

2. HELMUT SCHMIDT'S SUMMITS, 1975-1982

A. Rambouillet, November 19-20, 1975

West German Chancellor Helmut Schmidt had been the first leader to endorse the idea of French President Giscard d'Estaing for a high level informal meeting between the leaders of the most important western industrialized countries. Schmidt saw such a summit as an excellent forum to promote his idea of overcoming the global economic crisis under the decisive leadership of the leading industrialized countries.⁶

By the summer of 1975, the German government had recognized the seriousness of the international economic situation. Following the first oil shock, unemployment and inflation had become a dual problem affecting most of the industrialized world. There was also fear in Bonn that the United States, European Community and Japan would succumb to the temptation of high protectionist trade barriers in order to isolate their economies from the effects of the global recession. The assertiveness and demands of the oil producing and Third World countries were also becoming more apparent and it was becoming increasingly clear that some overall strategy would have to be considered by the industrialized countries.⁷

⁶ Die Zeit (R. Herlt) November 21, 1975.

⁷ Frankfurter Allgemeine Zeitung, November 16, 1975.

Nevertheless, the Schmidt government did not expect any definite agreements at the Rambouillet Summit. It described this meeting as the first ever attempt to hold a "seminar for heads of state and governments who would join together in a common assessment of the global economic conditions."⁸ Helmut Schmidt repeatedly stressed that he saw the real value in such a meeting in what he called "informal fireside chats",⁹ where the leaders would meet without the constraining presence of their advisers. He felt that such an informal atmosphere would promote a readiness for compromise and would create a general understanding of the underlying dynamics of the international economic system.

The press secretary of the German government, Grünewald, in a briefing to media on the eve of the summit compared Rambouillet to an economic Yalta since the entire world was strongly affected by the global economic problems and the leaders of the dominant economic powers were meeting in an exercise in informal crisis management. Yet, in order to differentiate Rambouillet from the divisive results of Yalta, Grünewald hastened to add that this summit was not intended to divide the world by playing off the First World against the Third or the West against the East, but rather to bring divergent views and priorities closer together.¹⁰

The German delegation attending the Summit (Chancellor Schmidt,

⁸ Frankfurter Allgemeine Zeitung, November 17 1975.

⁹ Ibid.

¹⁰ Frankfurter Allgemeine Zeitung, November 16, 1975.

Foreign Minister Hans-Dietrich Genscher and Finance Minister Hans Apel) felt that the success or failure of Rambouillet would have to be measured on whether or not the leaders would be able to achieve agreement on a number of crucial questions. These were a general recognition of the importance of monetary stability, the promotion of open trade between all regions in the non-communist world through a containment of protectionism, and a mutual understanding of the problems and concerns of the developing countries.¹¹

Between the opening dinner on Saturday and lunch on Monday, the six leaders (Prime Minister Miki of Japan, President Giscard d'Estaing of France, President Ford of the United States, Prime Minister Callaghan of the United Kingdom, Prime Minister Moro of Italy and Chancellor Schmidt) discussed six major topics. Helmut Schmidt opened the discussions with his detailed expose on the general state of the global economy. The Chancellor stressed that the present difficulties were a direct result of world wide inflationary pressures, the collapse of the Bretton Woods system of fixed exchange rates and the dramatic rise in the oil price as a result of the first oil shock in 1973. He also pointed out that great insecurity was now gripping the world economy, trade was declining at an alarming rate and that an increasing number of countries were experiencing serious debt problems. His recommendation for overcoming this global economic downturn was through a strong and concerted fight against inflation and the

¹¹ Frankfurter Allgemeine Zeitung, November 16, 1975.

stable development of exchange rates.¹²

Following the general discussion on the global economy Japan's Prime Minister Miki introduced the topic of world trade, President Giscard d'Estaing talked about exchange rate questions, President Ford led the discussion on the developing world, British Prime Minister Callaghan talked about energy questions and Italian Prime Minister Aldo Moro rounded off the discussions with his expose on East-West trade. The nature of most of the discussion was very academic as each statesman also acted as the seminar leader for his own topic and led the discussion.¹³

In the discussions, Helmut Schmidt had been repeatedly told by all other participants that the German government should take further steps to stimulate its economy, even at the risk of a higher budget deficit. Nevertheless, the Chancellor remained absolutely steadfast in his opposition to such a policy, pointing to the inflationary pressures that this would in all likelihood unleash. His strong opposition to this idea ultimately convinced the other leaders against pushing further on this question. Instead they called for a better coordination of national policies, through measures such as a lowering of interest rates, a reduction of tariffs and the maintenance of stable but adaptable exchange rates. The Finance Ministers worked out a text calling for better cooperation in central bank activities

¹² Die Zeit (K.P. Schmid), November 28, 1975.

¹³ Die Zeit (K.P. Schmid), November 28, 1975.

and fiscal policies leading to a safeguarding of stable exchange rates. Schmidt was able to impress on his colleagues the point that the most desirable goal was that of steady growth which avoided the dangers of further unleashing inflationary pressures. He continuously stressed that in his view there could be no lasting or effective economic growth through inflation.¹⁴

The Chancellor also stressed that no country could ensure full employment through protectionist policies and strongly supported the GATT Multilateral Trade Negotiations. The six leaders were all in agreement on this point and called for the completion of the Tokyo Round of the MTN by the end of 1977.

The least agreement amongst the leaders was in the energy and North-South questions. Schmidt did not hesitate to criticize Giscard's idea for a new international economic order as nothing but a vague phrase. The summit was not able to achieve any agreement on recommendations on how to stabilize Third World incomes and balance of payments. Schmidt, although restating the obvious by noting that the developing countries should receive the necessary purchasing power so that they would be able to participate in the world trading system, did not offer any substantive solutions as to how this was supposed to come about. The summit leaders, nevertheless, did support the upcoming dialogue with the oil producing countries in Paris in December

¹⁴ Frankfurter Allgemeine Zeitung, November 17, 1975.
Die Zeit (K.P. Schmid), November 28, 1975.

and everyone expressed the hope that this would bring positive results.¹⁵

Clearly that most substantive result of the Rambouillet summit was the announcement of a Franco-American agreement on exchange rates. Even though this had been reached on a purely bilateral basis prior to the summit it was announced publically for the first time at Rambouillet. More importantly, it received the unanimous support from all the leaders present. This agreement, calling for flexible exchange rates with intervention to iron out erratic fluctuations in values, finally put to rest the long standing France-U.S. disagreement on this issue. Chancellor Schmidt himself had already highlighted a similar proposal in a speech in New York in September and was extremely satisfied with the agreement, especially since Germany had been calling for a similar accord for quite some time.¹⁶

The overall assessment of the Rambouillet Summit both by the German government and media was extremely positive. It was seen to herald a new spirit of cooperation between the leading industrial countries. As an exercise in crisis management it was seen to have been even more successful than initially expected. Contrary to expectation, the leaders had been in agreement on a large number of key issues and had even reached some specific

¹⁵ Die Zeit (K.P. Schmid), November 28, 1975.

¹⁶ Otmar Emminger, D-Mark, Dollar, Wahrungskrisen (Stuttgart: Deutsche Verlags Anstalt, 1986), pp. 296-301.