorporating resolutions passed by meeting of the Asian-Pacific Council of American Chambers of Commerce--motivated by concern for current economic distress of US and effect their actions having on U.S.

By direction of the President:

Michael B. Smith
Staff Assistant

RECEIVED
OCT 28 1971
CENTRAL FILES

rah

(White House File Copy)

NOV 10 1971

Dear Mrs. ^XLasher: *Jeanne*

On behalf of President, I wish to acknowledge your letter of November 1 regarding Mr. Donald ^XStorey. I know the President appreciates your concern in bringing Mr. Storey to his attention.

Sincerely,

(Signed) George P. Shultz

George P. Shultz
Director

Mrs. Alfred ^XLasher, Jr.
999 Kirby Drive
Houston, Texas 77019

bcc: Rose Mary Woods
CENTRAL FILES - w/orig. incoming ✓

cc:
DO Records - w/cc of incoming
Director's Chron
Director

CRPerry:ech - 11/9/71

6913

Enclosures filed in
Oversize Attachments #-----

RECEIVED
NOV 11 1971

THE WHITE HOUSE
WASHINGTON

Date 4/8/71

To George Shultz

From Rose Mary Woods

FYI _____

Please Handle ✓

Rmw

(2)

PRESERVATION COPY

From the desk of -
MRS. ALFRED W. LASHER, JR.

Nov. 5, 1971

Dear Lucy,

Would you please be kind enough to give the enclosed to Pat for me as it's rather important and want to make 100% sure she receives it. My many, many thanks.

Hope that all goes well with you in your busy life and that I'll have the pleasure of seeing you again in the not too distant future.

All best regards,
Jeanne Lasher

Rose: I don't know this
Mrs Lasher -

LW

α.

PRESERVATION COPY

MRS. ALFRED LASHER, JR.

999 KIRBY DRIVE

HOUSTON, TEXAS 77019

November 1, 1971

The President of the United States
The White House
Washington, D. C. 20025

Dear Mr. President:

Really missed not having a personal visit with you when the Freedoms Foundation was at The White House last February. Pat explained your hectic schedule and we did have a great time catching up on the past couple of years.

Unfortunately, when you come to Houston on November 9, we probably will have to be in New York, but I still hope to have you meet my husband, Alfred Lasher, Jr., as you are alike in many ways. He and I are tremendously interested in seeing that the Republican Administration is maintained in office. We firmly believe that the economy and welfare of the Country are best served by you and your Administration. With this in mind, may we presume to make a suggestion which might be of some benefit towards the above purpose.

For many years, Alfred has had a Canadian friend, Donald Storey, a world renowned economist. Don worked for many years with Hamilton Bolton helping to edit the Bank Credit Analyst, an economic service published in Montreal which is well known to your present economic advisors. He now runs this service. We are both well acquainted with Don Storey, and for the past five years, Alfred has worked very closely with Don on his investments. Donald Storey's economic forecasts have been uncannily accurate, his knowledge and grasp of international, political and monetary affairs is highly impressive.

Obviously, your advisors, such as Mr. McCracken, Connally, Burns and literally dozens of top ranking American economists are at your beck and call, affording much help in formulating your thinking for international monetary and domestic, economic and political approaches. Perhaps, Mr. President, Donald Storey, being a Canadian, has not come to your attention. He is married to an American, is strongly pro-American in his feelings and is constantly in Europe getting a feel of the U. S. position through European eyes. Much of what he has written, and discussed personally with us, offers a different outlook from others. From recent conversations, we know Don is most willing to talk with you about these ideas, should you so desire.

Page 2

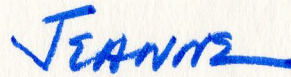
November 1, 1971

Don is a complete professional and for your evaluation of whether some time spent with him would be worth your while, enclosed is Storey's International monthly advisory bulletin and an economic outlook that he published this month. As you glance through the lines, I believe you will see his intelligence and understanding coming through. With the international economic situation and our own domestic stock market in a state of turmoil at this time, your Phase Two program must work. Should it not, it could mean a disastrous depression for the United States and Europe. Any help that any good American could now offer should be given to you and your Administration. With this only in mind, may I urge that you consider calling Donald Storey to Washington and giving him a hearing. He is well known to Mr. Burns and Mr. McCracken, and although his views may not coincide in every instance, it may be beneficial to have the advantage of hearing him express his ideas on American economic and international monetary policy.

For your convenience, Storey's office telephone in Bermuda is 26383 and his office number in Montreal is AC 514 - 844-3036.

Our prayers are with you to guide this Country to its greatest success and strength in the future.

As always, most affectionate regards,



Jeanne S. Lasher

CG
GENERAL

FD4

FC11

KISSINGER, HENRY A. /A

JAN 26 1972

Dear Alan:

Many thanks for your letter of January 13 and for passing along to me the copy of your letter to Nat Samuels. I was interested to see it and will keep it in mind.

I am sorry not to have had a chance to see you and Laura. I would have been pleased to write a letter of recommendation for her but understand what you mean about such efforts being counter-productive. In that part of the country, mine especially may be of questionable value.

Please stay in touch and let me know the next time you are going to be in Washington.

Warm regards,

Henry A. Kissinger

Henry A. Kissinger

Mr. Alan N. [★]Alpern
20 Exchange Place
54th Floor
New York, N. Y. 10005

jlpl:1/21/72

RECEIVED

JAN 27 1972

CENTRAL FILES

ALAN N. ALPERN
20 EXCHANGE PLACE, 54TH FLOOR
NEW YORK, N. Y. 10005
—
943.1340

January 13, 1972

Personal

Dr. Henry Kissinger
The White House
Washington D.C.

Dear Henry:

I enclose a copy of a letter I sent to Nat Samuels on an aspect on the international monetary position which has been troubling me for some time.

We had hoped to see you in Washington at Thanksgiving because I had with me my daughter, Laura, whom you haven't seen for a number of years, who is assembling recommendations for Radcliffe College. There seem to be two points of view on the usefulness of letters of recommendation, and I have now pretty much concluded that they are probably counter-productive.

I hope that we shall see you some day soon in New York.

With kindest regards,

Sincerely

ANA:fk
Enc.

ALAN N. ALPERN
20 EXCHANGE PLACE, 54TH FLOOR
NEW YORK, N. Y. 10005

943-1340

January 13, 1972

The Honorable Nathaniel Samuels
Undersecretary of State
Department of State
Washington D.C.

Dear Nat:

I was unhappily ill at the time of your December 16 talk to the Council, or I most surely would have been there.

I am particularly concerned by the apparent lack of any real plan or, at least, one that is publicly disclosed to absorb the \$40 billion dollar excess foreign holdings which overhang monetary markets. I remember that in 1966 I suggested to Bob Roosa the possibility of issuing a very long-term, viz 50 to 100 years, dollar bond to foreign Central Banks holding what were then considerably smaller excess dollar positions. As you know, the interim solution chosen by the Treasury at that time were the "swap" transactions which, obviously, are not pertinent in terms of the scope of today's problems.

Last Saturday evening Florio Gradi, who you may remember represents the Bank of Italy here, came to dinner and we talked about the idea of a very long-term dollar issue, and he thought we would "find many buyers." He also agreed with me that a good many Central Banks would be interested in such a solution without requiring unanimity within the EEC, and that such an arrangement would probably be viewed as a purely monetary measure and not necessarily tied to any trade negotiations.

I should think, too, that in due course arrangements could be made with the IMF to give some sort of "reserve" status to these securities.

You certainly have chosen an unusually active and interesting time to be in the foreign economic policy business!

Kindest regards

Sincerely,

ANA:fk

GENERAL

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KISSINGER, HENRY A.

THE WHITE HOUSE
WASHINGTON

January 31, 1972

Dear Francis:

The kind remarks in your note of December 22 are most welcome, although, believe it or not, I would not claim all the credit you have so generously bestowed on me.

I agree that we can expect continued pressure on the European troop issue, and I greatly appreciate your suggestions.

Warm regards,

Henry A. Kissinger

Mr. Francis^X Bator
17 Farrar Street
Cambridge, Massachusetts 02138

RECEIVED

FEB 3 1972

CENTRAL FILES

Dispatched Jan 31, 72 (bp)

February 9, 1972

FLANIGAN, PETER M.

GENERAL

FO4
BE

/mg-Rec'd/O*

Dear Henry:

Many thanks for your kind note of February 1. I read with great interest your column. Clearly it struck a responsive chord with me.

I am happy to report that I already had received a copy of the booklet on "Reshaping the International Economic Order". While I have not yet read it, with your added recommendation I will do so promptly.

I am sure I will need the help of you experts at Brookings and will not hesitate to call on you for support.

Again many thanks for keeping me in mind and with warm personal regards,

Yours,

Pete

Peter M. Flanigan
Assistant to the
President

Mr. Henry Owen
The Brookings Institution
1775 Massachusetts Ave., N.W.
Washington, D.C. 20036

FEB 10 1972
CENTRAL FILES

The Brookings Institution



1775 MASSACHUSETTS AVENUE N.W. / WASHINGTON D.C. 20036 / CABLES: BROOKINST / TELEPHONE: 202 HUDSON 3-8919

Foreign Policy Studies Program

February 1, 1972

Mr. Peter Flanigan
Assistant to the President for
International Economic Affairs
The White House
Washington, D. C.

Dear Peter:

Congratulations on your new position.

I enclose two items which will, I hope, shed blinding light on the problems you face:

1. A report on reshaping the international economic order which was prepared by twelve European, Japanese, and American economists who met last month at Brookings. The report got excellent coverage in the press here and abroad; we hope to conduct similar tripartite meetings in the future -- including a meeting at Brussels in September which will, hopefully, prepare a joint US-European-Japanese report on economic relations between the industrial and developing worlds.

2. A column which I wrote last month.

If there is any way in which the economists working at Brookings on foreign economic problems can be helpful to you, we are at your service. They met a few times with your predecessor, at his request. If you would find it useful, I would be glad to assemble some of them for a lunch at Brookings any time at your convenience.

All the best,

Henry Owen
Director

04
EUROPEAN OFFICE
17 AVENUE MATIGNON
PARIS 8E
359 94 76
TELEX 29218
CABLE LEMAYLAW

MAYER, BROWN & PLATT
1101 SEVENTEENTH STREET, N.W.
WASHINGTON, D. C. 20036
202-833-1670
CABLE LEMAYDC

GENERAL

FOH

C082

FC6-11-1/Flanigan, Peter

Saah, Joseph

CHICAGO OFFICE
231 SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60604
312-782-0600
TELEX 253760
CABLE LEMAY

September 6, 1972

Mr. Peter M. Flanigan
Assistant to the President
The White House
Washington, D. C.

Dear Mr. Flanigan:

In connection with your meeting tomorrow at 10:00 a.m. with Messrs. Miossi and O'Hara of the Continental Bank and with Mr. Fawcett of our office, we enclose two memoranda dated July 20, 1972, and September 5, 1972, respectively.

These memoranda deal with the topic which we would like to discuss with you tomorrow, and we thought perhaps a prior look at the enclosures would be helpful to you.

Very truly yours,

MAYER, BROWN & PLATT

By

Frank P. Cihlar

Frank P. Cihlar

FPC:kmv

Enclosures

EXECUTIVE SECRETARIAT
CIEP

1972 SEP 6 PM 1 19

THE WHITE HOUSE
WASHINGTON

MEMORANDUM

July 20, 1972

The purpose of this memorandum is to provide information concerning the attempted joinder, in a criminal action in Lebanon brought by private parties, of two individual defendants who are residents of the United States. In order adequately to explain this proceeding, which arises out of civil litigation in Lebanon concerning Continental Development Bank, Beirut, additional background information is also provided describing the various items of civil litigation.

In February, 1969, Continental International Finance Corporation (CIFC) purchased a controlling 75% interest in Development Bank, S.A.L. (now called Continental Development Bank) from Joseph Saab and members of his family. Concurrently with the purchase, Mr. Saab guaranteed certain parts of the loan portfolio and certain contingent liabilities of Continental Development Bank (CDB) aggregating approximately U.S. \$7,000,000. This guaranty was secured by a mortgage given by Mrs. Saab on a resort property in Lebanon called Laklouk.

The guaranty was required by CIFC because, prior to the purchase, an examination of CDB's loan portfolio indicated

that many of CDB's loans were of questionable collectibility.

Subsequent to the purchase and to CIFC's assumption of control, the problems in collecting CDB's existing loans became even greater than had been anticipated.

In February, 1971, the first installment of Mr. Saab's guaranty came due. He did not make any payment, however, alleging that CDB's efforts in collecting its loan portfolio were not made in good faith and that he was therefore relieved of all responsibility on the guaranty.

After CDB filed suit to foreclose the mortgage on Lakloun, Mr. Saab and others allied with him, brought some thirteen lawsuits against CDB and related parties. (CIFC has also foreclosed on certain shares of CDB stock pledged to secure Saab's obligation to pay off a first mortgage on Lakloun and on which CIFC was required to make a payment of an installment in order to prevent a default and foreclosure.)

One of these thirteen suits brought against CDB is a privately commenced criminal action (No. 99) brought by certain minority shareholders of CDB, including Mr. Saab's brother, and naming as defendants the Chairman of the Board of Directors of Continental Bank, the former General Manager of CDB (both of whom are residents of the U.S.), the present General Manager of CDB, another officer of CDB, Continental

Bank itself, CIFIC, and the auditors of CDB. The complaint was filed with the Lebanese Attorney General who, following Lebanese procedure, thereupon filed his own complaint as a matter of routine. (In Lebanon, private parties are permitted to institute criminal actions and perform an active role throughout the entire prosecution of the action.) The resident defendants have unsuccessfully sought the dismissal of the action on jurisdictional grounds. At the present time the matter is in the hands of the Senior Investigating Magistrate in Beirut for investigation.

The complaint alleges various violations of Lebanese law in the conduct of CDB's affairs, including allegations that an effort is being made to destroy the capital of CDB in order to get rid of small shareholders, that false balance sheets were published in 1969,^{*/} and that the crime of "dishonesty" was committed in violation of a section of Lebanese law making it a crime to destroy anything held in trust. (The specific allegation in this latter regard is that efforts to

^{*/} The complaint states that three separate figures, in differing amounts, in the 1969 financial statements are false because they refer to the same item, yet are different. However, the figures referred to were never put forth as representing the same items. The first figure was the total loss for 1969 as shown in the profit and loss statement; the second, also shown in that statement, was the loss net of contingent revenues and bad debt reserve; the last figure was the earned surplus of CDB after deduction of the 1969 net losses.

collect debts owing to CDB were not made in good faith, with the result that CDB suffered losses.)

Attempts have been made in the criminal suit to serve by mail the U.S. resident defendants. These attempts have consisted of the mailing by the court to the defendants in Chicago of notices of hearings in Beirut. (The defendants have not personally receipted for these documents.)

