7/17/78-7/18/78 – Bonn Economic Summit

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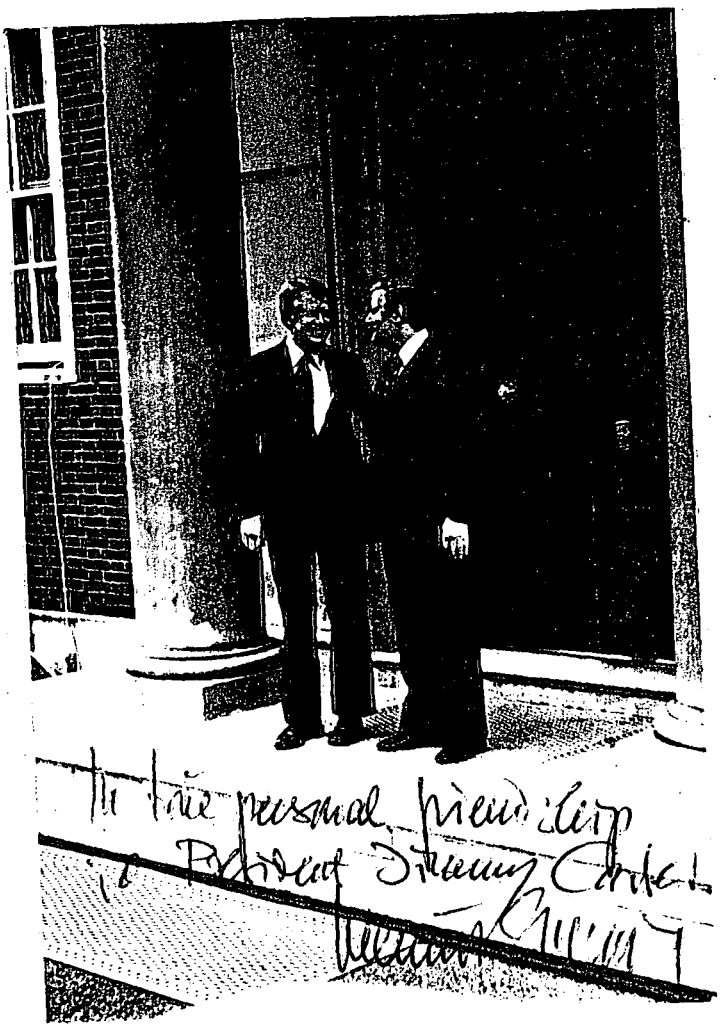
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DESCRIPTION:

3" X 5" color photograph of Pres. Carter and P.M. Helmut Achmidt w/inscription and signature of P.M. Schmidt



Series: Office of Staff Sec.-Pres. Handwriting File

Box No.: 95

File Folder Title: Bonn Economic Summit 7/16/78-7/17/78 [7/18/78]

Transferred by: KJS

Date of Transfer: 8/31/78

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Offic visit → Summit
Journey. Econ inter. free
strength, vitality. coop
- Cliche. FRG. Econ miracle
free people. demo govt
- US. Demo. wilderness. Power
- FRG. Statue liberty. indiv
rebuild. indus. cities
- Europe/Japan econ giants
- determ. resource & We help
- Tribute to demo system
- Summit. contin process
7 indus nations.
broad range. econ issues

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Renew friendship - need insight - US posit

- Each other & others
- History - deepen even chaos
- Not solve all problems
- Consult - understand - learn
  Coop - goals - public
- Pride in my country
  Confidence, hope in future
- 1st friendship → Germany
- Then FRG - Fr - It - GB -
  Can - Jap
- Represent you well

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First Day

I. Opening Discussion of Interdependence

1. US is mindful of the international implications of its policies on energy and inflation and of foreign concerns about the dollar.

