

3. PRESIDENT CARTER'S SUMMITS, 1977-1980

In the early 1970s, an unofficial private group called the Trilateral Commission was formed with the specific goal of promoting enhanced economic policy coordination between Japan, the United States, Canada, and the countries of Western Europe. It was the fundamental belief of this group that the linkages of economic interdependence characterizing the modern international economy ensured that every country's national economic policy would transmit important effects to other national economies and the economic system as a whole. Accordingly, some degree of international economic policy coordination, entailing significant modifications of national economic policy, was essential to ensure that these wider effects would be positive ones. One way such coordination could be promoted was through economic summitry, and this group added their voice to those calling for such an institution in the early 1970s. The arrival of the Carter Administration brought many recent members of this Commission into positions wherein these goals could be actively pursued.

Indeed, Vice-President Mondale, Secretary of State Vance, Secretary of the Treasury Blumenthal, and President Carter himself were all ex-members of the Trilateral Commission.³² Accordingly, the key figures of the Carter Administration were united in believing that the economic summit had to receive priority status within American foreign policy. That this would be the case was made clear when President Carter gave his sherpa, Henry Owen, the rank of an ambassador, and ensured that all his efforts were to be directed towards preparations for the economic summits. Moreover, President Carter also gave the summit a large degree of personal attention. It has been stated that "...he was to demonstrate a commitment to the summits that substantially enhanced their potential for effectiveness".³³

In the eyes of the Carter Administration, that effectiveness was to be measured by how much the summit enhanced economic policy coordination. It saw the summit as a dynamic decision-making body within which the U.S. should play a very active role. That role not only consisted of the presentation of initiatives and proposals for discussion. More importantly, it entailed a serious commitment to the bargaining and negotiating necessary to make those proposals a reality. Throughout its term in office, the Carter Administration pressed for more extensive summit preparations, greater detail in the communiqués, and the inclusion of a wider range of issues, primarily political in nature.

For the most part, the Carter Administration acted in a manner consistent with its vision of summitry. While much of the credit for this clearly must lie with the convictions of the men and women within the administration, there can be little doubt that external events helped foster an activist U.S. role. Throughout much of President Carter's term in office, the United States was in some type of crisis. The first two years took place amidst serious fears that a major global recession was imminent. In 1979, the second OPEC price shock brought chaos to the United States, while 1980 saw the administration struggling with the Soviet invasion of Afghanistan and the hostage crisis in Iran. Clearly, the summit provided one forum within which these crises could be dealt with, although not the only one. As we shall see, the Reagan Administration would look for its solutions elsewhere.

A. London I - May 6-8, 1977

The economic slowdown agreed to in the Puerto Rico summit had been relatively successful at stabilizing inflationary pressures within the United States. In 1977, inflation rose only slightly, moving up to 6.5%. Nonetheless, such tightened monetary and fiscal policies also had a price. Entering the London summit, that price was not being paid by the United States, whose GNP growth remained strong at 4.7% in 1977. Yet, that price was being paid by some of the weaker economies amongst the seven, notably Italy and the United Kingdom. In fact, these countries had never really left the recession which followed the oil shock. The new Carter Administration feared that continued recession in these countries could slow or stop the recovery underway in the United States by pulling the world back down into a global recession. The avoidance of such an outcome was the number one economic priority of the Carter Administration at the London summit.

The strategy the Carter team wished to use to pursue a more global recovery had been dubbed the 'locomotive strategy' by its creators at the Organization for Economic Cooperation and Development (OECD). Essentially, the strategy entailed that the strongest economies (Japan, West Germany and the United States) pursue expansionary fiscal policies. Growth in these countries would allow them to serve as 'locomotives' for weaker countries by providing export opportunities which could pull the weaker economies out of the recession. While such an outcome clearly matched US goals, the locomotive strategy also would work to reduce trade surpluses within Japan and West Germany, thereby responding to another important American concern.

Although the United States could provide some of the locomotive power on its own, it was generally agreed that "...co-ordinated fiscal stimulus would have a more significant multiplier effect than could be accomplished by any single government acting alone".³⁴ Thus, the United States would have to convince Japan and West Germany of the merits of this strategy if it was to be most effective. Yet, both the Japanese and the Germans remained unconvinced that inflation had truly been tamed. Within these countries, the control of inflation remained the primary economic policy goal, and expansionary fiscal policies were believed to work against that end. Trying to change their minds was bound to be an arduous task.

Accordingly, in the period prior to the summit, the United States worked hard to obtain Japanese and German support for the locomotive strategy. Some success was obtained in the Japanese case when an agreement was reached with Japan prior to the summit that Japan would pursue 6.7% GNP growth in 1977.³⁵ On the other hand, efforts to convince the Germans were much less successful. Indeed, after a meeting with Vice-President Walter Mondale, German Chancellor Helmut Schmidt "...disparaged the Americans' advice as an ill-considered economics lesson from inexperienced academics".³⁶ This German-American gap remained unbridged by the time of the summit. If anything, the United States had been forced to recognize that the German fears had some basis in reality. Less than a month before the summit President Carter was forced to weaken American efforts at fiscal expansion by withdrawing plans for a \$50 individual tax rebate in response to domestic pressure from various groups fearing its inflationary impact. Even so, the Americans

remained determined to move the Germans in London.

