An Arms Race in Space?

By Dean Rusk

On September 26 President Reagan addressed the General Assembly of the United Nations and put his major emphasis upon arms control issues. Notably absent was any reference to the prevention of the movement of the arms race into outer space, an omission made more significant by Mr. Andropov's proposals to undertake negotiations to prevent the placing of weapons in outer space. Meanwhile, the Department of Defense is moving to organize itself with a Space Weapons Command, with the usual contest between a proposed combined command and separate commands for each of the major services.

President Reagan has held out the prospect for weapons in space which could intercept incoming missiles and provide an anti-missile umbrella over the United States and its allies. The idea seems to be that new techniques such as lasers, particle beams, or other yet to be discovered capabilities could bring about a revolution in the strategic weapons field and remove the threat of nuclear destruction.

A particularly difficult aspect of limitations on space weaponry involves weapons which can be fired from the surface of the earth or from airplanes against satellites in space, a technology already available both to the Soviet Union and the United States for use against low-orbiting satellites. Any effort to restrict or to eliminate anti-satellite weapons fired from or near the earth's surface will encounter major difficulties in arranging for adequate verification.

There is a lively debate now in progress among scientists as to whether anti-missile weapons in space are within reach of human science and technology. This writer is not qualified to referee this debate but can take note of the prospect that the costs of such systems would run into hundreds of billions of dollars and any results of the effort are unlikely in this century. A major question is thus posed to the Congress and to the American people as to whether we wish to go down that trail without the most serious negotiations with the Soviet Union to reserve outer space for exploration and research and for such entirely passive military uses as communications and satellite photography.

The idea of spatial limitations upon the arms race is not new. In 1959 a group of nations having claims or significant interests in Antarctica concluded the Antarctic Treaty. This important piece of preventive diplomacy reserved the vast area of the Antarctic from the Great Power arms race, opened it up for scientific exploration and made provision for regular visits to each other's stations and activities. By treaty we have forbidden the orbiting of nuclear weapons in outer space and the placing of such weapons on the deep ocean seabeds. A large majority of the nations of Latin America, under the leadership of Mexico, concluded the Treaty of...
Arms Race in Space (cont.)

Tlatelolco, creating a nuclear free zone throughout much of Latin America. The United States has ratified two protocols to that treaty regarding U.S. possessions in the area covered by the Treaty.

We thought that we had gone a long way toward the removal of the arms race from outer space in adopting certain important space treaties during the 1960's—primarily, the general treaty on the exploration and use of outer space concluded in 1967. This treaty provides that the exploration and use of outer space "shall be carried out for the benefit and in the interest of all countries, irrespective of their degree of economic or scientific development and shall be the province of all mankind." Outer space was to be free for exploration and use by all states and there was to be freedom from scientific investigation with provisions for international cooperation for that purpose. Nuclear weapons and other weapons of mass destruction were barred from space, astronauts were to be considered as "envoys" of mankind, etc. Certain passive uses of outer space such as for communications and for satellite photography for the monitoring of arms control agreements were acceptable, but it was not anticipated that antisatellite weapons would be introduced on earth or in space for use against orbiting vehicles. Still less thought was given to the use of outer space for weapons directed against missiles on or immediately above the earth's surface.

It is instructive to recall the primary consideration which led the United States and the Soviet Union to conclude an agreement limiting the deployment of antiballistic missiles (ABM's). A thorough analysis of the problem in the Defense and State Departments led to the very clear conclusion that if either the United States or the Soviet Union, or both, deployed ABM's the inevitable result would be a rapid increase in the number of offensive missiles in order to saturate or destroy the ABM's before a main missile strike were to be delivered. President Lyndon Johnson opened up this question with Premier Alexei Kosygin at Glassboro in 1967, but the latter was unable to pursue the matter because it was clear that the Soviet Union had not developed its own position. During the following year, however, the Soviets apparently did do their homework and arrived at the same conclusion as had the United States. That led to an agreement limiting ABM sites to two on each side—later amended to provide one such site each.

