

## 2. VALÉRY GISCARD d'ESTAING'S SUMMITS: 1975 - 1980

### A. RAMBOUILLET, 15-17 November 1975

The first summit dealt with six issues which, to this day, have remained the basis of the summits economic agenda, and to some degree of its expanded political agenda as well: international monetary matters, international trade, macroeconomic policies, energy, East-West trade, North-South relations. At Rambouillet, the first three of these issues were the most substantial subjects. The other three were also discussed, but no notable new conclusions were reached.

Preparation for the summit was entrusted to a small group, comprising one personal representative of each leader. The work of these individuals, known henceforth as sherpas, was quickly to become a central feature of the summit process. Giscard's sherpa was Raymond Barre. He was a leading French economist and academic, who had been an influential advisor to President De Gaulle on monetary questions, Vice-President of the European Commission in the late 1960s and early 1970s, and was to become Giscard's second Prime Minister in 1976. Barre held no government position in 1975, a fact which served to emphasize that his link to Giscard was one of direct personal representation. Giscard himself was involved intimately in preparing the summit, by virtue of his dual role as initiator and host. Furthermore, one of his central interests was international monetary matters, which dominated exchanges prior to and during the summit.

In November 1975, Giscard had been President for eighteen months and, through a then firm alliance with his Gaullist Prime Minister Jacques Chirac, had consolidated his hold on power. Continuing to direct economic policy personally after leaving the Finance Ministry for the Presidency, he had practiced fiscal restraint to block a rise in inflation following the first oil crisis. By mid - 1975, France had switched to a policy of stimulating growth by public spending. This was in keeping with the policy of the other western powers, except for the U.K.

The most important issue dealt with at the summit was exchange rates. Discussion in the international money reform negotiations then nearing their targeted date of completion (January 1976) was stalled by Franco-American opposition over this subject. With the demise of the Bretton Woods system, the US favoured floating rates, which it saw as both unavoidable in the turbulence caused by the oil crisis and as providing advantageous autonomy to the dollar. The French were alone in refusing floating rates as a long-term regime. As Putnam and Bayne put it, in the French view:

fixed rates provided an essential discipline, to which the US should be subject like all other countries. This was an article of faith for a wide range of opinion in France and particularly for the Gaullists, so that retreat would be politically sensitive.<sup>12</sup>

The pressing nature of the problem of monetary instability, and the fact that a necessary

compromise could be negotiated bilaterally with the US, combined to make Giscard focus on this issue in working up to the summit.

At this point, it is essential to state that official French monetary doctrine, from the early 1960s to this day, has held the stability of exchange rates to be a necessary condition of economic development and international organization. This position has been maintained even in periods of important market fluctuations affecting the French franc itself; periods such as the ones that caused the franc's withdrawal from the European currency "snake" shortly after Rambouillet and its June 1982 devaluation. Although fixed exchange rates pure and simple have ceased to be the objective, in the French perspective reference zones, multilateral surveillance and the European monetary system (EMS) are mechanisms serving to promote the goal of monetary stability.<sup>13</sup> This emphasis on strict control of all monetary developments is but one reflection of "colbertisme", that is the French state's historical method of direct interventionist management of the national economy. The degree to which the French government - whether led by the centre-right Giscard or the socialist Mitterrand, with corresponding analytical nuances - stresses monetary stability was most succinctly expressed by Giscard. When invitations to the first summit were made public, he declared: "What is called a crisis of capitalism is in reality a monetary crisis."<sup>14</sup>

In bilateral Franco-American negotiations leading up to Rambouillet, outside the sherpas' framework,<sup>15</sup> a compromise was reached. The formal agreement was signed by the French and US finance ministers at the start of summit, then discussed at length and endorsed by the six summiters.

Within the International Monetary Fund (IMF) Articles of Agreement framework, the compromise reached was twofold. First, a statement in support of the pursuit of monetary stability provided for a range of permissible exchange rates regimes, including floating and cooperative arrangements (i.e. the European "snake"). It also rather piously envisaged a possible return to a fixed rates regime. Second, it was agreed that the monetary authorities of the US, Japan and European "snake" countries would intervene to iron out erratic market fluctuations in their exchange rates not caused by underlying economic factors.

