

The government had thus held to its pledge made at the Bonn Summit and was the first of the seven countries to implement specific quantitative measures. The overall effect of this programme was seen to be largely negative as it strongly curtailed the government's room to manoeuvre during the second major oil shock in 1979. The public deficit had reached record proportions and the government could provide very little in additional stimulus to overcome this crisis. Germany was thus affected much more seriously by the second oil shock and many analysts immediately pointed to the commitment made at the Bonn summit. Even Chancellor Schmidt admitted in an interview with Fortune magazine in 1981, that the effects of the 1978 commitment had been largely negative since they paralleled the unexpected second oil shock. From that time on Germany would be much more cautious about entering any more specific commitments at future economic summits.<sup>65</sup>

E. Tokyo, June 28-29, 1979

The personal representatives of the leaders in their advance preparation had planned the Tokyo Summit to further develop the issues decided the previous year at Bonn. However, the political upheavals in Iran with their immediate impact on the world oil market made energy the major issue to be covered by the leaders.

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<sup>65</sup> Interview with Helmut Schmidt in Fortune, April 20, 1981.

The vital importance of oil in the 1979 summit was given further immediate urgency by the OPEC conference which was planned to be held in the same week as the Tokyo Summit. There was widespread speculation that the Cartel would dramatically increase the price of crude oil.<sup>66</sup>

One week prior to the summit French President Giscard had urged his European partners at the European Council meeting held in Strassbourg to adopt a French energy plan as the agreed Community policy and to use it as the agreed position of the four European countries on the energy question at the summit. Yet this French proposal, which called for specific oil import targets to be set for each of the member countries of the Community, was strongly opposed by Chancellor Schmidt and the new British Prime Minister Margaret Thatcher.<sup>67</sup>

The European Commission then tabled a compromise proposal that was acceptable to all of the European leaders in Strassbourg. It decreed that the European Community would use the 1978 level of total oil imports into the EC as the target level for annual imports from 1980 - 1985. As many analysts quickly noted, in practice the Community countries would be able to benefit from a rising supply of British North Sea Oil since this would now be counted as an internal Community oil resource.<sup>68</sup> When it was

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<sup>66</sup> Putnam and Bayne, Hanging Together, p. 110.

<sup>67</sup> Ibid. p. 113.

<sup>68</sup> Die Zeit (R. Herlt), July 6, 1976.

pointed out that this was an effective loophole to undermine the 1978 import target level, it was argued that the position would probably be strongly criticized at the upcoming economic summit by the United States, Japan and Canada. However, the European leaders dismissed this by pointing out that both Canada and the United States had oil resources of their own which would also allow them to circumvent any import restrictions through increased domestic production.<sup>69</sup>

The European leaders also supported the setting up of an international registry in order to monitor transactions in the world oil markets, called for a promotion of alternative energy sources (coal and nuclear power) and endorsed a proposal of Chancellor Schmidt for setting up a dialogue with the OPEC countries.<sup>70</sup>

The German delegation attending the summit (Chancellor Schmidt, Foreign Minister Hans-Dietrich Genscher, Finance Minister Hans Matthofer, Economics Minister Graf Lambsdorff and Technology Minister Volker Hauff) wanted to use the summit to once again strongly remind President Carter of the promise he had made at Bonn the previous year to conserve more oil. The Germans also wanted to press the United States to accept the terms of the European Council agreement for its own energy imports. Furthermore, Chancellor Schmidt was extremely interested in a

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<sup>69</sup> Ibid.

<sup>70</sup> Putnam and Bayne, Hanging Together, p. 113.

pledge from the other leaders for a promotion of alternative clean energy sources (solar, wind and thermal) and wanted a firm statement from the summit that nuclear energy was indispensable.<sup>71</sup> This point was extremely important for him as his ambitious plans for an extension of nuclear energy capability in Germany was meeting increasing opposition from both his own party, the Social Democrats and an increasing number in the German public. He thus wanted the summit to strengthen his position on this question in the domestic political arena.