When we consider the problem of weapons in space, it is prudent to accept the idea that the Soviet Union will be able to do whatever the United States can do. Nature does not yield up its secrets on the basis of political favoritism. We in the West have, more than once, underestimated the capacity of Soviet science and technology where they have been willing to make a substantial commitment of resources and brain power. It would be foolish to suppose that weapons systems in space would provide any advantage for the United States except for fleeting moments of time.

A much more serious and costly result would flow from the development of space weaponry. It can be predicted with a high degree of certainty that if either the Soviet Union or the United States should approach the successful development of anti-

missile weapons to be fired from outer space, both sides would engage in a frantic race to develop offensive missiles which can penetrate or evade such outer space capabilities.

The present prospect, unless checked by reliable international agreements, is that we shall be spending hundreds of billions of dollars both on space defensive technology and upon new generations of delivery systems without a perceptible impact upon the relative strategic position of the United States and the Soviet Union. With regard to weapons fired from or near the earth itself into space, we can anticipate that anti-satellite weapons will be followed by anti-anti-satellite weapons in an endless procession of costly gadgetry. At some point along the way, because of time factors, orders to fire will be pre-positioned into computers with all the hazards attendant upon the failure of technology which is the common experience of ordinary people.

The momentum for developing and deploying space weapons shall grow daily. The armed services and a very large aerospace industry are present in every state and congressional district. Hundreds of billions of dollars in contracts is a prospect which substantial sectors of our society will warmly welcome. The Congress and the American people must decide whether to open up this vast area of arms competition or to search for reliable agreements which will make such waste unnecessary. And some of us will hope that our grandchildren can look up into the great universe and reflect with the Psalmist that the Heavens declare the Glory of God—and not the Folly of Man.
Rusk Center Activities

The Center conducts research, presents conferences, promotes teaching, and provides information concerning international and comparative law. Through these activities, the Center seeks to place scholarship at the service of decision makers, including governmental officials and private sector leaders; to provide a sound basis for policy judgments for the improvement of the lives of the people of the State of Georgia and the nation; to increase international understanding; and to contribute to the solution of problems and issues of international significance.

The activities of the Center include the following:

1. Two Visiting Distinguished Scholars are in residence this fall: Professor Günter Roth of the University of Innsbruck, Austria and Professor Hermann Soell of the University of Regensburg, Germany. Professor Roth is doing research and lecturing on industrial policy and economics. Professor Soell is doing research and lecturing on comparative environmental law.


3. The Rusk Center will co-sponsor a special section in the *Georgia Journal of International and Comparative Law* on Recent Developments in International Trade Law. This will summarize legal developments in this important field. It is hoped that this will be a valuable aid to attorneys and other professionals.

4. The Center will participate with Sophia University in Tokyo on a three-year study of U.S.-Japan trade relations sponsored by the Mitsubishi Foundation in Tokyo.

5. In order to stimulate scholarship in the field of admirality and maritime law, the Center has established a Distinguished Fellow in Admiralty Program. Recipients of awards under this program would be expected to spend at least one month in residence at the Center for the purpose of carrying out a research project in maritime law.

6. The director of the Center has been invited to speak to a group of Japanese business persons in Tokyo on Doing Business in Georgia and the Southeast sponsored by the Japan Training Center, Inc.

INTERNATIONAL DEVELOPMENTS

Plans are underway to open a permanent industrial trade exhibit center in Cobb County, Georgia on behalf of the Korean Foundry Association. The association represents all South Korean manufacturers in the distribution of their products. The center will provide a place for Korean manufacturers to display their products to prospective customers.

In June, Atlanta Mayor Andrew Young led a trade mission to the Caribbean Islands to introduce Atlanta businessmen to opportunities in the Caribbean market. Major stops on the mission were Kingston and Montego Bay, Jamaica, and Port of Spain, Trinidad. The mission emphasized certain industries which Atlanta and the Southeast have to offer. Since one of Jamaica's needs is to diversify its agriculture, the mission included three companies which specialize in agricultural services: Griffin Corporation, the Goldkist, Inc. cooperative's Agra-Tech Seeds, Inc. and Tropics International. The mission also included planners, architects and associated companies providing food and restaurant management services which would help Jamaica rebuild its tourist industry. Three high-tech companies were also represented, Hayes Microcomputer Products, Inc., Scientific Atlanta, Inc. and OKI Electronics of America.