At the summit itself, the US strategy received support from the weaker economies, particularly the United Kingdom, but still ran up against the staunch opposition of the Germans and the Japanese. This opposition could not be overcome. The US could only get the Germans and the Japanese to join in a joint commitment to reach previously stated growth targets (6.7% for Japan, 5.0% for Germany, and 5.8% for the United States). Both Japan and Germany refused to contemplate any additional expansionary measures. Indeed, the Germans succeeded in ensuring that the reduction of inflation was given equal billing with the pursuit of growth in the final communiqué.³⁷ This refusal by Japan and West Germany to come on board the locomotive was a major failure for US policy makers.

The extent of this failure was made even clearer later in the year when it became evident that both Japan and West Germany were going to fall well short of even these growth targets (Japan's actual growth was 5.4%, and West Germany's was 2.6%).³⁸ For the first time, the Americans had failed to achieve one of their priority goals within the summit framework. The bad news did not end here, however.

The other key policy goal of the Americans at this summit was not a truly economic goal. President Carter had made a strong commitment at home to work to reduce the risks of nuclear proliferation. In particular, he was concerned with the transfer of nuclear energy technology. It was widely recognized that some of that technology, such as breeder reactors and reprocessing facilities, could be utilized in the production of nuclear weapons. Carter felt that the safeguards designed to prevent this from happening were not stringent enough, and he hoped to obtain support at the summit for a proposal that would ban such technology transfer until tougher international safeguards were in place. The discussion on this issue marked the first time that a political issue was formally addressed by the entire summit, and it was placed on the agenda mainly in response to American pressure.

However, while getting this issue on the agenda represented a small victory for the Americans, the results of the discussion fell far short of American expectations. On this issue, the US had the support of the Canadians, but no one else. In particular, the French and Germans were opposed. Undoubtedly, these countries felt the existing standards were strong enough. Yet, they also believed a lucrative market existed for the transfer of such technology, and as leaders in its development, they were determined to tap that market. Indeed, at the time of the summit, both France and West Germany were involved in sales of reprocessing technology to Pakistan and Brazil, respectively. The Americans were strongly opposed to these sales, and had even threatened (along with the Canadians), to withhold uranium supplies from France and West Germany if the sales proceeded.

Accordingly, the discussion at the summit was a heated one. Both sides held firmly to their positions, with the Germans and French making it very clear that the planned sales would go ahead and that similar sales were expected to arise in the future. In the end these divergent viewpoints could not be overcome. As Zbigniew Brzezinski writes in his memoirs, "...differences on the nuclear issue were only papered over".³⁹ This was done through the creation of a study group to work out the terms of reference for an international inquiry on nuclear energy and non-proliferation. Such a study group ensured that both sides of the

debate could back down without losing face. Yet, even here the Americans lost to some degree, giving in to German demands that the study group include representatives of all suppliers of nuclear technology, not just the summit seven. Such a move probably ensured greater support for the German position within the study group.⁴⁰ Clearly, the Americans had failed in their efforts to achieve this policy goal as well.

This failure, however, would become a success in the long-term. The study commissioned by the summit led to the creation of the International Nuclear Fuel Cycle Evaluation Inquiry. Completed in time for the Venice summit in 1980, the report of the inquiry played little role in discussions at that summit.⁴¹ Nonetheless, the information gathered by that inquiry did play some role in changing the attitudes of the French and German governments to the transfer of nuclear reprocessing technology. The French deal with Pakistan was never completed, and the German deal with Brazil was the last of its kind. Accordingly, it is clear that US efforts to discuss the issue at the London summit must be given some credit as the source for new attitudes towards the transfer of such technology.

On issues of lesser importance to the Americans, immediate gains were minimal, but the long-term results were fairly positive. For example, by the time of the summit, it was clear that the Tokyo Round of the GATT was not going to meet its 1977 deadline. The Americans desperately wanted to see these talks succeed and hoped that the summit would provide a major political impetus for their completion. However, even with support from the Germans and the Japanese, the Americans could only get the French and Italians to agree to call for 'substantial progress' in the negotiations, with no new deadline set for their completion. This clearly fell short of US expectations, and represents a short-term failure. Yet, as weak as this statement was, its long term effects were positive as the Americans' chief negotiator, Robert Strauss, was able to use it to his advantage to speed up the negotiations in time for the Bonn summit of 1978.

Another example centers on Third World proposals for a 'common fund' to stabilize the prices of agricultural commodities. The US had succeeded in Puerto Rico in ensuring that the summit did not endorse the most advanced Third World proposal, as developed within UNCTAD. Yet, at London, the Americans found themselves practically isolated in their opposition. Accordingly, they backed down and allowed the communique to state that the creation of such a fund should be one of the goals of the still continuing Conference on International Economic Co-operation. Nonetheless, the long-term effects of this concession were irrelevant. In his post-summit press conference, Secretary of State Vance already was making it very clear that "there was agreement that there should be a common fund. It is not the common fund, but a common fund".⁴² Indeed, the US never would support the original UNCTAD proposal, and it would never be implemented.

