

BONN SUMMIT

16-17 July 1978

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SUMMIT DECLARATION

17 July 1978

Introduction

The Heads of State and Government of Canada, the Federal Republic of Germany, France, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America met in Bonn on 16th and 17th July 1978. The European Community was represented by the President of the European Council and by the President of the European Commission for discussion of matters within the Community's competence.

1. We agreed on a comprehensive strategy covering growth, employment and inflation, international monetary policy, energy, trade and other issues of particular interest to developing countries. We must create more jobs and fight inflation, strengthen international trading, reduce payments imbalances, and achieve greater stability in exchange markets. We are dealing with longterm problems, which will only yield to sustained efforts. This strategy is a coherent whole, whose parts are interdependent. To this strategy, each of our countries can contribute; from it, each can benefit.

Growth, Employment and Inflation

2. We are concerned, above all, about worldwide unemployment, because it has been at too high a level for many years, because it hits hardest at the most vulnerable sections of the population, because its economic cost is high and its human cost higher still. We will act, through measures to assure growth and develop needed skills, to increase employment. In doing this, we will build on the progress that has already been made in the fight against inflation and will seek new successes in that fight. But we need an improvement in growth where that can be achieved without rekindling inflation in order to reduce extremes of balance of payments surpluses and deficits. This will reduce destabilizing exchange rate movements. Improved growth will help to reduce protectionist pressures. We need it also to encourage the flow of private investment, on which economic progress depends. We will seek to reduce impediments to private investment, both domestically and internationally. Better growth is needed to ensure that the free world is able to develop to meet the expectations of its citizens and the aspirations of the developing countries.

3. A program of different actions by countries that face different conditions is needed to assure steady non-inflationary growth. In countries whose balance of payments situation and inflation rate do not impose special restrictions, this requires a faster rise in domestic demand. In countries where rising prices and costs are creating strong pressures, this means taking new measures against inflation.

-- Canada reaffirmed its intention, within the limits permitted by the need to contain and reduce inflation, to achieve higher growth of employment and an increase in output of up to five percent.

-- As a contribution to avert the worldwide disturbances of economic equilibrium, the German delegation has indicated that by the end of August it will propose to the legislative bodies additional and quantitatively substantial measures up to one percent of GNP [Gross National Product], designed to achieve a significant strengthening of demand and a higher rate of growth. The order of magnitude will take account of the absorptive capacity of the capital market and the need to avoid inflationary pressures.

-- The President of the French Republic has indicated that, while pursuing its policy of reduction of the rate of inflation, the French Government agrees, as a contribution to the common effort, to increase by an amount of about 0.5 percent of GNP the deficit of the budget of the State for the year 1978.

-- The Italian Prime Minister has indicated that the Government undertakes to raise the rate of economic growth in 1979 by 1.5 percentage points with respect to 1978. It plans to achieve this goal by cutting

public current expenditure while stimulating investment with the aim of increasing employment in a non-inflationary context.

-- The Prime Minister of Japan has referred to the fact that his Government is striving for the attainment of the real growth target for fiscal year 1978, which is about 1.5 percentage points higher than the performance of the previous year, mainly through the expansion of domestic demand. He has further expressed his determination to achieve the said target by taking appropriate measures as necessary. In August or September he will determine whether additional measures are needed.

-- The United Kingdom, having achieved a major reduction in the rate of inflation and improvement in the balance of payments, has recently given a fiscal stimulus equivalent to rather over one percent of GNP. The Government intends to continue the fight against inflation so as to improve still further the prospects for growth and employment.

-- The President of the United States stated that reducing inflation is essential to maintaining a healthy U.S. economy and has therefore become the top priority of U.S. economic policy. He identified the major actions that have been taken and are being taken to counter inflation in the United States: tax cuts originally proposed for fiscal year 1979 have now been reduced by \$10 billion; government expenditure projections for 1978 and 1979 have been reduced; a very tight budget is being prepared for 1980; steps are being taken to reduce the direct contribution by government regulations or restrictions to rising costs and prices, and a voluntary program has been undertaken to achieve deceleration of wages and prices.

-- The meeting took note with satisfaction that the common approach of the European Community already agreed at Bremen would reinforce the effectiveness of this program.

Energy

4. In spite of some improvement, the present energy situation remains unsatisfactory. Much more needs to be done.

5. We are committed to reduce our dependence on imported oil.

6. We note that the European Community has already agreed at Bremen the following objectives for 1985: to reduce the Community's dependence on imported energy to fifty percent, to limit net oil imports, and to reduce to 0.8 the ratio between the rate of increase in energy consumption and the rate of increase in gross domestic product.

