

Fukuda bluntly blamed most of the West's economic troubles on the collapse of the U.S. dollar.

Yet, in view of the magnitude of the problems involved, the economic debates between the leaders and the decisions that flowed from these lacked decisiveness and daring.

West Germany's pledge to reflate its economy in the expectation of creating larger markets for other nations is one example. In fact, West German authorities hold no faith whatever in Keynesian pump-priming, as opposed to structural reform. West Germany's contribution to what Prime Minister Trudeau called "a poker game" was thus a chip that the West Germans themselves didn't take seriously.

Another example is the treatment at Bonn of the GATT (General Agreement on Tariffs and Trade) talks. After an apparently desultory debate, the group dredged up the blandest language possible: "We agreed (a year ago) to give a new impetus to the Tokyo Round. Our negotiators have fulfilled that commitment." A slap on the back, in other words, rather than a push to secure, from France and Japan, concessions on agricultural products that might in turn persuade the U.S. Congress to approve whatever agreement is actually reached at Geneva.

A last example is provided by the U.S. oil deficit, which, among all topics, provoked the most attention before, during and after Bonn. The case advanced by Europe and Japan is that the U.S. oil deficit causes the U.S. trade deficit, which causes the U.S. dollar to decline, which causes international currency instability and trade uncertainty. In fact, this entire argument is questionable. Imports of finished goods, from Europe and Japan, account for a larger share of the U.S. trade deficit than do imports of oil. Furthermore, even if the end consequence of U.S. energy imports is a devalued dollar, this benefits rather than damages Europe and Japan by lowering the cost of their own oil imports, which are priced in U.S. dollars. The real issue, never debated at Bonn, is whether the U.S. is deliberately importing cheap oil today so that tomorrow it will be able to use its hoarded-up domestic oil while its trade rivals compete frantically for Middle East oil, which by then will be dwindling in quantity and escalating in price.

In essence, therefore, the seven functioned like politicians anxious to get along with each other, rather than as economists determined to pursue each problem to its final conclusion. To expect politicians to do much more may be naive; it is equally

naive, however, to suppose that, given the magnitude of the West's economic malaise, timid half-solutions will make the slightest difference.

If Bonn has made little or no difference to our economic state, does it therefore deserve to be labelled a failure? No. The meeting still merits the title of a semi-success. Advance forecasts that the seven would be ripped apart by arguments over who was to blame and who should do what proved to be unfounded. The seven did get along as individuals, which is useful, and as a group, in the instance of the hijacking resolution. They did bargain with what they believed at the time to be a creative compromise. Except that we now know it was a compromise put together at close to the lowest common denominator among the seven.

Tokyo is next. The real success at Bonn may have been to show what will have to be done at Tokyo. Either the seven will have to reorganize themselves into a true "organ for world economic management" or they will have to recognize that annual meetings of this kind are no more than get-togethers — pleasant, and useful, but not, in the end, of any particular importance.

GATT talks dressed up in blandest language possible

Coming in our next issue

David Wright, who is Counsellor (Economic) at the Canadian Embassy in Tokyo, writes about the future of growth in advanced societies. He discusses the Kondratieff conclusion that there are 50-year cycles in the performance of Western economies. If that model holds true, industrialized countries may have entered the downward curve of such a long-term cycle.