

BONN ECONOMIC SUMMIT: FOURTH PLENARY SESSION ON 17 JULY 1978 AT 1500

The Declaration

Chancellor Schmidt proposed that the meeting should go paragraph by paragraph through the whole of the draft Declaration prepared by their personal representatives but that Heads of Government should refrain from reopening points which had been fully discussed in earlier sessions. He recognised that there had so far been less discussion of the developing countries and Heads of Government were free to raise new points on this, though it would be desirable to start the Press Conference as promptly as possible.

The meeting then went through the sections of the Declaration on Growth, Employment and Inflation, Energy and Trade paragraph by paragraph and agreed a few drafting amendments. The only points of significance to arise were:

- (a) President Giscard regretted that in paragraph 3 the action to be taken by Germany on Growth was described as "additional and quantitatively substantial measures" rather than by giving a figure. It seemed to him essential that a specific figure of additional growth should be included. Chancellor Schmidt said that he would have no objection. The figure of "up to one per cent of GNP" had been omitted at the request of the United States delegation who thought that a qualitative rather than a quantitative phrase would be more convincing. After discussion it was agreed to include both and to say "additional and quantitatively substantial measures up to one per cent of GNP".
- (b) The Prime Minister enquired what the Heads of Government would say if they were asked what the individual country actions in paragraph 3 added up to overall. It was agreed that this could not be quantified on a world basis but that it would be legitimate to say that the prospects for employment were now brighter.

/ (c)

- (c) Mr. Fukuda was pressed strongly to agree to the inclusion of a figure for the Japanese growth target for 1978. He resisted this and, in order that it could be said that every country had included a figure, Mr. Trudeau agreed to amend the Canadian sub-paragraph to say that Canada aimed to achieve higher growth of output of up to 5 per cent in 1978. Eventually Mr. Fukuda agreed to a formulation that the Japanese growth target for 1978 would be 1.5 percentage points higher than the previous year.
- (d) President Carter proposed the addition of a sentence at the end of the section on Trade to the effect that there should be greater discipline over subsidies in order to avoid distortion of world trade. The Prime Minister, supported by President Giscard, opposed this. The question was one which had been discussed inconclusively during the discussion on Trade, and by their personal representatives: and it would be quite inappropriate to try and agree wording at short notice on a formula which had not been circulated to them. In any case discussion of subsidies was proceeding as part of the MTNs and it would be wrong for the meeting to prejudge that discussion. The meeting agreed not to include the sentence proposed by President Carter.

Relations with developing countries

Mr. Fukuda said that Japan was surrounded by developing countries and attached great importance to good relations with them. She was intending to double her official development assistance in three years instead of five which would be a significant contribution. Japan also proposed to improve the quality of her aid. She would also contribute positively to the forthcoming decision in Manila about indebtedness. Progress must also be made on the Common Fund. Signor Andreotti also spoke in general terms about the need to do more to help the developing countries and President Carter suggested an amendment, which was agreed, to the paragraph about the Common Fund saying that the negotiations must be pursued "to a successful conclusion".