In short, the French had lifted their refusal to legitimize floating in return for a US undertaking to intervene to steady the dollar under certain conditions.<sup>16</sup>

Thus, Giscard's stated goal of exchange rate stability, which he described as a certain "viscosity", now seemed attainable.

This agreement, the result of highly structured pre-summit bargaining, was the highlight of Rambouillet. Chancellor Schmidt even went so far as to declare that the "summit monetary accord has sealed the reconciliation of France and the US."<sup>17</sup> In retrospect, it is clear that monetary stability did not result from this agreement. Nonetheless, it marked a Franco-American rapprochement. Also, it constituted a foreign policy success for Giscard, who in statements at the summit's end underlined the political value of economic solidarity. He was seen as having upheld France's position as a "great power" capable of being an effective arbitrator in European-American relations. The fact that the final communiqué did not refer to the Western Alliance or NATO, but rather to the exercise by the industrial

democracies of collective responsibility, was noted with satisfaction by the French press.<sup>18</sup> As regards macroeconomic policies, with the exception of the U.K., the consensus was to not increase fiscal stimulus any further so as to avoid causing inflation. Franco-German cooperation in this area was manifest. The leaders expressed confidence in a coming recovery which, in fact, did occur in 1976.

The undertaking to preserve free international trade, as well as the impetus given to the GATT round then in progress by setting a 1977 completion date, received France's support.

Finally, three elements must be noted concerning the proceedings at Rambouillet: first France vetoed the American backed Canadian bid for a seat at the table but could not block Italy's entry into the group; second the media contingent was relatively small by later standards and kept at some distance; three, when they parted, the participants had not set a date for their next meeting, nor were the summits yet considered to be a future regular annual event. Soon all this would change.

#### **B. PUERTO RICO, 27-28 June 1976**

From what is known of its proceedings, the Puerto Rico summit appears to have been uneventful. It is described as "the shortest and least substantial of all the summits."<sup>19</sup> It was convened with very little preparation only seven months after Rambouillet by President Ford, who acted as host and who, along with Chancellor Schmidt and Prime Minister Miki, was in an election year. Given that this was the first of what can be called the "electoral summits" (meaning that the agenda was to a greater extent than usual geared to immediate domestic political needs), macroeconomic policies were the most seriously discussed topic at Puerto Rico. Ford's insistence on cautious fiscal and monetary policies designed to control resurgent inflation was supported by Germany, Japan and especially France. Indeed, the 1975 stimulus to growth had led to a large external French deficit and drove the franc out of the European "snake" soon after Rambouillet. These difficulties would, within the next year, contribute to the appointment of Raymond Barre as Prime Minister and to a sharp turn in French economic policy.

North-South issues were discussed. However no significant progress was made. From the French point of view, this represented somewhat of a setback.<sup>20</sup> Giscard's activism in this field was a central element of French foreign policy, especially in the first three years of his presidency. This activism was manifest in France's performance at the United Nations Conference on Trade and Development (UNCTAD). Most importantly, Giscard convened the Conference on International Economic Cooperation (CIEC) held in Paris from December 1975 to June 1977. The perceived failure of the CIEC and of the North-South dialogue it symbolized were to lead Giscard to show a less direct interest in these problems.<sup>21</sup>

At Puerto Rico, support and credit measures for OECD countries in difficulty were discussed. In fact, this concerned Italy primarily, whose domestic problems at this time

were political as well as economic. A separate and secret meeting of the four western powers was actually held on the margins of the summit to discuss the Italian situation.<sup>22</sup> As the concerned party, Italy was involved in these proceedings. The exclusion of Japan and Canada from such exchanges concerning political matters suited France's hierarchical conception of international order. Canada's participation from 1976 onwards was facilitated by the US invitation to Puerto Rico. Therefore, France's resistance, which had not sufficed to block Italy's entry into the group in 1975 only served to delay Canada's entry for one year. From then on, the summit countries would be referred to as the Group of Seven (G-7).