Finally, the US did score some victories on quite minor issues. Firstly, they suggested, and got support for, a section in the communiqué pledging the summit countries to fight bribery and extortion in international commercial relations. Secondly, President Carter was able to obtain a specific endorsement of the energy conservation program he had just presented to the Congress. It was hoped that such an endorsement from the summit partners would help to weaken Congressional opposition to the program. Unfortunately it did not, but later summits would play a key role in that process.

Clearly then, this summit must be seen as the first major failed summit from a US standpoint. The Carter Administration came to London hoping to achieve a lot, but left with very little. All the major American initiatives were rebuffed at the summit, although some of the compromises reached did have long-term effects in line with US policy goals. This was not to happen again the next year.

B. Bonn I - July 16-17, 1978

While the Germans and Japanese had failed to meet the growth targets they had pledged at the London summit, the US had substantially met its target, with its economy growing by 5.3% in 1977.⁴³ Yet, being the sole locomotive for global recovery had proven problematic for the US economy. Inflation was once again on the increase as a result of the expansionary measures undertaken in 1977. Indeed, the inflation rate would climb to 7.7% in 1978. Moreover, the increase in domestic demand generated by the fiscal expansion had greatly increased the American thirst for imports, leading to an increase in the trade deficit from \$9 billion in 1976 to \$31 billion in 1977. Such a serious shift in the balance of trade forced down the value of the American dollar, severely weakening the currency. In summary, the American economy had moved from being a strong economy to being a weak one.

To make matters worse, the American efforts had not been enough to pull the industrialized nations well away from recession. The threat of global recession was indeed greater than it had been the year before. Nonetheless, there remained clear disagreements as to how global recovery was to be achieved. In particular, two arguments were made.

The Americans continued to argue that the main obstacle to global recovery lay in the relatively low growth rates found in two of the world's stronger economies, West Germany and Japan. Domestic demand in these countries was not growing quickly enough to provide the increased export markets that could help to pull the weaker economies out of recession. Accordingly, the Americans once again argued that the solution lay in Japan and West Germany serving as global locomotives through expansionary fiscal policies. Importantly, it was clear by the time of the Bonn summit that the American economy had weakened to such an extent that the United States would no longer be able to play the role of locomotive.

Even so, Japanese and German officials continued to claim that global recovery could only be resolved through American action. Specifically, they argued that the key obstacle to global recovery lay in the weakened U.S. dollar. This weaker dollar served to strengthen the yen and the mark, making Japanese and German exports more expensive, and thus, less competitive. Such changes therefore worked to slow down economic growth in these countries, because of their strong emphasis upon exports. Until the U.S. dollar became stronger once again, global recovery was seen to be impossible.

The key to strengthening the dollar was seen to be a reduction in American oil imports,

something the Americans had been unable to do in the aftermath of the 1973 oil shock. Indeed, while the European Community had cut oil imports by 10% between 1973 and 1978 and the Japanese had managed a smaller reduction, the United States had increased its oil imports by over 30%.⁴⁴ The explanation for this divergent American pattern lay primarily in the fact that the U.S. had continued to subsidize the price of oil for its consumers, not allowing the domestic price to reflect world prices. Whatever the exact cause, it was very clear that these increased oil imports were the key contributor to the increasing American trade deficit and subsequently, the weaker U.S. dollar. Accordingly, the Japanese and Germans argued that until the Americans adjusted to the international reality of oil prices, it would be impossible to leave the recession behind.

In view of these differences of opinion, the OECD now argued for a 'convoy' approach to replace the 'locomotive' approach of the previous year. In this strategy for economic recovery, different countries would do different things to aid the process. Thus, recovery was seen to require both expansion by Japan and Germany, and a more realistic energy policy by the United States. Clearly, the outlines of a package deal based on compromise were clear to all. Thus, the United States went to Bonn with its primary goal being the striking of such a deal and the general acceptance of the convoy strategy.

Regarding the first element of the package, the United States sought to get Japan and West Germany to agree to fiscal expansion in the summit preparations. Negotiations with the Japanese led to the signing of a bilateral agreement in December 1977 wherein Japan pledged to pursue a 7% growth target for 1978 in exchange for an American pledge to decrease oil imports and fight inflation. This agreement was a clear representation of how the convoy approach was meant to operate.

Negotiations with the Germans were not as simple. Aware that the Germans would once again show great trepidation over expansion because of inflationary fears, Carter decided to take a firm stance, refusing to confirm his attendance at the summit until it was clear the Germans would move on this issue.⁴⁵ Although the threat of 'non-attendance' was probably quite a hollow one, the Americans did secure the impression in their preparations for Bonn that the Germans were ready to make a move. To further encourage such movement, the Americans introduced a series of anti-inflationary measures on April 12th to demonstrate their acceptance of the idea that increased growth would have to be non-inflationary. Even so, negotiators could not obtain a specific commitment from the Germans prior to the summit.

