The Path to Direct Elections

Helmut Schmidt and his cabinet regarded the Tindemans Report as “realistic and constructive.” However, they rejected the proposal to move forward with a monetary union among the economically-stronger states, likewise the proposal for accelerating this move by making short- and medium-term currency assistance automatic and transferring a large portion of foreign currency holdings to the monetary fund. On the other hand, they approved the proposed institutional reforms without exception, even where these went beyond the 3 November program of the West German government—for example, in having the Commission president confirmed by the European Parliament. After a cabinet meeting on 3 March, Schmidt wrote to Council President Gaston Thorn, who was serving in the first half of 1976, that it was very important for the Federal Republic to have the foundations of the European Union laid that year.1

In a telephone conversation with Schmidt, however, Valéry Giscard d’Estaing withdrew two concessions that he had made in the autumn of 1974: He now rejected the idea of a right of initiative for the European Parliament and also viewed the transition to majority decision-making in the Council as no longer opportune. Additionally, confirmation of the Commission president by Parliament was completely out of the question for him. Instead, he wanted the jam in decision-making to be resolved through the creation of a “Directorate” of the large member states. It was clear that the harsh criticism coming from traditional Gaullists around Michel Debré to the policy decision for the direct election of Parliament had persuaded the French president to return to de Gaulle’s positions regarding the authority of Parliament and the issue of majority decision-making.

Schmidt succeeded in convincing Giscard to abandon the idea of a directorate. It could not have won approval anyway given the justified aversion of the smaller member states to such a plan. Shared positions on institutional issues were no longer sufficient to allow a common initiative on sweeping implementation of the Tindemans Program, however. At the next meeting of the European Council, on 1 and 2 April 1976 in Luxembourg, Schmidt and Giscard concentrated

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on having a decision made at least on the issue of organizing direct elections. After a brief though not unfriendly discussion, the Tindemans Report was referred to the foreign ministers for further consultation. The only thing decided was that the review of the report was to be concluded before the end of the year.²

Thorn and Tindemans were very displeased that discussion of the report did not advance in the Council of Foreign Ministers either. The document was handed off to the Committee of Permanent Representatives, where the well-known antagonisms collided. New British Prime Minister James Callaghan—replacing Harold Wilson, who had resigned for health reasons on 16 March—did seek to shake off the reputation of being an impediment; he was not prepared however to support substantial reforms that would threaten the unity of the Labour Party, which had been arduously maintained after the positive outcome of the referendum.³ The Council, meeting again on 29 and 30 November 1976 in The Hague, could thus take only an overall positive position, which required no commitments in the short term at least. The declaration stated that “The European Council indicated its very great interest in the analyses and proposals put forward by Mr. Tindemans. It shared the views expressed by the Belgian Prime Minister on the need to build European Union by strengthening the practical solidarity of the nine Member States and their peoples, both internally and in their relations with the outside world, and gradually to provide the Union with the instruments and institutions necessary for its operation.” The Commission was given the task of annually preparing a report on progress toward a European Union.⁴

For the committed proponents of strengthening European institutions, there was great disappointment over the outcome of this process, which in essence had begun seven years earlier with the resolutions of the summit in The Hague. That sentiment, along with the resulting catchword “Eurosclerosis” for describing the second half of the 1970s, should not hide the fact that the positive position on the Tindemans Report did constitute a significant step toward consolidating the European Community: Both the British and the Danish governments, which had demonstratively opposed the extension of economic integration to other policy areas up to that point, had now explicitly acknowledged the goal of a European Union. In general, moreover, the consensus had grown as to what was to be understood by this consciously vague formulation: a coalescence of political and economic integration, the development of a common foreign and defense policy, as well as the strengthening of the institutions necessary for it. Disagreements as to priorities and methods might well continue, even in polemical form; and prog-

³ Kreutzfeldt, Point of Return, pp. 528–531.
ress on the way to this Union might thereby become a protracted, often tortuous and wearisome process. Yet, there was no longer any doubt as to the direction of this progress. The danger that the Community would break apart—undeniable during the economic crisis of 1973–74—no longer existed.

At Rome in early December of 1975, the European Council determined that elections to the European Parliament would take place “at a uniform time between May and June 1978.” During discussion of the election law, however, opposition emerged from various directions to the proposal that Parliament had presented only a few weeks after the policy decision at the Paris summit of December 1974. France bridled at differing standards for considering the population totals of the large member states, which would result in a French contingent smaller than that of the British and, above all, of the West Germans. All the large member states found the disproportional consideration of the small states too high. Denmark continued to insist on the principle of indirect elections: This was to ensure that the elections to the European Parliament in the country would be linked to those to the Folketing and that the Danish Parliament would then send deputies from its own ranks to Strasbourg.

An agreement on the distribution of parliamentary mandates was reached only at the Council meeting in Brussels on 12 and 13 July 1976. There were to be 410 seats, just over three times the number sent to Parliament up to that point, and the four “big” ones—West Germany, France, Great Britain, and Italy—would each receive eighty-one. The “small ones” had to content themselves with fewer seats than had been envisioned in Parliament’s proposal: the Netherlands with twenty-five, Belgium with twenty-four (half for Flanders and half for Wallonia), Denmark with sixteen, Ireland with fifteen, and Luxembourg with six. They would still however be over-represented: This ensured that in the smaller member states too, various political groupings of any significance would have a chance. Yet, there was no agreement on a uniform electoral procedure, as was required by the Treaties of Rome; nor was a date set for abolishing the provisional system of using the various national election procedures. The Council had to concede to the Danes what was nothing but a concealed deviation from the principle of direct elections for at least a transition period. Only with this condition was it possible for the Council to pass the “Act Concerning the Election of the Representatives of the Assembly by Direct Universal Suffrage” on 20 September 1976.

Before the measure could be implemented, there were further hurdles to be overcome in France and Britain. The Gaullist opposition around Michel Debré attacked the act during its ratification as unconstitutional, a position that notably put them on the same page as the Communists: The argument went that the act amounted to a surrender of national sovereignty not envisioned in the constitution of the Fifth Republic. Giscard d’Estaing responded by presenting the bill to the Constitutional Council for review. In a ruling of 30 December 1976, this body confirmed the constitutionality of the measure but did so on grounds that impeded the envisioned extension of Parliament’s authority: Sovereignty could “only be national”; direct elections created “neither a sovereignty nor institutions whose nature” would be “incompatible with observance of national sovereignty.”