### C. LONDON I, 7-8 May 1977

London I was a turning point in the institutionalization of the summit. In what came to be known as Trilateralist summitry, from 1977 to 1982, the summit became systematically results-oriented and thus addressed complex issues in a manner requiring a much greater and heavier organizational infrastructure. Thus, intensive preparation and follow-up became paramount. This development came about with the election of President Carter and the staffing of his administration at the most senior levels by members of the Trilateral Commission, who did not share the original Library Group members' conception of summitry.

The Trilateralists recognized the importance of "political will". But, in this framework, summit meetings among heads should cap a process of intensive consultation among officials. For the Trilateralists (unlike the Librarians), bureaucrats were part of the solution, not part of the problem.<sup>23</sup>

The French could not avoid participating in this general institutionalization of the summit. Indeed, senior French bureaucrats have been most adept at playing this game. However, Giscard and his successor Mitterrand criticized this bureaucratization. For them, direct contacts among heads was what mattered. Giscard was even known to keep his sherpa at arm's length.

London I was President Carter's first summit. He attended it as part of a European tour, which was his initial foreign trip since entering the White House. Therefore, this meeting was not only one of acquaintance and expectation for the other leaders, but one of much increased media attention as well.

For Giscard, the summit took place at a time of considerable domestic difficulty. His alliance with the Gaullists had become tenuous, legislative elections were to be called in March 1978, and the Socialist and Communist opposition were clear favorites to win them. His new Prime Minister and Finance Minister was his former sherpa Raymond Barre. Their new anti-inflationary and unpopular policy of "austérité" was one of severe fiscal restraint and very tight monetary policy. The new French sherpa was Bernard Clappier, the Governor of the Bank of France from 1974 to 1979. He stayed on after his retirement from

the Bank as sherpa for Giscard, until the latter's last summit in 1980. Despite his role as a central banker, and his involvement in the 1978-1979 creation of the European monetary system (EMS) Clappier remained his President's personal representative and did not enjoy any particular autonomy. In part, this reflected the fact that, contrary to the Chairman of the US Federal Reserve for example, the Governor of the Bank of France is very much a civil servant who applies a policy set by the government of the day.

The principal issues dealt with at the summit were macroeconomic policies, international trade, nuclear proliferation and North-South relations. On macroeconomic policies, the exchanges centered on the US proposal known as the locomotive theory, namely the Keynesian approach according to which the stronger economies of the US, Japan and Germany could serve as locomotives of global recovery, through coordinated fiscal stimulus and reflation. German resistance to US pressures was to put off any application of this policy until 1978. France, which would not have to bear the burden of being a locomotive, was not opposed to this approach. However, Giscard did not openly press for it. In this regard, the Franco-German partnership within the EEC, as well as the close Giscard-Schmidt relationship, were moderating factors in the French position. This bilateral cooperation was evident when at the sherpa level of communiqué drafting:

the German representative, succeeded (with the help of the French, who were seeking language that would be helpful in defending Barre's austerity plan at home) in inserting the phrase "inflation does not reduce unemployment; on the contrary, it is one of its major causes."<sup>24</sup>

On international trade, the Tokyo Round of GATT negotiations did receive some support in the final communiqué. The weak language used in the communiqué - a commitment to "seek this year to achieve substantive progress" - was the result of French led resistance, with British and Italian support, to US as well as Japanese demands for greater liberalization in this area.

Fearing competition from the newly industrializing countries in older industries like textiles, and from the Americans in newer industries like computers, the French were now taking about "organized trade" as distinct from "free trade".<sup>25</sup>

The most contentious issue of the summit was nuclear proliferation, then one of President Carter's most controversial foreign policy priorities. The French were particularly sensitive on this subject, as their own civilian nuclear energy program was the single most important one in the Western world. As an exporter of nuclear technology - in particular of plutonium recycling technology of potential military use - and an independent nuclear power which had not signed the Non-Proliferation Treaty but depended on then interrupted American and Canadian uranium exports, France's major interests were at stake. In an interview given first prior to the summit, Giscard, in diplomatic language, signalled French and European opposition to American policy: Some American propositions exist. As they are now, they call for very serious reservations on our part.<sup>26</sup>

The summit did result in a procedural compromise, namely the International Nuclear Fuel Cycle Evaluation (INFCE) inquiry begun in 1977. With the INFCE the American and the

French both avoided the embarrassment of backing down openly. It must be noted that eventually, France did not go ahead with the contentious sale of a reactor to Pakistan, while Germany did sell one to Brazil.