It is noteworthy that these attempts at services, if successful, would extend the jurisdiction of the Lebanese court, in a criminal action brought by private parties, so as to cover American citizens resident in the U.S., and would permit the Lebanese Court to try in absentia the U.S. resident defendants over whom criminal jurisdiction was obtained by mail. Under generally accepted principles of international law, such a judgment would not be recognized.

A description of the various suits (in addition to the criminal suit) brought by the Saab interests is as follows:

1. Mr. and Mrs. Joseph Saab v. CDB & CIFIC (No. 1540)

CDB's action to foreclose the Lakloun mortgage precipitated this action by Mr. and Mrs. Saab before the Beirut Commercial Court of First Instance, in which the Saabs seek (1) a stay of proceedings in the Lakloun mortgage foreclosure and a consolidation of the foreclosure action with this suit,

(2) the annulment of the Saab's guarantee and supplemental guarantee of CDB loans, and (3) the annulment of the Lakloul mortgage given as security for Saab's guaranty. The Court has appointed a committee of experts to investigate and clarify the situation. The Court further ordered a stay of execution for the Lakloul foreclosure until this Court could complete its examination of the merits of the litigation.

2. Mr. and Mrs. Joseph Saab v. CIFIC. (No number available)

This is a recent action brought against CIFIC with a requested joinder of CDB before the Beirut Commercial Court of First Instance in which the Saabs seek to appoint a Co-General Manager for CDB having equal authority with the present General Manager and to rescind the agreements by which CIFIC acquired its 75% interest in CDB. The Saabs also reserve their right to seek damages. This case is still in its preliminary stages.

3. Mr. and Mrs. Saab v. CDB (No. 675)

This is an action filed in February, 1972, by the Saabs in the Mount Lebanon Civil Court of First Instance. The Saabs ask the Court to annul the execution proceedings on Lakloul, because the transaction (1) lacks an executory instrument, (2) there is no liquidated and currently due debt, and (3) CDB cannot proceed with execution against the Saabs as Guarantors

until CDB has exhausted all means of recourse against the principal debtor (in this case the borrowers of the loans which the Saabs guaranteed). CDB in its reply denied the legal contentions of the Saabs and in addition requested that the Court dismiss the action for the following reasons: (a) the mortgage provided the Courts of Beirut would be vested with jurisdiction of any dispute, (b) the subject matter of this lawsuit is the subject matter of Case No. 1540 in which the Saabs are seeking cancellation of the mortgage, and (c) this suit was filed after lapse of the legal period provided for opposition to the execution. The Court has rendered its decision in favor of CDB dismissing the Saab's claim.

4. Joseph Saab v. CIFC (No. 1639)

Saab filed this suit before the Beirut Civil Court of First Instance asking for the stoppage of the execution on the Pledge Agreement (whereby Saab pledged his remaining CDB shares to secure his obligation to pay off a first mortgage on Lak-louk), until the Beirut Commercial Court of First Instance renders its decision in Action No. 1540, in which the Saabs are seeking the annulment of all the agreements pursuant to which CIFC acquired its interest in CDB. The Court rendered its decision in favor of CDB dismissing Saab's claim on the merits. Saab has appealed the decision to the Beirut Civil Court of Appeal.

5. Joseph Saab v. CIFIC (No. 1796)

This action was instituted against CIFIC before the Beirut Commercial Court of First Instance. Saab seeks a judgment in the amount of \$72,806.10 claiming that this amount represents 9% interest on the purchase price for the 44,000 shares which CIFIC purchased from Saab. Saab alleges that CIFIC improperly withheld payment of the purchase price for the shares from August 16, 1968, until February of 1969. However, the August 16, 1968 agreement was only a "preliminary agreement of understanding" and the final binding contract was not entered into until February of 1969 at which time the shares were transferred and payment was made.

6. Minority Shareholders v. CDB (No. 346)

Certain minority shareholders filed an action with the Judge of Urgent Matters in Beirut seeking the appointment of a co-general manager of CDB to act jointly with the present general manager. The plaintiffs shareholders are all associates of Mr. Joseph Saab. They include Joseph Saab's brother, Gabriel Saab, Gabriel Saab's attorney, Joseph Saab's sister-in-law (Gabriel Saab's wife) and Mrs. Joseph Saab's maternal uncle. The remaining plaintiffs are employees or friends of the Saabs. These plaintiffs are the same parties who instituted the criminal action discussed above.

The Court rendered its decision in favor of CDB dismissing this action for lack of jurisdiction over the subject matter and the plaintiffs have appealed.

7. Minority Shareholders v. Leo de Grijs (No. 381)

Certain minority shareholders (same as mentioned in the next preceding paragraph) brought an action seeking to restrain Leo de Grijs, in his capacity as general manager of CDB, from leaving the country. The Judge of Urgent Matters in Beirut rendered a decision deciding this suit in favor of de Grijs. The plaintiffs did not appeal this decision within the prescribed time period; therefore, this decision is final.

8. Joseph Saab v. CDB and CIFC (No. 1684)

In this action, which was filed before the Beirut Labor Arbitration Board, Joseph Saab claims certain indemnities are due him as a result of his alleged illegal discharge from the service of CDB. He claims damages of LL 343,888 plus interest on such amount from July 14, 1971, when he demanded payment of such indemnities.

CDB filed its answer to Saab's claim on March 1, 1972. CDB claims that Saab is not eligible for any severance indemnities under the provisions of the Lebanese Labour legislation since Saab was really only an adviser to the Bank and not a "servant" as required by the Labour legislation.

9. Gabriel Saab v. CDB (No. 487)

The lawsuit was brought before the Judge of Urgent Matters in Beirut. General Saab requested the Court to (1) order CDB to provide a financial statement for the first six months of fiscal year 1971, and (2) appoint an expert to inspect CDB accounts for 1970 and show in detail the general expenses for such year. The Judge of Urgent Matters in Beirut rendered its decision in this matter holding (1) CDB was required to deliver to G. Saab a financial statement for the first six months of 1971 and (2) dismissing G. Saab's request for an appointment of an expert to examine the 1970 accounts and the general expenses. Both parties appealed this decision to the Beirut Civil Court of Appeal. The Court of Appeal, which rendered its decision in favor of CDB, set aside the lower court's judgment requiring CDB to furnish a six-month financial statement and upheld the lower court's dismissal of Saab's request for an appointment of experts. G. Saab is presently appealing this decision to the Civil Court of Cassation (Supreme Court of Appeal).

10. Gabriel Saab v. CDB (No. 3649)

Saab brought this suit seeking to recover LL 750 as damages for expenses of a trial which ended in decision dated July 7, 1971 requiring CDB to deliver to Saab certain CDB

shares it held. No decision has been rendered in this action.

11. Expanded Metal Co. v. CDB (No. 2066)

Plaintiff has brought an action to recover rent of LL 6,750 past due on an alleged lease. Gabriel Saab is the Chairman of the Board of plaintiff and represents the plaintiff in this action. CDB has denied it ever entered into any such lease with the plaintiff.

12. Jean Risk v. CDB (No. 1801)

Suit was brought by a former employee of CDB for compensation of LL 11,065 as damages for termination of services. Suit is before the Beirut Labor Arbitration Board. The plaintiff is believed to be loyal to the Saab family.

* * * *

Based on our review of the above cases, and upon consultation with Lebanese counsel regarding them, we are of the view that CDB and related parties will prevail in these suits. Indeed, we believe it may fairly be said that most of the claims of Mr. Saab and associated parties are completely without merit and, in view of the large number of suits, which included duplication of claims, it is apparent that they have been filed to harass the defendants.

With regard particularly to the criminal suit, it would seem to be manifestly unjust to expect the two U.S. resident

individual defendants to appear in Beirut for hearings,
particularly where the defense can adequately be conducted
by the remaining defendants.

MAYER, BROWN & PLATT

MEMORANDUM

September 5, 1972

The following is a description of a criminal case brought in the First Criminal Court of Beirut by private parties (friends and relatives of Joseph Saab) in an attempt to force a settlement of the various civil actions in which Saab seeks to avoid his obligation as guarantor of certain bad debts of Continental Development Bank (CDB).^{1/}

A mere reading of the criminal complaint indicates that its only purpose is to compel such a settlement. It is our belief that the harassment occasioned by the criminal case, and in particular the attempts by the plaintiffs to force U.S. residents to appear in Beirut at a hearing in the criminal suit, should be of legitimate concern to the U.S. Government. (It should be noted that request is being made for intervention only in the criminal case, and not in the civil litigation.)

Procedure and Parties

Under Lebanese law, private parties may initiate a

^{1/} CDB is a 75% owned subsidiary of Continental International Finance Corporation (CIFC), which in turn is wholly owned by Continental Illinois National Bank and Trust Company of Chicago (CINB).

criminal action by filing a complaint with the Attorney General. The Attorney General, as a matter of course, then files a complaint which makes reference to the articles of law alleged to have been violated in the complaint filed by the private parties. In this case, the private parties are friends and relatives of Joseph Saab:

- (1) Lawyer Elie Bechara (Gabriel Saab's attorney);
- (2) Madam Isabel Kamel (Saab employee at Laklouk);
- (3) Mr. Charles Jahel (advisor to Gabriel Saab);
- (4) Madam Renee Gazal (Gabriel Saab's wife);
- (5) Mr. Antoine Faris;
- (6) Mr. Gabriel Saab (Joseph Saab's brother);
- (7) Mr. Raymond Jahel (brother of Charles Jahel); and
- (8) Mr. Antoine Francis (Joseph Saab's wife's uncle).

The defendants in this case are as follows:

- (1) Mr. Donald Graham (Chairman of the Board of Continental Illinois Corporation and Continental Illinois National Bank), former chairman of the Board of Directors of CDB.
- (2) Mr. Evert Veldhuyzen, former General Manager of CDB.
- (3) Mr. Leo de Grijs, Chairman and General Manager of CDB.
- (4) Messrs. Whinney Murray, Ernst & Ernst, auditors for CDB.

- (5) Mr. Adib Khoury, Supplementary Auditor at CDB.
- (6) Lawyer Salim Chiniara, Head of the Legal Department of CDB.
- (7) Mr. Albert Adams, Controller of Accounts of CDB.
- (8) Continental Illinois National Bank and Trust Company of Chicago (CINB).
- (9) Continental International Finance Corporation (CIFC).

All individual defendants except Messrs. Graham and Veldhuyzen presently reside in Beirut. The latter reside in Chicago.

The Attorney General has turned this matter over to the Senior Investigating Magistrate of Beirut for investigation. In accordance with Lebanese procedure, the private parties who instituted this criminal action will perform an active role throughout the entire investigatory stages and subsequent prosecution, if any.

Summary of Charges; Penalties

The complaint contains four allegations as follows:

- (1) (a) It is alleged that a publicity campaign in the "world press" was intended to "spread amongst the people that CINB guarantees" CDB's obligations and that as a result of such alleged "false publicity" some of the shareholders of

CDB retained their shares and others purchased shares of CDB.

(b) The complaint also alleges an effort is being made to destroy the capital of CDB in order to get rid of small shareholders or close down the bank.

The defendants are thereby alleged to have violated a section of Lebanese law prohibiting "fraudulent acts intended to have people subscribe into or pay money."

Comment: (a) It is simply not credible to suppose that CINB would take steps to increase the price of CDB shares at a time when CINB was buying those shares.

(b) It is also absurd to say that CINB would seek to destroy a company in which it owns a 75% interest.

It is also apparent that these two allegations are mutually inconsistent.

(2) It is alleged that CDB is actually a branch of CINB in violation of the sections of Lebanese law which require prior administrative approval for the establishment of a branch of a foreign bank. The plaintiffs contend that CDB is a branch, since (a) CIFC (and indirectly CINB) holds 75% of the shares of CDB; (b) that four of the five members of the Board

of Directors are controlled by the majority shareholder; and
(c) the CDB management takes its orders and receives salaries from CIFC and CINB.

Comment: This allegation is tantamount to saying that the Central Bank of Lebanon, which considers CDB a Lebanese bank and not a branch, is entirely incorrect in its administration of Lebanese banking laws. In fact, CDB is a Lebanese corporation authorized to conduct a banking business in Lebanon.

(3) It is alleged that the defendants published false balance sheets for the year 1969. Reference in the complaint is made to three separate balance sheets for 1969 showing losses of LL 1,346,958.47 and LL 244,178.66 and profits of LL 53,359.82, respectively.

Comment: The three figures cited in the complaint were never put forth as representing the same item on the financial statement. The first figure cited was the total loss for 1969 as set forth in the 1969 Profit and Loss Statement; the second figure, also shown on the 1969 Profit and Loss Statement, was the 1969 loss net of contingent revenues and bad debt reserve. The

last figure (LL 53,359.82) is the earned surplus of CDB, as of December 31, 1969 (after deduction of the 1969 net loss).

Comment: This charge is refuted by a cursory review of the financial statement. (Moreover, these financial statements were filed with and approved by the Central Bank of Lebanon.)

(4) It is alleged that the crime of "dishonesty" was committed in violation of a section of Lebanese law which makes it a crime to embezzle or destroy anything held on agency or in trust. The specific allegation is that efforts by CDB management to collect debts owing to CDB were not made in good faith with the result that CDB suffered losses amounting to several million Lebanese pounds.^{2/}

Comment: This charge is absurd on its face, for it is an allegation that CDB, against its own best interests, used bad faith in collecting debts owing to it.

If convicted, the penalty for each of the above crimes is not less than three months and not more than two years

^{2/} It is also alleged that corporate funds were wasted by paying the auditors more than the shareholders authorized. However, the amount paid for the audit was the amount authorized; other sums paid the auditors were for other services.

imprisonment, plus a fine of not less than LL 50 nor more than LL 500, except that in the case of the crime of "dishonesty" the fine is one-fourth to one-half of the value of the damages.

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KISSINGER, HENRY A. /K*

*Fabra, Paul

Paris, September 8th 1972

Dear Mr. Kissinger,

I should be very happy to see you again during my next visit to Washington where I shall attend for Le Monde the IMF Meeting from September 23rd until 29th.

I hope very much that you will not be out of town at that moment and I should be very thankful to you if you might receive me.

As you perhaps know, I have been mainly writing for years about monetary affairs and that is the subject that I would like very much to discuss with you, not only from an economical but also political point of view. My conviction is that the United-States could and should re-establish a sound dollar and set into equilibrium its balance of payments in a short while. Monetary disorder is probably one of the main threat to the Western world and nobody but the United-States are able to put an end to the mess we are living in. That would be possible at one condition : that American policy be changed (the August 15th 1971 decision being already a first step...).

I think that the interest of the United-States in its unique position of financial and monetary center of the world is to approach monetary policy from a very orthodox point of view which by no means is incompatible with economic expansion. After all, the American restored monetary and economic order in this world after the war according to such principles : the Bretton-Woods agreements were mostly inspired by American policy. I do not think it is sound to argue that present circumstances are such that the United-States cannot any longer afford such a position.

.../...