The government then added a stipulation to the ratification law that banned any expansion of the authority of Parliament not assumed to be compatible with the constitution.

In Britain, the ruling Labour Party ran into trouble over the electoral procedure with the Liberals, with whom they were now in coalition after having lost their outright majority. Whereas most Labour MPs wanted to utilize the British majority-vote system for elections to the European Parliament, the Liberals insisted on a proportional system. In February of 1977, Callaghan opted for a bill providing for a proportional electoral system but allowed his party as well as his cabinet, whose members were quite divided on the issue, freedom to vote as they wished. The following November, a majority of the House of Commons approved British participation in the elections but rejected the proportional system. Consequently, a new bill had to be worked out; but it could not be passed in time for the agreed-upon election date of May or June 1978. At a Council meeting on 7 and 8 April 1978 in Copenhagen, it was therefore decided that the elections would be postponed for a year; they were now set for the period of 7 to 10 June 1979.

The prospect of the first direct elections to the European Parliament led the great families of parties in Europe to increase their transnational cooperation. After a “Confederation of the Socialist Parties of the European Community” had been founded in April of 1974, there followed as early as March of 1976 a “Federation of Liberal and Democratic Parties in the European Community” and in April of that year the “European People’s Party,” an alliance of Christian Democratic parties. They all built upon connections that had already been established in the Parliamentary Assembly of the ECSC. Given the heterogeneity of the participating...
parties and the often very different national contexts in which they operated, the common identity of these alliances remained relatively weak, at least as measured against the coherence of parties on the national level. Thus, for example, the Confederation of the Socialist Parties was unable to agree on a common platform for the European elections and instead had to content itself with a vague “appeal” to the voters. For their part, Christian Democrats were able to adopt such a platform but then began disputing among themselves as to whether they should participate along with the British and other European conservatives in a “European Democrat Union” that had been founded in 1978.9

At the same time, the parties made use of the European election campaign for conducting skirmishes on the national level. To an extent, the campaign was exploited as a test vote and for other party-political purposes. For example, by means of a campaign against the alleged enslavement of France by foreign powers and supranational politics, Jacques Chirac positioned his Gaullist party vis-à-vis the successful combination of Christian Democrats, Liberals, and Independent Republicans (the party of Giscard). In Britain, the European elections stood wholly in the shadow of recent parliamentary elections, which five weeks earlier had given the Conservatives, now under Margaret Thatcher, a clear majority once again. In Italy, national parliamentary elections took place on 3 June 1979, that is, only a few days before the European vote.

The emergence of a European public was not fostered by this kind of approach to the European election campaign. On the contrary, it served to increase the alienation between European politics and the citizens of the Community, which had grown anyway due to the endless quarrels over expansion and deepening as well as the increasing complexity of regulations on the European level. Under these circumstances, it was the case that voter participation rates were diverging greatly, corresponding to the situation in the national debates on European policy: In Britain, only 31.6 percent of voters saw fit to participate in elections to the European Parliament, and in Denmark, 47.1 percent. With some 57.8 percent, the Netherlands was more or less representative of the whole; likewise France (60.7 percent), Ireland (63.6 percent), and the Federal Republic (65.7 percent). Turnout was significantly over eighty percent in countries with mandatory voting: Italy (85.5 percent), Luxembourg (88.9 percent), and Belgium (91.6 percent). Another factor in these latter two cases was that the seat of European institutions had in the meantime become a significant bond for heterogeneous people groups. Overall, turnout was some 62.4 percent. That was sufficient to legitimize

the directly-elected Parliament but did not however contribute significantly to
strengthening its position vis-à-vis the national governments.\footnote{10}

Valéry Giscard d’Estaing made use of the election results to profile his Euro-
pean policy more symbolically once again. After having already demonstratively
declined in 1975 to commemorate the anniversary of the German capitulation of
8 May 1945, he now promoted the election of Simone Veil as first president of the
directly-elected European Parliament. He had persuaded this liberal minister, a
Jew who as an adolescent had survived Auschwitz and Bergen-Belsen, to head
the list of candidates for the united “Union pour la Démocratie Française” (UDF).
After this list had achieved an impressive victory over the competing Gaullists
led by Chirac, Giscard sought to make the election of Veil palatable to Helmut
Schmidt in terms of affirming Franco-German reconciliation. Foreign Minister
Jean-François Poncet sought to work along the same lines with his counterparts,
and Giscard’s friend Michel Poniatowski did so among the newly-elected dep-
uties. These efforts were successful: Simone Veil was elected president in the
second round of voting on 17 July 1979, even though the liberals were by no means
the largest faction in the new Parliament.\footnote{11}

Not only did the election of Simon Veil contribute to strengthening Giscard’s
position vis-à-vis his declared rival Chirac and bolstering his image as a “Euro-
pean.” Veil was in fact a committed European and with her moral authority con-
tributed greatly to increasing the self-confidence of the European representatives
and promoting coherence among them. True, their role remained vague due to
their restricted authority, the lack of career prospects, and the large size of their
electoral districts, which limited their function as representatives. Yet, by means
of a host of inquiries and petitions, they were able to develop a function as peren-
nial admonishers, which went significantly beyond the possibilities available to
preceding Parliaments with their indirectly-elected members and their sporadic
meetings.\footnote{12}


\footnote{12} Cf. Emil J. Kirchner, The European Parliament. Performances and Prospects, Aldershot: Gower, 1984; Richard Corbett, The European Parliament’s Role in Closer EU Integration, Bas-
The greater self-confidence of the directly-elected Parliament also led to greater use of its budgetary instruments. In accordance with an agreement between the Council and the Commission of 22 April 1975, Parliament would from 1977 onward have the right to be heard before the Council passed new legal acts “that have weighty financial impacts and whose issuance is not required on the basis of earlier legal acts.” Thanks to a treaty amendment of 22 July 1975, Parliament could also reject the entire budget “for important reasons” by a two-thirds majority of votes cast; additionally, it was given authority to scrutinize the Commission’s budgetary policy. In exercising this authority, it was supported by the newly-established European Court of Auditors (ECA). With its very first budget meeting, the new Parliament made use of its right to reject the budget in its entirety, so the Community had to employ an emergency budget until the middle of 1980. Parliament was thereby able to win an increase in expenditures for structural policy and increase the pressure for an expansion of revenue.