George Berry, Georgia's Commissioner of the Department of Industry and Trade plans to focus on trade development. Berry is developing a program to coordinate government agencies, banks, utilities, railroads and other private organizations already engaged in recruiting industry for Georgia.

American Honda Motor Company began construction in July of a new $8.5 million, 260 square foot warehouse in Alpharetta, Georgia, near Atlanta. The facility, which is expected to be complete by June of 1984, will replace a small facility in Norcross, Georgia.

The Atlanta Foreign Trade Zone is not viewed by the U.S. Customs Service as part of the United States. Duties are not charged while a product remains in the zone which allows the U.S. and foreign companies to save money in a number of ways. For example, U.S. tariffs are higher on finished than on unfinished products. A company can ship unfinished goods to Georgia, finish assembling the product in the zone and save on tariffs. The Atlanta Trade Zone offers other advantages to those who use it. Foreign products imported to the U.S. can be shipped to the zone and inspected for damages. If an item is damaged it can be returned without paying duties or can be fixed in the zone. Products without buyers can be imported to the U.S. and stored in the zone until they are sold, postponing the payment of duties until the prod-

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International Developments (cont.)

ucts leave the zone. The Atlanta Foreign Trade Zone also offers a 100% tax exemption on Coweta County inventory tax, so companies can store their goods cheaply.

Presently, 39 firms take advantage of shipping products through the Atlanta Foreign Trade Zone. The Zone owner is negotiating with another 40 firms, and is in the process of expanding to meet future needs.

After California, the Southeast is the second-fastest growing area for Japanese investment in the United States. The six southeastern states host 179 Japanese enterprises including 46 manufacturing plants which employ over 10,000 people. Ninety-eight of these firms reside in Georgia, including 19 manufacturing plants. The factories alone employ close to 3000 people and represent an investment of $182.4 million.

The United States and Japan are each other's first or second-ranking trade partners in most areas of trade. The two economies which are the first and second largest economies in the non-Communist world are deeply integrated with each other in spite of trade tensions between the two countries.

In 1982, the United States suffered a $17 billion deficit in merchandise trade with Japan, and the Commerce Department predicts a deficit of more than $20 billion for 1983. Most of the tension which arises between the U.S. and Japan results from the trade deficit. The cause of this trade deficit is a contested issue between the two countries. The Japanese viewpoint is that the trade deficit results largely because of an overvalued dollar and high interest rates have made U.S. exports expensive on the world market. The U.S. considers trade barriers aimed at protecting Japan's depressed industries to be largely responsible.

The U.S. and China signed a textile accord August 19 which was retroactive to January 1. The accord covers 34 categories of products and allows for about 3% annual increase in China's textile shipments to the U.S. Textile interests in the U.S. have been critical of the accord, but the concurrent lifting of China's ban on U.S. agricultural products brought some relief to U.S. farmers. China's imports of U.S. wheat, soybeans, and cotton had dropped drastically before the accord was reached.

Agriculture Department officials announced in September that American exporters of farm products will still be able to meet their sales commitments and the nation will be able to fulfill its food aid commitments in the next twelve months despite the severe summer drought. Soybean, corn and rice crops were especially hurt by the drought. The wheat crop had already matured when the drought started and farmers produced one of the largest wheat crops in five years. Higher grain prices resulting from the drought, however, have made it more difficult for grain traders to meet foreign competition and increase the volume of American exports. Corn and soybean exports are expected to drop below the 1982-83 total during the next twelve months.