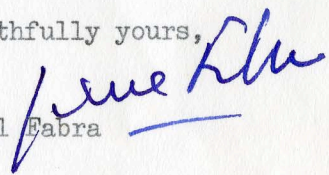
9/21/72 - HAK says "No"

Even with its relatively small stock of gold, America could be the center of a system based on gold (in 1913 the Bank of England was managing a huge system of international credit on the base of a very small metallic stock amounting to no more than 300 million dollars of our days). I am personally in favour of a future system as near as possible to the classical gold standard because I think that, in a liberal society, a gold standard is the only serious way to get rid of gold...

There is no sense for a big Power to play lastingly with monetary gimmicks which have not the slightest chance to restore some kind of solid multilateral system of payments.

Looking forward to seeing you again, with my kindest regards,

Faithfully yours,


Paul Fabra

P.S. : I fly to Brazil today and I am back to Paris on Septembre 18th until the 22nd. My address in Washington is : Sheraton Park Hotel.

Mr. Henry Kissinger Esq.
White House
Washington D.C.

THE WHITE HOUSE
WASHINGTON

730
Dick:

FILE
Call Monday
It is too late to write to this Paul Fabra since he is leaving Paris tomorrow. He will be staying at the Sheraton Park Hotel beginning Monday - pls call him there and regret that HAK will not be able to see him. CO 5-2000
E 730

Irene

to regret
Don

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Professor Richard Gardner, who recently served as a member of President Nixon's Commission on International Trade and Investment Policy, gives in this article his conclusions on the way to reform the international monetary system. Richard Gardner is Professor of Law and International Organization at Columbia University. He served in the Kennedy Administration as Deputy Assistant Secretary of State for International Organization affairs. He is the author of *Sterling-Dollar Diplomacy: The Origins and the Prospects for Our International Economic Order* (McGraw Hill, 1969).

Toward a 'new Bretton Woods'— the politics of international money

Richard N. Gardner

The reform of the international monetary and trading system is now the most urgent item on the diplomatic agenda of the west. The next two years are likely to be decisive. Unless we can arrive at a mutually agreed programme for reform by the end of 1974 at the latest, I believe we will face a series of increasingly serious currency crises and the splitting up of the industrialized countries into antagonistic trading blocs. At the very least, this would make it much more difficult for all our countries to realize their economic and social objectives; it would poison our political relations; and it could even produce a world depression of the dimensions of 1929.

The convertibility of the US dollar into gold, which was an essential element in the post-war monetary system, was ended on August 15, 1971. The Smithsonian Agreement of December established a new set of exchange rates, but left the world without any satisfactory system for financing international settlements and adjusting imbalances in national payments.

Such a state of affairs cannot last long. It is highly unstable, as the recent currency disturbances have confirmed. Europe and Japan will not be willing to live indefinitely under a dollar standard, financing US payments deficits without limit by purchasing dollars at existing exchange rates. At some point these countries will stop supporting the dollar in the exchange market, in which case the Smithsonian Agreement on parities will collapse, or they will impose stringent controls on dollar inflows. In the end they may even do both.

There is no way, in short, that the present dollar standard can be reconciled with the professed aim of western governments for stable exchange rates and freedom of trade and payments. Everything in logic and experience indicates that one cannot have free trade and payments and stable exchange rates without a mutually acceptable method of settling international accounts and a thorough-going harmonization of domestic monetary and fiscal policy. This is true for the European Community of 10 and it is equally true of the wider community of Europe, the United States and Japan.

The United States and monetary blocs

Yet our governments persist in the illusion that they can have their cake and eat it too. The United States is reluctant to negotiate for an end to the dollar standard because it is reluctant to give up the unique degree of independence from external discipline which the dollar standard gives to US domestic and international policies. Yet this reluctance to give up the dollar's privileged position is pushing the west into monetary and trading blocs—the very objective which the United States wishes to avoid.

The surplus countries of Europe and Japan are no less inconsistent in their policies. They want the dollar to be convertible, but they are reluctant to accept the responsibilities of surplus countries to appreciate their currencies and liberalize their trade in the interests of maintaining external balance. In other words, they want to substitute a

truly international standard for the dollar standard, but in practice they drive the United States further into economic nationalism.

What is to be done? It is difficult to do justice in a few pages to a subject of such extraordinary complexity, but the following may serve to indicate the main elements of a programme we should aim to put in motion during the next two years.

A ten-point plan

1. The dollar would be phased out of its rôle as a reserve currency over a suitable transitional period of, let us say, five years. Thenceforth new reserves would be issued exclusively in the form of SDRs, in amounts appropriate to assure non-inflationary economic expansion, as determined by international agreement. The dollar could retain, however, its rôle as a key currency for transaction purposes and for intervention in the exchange markets.
2. Outstanding dollar balances in the hands of governments and central banks—now about \$60 billions—would be transferred to the International Monetary Fund (except for modest amounts which governments might wish to retain for intervention in the exchange markets). In return for these dollars the present holders would receive an issue of SDRs, bearing an appropriate rate of interest, and the United States would pay off its dollar indebtedness to the Fund over a period of 50 years. Monetary gold held by governments and central banks would also be paid in to the IMF in return for SDRs.
3. Once the transition period was completed the United States would undertake the same obligation to support its currency in the exchange market under Article IV of the IMF Articles as every country. In other words, it would settle its international accounts on a current basis by using SDRs or borrowing from the IMF within the limits of its quota.
4. Similar arrangements to those described above would be made to phase out what remains of the reserve function of the pound sterling.
5. To assure that the United States and other countries were not forced into deflation and mass unemployment by the necessity of balancing their international accounts within too limited a period of time, an adequate amount of international liquidity would be made available. In addition to the SDRs issued annually to assure a suitable growth in world reserves, there would be a doubling of IMF quotas from the present \$30 billions to at least \$60 billions. The additional liquidity would be made available on condition that a borrowing country was pursuing policies leading to the restoration of external balance.

6. Clear 'rules of the game' would be established to assure timely adjustments in the balance-of-payments policies of both surplus and deficit countries. When the reserves of a country increased or decreased by a specified amount in a specified time period there would automatically take place a review of its economic policies. The review would focus primarily on the causes of the increase or decrease, the impact of the increase or decrease on the functioning of the international economy, and the prospects for the continuance of the increase or decrease. As a result of this review, the country concerned could be asked to make appropriate changes in its domestic or international economic policies or adjust its exchange rates, or both. Failure to comply with these recommendations within a reasonable time would result in sanctions—in the case of a surplus country, a uniform surcharge applied against its exports by other countries; in the case of a deficit country, the withholding of both multilateral and bilateral credit facilities.*

7. Europe, the United States and Japan would enter into a comprehensive agreement providing for the settlement of their present trade differences in agreed stages over a period of years. The agreement would provide for the gradual elimination of tariff barriers over 25 years or less (thus eliminating discrimination against the US by the enlarged European Community as a result of arrangements with its overseas affiliates and the European neutrals); the progressive suppression of non-tariff barriers; and the gradual reduction of agricultural protectionism in Europe and the United States. In recognition of European political realities the timetable could be very long; but to make such an agreement acceptable to the US a firm commitment would be made now to phase out within a generation the Community's common external tariff and agricultural price supports. Considering that the average age of European farmers is in the late 50s, such a commitment does not seem unreasonable. Its logic is clear enough from the US point of view: one can live with a toothache for a while if one knows for sure that it is coming out eventually.

8. Agreed principles would be drawn up to deal with short-term and long-term capital movements. Problems resulting from the operations of multinational companies and from national attempts to regulate them would be the subject of regular consultation and negotiation in an appropriate

*For a detailed explanation of how such an adjustment mechanism might work, together with proposed amendments to the IMF Articles, see American Society of International Law, *Long-term international monetary reform: a proposal for an improved international adjustment process* (Washington, February, 1972).

international body, perhaps the OECD.

9. The United States, Europe and Japan would commit themselves to a long-term programme to assist the developing countries. This programme would include the progressive establishment of one-way free trade by developed countries on behalf of the developing countries both on industrial and primary products and the investment by the developed countries of at least 1 per cent of national GNP in developing countries through aid or foreign investment. To this end, a suitable proportion of SDRs would be issued directly to multinational financial agencies for lending to the developing countries.

10. International economic institutions would be re-formed and strengthened to be equal to the task of managing this ambitious programme. The members of the Group of 10 have finally agreed, as this writer among others urged several years ago* that a 'Group of 20' should be created in the IMF with a composition similar to the present executive board but with representation by finance ministers or central bank governors. This new group, which should meet at least once every three months, would eliminate the excessive representation of the European Community currently prevailing in the Group of 10, would assure fair participation by the developing countries, and would draw upon the staff of the IMF, which would thus be restored to its intended position of primacy in international financial policy-making. The existing IMF quotas and voting rights of Japan and the continental European countries would be increased to assure them of a participation appropriate to their economic power.

European integration

This 10-point plan, directed towards effective economic co-operation between Europe, the United States and Japan, is in no way inconsistent with simultaneous progress toward European monetary integration. On the contrary, the achievement of a common European monetary policy and eventually of a common European currency could simplify the achievement of the programme which has been outlined above.

Progress toward European monetary unification might make possible a common 'float' of European currencies against the dollar. But a European 'float', to be acceptable to Europe and the United

States, could not be entirely free, but rather would have to be regulated in accordance with some mutually agreed guidelines. Moreover, such an arrangement, if it were not to lead to an unacceptable degree of capital controls between the United States and the European Community, would still have to be accompanied by the measures mentioned above, including measures to assure some degree of harmonization of domestic monetary and fiscal policy between the nations on the two sides of the Atlantic.

Time for decision—

No doubt this programme will be regarded by many as 'unrealistic'. It probably is when viewed against current political attitudes. It is much easier for political leaders to go on doing what they have been doing in recent years—proclaiming ambitious economic ends while resolutely resisting the means essential to achieve them. But that kind of 'realism' has brought us from one crisis to another, and will continue to do so.

—a bold initiative in 1973?

What are the prospects that political attitudes in key countries will evolve sufficiently in the next few years to make agreement possible on the programme described herein? Not excellent, admittedly, but not hopeless either. On the European side, official opinion in Britain and Italy, at least, has already moved far towards acceptance of key elements in this programme. On the American side, the statement of Arthur Burns in Montreal on May 12, while equivocal on the future reserve rôle of the dollar and hesitant on accepting too great a limitation on US domestic freedom of action, did reflect a flexibility in US thinking not previously apparent. When one considers the rapid shifts in US foreign economic policy over the past decade—some retrogressive but some also extremely constructive—a bold initiative on international money reform in the direction advocated here is a very real possibility in the first or second year of the next Presidential term.

In international economic affairs, as in other areas, we need a large dose of courage and integrity. Let us adopt the means adequate to achieve our proclaimed objectives, or let us at least have the honesty to acknowledge that we are obliged by timidity and national egoism to abandon the goals of an open world economy we have proclaimed since the end of the Second World War. The time has come to choose.

* *Sterling-Dollar Diplomacy: the Origin and the Prospect for our International Economic Order* (McGraw-Hill 1969) page lxxxvi.

THE WHITE HOUSE

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Toward a New Kind of Foreign Policy

**The United States and the United Nations:
Can We Do Better?**

by
Richard N. Gardner

The American Assembly
Columbia University

PREFACE

The American Assembly on *The United States and the United Nations* convened at Arden House, Harriman, New York, April 13, 1972, and three days later concluded with a report of findings and recommendations for U.S. policy toward the U.N.—a sixteen-page pamphlet which may be had from The American Assembly.

The essay which follows was originally prepared as advance background reading for the Arden House Assembly. It is revised herewith for the general public by its author, Richard N. Gardner. The opinions are Professor Gardner's own and not necessarily of The American Assembly, an educational organization which takes no official position on matters it presents for public discussion.

The same should be said of the Charles F. Kettering Foundation, whose generosity made this work available and the Arden House Assembly possible. The Foundation is not to be associated with the views expressed in either place.

CLIFFORD C. NELSON

President

The American Assembly

Single copies of this essay are free of charge. Multiple copies may be purchased at cost. Write The American Assembly, Columbia University, New York, N.Y. 10027.

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THE UNITED STATES AND THE UNITED NATIONS: CAN WE DO BETTER?

by
Richard N. Gardner

The United States is groping toward a new kind of foreign policy. Under the terrible impact of the Viet Nam tragedy, we are seeking to adjust ourselves to a world in which the United States no longer exercises preponderant power. We have started a search for a new "structure of peace" based on five major power centers — the United States, the Soviet Union, China, Japan and an enlarged European community.

The central question raised in this essay is whether the adjustments in our foreign policy have gone far enough — whether it is not time to supplement balance of power politics with world order politics. The thesis presented here is that there will be no durable "structure of peace" without a strong institutional foundation, centered in the United Nations. Indeed, it is argued that the central preoccupation of U.S. foreign policy from here on in should be the building of effective international institutions to manage mankind's common problems.

One tragic aspect of the present situation, however, is that the United States is now on a collision course with the very international agencies in whose future it has an important stake. This essay seeks to explain how this has come about and what can be done about it. The proposed remedies, it must be stated frankly, will require an unprecedented degree of leadership from both the Executive Branch and the Congress.

RICHARD N. GARDNER holds the Henry L. Moses chair of Law and International Organization at Columbia University. He served as Deputy Assistant Secretary of State for International Organization Affairs from 1961 to 1965. He is the author of *Sterling-Dollar Diplomacy*, *In Pursuit of World Order*, *Blueprint for Peace*, and *The Global Partnership: International Agencies and Economic Development*.

I. THE CRISIS OF MULTILATERAL DIPLOMACY

"The real test of our commitment to the United Nations," Adlai Stevenson once said, "still lies ahead of us." With that prophetic remark Stevenson sought to warn us that a day might come when some hard and painful choices might have to be made between the pursuit of U.S. foreign policy interests as defined in Washington and support of a world organization in which the United States has only a minority voice.

That day has finally come. Although we have heard talk of a "crisis of confidence" in the United Nations in almost every year since its inception, there are important new elements in the present situation which call for a fundamental re-examination of U.S. policy toward the world organization.

The most obvious new element is that, for the first time in the history of the United Nations, the United States is beginning to default on its multilateral commitments all across the board:

— We have imported chrome from Rhodesia in violation of a legally binding embargo for which we voted in the Security Council. The legislation which gave rise to this situation was adopted in the face of warnings that it was inconsistent with our obligations under the U.N. Charter. The Executive Branch could have avoided the breach of our U.N. obligations by selling chrome from our ample stockpile, but did not choose to do so.

— Congress has withheld U.S. assessments due the International Labor Organization (ILO) out of dissatisfaction with certain aspects of ILO operations, including the appointment of a Soviet national as an Assistant Director-General.

— Congress has failed to appropriate the \$20 million for the expansion of the United Nations Headquarters site which was promised by the Administration under a plan worked out between the United Nations, New York City and the Executive Branch. The failure to appropriate this sum means that parts of the Headquarters Secretariat will have to be relocated in Europe.

— Congress as of this writing has not yet made available the U.S. share of funds for the "soft lending" activities of the International Development Association (IDA), the Inter-American Development Bank and the Asian Development Bank. These U.S. contributions were promised in multilateral negotiations and were due to have been paid to the IDA in 1971 and to the regional development institutions several years ago.

