

from the summit. The fact that Kohl and the others could return to their capitals and proudly point out the fact that they had not been singled out to implement any new specific measures, in many ways shows the real weakness of Venice and perhaps of the summit process as a whole. During exceptional global economic instability, it is not sufficient to merely seek consensus on the lowest common denominator and in some ways it took the events of October to make this point fully apparent.

The upcoming summit in Toronto, which will be the last in the second cycle of such meetings, will in many ways have to give a much needed boost to this process. An important first step will have been taken if the focus and the media attention is redirected away from the political dimension to the important economic fundamentals. It is ironic that the main focus of the media's attention was on the question of the Gulf Crisis, yet this issue was hardly discussed amongst the leaders. Toronto will hopefully elevate the economic dimension which in itself will be a significant improvement over Venice.

LOOKING AHEAD TO GERMANY'S ROLE IN THE TORONTO SUMMIT,

JUNE 19-21, 1988

The last section in this study will attempt to make some predictions about Germany's priorities and role in the upcoming summit to be held in Toronto. It must be recognized that the preparations for this summit were still ongoing at the time of

this study yet, through a careful study of Germany's performance at previous summits, the latest economic indices and elite interviews it has been possible to piece together a very realistic assessment of the likely goals of Chancellor Kohl and the German delegation (which again includes Foreign Minister Hans-Dietrich Genscher, Finance Minister Stoltenberg and Economics Minister Bangemann). For maximum coherence, I have divided this study into subsections which correspond to the major issue areas covered by the summit.

MACROECONOMICS

The latest German economic growth assessments of the five leading economic research institutes of May 2, 1988, predict a GNP growth of 2% in fiscal 1988. This represents an upward revision from the earlier assessments where economic growth had only been expected to grow between 1.3% to 1.5%.²⁰⁶ This better than expected growth makes it unlikely that the Chancellor will be pressed in Toronto for more stimulus in the economy. At the same time he can point to the larger than expected fiscal deficit (estimated federal deficit is forty billion DM for 1988) to emphasize that there is no more room in the system for any additional economic prime pumping. The German government has also reached a decision on the scope of the 1990 large tax reform which is widely expected to give an additional boost to demand in the economy. Although the government has lost much of the public

²⁰⁶ Frankfurter Allgemeine Zeitung, May 2, 1988.

relations initiative on this issue, as most attention has focused on the removal of previous tax exemptions and loopholes rather than on the actual tax saving.

The German government is also generally pleased with the exchange rate development in the last few weeks, as the US dollar has gained considerable ground on the DM and is now seen to be trading in a reasonable range level. At Toronto, the Chancellor will thus want to stress that the general economic climate is good and that all indices are now moving in the right direction.²⁰⁷ He will want a reaffirmation of the economic stability in order to further strengthen the still nervous international markets, but is not likely to seek or support any new initiatives at this point in time.

TRADE

As has been the case at previous summits, the German delegation will, in all likelihood, express its strong support for the Uruguay Round of GATT negotiations and will endorse the mid-term review to be held in Montreal in December.²⁰⁸ Since this German economy is so reliant on the export sector, it is imperative for the government that international protectionist pressures are contained, which explains the traditionally strong support for multilateral trade negotiations. Nevertheless, on the related

²⁰⁷ Personal interview with German official.

²⁰⁸ Personal interview with German official.

question of agricultural subsidies (see below) this is quite a different matter altogether.

AGRICULTURE SUBSIDIES

This issue is of the highest priority for the Canadian Prime Minister Brian Mulroney who seems to place it as the centre piece of his own priorities at the Toronto Summit. In his pre-summit tour of European capitals, he also called on Chancellor Kohl and sought his support for a determined agreement on this issue at Toronto. Nevertheless, it is clear that just as at the two previous summits it is quite unlikely that the Chancellor will be forthcoming on this issue. As has already been pointed out, important domestic considerations make it imperative that the Chancellor not alienate the farming community which is so strongly dependent on subsidies. He will probably once again point out that he and his colleagues in the European Community have already taken a dramatic step in February when they revised their Common Agricultural Policy. They agreed to encourage less production rather than more and to establish special set aside policies to pay farmers to move land out of agricultural production.²⁰⁹ The Brussels decision prompted strong criticism from the German farm lobby and Kohl is unlikely to risk even more alienation of this crucial electorate as he will have to go to the polls in two years. It is therefore quite unlikely that Mulroney, with the support of Reagan and Thatcher, will be able

²⁰⁹ Personal interview with German official.

to obtain further concessions from Kohl and his other European partners and this issue might, in fact, prove to be the most divisive of the entire summit.

THE ISSUE OF INTERNATIONAL DEBT

It has become apparent that Germany is planning a special initiative on the debt of the 'poorest developing countries' (LLDC) and that the German delegation expects some new commitment on this issue to emanate from the Toronto Summit. Chancellor Kohl had begun to strongly focus on the debt question and their international ramifications during and after the Venice Summit and German activity has been further spurred on by the fact that it will be hosting the next IMF meeting in Berlin in September which is expected to deal primarily with the debt question.²¹⁰

To date it has been impossible to conclude what this special German initiative will consist of, although it may quite likely incorporate the German policy adopted in 1982, to give commercial German banks special tax concessions on the reserves set aside for debt financing and coverage for the developing world. Nevertheless, it is clear that most of the summit delegations are preparing their own plans on this question and the final agreement might incorporate elements of the various proposals.²¹¹ On the question of middle income debt (MIC's), the German

²¹⁰ Ibid.