There were three new leaders in Tokyo: Thatcher from Britain, Ohira from Japan and Joe Clark from Canada. This meant that some time was spent in so-called 'getting to know you' sessions. After a bilateral meeting with Ohira, Chancellor Schmidt stressed that in the energy question the interests of Japan and Germany were identical. Both countries were totally dependent on oil imports and the two leaders stressed that their countries were not to be used as "locomotives for oil consumption policies"<sup>72</sup> playing on the fact that both countries had made major macroeconomic concessions at the previous summit. Nevertheless, this did not prevent Schmidt from strongly pushing Japan, the United States and Canada to adopt the agreement of the European Community for their own energy imports.

As it became increasingly obvious that Prime Minister Clark,

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<sup>71</sup> Frankfurter Allgemeine Zeitung, June 27, 1979.

<sup>72</sup> Ibid., June 28, 1979.

President Carter and Ohira would not accept the Strassbourg formula, the German Economics Minister, Graf Lambsdorff, revealed his frustration by pointing out that "US efforts in the energy question had been totally unsatisfactory and stressed that there came a point at which the tolerance level of the other partners would be passed."<sup>73</sup> Chancellor Schmidt did not see a need to move away from the decision of the European Community and did not think it necessary or advisable to establish a shorter time frame for any specific limitation for oil imports.

Nevertheless, this determined position of the Chancellor proved to be in vain as the total resistance of Japan, Canada and the United States to the 'Euroformula' forced the four European leaders to make major concessions. President Carter was able to prevail in his demand that the 1978 import target not be applied to the whole Community but instead become a specific target for Germany, Britain, Italy and France. This meant that the Federal Republic, Italy and France would now have to list any purchases of British North Sea oil as official oil imports.<sup>74</sup> Furthermore, Carter was able to ensure that the total US oil imports for 1977 would become the fixed target for the year 1985. This point was very significant since in 1977, the United States imported a record amount of oil. As a concession to the Europeans he pointed out that it was significant that he would be willing to make a firm commitment for such a distant year. Both Prime

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<sup>73</sup> Frankfurter Allgemeine Zeitung, June 29, 1979.

<sup>74</sup> Die Zeit (R. Herlt), July 6, 1979.

Ministers Ohira and Clark then also announced specific import targets for 1985.<sup>75</sup>

Nevertheless, in order to provide some flexibility and leverage, the seven leaders then decided to provide for five 'exception clauses'. Depending on the supply structure of oil, established savings measures, the rate of economic growth, availability of oil supply and potential for oil savings, it would be possible to move away from the agreed quotas.<sup>76</sup>

The four European leaders were able to prevail in their goal of setting up a separate oil registry at the International Energy Agency in Paris. They were also able to obtain a pledge for a concerted effort to raise the domestic price level of oil to the world level and for a reduction of subsidies on oil. Chancellor Schmidt's call for an energy dialogue with the oil producing countries was not taken up by the other leaders due to the utter frustration they felt at the news of OPEC's latest 24% oil price rise.<sup>77</sup> Yet they did agree to do everything possible to isolate the inflated energy prices in their own countries, especially through preventing a dramatic rise in incomes.

The overall assessment of the summit by the German government was generally positive. The Chancellor stressed the significance of

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<sup>75</sup> Ibid.

<sup>76</sup> Die Zeit (R. Herlt), July 6, 1979.

<sup>77</sup> Frankfurter Allgemeine Zeitung, June 29, 1979.

the fact that the leaders had been able to reach some fundamental agreement in the contentious issue of oil imports and their willingness to contain inflation pressures.<sup>78</sup> Yet, whilst the government was highlighting the significance of the summit process in achieving consensus and commitment in the vital energy question, the German media was more critical. It was pointed out that the leaders had only been able to agree on the lowest common denominator, leaving sufficient loopholes so that the overall effect might be an increase in imports and not a decrease. It was also stressed that the perceived need for consensus at such summits was the main reason for the four European leaders making crucial compromises as a result of the US, Japanese and Canadian opposition to the Strassbourg formula. The immediate result of this was seen to cause disagreement in the European Community as Germany, France, Britain and Italy would now have to convince the other five countries in the Community to adopt the agreement made in Tokyo. Even though the summit had clearly shown its ability to act as a forum for crisis management, after Tokyo some analysts began to doubt whether it was really equipped structurally to do so.<sup>79</sup>

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<sup>78</sup> Ibid., June 30, 1979.

<sup>79</sup> "Tokio Gipfel: So geht das nich weiter" in Der Spiegel, July 2, 1979.  
Die Zeit (R. Herlt), July 6, 1979.