— The United States is the only major developed country that has not yet implemented the agreement in the United Nations Conference on Trade and Development (UNCTAD) calling for tariff preferences on behalf of developing countries. This agreement was to have been imple-

mented by the end of 1971, but there is no prospect of Congressional approval of preferences until 1973, and even then the outlook is uncertain.

— The United States continues to move away from the target agreed to in the United Nations that developed countries should invest one percent of their GNP in the development of the less developed countries. Most of the members of the Organization for Economic Cooperation and Development (OECD) are moving toward this target or have already exceeded it. In terms of aid as a proportion of GNP, the United States now ranks close to the bottom of the list of non-Communist aid-giving countries.

— The United States has increasingly violated the international monetary and trade rules which it championed at the end of the Second World War. Other countries have also violated the rules — some of them even more flagrantly — and there is general agreement that a new economic order is needed to meet the new realities of the world economy. But the United States has done little to strengthen the international institutions that must serve as the foundation for that new economic order — the International Monetary Fund, the General Agreement on Tariffs and Trade and the Organization for Economic Cooperation and Development.

— An effort is underway in Congress to place a 25 percent ceiling on U.S. assessed contributions to all U.N. agencies. If adopted, this legislation would put the United States in violation not only of the U.N. Charter but of the constitutions of most of the Specialized Agencies.

These examples of withdrawal from multilateral commitments are but one aspect of the new situation which now prevails in the U.S. relationship to the U.N. There has been a significant falling off in U.S. determination to strengthen the United Nations in its fundamental Charter assignments. U.S. military actions in Viet Nam and in the Dominican Republic, even if they can be legally justified by a liberal interpretation of the U.N. Charter, have hardly enhanced the peacekeeping authority of the United Nations. Moreover, there has been a progressive narrowing in the range of initiatives the United States has taken in the United Nations. As recently as the late 1950s and early 1960s, the United States was sponsoring major efforts to strengthen the world organization in its three basic Charter functions — keeping the peace, promoting economic development, and securing human rights. In recent years the U.S. has been bypassing these subjects in favor of matters like drug control, birth control and hijacking control. These new tasks are undeniably important to us and other countries, yet the preoccupation with these issues certainly reflects a change in emphasis. The following list of major U.S. initiatives in the last four Administrations is instructive:

Eisenhower Administration

United Nations Emergency Force
United Nations Operation in the Congo
United Nations Special Fund

International Development Association
"Atoms for Peace"—International Atomic Energy Agency

Kennedy Administration

Treaty Outline for General and Complete Disarmament
United Nations Decade of Development
World Food Program
Outer Space Program
World Weather Watch
United Nations Bond Issue
First call for U.N. action on population
United Nations Institute for Training and Research (UNITAR)
United Nations High Commissioner for Human Rights
Reversal of Eisenhower Administration's refusal to ratify or participate in the drafting of human rights treaties

Johnson Administration

United Nations Cyprus Operation
United Nations Peacekeeping in India-Pakistan War
Outer Space Treaty
Non-Proliferation Treaty
Support for sanctions on Rhodesia
United Nations Fund for Population Activities

Nixon Administration

Treaty for Seabed Disarmament
Draft Treaty for an International Seabed Authority
United Nations actions for control of international traffic in drugs
Assistance to refugees from East Pakistan
Proposals to control aircraft hijacking
Earth Resource Satellites
Enlargement and reform of ECOSOC
\$100 million fund for environment

The narrowing range of U.S. initiatives reflects a growing skepticism in Washington about the ability of the U.N. to serve U.S. interests effectively in any of its major Charter functions. This skepticism has been ascribed by some to the humiliating defeat on the China vote in October 1971. Actually, however, U.S. disenchantment with the U.N. is the product of a long series of events accumulating over many years—the attitude of the Secretary-General and of many U.N. members in the Article 19 crisis; the abrupt withdrawal by the Secretary-General of U.N. forces from the Middle East; the inability of U.N. members to resolve the stalemate over peacekeeping or to come up with a solution to the growing deficit; the lack of support for meaningful reforms on such subjects as mini-states and General Assembly procedures; the failure of the Jarring mission to achieve progress in the Middle East; the increasingly anti-Israel tone of U.N. resolutions; and various resolutions passed over U.S. opposition on such matters as chemical warfare, nuclear testing and the problems of Southern Africa.

Coming after this long succession of disappointments, the failure of the U.S. effort to preserve a U.N. seat for Taiwan was regarded by many as the proverbial "last straw." The President of the United States, through a White House spokesman, deplored not only the result of the vote, but also the behavior of those U.N. members who greeted it with a display of enthusiasm. The Congressional reaction was predictably sharp. "The time has come," Senator Barry Goldwater declared, "to recognize the U.N. for the anti-American, anti-freedom organization it has become. The time has come for us to cut off all financial help, withdraw as a member, and ask the U.N. to find a headquarters location outside the U.S. that is more in keeping with the philosophy of the majority of voting members, some place like Moscow or Peking."¹ While most Congressional criticism did not go that far, it did reflect a widespread displeasure in the country at large. Even a long-time U.N. supporter like *The New York Times* found the organization "close to bankruptcy—fiscal, political and moral."²

A few days after the China vote, Congress voted down the foreign aid bill. The foreign aid decision of Congress has since been reversed, but the Executive Branch took another decision in the wake of the China vote that has continuing consequences. The day after the General Assembly's action, Secretary of State Rogers held a press conference in which the following exchange occurred:

Question. Mr. Secretary, could you tell us what the Administration's position will be toward an effort in the Congress to reduce or cut U.N. funds?

Answer. Well, we will not support a reduction of funds for the United Nations in retaliation for this vote. That is not going to be the policy of this Administration. We think that because of the fact that this is an organization that is bound by a majority vote, and we in the United States are accustomed to being bound by a majority vote, that we should accept the decision.

The other problem, though, the related problem of whether the United Nations is spending too much money or not, is living beyond its resources, is a very difficult question, which we will have to address. *And I think that my own view is that it has spent too much money in the past. And we have probably contributed more than our share.* We contribute roughly 33 percent to the regular budget of the United Nations, and we contribute approximately 40 percent to specialized agencies. And, I think there is some question in the minds of the American people, and certainly in the minds of Congress, about whether we are carrying too great a share of the burden. (Italics supplied.)³

1. *The New York Times*, October 26, 1971.

2. Editorial, December 29, 1971, p. 30.

3. *The New York Times*, October 27, 1971, p. 16. The figures given by the Secretary of State, as will be seen below, were somewhat exaggerated.

Shortly thereafter, Assistant Secretary of State Samuel De Palma told a Congressional Committee that the Administration had decided to seek a reduction in the U.S. share of U.N. assessments to 25 percent "as quickly as possible."⁴ He assured the Committee that this decision bore no relation to the Administration's disappointment over the China vote. The 25 percent recommendation, in fact, had first appeared in the report of the Lodge Commission six months earlier. But of that report's nearly 100 recommendations, most of them calling for greater U.S. support of the U.N., this was the first recommendation, and so far it is the only one, that the Administration has decided to implement.

The China vote was soon followed by the demonstration of the U.N.'s impotence in the India-Pakistan war. Informed Americans have understood for years that the U.N. cannot act effectively in conflicts where the great powers are themselves involved, but the sight of a U.N. unable to halt a war between India and Pakistan was something else. The remarks attributed to Henry Kissinger in the "Anderson papers" suggested that in the White House, no less than in the public at large, very serious questions were being raised about the utility of the U.N. for peacekeeping anywhere in the third world:

If the United Nations can't operate in this kind of situation effectively, its utility has come to an end and it is useless to think of U.N. guarantees in the Middle East.

The exercise in the United Nations . . . is likely to be an exercise in futility, inasmuch as the Soviets can be expected to veto. The U.N., itself, will probably do little to terminate the war . . . Dr. Kissinger reiterated that there was no chance in getting anything useful in the U.N.⁵

The foreign policy reports issued early in 1972 by the President and by the Secretary of State reflect the attitude of deep skepticism that characterizes the Administration's current assessment of the United Nations. The two documents, while developing an impressive case for multilateral cooperation in areas like the law of the sea, the environment, population and narcotics, contain the most critical references to the United Nations that have ever appeared in an American state paper. The following excerpts from the President's report suggest the new mood:

The United Nations is an experiment in cooperation among nations. It is a mistake to assume that its success is fore-ordained or its ultimate

4. *To Limit United States Contributions to the United Nations*, Hearings before the Subcommittee on International Organizations and Movements of the Committee on Foreign Affairs, House of Representatives, 92nd Congress, first session, December 2, 1971, p. 52.
5. Memorandum of December 4, 1971 meeting of the National Security Council's Special Action Group, reprinted in *The New York Times*, January 5, 1972.

mate result altogether predictable. It is a mistake either to exaggerate its capability or to underestimate its potential.

* * *

We have reached a point at which it is no service to the idea of the United Nations and no contribution to its future to blink at its limitations. . . . We believe that the time has come for a large dose of realism and candor in United States policy toward the United Nations.

* * *

We will not . . . take the initial or major responsibility for making up a deficit created by the policies of other countries.

* * *

Prudence and political realism dictate that no one country should be assessed a disproportionate share of the expenses of an organization approaching universality in which each member, large or small, has but one vote. That is particularly true when experience has shown that the major contributing countries are unable to exercise effective control over the U.N. budget.

* * *

We recognize the hope among some developing nations that their voting strength in U.N. organizations can be used to force an increase in the economic assistance which they receive from the developed countries. The aim is not unworthy. But the means can easily become self-defeating.

Economic aid programs depend upon political support in the developed countries, whose taxpayers are the ultimate donors. This support cannot be compelled. Attempts to use the one nation/one vote principle to do so will, in the long run, endanger this whole important area of U.N. activity.⁶

This new mood of official skepticism about the United Nations is apparently shared by the American public. Public opinion on a subject of this kind is difficult to measure scientifically, but any review of newspaper coverage of the U.N. over the last decade would certainly reflect a growing sense of disappointment. What is perhaps equally significant, the public is not only more critical of the United Nations, it is manifestly less interested. With the exception of the 1971 General Assembly, which received special publicity because of the entry of mainland China, there has been a steady decline over the last decade in newspaper coverage of the United Nations. Even *The New York Times* has cut its U.N. bureau from five correspondents in 1961 to three in 1972. Members of the bureau complain that it gets harder and harder to get printed in the newspaper.

Some idea of the trend in public attitudes towards the United Nations may be found in the following tables. Table 1 shows a sharp decline in

6. *U.S. Foreign Policy for the 1970s*, February 9, 1972, pp. 184-191.

public confidence in the United Nations over the last eight years. In July 1964, on the eve of the Article 19 crisis, 81 percent of those questioned thought the United Nations was doing a good or fair job, 7 percent a poor job, with 12 percent offering no opinion. In November 1971, after the China vote, the comparable figures were 35 percent, 43 percent and 22 percent. Table 2 reveals that college-educated people tend to be more critical of the United Nations — not exactly a reassuring statistic for U.N. supporters. The same table also shows that Republicans are less favorable in their assessment of the U.N. than Democrats. This has probably been true since the creation of the U.N., and may have had some influence on the style as well as the substance of the Nixon Administration's approach.

It would be wrong to conclude, however, that the American people are now opposed to the U.N. in principle and would resist attempts to make it more effective. On the contrary, as Table 3 indicates, the United States leads other developed countries in the extent to which public opinion supports the U.N. concept. In October 1970, in response to the question "Would you like to see the United Nations become a stronger organization?" 84 percent of Americans questioned said yes, 8 percent said no, and 8 percent had no opinion. This suggests that the American people are not against the multilateral approach as such but rather are critical of the actual performance of the U.N. — at least as this has been represented to them by their government and the mass media.

This introductory review of the current state of U.S. relations with the U.N. should not be read as implying that the badly frayed condition of these relations is entirely or even mainly the fault of the United States. Other countries have often behaved less responsibly in the U.N. than we have. The question is whether the failures of others and the shortcomings of the U.N. system make the present state of affairs inevitable — or whether a different U.S. policy would serve the national interest and the general interest of the membership as a whole.

Table 1

Gallup poll question: "In general, do you think the United Nations is doing a good job, or a poor job, in trying to solve the problems it has had to face?"

Date	Good or Fair Job	Poor Job	No Opinion—Don't Know
December 1950	57%	36%	7%
May 1951	54	36	10
September 1953	66	22	12
December 1953	55	30	15
July 1954	59	26	15
October 1955	80	10	10

Table 1 (Continued)

Date	Good or Fair Job	Poor Job	No Opinion—Don't Know
November 1956	77%	11%	12%
December 1959	87	7	6
October 1960	80	9	11
June 1961	79	11	10
January 1962	78	12	10
June 1962	78	15	7
November 1963	80	7	13
July 1964	81	7	12
October 1967	49	35	16
October 1970	44	40	16
November 1971	35	43	22

Table 2

Statistical breakdown of 1971 Gallup poll result by category of respondent.

	Good	Poor	No Opinion
National	35%	43%	22%
Republicans	31	48	21
Democrats	39	39	22
Independents	32	48	20
College	33	54	13
High School	37	41	22
Grade School	31	40	29
Under 30	41	40	19
30-49 years old	34	43	23
50 years old and over	32	46	22

Table 3

Gallup poll question (October 1970): "Would you like to see the United Nations become a stronger organization?"

	Yes	No	No Opinion
U.S.A.	84%	8%	8%
Sweden	79	6	15
Greece	75	2	23
Great Britain	74	9	17
The Netherlands	66	10	24
Spain	46	5	49
Uruguay	45	31	24

II. THE CASE FOR A NEW APPROACH

It may be well to begin by restating two truisms about the United Nations: (1) the organization is what its members want it to be; (2) no program to enhance the U.N.'s effectiveness can possibly succeed without strong U.S. leadership. The second proposition does not mean that the United States can or should undertake the sole responsibility for making the United Nations work. The cooperation of other countries is both necessary and desirable. But the political facts of life are that the U.S. input into the system has been essential to every successful U.N. action since the United Nations was founded. This is likely to continue to be true for the foreseeable future.

Given these facts of life, two central questions need to be answered:

First, would a foreign policy which sought to make greater use of the United Nations for peacekeeping, development and human rights be desirable for the U.S.?

Second, would such a policy be feasible — in terms of its likelihood of achieving the desired results?

The first question requires some redefinition of what U.S. foreign policy is all about. State Department officials like to say that "the United Nations is an instrument of U.S. foreign policy." They do not always point out, however, that the United Nations is also the instrument of the foreign policy of 131 other countries. The real question is how the United States and the 131 other countries define their foreign policy interests. If the exclusive preoccupation is to gain some short-term political or economic advantage at the expense of someone else, it is probable that the United States and the other members will be frustrated and will conclude that the United Nations is an inadequate instrument for the promotion of their national interests. On the other hand, if we and other members have as a central foreign policy objective the building of a civilized system of world order, the United Nations could well become an effective instrument for that purpose.

