

1980 which called for a reduction of the ratio between the rate of increase in energy consumption and the rate of economic growth as well as a reduction of the shares of oil in total energy demand.⁹³

Chancellor Schmidt's overall assessment of the summit was very positive. He highlighted the summit agreement that all countries would continue fighting inflationary pressures, the willingness of all leaders to enter into an energy dialogue with oil producing countries and to link energy prices more closely to world levels. Nevertheless, he saw the most positive result of the summit in the signal it gave for cooperation between Europe and the United States.⁹⁴ The open conflicts and disagreements that had plagued this relationship seemed to have largely disappeared and much stress was placed on the "good relations between Germany and the United States and between Carter and Schmidt coming out of the summit."⁹⁵

Although it is true that the Venice Summit did not contain many new policies or commitments, its main value was in allowing the leaders to meet directly, discuss their differences and once again reestablish a consensus on important issues.

⁹³ Ibid., p. 127.

⁹⁴ Frankfurter Allgemeine Zeitung, June 24, 1980.

⁹⁵ Ibid.

This dilemma confronted the German government. It did not call for a loosening of US monetary supply as it had traditionally strongly pushed for tight monetary policies. Chancellor Schmidt was pleased that the new administration in Washington had now given priority to the containment of inflation. Yet, at the same time, Germany was forced to tighten its own monetary supply. This resulted in extremely high interest rates in Germany.⁹⁹

The German delegation attending the summit (Chancellor Schmidt, Foreign Minister Hans-Dietrich Genscher, Finance Minister Matthöfer and Economics Minister Graf Lambsdorff) wanted to use the Ottawa Summit as an opportunity not only to encourage the United States to continue with its emphasis on containing inflation, but also to call for a diversification of the instruments to fight the inflationary pressures. Chancellor Schmidt and his European colleagues, Margaret Thatcher and Italian Prime Minister Spadolini, wanted to call on the Reagan administration to develop a policy mix of both constricting the money supply and using fiscal measures such as lowering the budget deficit.¹⁰⁰

The Ottawa Summit was held at the Montebello Resort and was a determined effort by the Canadian Prime Minister Trudeau to return to a more secluded Rambouillet-like setting in which the leaders could meet informally isolated from the scrutiny of the

⁹⁹ Die Zeit (R. Herlt), July 3, 1981.

¹⁰⁰ Ibid.

media. Since five of the eight leaders attending were at their first ever economic summit, a great amount of time was spend in 'getting to know you' sessions. It is interesting to note that the only leader at Ottawa who remained from the Rambouillet experience was Chancellor Schmidt. He was the most experienced in the summit process and often the other leaders looked to him to lead discussions.¹⁰¹

At the dinner discussion on political issues, President Reagan elaborated on his idea of economic trade sanctions as an effective leverage to seek specific concessions from the USSR. He wanted the West to avoid any technology transfer to the East Bloc and generally seemed to promote the idea of economic warfare with the Soviet Union. Chancellor Schmidt, as he had done at previous summits, once again gave a very detailed overview of the general state of East-West relations since Venice.¹⁰² He strongly warned against a delay in disarmament negotiations with the USSR since, as he pointed out, this would allow the Russian leadership to present itself as desiring peace and ultimately hurt the West in the eyes of its citizens.¹⁰³ Schmidt also turned down the American call for a decrease in trade with Moscow and both he and President Mitterand clearly stated their view that such an embargo would not only prove ineffective but also counterproductive in the long run. Addressing the specific

¹⁰¹ Die Zeit (R. Herlt), July 24, 1981.

¹⁰² Frankfurter Allgemeine Zeitung, July 20, 1981.

¹⁰³ Die Zeit (R. Herlt), July 24, 1981.

American concern of the Soviet gas pipeline contract, he pointed out that Germany would never become totally dependent on Soviet gas supplies and would thus not become the object of possible Soviet pressure Tactics.¹⁰⁴

The basic tone of the Chancellor's speech left no doubt that, although he was as reserved in his criticism as possible, he felt that the policy changes in the United States under the Reagan administration in East-West relations would create difficulties for the European partners (especially as they were experiencing increasing domestic pressure to try to defuse the tension with the East Bloc.¹⁰⁵

In the economic discussions at the summit, Schmidt was in a somewhat difficult position since, on the one hand, he strongly supported Reagan's effort to put the main emphasis of his policy on the containment of inflation, yet on the other he realized that the high American interest rates were putting a strong upward pressure on European rates. The approach he thus took was to carefully avoid any direct accusation against the efforts of the United States. However, he repeatedly pointed out that the need for cooperation between the large industrial countries also required a consideration of the impact of ones policies on the other countries.¹⁰⁶ As a practical contribution he was supported

¹⁰⁴ Frankfurter Allgemeine Zeitung, July 21, 1981.

¹⁰⁵ Ibid., July 22, 1981.

¹⁰⁶ Ibid., July 21, 1981.

by Thatcher, Spadolini and President Mitterand in calling on Reagan to consider shifting the policy mix. He pointed out that rather than fighting inflation exclusively with a tight monetary policy, he should perhaps do so with an even mix of monetary and fiscal policy.¹⁰⁷ President Reagan and Treasury Secretary Don Regan in reply to this said that the US government had already made substantial budget cuts which had already been approved in Congress and that a dramatic cutback in the budget was clearly a very effective anti-inflation fiscal policy and that the Reagan administration would therefore not require any more policy mix."¹⁰⁸

Throughout the discussion the German Chancellor was extremely careful to repeatedly stress that he had merely wanted to make President Reagan aware of the impact his policy was having on the US allies and did not want to initiate a fight against the high interest rates. There was real concern that the Americans might get the impression that the Europeans were ganging up on the President and this prompted the German press secretary to point out that in the macroeconomic discussions Schmidt had only been speaking on behalf of Germany and not as part of a group of nations opposed to US policies.¹⁰⁹

In discussions on North/South relations both Schmidt and Mitterand promoted the Lome treaty that had been signed between

¹⁰⁷ Die Zeit (R. Herlt), July 24, 1981.

¹⁰⁸ Ibid.

¹⁰⁹ Frankfurter Allgemeine Zeitung, July 21, 1981.

the European Community and fifty third world states as an excellent model for future development assistance by the largest industrialized countries. Although the Chancellor repeatedly stressed that economic policy and development assistance to the third world would only really be successful if the non-alignment of those countries was maintained and respected through a de-ideologicalization of development assistance, he realized that it would be virtually impossible to change Reagan's determination to use it as a distinct ideological tool. All the leaders nevertheless approved for an affiliate of the World Bank to aid in financing the energy supplies of non oil developing countries.¹¹⁰

In his final press conference Chancellor Schmidt expressed his satisfaction with the outcome of the summit. He did not believe that the relations with the United States had been hurt because of the disagreements he had with Reagan on East-West trade. He also once again highlighted that he saw the real value of the summits in the opportunity it gave the leaders to meet in a relatively informal environment, bring forward their own views and ideas and reach agreement on some issues.¹¹¹ Practically, the Ottawa Summit had a largely non-decisional character which allowed every participant to return home to announce that no changes to established policies were in fact required.¹¹²

¹¹⁰ Frankfurter Allgemeine Zeitung, July 22, 1981.

¹¹¹ Ibid., July 23, 1981.

¹¹² Putnam and Bayne, Hanging Together, p. 133.