President Giscard said that nowadays there was a lot of emphasis on multilateral aid. He accepted the need for some aid to be provided on this basis but thought that there was a strong case for more bilateral or concerted aid which could take account of political considerations. Indeed even after concerted discussion among the main donors there was a strong case for programmes taking a bilateral form. Chancellor Schmidt said that he strongly agreed with this. At present countries had no idea where their aid came from. They would proceed with much greater caution if they knew that they were dependent for aid, not on the World Bank or the IDA, but on the German Parliament and tax payer. He accepted the Common Fund as a political necessity but believed that neither it nor the associated commodity agreements had been thought out properly. They would benefit only certain countries who were not among the poorest. The real need was to stabilise the earnings of the developing countries and not just to help the producers of commodities like copper. The developing countries had let themselves be talked into a Common Fund and commodity agreements which would do nothing to help those most in need. Mr. Trudeau agreed with much of this but reminded the meeting that aid had been increasingly provided on a multilateral basis because of the inevitable duplication when it was provided bilaterally. He did not think it possible to improve the text of the Declaration on this occasion but he thought it important that before the next Summit more work should be done to clarify objectives towards the developing countries. At present these were muddled up in things like the Common Fund and the Lome Convention. We might need different instruments. The Prime Minister supported Mr. Trudeau on the risks of duplication if aid were provided bilaterally. He also made the point that even if it were provided bilaterally the local man in the fields would not know this. The Common Fund was now more limited in scope than originally intended. We needed a second window however. When the Group of 77 began to move, we should be ready to move also and to add a significant amount of capital aid directly contributed. The moment to play this card had not yet however arrived. He would also like to see a commitment to double the capital of the World Bank. He did not press this suggestion now because soundings indicated that other Heads of Government were not ready to agree to it. The

Summit did however look like a group of rich industrialised countries who at the end of their deliberations said that they must have a few paragraphs about the developing countries in their communique. Indeed their aid had relatively declined. The United Kingdom had wanted the Summit to agree an announcement on retrospective terms adjustment. This would have been a valuable gesture even though it was obvious that the loans would never be repaid anyhow. This had not been acceptable to other countries however. He did not press either of his suggestions at present but he thought it essential to have a more positive approach to the developing countries before the next Summit. President Giscard agreed and suggested that much more time at the next Summit should be devoted to discussion of the problems of the developing countries. Chancellor Schmidt said that no amendments on these points would be made to the draft Declaration but the points made should be carefully noted and should be reviewed by personal representatives in, say, six months time.

Mr. Jenkins also suggested a slight strengthening of the reference to stabilising export earnings in paragraph 27 and this was agreed.

Chancellor Schmidt also said that he thought the statement in the draft Declaration inviting the COMECON countries to co-operate in increasing their aid was quite unsatisfactory. This was what the Heads of Government had done at the London Summit and it had met no response. All the COMECON countries had done was to step up the supply of arms to countries in Africa. Mr. Trudeau and President Carter both supported this and the meeting agreed that the Declaration should be amended to regret the failure of the COMECON countries to respond in the way proposed.

Conclusion

After discussion, it was agreed to shorten the conclusions and to remove any recapitulation of material which had appeared earlier in the Declaration.

/ President Carter

President Carter suggested that a sentence should be added saying that the Summit leaders would meet again in Tokyo in the spring of 1979. President Giscard opposed this on the grounds that it was unusual to announce a Summit meeting so far in advance. They could all expect to meet in Tokyo next spring but it would be wrong to commit themselves now. Mr. Fukuda said that whatever was done about an announcement of the next Summit, it would be essential to ensure proper follow-up of the present one, and this should be announced.

Chancellor Schmidt suggested that the Declaration should say "We have instructed our Ministers to convene before the end of 1978 to review progress and that we ourselves will meet again next year". President Giscard disagreed on the grounds that this would look like institutionalising the Summit. Chancellor Schmidt said that on the contrary it would have two advantages. It would avoid any sense of crisis if a meeting was in the event held in the spring rather than the summer of next year, and it would avoid the building up of unrealistic expectations by making the Summit seem more of a routine affair. The Prime Minister agreed and said that there were positive advantages in institutionalising the Summit (so long as it did not become bureaucratised). In particular, if the present group of countries could be institutionalised it would make it easier to avoid pressure from other countries seeking to attend Summit meetings. President Carter then said that he did not think the instruction for an end-year review should be given to "Ministers" which had a quite different connotation in the United States. He suggested "officials". Eventually it was agreed that the Declaration should say that "our representatives" would review progress by the end of 1978 and that the Summit intended to meet again "at an appropriate time next year".

The meeting concluded by agreeing, after discussion and some drafting amendments, the text of the separate Declaration on air hijacking.