Much of our discontent with the United Nations in recent years has resulted from our failure to get our way on every issue. There was a sharp reaction in Congress, for example, when the U.N. Special Fund decided to assist an agricultural experimental station in Cuba — even though this was the first of 288 Special Fund projects of which the United States Government disapproved. In domestic affairs, most people have come to recognize that in the common interest of preserving the community, one cannot have one's way on every issue. Yet, for the most part, we and other U.N. members have not yet applied that lesson on the international plane.

Indeed, there is a widespread tendency for U.N. members to pay lip service to the United Nations, while at the same time pursuing their short-term interests, often at its expense. Virtually all countries take an

instrumental approach to the organization, citing Charter principles when they seem to yield a short-term advantage, ignoring them when they do not. This has always been true of the Soviet Union. What is distressing, however, is that it has become increasingly true of other members, including the United States. Our country occasionally asked itself how the United Nations could help it to do what it had decided to do in Viet Nam; we never seriously asked ourselves how we might conform our Viet Nam policies to our U.N. commitments.

The lack of a *principled* approach, of any serious attempt to articulate and live by consistent interpretations of the U.N. Charter and international law, is one of the most depressing aspects of present U.S. foreign policy. Our senior policy makers, like those in most other countries, ask only what the U.N. can do for them, not what they can do for the United Nations — or for the building of a civilized system of world order.

The present Administration has undertaken a number of bold initiatives to adjust our foreign policy to a world in which the United States no longer exercises preponderant power. The Nixon Doctrine emphasizes the proposition that the United States should do less by itself and more in cooperation with others. More recently, the Administration has emphasized, both in its rhetoric and in its practice, the concept of a new world balance based on five major power centers — the United States, the Soviet Union, China, Japan and an enlarged European Community.

The search for a new power balance is a legitimate and indeed a commendable objective. In a world of nation states, we can no more eliminate the necessity for balance of power than we can repeal the law of gravity. The question is whether balance of power alone is good enough.

By itself, balance of power politics has not brought peace in the past. It is not likely to do so in the future unless accompanied by institutional arrangements to accommodate the interests of the competing power centers. Moreover, countries outside the five centers of power will demand — and rightly so — a fair measure of participation in the world political process.

Furthermore, the balance of power concept by itself is manifestly inadequate in the face of the unprecedented situation in which mankind now finds itself. As an increasing number of thoughtful commentators have begun to observe, the future of civilization — perhaps even of human life itself — is now profoundly threatened by the expensive and dangerous arms race, the explosion of world population, the pollution of the common environment, the depletion of vital natural resources, and the growing frustration of people in the developing countries at their inability to achieve a decent life. The recent study by the Club of Rome warns us that we face massive breakdowns within the lives of our children and grandchildren if present trends continue and that such breakdowns can be averted only if preventive action is taken now. One does not have to agree with every detail of the Club of Rome study to accept the basic

thesis that new forms of global cooperation and planetary planning are essential to assure the survival of the human race.

It follows that from now on a central preoccupation of U.S. foreign policy should be not just the development of a precarious power balance but the building of effective international machinery to manage mankind's common problems. Some of this machinery can be developed on a regional basis in North and South America and in the North Atlantic and Pacific communities of which we are a part. Perhaps some of it can be created in a "concert of free nations" — linking all the developed countries of the non-Communist world. But for those problems of peacekeeping, development and human rights that are global in extent — as well as for a cluster of new technology-related issues — there is no substitute for the United Nations.

A foreign policy approach emphasizing these elements would not only respond to the requirements of the international situation, it would respond to domestic political requirements as well. The self-confidence and idealism of the American people are two of the world's most valuable natural resources. They made possible our sponsorship of the United Nations, the postwar financial and trade arrangements, the Marshall Plan, Point Four, the Alliance for Progress, the Decade of Development, and many other programs of great value.

Viet Nam has transformed much of this self-confidence into self-doubt, much of this idealism into cynicism. It has even encouraged a school of thought which holds that the United States is so violent, so racist and so imperialistic that it needs to be purged by a revolutionary bloodbath at home before it can play any constructive role in the world. Yet the threats to mankind's future from poverty, population growth, environmental degradation and the arms race cannot possibly be dealt with successfully in the absence of a massive global effort in which American technology, managerial skill, and political leadership play a major part.

Forced to choose between interventionism and isolationism, the American people will eventually choose isolationism. Multilateralism is therefore the only chance in the long run to sustain a positive U. S. role in the world. It has always been the approach most likely to win support for our actions abroad; but it is now also essential for the achievement of a foreign policy consensus at home. The point was well summarized in the United Nations Association (UNA) report, *The United Nations in the 1970s*:

The war in Viet Nam has reminded us that essentially unilateral military action, even by the strongest of powers, can be inconclusive abroad and unpopular at home. In areas as diverse as peacekeeping, peaceful settlement of disputes, aid giving and controlling the impact of global technologies — experience is showing that such complex problems are often more effectively tackled through multilateral action than unilaterally, better legitimized by international consensus

than by domestic decision-making, better symbolized by an international flag than by a single nation's banner. And this is so despite the rigidities, inefficiencies and hesitations of international organizations in general and the United Nations in particular.

The inescapable conclusion is that, increasingly, it is in the U.S. national interest to act through international organizations, achieving needed results by burying rivalries, trading some of our freedom of action for greater legitimacy, attracting partners by a willingness to share responsibility.

* * *

We submit that one way to rebuild the indispensable domestic consensus on foreign affairs is to pursue a larger proportion of our national interest through the shared responsibility possible by working through multilateral institutions.⁷

One of the most important but least appreciated functions of the United Nations is in influencing the political process within member states toward more cooperative and outward-looking policies. In a certain sense, the United Nations constitutes an "alliance of doves," in which the outward-looking members of national governments can reinforce one another in their struggle with more inward-looking members of their national administrations. A General Assembly speech by a head of state or prime minister can be a golden opportunity for the launching of a peace initiative or a bold program of cooperation that might otherwise be impossible. A compromise worked out in the Security Council, the General Assembly or a United Nations economic forum can enable national leaders to climb down from extreme positions while saving face. To give just a few examples within the personal knowledge of the author, the dramatic change in U.S. population policy in 1962, President Kennedy's 1963 offer of a joint moon program with the Soviet Union and the U.S.-Soviet agreement in 1963 banning nuclear weapons in orbit were all facilitated by — indeed, they probably would have been impossible without — the process of diplomacy in the United Nations. For an American President wishing to gain domestic support for substantial cuts in the military budget and a greater investment in economic and social programs at home and abroad, the United Nations represents a resource of enormous potential. It can help us to reorder our national priorities, to turn our country around.

One of the serious dangers for the United States in its reaction from the Viet Nam tragedy is that we may disengage from international enterprises that are mutually beneficial and even essential to our enlightened self-interest. Here again, the United Nations offers an opportunity to American leadership. U.N. programs are yielding new perceptions of the linkages between conditions abroad and conditions at home. To give just a few obvious examples: U.N. assistance to Asian farmers to grow wheat or rice instead of opium can reduce drug addiction and crime in New

7. *The United Nations in the 1970s*, pp. 9-10.

York. U.N. efforts to limit the use of toxic pesticides in other countries can safeguard our interests in the conservation of wildlife, fish and the health of the marine environment. U.N. efforts to control diseases and establish minimum health standards can save the lives of untold numbers of Americans. And, most fundamentally of all, men in blue helmets under a U.N. flag in a world trouble spot can remove the occasion for American soldiers to fight or die there.

But even beyond these fairly obvious linkages between "foreign" and "domestic" problems, a U.N.-oriented foreign policy could give us a new sense of national purpose — an opportunity for recommitment to some fundamental principles of justice and human dignity which, at an earlier and happier stage in our existence, we perceived as essential elements of our behaviour as a free people.

Increasing numbers of Americans, particularly young Americans, are raising questions about the justice of our domestic economic and political order. At present these Americans are mainly looking inward. But a U.N.-oriented policy could help us put these concerns in a global context. As Mr. Reynold Levy, a third-year student at Columbia Law School, has ably put it:

The necessity and desirability of American participation in completing the tasks of world order is clarified as one links in one's mind international problems with their domestic analogues:

— The need to disarm at home (e.g., gun control legislation) *and* abroad (e.g., arms control negotiation and limitation);

— The need to redistribute wealth at home (e.g., tax reform, family assistance plan, guaranteed annual income) *and* abroad (e.g., foreign aid, trade concessions to LDC's);

— The need to foster respect for equal enforcement of law at home (e.g., wire tap policy, maintenance of dignity of the Supreme Court, preventive detention, welfare work requirements) *and* abroad (e.g., U.S. action with respect to trade with Rhodesia, accrued dues to ILO, meeting commitments to multilateral institutions);

— The need to limit population growth and reduce technologically produced ecocides at home (tax incentives for small families, wide distribution of birth control information, measuring and taxing social costs of pollutants) *and* abroad (beginning a search for viable international solutions);

— The need to be sensitive to the civil liberties and social opportunities of all citizens at home (rights of political, religious, racial, chronological and sex-oriented minorities, intimidation of news media, conspiracy prosecutions, mass arrests, anti-busing rhetoric) *and* abroad (speaking clearly in opposition to oppression wherever it is found — e.g., Greece, Spain, Nigeria, India/Pakistan, Portugal); and

— The need to resolve differences peacefully at home (e.g., avoidance of extreme forms of labor union/management strife via compulsory arbitration, earlier conciliation; wage/price guideposts meaningfully monitored under post-freeze conditions, easing of nationwide voter registration requirements, generally build in a responsiveness to valid grievances processed within the system) *and* abroad (e.g., develop U.N. peacekeeping competence, lend support to Secretary-General's conciliation and good offices capacities, encourage the institutionalization of preventive diplomacy efforts).⁸

There is, finally, a very practical reason why it serves U.S. interests to broaden our support for the U.N. beyond such currently fashionable issues as population, environment and narcotics to the fundamental functions of peacekeeping, development and the protection of human rights. This is that an attempt to promote an effective U.N. in such limited sectors is unlikely to succeed without action on a broader front. Even if we were to decide that our priorities in the U.N. were limited to these new technological issues, we would have to recognize that the rest of the membership has other priorities. The other members will not cooperate for long in a major U.N. buildup in environment and population, for example, even if this is generously supported with U.S. contributions, if we seem to be downgrading the primary functions laid down in the U.N. Charter. Moreover, Congress and the American people are likely to judge the U.N.'s effectiveness in terms of its ability to discharge its major functions — particularly its peacekeeping role. In other words, there may be domestic as well as international political limits to our capacity to develop a healthy U.N. in technology-related areas if the U.N.'s more basic functions continue to atrophy.

The linkage is particularly close between progress in the U.N.'s development functions and progress in the new areas where the U.S. is pressing for U.N. action. An effective multilateral attack on the problems of environment and population growth is not likely to be mounted in the absence of an effective multilateral attack on poverty. Without an increase in the quantity and quality of global aid efforts, the financial and political basis for population control and environmental protection in the less developed countries will simply not exist. Not only does action on population and environment cost money that the developing countries do not have, but political resistance to population and environment efforts is likely to grow in these countries if international development assistance is static or declining. Already at the U.N., some countries are charging that the new emphasis by the United States on environment and population is a gigantic "cop out" to justify our declining foreign aid effort.

III. THE HARD QUESTIONS OF FEASIBILITY

"The United Nations," Professor Lincoln Bloomfield has remarked, "is the first institution in history which has become indispensable before

8. Memorandum submitted to the author, February, 1972.

it has become possible." Picking up this useful phrase, the United Nations Association has chosen as a motto of its development campaign the slogan "to make the indispensable possible." Unfortunately, however, most of the excellent panel reports of the UNA and even the report of the Lodge Commission are much more persuasive about the desirability of strengthening the U.N. in the performance of its basic Charter functions than about the feasibility of their proposals for achieving this objective.

It is precisely here that effective dialogue between the government "insiders" and the public "outsiders" breaks down. The U.S. Government officials responsible for shaping our U.N. policy, even where they concede the desirability of strengthening the U.N. in its peacekeeping, development or human rights functions, usually argue that the proposals offered by private groups are not capable of achievement because the necessary international or domestic political support is not available. The outsiders tend to complain that the insiders have not tried hard enough or are unduly pessimistic about future prospects. The insiders say the outsiders simply don't know the facts of political life.

These arguments remind one of the TV commercial in which the waiter plies the customer with the repeated incantation, "*Try it, you'll like it,*" and the unwilling victim, after consuming the dish, exclaims, "*Like it, I thought I was gonna die!*" Only in the case of our U.N. policy, the object of the plea to "try it" isn't having any, perhaps because there is no Alka Seltzer which will solve his problem if the proposal proves indigestible.

What is most needed in this area is a serious and sustained dialogue between insiders and outsiders, moving away from generalities on to specifics, and focussing on the hard questions of feasibility.

One way to begin a discussion of feasibility is to look at the problem of Charter review. The 1971 General Assembly invited members to submit their views on this subject. The U.S. position has remained the same on Charter review for the last two decades. Our position is that no constructive purpose would be served by a Charter review conference, given the wide divergence of views between U.N. members on fundamental issues. At the same time, we are prepared to support amendments of particular Charter provisions when these seem appropriate and when an adequate consensus develops in support of them — the General Assembly's decision to amend the Charter by increasing the size of the Economic and Social Council from 27 to 54 is a case in point. Moreover, we argue that many of the desired improvements in U.N. peacekeeping, development and human rights activities can be achieved without Charter amendment by appropriate reforms in the operation of U.N. organs or in the Secretariat.

If this view of the matter is correct, and the author of this essay believes that it is, the discussion should focus not on the abstract question of Charter review, but rather on what specific measures would be feasible

to strengthen the U.N.'s capacity in peacekeeping, development and human rights. The possibility of Charter amendments in these areas should be seriously considered only where the necessary reforms cannot be achieved in any other way and only where there is some prospect of achieving the agreement of those members whose support for an amendment is constitutionally required — all of the five permanent members and two-thirds of the membership as a whole.

Limitations of space preclude a comprehensive discussion of the feasibility of all the major proposals that have been made for strengthening the U.N.'s effectiveness in the performance of its basic Charter functions. The paragraphs that follow are merely designed to suggest the kinds of questions that need to be raised about some of these proposals:

Peacekeeping

The Lodge Commission and UNA panel reports favor ambitious U.S. initiatives to strengthen the U.N.'s capacity for peacekeeping and peaceful settlement. These include the institution of a 25,000-man standby peace force, the creation of a peace fund, the establishment of a small U.N. Guard for humanitarian and relief activities, a U.N. corps of military observers, and a U.N. fact-finding center. The problem with all of these recommendations is that they have all been strongly opposed by the Soviet Union — and they are now almost certainly going to be opposed by the People's Republic of China as well. The hard question is whether a major diplomatic effort to induce the Soviet Union and the People's Republic to alter their views would produce results and whether, in the event of failure, it would be advisable to seek the implementation of such measures over their opposition in the General Assembly or Secretariat. With respect to certain other proposals — such as the repeal of the Connally Amendment and the "coalitions for peaceful settlement" under which the United States would agree to accept General Assembly decisions as legally binding on specific questions which it would define in advance — there is the further question of whether such initiatives would have the necessary support from the United States Congress.