From that point onward, Parliament regularly wrestled with the Council over the division of expenditure between the Common Agricultural Policy, which continued to garner the lion’s share of the budget, and the promotion of structural improvements through the Regional Fund, Social Fund, industry policy, and the promotion of research—all of which the large majority of MPs regarded as more pressing concerns. Initially, there was only modest progress on this agenda. Over the medium term, however, Parliament succeeded in compelling a debate on the reform of Commission policies, one that took place on the level of both the Council of Ministers and the European Council.

All in all, the European Parliament gained influence over the Commission’s proposals and, to a lesser extent, over the decisions of the Council of Ministers as well. This increase in the power of European institutions was partially offset however by the fact that the European Council increasingly took on decision-making on essential issues. True, the Commission participated in these decisions, which still needed to be unanimous, in the role of an advisor and assistant. However, the European Council, as an informal organ not anchored in the treaties, did not need to consult Parliament (unlike the Council of Ministers); nor did it need to offer justifications to Parliament. The decisions of the European Council were de facto made without any parliamentary participation. A chasm loomed between the European-policy debate in Parliament and the highest decision-making levels of the Community, something that was detrimental to the legitimization of European policy in the eyes of voters.

The fragility of this construction became manifest in a twofold traveling circus: Whereas the European Council met sequentially in the capital of the

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13 Text of the agreement and of the treaty amendment in Lipgens, 45 Jahre, pp. 604–610.
Council president of the first half of the year, then in Brussels or Luxembourg, and then in the capital of the Council president of the second half of the year, the seat of the European Parliament remained in Strasbourg. Parliament was normally in session one week per month. Yet, the meetings of committees and party caucuses between sessions increasingly took place in Brussels due to cooperation with the Council of Ministers and the Commission. The Parliamentary administration continued to have its seat in Luxembourg. The increased burden that resulted from this situation meant that the number of European MPs who also held a seat in a national legislature—still almost one-third in the Parliament of 1979—decreased from election to election. To a corresponding degree, it became an ever-greater problem to connect European politics to the national parliaments.

The European Monetary System

The blocking of substantial Franco-German initiatives by Giscard d’Estaing’s Gaullist coalition partners created new space for an initiative by the European Commission. It was thus momentous that as the successor to François-Xavier Ortoli in the role of Commission president, the British government put forth a very politically astute candidate: Roy Jenkins, the spokesman of the Europe advocates in the Labour Party and longtime rival of Wilson and Callaghan in the struggle for party leadership. After Wilson’s resignation, Jenkins had lost the leadership contest and now saw a more rewarding task in serving as the head of the Commission. For his part, Callaghan was rid of a troublesome critic within the cabinet and at the same time gained an effective representative of British interests in Brussels.

With the additional political heavyweights Étienne Davignon (as Commissioner for Industry) and Antonio Giolitti (responsible for regional policy), the new Commission regarded its task as first of all the consolidation of economic integration in light of the manifold crises after the end of the era of prolonged growth. It was especially in the crises of the steel industry and the chemical industry that the Commission proved to be the guardian of a policy of competition against strong protectionist impulses. Jenkins repeatedly had occasion to lament the continuing ineffectiveness of the Council of Ministers given that separate meetings with differing compositions were held for dealing with the various areas of responsibility; he was also concerned about the failure to concretize the prospects for development of the Tindemans Plan. After only six months in office, he was so frustrated that he seriously contemplated resigning. In the end, he opted instead to attempt to push forward the European integration process with an initiative of his own.
In searching for an appropriate policy area for such an initiative, Jenkins—like Tindemans two years earlier—hit upon the project of economic and monetary union. It was here that the need for substantive progress was most urgent in light of general inflationary tendencies and the renewed drop of the dollar; at the same time, the political resistance against collectivization in this area seemed to him the most likely to be overcome. He therefore made use of a speech at the recently-opened European University Institute in Florence on 27 October 1977 to call for the reopening of the debate on economic and monetary union. In noticeable contrast to the “Economists” in Germany and the Netherlands, for whom a monetary union was conceivable only as the result of the harmonization of economic power and economic structure, he lauded a Community currency as an instrument of rationalization in the struggle against inflation and currency speculation, an instrument that would enable a return to stable growth and simultaneously reduce dependency on the dollar. Three weeks after the speech, the Commission presented a timetable for completion of the monetary union. It envisioned re-establishing the necessary convergence of European economic policy within a period of five years. The monetary union was to be realized incrementally thereafter.14

Jenkins’ initiative was aimed first of all at overcoming the skeptical attitude of Helmut Schmidt. Although the chancellor did regard monetary union as fundamentally desirable, it seemed to him impossible to realize in the foreseeable future due to diverging economic development, differing economic-policy courses, and limited West German resources. He also regarded it as less urgent since Richard Nixon’s successor Gerald Ford had been pursuing a very successful anti-inflation policy, which had led to an equalization of the balance of payments and a relative stabilization of the dollar’s exchange rate. More important now than the assertion of European autonomy in Schmidt’s view was agreement on economic policy among the large industrial countries. Therefore, he consented immediately when in July of 1975 Giscard d’Estaing proposed working toward a summit conference of the leading Western industrial countries. Schmidt felt satisfaction that the resulting Rambouillet Meeting of 15 to 17 November 1975 tended toward an understanding between Ford and Giscard regarding the necessity of focusing on stability. The gathering included the US, the Federal Republic, Great Britain, France, and Japan; Italy, which happened to be exercising the presidency of the Council at the time, also joined in after persistent urging.15

As discrepancies in economic performance in early 1976 led once again to pressure first on the Italian lira and then on the French franc too, Schmidt was willing to allow a certain increase in the value of the mark, though not to the extent that Giscard regarded as necessary. In any event, the views of the other members of the currency snake diverged regarding a new setting of internal parities. The parities thus remained unchanged, and France once again left the snake on 15 March 1976 in order to permit a further devaluation against the dollar. The European currency snake was thereby reduced practically to a “mark zone” made up of the Federal Republic, the Netherlands, the Belgian-Luxembourg currency group, and Denmark. Until 1977, Sweden also belonged to it, as did Norway until 1978; Austria and Switzerland were associates.

