

*Differences  
concealed  
in final  
communiqué*

peut protectionism was on the rise, imperilling international trade. Most important, in terms of its impact upon public morale and upon business confidence, the entire international currency system seemed to be spinning out of control. Prime Minister Fukuda declared that the state of international economies reminded him of those that preceded the Second World War. Less alarmist but still alarming was the Organization for Economic Co-operation and Development report handed to the seven Western leaders shortly before they met at Bonn, and later made public. The OECD calculated that the average gross national product growth of its 24 member countries would be just  $3\frac{1}{2}$  per cent in 1978 or a full 1 per cent below the minimum needed to halt the growth in unemployment. For 1979, the OECD forecast a GNP growth-rate reduced to  $3\frac{1}{4}$  per cent as a consequence of a slow-down in the United States.

The seven leaders — or seven and a half if you count the contribution of Roy Jenkins, the President of the European Economic Community (EEC) — thus arrived at Bonn determined to succeed, or at the very least not to be seen to have failed. By avoiding dissension and by finding formulae for the final communiqué that concealed their differences, they did indeed avoid failure. Hence, in logic, they must be credited with a success. Certainly the seven acted at their closing press conference as though they were genuinely convinced that they had succeeded.

About the dimensions of this success, subsequent opinions differed. *The Economist* gave one low cheer ("The summiters at Bonn got to the top of a small foothill and did not fall off. Quite.") and one loud boo ("As an organ for world economic management, the seven-strong summit cabinet is hopeless and helpless"). In *Newsweek Magazine*, though, Theo Sommer, editor-in-chief of *Die Zeit*, waxed lyrical: "Hail to the chiefs. . . . The system of co-operation has been strengthened, and not only in the economic field [as] the promise by the U.S. and Canada to be reliable suppliers of nuclear fuel proves. . . . German-U.S. relations are back to normal, Europe is on the move, and tri-lateralism has turned out to be a realistic concept."

By the acid test of the behaviour, post-Bonn, of financiers and of businessmen, it seems clear that *The Economist* was far closer to the truth than Sommers. Within a month of the Bonn spectacular, the U.S. dollar had broken through the 200-yen barrier and had dropped by close to 10 per cent relative to the yen. the

D-Mark and the Swiss franc. Further, the U.S. Congress was as reluctant to pass President Carter's energy package as it had been before Bonn, thus ensuring that the immediate cause of currency instability would continue. Lastly, the prospects for a substantial agreement to conclude the GATT talks at Geneva seem even more remote as this is written than they were pre-Bonn.

Yet the reasons for the editor-in-chief of *Die Zeit's* euphoria are easy to identify, and are well-founded; it was unmistakably a resounding political success — for West Germany. Schmidt dominated the conference, in part because he happened to be chairman, but even more because he led the Western world's healthiest and best-managed economy and because his own forceful personality captured the imagination of a Western public hungering for self-confident leadership. For the first time since the war, West Germany played a commanding political role at a major meeting of Western nations. (Schmidt was the key personality at the EEC Bremen "summit" a fortnight earlier, but achieved this in the absence of the U.S.). West Germany's emergence at Bonn as a fully-accepted political, as well as a by-now familiar economic power, constitutes a transformation of the Western balance of power of incalculable political as well as psychological proportions.

Bonn, therefore, has to be viewed from two related but separate perspectives: as an exercise in international economic management and as an exercise in political dynamics.

The economic achievements of Bonn are all familiar. President Carter committed himself, again, to reducing oil imports by  $2\frac{1}{2}$  million barrels a day by 1985, and to moving U.S. oil prices to world levels. Prime Minister Fukuda pledged a GNP growth increase of 7 per cent in 1978 and the limitation of Japan's trade surplus, in "volume", to last year's level. Schmidt promised a reflationary package of 13 million D-Marks, and indeed, a fortnight later, telegraphed his six colleagues: "I have delivered on my promise". The other four participants essentially promised to do what they were already doing, or trying to do — in Canada's case, to raise economic growth by "up to 5 per cent".

In addition, the seven-man group charged its representatives at Geneva to "conclude successfully the detailed negotiations by December 15, 1978". The final communiqué also declared further that: "The further development of nuclear energy is indispensable, and the slippage