In this difficult area of peacekeeping and peacemaking, we will not know the limits of the possible until we really try. The Soviet Union and China might have an incentive to reconsider their positions on these subjects if we pressed them to do so in our high-level bilateral meetings with them, something we have failed to do thus far. Moreover, we might influence their behavior and the behavior of other countries over the years ahead by applying Charter standards more consistently to our own conduct and by making more regular use of the U.N.'s facilities for preventive diplomacy and peaceful settlement. As for Congress, its response cannot be known until the White House puts the same kind of political effort behind U.N. peacekeeping and peacemaking proposals that was invested in the struggles for the ABM and the SST.

Development

The Lodge Commission and UNA panel reports call for substantial increases in United States contributions to multilateral development programs, as well as major reforms in the multilateral assistance process. Here again, the question of feasibility needs to be carefully examined. Proposals for big increases in U.S. contributions to the United Nations Development Program (the Lodge Commission proposes a U.S. annual contribution of at least \$200 million by 1975) and for the transfer of several billions annually in U.S. development assistance through multilateral financial agencies have to be looked at in the light of certain harsh domestic realities — the growing public and Congressional disenchantment with foreign aid, the refusal of the Congress to raise U.S. contributions to UNDP beyond the \$86.3 million of the last several years, and the failure of Congress so far to appropriate the comparatively modest sums already agreed upon as U.S. contributions to the International Development Association, the Inter-American Development Bank and the Asian Development Bank.

Quite apart from the opposition to foreign aid generally, there is the further question of whether the U.S. Congress and the American people are prepared to accept the reduction in U.S. control of assistance funds that is inherent in any international effort. It is not only in the UNDP that the political and economic priorities of international management may diverge from those of the United States government. Even in the World Bank, once thought to be securely under U.S. control, a recent loan to India was adopted over the negative vote of the U.S. Executive Director. The central question is whether it will be possible to persuade the Congress and the public that this loss of control is more than compensated for by the advantages of multilateral administration in terms of political insulation, burden-sharing, and greater cooperation from recipient governments.

The feasibility test needs also to be applied to proposals for reforms in the multilateral assistance process — notably the proposal for an International Development Council to develop global priorities, propose funding levels and coordinate all multilateral and bilateral efforts. The evidence thus far suggests that some international agencies and many national governments will be reluctant to accept this proposal or any other that significantly increases central direction of international development efforts.

In this area, as in peacekeeping, we cannot know the limits of the possible until we treat the subject as a major priority. It was over a year before the President asked Congress to act upon the Peterson Commission's proposals to reform the U.S. foreign aid program along multilateral lines, and very little White House effort has been invested recently on behalf of multilateral aid. Let us remember, too, that a termination of our involvement in Viet Nam would create a more favorable Congressional climate for multilateral assistance. We could help rebuild a domestic

constituency for multilateral aid by treating it as our "investment in civilization" — as a vital contribution to solving the common problems of a common planet. In this spirit, we could seek advice and assistance from international agencies in dealing with our own domestic problems, such as crime, urbanization and mass transportation. So far as the reform of the multilateral aid process is concerned, the prospects would be far from hopeless once we made available resources for development commensurate with our responsibilities and began to treat the revitalization of international economic institutions as an essential element in our foreign economic policy.

Human Rights

The feasibility issue is also serious in the human rights field. For five consecutive years the General Assembly has debated the proposal to establish a High Commissioner for Human Rights. Each year it has postponed a decision in the face of strong opposition from the Soviet Union, India and the Arab states. The entry of the People's Republic of China has further complicated the prospects for adoption of the proposal.

Modest gains have been achieved in the Subcommittee on Discrimination and the Protection of Minorities of the Human Rights Commission, which has now established its authority to examine complaints which indicate "gross violations" of human rights in member countries. But the fact has to be faced that the majority of U.N. members have a very different set of priorities in this area than the United States. For example, while a Convention on Racial Discrimination was completed years ago, the drafting of a Convention on Religious Intolerance continues to languish. The necessary majority for action in support of human rights standards seems to be available only where racial discrimination or some form of "colonialism" is seen to exist.

Here again, it is easy to be pessimistic if one operates within the framework of present United States policy. Clearly we have little prospect of winning support from the developing countries for stronger human rights institutions if we are violating the embargo on trade with Rhodesia and otherwise equivocating on the struggle for racial equality in Southern Africa. But we might secure greater, and perhaps decisive, support from developing countries on behalf of our human rights priorities if we demonstrated by our actions a really serious concern for theirs.

In the United Nations, as in any political institution, one cannot get one's way 100 percent of the time. The price of getting support for one's own priorities is to offer some support for the priorities of others. The ability of the U.N. to respond to our demands upon it depends, in large part, on our willingness to engage in the reciprocal concessions that will correspond both to our own interests and to those of the constitutionally-required majority. What is required, in short, is a kind of "world order bargain." We have no right to give up on the hard questions of feasibility until we devote much more of our intellectual, political, and economic resources to the effort to strike that bargain.

IV. PROBLEMS OF MONEY AND POWER

The crisis in U.S. relations to the U.N. finds its most acute expression in a number of financial issues that have now assumed special urgency. These issues can be conveniently summarized under the following main heads:

United States Defaults

There are two respects in which the United States is withholding funds from the United Nations system in violation of its legal obligations. The first, which has already been referred to, is our failure to pay our assessed dues to the International Labor Organization. The Administration has asked Congress for a supplemental appropriation of \$11 million to permit payments of the amounts owed to the ILO for half of 1970 and all of 1971 as well as for an appropriation to cover our share of the 1972 ILO budget. It has indicated that it will have no choice but to give notice of withdrawal from the ILO unless Congress appropriates the necessary funds. What is not clear is what the Administration will do if Congress, as now seems likely, makes available less than the full amount owing the ILO, but an amount sufficient to prevent our loss of vote. Surely a major effort is called for by the White House, in 1973 at the latest, to liquidate our arrearages to this important international organization whose activities in raising labor standards and fighting unemployment are so clearly in our national interest.

The second instance, which is less well known, has resulted from the Congressional proviso attached to the 1970 and 1971 appropriation acts that not less than \$2.5 million of U.S. assessments due the United Nations system should be paid in the form of U.S.-owned foreign currencies. Under the U.N. financial regulations, assessments are supposed to be paid in dollars and other convertible currencies. Nevertheless, U.N. agencies have found it possible to make use of some U.S.-owned inconvertible foreign currencies to meet their requirements, but not in an amount equal to the Congressionally-specified minimum. The United States is accordingly in arrears by \$1.7 million on its assessments to various Specialized Agencies for the calendar years 1969 and 1970. If we take our international obligations seriously, the Congress ought to appropriate the necessary funds to liquidate these U.S. debts at the earliest opportunity.

The Failure to Pay On Time

An important factor in the U.N.'s financial crisis is the failure of members to pay their assessments on time. Unfortunately, the United States is a major offender in this respect. The U.N.'s fiscal year corresponds to the calendar year, and the financial regulations provide that all assessed contributions are due and payable by the end of February. The United States fiscal year begins in July, and the Congressional appropriations for our share of the U.N. budget are usually not available until July

of the year in which the assessments are due, or even later. In recent years, even though funds have been appropriated by July, the Executive Branch has paid only one-half of our contributions at that time, holding further payments until October and December.

The Secretary-General has appealed to all members to pay their assessments promptly at the beginning of each calendar year and has discussed this problem personally with President Nixon. It would seem desirable, at the very least, for the United States to pay the full amount of its assessed contribution as soon as the funds become available from Congress. But beyond that, if we are to bring ourselves into full compliance with the financial regulations and respond fully to the Secretary-General's appeal, we will need to change our system of Congressional appropriations so that funds can be appropriated by the Congress in the fiscal year prior to the calendar year in which the assessments are due. This would mean, for example, that the Administration, on the basis of estimates, would include in the 1974 Fiscal Year budget presented to Congress in the spring of 1973 the U.S. contributions that will be due the U.N. in calendar 1974. It would require, for that one year only, a double appropriation of about \$140 million (twice the U.S. annual assessments of approximately \$70 million). The Canadian Parliament recently made such a double appropriation. To discharge to the full our obligations under the U.N. financial regulations, Congress would have to do the same. The Executive Branch has so far been reluctant to make such a proposal, in the light of its existing difficulties with Congress over U.N. appropriations. But in 1973, the beginning of a new Presidential term, the prospects may be more favorable. Certainly it is worth a try.

The United Nations Deficit

The most serious element in the U.N.'s financial situation is the large and growing deficit resulting from the refusal of certain members to pay their assessed obligations. The largest part of the deficit stems from the failure of the Soviet Union and France to pay their assessments for the Congo operation (the Soviet Union has also refused to pay its assessments for the peacekeeping operation in the Middle East). Moreover, these countries, together with the People's Republic of China, have withheld that portion of their current budget assessment which is required to pay for certain contested items in the regular budget, such as the interest and principal payments on the U.N. bonds.⁹ The Soviet Union also insists on paying its share of the \$9 million of technical assistance in the regular budget in inconvertible currency.

The total deficit resulting from these defaults has reached approximately \$66 million, after taking into account funds voluntarily contributed toward the deficit from a number of members, including France (which recently contributed \$3.5 million). Of the \$66 million, some \$37 million

9. In April, 1972 France announced it would henceforth contribute its share of the U.N. bond payments.

consists of debts owed by the United Nations (mostly to member governments) for direct support to the Congo and Middle East operations; \$17 million takes the form of "surplus accounts" which are monies owing to member states as a result of an excess of peacekeeping assessments over actual costs; the remaining \$12 million of the deficit is a shortfall in cash. In addition there should probably be added to the deficit the \$16 million owed by the Republic of China at the time of its departure from the United Nations, which the People's Republic is unlikely to pay. If member governments were prepared to waive the debts owing them from past peacekeeping operations and the monies due them from the surplus accounts, about \$30 million in cash would be necessary to liquidate the deficit.¹⁰

No financial settlement, however, would be satisfactory to the United States or other members if it did not deal at the same time with the contested items in the regular budget. The most important of these are the technical assistance item and the payments of interest and principal on the U.N. bonds. The United States and the Soviet Union, together with other developed countries, have a common interest in removing technical assistance from the regular budget and funding this program on a voluntary basis within the UNDP. The developing countries would be reluctant to accept this, but they might be prepared to do so as part of an overall solution to the financial crisis.

As for the U.N. bonds, some \$119 million are outstanding. If the bondholders were prepared to offset against the face value of the bonds the \$79 million in assessments they will have to pay in the future to cover interest and principal payments, the bonds could be retired at a net cost of \$40 million. If they were prepared to go further and accept a 40 percent reduction by way of a "cash surrender discount" to reflect the fair market value of the bonds (which pay a minimal 2 percent interest), the entire bond issue could be retired for \$24 million. This \$24 million, added to the \$30 million figure given earlier as the amount needed to eliminate the deficit, would bring the total amount of cash needed to \$54 million. Of course, if the United Nations wished also to restore its depleted working capital fund of \$40 million and thus put itself in a secure financial position for the future, the total needed would be \$94 million.

The United States has indicated that a satisfactory package settlement would require between \$40 to \$50 million in voluntary cash contributions from the Soviet Union and France. France, as already indicated, has contributed only \$3.5 million and the Soviet Union has declared that \$5 million is the most it would be prepared to contribute. The U.S. takes the position that it will take no initiative toward a financial settlement since the responsibility for the deficit lies elsewhere, but we have also said

10. This \$30 million figure is arrived at by adding the \$12 million cash shortfall, the \$16 million owed by the Republic of China, and the \$2 million of the U.N.'s peacekeeping debts that are owed to private agencies rather than governments.

we would be prepared to consider an appropriate contribution if the Soviet Union and France agree to total cash contributions of \$40 to \$50 million. Although it has not been explicitly stated, it is assumed that the U.S. contribution in this event would be the waiver of the approximately \$15 million in U.N. debts and surplus accounts owing the United States.

It is certainly true that the responsibility for the deficit rests mainly upon the Soviet Union and France. Nevertheless, if one accepts the argument made earlier that a strengthened U.N. would serve U.S. national interests, the question arises whether the United States should not take a more forthcoming attitude in the present financial negotiations. We could do this by (1) making affirmative proposals for a settlement of the deficit rather than simply awaiting the proposals of others and (2) offering at least a small cash contribution in addition to a waiver of the \$15 million which is owing us. Such a cash contribution, of course, would require Congressional appropriations. Given the unhappy history of the Article 19 crisis and present Congressional attitudes toward United Nations financing, the prospect for such an appropriation would be dim in the absence of an all-out effort from the Executive Branch. Here again, there is no substitute for Presidential leadership.

Fair Shares of Money and Influence

The United States currently pays 31.53 percent of the regular budget of the United Nations. Our share of the regular budgets of other U.N. agencies averages something less than this. We contribute approximately 36 percent of the voluntary funds in the UNDP, and a slightly higher percentage of all U.N. voluntary budgets considered together.

The Lodge Commission recommended that the U.S. share of the U.N.'s regular budget should be reduced to 25 percent "over a period of years."¹¹ The Executive Branch has now promised Congress, as noted earlier, to seek a reduction to 25 percent "as quickly as possible." In making this commitment, it significantly omitted the important proviso in the Lodge Commission recommendation that "each reduction in the U.S. share of the regular budget must be clearly marked by at least a corresponding increase in U.S. contributions to one or more of the voluntary budgets or funds in the U.N. system."¹² Moreover, the Administration's timetable is not the gradual one envisaged in the Lodge Commission report. It plans to seek acceptance in principle of a 25 percent ceiling at the 1972 General Assembly and to have the Contributions Committee agree at its meeting in the spring of 1973 to put this limitation into effect for the triennium 1974-76.

The wisdom of this decision by the Executive Branch is subject to question on a number of grounds. To begin with, there is the question of equity. Taking account of devaluation, the United States represents

11. *Report of the President's Commission for the Observance of the Twenty-fifth Anniversary of the United Nations*, pp. xi, 46.

12. *Id.*, p. 46.

approximately one-third of the national income of the U.N. membership. When our percentage is adjusted under the U.N.'s "capacity to pay" formula to take account of the low *per capita* income of certain countries, our adjusted post-devaluation assessment rate comes to about 35 percent. Thus our present assessment of 31.5 percent cannot be regarded as excessive from the point of view of capacity to pay.