After France had had to leave the currency snake for a second time, Giscard d’Estaing increased the focus of French economic and budget policy on stability by appointing Raymond Barre prime minister in August of 1976 after the resignation of Jacques Chirac. However, Schmidt was still not prepared to accommodate countries with weaker currencies via more substantial support measures. At the Franco-German summit of 3 and 4 February 1977, Giscard pressed for combining the currency reserves; Schmidt responded by pointing out the disparity of the economic situation within the Community: “In light of [the] difficult economic situation in several EC countries, no far-reaching steps on integration [are] possible, given that they would overtax the power of our partners.”

That Schmidt did not stick with this restrictive attitude is attributable primarily to the fact that US President Jimmy Carter abandoned his predecessor’s focus on stability and instead sought to improve the American economy with higher government spending and higher levels of oil imports. The consequences were not only a high rate of inflation once again and a return to a balance of trade deficit but also a rapid drop in the dollar, which severely harmed West German exports. At the London world economic summit of 7 May 1977 (dubbed the “G-7 Meeting” because Canada was now participating), Schmidt attempted to convince Carter to alter course; this only resulted in the accusation that Bonn and Tokyo were not doing enough deficit spending. Schmidt was also irritated by the

strong pressure from Carter to station the neutron bomb in Europe and drew from it the conclusion that reform of the international monetary system—upon which he had placed so much hope—could not be achieved with this US president.

Jenkins must certainly have perceived that Schmidt’s confidence in the American leadership was dwindling away even as the recovery in Europe was increasingly being harmed by the fall of the dollar. Nevertheless, the chancellor did not immediately react positively to Jenkins’ 27 October appeal in Florence. When the Commission president visited the chancellor in Bonn on 10 November seeking his support for the project, Schmidt only assured him that he would not derail it. At a meeting of the European Council in Brussels on 5 and 6 December, Jenkins received unqualified support only from the leaders of the Benelux states and Italy. Schmidt declared that he was for a European monetary union in principle but also warned that it must not lead to an inflation rate of eight percent. The meeting resulted in giving the Commission the task of working out proposals for improving monetary cooperation; neither concrete measures nor chronological targets were decided on, however.

What exactly had induced Schmidt to become more involved in Jenkins’ initiative is in the final instance difficult to determine. If one accepts Raymond Barre’s account, it was the impression that the French stability course had born fruit: The reduction of the budget deficit, a halving of the foreign-trade deficit, and a drop in the inflation rate all made France once again seem a reliable partner in constructing a monetary union. More probable, however, is that during February of 1978, Schmidt became convinced that the ongoing weakness of the French economy also threatened its political stability and that Giscard was therefore in urgent need of West German help. In any event, Schmidt confided to Jenkins during the Briton’s visit to Bonn on 28 February that “as soon as the French elections are over—assuming the French elections go all right and that there aren’t any Communists in the French government—then I shall propose, in response to the dollar problem, a major step towards monetary union; to mobilize and put all our currency reserves into a common pool, [...] and to form a European monetary bloc.”

As justification for this step, the chancellor cited not only the dollar crisis, which was growing worse, but also the “confrontation between Europe and Japan, the practical collapse of multinational trade negotiations,” and “the great weakness and uncertainty in France.” What also came through to Jenkins in this conversation was Schmidt’s “deep hostility toward Carter, whose behaviour over

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the dollar was intolerable.” When negotiations on the “major step” were already in progress, Schmidt justified it in a conversation with Italian Prime Minister Giulio Andreotti by citing the fear of “a collapse of the Common Market” and the potentially dangerous domestic- and foreign-policy consequences that would stem from it. In order to prevent such a collapse, it was necessary to “take risks.” The new monetary-policy arrangement was to stabilize the members’ currencies, protect them from speculation, and build confidence. If Europe were to succeed in that, it would also help “discipline the balance of payments policy of the United States.”

The elections to the French National Assembly on 12 and 19 March did not witness the feared victory of the leftist union of Socialists and Communists; it was rather the case that Giscard’s political allies even gained at the expense of the Gaullists. Jenkins then prepared a memorandum for the next meeting of the European Council, set for early April in Copenhagen. He urged that work on the monetary project be intensified such that by the meeting after next (slated for Bremen in July) binding decisions could be made. Like Schmidt, he argued that state support for the economy had only led to higher inflation and that the Europeans had to protect themselves from the irresponsible monetary policy of the US. Parallel to this, Schmidt discussed with Giscard on 2 April at Chateau Rambouillet how the project could be launched at the Council meeting. Both were in agreement that the highest level of confidentiality was called for, not only to avoid speculative withholding of funds by investors but also to circumvent resistance from the French finance ministry and the Bundesbank. Technical preparation was assigned to only two men: Bernard Clappier, president of the Banque de France and one-time assistant to Robert Schuman in preparation of the Schuman Plan, and Horst Schulmann, head of the economic-policy department in the chancellor’s office. The two were to prepare a plan that Schmidt would then present in the confidential round of the Copenhagen meeting. Giscard trusted that the chancellor would be able to persuade the skeptics in the West German financial world.

In Copenhagen, where the heads of state and of government of the Nine met on 7 and 8 April, Jenkins and Giscard first spoke in general terms—as had been agreed—about the necessity of a stable monetary order before Schmidt in a fireside chat after dinner unofficially made a brilliant case for a new monetary-pol-

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19 Annotation on the conversations between Schmidt and Andreotti, 1 Nov. 1978, quoted in Schulz, Reluctant European, p. 305.
20 Memorandum Jenkins, 3 April 1978, PRO FCO 30/4004.
Consolidation, 1976–1984

icy arrangement through which the dollar would be replaced by a European currency. As for concrete measures, he cited, firstly, the creation of a European Monetary Fund, in which the existing institutions and resources of the Community and the currency snake would be integrated; secondly, the pooling of fifteen to twenty percent of the member states’ currency reserves; thirdly, increased use of European currencies in place of the dollar for intervening in currency markets; fourthly, increasing use of the European Currency Unit in transactions between the central banks and later also the creation of a new form of reserve asset comparable to the Special Drawing Rights of the International Monetary Fund (IMF). Over time, according to Schmidt, the European Currency Unit—since April of 1975 valued according to the average of the individual currencies weighted for economic strength and foreign-trade percentages—could become a European currency.