In July, a task force of 94 chief executives of the most important Japanese and American companies called for the gradual internationalization of the yen as part of a package to correct the imbalance between Japanese currency and the U.S. dollar. This was one of more than forty recommendations presented by the task force which was established as a part of the 20th annual meeting of the Japan-U.S. Businessmen's Conference. The business leaders agreed on several questions concerning Japan's industrial policy but failed to agree on adjusting Japanese import quotas on some agricultural products such as citrus and beef.

Presently Japan voluntarily restricts the number of automobiles it exports to the United States at 1,650,000 annually. All American auto makers except General Motors want the Japanese to commit to restraining exports at this figure for a fourth year. General Motors wants two million units to give it room to import Suzuki and Toyota subcompacts.

In July, however, Japan's International Trade and Industry Minister, Sosuke Uno, reaffirmed his government's stand that it would not extend its voluntary three year program to limit automobile exports to the U.S. The three year restriction period ends in March 1984. If Japan abandons its voluntary restraint program, the result could be a boost to protectionist legislation already in Congress.

The Federal Trade Commission has taken an extra three months for deciding whether General Motors Corporation and Toyota Motor Company will be allowed to build a small car together in the United States pursuant to their joint-venture agreement. The companies are waiting for the FTC's decision to see if they can produce the Sprinter version of the Corolla at GM's Fremont, California plant.

The agreement reached by GM and Toyota earlier this year provides that the companies will share equally in the profits of the assembly venture at Fremont. Toyota will be assured a position as supplier of powertrain components for the new car, but GM must compete against independent firms for the chance to sell products to the venture. The cars will be sold to Chevrolet Division under cost-plus terms. Toyota will have sole responsibility for running the plant.

Ford Motor Company and Chrysler Corporation have complained that the agreement between the world's largest and third largest auto makers will lead to antitrust violations such as price-fixing and collusion between the two companies. The FTC's decision regarding the joint venture between GM and Toyota could set precedents in antitrust law, including whether such arrangements should be evaluated on the basis of the domestic or the world market.

The chief geologist of the Petroleum Corporation of China, Zhai
Guangming, reports that potential crude oil resources in Chinese waters in the South China Sea total between 40 billion and 100 billion barrels. More than 200 oil and gas fields have been found in the Chinese sector of the South China Sea since the first discovery well was drilled in 1977. Several foreign oil companies have signed exploration and development contracts with the Chinese authorities.

Some of the largest oil companies which have been granted rights to drill in the China Sea are Atlantic Richfield Company, the British Petroleum Company and the Occidental Petroleum Company. Exxon expects to have a contract soon. Companies currently holding contracts to drill in Chinese Waters might begin producing oil as early as 1988, but large scale production is probably 10 years away.

In July President Reagan imposed a series of restrictions on imports of specialty steel from Europe. The U.S. International Trade Commission determined that imports had depressed U.S. prices and caused U.S. producers to lose a share of the world market. Reagan's restrictions provide for a four-year program of tariffs and import quotas on bar, rod and alloyed tool steel, stainless steel sheet, strip and plate sheet. The I.T.C. recommendation was for a three-year period of import restrictions.

Some third world countries are becoming the world's prime suppliers of raw steel. Developing countries can make certain steel products more cheaply than the industrialized west because they have cheaper energy for their electric arc furnaces, cheaper labor, sometimes cheaper raw materials and usually lower transportation costs. Ironically, industrialized nations such as Japan and West Germany are facing with competing with foreign state of the art plants which they built and financed. Japan, for example, is currently pressuring the government in Tokyo to provide import relief from South Korea.

Some industry analysts say that a two-tiered world wide steel system will result. In this system, the lower cost producers in the developing countries would generate most of the world's raw steel while the higher cost producers in industrialized countries would concentrate on producing high-technology, specialty products, such as seamless pipe for the oil industry and alloys for the aerospace industry.

The preparatory Commission of the Law of the Sea opened deliberations in Jamaica in August. Almost every country in the world except the U.S. was present. The U.S. wants the treaty's provisions on a 200 mile exclusive economic zone, a 12 mile territorial limit, rights of passage for its civilian and military ships through narrow straits, pollution control and the system of international courts to arbitrate disputes at sea. The administration objects, however, to Article 11 which governs access to mineral rich nodules in the ocean floor. Under the dual authority created by Article 11 to mine these nodules, an "enterprise" would mine on behalf of lesser developed countries and a licensing authority would allow big mining corporations access to the sites.