As already noted, North-South relations and the ongoing Paris CIEC were personal priorities for Giscard. The appointment of Louis de Guingaud, a career diplomat specialized in North-South relations, as Foreign Minister in Raymond Barre's first government had already confirmed this. In 1977, prior to the summit, Giscard once again signalled the importance he attached to this issue.<sup>27</sup> The summit participants' consensus on a package of Western counter-offers and counter-demands, to be put forward at the CIEC, was judged a success by the French. However, the CIEC soon ended in a stalemate when no agreement could be reached to bridge the North-South gap.

On a more strictly political level, Giscard was Carter's host at the French embassy during the summit for a bilateral meeting - at the conclusion of which American support for France's recent military intervention in Zaire was made known. Giscard participated in a post-summit meeting of the four Western powers' leaders, officially to discuss the status of Berlin but in reality of much wider scope. Once again, France's status as a "great power" in a hierarchical international order, distinct from the summit seven, was thus confirmed.<sup>28</sup> The participation of the European Commission President in the summit was unsuccessfully opposed by Giscard. Symbolically and probably for French domestic political purposes, he expressed disapproval of this elevation of the representative of a non - sovereign entity by not attending a pre-summit get-acquainted dinner. Finally, in an interview prior to the summit, Giscard chose to underline France's role in its actual convening, as well as his continued commitment to a nonbureaucratic format. (which amounted to both a certain claim of paternity and an anticipatory criticism of ongoing institutionalization).

I remind you that this London summit is due to a French initiative, since it is in December that we proposed that the summit be held...one must not see this meeting as a bureaucratic summit, which is to say as having as its object to draw up a catalogue and to make administrative decisions.<sup>29</sup>

#### **D. BONN I, 16-17 July 1978**

Following the earlier unexpected victory of his supporters in the March 1978 legislative elections, Giscard arrived at the Bonn summit a remarkably strengthened leader, in domestic and international terms. Bonn I is generally regarded as having epitomized trilateralist summitry. Unprecedented structured multilateral pre-summit negotiations were conducted. They did in fact yield results. Simply put, the elements of the impressive summit package or deal finalized there were the following:

The Germans and Japanese would promise (and deliver) significant additional reflation. The Americans would promise (and deliver) anti-inflationary policies and lower oil imports. The others would concede (and later ratify) a far - reaching liberalization of

world commerce.<sup>30</sup>

Was this deal the product of genuine international coordination of policies, or rather did it result from the coincidence of different policies set according to national interests, but presented by summit participants as reciprocal concessions made as part of constructive coordination? For the purpose of this study of French foreign policy and the seven-power summits, this broader question need only be noted.

As reflected in the summit package, the Bonn I agenda included macroeconomic policies - implementation of the Keynesian locomotive approach, already proposed in 1977 - energy, and international trade. However, from the French perspective, the key question of international monetary stability was omitted, or at least not dealt with satisfactorily during the summit.

France's relatively modest contribution to the locomotive debate can be broken down into two components: first, on the privileged Giscard-Schmidt bilateral basis, prodding Germany towards committing itself to reflation; second, agreeing to an additional FF 10 billion in public spending, an increase of the budget deficit already known about many weeks prior to the summit.<sup>31</sup> On energy, the American commitment to lowering oil imports was greeted with satisfaction by the French, but they themselves did not have to make any commitments exceeding those already made within the EEC.

The major French contribution, which Giscard recognized as unavoidable but presented as a concession, concerned trade liberalization. Giscard's objective was to protect as much as possible the EEC's Common Agricultural Policy (CAP) and thereby his country's substantial related interests. This had led to French stalling, with Italian and British support, in the GATT's Tokyo Round negotiations. The Bonn I final communiqué did set 15 December 1978 as a deadline for conclusion of those negotiations. This deadline would be met. However, France had succeeded in minimizing its unavoidable contribution to the Bonn I package. At the summit, the just-concluded GATT interim accord of the previous 13 July - to which France was a party - was called into question by Giscard. For symbolic domestic political reasons, he would not allow the interim accord to be presented as being perfectly satisfactory to all the summit participants.