The target of the presentation was primarily James Callaghan, whom Schmidt eagerly wanted to have along for this new step in the direction of a monetary union, even if the Labour government up to that point had always decidedly opposed the project. For his part, Callaghan immediately criticized the anti-American orientation of the project; he was still hoping for a restructuring of the international monetary system in concert with the US. Only when Giscard, Schmidt, and Callaghan met privately the next morning and the French leader made it unmistakably plain “that if Callaghan did not come in, he would go along with Schmidt”22 did the British premier agree to participate in the preparation of draft decisions for the Council meeting in Bremen. The expert group made up of Clappier and Schulmann was augmented by Kenneth Couzens of Her Majesty’s Treasury.

In the course of conversations after the Council meeting, Couzens was forced to the conclusion that his French and West German colleagues were indeed serious about mutualizing the currency; and so he withdrew from the talks. In the Treasury, there was even less willingness to give up control over one’s own currency than in the Bundesbank or the Directoire du Trésor. Regarding foreign trade with non-EC states, which was still significant, the British had a preference for an arrangement within the framework of the IMF. Clappier and Schulmann thenceforth worked alone on the concept, and on 23 June, they conferred with Giscard, French Foreign Minister Louis de Guiringaud, and Schmidt at the chancellor’s Hamburg home. Schmidt remembered of this meeting that “we worked in the dining room because of the large table. Loki served us coffee. The next day, she told us that every time she had entered the room, we were sitting in a

22 Jenkins, European Diary, p. 249.
more relaxed posture, initially still in our jackets, then without them and finally without our neckties either.\textsuperscript{23}

The result of this summertime round of work was sent by Giscard and Schmidt to their colleagues on the Council shortly before its next meeting on 6 and 7 July; Clappier and Schulmann gave presentations in the various capitals explaining it. The proposal from Schmidt for increased use of the European Unit of Account was made more precise to the effect that it was to constitute the “core” of the improved monetary arrangement, that is, it was not only to serve as a means to simplify payments between the central banks but also serve as the basis for the interventions to preserve the bandwidths. The Franco-German paper, in which the thoughts of Belgian central banker Jacques van Ypersele had been incorporated, therefore spoke of a “European Currency Unit” (ECU) and a “European Monetary System” (EMS) that went beyond the snake. Regarding the sought-after merging of currency reserves, it was said that “e.g. 20\%” of the member states’ currency reserves in dollars and gold was to be placed in the European Monetary Cooperation Fund and, additionally, “an amount of comparable order of magnitude” in the currencies of the member states. When purchasing dollars, about twenty percent was likewise to be placed in the common Cooperation Fund; when selling dollars, the central banks would receive about twenty percent in European Currency Units.

Regarding usage of EMS funds made up of deposits of member states’ currency assets, it was rather ominously the case that it “will be subject to conditions varying with the amount and the maturity; due account will be given to the need for substantial short term facilities.” Clearly, the authors envisioned an expansion and simplification of credits to member states that had come under pressure to devalue. They had not as yet been able to come to agreement as to the exact extent or the conditions; the document only included the reminder that closer monetary-policy cooperation “will only be successful if participating countries will pursue policies conducive to greater stability at home and abroad.” Regarding a mechanism for directing exchange rates, there was only mention that the new system would be “at least as strict as the ‘snake’”; and “ways to coordinate dollar interventions should be sought.”

In essence, the proposed system amounted to having the hard-currency countries (that is, primarily the Federal Republic) accommodate to an extent the weak-currency countries by mutualizing part of the reserves; in return, the latter would subordinate themselves to mechanisms binding them to the goal of stability to a greater extent than heretofore. In order to expand the circle of monetary-union members as far as possible, the paper envisioned that “in the initial stage of its operation and for a limited period of time member countries currently

not participating in the snake may opt for somewhat wider margins.” However, it had not yet been worked out as to how large the concession of the hard-currency countries would be or how strong the obligation of the weak-currency countries. The authors only noted, quite ambitiously, that “two years after the introduction of the system at the latest, the existing agreements and structures would be consolidated in a European Monetary Fund (EMF).”

In Bremen, Schmidt and Giscard first sought to organize another private meeting with Callaghan before the beginning of the actual Council meeting. When the premier declined by citing urgent matters in London, they persisted in seeking a separate meeting after the first afternoon session. Callaghan however stuck to his position of not permitting any decisions based on the Franco-German paper. In the evening session, he was supported by Dutch Prime Minister Andreas van Agt and his Italian colleague Giulio Andreotti in criticizing the preparations for the gathering. Andreotti and Irish Prime Minister Jack Lynch signaled their interest in participating in the new monetary system but at the same time also indicated a need for greater assistance. In order to save this muddled situation, Giscard proposed beginning without Britain. Schmidt was not willing to do so, however. They finally agreed on a declaration for “a closer monetary cooperation leading to a zone of monetary stability in Europe [...] The European Council envisages such a durable and effective scheme,” along with a directive for the finance ministers to present a proposal to that effect by the end of October. It was then supposed to be passed by the Council at its December meeting in Brussels. The Franco-German proposal was made public as an “appendix” to this declaration without further qualification.

In discussing the closing communiqué the next morning, Giscard d’Estaing suggested general use of the English-language designation “European Currency Unit” or “ECU.” In September of 1974, Ortoli as Commission president had made the same suggestion with the justification that it would please not only the Anglophone members but also the Francophone ones given that the écu had been a popular silver coin in pre-revolutionary France. For his part, Giscard naturally refrained from citing this second reason in the Council and gloated over the fact that Callaghan elatedly agreed with him. That his trick regarding the name had worked made him think that the success of the Bremen meeting was on the whole greater than it actually was.