2. These US policies, in turn, are linked to decisions other countries must make on trade and growth.

3. That is why we hope this Summit can agree on concerted program to address all problems.

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II. Domestic Macro-Economic Policy First Day

1. US: Fighting inflation now top priority. Stress tight fiscal policy: FY 1978 deficit down to $51.1 billion, FY 1979 deficit will be in the forties, and FY 1980 deficit in the thirties. Mention deregulation, deceleration, and ceiling on Federal pay raises. Our growth targets are lowered. Federal Reserve has tightened interest rates.

2. Germany and Japan: Countries with low inflation and balance of surpluses should expand domestic demand.

3. Germany: We hope commitment to growth in

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Summit communique can be in terms of specific scale of expansionist action in the 1979 budget, e.g., 1% of GNP. (I was shown two alternative German drafts; this would be the more specific of the two.)

b. Japan: We hope Japan will make a commitment as specific as Germany's. (Fukuda probably will say he still hopes to make 7% expansion without stimulus; most observers believe he can't make it, but it's hard for him to admit it this early; he should be pressed for language going as far toward a pledge as possible, e.g., he will take additional expansion action if needed to achieve 7% and will reach decision in next two months.) Even better if he'd just [illegible] expansion period.)

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III-A. Energy (US) First Day

a. First four parts of bill will be passed this year; these four parts plus non-controversial parts of fifth part will save 2.3 million barrels a day by 1985. COET would save 200-400,000 more barrels. If it doesn't pass, a wide variety of administrative actions could be taken to same end late in year, without insuperable Congressional opposition, that would have same effect.

b. I am prepared to make very forthcoming pledge, couched in same terms as likely other countries' pledges on growth, i.e., specifying the goal to be achieved rather than the

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instruments (legislative or administrative action) for getting there. Will pledge to save 2.5 million barrels per day by 1985, to have all policies needed to this end in place by year end, and to raise US prices to world level. To be more specific as to instruments could generate Congressional reaction that would make these measures more difficult to take.

c. US supports nuclear energy. Prepared to assure against interruption of supply during INCFE.

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III-B. Energy (International) First Day

1. Should pledge ourselves to increase investment in producing and conserving energy in our countries. This is needed for the long-term.

2. Need national and joint efforts to develop and commercialize new energy techniques. Relevant R&D must be greatly expanded. Mention US-Japanese arrangements; invite others to join.

3. We should help LDCs develop energy and invite World Bank to explore how best to do this. Support Canadian efforts to strengthen this part of communique.

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First Day

IV. International Monetary Affairs

1. Dollar: We need to deal with underlying causes (growth, inflation, energy) not symptoms, of dollar's weakness.

2. European: US has long supported European unity. We welcome and endorse EC decision to explore increased monetary cooperation. Detailed arrangements, which have not been worked out, can have important implications for world economic growth and the functioning of the international monetary system. We will be happy to cooperate with EC in studying these

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aspects of proposed arrangements.

(It seems increasingly clear that Schmidt and Giscard have strong feelings on this subject; how positive you sound in saying the above will have a lot to do with how they react to your statements on other matters.)

Articles of Agreement - Sec 7
Contractionary

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Second Day

V. Trade

1. Our Ministers have done well. MTN package a major step forward.

2. We should confirm this progress and charge negotiators to complete negotiations by end of year, to prevent any unraveling of progress achieved to date, and to agree on:

-- substantial tariff reduction (need to avoid withdrawal of EC tariff offers now tabled);

-- major improvement in world agricultural trade (we need access);

-- codes to reduce or eliminate non-tariff barriers, including a code that will open

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government procurement to international competition (very important to us);

-- resolution of safeguards issue that will not cause deterioration of either world trading system or injury to LDCs. (This will be hard for UK and France; important for US and FRG.)

3. Need to involve LDCs in negotiations and to reach agreement that takes account of their concerns.

4. We should pledge to reject protectionism, particularly newer forms of protectionism, e.g., subsidies, which should be used in ways that facilitate rather than obstruct needed domestic adjustment.