As the result of a parallel all night bargaining session between US GATT negotiator Robert Strauss and French International Trade Minister Jean-Francois Deniau, Giscard managed to have the other leaders state that the GATT interim accord, although representing progress, also contained points of divergence. The communiqué specified that "some difficult and important issues remain unresolved".<sup>32</sup>

On monetary matters, 1978 saw France and Germany formally set in motion the establishment of the European Monetary System (EMS)<sup>33</sup>, at the European Summit meeting in Bremen ten days before Bonn I. This proposal to create a zone of monetary stability in Europe received little support in the Bonn final communiqué. However, as Raymond Aron pointed out at the time, from the French and European perspective, the Bremen discussions were of the same importance as the Bonn I package might seem to be to the world.<sup>34</sup>

The Bonn communiqué also included a strictly political statement condemning terrorism. This addition to the summit agenda did not correspond to France's marked preference for its strict limitation to economic matters. However, in the spirit of mutual satisfaction which prevailed at the summit's end, France did not criticize this innovation, nor did it question openly the trilateralist bureaucratization of the proceedings.

#### **E. TOKYO I, 28-29 June 1979**

The first four summits (1975 - 1978) had been recovery summits. Following the second oil crisis, begun in the autumn of 1978 with the fall of the Shah of Iran, Tokyo I was to be the first of four recession summits. From then on the monetary and fiscal policies of France and the summit G-7 countries were to be geared to checking inflation set off by higher oil prices, rather than to promoting growth. This change from a Keynesian demand-management approach to neo-classical monetarism entailed depressing output and rising unemployment. The negative domestic political consequences faced by each government as a result of the policy change were to be important factors in Giscard's defeat in the 1981 presidential elections.

In November 1978, Giscard had named Jean François-Poncet as Foreign Minister. Just as his two predecessors had been, François-Poncet was a career diplomat. However, his working relationship with the President was a much closer one, in that prior to his appointment to the ministry he had been Secretary - General of the Presidency and therefore Giscard's closest collaborator. His own specialty was the EEC.

Prior to Tokyo I, in close collaboration with Schmidt, Giscard initiated and hosted the Guadeloupe summit (5-6 January) at which the leaders of the US, Germany, France and the UK met to discuss growing post-détente tensions in East-West relations. A durable agreement was reached on the key issue of intermediate range nuclear missile deployment in Europe. From the summit point of view, this was the last time that France effectively succeeded in restricting discussion of political-strategic questions to the four Western powers.

Tokyo I was devoted almost entirely to the energy question. The leaders were confronted with the immediate need to deal with the unfolding crisis caused by the sudden rise in oil prices. The urgency was such that the oil import target agreement reached was, to a considerable degree, the result of summit negotiations among the leaders themselves. In these Giscard played a leading and somewhat aggressive role. After the first oil shock, France had favoured its own bilateral approach in dealing with selected producing countries. In 1979, a collective summit response was clearly the French preference.

As a result of the inflation caused by the oil crisis, the inflation rate forecast for France at the time was 9.6% for the first half of 1979 and 12.75% for the second half of 1979. Ultimately, inflation was to grow by 10.3% in 1979.<sup>35</sup> In terms of economic performance, this represented a clear setback for the restrictive policy of "austérité" launched in 1976.



The Tokyo I macroeconomic consensus served to reinforce the commitment of Giscard to "austérité". France's vulnerability in oil imports was particularly pronounced compared to Japan and Germany since its currency was not strong and its export markets not as secure. Compared to the US, France had neither oil reserves of its own, nor was the franc a transnational currency.