Progress was also made on the second aspect of the convoy approach, a reduction of U.S. oil imports, in the pre-summit period. President Carter recognized that movement was required on this front to make the convoy approach a success. Although many in the White House, and much of domestic public opinion, opposed such a reduction, President Carter had been in favour of decreasing oil imports and decontrolling oil prices since entering office in 1977. Indeed, he has written in his memoirs that he believed at the time that his "...nation's inability to deal with so crucial a question was becoming an international embarrassment".⁴⁶ Accordingly, unlike many Americans, Carter had no qualms about fighting for this element of the package deal. This was to be crucial, because domestic American opposition to the plan was severe.

Indeed, Carter's efforts in this direction had begun with the introduction of specific energy proposals to the Congress in April 1977. Key amongst these was a proposed 'crude oil equalization tax' which would raise the price of new oil to world levels, thereby increasing domestic production while decreasing domestic consumption. By 1978, these proposals were still held up in Congress and a long way from being passed. President Carter recognized that some American movement was essential if the Japanese and Germans were to seriously undertake the expansionary policies required of them under the convoy approach. Thus, three weeks before the summit, in an effort to break the Congressional logjam, Carter threatened to act administratively if the Senate continued to stall his proposals on energy. The Congressional response to the threat was a counter-threat. The Senate "...approved a provision that (if confirmed by the House of Representatives) would annul the President's authority to act administratively...."⁴⁷

This made it quite unclear as to whether or not the Carter Administration could fulfil its obligations under the convoy strategy. The President himself remained confident, but began to see increased international pressure as essential to breaking the deadlock in Congress. Accordingly, there is evidence suggesting that in the summit preparations, key American officials were encouraging the Germans to put more pressure on the Americans to move on the energy question.⁴⁸ Such pressure was forthcoming, and by the time of the summit, it was clear the Americans were going to make some substantive commitments in this issue area.

Indeed, the negotiations at the summit itself put the finishing touches on a whole-hearted endorsement of the convoy approach. The final communiqué makes explicit reference to the convoy theory when it states that "a program of different actions by different countries is needed to assure steady non-inflationary growth".⁴⁹

Regarding the first aspect of the package deal, the Americans did succeed in getting the Germans to commit to a specific growth target of 1% of GNP for 1978. This was indeed a substantial commitment on the part of the Germans, who had hoped to escape the summit without a specific numerical pledge on GNP growth. Coupled with the previously agreed upon Japanese growth commitment, the Americans had obtained all that they had hoped for in this regard. In return, the Americans again made efforts to illustrate that they took the inflationary concerns of Japan and West Germany seriously by pledging in the communiqué to pursue further anti-inflationary measures in the form of reduced government expenditures and reduced tax cuts.

The U.S. also made substantial commitments regarding their portion of the package deal in the communiqué. Specifically, the Americans agreed to set in place a comprehensive energy program by the end of the year. Elements to be included in that program included: the creation of a strategic oil reserve; increased coal production; decreased oil importation, and a pledge to bring the domestic price of oil up to world levels by 1980.

The acceptance of the convoy approach to global recovery at the Bonn summit clearly represents a major American success. It also constituted an important success for the concept of summitry in that it clearly illustrated how the summit countries could coordinate their economic policies to facilitate the pursuit of a common goal. Indeed, in the view of

the foremost analysts of the seven-power summits, this Bonn summit represents the pinnacle of summitry, right through to the present day.⁵⁰

Most importantly, unlike London, these commitments were substantially met by all parties concerned. The Germans and Japanese made concerted efforts to meet their growth targets and substantially succeeded. Moreover, American policy commitments in the energy field were largely fulfilled, although full decontrol of the price of oil did not occur until the arrival of the Reagan administration in 1981. The fact that these commitments were made in the summit forum played an important role in overcoming domestic opposition to such policies. For example, Congressional resistance to Carter's energy proposals weakened after the Bonn summit because Carter's commitments there placed America's reputation in such forums at stake.

Unfortunately, the true effectiveness of these measures in promoting non-inflationary growth will never be known. The most successful summit package deal ever constructed was torpedoed by the second oil shock in 1979, which added an impetus to inflation that could not have been foreseen. Whether or not the package deal agreed to at the Bonn summit made the inflationary pressures generated by the oil shock harder or easier to defend against is a matter of some dispute.⁵¹ Nonetheless, it is clear that the adoption of the convoy approach was certainly not enough to prevent the resurgence of inflation, which would once again become the focal point of concern at future summits.