²¹¹ Personal interview with Canadian official.

government sees the present approach taken by the industrialized countries as working and will not push for any new initiatives at Toronto.^{2 1 2}

NEWLY INDUSTRIALIZING COUNTRIES (NIC's)

For quite some time the German government has been stressing that the focus on global economic imbalances (such as balance of trade and balance of payments imbalances) should be expanded away from the exclusive focus on the three largest industrialized economies (Japan, the United States and West Germany) and take account of the newly industrializing countries especially in the Pacific Rim. Nevertheless, it does not support criticism of the Asian NIC's as a single group, as it feels differentiation is necessary between those countries, such as Singapore and Hong Kong, with their open economies and the real problem countries, Taiwan and South Korea, with their massive trade surpluses and distorting exchange rate practices.

At the summit the German delegation will probably stress that effective dialogue with the NIC's is crucial and that harsh criticism in and of itself would prove to be counterproductive in the long term. The industrialized has to make the NIC's aware of the growing international responsibilities that come with their new economic status and at Toronto, the Chancellor and his

^{2 1 2} Personal interview with German official

ministers will probably push this point.²¹³

ENVIRONMENT

Environmental questions have always been a German priority at the economic summits and it was Chancellor Kohl who first introduced the issue of air and water pollution to the economic summits in 1983. Even though the Chancellor could always find a strong ally in the Canadian Prime Minister on this issue, as in both countries acid rain and other environmental concerns dominate public concerns, the strong resistance of Prime Minister Thatcher and President Reagan had always relegated it to the sidelines. At Toronto it appears that the new Italian Prime Minister De Mita will join Kohl and Mulroney in pushing for discussions on the environment since it had become such a crucial issue in the last Italian election.²¹⁴ Nevertheless, it does not appear that acid rain will be mentioned specifically due to the continued opposition of Reagan and Thatcher. The leaders will instead focus on environmental concerns they can all agree on, such as the ozone problem and climate.²¹⁵ Once again the Chancellor will be playing a leading role in the discussions.

POLITICAL ISSUES

In the preparatory stages to the Toronto Summit it has become

²¹³ Personal interview with German official.

²¹⁴ Ibid.

²¹⁵ Ibid.

apparent that all of the leaders want to avoid a repeat of the experiences of Venice and strongly change the focus of the summit and media attention back to its economic dimension. Nevertheless, it is quite likely that the leaders will spend some time in assessing the state of East-West relations, as they have done at every summit since 1978, especially after the Reagan-Gorbachev summit held three weeks earlier in Moscow.

SOUTH AFRICA

The South African question, which was first raised by Canadian Prime Minister Brian Mulroney at the Venice Summit in all likelihood will not play a major role at Toronto and perhaps will not be mentioned at all.²¹⁶ Both Chancellor Kohl and British Prime Minister Margaret Thatcher have continuously resisted pressure for any new initiatives towards South Africa, largely due to the strong trade ties both countries enjoy with Pretoria. In the last year there has been an increasing awareness of the South African issue in Germany, with the strongest actions taken by the German Labour Congress (DGB). There are also signs that the government coalition is strongly divided on this issue between the Liberal Free Democratic Party and the Christian Social Union. Whilst Hans-Dietrich Genscher, Foreign Minister and a leading member of the FDP, seems to be somewhat receptive to some government action against South Africa, Franz Josef Strauss and the CSU strongly oppose any

²¹⁶ Personal interview with German official.

action whatsoever. Kohl thus has to be very careful not to exacerbate attentions in his coalition over a question such as South Africa and will in all likelihood oppose any introduction of this issue to the discussions in Toronto.²¹⁷

Toronto will be Kohl's fifth summit and as has been the case previously, he will probably play a leading role in those issues of priority to himself and his government. Nevertheless, he will seek to present his views, not in the lecturing style used by Helmut Schmidt, but in a more conciliatory and consensus-seeking manner. He also seems to place strong emphasis on bilateral meetings with the other leaders, both before and during the summit itself, and in Toronto will probably once again make full use of the opportunity for 'one on one' meetings with the other heads of state and government.

CONCLUSION

This study has attempted to give a concise overview of Germany's participation in the World Economic Summits since they first began in 1975. It has become apparent that the Federal Republic is one of the dominant members in this forum and has consistently taken a decisive leadership role in a number of key issue areas, such as trade, macroeconomics and East-West relations.

²¹⁷ Ibid.

Nevertheless, as I have already pointed out in my opening section, this must be put into some broader perspective. Clearly, economic summits do not represent the decisive arena for the formulation of German economic or foreign policy. It has been and still is viewed as a valuable instrument to foster dialogue between the leaders in all pertinent functional areas and does indeed stimulate interest in a wide range of issues normally not covered. The summits can thus be compared to an educational forum for statesmen, or as Chancellor Schmidt called it, a "seminar for leaders on economic questions."²¹⁸ The German government has continuously recognized the value and need for such a forum and it has been noted that even if the World Economic Summits did not achieve a new economic order in the mid 1970's to replace the declining economic hegemony of the United States, it was instrumental in overcoming the negative results of the new economic nationalism and prevented a repeat of the catastrophic policies of the 1930's. The summit thus remains an important element in the foreign policy process and will continue to do so in the years to come.

²¹⁸ Die Zeit (RHEIN), NOV 21, 1975.