The point of contention between the US and the EEC was oil import targets, the key to any thwarting of inflation and, as such, Giscard's clear priority. President Carter's proposed energy programme was then being debated in the US and his attempt at imposing import targets was encountering opposition in Congress. Prior to the summit, in a manner comparable to the pre-Rambouillet monetary negotiations, the French and Americans entered into bilateral talks, which resulted in an agreement specifying that the US and each of the other countries belonging to the summit would commit itself to national oil import targets for 1980. This plan was rejected by the European Council of 20-21 June. The EEC position going into the summit was not in support of national targets for 1980, but rather of Community targets for 1985, which would allow the member countries to benefit from rising supplies of North Sea oil. At the summit, a US - EEC deadlock quickly ensued. At this point, Giscard took an unprecedented initiative in summit proceedings and collective policy formulation. In a separate breakfast meeting with Carter, Thatcher and Schmidt, without having consulted his remaining EEC partner, Andreotti of Italy, or Jenkins, the President of the European Commission, or Ohira of Japan, or Trudeau of Canada, Giscard proposed his own solution:

The Americans, Japanese and Canadians would set import targets up to 1985, as the Europeans collectively had already done. The European participants would accept national import targets and persuade the other Community members to do likewise. Carter accepted the proposal. Thatcher, though unconvinced about import targets, raised no objection as the United Kingdom was no longer an oil importer. Although the Germans had been the most skeptical about import targets, Schmidt did not want the responsibility for seeing the summit fail and reluctantly agreed to the compromise.<sup>36</sup>

Confronted with this "fait accompli", the three excluded leaders and Jenkins succeeded only in obtaining minor adjustments to the energy package imposed by the common front of the four Western powers. The independent and forceful manner in which Giscard pursued France's national interest in 1979 is indicative of the fact that, especially in a forum expanded to eight rather than the four or five members he had originally envisaged, the French President did consider the practice of summitry to be compatible with a certain "realpolitick". At the summit's end, in understated fashion, Raymond Aron could characterize it as one of "concertation without consensus".<sup>37</sup>

#### F. VENICE I, 22-23 June 1980

This was to be Giscard's last summit. In May 1981 he lost the presidential elections. Schmidt and Carter also faced elections within a year. Therefore, domestic political

considerations heightened the need for apparent unity among the participants. For the first time, the summit was divided between a political day and an economic day, a development contrary to French preference. Giscard resisted this broadening of the agenda but eventually relented. In the wake of the Soviet invasion of Afghanistan, this concession on his part can be linked to the advantage he thought his Warsaw meeting with Leonid Brezhnev would give him in the political discussions which were to centre on this issue.

The economic discussions basically confirmed the 1978 commitment to controlling inflation and the severing of the link between economic growth and oil consumption. In the preparatory stages, Giscard considered renewed serious efforts to promote the French goal of reform in the international monetary system. However, by the spring of 1980, oil price increases caused exchange rates fluctuations that were sufficient to oblige him to put off this initiative.

As controversy over Euromissile deployment grew, the summit was dominated by discussion of how best to react to the Soviet invasion of Afghanistan. The Americans took a hard line, while the Europeans, led by France and Germany, sought to salvage as much as they could of the early 1970s détente. When the seven leaders met, Giscard had just returned from his May 19th meeting with Brezhnev in Warsaw. This symbolically independent initiative had been taken in the name of dialogue and the need to control the destabilizing tensions in East-West relations. As Michel Tatu makes clear, even when accepting the validity of this official argument, Giscard's Warsaw trip can only be understood in the context of his re-election strategy.<sup>38</sup> This unfolded in a context shaped by the particular character of Franco-Soviet relations as they were conditioned by not only a Gaullist - inherited autonomous foreign policy, but also as they were affected by the domestic political need to exploit the French left's divisions via Moscow's influence on the French Communist Party. Ultimately, this tactic backfired, as in the following year Giscard's adversary Mitterrand succeeded in exploiting the Warsaw trip as proof of opportunism and lack of understanding of the implications of Soviet power. Nevertheless, it must be noted that at the summit's end, Giscard was satisfied when a strong G-7 statement condemning Soviet occupation of Afghanistan was accompanied by an agreement stating that, if it were to be the first stage of a total withdrawal, a just announced partial Soviet troop withdrawal was useful.

Finally, in what amounted to a procedural innovation, the leaders endorsed relatively minor political statements on hostage-taking, hijacking and refugees. As regarded increased bureaucratization of the summit process at Venice I, Giscard renewed his criticism of this tendency.