A secondary, but important, goal for the Americans at the Bonn summit was to push the Tokyo Round of the GATT to completion. This once again reflects the American belief that freer trade can be used as an engine of economic growth, and a way out of recession. Their efforts were successful at Bonn, primarily because of the savvy of the chief American trade negotiator, Robert Strauss. At the London summit, the leaders had been unable to agree upon a new deadline for the completion of the Tokyo Round. Nonetheless, Strauss argued in the negotiations that the Americans saw the Bonn summit as that deadline. Such a statement need not have amounted to much except that Strauss made a very astute threat. He stated that he would take all outstanding issues remaining at that point into the summit for resolution there. As George de Menil points out, Strauss "...reasoned correctly that none of the negotiators wanted to take the risk of seeing their heads of state or government become involved in the specific details of those negotiations".⁵²

Even so, progress in the negotiations remained slow until the Bonn summit approached. At that point, the severity of Strauss' threat had an impact. A massive bargaining session only three days before the summit led to the resolution of most of the major outstanding issues. The final result of this intense last minute bargaining was a Framework of Understanding for the completion of the negotiations. Thus, at the summit itself, the leaders were not forced to deal with the complexities and subtleties of multilateral trade negotiations. Instead, they simply praised the negotiated framework, and called for the final completion of the negotiations by December 15, 1978. Importantly, this deadline was in fact met (although ratification only came in 1979). The US had clearly scored a major success in this issue area as well.

On less important issues, the US also achieved some success. For example, the dramatic

rise in the U.S. trade deficit, coupled with a steady increase in the Japanese trade surplus, was leading to a greater American concern with such trade imbalances. While it was assumed that the growth generated by the convoy approach would go some way towards solving this problem, the Americans sought to obtain a statement from Japan indicating that it recognized the problem and would take steps to rectify it. In this regard, the Americans were highly successful, as the Japanese agreed to "...keeping the total volume of Japan's exports for the fiscal year of 1978 at or below the level of fiscal 1977".⁵³ Indeed, after this point, concern with trade imbalances began to decline at the summit. Primarily, this was because the U.S. trade deficit remained essentially constant in the period 1977-1982. Yet, when it shot up again in 1983, trade imbalances once again became a central U.S. policy concern at the summit.

On other issues, the British, French and Germans sought endorsement at this summit for the construction of the European Monetary System. Sceptical because of their preference for floating exchange rates, the Americans joined the Japanese in preventing such an endorsement from being placed into the communique. Moreover, a statement, condemning terrorism, that seems to have arisen spontaneously at the summit, was very pleasing to the US. It certainly reflected the American wish to discuss political issues within the summit context. Indeed, President Carter stated in his post-summit press conference that "...the strong statement on controlling air piracy, terrorism, is in itself worth the entire preparation and conduct of the summit".⁵⁴

Clearly, Bonn I was a major success from a US perspective. The U.S. obtained all of its major policy goals, and successfully promoted its interests on issues of lesser importance. As President Carter stated afterwards, "the results have exceeded the expectations of all of us".⁵⁵ The next summit would uphold this tradition.

C. Tokyo I - June 28-29, 1979

All the plans for economic recovery agreed to at Bonn were thrown off course by the second oil shock in 1979. The Iranian revolution against the Shah resulted in a 60% drop in oil exports in October 1978. These exports declined to zero by December and only gradually started up again in March of 1979.⁵⁶ Although Iran was the world's second largest oil exporter, the shortfall was truly minimal in a global sense. What led to the oil crisis was a rash stockpiling of oil by countries like West Germany and Japan. This forced up the price of oil on the spot markets to unprecedented levels. OPEC then succeeded in translating these phenomenally high spot prices into the regular price of oil through a series of production agreements amongst the members of the OPEC cartel. Thus, as Jacques Pelkmans indicates, "...the second oil crisis was largely self-made through unco-ordinated panic measures taken by Western governments and oil companies".⁵⁷

Whatever the reasons, the resulting dramatic increases in the price of oil did lead to a crisis in all the summit countries, including the United States. In aggregate economic terms, the oil shock had two major impacts. Firstly, the stunning price increase in such an essential

commodity served to create strong inflationary pressures. Indeed, the U.S. inflation rate increased to 11.3% in 1979. On the other hand, economic growth slowed down substantially because of the increased costs of production created by more expensive energy. In 1979, U.S. GNP growth was halved to 2.5%.

While such economic performance was clearly very worrying to the Carter Administration, it represented only the indirect effects of the oil shock upon the American citizen. More problematic were the direct effects, such as long lineups at gas stations and what the government feared was an imminent shortage of heating oil. Together, these factors served to ensure that for the United States, as for all other summit countries, the key issue at the Tokyo summit was going to be how to respond to this crisis. As President Carter was to say after the summit, "there is no other threat to our life in America so important as these economic threats that not only weaken our nation's structure but also endanger our own security in the future".⁵⁸

President Carter's immediate response to the crisis had been to provide a subsidy of \$5 per barrel for imports of heating oil from the Caribbean. This move was clearly against the spirit of his Bonn summit commitments. Nonetheless, President Carter saw this as only a temporary measure, which would be superseded by joint action to be taken at the summit.