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24 Quoted according to the rendering in the appendix to the “Conclusions” of the European Council in Bremen 7–9 July 1978, in: Ludlow, Monetary System, pp. 301ff.
In the negotiations of the Council of the Economic and Finance Ministers that had now been made necessary, the haggling continued over the extent of West German concessions and the binding stability commitments for weak-currency countries. In the subcommittee for currency issues, the French representatives argued that having qualified the ECU as the “core” of the new system meant it would be the basis as a reserve currency. Violations of the permitted band width of plus/minus 2.25 percent would then be measured in reference to this reserve currency, and the main burden of intervening would lie with the country that had committed the violation. The British and Italian representatives embraced this interpretation. In contrast, the representatives of the hard-currency countries insisted that the exchange rates should, as before, be measured only bilaterally between two currencies. They drew attention to the fact that the ECU basket of currencies would likewise lose value if individual national currencies lost value. Orienting oneself on it when obliged to intervene would thus mean not only accepting in silence a creeping inflation but even promoting it further due to departure from the focus on stability. This issue engaged the experts for a long while. In the end, a decision along the lines of the interpretation by the hard-currency countries was made at the Franco-German summit in Aachen on 14 and 15 September. This meant that Giscard had de facto confirmed his choice for the West German stability model and had thereby won out over the latent opposition in the Directoire du Trésor. In light of the position of supplicant in which he found himself vis-à-vis the current members of the currency snake, no other decision was possible any longer—at least if one really wanted the monetary union.

In contrast, an ECU basket of currencies was used in measuring the “threshold of divergence” to which governments and central banks were supposed to commit themselves before pre-emptive intervention; this stemmed from a Belgian proposal. There was stubborn resistance from the Bundesbank to the pledge to stability-endangering measures resulting from this; the representatives of the banking sector and industry repeatedly made that clear to Schmidt. The French side finally made a concession with the formulation that when a threshold value of seventy-five percent of the maximum deviation range was reached, there would be “a presumption that the authorities concerned will correct this situation by adequate measures.” This formally left the Bundesbank with its freedom of action but also set it under strong political pressure. As the text ran, “In case such measures on account of special circumstances, are not taken, the reasons for this shall be given [...], especially in the concertation between the central banks.” Additionally, consultations at the level of the Council of Ministers were envisioned if individual participants regarded them as necessary. This settlement too was reached at the highest level, during another visit by Schmidt to the Élysée Palace on 2 November.
Another new element that was meant to make it easier for under-performing countries to remain in the currency snake was the establishment of a “Very Short-Term Facility” of an unlimited amount. It could be utilized for forty-five days and then extended for three months. The credit lines for short- and medium-term currency assistance were also significantly expanded to a total of twenty-five billion ecus. Furthermore, short-term credits for a maximum of nine months could be dispensed by the committee of the central bank governors; the Council was responsible for medium-term credits of two to five years, which could be linked to economic-policy requirements. Finally, concessions were made to the weak-currency countries in that the governing exchange rate of individual currencies based on the ECU could be altered by mutual agreement, with the requirement that the European Commission be involved in the decision.

Regarding the size of the currency pool, it was specified that it would consist of twenty percent of dollar and gold reserves; there was no more mention of a comparable contribution of the currencies of the member states. Likewise, under pressure from the Bundesbank, the binding nature of the timeline of the goals for further developing the agreed-upon regulations for a European Monetary Fund was reduced: Whereas in the Schmidt-Giscard paper it was specified for a point within two years, it now read only that “we remain firmly resolved to consolidate, not later than two years after the start of the scheme, into a final system the provisions and procedures thus created.”

While the technical negotiations were nearing an end, Helmut Schmidt continued hoping that it would be possible to bring the visibly-hesitant Britons onboard. For this purpose, he was now outwardly very friendly toward the US. At the world economic summit in Bonn, he made a concession to Carter by agreeing to contribute to strengthening international demand through tax reductions and investment programs in the range of one percent of GNP. This helped forestall American intervention against the EMS project. Nevertheless, Callaghan could not win approval for British participation. Along with continuing opposition at the Treasury, he was now plagued by worries over vociferous protests from the labor unions as well as a rebellion by anti-Europeans in the cabinet. In light of the necessity of calling elections for the spring of 1979, those were developments he could no longer afford. Shortly before the Council meeting in Brussels on 4 and 5 December 1978, he officially informed Schmidt that Great Britain would not participate in the EMS exchange-rate mechanism. The British government stated only that it was in agreement that the pound sterling be included in the currency basket.

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Callaghan’s rejection made Ireland’s acceptance all the more noteworthy. To the British premier’s consternation, his Irish counterpart had at the Bremen Council meeting already announced that his country would participate in the new monetary system even if Britain did not. Jack Lynch carried through with this, even though it implied giving up the Irish pound’s long peg to the British pound and that Ireland would face the risk of significant turbulence in trade with its larger neighbor. Like his Italian colleague Andreotti, he insisted however that in the initial phase, Ireland be allowed greater possibilities for variation—and that there be financial support for the adaptation of the Irish economy to the structure of the hard-currency countries.

In the case of Italy, similar demands were made with still greater force. The Christian Democrat Andreotti was very interested in having his country join in, yet his Socialist coalition partners and the Communists, whose toleration was needed by the government, showed little inclination to participate in the inflation-fighting necessary for this. They raised their demands for concessions higher and higher, and Andreotti felt it necessary to pass them along to his colleagues on the Council. After already insisting in Bremen that Italy be allowed to participate with a range of plus/minus six percent (instead of the level of plus/minus 2.25 percent that was in force for the snake), he came to the Brussels Council meeting with a demand for interest subsidies in the amount of eight hundred million currency units.

In the end, Schmidt and Giscard fully agreed that the newcomers should be given greater maneuvering room. In the Brussels resolution, it was noted only that “these margins should be gradually reduced as soon as economic conditions permit.” Nevertheless, both leaders rejected adjustment assistance of the magnitude demanded by Andreotti. Schmidt believed that it might undermine the stability goal. Giscard feared that the Gaullists and the opposition would accuse him of having won too little for France at the bargaining table; he would not consent to more than 300 million units of account each for Italy and Ireland spread out over three years. Schmidt regarded 600 million each over three years as justifiable. In the end, there was agreement on a limit of one billion spread over five years (thus, if France did not make a claim to any of the funds and Britain did not join, that would mean 500 million each for Italy and Ireland).