7. Recognizing its particular responsibility in the energy field, the United States will reduce its dependence on imported oil. The U.S. will have in place by the end of the year a comprehensive policy framework within which this effort can be urgently carried forward. By year-end, measures will be in effect that will result in oil import savings of approximately 2.5 million barrels per day by 1985. In order to achieve these goals, the U.S. will establish a strategic oil reserve of 1 billion barrels; it will increase coal production by two thirds; it will maintain the ratio between growth in gross national product and growth in energy demand at or below 0.8; and its oil consumption will grow more slowly than energy consumption. The volume of oil imported in 1978 and 1979 should be less than that imported in 1977. In order to discourage excessive consumption of oil and to encourage the movement toward coal, the U.S. remains determined that the prices paid for oil in the U.S. shall be raised to the world level by the end of 1980.

8. We hope that the oil exporting countries will continue to contribute to a stable world energy situation.

9. Looking to the longer term, our countries will review their national energy programs with a view to speeding them up. General energy targets can serve as useful measures of the progress achieved.

10. Private and public investment to produce energy and to use it more efficiently within the industrial world should be increased. This can contribute significantly to economic growth.

11. The further development of nuclear energy is indispensable, and the slippage in the execution of nuclear power programs must be reversed. To promote the peaceful use of nuclear energy and reduce the risk of nuclear proliferation, the nuclear fuel cycle studies initiated at the London Summit should be pursued. The President of the United States and the Prime Minister of Canada have expressed their firm intention to continue as reliable suppliers of nuclear fuel within the framework of effective safeguards. The President intends to use the full powers of his office to prevent any interruption of enriched uranium supply and to ensure that existing agreements will be respected. The Prime Minister intends that there shall be no interruption of Canadian uranium supply on the basis of effective safeguards.

12. Coal should play an increasingly important role in the long term.

13. Joint or coordinated energy research and development should be carried out to hasten the development of new, including renewable, energy sources and the more efficient use of existing sources.

14. In energy development, the environment and human safety of the population must be safeguarded with greatest care.

15. To help developing countries, we will intensify our national development assistance programs in the energy field and we will develop a coordinated effort to bring into use renewable energy technologies and to elaborate the details within one year. We suggest that the OECD will provide the medium for cooperation with other countries.

16. We stress the need for improvement and coordination of assistance for developing countries in the energy field. We suggest that the World Bank explore ways in which its activities in this field can be made increasingly responsive to the needs of the developing countries, and to examine whether new approaches, particularly to financing hydrocarbon exploration, would be useful.

Trade

17. We reaffirm our determination to expand international trade, one of the driving forces for more sustained and balanced economic growth. Through our joint efforts we will maintain and strengthen the open international trading system. We appreciate and support the progress as set forth in the Framework of Understanding on the Tokyo Round of Multilateral Trade Negotiations made public in Geneva on July 13, 1978, even though within this Framework of Understanding some difficult and important issues remain unresolved.

The successful conclusion of these negotiations, the biggest yet held, would mean not just a major trade liberalization program extending over the 1980s, but the most important progress yet made in the GATT in relation to non-tariff measures. Thus the GATT rules would be brought more closely into line with the requirements of the next decade particularly in relation to safeguards in ways which would avoid any weakening of the world trading system and be of benefit to all trading countries, developed and developing alike. A substantially higher degree of equity and discipline in the international trading system would be achieved by the creation of new mechanisms in many fields for consultation and dispute settlement. Uniform application of the GATT rules is vital and we shall move in that direction as soon as possible.

In all areas of the negotiations, the Summit countries look forward to working even more closely with the developing countries. We seek to ensure for all participants a sound and balanced result, which adequately takes into account the needs of developing countries, for example, through special and differential treatment, and which brings about their greater participation in the benefits and obligations of the world trading system.

At last year's Downing Street Summit we rejected a protectionist course for world trade. We agreed to give a new impetus to the Tokyo Round. Our negotiators have fulfilled that commitment. Today we charge them, in cooperation with the other participants, to resolve the outstanding issues and to conclude successfully the detailed negotiations by December 15, 1978.

18. We note with satisfaction the renewal of the pledge to maintain an open market oriented economic system made by the OECD Council of Ministers last month. Today's world economic problems cannot be solved by relapsing into open or concealed protectionism.

19. We welcome the statement on positive adjustment policy made by the OECD Ministers. There must be a readiness over time to accept and facilitate structural change. Measures to prevent such change perpetuate economic inefficiency, place the burden of structural change on trading partners and inhibit the integration of developing countries into the world economy. We are determined in our industrial, social, structural and regional policy initiatives to help sectors in difficulties, without interfering with international competition and trade flows.