Moreover, the practical possibilities of achieving the promised reduction in the immediate future are doubtful, to say the least. In making this commitment, the Administration has placed great emphasis on the reductions in the U.S. assessment that may be expected as a result of the admission of new members. There is a reasonable prospect that the two Germanies will enter the United Nations in 1973 and that Switzerland may become a member sometime thereafter. The assessment rates will be 6.8 percent for the Federal Republic, about 1.7 percent for the German Democratic Republic, and about 1 percent for Switzerland, for a total of about 9.5 percent. If one also takes into account certain increases that are likely to be forthcoming in the assessment rates of Japan and other countries, the total increase in the assessments of others could reach something like 11 percent by the 1974-76 triennium. The United States 31.5 percent share of this 11 percent is about 3.5 percent — sufficient to reduce our present rate to about 28 percent. The Executive Branch could not make good on its 25 percent commitment unless virtually all the U.N. members other than the Communist and less developed countries were prepared to forego their proportionate shares of the benefit resulting from the admission of new members. Japan and some of the major European countries are understandably skeptical about making this sacrifice to accommodate the United States — particularly since it cannot be justified on the grounds of capacity to pay. They can be "persuaded" to make the sacrifice, if at all, only by the threat of unilateral Congressional action — a threat that is likely to undermine their willingness to cooperate with us on other questions.

If a reduction to 25 percent is not dictated by the principle of capacity to pay, and if it is likely to place a severe strain on our U.N. diplomacy, why has such a decision been made? The explanation of the Executive Branch, which was contained in the President's foreign policy message to Congress and which has been repeated by spokesmen for the Administration before U.N. bodies and Congressional committees, is as follows:

Prudence and political realism dictate that no one country should be assessed a disproportionate share of the expenses of an organization approaching universality in which each member, large or small, has but one vote. That is particularly true when experience has shown that the major contributing countries are unable to exercise effective control over the U.N. budget.¹³

In other words, the United States is determined to reduce its share to 25 percent in order to reduce the gap between its share of the budget and

its share of decision-making power. But if the United States regular budget assessment is going to be reduced as a result of the admission of new members to 28 percent in the normal course of events anyway, it is hard to see why the extra three percentage points are dictated by "prudence and political realism," particularly when the effort to get them is bound to precipitate a major confrontation and complicate the U.N.'s financial crisis. In either case — 28 percent or 25 percent — the gap between our budgetary share and our influence in decision-making would remain very large.

The essential purpose of the 25 percent commitment would seem to be to appease Congressional criticism of the United Nations and to serve notice on the world organization that the United States wants greater influence in the budget and policy-making process. In both respects, however, this strategy seems likely to backfire. Congressman Rooney, taking the Administration at its word, is now seeking a unilateral 25 percent limitation on U.S. assessments, which could deepen the U.N.'s constitutional and fiscal crisis and put the U.S. in violation of its Charter obligations. Moreover, the United States will hardly be in a better position to persuade other U.N. members to give it greater influence in U.N. decision-making at the very time it is reducing its financial support.

There is some merit in the recommendation that the U.S. share of the U.N.'s regular budget should be reduced to 25 percent "over a period of years." It is not in the interest of the world community for the U.N.'s basic operations to be overly dependent on any one nation's contribution. But insistence on the 25 percent limitation in the immediate future instead of the 28 percent we will reach in 1973 in the natural course of events would involve a misuse of our bargaining power in the U.N. for comparatively trifling amounts — approximately \$6 million annually in the U.N. regular budget and about \$7 million in the assessed budgets of other U.N. agencies. We have bigger interests at stake on which to apply our limited negotiating leverage. The United States should be focusing on the question of how to achieve greater influence in the U.N.'s budget and policy-making process and how to persuade the organization to improve its financial and management practices. We can only compromise our chances of reaching these objectives through an abrupt reduction in financial support which polarizes U.N. attitudes and throws the organization into political crisis. As President Nixon himself declared in his "State of the World" message: "In view of the U.N.'s current financial difficulties, and of the requirements of international law, we must proceed in an orderly way in reaching this goal. It is unrealistic to expect that it can be done immediately."¹⁴

The reform of United Nations decision-making procedures is a matter of enormous complexity. It is irrational that countries representing less than 5 percent of the budget and 10 percent of the population of the total membership can take decisions in the General Assembly by a two-thirds

13. *U.S. Foreign Policy for the 1970s*, p. 190.

14. *Ibid.*

majority, including binding decisions on budget matters. But anyone reasonably conversant with the political situation in the United Nations knows that no system of weighted voting can possibly be negotiated in the foreseeable future which would be satisfactory to the United States and the other U.N. members whose agreement is constitutionally necessary for such a change.

The only improvements in decision-making that have any possibility of acceptance would be those that respect the one nation/one vote principle laid down in the Charter but which would (1) provide for more regular representation by the middle powers in the Security Council, and (2) provide that General Assembly resolutions on certain subjects can only be adopted when those same resolutions have been approved by small committees in which the large and middle powers have a greater proportion of the seats than they do in the Assembly as a whole. This second possibility might mean, for example, that the Assembly could take decisions on budgetary matters only when those same decisions had been taken first by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) — or that its decisions on peacekeeping operations would have to be based on prior decisions by a Peacekeeping Finance Committee. Such proposals would amount in effect to a bicameral arrangement between the Assembly and select committees with "weighted representation." Resolutions would have to be approved both by the relevant committee and by the Assembly as a whole.

Reforms of this kind could be carried out without Charter amendment provided that a two-thirds majority could be secured for them in the General Assembly. In the case of reform of the Security Council, a resolution passed by a two-thirds majority could lay down a new "gentlemen's agreement" on the election of non-permanent members of the Council specifying that a certain number of places (e.g., 5 of the 10) should be reserved for a specially defined group of middle powers. A two-thirds majority would also be sufficient to adopt new rules of procedure providing for bicameralism between the General Assembly and committees of weighted representation. For these reforms, however, the majority of African, Asian and Latin American countries would have to agree. There is absolutely no chance of securing their agreement if the United States is cutting back on its financial support for the United Nations and opposing U.N. efforts in development and other areas of interest to these countries. The only conceivable way in which the developing countries could be induced to accept such reforms would be if the United States were prepared to work for a United Nations that was more effective on matters of interest to them. Such a possibility, however, would require a fundamental change in present U.S. policy.

It is impossible to quarrel, of course, with the notion that the United Nations should eliminate waste, cut down on superfluous personnel, meetings and documentation, and otherwise put its financial house in order. It is difficult to deny, moreover, that the United Nations urgently needs to modernize its financial and management practices and develop a more

effective means of establishing budgetary priorities. But what this argues for is a selective approach in which the United States seeks to cut fat and strengthen vital programs, not a meat-axe approach in which we seek reductions across the board. In the light of the predicament in which mankind finds itself, it is surprising to find a Secretary of State complaining that the United Nations "has spent too much money."¹⁵ And it is sad when an Assistant Secretary of State finds it necessary to say to a Congressional Committee that "friendly governments whose values and principles we generally share have customarily taken a much more relaxed view than ours about the financial burden of contributing to [international] organizations . . . only the Soviet Union and its closest allies are consistently found on the same side with the United States in our persistent efforts to hold down costs in the United Nations."¹⁶

V. THE MANAGEMENT OF OUR U.N. POLICY

The present arrangements for U.S. participation in the U.N. system are deficient in a number of important respects. Some of these deficiencies can and should be corrected quite apart from any major reorientation in U.S. foreign policy. But some of the major recommendations suggested below would make sense only in the context of a U.N.-oriented foreign policy.

Washington Policy-Making Arrangements

The central focus of policy-making for U.S. participation in the U.N. system rests in the State Department's Bureau of International Organization Affairs (IO), headed by an Assistant Secretary of State. The present occupant of this post has earned widespread respect as an able and dedicated career foreign service officer. He would be among the first to note, however, that he lacks the political "clout" to assert the multilateral interest at the highest level of decision-making. Moreover, despite his title, his mandate does not cover international organizations like OECD and OAS; it is confined to the U.N. system, and in practice is limited to less and less of that.

Indeed, the past decade has seen a progressive erosion in the policy-making weight of IO in relation to the other bureaus of the State Department and the other parts of the Executive Branch. This trend has been aggravated by the failure of the present Administration to recruit any high-level talent from outside the government dedicated to the multilateral approach and by the reorganization of IO into agency directorates staffed by personnel seconded from other interested federal agencies. On the vast majority of items at issue in the U.N. system — whether it be disarmament, the Middle East, development assistance, environment or population

15. Footnote 3, *supra*.

16. Statement of Samuel De Palma before the Senate Committee on Appropriations on Fiscal Year 1973 estimates, March 20, 1972.

— IO has become primarily a procedural channel to communicate policies which are established elsewhere. This is in sharp contrast to the situation that existed at key periods in the 40's, 50's and 60's, when the Bureau was able to shape U.S. policy with special regard to our interests in international institution-building.

If the U.S. were to adopt a foreign policy giving high priority to the U.N. and other international agencies, it would make sense to create a new post of Under Secretary of State for Multilateral Affairs, with responsibility for U.S. policy in all multilateral organizations, regional as well as global, economic as well as political. This official would be the third-ranking officer in the Department of State and would assume responsibility for the overall direction of the Bureau of International Organization Affairs, the Bureau of Economic Affairs, the multilateral sections of the various regional bureaus, the Office of the Legal Adviser, and State Department functions relating to the environment, population, the law of the sea, fisheries and wildlife, and economic aid. If the occupant of this post were a person of national standing with direct access to the White House, and if his mandate were properly defined, he could do much to assert the "world order" perspective at the highest levels of government, not only within the Department of State but also in relations with other executive departments such as Labor, Agriculture, Treasury and HEW.

Even this reform will yield but limited results, however, unless the Department of State is restored to a more central position in foreign policy-making. If one takes the view that from now on all Presidents will insist that vital foreign policy decisions be made at the White House, then a foreign policy placing greater weight on multilateral diplomacy will require reforms there as well. A bold reform with substantive as well as symbolic significance would be the creation of an International Policy Council in place of the existing National Security Council, with a membership drawn from a wider circle of interests within the government than the NSC, and a staff more oriented toward multilateral considerations. If a formal change in title and structure is not deemed appropriate, it would still be desirable to have an expert in multilateral diplomacy as a senior member of the NSC staff devoting his full time to this subject.

U.S. Missions to International Agencies

A U.S. foreign policy oriented toward multilateral diplomacy would require a major upgrading and revitalization of our missions to international agencies. The place to begin, of course, would be with the U.S. Mission to the U.N. A decade ago, the five Ambassadorial posts at USUN were occupied by Adlai Stevenson, Francis Plimpton, Charles Yost, Philip Klutznick and Jonathan Bingham. Stevenson, of course, was a man of world stature, but it is also significant that all four of his top associates brought exceptional professional qualifications to their assignments. It is no reflection on those who have occupied these posts in subsequent years to state the simple fact that a similar concentration of talent has not been assembled since.

But the problem with USUN goes much deeper. Over the last decade it has lost some of its best and most experienced officers at the staff level; by and large, it has not found equally qualified replacements. Service with USUN is not considered an asset to the career of a foreign service officer, and the lack of housing allowances in New York, coupled with the high cost of living, imposes a heavy financial burden. To make matters worse, USUN, as Table 4 indicates, has had to reduce its staff in response to budgetary economies at a time when the variety and complexity of the items on the U.N. agenda are greater than ever. To give just one example

Table 4—USUN Funding

FY	Obligations	Auth'd Positions
1951	1,256,627	195
1952	991,798	180
1953	951,250	155
1954	797,085	115
1955	809,454	110
1956	811,056	108
1957	852,879	108
1958	925,401	108
1959	1,029,547	108
1960	1,148,898	108
1961	1,073,569	106
1962	1,200,348	117
1963	1,312,597	126
1964	1,347,231	126
1965	1,492,230	126
1966	1,610,478	126
1967	1,657,100	128
1968	1,635,800	128
1969	1,635,763	121
1970	1,892,000	111
1971	1,961,996	111
1972	2,039,600	105
1973	2,093,000	105

¹GSA assumed cost of USUN rent, utilities, guard service.

of what this means, USUN has just four staff members assisting the Ambassador to the Economic and Social Council on the whole range of matters relating to trade, development, environment, population, law of the sea, and science and technology, including oversight of our interests in the UNDP and other voluntary funds to which the U.S. makes major contributions. These officers spend a considerable portion of their time trying to satisfy the U.S. General Accounting Office that our contributions to the U.N. are well spent. The decline in the number of personnel at USUN and the lack of expertise in specialized areas of subject matter has meant a declin-

ing role for USUN in the policy-making process. In matters as diverse as disarmament, outer space, environment, and the law of the sea, USUN has been reduced to a transmission belt for decisions made in Washington.

What has been said of USUN has even greater application to the U.S. Mission to the European headquarters of United Nations in Geneva. For years this Mission has been treated as a second-rate foreign service assignment, or, even worse, as a resting ground for the politically deserving. Yet more and more parts of the U.N. Secretariat are being located in Geneva and the conference schedule there is already more crowded than the one in New York.

Even if a major reorientation of U.S. policy toward multilateralism were not envisioned, it would still be in the national interest to strengthen our missions in New York and Geneva, in recognition of the simple fact that we will continue to participate in the U.N. system and that we have important interests at stake there. Special attention should be given to recruiting persons with the specialized professional skills necessary to cope with new subjects like the law of the sea, the environment, population, and science and technology. For certain positions, highly qualified talent should be brought not only from the government but from the universities, the scientific community, the professions and the business world for assignments of three to five years. To make this possible, we will have to stop our penny-wise pound-foolishness. Our interests in a more effective U.N. would be more than repaid by a modest increase in the staff positions in the New York and Geneva Missions, and by housing allowances for USUN personnel without which service in New York will continue to be unattractive.

The selection of the U.S. delegation to the General Assembly offers another example of how lightly the U.S. now takes its participation in the U.N. system and of how relatively easy it would be to improve matters. While some of these appointments have been given to qualified individuals, they have too often been offered as a political reward to persons who could bring little or nothing to their service with the delegation. A typical case occurred a few years ago, when a businessman from the Midwest found himself assigned to the Sixth Committee. When asked by his assistant from the Mission whether he had any previous acquaintance with international law, the delegate answered, "I'm afraid not, I run a holding company." "That's all right," the Mission aide replied helpfully, "This is a holding operation."

If we want to take the U.N. seriously, the President should appoint the public members of the delegation on a merit basis, perhaps in consultation with the U.N. Association and appropriate academic and scientific groups. Moreover, the delegation should be chosen three to six months ahead of each Assembly. If this were done the members could be given their assignments and could prepare themselves in consultation with staff members in USUN and the Department of State. At the present time appointments to the delegation are made a few days before the

opening of the General Assembly (on several occasions they have actually been made after the Assembly began), so that any serious preparation by the delegates has been impossible.

Recruitment of Americans for the International Secretariat

The appointment of Rudolph Peterson and Bradford Morse to fill the two most important Secretariat positions occupied by Americans is encouraging evidence that the United States Government does give high-level attention to recruitment when it comes to these top posts. Unfortunately, the recruitment effort at lower levels is much less satisfactory. In the years ahead we will be faced with the problem of finding qualified persons to replace a whole generation of Americans who joined the U.N. in its early years and who are now approaching retirement. Yet the recruitment of Americans below the level of Under Secretary General has never received adequate attention from senior officers in the U.S. Mission and the Department of State.