Andreotti and Lynch did not explicitly accept this. Hence, while the Brussels Council meeting did end in agreement that the European Monetary System would come into force on 1 January 1979, it was not clear that Italy or Ireland would participate.\textsuperscript{27} The Italian decision to join—a manifestation of the victory of the mod-

\textsuperscript{27} On the course of the Brussels meeting, Jenkins, \textit{European Diary}, pp. 349–353; Mourlon-Druol, \textit{A Europe}, pp. 250–255.
ernizers who strove for increased cooperation with European partners—was clear only after a parliamentary vote on 13 December. The Communists answered the defeat they had thereby received by toppling Andreotti four weeks later. Lynch was able to announce Ireland’s participation on 15 December, after the representatives of the countries then participating in the snake had on 11 December made concrete commitments to the Irish government regarded financial distributions.

The EMS still could not come into force, however. Chirac made use of the publication of the Brussels decisions in order to announce a dramatic “no” to a “France that abdicates today and dissolves itself tomorrow.” Giscard thereupon drew the conclusion that more had to be done than what he had achieved in Brussels regarding demands of French farmers for abolition of the Monetary Compensation Amount (MCA), which they had to pay on exports to the Federal Republic as a consequence of the increase in value of the mark. At the Council meeting, it had only been decided that “The European Council stresses the importance of [...] progressively reducing present MCAs.” Agriculture Minister Pierre Méhaignerie made a demand on 18 December that they be completely abolished within a year. When the other governments made no move to agree, the French declared on 29 December that the European Monetary Union could not under those circumstances take effect on 1 January.

Regarding the border-levy problem in the Common Market, there was thus a need for further negotiations, both among the agriculture ministers and at the highest level. An agreement emerged only during a lightening visit by Prime Minister Barre to Schmidt on 23 February 1979. It included the point that the MCAs would in fact be abolished within one year; prices were raised too, however, which eliminated the prospect of a sought-after increase in exports by French farmers. At its next meeting, on 12 and 13 March 1979 in Paris, the European Council could thus implement the European Monetary System immediately. The rough start prevented any feelings of triumph. Added to this was the fact that public attention had in the meantime been almost completely drawn to the fall of the shah of Iran and the resulting second wave of oil price hikes. Because of this, it went unnoticed that with his support of Giscard, Schmidt had accomplished something enormous: Against the opposition of the Bundesbank, a majority of public opinion, and the Christian Democratic opposition, he had eliminated the danger of the Common Market’s drifting apart in turbulent times for currency policy. Simultaneously, a core of stability had been created through which the European states could reduce their dependence on US monetary policy. The increased engagement of the Federal Republic and the other hard-currency countries as well as the

pressure to make consensual changes in exchange rates helped France, Italy, and Ireland stay in the common currency group this time and helped dampen their inflationary tendencies. The strong upward pressure on the mark had simultaneously been removed and more uniformly distributed throughout the Community. Both together prevented the danger of a lasting economic crisis after the end of the big postwar boom. Transformation of the currency snake into the European Monetary System was thereby in keeping with the “material logic” of the integration process, of which Walter Hallstein had spoken in the 1960s. Without the political will and the extraordinary energy of Helmut Schmidt, this logic would not have come to fruition, at least not at this point in time.

The gradual harmonization of economic policies did not begin right away and was not sufficient for substantially reducing the disparities in economic structure and performance. As a consequence, changes in the central rate could not be avoided in 1981–92 following the second oil shock along with a rise in the dollar and in interest rates. By 1983, there had been seven rounds of central rate adjustments; in the process, the value of the mark had been raised four times and that of the French franc reduced three times. Without any spectacular success and with the French presidential elections approaching in the spring of 1981, Giscard d’Estaing did not dare carry through with the creation of a European Monetary Fund as had been agreed upon in Brussels. Giscard’s successor François Mitterrand, in office from 10 May 1981, began his term with a program of government support for the economic cycle and employment, a program that went against the stability goal of the EMS. When in September of 1981 the Commission took up the initiative for the “second stage” of the monetary system, in which preventative interventions were to be mandatory when the “deviation threshold” was reached, the Bundesbank was successful in arguing that its members were still very far from the stability-oriented convergence.

In the spring of 1983, the European Monetary System was faced with nothing less than the danger of failing. In light of rising unemployment, government debt, and trade deficits, Mitterrand was confronted with the alternative of either returning to a rigorous austerity course or leaving the European Monetary System. Whereas strong forces among the Socialists as well as the Communist coalition partners voted for the second option, Prime Minister Pierre Mauroy and Finance Minister Jacques Delors advocated a change of course in economic policy. It took several weeks for Mitterrand to make a decision for the European solution on 17 March: Another devaluation of the franc within the monetary system was to be accompanied by a whole package of measures for stabilizing the budget. The special socialistic path pursued by the leftist French government was thereby
practically at an end, and France’s focus on convergence, which Giscard had introduced along with Barre, was thus strengthened.29

Expansion to the South

An additional reason for the efforts to stabilize and expand the currency association was the prospect of another expansion of the Community—the accession of Greece, Portugal, and Spain. One after another in quick succession during the middle of the 1970s, these three southern European countries experienced the end of dictatorial regimes that had always prevented their membership in the European Community. In April of 1974, officers belonging to a “Movement of the Armed Forces” staged a coup against the Salazar-Caetano regime in Portugal; democratic and communist forces then contended over establishing a new order in the country. In Greece in July of the same year, the Regime of the Colonels collapsed seven years after a coup had brought it to power; a provisional government under an earlier conservative prime minister, Constantine Karamanlis, worked to establish a new constitution based on the rule of law. In November of 1975, Spain’s long-time dictator Francisco Franco died. In accordance with his plans, Juan Carlos I was proclaimed king; he moderated a process of liberalization and democratization that led to the establishment of a constitutional monarchy by the end of 1978.