A 1982 survey conducted by the British Trade Development Office showed that Americans are willing to pay more for specialty foods. As a result, a $23 million marketing campaign subsidized by the British government is aimed at doubling British food exports to the U.S. by 1985. The wholesale market for gourmet and specialty foods had quadrupled in ten years from approximately $200 million in 1970 to more than $850 at wholesale; retail sales are more than $1.4 billion.

According to a Harvard Business School study published in Harvard Business Review the Japanese manufacture room air conditioning units which are superior to those manufactured in the United States. The study expresses the opinion that Japanese manufacturing in general produces products superior to American rivals because of worker participation in quality control and intense attention to quality problems by top executives in Japan—not any technological edge.

The sixth meeting of the United Nations Conference on Trade and Development (UNCTAD VI) was held in Belgrade, Yugoslavia during the month of June. The conference, which is held only once every four years, provided a forum for discussions on economic matters between poorer developing countries and richer industrial countries. The developing countries presented a specific list of immediate measures to industrial countries for agreement, including: automatic debt relief, an increase in world liquidity through the International Monetary Fund, greater aid and private bank lending to developing countries, and freer access for exports of developing countries to markets of richer nations.

Top officials of the International Monetary Fund (IMF) predicted that the new compromise agreement on borrowing will make all of the members of the international community winners. The Reagan administration promised an $8.4 billion increase in U.S. contribution to the fund; this contribution has become a political issue. The money is needed by the IMF because the call on existing funds by debt burdened developing countries of the third world has been so great.

A compromise agreement on International Monetary Fund lending limits was reached in September. The IMF Interim Committee agreed to a two-tiered limitation on the amount that nations could borrow from IMF funds. The ceiling on most of the IMF loans will be 102 percent of the quota which the borrowing nation contributed to the IMF. Some smaller countries will be allowed to qualify for up to 125 percent after evaluation on a case by case basis.

Many developing third-world countries wanted the limit to remain at its current level of 150 percent of the nation's contribution. The contribution

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Reagan administration's proposal to set a ceiling of 72,000 refugees to be admitted into the United States next year. He stressed that the 72,000 figure was a ceiling and not a quota and that the number of refugees who would actually be admitted into the United States might be less than 72,000. The numbers of refugees which the administration proposes could be admitted are allotted in the following way: Africa-3,000; East Asia-50,000; Soviet Union and Eastern Europe, Latin America and the Caribbean-1,000; and the Near East and South Asia-6,000. The ceiling for 1982 was 90,000, but only 60,000 were admitted to the United States.

The People's Republic of China is currently preparing regulations and laws to allow foreign investors to set up their own businesses. This action was explained by Wei Yuming, a vice-minister of foreign economic and trade law of the Chinese government, as part of a decision to relax policies on absorbing foreign funds. Also announced were new measures which would allow Chinese-foreign joint ventures in China to sell more products in the Chinese market. Formerly, joint ventures were required to export enough to earn the foreign exchange needed for the foreign partner's profits and any foreign operating costs. China will take measures to guarantee profits in foreign exchange when goods are sold in China. In the last four years, China has established 105 joint ventures with foreign businesses.

In September, Canada proposed that Canada and the United States study the issue of broadening their trade ties by allowing free trade in various industrial sectors. Canada has a free trade agreement with the United States in new motor vehicles and original equipment parts. In August, Canada asked the United States Textile and Clothing Board to study the economic impact of lifting trade barriers between the United States and Canada on textile and clothing products. Many of the tariffs between Canada and the United States are to be cut under a current multinational tariff-cutting agreement which was negotiated in Geneva. It has been estimated that 80% of Canada's exports to the United States and 65% of the United States' exports to Canada will be duty free by 1987.

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