In view of the national interest in a more effective U.N., a much more systematic effort is needed to identify key positions in the Secretariat where vacancies will occur and the qualified persons from the academic, scientific, professional and business worlds who can step into these assignments. Preparations for filling vacancies should be made months and even years in advance unless the United States is to become increasingly dependent on assigning foreign service officers to fill such posts. To assure that U.N. employment is sufficiently attractive for Americans (as well as for nationals of other high-income countries), we should take a more positive view about raising U.N. salaries in the higher grades. We should also explore the possibility of providing income supplements to match the difference between what an American earns in the U.N. and what he would earn in his regular employment. Finally, there is a need to attract more qualified young people into U.N. service. The creation of a U.N. Fellowship Program to which a small number of outstanding young people would be recruited by worldwide competitive examination would be an important step forward.

These observations apply not only to recruitment for the central U.N. Secretariat but also for the Secretariats of the whole U.N. system and of other international agencies. We should also encourage other countries to make better candidates available. It is bad enough that countries should dump their problems on international agencies; what is unforgivable is that they should dump their people there.

The Role of Congress

Except for the activities of "Members of Congress For Peace Through Law," a group which still lacks broad membership and sufficient staff, there is little effort in Congress to stimulate more effective action through the United Nations system. On the contrary, the major Congressional impact on U.S. policy in the U.N. today is almost totally negative. Each

year, in fifteen or twenty Congressional hearings, witnesses from the Executive Branch fight a series of desperate defensive actions to avoid cuts in U.N. appropriations or fend off legislation which would violate our multilateral commitments. Instead of carefully analyzing U.N. weaknesses and how they might be remedied, Congressional hearings usually focus on one or two current issues or become forums for across-the-board denunciations of the United Nations.

One reason for this situation is that U.S. assessed contributions to international agencies are part of the State Department budget and are subject to review in the State Department Subcommittee of the House Appropriations Committee. The U.N. part of the State Department budget has grown from one-sixth to one-third of the total over the last fifteen years. This has caused great concern both in the Congress and in the State Department bureaus concerned with budgets and Congressional relations, yet there is no reason why our contributions to multilateral agencies should be subject to the same levels of restraint as are applied to the budget of our foreign affairs establishment.

The time has come for the Executive Branch to explore with the Congressional leadership whether there is not some different way in which our U.N. contributions could be presented to the Congress. If these contributions could be removed from the State Department budget, the important issues involved in our participation in the United Nations could be dealt with more adequately than now seems possible in the House Subcommittee on State Department appropriations. It should be noted that in 1972, for the first time, the State Department budget became subject to the requirement of annual authorization as well as appropriation. It remains to be seen whether involvement of the Foreign Relations and Foreign Affairs Committees in approving U.N. assessments will result in a more effective review of our participation in the U.N. system.

The Role of the Public

More effective U.S. participation in the United Nations system is the objective of one outstanding national citizens organization — the United Nations Association of the USA. The UNA does an excellent job of telling the story of U.N. activities to the American people through its bi-monthly magazine *Vista* and through the work of its local chapters. In addition, it has recently turned out a series of exceptionally professional and creative policy studies prepared by panels of distinguished citizens. These studies point the way to fundamental improvements in the U.N. and in U.S. participation. Yet any sensitive observer must be aware of the anomaly that, as the UNA flourishes, the U.N. itself and the effectiveness of the United States in the organization continue to decline. Policy study follows policy study, but with very few exceptions the recommendations do not get turned into action.

The hard fact of life is that we have not yet found a way to translate support for multilateralism into the American political process. The trade

unions, the corporations, the environmentalists and the welfare recipients of our country have all learned how to get the federal government to respond to their needs. The citizens interested in a stronger United Nations have not. Ralph Nader, however, has shown how hitherto ineffectual public interests can be given an effective voice and political clout. Perhaps the time has come to create a "Nader's Raiders for World Order" — a group that could keep a box score on how Congressmen vote on matters like our U.N. contributions and on legislation violating the Rhodesian embargo. If such an enterprise were properly run, it might attract broad support — particularly from young people who are looking desperately for some way in which they can help the United States play a more constructive role in the world. We might even make such a U.S. group part of a broad transnational effort linking similar groups in key U.N. member countries.

The United Nations and New York City

Until a year or two ago it was fixed U.S. policy to keep the United Nations in New York and oppose the location of U.N. functions in other parts of the world. Now, for the first time, the Congress and the Executive Branch are "thinking about the unthinkable" — about whether it really serves U.S. or U.N. interests to keep the organization in New York and whether at least some major U.N. functions should not be located elsewhere.

This change of attitude reflects not merely U.S. disenchantment with the U.N., but U.N. disenchantment with the U.S. Delegates from African countries complain about racial discrimination; Arab delegates resent the pro-Israel environment of New York; and all delegations are increasingly concerned about the deteriorating quality of life in the city. In addition, the actions of the Jewish Defense League and other militant groups have greatly complicated the problem of assuring the security of U.N. missions and their personnel. At the same time, the local populace and the political leadership of New York seem less than fully reconciled to the financial burdens involved in police protection and in the granting of tax exemptions to U.N. mission property. Although New York City derives income from the expenditures here of the U.N. Secretariat and of U.N. missions, as well as from the tourism associated with the United Nations, this has not been enough to quiet complaints that the U.N. represents a net burden to New York City.

The failure of the United States Congress to appropriate the \$20 million needed to expand the U.N. headquarters now brings this whole policy question into the open. The United States will need to decide within the next year or two whether it wants to prevent the transfer to Europe of U.N. divisions now located here. If we wish to avoid this transfer the Executive Branch will have to make a much greater effort to secure the necessary financing from Congress. If, on the other hand, the Executive Branch is unsuccessful in this effort or does not even wish to try, it will

need to develop some coherent view about the future location of U.N. departments.

One possible approach would be to move within the decade of the 70's to a situation in which U.N. political functions are located in New York and U.N. economic functions are clustered in Geneva. There is something to be said for having the UNDP and the Department of Economic and Social Affairs in Geneva together with the most important of the U.N. Specialized Agencies with whom they have to work. On the other hand, such an arrangement would make more difficult the recruitment of American personnel. It might diminish somewhat United States interest in and support for the U.N.'s economic work. It might also result in some additional costs, if large numbers of Secretariat personnel had to be brought back to New York periodically for meetings of the General Assembly and other organs dealing with economic issues.

An additional factor to be considered is whether Geneva is able or willing to absorb such additional U.N. units. If the answer is negative on either of these counts, removal from New York would mean removal to Vienna or to some other center outside the United States. This would be most unfortunate. The location of the United Nations Industrial Development Organization (UNIDO) in Vienna has not enhanced the effectiveness of that part of the U.N. Secretariat, and the removal to Vienna or to other cities of additional U.N. functions could only serve to undermine further the coherence and efficiency of the United Nations Secretariat.

The issues of the U.N.'s location should be confronted squarely by the United States, not resolved by default as a result of failure to meet our financial undertakings and hostship obligations. Everything considered, it would be desirable to keep the headquarters of the U.N. in New York. To that end the federal government must provide adequate security to U.N. delegations. A further effort should be made, this time with strong backing from the White House, to persuade Congress to provide the funds necessary to enlarge the New York headquarters site. If some relocation of U.N. functions becomes necessary, a movement to the environs of New York should be considered, as well as relocation to Geneva. In the interests of efficiency and coordination, the U.N. should remain concentrated so far as possible in New York and Geneva and their surrounding areas.

VI. CONCLUSION

If this essay has a central theme, it is that the main preoccupation of U.S. foreign policy from here on in should be the building of effective international machinery to manage mankind's common problems. Such a "world order strategy," we have argued, would have a better chance of success than a foreign policy based exclusively on the balance of power.

A world order strategy contains no built-in guarantee of success. Moreover, a major U.S. effort to strengthen the U.N. and other international

institutions would not necessarily win us friends, at least in the short run. This should not deter us. We have become unpopular enough in a number of bad causes; we should not be afraid to become unpopular in some good ones.

We cannot know when, if ever, the fully effective United Nations that has been called "indispensable" will also become "possible." Nevertheless, we have an obligation to ourselves and our descendants to use all of our resources to press to the outer limits of the possible. This survey of U.S. policy toward the U.N. suggests how far we have to go before we have discharged that obligation.

ABOUT THE AMERICAN ASSEMBLY

The American Assembly was established by Dwight D. Eisenhower at Columbia University in 1950. It holds nonpartisan meetings and publishes authoritative books to illuminate issues of United States policy.

An affiliate of Columbia, with offices in the Graduate School of Business, the Assembly is a national, educational institution incorporated in the state of New York.

The Assembly seeks to provide information, stimulate discussion, and evoke independent conclusions in matters of vital public interest.

AMERICAN ASSEMBLY SESSIONS

At least two national programs are initiated each year. Authorities are retained to write background papers presenting essential data and defining the main issues in each subject.

About 60 men and women representing a broad range of experience, competence, and American leadership meet for several days to discuss the Assembly topic and consider alternatives for national policy.

All Assemblies follow the same procedure. The background papers are sent to participants in advance of the Assembly. The Assembly meets in small groups for four or five lengthy periods. All groups use the same agenda. At the close of these informal sessions participants adopt in plenary session a final report of findings and recommendations.

Regional, state, and local Assemblies are held following the national session at Arden House. Assemblies have also been held in England, Switzerland, Malaysia, Canada, the Caribbean, South America, Central America, the Philippines, and Japan. Over one hundred institutions have cosponsored one or more Assemblies.

ARDEN HOUSE

Home of The American Assembly and scene of the national sessions is Arden House, which was given to Columbia University in 1950 by W. Averell Harriman. E. Roland Harriman joined his brother in contributing toward adaptation of the property for conference purposes. The buildings and surrounding land, known as the Harriman Campus of Columbia University, are 50 miles north of New York City.

Arden House is a distinguished conference center. It is self-supporting and operates throughout the year for use by organizations with educational objectives. The American Assembly is a tenant of this Columbia University facility only during Assembly sessions.

AMERICAN ASSEMBLY BOOKS

The background papers for each Assembly program are published in cloth and paperbound editions for use by individuals, libraries, businesses, public agencies, nongovernmental organizations, educational institutions, discussion and service groups. In this way the deliberations of Assembly sessions are continued and extended. Subjects to date are:

- 1951 — United States-Western Europe Relationships
- 1952 — Inflation
- 1953 — Economic Security for Americans
- 1954 — The United States' Stake in the United Nations
 - The Federal Government Service
- 1955 — United States Agriculture
 - The Forty-Eight States
- 1956 — The Representation of the United States Abroad
 - The United States and the Far East
- 1957 — International Stability and Progress
 - Atoms for Power
- 1958 — The United States and Africa
 - United States Monetary Policy
- 1959 — Wages, Prices, Profits, and Productivity
 - The United States and Latin America
- 1960 — The Federal Government and Higher Education
 - The Secretary of State
 - Goals for Americans
- 1961 — Arms Control: Issues for the Public
 - Outer Space: Prospects for Man and Society
- 1962 — Automation and Technological Change
 - Cultural Affairs and Foreign Relations
- 1963 — The Population Dilemma
 - The United States and the Middle East
- 1964 — The United States and Canada
 - The Congress and America's Future
- 1965 — The Courts, the Public, and the Law Explosion
 - The United States and Japan
- 1966 — State Legislatures in American Politics
 - A World of Nuclear Powers?
 - The United States and the Philippines
 - Challenges to Collective Bargaining
- 1967 — The United States and Eastern Europe
 - Ombudsmen for American Government?
- 1968 — Uses of the Seas
 - Law in a Changing America
 - Overcoming World Hunger
- 1969 — Black Economic Development
 - The States and the Urban Crisis
- 1970 — The Health of Americans
 - The United States and the Caribbean
- 1971 — The Future of American Transportation
 - Public Workers and Public Unions
- 1972 — Foundations
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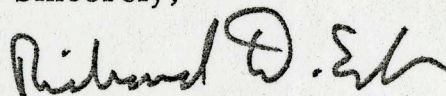
October 6, 1972

Dear Mr. Sewell:

Mr. Flanigan, who was appointed to replace Mr. Peterson early this year, asked me to thank you for sending the studies on Special Drawing Rights and their relationship to economic development. The link between SDRs and development aid will be dealt with in the forthcoming monetary negotiations. The nature of that link will depend on other aspects of monetary reform, including of course, the role of SDRs per se.

Again, I appreciate your sharing these studies with us.

Sincerely,



Richard D. Erb
Staff Assistant
to the President

Mr. John W. Sewell
Vice President for Council Affairs
Overseas Development Council
1717 Massachusetts Avenue, NW
Washington, D.C. 20036

GENERAL
FO4

cc
this guy
is a pain
let's hope
this holds
him
November 9, 1972
If he comes back to work
take him
treasury

Dear Mr. Wells,

Your letter of November 6th to John Ehrlichman has been received during his absence from the city.

You may be sure it will be brought to his attention upon his return next week.

Sincerely yours,

(Miss) Jana Hruska
Secretary to John D. Ehrlichman

Mr. Warren Wells, President
Dynamic Strategy Research
Foundation, Inc.
4085 Lago Drive
Santa Barbara, California 93106

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DYNAMIC STRATEGY RESEARCH FOUNDATION, INC.

WARREN WELLS
PRESIDENT

4085 Lago Drive
Santa Barbara, California 93105

November 6, 1972

Mr. John D. Ehrlichman
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20500

Dear Mr. Ehrlichman:

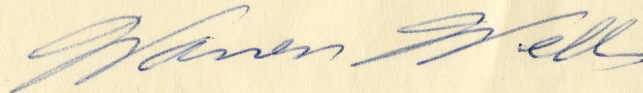
I am writing to call your attention to a trend which is unnecessarily exacerbating our balance of payment problems and to suggest a relatively simple action via an appropriate Treasury Department ruling.

More and more U.S. groups, in an effort to incorporate an attractive hidden tax-free benefit in conjunction with sales and other convention meetings, are holding meetings in overseas areas with particular reference to Europe and the Caribbean.

This trend could obviously be halted in its tracks by a Treasury Department ruling to the effect that no deductions will be allowed for sales conventions and trade association meetings held on other than U.S. territory.

Yours sincerely,

DYNAMIC STRATEGY RESEARCH
FOUNDATION, INC.



Warren Wells
President

WW:rs

GENERAL

GENERAL

TA3
FO4NATIONAL SECURITY COUNCIL
December 27, 1972

December 22, 1972

Dear Mr. Pepper:

The President has asked me to thank you for your letter of November 25 proposing a world trade fund to finance trade with the Communist and other countries to increase exports. We appreciated receiving your views on this matter and will give them close consideration.

We have also referred your letter to the appropriate officials in the Department of State so that they, too, may have the benefit of your views.

With the President's best wishes,
Sincerely,

Roland L. Elliott
Deputy Special Assistant
to the President

Mr. Robert K. Pepper
1929 E. Main Avenue
Fort Myers, Florida 33901

RLE:NSC:MBS:shb

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