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Second Day

VI. North-South

1. Trade and aid are key means of helping LDCs.

2. Get Japanese pledge to double aid in three years in yen, instead of in dollars. Makes a difference of almost $1 billion annually.

3. Pledge to replenish World Bank's soft-loan window (IDA) on terms that will permit its real rate of lending to rise annually.

4. Repeat London pledge on World Bank replenishment.

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5. Stress need to involve LDCs in post-Summit trade negotiations and to conclude an MTN agreement that takes account of their concerns.

6. Refer to need (discussed earlier) for more help to LDCs for energy exploration and production, and request that IBRD report on how to do this most effectively.

7. Seek constructive outcome to Common Fund negotiations.

8. Explain proposal for US Foundation for International Technological Cooperation.

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Second Day

Conclusion

1. Declaration: Conclusions, which take up about a page at end of present Declaration, should be moved to the front and made more specific. Remaining four pages of Declaration should be annex to Conclusions. Specific national pledges should be inserted in blank spaces in communique.

2. Follow-Up: Pledges are no use unless followed up. Important to assure foreign exchange markets that this will be done. We should ask Preparatory Group to report urgently to us on how to improve its monitoring and follow-up.

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I will ask my Summit representative to visit main Summit countries to report on US progress on our two key areas: inflation and energy. I take these pledges seriously and mean to fulfill them.

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CLOSING STATEMENT/ECONOMIC SUMMIT
JULY 17, 1978

THIS HAS BEEN AN IMPORTANT AND REMARKABLY PRODUCTIVE JOURNEY. THE FIRST TWO DAYS WERE DEVOTED TO MY FIRST STATE VISIT TO THE FEDERAL REPUBLIC. I HAVE ENJOYED THE OPPORTUNITY TO RENEW MY FRIENDSHIP WITH CHANCELLOR HELMUT SCHMIDT.

THIS VISIT HAS MADE CLEAR TO ME AGAIN HOW VITAL IS OUR PARTNERSHIP WITH THE FEDERAL REPUBLIC. I HAVE ALSO REALIZED AGAIN HOW CLOSELY RELATED OUR OBJECTIVES ARE ON ISSUES THAT AFFECT EUROPE AND ON MATTERS OF GLOBAL CONCERN.

(--OVER--)(I WELCOMED THE CHANCE TO SEE.....)

I WELCOMED THE CHANCE TO SEE OUR OWN FORCES IN GERMANY, AND TO WITNESS THE IMPORTANCE OF THE DEFENSE COMMITMENT WE SHARE WITH OUR EUROPEAN ALLIES, PARTICULARLY GERMANY.

ROSALYNN AND I ARE GRATEFUL FOR THE SPLENDID HOSPITALITY OFFERED BY OUR GERMAN HOSTS, AND FOR THE WARM RESPONSE OF THE GERMAN PEOPLE. I REALIZE THE FRIENDSHIP SHOWN TO US WAS A TOKEN OF YOUR FRIENDSHIP FOR THE AMERICAN PEOPLE, AND WE WILL TAKE THAT MESAGE BACK HOME TO THEM.

OUR VISIT TO "BEAR-LEAN" (Berlin) BROUGHT US IN CONTACT WITH THE LEADERS AND PEOPLE OF THAT VIBRANT AND COURAGEOUS CITY, AND GAVE US AN OPPORTUNITY TO SEE AGAIN THE DRAMATIC EVIDENCE OF THE DESIRE OF HUMAN BEINGS TO BE FREE.

(--NEW CARD--)(THE "BEAR-LEAN WALL")

THE "BEAR-LEAN" WALL, DESIGNED TO THWART THAT DESIRE, STANDS AS A LIVING REMINDER OF OUR NEED TO REMAIN EVER ON GUARD AGAINST THE FORCES THAT WOULD CONFINE THE HUMAN SPIRIT.