In that spirit, the Americans set out two goals for the summit in the energy area. Firstly, the Americans wanted all summit countries to adopt national import targets for 1979 and 1980. It was hoped that such targets would serve to lessen the inflationary impact of the oil shock, as well as start to disengage the summit countries from OPEC. This was clearly the most important American goal at the summit. A second goal was to obtain a strong joint condemnation of OPEC's actions in the summit communiqué. The Americans were to prove successful in both of these efforts. But the victories were to be very hard won.

In pre-summit negotiations, the Americans reached a bilateral understanding with France wherein both countries agreed that the summit should set national import targets for all summit members for 1979 and 1980. With such French support, the Americans were confident an agreement could be reached at the summit. A major complication arose one week before the summit, however. At the European Community meeting in Strasbourg, the French were unable to obtain support for the American proposal. The British and the Germans in particular were opposed to the concept of national import targets. Thus, what came out of the meeting instead were import targets for the entire European Community, extending all the way to 1985.

This agreement raised legitimate fears within the United States. Essentially, the Carter Administration felt that such a collective target would allow the Europeans to be protected by North Sea oil, thereby avoiding "...any real sacrifice commensurate with that likely to be suffered by the United States and Japan".⁵⁹ It should be noted that the Europeans felt much the same way about American import targets, arguing that the U.S. could avoid any real sacrifice simply by exploiting its extensive domestic reserves. Nonetheless, for its part, the Carter team claimed they were serious about oil conservation, and thus, were determined to obtain agreement on national import targets to ensure the Europeans were serious as well. Essentially, the U.S. entered the summit with the view that the European Community

targets were intolerable.

At the summit itself, discussion on import targets was acrimonious. Although the Americans had the support of the Japanese and the Canadians, the Europeans were united against them and refused to budge. In his memoirs, President Carter describes the first day of discussions on this issue as "...one of the worst days of my diplomatic life".⁶⁰

The deadlock was broken the next morning in a breakfast meeting involving the leaders of West Germany, France, The United Kingdom and the United States. At the meeting, French President Giscard d'Estaing offered the following compromise: the states of the European Community would accept national import targets if the United States, Canada and Japan would accept targets all the way to 1985. The Americans were clearly quite sceptical about accepting such distant targets, as they did not wish to lock themselves into a commitment which changing circumstances could make quite counterproductive in the future. Nonetheless, the Americans accepted the compromise as the best they could obtain.

The agreement amongst the four powers was brought back to the wider summit table. Naturally, those who had not attended the breakfast meeting were infuriated that such a decision had been made in their absence. Even so, after proposing minor amendments which allowed some limited exceptions to the targets, they too accepted the agreement's basic points. With only 1/2 hour left in the summit, a final agreement was reached.⁶¹ The U.S. pledged not to go above the level of oil imports they had previously committed themselves to in the International Energy Agency for 1979. They also pledged that the 1980 level of oil imports would be no higher than the 1979 level, and that the 1985 level would not exceed the 1977 level. Canada and Japan made similar commitments in the communiqué. The European countries officially changed their stance by setting out new national targets at the next meeting of the Community in December 1979.

Clearly, the U.S. had scored a success on this particular issue. Although the U.S. did have to set its own targets over a longer period than it would have liked, it took great care to lessen the impact of such a commitment by ensuring that the 1985 target was based on 1977 import figures. In that year, the United States imported a record amount of oil.⁶² Most important to the U.S. success, however, was that these targets were met. Indeed, all countries met the 1980 import targets easily, and the ensuing recession slowed down economic growth to such an extent that the 1985 targets became virtually irrelevant. The industrialized countries had undertaken commitments to reduce their dependence on imported oil and had succeeded.

Regarding their second goal, the U.S. expected difficulty in obtaining support for tough language condemning OPEC's actions. In particular, France and some of the other European countries would oppose such a statement because they wished to stress dialogue rather than confrontation in the industrialized world's relations with OPEC. At the summit itself, however, the US received some unexpected help. The day before the summit was to begin, OPEC raised its prices for oil by 25%. This action proved to be a catalyst in the formulation of the communiqué language. The communiqué itself stated that the summit countries deplored OPEC's actions, and called the increase in oil prices unwarranted. As President Carter argued in his press conference after the summit, "the decision started out

with a great deal of reluctance and timidity on the part of some, but after the actions were taken by OPEC and announced...there was a unanimous belief that we should have a strong statement".⁶³ Thus, the Americans were successful in meeting this goal as well. The summit countries also agreed to set up a registry of international oil market transactions in the hope of ensuring that OPEC would never again be provided with an opportunity to legislate higher oil prices because of panic buying and stockpiling amongst the summit members.

The other important American concern at the summit was, once again, political. President Carter had proposed that the summit discuss the current crisis of the 'boat people'-Indochinese refugees fleeing war and starvation in South East Asia. His own interest in human rights, and the massive scope of the tragedy, led Carter to press hard for this issue. To his satisfaction, the suggestion was accepted and the summit ended up issuing a special declaration on the subject. President Carter illustrated American support for the statement by immediately announcing that the United States would double its intake of these refugees from 7,000 per month to 14,000 per month.⁶⁴ As Robert Putnam and Nicholas Bayne point out, this statement showed that the summit could respond "...to sudden crises or to political events too grave for them to pass by in silence".⁶⁵

Overall then, this summit was a clear success from an American standpoint. Like Bonn I, a high degree of international cooperation had been achieved in line with American aspirations. All the major American concerns had been addressed in a satisfactory manner. In retrospect, it seems clear that no subsequent summits have matched the results of Bonn I and Tokyo I with respect to the international co-ordination of economic policy.

