study in the various capitals.[28]

The German Chancellor was pleased with the overall direction taken at the Puerto Rico Summit. He was satisfied that his priority of a containment of inflation during the economic recovery had now also been accepted in France and the United States, although both Britain and Italy were still somewhat hesitant on this question. He also expected a positive impact on future raw material agreements, even though there was no specific agreement at the summit, as this issue had now been given some priority in the capitals. In his post summit press conference, Schmidt stressed that the recession was now past and that Germany expected a 6% growth of GNP in 1976. His short term priority remained the achievement of full employment and the effective containment of prices. He accepted that the summit had not reached that many substantive agreements, but he highlighted the importance of the message it gave, especially on the question of inflation.[29]

C. London, May 7-8, 1977

A few weeks after his inauguration the new American President Jimmy Carter sent his Vice President Walter Mondale on a visit to key allied capitals in order to convince especially the leader of

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[28] Die Zeit (R. Herlt), July 2, 1976.

[29] Frankfurter Allgemeine Zeitung, July 1, 1976.

both the Federal Republic of Germany and Japan, Chancellor Schmidt and Prime Minister Fukuda respectively, of their responsibility to accelerate their growth and reduce their large balance of payment surpluses.[30] As Robert Putnam and Nicholas Bayne point out in their study of the economic summits, "in most of their stops the US proposals were received favorably but after their talks in Bonn, Schmidt turned down the American advice as "ill considered economic lessons from inexperienced academics."[31]

The German government argued that the US goal for a locomotive effect, in which both Germany and Japan would pull the other economies to move rapid growth, not only underestimated the dangers of inflation but also overestimated the expected international multiplier effect.[32] The Schmidt government referred to a study made by Citibank Cooperation which had concluded that a rise of 1% in German GNP growth would only reduce unemployment in Great Britain by 50,000 - 100,000, whilst probably unleashing renewed inflation in Germany.[33] The message of the German government was clear: the deficit countries would first of all have to reorganize their own economies before calling on Germany to do more. Chancellor Schmidt travelled to

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[30] Robert Putnam and Nicholas Bayne, Hanging Together: The Seven Power Summits (Cambridge Mass.: Harvard University Press, 1987), p. 65.

[31] Ibid.

[32] Ibid. p. 65.

[33] Frankfurter Allgemeine Zeitung, May 5, 1977.

the London conference totally firm in his conviction that he would be able to stand up to the US, British and French demands for a further boost to the German economy.

The other major issue that would be the focus of attention at the summit was the question of nuclear technology transfer. President Carter had expressed his firm commitment to reduce nuclear proliferation by convincing countries not to transfer nuclear reprocessing technology to third countries. Carter's immediate goal was to prevent the German contract to supply nuclear reprocessing technology to Brazil. Both he and Prime Minister Trudeau even went so far as to threaten to withhold uranium supplies from those European countries continuing to sell their technology.[34] Chancellor Schmidt stressed that he opposed any discrimination against non-nuclear countries seeking nuclear technology and was adamant in his view that Germany would not only honour its argument with Brazil, but would also continue to export such technology to other countries.[35] It therefore seemed likely that a confrontation between Carter and Schmidt would be imminent in London.

In fact, it was this expected confrontation between Carter and Schmidt in their first ever meeting held just prior to the opening of the summit that occupied most of the attention in the German media. This meeting was stylized as a key dual between

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[34] Frankfurter Allgemeine Zeitung, May 5, 1977.

[35] Ibid.

the two statesmen and there was widespread speculation about whose views would prevail.[36] During and after the meeting the advisers to Chancellor Schmidt tried to downplay the disagreements between the two men and Schmidt himself described his relationship with Carter as "very good."[37] Yet, below all the stated pledges of harmony the fundamental differences remained. Carter had not been able to convince the Chancellor to alter his nuclear export policy. Nor was Schmidt very successful in impressing on the President the German concerns about Carter's human rights policy and its potential impact on East-West relations.[38] Nevertheless, a high ranking representative of the German government summed up the meeting in the following words: "we were not interested in playing the role of examiner of the new US President as had been played by Nikita Khrushchev in his 1961 meeting with John F. Kennedy."[39] Even though Schmidt had not intended to test Carter, crucial differences remained.

At the London Summit itself, at which there were four new leaders (President Carter, Prime Minister Fukuda of Japan, Prime Minister Andreotti of Italy and Roy Jenkins, President of the Commission of the newly-admitted European Community), the German position was able to prevail in important questions and became the basis of some of the major agreements. The German weekly, Die Zeit,

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[36] Die Zeit, May 13, 1977.

[37] Ibid.

[38] Ibid.

[39] Ibid.

went so far as to suggest that the "final communique read as though Helmut Schmidt had written parts of it himself."[40] Whereas in the previous year at Puerto Rico, Schmidt had largely remained alone in his strong "warnings of inflation" [41] this was now taken more seriously by all as the final communique now clearly stated "that inflation not only did not reduce unemployment but was its main cause."[42] This directly mirrored the long held position of the Chancellor as he proudly pointed out.

It was also clear that the demands made by the United States, France and Britain for increased prime pumping in the German economy, even at the risk of higher inflation, were not successful. Chancellor Schmidt merely committed himself to a general pledge of Japan, the United States and Germany to work towards realizable growth rates in their economies, which were based on the latest growth estimates: Germany planned 5% GNP growth for 1977, Japan planned 6.7% and the US expected growth of 5.8%. This was not a concession on the part of Schmidt to the concept of the 'locomotive' theory', but merely a reaffirmation that the government would economically try to stay on course "even though he did accept that additional measures might have to be taken in 12-18 months if this target was not reached".[43]

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[40] Ibid.

[41] Die Zeit (R. Herlt), May 13, 1977.

[42] Final Communique of London Summit, Article 3.

[43] Frankfurter Allgemeine Zeitung, May 9, 1977.

Once again there was a strong impetus to the Tokyo round of MTN calling for a successful reduction of tariff and non tariff barriers. Germany, Japan, the US and Canada had succeeded in their goal of pressing for a strong condemnation of protectionism and a recommitment to the Tokyo Round over the reservations of France, Italy and Britain.[44] On the North-South question, Schmidt was the key obstacle preventing any new commitments towards underdeveloped countries. He insisted that one should first see a successful completion of the CIEC before considering any new efforts, although this was offset somewhat with the agreement to set up a new special fund totalling one billion dollars to set aside the most pressing third world debts.[45]

On the question of nuclear energy transfer, Schmidt repeated his determination at the summit to fulfil Germany's commitment to Brazil. Nevertheless, he did agree to accept the US call for the formation of a study group on nuclear problems. Yet, in order to undermine the decisiveness of this study group, the Chancellor insisted that the interests of those industrialized countries not present in London should not be ignored and those countries on the threshold of obtaining nuclear power should also have input into this process. Schmidt's intentions were obvious. By insisting that not only the small group of seven but at least the fifteen country Supplies Club should decide on the extent and

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[44] Frankfurter Allgemeine Zeitung, May 10, 1977.

[45] Die Zeit, May 13, 1977.