THE FORTITUDE OF THE "BEAR-LEAN-ER" HAS BEEN AN EXAMPLE OF THE TRIUMPH OF THAT SPIRIT, THRIVING AT THE FRONTIER OF FREEDOM, EVEN WHILE THE UGLY WALL CASTS ITS SHADOW OVER THEIR DAILY LIVES.

I CAME AWAY MORE DETERMINED THAN EVER THAT OUR COMMITMENT TO "BEAR-LEAN" WILL REMAIN UNDIMINISHED,....THAT THE STRENGTH OF OUR ALLIANCE WITH THE FREE PEOPLES OF EUROPE SHOULD BE CONSTANTLY RENEWED.

THE FINAL TWO DAYS OF OUR TRIP HAVE BEEN DEVOTED TO DISCUSSIONS AMONG THE LEADERS OF THE INDUSTRIALIZED NATIONS.

(--OVER--)(WE HAD A CHANCE TO REVIEW.....)

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WE HAD A CHANCE TO REVIEW THE CHALLENGES THAT FACE ALL OF US AND TO MOVE OUR THINKING CLOSER ON QUESTIONS THAT AFFECT OUR WELL-BEING TODAY AND OUR CONTINUING PROSPERITY IN THE FUTURE.

WE HAVE AGREED ON DIRECTIONS AND ON COURSES OF ACTION THAT SHOULD HELP TO STABILIZE AND STRENGTHEN THE WORLD ECONOMY.

EACH PARTICIPATING NATION WILL TAKE IMPORTANT STEPS IN AVOIDING ECONOMIC CONDITIONS THAT IN THE LONG RUN COULD DAMAGE THE ECONOMIES NOT ONLY OF THE INDUSTRIALIZED NATIONS, BUT OF ALL THE NATIONS OF THE WORLD.

IT IS NOT EASY TO SACRIFICE IN ORDER TO AVOID AN UNSEEN, THOUGH VERY REAL THREAT. IF WE SUCCEED, THERE ARE THOSE WHO WILL CONTEND THE DANGER WAS NOT SO GREAT.

(--NEW CARD--)(BUT IF WE FAIL TO TRY,.....)

BUT IF WE FAIL TO TRY, GENERATIONS TO COME WILL FIND IT UNFORGIVEABLE THAT WE STOOD HERE TODAY AND -- FULLY MINDFUL OF THE DANGERS -- DID NOTHING TO WARD OFF THE DISASTER WE FORESAW.

WE MET HERE AS THE SECOND GENERATION IN THE DEMOCRATIC ALLIANCE THAT UNITES EUROPE, THE UNITED STATES AND JAPAN. OUR TIES WERE FORGED, NOT IN THE DEVASTATION OF WAR, BUT IN A GENERATION OF UNEASY PEACE THAT RESTS ON CONSTANT VIGILANCE.

WE HAVEWALKED THESE OFTEN DANGEROUS PATHS TOGEHTER FOR THREE DECADES. WE HAVEGROWN TO TRUST EACH OTHER AND TO RELY ON EACH OTHER AS ONLY COMRADES CAN WHO HAVE ENDURED MUCH TOGETHER.

WE CAME TOGETHER HERE IN A TIME OF ECONOMIC CHALLENGE, BUT ALSO IN A TIME OF GREAT UNDERLYING ECONOMIC STRENGTH AMONG THE INDUSTRIAL DEMOCRACIES.

WE REMAIN CONSCIOUS OF THE DANGERS THAT ECONOMIC INSTABILITY CREATED FOR PAST GENERATIONS, BUT WE ARE CONFIDENT OF OUR LONG-RANGE CAPACITY TO MAKE THE SACRIFICES NECESSARY TO AVOID SUCH DISLOCATIONS IN THE FUTURE.

I LEAVE WITH A NEW RESOLVE, A NEW SENSE OF SHARED PURPOSE, AND A FEELING OF GREAT FRIENDSHIP.

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