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Summit Pragmatism

A meeting of this world’s greatest VIPs at an economic summit is sort of a delicate affair. It always bears the odium of happening but once, although — as the decision to meet again, possibly in Tokyo, shows — it has become an institution, for a long while already. Journalists may regret this penchant for routine, but it should be taken into consideration that in contrast to customary opinion also heads of states and governments are still able and willing to learn. Of non-recurring meetings “non-recurring results” are being expected, i.e. sensational decisions or at least declarations. The great words of London are a case in point that in those days the politicians could not yet resist the pressure of expectations. In Bonn the meeting ended more unpretentiously and thus more to the point.

Besides hardly anything had changed regarding the problems and the purpose. Now as before the struggle against unemployment and inflation, attainment of higher growth rates, appeasement at the monetary front, security of energy supply and the restructuring of its consumption, threatening protectionism as well as the “special interests of developing countries” were the hub of discussion. Otherwise than in London, however, the Bonn communiqué refers to the interdependencies of these problems and the measures required for their solution in a way more intelligible to the citizen. Simultaneously it is being recognised that in the individual countries — due to varying conditions — quite differing goals of the magic economic polygon could so far not be reached. From this follows the need of differing policy measures.

Japan and the Federal Republic of Germany, with comparatively low rates of inflation and unemployment but high current account surpluses acknowledged the necessity of raising their domestic demand. In this context the situation in the field of domestic policy has been taken into consideration. Japan with its long-standing indicative framework planning and the close links between Government and business community can afford to promise a concrete growth target. The Chancellor of the Federal Republic of Germany, on the other hand, prudently could only mark out a financial maximum sum total — up to 1% of GNP with which he intends to stimulate the business trend. The success of growth will much depend upon the concrete measures. And the Federal Government is, due to the structure of the coalition supporting it, dependent on a compromise between tax reduction and an increase of expenditure.

Because of their high unemployment ratios also Italy and France decided on a further stimulation of business activity, although they referred much more than the Federal Republic and Japan to the necessary continuation of the adopted stabilisation policy. An unambiguous priority however shall be given the struggle against inflation in the USA, Great Britain and Canada.

Critics may object that no country has thus promised anything that had not already before been discussed internally and notified. This is without doubt correct. New, however, is the fact that the participating heads of states and governments believe the measures already taken or still to be carried out by the other partners to be a requisite supplementation of their own economic policy instruments and thus consider them to be adequate. All this was signalled in advance by the skil-
ful stage-management of the host, the German Chancellor. Hereto belonged the immediately preceding state visit of the American President as well as the meeting of the European Council in Bremen and the preliminary breakfast with the Japanese Prime Minister Fukuda. The guests caught up the idea of the package deal with obvious relief. Thus the discussion could begin in a relaxed atmosphere. The usual menacing and imposing gestures could be dispensed with because impossibilities were not expected of anybody already with the measures for economic overall direction.

Thus there was time enough to discuss also those problems whose solution in most countries is met with greater institutional problems than in the case of the general economic policy. These are mainly trade and energy questions.

At present the development of world trade is burdened with the special tensions between the EC, the USA and Japan. So far all efforts for a solution had been concentrated on the multilateral negotiations within the framework of the current GATT-round. In good time for the summit a report on the state of negotiations was supplied from Geneva. It contains framework agreements but unfortunately not in their final formulation. Only 18 of the 98 participating countries have signed the document. The safeguarding clauses in favour of endangered branches, subsidies, price-adjustment levies at the borders and the agricultural question so much disputed between Europe, America and Japan are unsolved in the General Report. Thus there were plenty of topics to be discussed.

In view of this initial situation the texts on international trade are proving to be very short. The common intention of maintaining the open world trade system is sufficiently endorsed. Besides the framework agreements of Geneva are expressly mentioned and qualified as progress. In spite of their preliminary character one cannot but agree to this because previously the negotiations stagnated for years. Even the decision to complete the negotiations successfully until December 15, 1978 does not contain anything new since the US-President’s mandate expires at the end of the year.

Between the lines however it can be read that the negotiations were not only carried through in great detail but that they were sometimes also tough. This is indicated by the fact that Japan not only declared itself prepared to facilitate its imports but moreover promised not to increase its exports in the current fiscal year. This equals the confession that the institutional and structural obstructions contained in the Japanese import system are so strong that a short-term removal of the current account surplus via imports is not to be expected in spite of the promised expansion of domestic demand.

On the other hand the relatively wide scope given GATT in the communiqué as institution for consultation and arbitration indicates that Europe and Japan met half-way regarding the international control of the application of the safeguarding clauses. And the explicit reference to the expected American effort for increasing exports is indicating that the EC has signalled its preparedness for concessions regarding trade with the USA.

As a counter-move the US-President confirmed his determination to enforce his energy programme that limits the rise in consumption to the EC-level decided on in Bremen, i.e. 0.8% of the increase of the gross domestic product. With that also the last measure of the combination of global control, trade and energy policies was checked-off, which is to take care of calmness at the monetary front and thus the creation of a basis of trust necessary for the growth of investments. With so much pragmatism regarding the interests of the conference partners it is not astonishing that also the developing countries had to be contented with the reserved renewal of former promises. Prime Minister Fukuda alone promised precisely a doubling of his country’s public development aid.

Manfred Holthus