D. Venice I - June 22-23, 1980

Despite the best efforts of policy makers in the summit countries, the second oil shock had once again pushed the world into a global economic crisis. Primarily, it had revived inflationary pressures. For example, the inflation rate in the United States climbed to 13.5% in 1980. In October 1979, the new chairman of the US Federal Reserve, Paul Volcker, made it clear that bringing down inflation would once again be the number one priority of American monetary policy. Concern with growth vanished in the wake of the inflationary crisis. Accordingly, when he came into office, Volcker proceeded to tighten monetary policy in an effort to bring inflation under control. Indeed, the tightening was so severe that growth, in the words of one observer, was "...publicly and unmistakably decapitated".⁶⁶ Thus, by 1980 the United States was sliding into a major recession. GNP growth would actually decline by -0.2% over the course of the year.

Even so, the emerging economic crisis was not the major concern of the Carter administration at the time of the Venice summit. In 1980, the United States government found itself being challenged at several other levels as well. Firstly, the Soviet invasion of Afghanistan in December 1979, posed a real threat to the relative military and strategic stability that had developed between the two superpowers through the detente of the 1970s. Furthermore, it threatened the cohesion of the NATO alliance because there was anything

but a consensus as to how the alliance should respond to this challenge. President Carter desperately wanted to illustrate to the Soviets that strong U.S. leadership and a unified alliance opposed their actions in Asia. Accordingly, his first priority in Venice was to obtain a strong statement demanding that the Soviets remove all their troops from Afghanistan. It was not at all clear at the start of the summit that he would get support from his allies for such a move. Indeed, one columnist from the Washington Post argued that "it will be something of a success if Carter puts Venice behind him without doing still further damage to the ties that bind this country to its allies".⁶⁷

Carter's second major concern was the status of American hostages being held in the American embassy in Iran since November, 1979. The hostage taking had become an intense domestic political issue in the United States. Carter's inability to bring the hostages home was hurting him in the polls in what was an election year. Indeed, whereas President Ford had hoped for, and gotten, a smooth, non-committal summit to aid his election chances in 1976; President Carter needed concrete responses to the economic and political crises facing the United States if his electoral chances were to be boosted. Accordingly, Carter came to Venice hoping to garner some tangible support from the other summit members for his efforts to obtain the release of the American hostages.

Finally, if President Carter had one economic priority at Venice, it was to consolidate the progress made on energy at the Tokyo summit. In particular, he wanted the summit to take further steps towards energy conservation, promote the development of alternative sources of energy, and provide assistance to the non-oil exporting developing countries devastated by the oil shock.⁶⁸ Only through the further pursuit of these measures could the United States ensure that OPEC-generated crises would not have to be faced again.

Overwhelmingly then, US concerns centered on political issues. Although these issues would most certainly have been discussed in some form at the summit, it was quite helpful for the Americans that the Italians had, for the first time in the history of seven power summitry, set aside a whole day of the summit for the discussion of political issues. This innovation in the schedule arose out of Italy's growing frustration at being left out of political discussions among France, West Germany, the United Kingdom and the United States, when these discussions had an important impact upon Italy. This had been the case in the 1976 and 1979 summits. It was true also in forums outside of the summit, such as the Guadeloupe political summit of January 1979, where the NATO response to the Soviet deployment of SS-20 missiles was discussed. The United States supported such a move, and most of the political day was spent discussing the situation in Afghanistan.

For its part, the United States had reacted strongly to the Soviet invasion of Afghanistan, imposing economic sanctions against the Soviet Union and declaring a boycott of the Moscow Olympics. The Europeans, on the other hand, were sceptical of these initiatives and refused American calls for measures of the same magnitude in Europe. This lukewarm response was primarily because the Europeans did not consider the Afghanistan issue important enough to impose actions they felt threatened the basis of other aspects of East-West detente. Accordingly, European leaders attempted to maintain normal relations with the Soviet Union. For example, French President Giscard d'Estaing visited Soviet leader Leonid Brezhnev just prior to the summit, and German Chancellor Helmut Schmidt was to

visit soon after. Both of these visits proceeded over intense American opposition and illustrated how severe the splits within the alliance were.

Ironically, it was d'Estaing's visit that cleared the way for a show of alliance solidarity in the Venice communiqué. Brezhnev had informed d'Estaing that the Soviet Union was considering a partial withdrawal from Afghanistan. When this information was presented to the summit meeting, "it focused discussion on the offensive presence of the Soviet troops rather than on measures to be adopted against the Russians....".⁶⁹ While the Americans had hoped that some concrete measures would be adopted against the Soviet Union, this shift in the discussion ultimately ended up working to their benefit.