20. We note the need for countries with large current accounts deficits to increase exports and for countries with large current accounts surpluses to facilitate increases in imports. In this context, the United States is firmly committed to improve its export performance and is examining measures to this end. The Prime Minister of Japan has stated that he wishes to work for the increase of imports through the expansion of domestic demand and various efforts to facilitate imports. Furthermore, he has stated

that in order to cope with the immediate situation of unusual surplus, the Government of Japan is taking a temporary and extraordinary step of calling for moderation in exports with the aim of keeping the total volume of Japan's exports for the fiscal year of 1978 at or below the level of fiscal year 1977.

21. We underline our willingness to increase our cooperation in the field of foreign private investment flows among industrialized countries and between them and developing countries. We will intensify work for further agreements in the OECD and elsewhere.

22. In the context of expanding world economic activity, we recognize the requirement for better access to our countries' markets for the products of the developing countries. At the same time we look to increasing readiness on the part of the more advanced developing countries to open their markets to imports.

Relations with Developing Countries

23. Success in our efforts to strengthen our countries' economies will benefit the developing countries, and their economic progress will benefit us. This calls for joint action on the basis of shared responsibility.

24. In the years ahead the developing countries, particularly those most in need, can count on us for an increased flow of financial assistance and other resources for their development. The Prime Minister of Japan has stated that he will strive to double Japan's official development assistance in three years. We deeply regret the failure of the COMECON countries to take their due share in the financial assistance to developing countries and invite them once more to do so.

25. The poorer developing countries require increased concessional aid. We support the soft loan funds of the World Bank and the three regional development banks. We pledge our governments to support replenishment of the International Development Association on a scale that would permit its lending to rise annually in real terms.

26. As regards the more advanced developing countries, we renew our pledge to support replenishment of the multilateral development banks' resources, on the scale needed to meet the growing needs for loans on commercial terms. We will encourage governmental and private co-financing of development projects with these banks.

The cooperation of the developing countries in creating a good investment climate and adequate protection for foreign investment is required if foreign private investment is to play its effective role in generating economic growth and in stimulating the transfer of technology.

We also refer to our efforts with respect to developing countries in the field of energy as outlined in paragraphs 15 and 16.

27. We agreed to pursue actively the negotiations on a Common Fund to a successful conclusion and to continue our efforts to conclude individual commodity agreements and to complete studies of various ways of stabilizing export earnings.

International Monetary Policy

28. The erratic fluctuations of the exchange markets in recent months have had a damaging effect on confidence, investment and growth throughout the world. Essentially, exchange rate stability can only be achieved by attacking the fundamental problems which have contributed to the present large balance of payments deficits and surpluses. Implementation of the policies described above in the framework of a concerted program will help to bring about a better pattern of world payments balances and lead to greater stability in international exchange markets. This stability will in turn improve confidence and the environment for sustained economic growth.

29. Although exchange rates need to respond to changes in underlying economic and financial conditions among nations, our monetary authorities will continue to intervene to the extent necessary to counter disorderly conditions in the exchange markets. They will maintain extensive consultation to enhance these efforts' effectiveness. We will support surveillance by the International Monetary Fund to promote effective functioning of the international monetary system.

30. The representatives of the European Community informed the meeting of the decision of the European Council at Bremen on 67 July to consider a scheme for a closer monetary cooperation. The meeting welcomed the report and noted that the Community would keep the other participants informed.

Conclusion

31. It has been our combined purpose to attack the fundamental economic problems that our countries confront.

The measures on which we have agreed are mutually reinforcing. Their total effect should thus be more than the sum of their parts. We will now seek parliamentary and public support for these measures.

We cannot hope to achieve our purposes alone. We shall work closely together with other countries and within the appropriate international institutions; those among us whose countries are members of the European Community intend to make their efforts within this framework.

We have instructed our representatives to convene by the end of 1978 in order to review this Declaration. We also intend to have a similar meeting among ourselves at an appropriate time next year.

Political Declaration

STATEMENT ON AIR-HIJACKING

17 July 1978

The Heads of State and Government, concerned about terrorism and the taking of hostages, declare that their governments will intensify their joint efforts to combat international terrorism. To this end, in cases where a country refuses extradition or prosecution of those who have hijacked an aircraft and/or do not return such aircraft, the Heads of State and Government are jointly resolved that their governments shall take immediate action to cease all flights to that country. At the same time, their governments will initiate action to halt all incoming flights from that country or from any country by the airlines of the country concerned.

They urge other governments to join them in this commitment.