The summit leaders found it much easier to agree to condemn the Soviet presence in Afghanistan, than they did to decide what to do about it. Accordingly, the political statement included the following statement: "...the Soviet military occupation of Afghanistan is unacceptable now and...we are determined not to accept it in the future".⁷⁰ More importantly though, there was some movement beyond such broad statements. In particular, a united response to the Soviet offer of a partial withdrawal was adopted, but not without some lively discussion.

For the most part, the debate took place between President Carter and Chancellor Helmut Schmidt of the Federal Republic of Germany. A great personal animosity existed between these two leaders and they had clashed numerous times in previous summits. In this instance, Schmidt argued that the summit should recognize the Soviet's offer as an important first step in the resolution of the Afghanistan crisis.⁷¹ Carter urged a much tougher line, arguing that a partial withdrawal should not be legitimated on its own merits. In the end, Carter got enough support to win out. The political statement states that for a partial withdrawal "...to make a useful contribution to the resolution of the Afghan crisis...(it) will have to be permanent and continue until the complete withdrawal of the Soviet troops".⁷²

One thing conspicuously missing from the political statement on Afghanistan was any mention of how the summit countries would respond to the crisis. Clearly, this neglected area represents a setback to U.S. aspirations entering the summit. Nonetheless, its leaders were quite pleased with what had been achieved. In the words of Carter's National Security Advisor, "the Venice meeting was more productive on Afghanistan than we had anticipated".⁷³ For the most part then, the Americans were successful in obtaining a strong and united summit stance against the Soviet invasion. The long-term effects of this show of unity were quite important, for after the Venice summit, Afghanistan ceased to be a point of serious tension in the alliance. As the Washington Post editorialized: "...the summits help remind the governments and their publics of their common bonds. As Venice showed, it can be a useful reminder".⁷⁴

Other American priorities did not fare as well. With regard to the American hostages in Iran, the US government had imposed financial and commercial sanctions against Iran soon after the hostage taking. Their efforts to convince the Europeans and Japanese of the efficacy of such measures had been largely unsuccessful in the months preceding the summit. That was not to change at the summit itself. Although a statement on the taking

of diplomatic hostages was put out by the summit, it "...made no specific mention of the American prisoners, limiting itself to a condemnation of the seizure of diplomatic personnel as hostages in general....".⁷⁵ Clearly, American efforts had made little headway in this regard. The crisis would remain a thorn in Jimmy Carter's side for the remainder of his presidency.

On economic issues, however, the Americans were a bit more successful. As noted earlier, President Carter came to Venice with his major economic concerns centering around energy policy. Yet, it was quite clear that the crisis atmosphere of the energy discussions of the previous year had dissipated substantially. Accordingly, enthusiasm amongst the other summit members for decisive action in this field was limited at best. Nonetheless, President Carter pressed hard for actions that he thought would lessen the probability of future energy crises coming to pass.

The first of these, the development of alternative (non-oil) sources of energy, was well received at the summit. In particular, the final communiqué stated that nuclear energy generating capacity must be increased, and that coal production and use should be doubled by 1990. Moreover, in line with Carter's second wish, the final communiqué called on the World Bank to consider the creation of a special energy affiliate to aid the non-oil exporting developing countries. Yet, the American hope that the summit would take further steps to decrease the consumption of oil met with less success. Specifically, Carter hoped to toughen the national oil import targets accepted at Tokyo, and extend them over a longer period of time. His efforts were rebuffed, however, as the other leaders would only agree to speak in very vague terms about the summit countries' total oil consumption in the post-1985 period.

Carter's initiatives in this field were to have little impact after his election defeat. The severe recession which was just beginning at the end of the Carter Administration's term led to drastic cuts in oil consumption in the summit countries. These were so drastic, that a substantial glut appeared in the world oil market in the early 1980s, causing oil prices to collapse. These changing economic conditions served to make energy concerns a substantially lower priority at future summit discussions. Thus much of the energy discussion in Venice quickly became irrelevant and was ignored.

On two issues of lesser importance to the Americans, minor successes were achieved. Firstly, the Americans, true to form, were very wary of the recently published Brandt Report's proposal for global negotiations on North-South issues. Thus, they fought the explicit endorsement of such negotiations in the final communiqué and succeeded. Secondly, they got the summit countries to support American-led work in the United Nations towards the development of an agreement to prohibit illicit payments to government officials in international business transactions.

Thus, the Venice summit produced mixed results for the United States. Clearly, some important progress was made on the Afghanistan issue. On the other hand, Carter got little help in dealing with his biggest political liability, the hostage taking in Iran. Moreover, the successes scored in energy policy were quickly made pointless by changing global economic conditions. It is certainly clear that the summit did not provide enough solutions to the problems Carter faced in order to aid his bid for re-election. He remained unable to shake the belief within the United States that these varying crises could be directly attributed to

the specific policies pursued by his administration. Accordingly, the next summit would see President Ronald Reagan as the head of the American delegation.