These sea changes—which from a long-term perspective were consequences of modernization processes laden with conflict—not only eliminated opposition to these countries’ membership in the EC, opposition that stemmed from the EC’s self-understanding as a Community of democracies. The European Commission had completed an association agreement with the Greek government of Karamanlis in July of 1961 and had subsequently “frozen” it after the colonels’ putsch. An application for association submitted by Spain in February of 1962 had continually been delayed by the governments of the Community. By 1970, this had led only to a trade treaty; negotiations on further tariff reductions had been broken off in October of 1975 after the execution of Basque opponents of Franco. In light of the difficulties in establishing new democratic regimes, the question also came

up as to how the countries of the Community could and should assist in the stabilization of new democracies.

The Greek government was the first to answer this question with a bid for EC membership. Immediately after the new republican constitution came into effect in June of 1975, the Karamanlis government submitted the application. Along with hopes for support in economic modernization and access to Western European markets—which had also played a role in the 1959 application for association—there were now other factors too, ones that were closely bound together: interest in assistance for building a modern civil society capable of supporting the parliamentary regime over the long term as well as emancipation from US hegemony. Not completely without justification, the US was held responsible for the longevity of the colonels’ regime. Above all, however, the US was blamed for having left the Greeks in the lurch after the Turkish invasion of Cyprus in July of 1974. It had followed an attempted coup by Cypriot supporters of the colonels and had led to the establishment of a Turkish Cypriot regime in the northern part of the island. Following the example of France, Greece had quit the military organization of NATO in August of 1974 and needed membership in the EC as a political counterweight to Turkey, whose policy in the Aegean was still perceived to be revisionist.

The political motives for entry now led Karamanlis to insist on immediate full membership, in contrast to 1959. Only in this way did it seem possible to hold Greece on a fundamentally Western course and to forestall the exploitation of anti-American sentiment by the radical “Pan-Hellenic Socialist Party” (PASOK) of Andreas Papandreou. Karamanlis was supported in this by France, which had promoted his return from French exile as a contribution to democratization of the country and to strengthening French autonomy vis-à-vis the dominant power, the US. In December, Karamanlis discussed the entry project with then Prime Minister Jacques Chirac; the following February, Foreign Minister Jean Sauvagnargues conveyed to him official assurance that the French government would support the application. Only thereafter did Karamanlis publically announce his intention, and then on 12 June 1975, one day after the new constitution of Greece had come into effect, he submitted the application in Brussels.

France’s enthusiasm for Karamanlis’ action was not however shared by all members of the Community. In London, there were reservations about challenging the American role in the eastern Mediterranean. Above all, however, there were concerns about problems arising in relations with Turkey, which was not only an important NATO ally but which since 1963 had also had an association agreement with the prospect of future membership in the EC. In Rome, there were mainly fears of future competition from cheap Greek fruit growers and vintners. In Bonn, there were worries about the general level of development of the Greek
economy, which would again make transfer payments necessary to an extent that would be detrimental to the stability goal of West German economic policy. The free movement of Greek workers in the near future was also seen as highly problematic in light of increased unemployment in all the Western industrial countries. When Giscard d’Estaing sought to persuade his friend Schmidt of the necessity of Greek membership in the interest of stabilizing democracy, he was met with “nothing but loud sighs.”

The European Commission shared these reservations. In its official position on the application, presented on 28 January 1976, it therefore recommended that Greece be offered only a preliminary membership of indefinite duration. A transition period with full membership rights would follow only when the economic, legal, and administrative reforms deemed necessary for membership had been carried out. In contrast, Karamanlis insisted that the stabilization of Greek democracy was urgent. He also pointed out the necessity of solidarity among democrats in the face of new totalitarian challenges. Moreover, with tactical skill, he made assurances that Greece would not block the development of relations between the EC and Turkey.

The solidarity argument may well have played the key role in the decision that the EC Council of Ministers had to make on 9 February. In the meantime in Portugal, leftist officers of the “Movement of the Armed Forces,” with strong support from the Communist Party, had begun attempting to establish a socialist regime; in the Italian communal and regional elections in June of 1975, the Communists had come very close to the level of support of the governing Christian Democrats. It thus seemed imperative to send a clear signal of encouragement to democratic forces in Southern Europe. That made sense to the Ford administration too: It supported Greek engagement with the EC—though along with the desire that it occur in close consultation with the US. Given that support for Greek democracy was also strong in the public opinion of the member states, the partner governments finally put aside their reservations and voted to begin accession negotiations.

These negotiations officially opened on 27 July but actually began in November. The Greek side showed itself willing to subordinate economic interests to

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the goal of rapidly bringing the talks to a conclusion. When chief Greek negotiator Nikolaos Kyriazidis, deputy president of the Greek Central Bank, resigned in protest in January of 1977 due to this negotiating position, he was replaced by Foreign Ministry General Secretary Vyron Theodoropoulos. That the talks dragged into the spring of 1979 was primarily attributable to the member states, which wanted to protect themselves from Greek competition for as long as possible.

The accession agreement signed in Athens on 28 May 1979 thus also included exceptional regulations benefitting countries that were already members. A transition period of five years was agreed upon. However, tomatoes and peaches would be allowed in the Community without tariffs only after seven years, and the free movement of labor was to come into effect only after seven years. As to protecting the Greek development program, the agreement contained only the stipulation that the Greek government could temporarily limit the freedom of capital movement in order to prevent the transfer of excessively large sums. Entry into the European Monetary System would occur only five years after the end of the transition period. Additionally, some assistance was envisioned for modernizing agricultural production, especially that of olive oil. After the agreement had won a majority in the Greek parliament as well as in those of the member states, it came into effect on 1 January 1981.

In Portugal, entry into the EC became an issue only after the decision for a democratic regime had been consolidated with parliamentary elections on 25 April 1976. The governments of the Nine had worked toward this outcome by offering economic support for reorientation after the end of the Portuguese colonial empire, but this support had explicitly been made contingent on the development of a pluralistic democracy. They had supported the democratic forces in the country, had rejected Kissinger’s distancing of himself from the Socialists as the largest group of democratic forces, and had successfully pressured Leonid Brezhnev to give up his support for the Portuguese Communists. Furthermore, strong support for the Portuguese Socialists under Mário Soares came from European sister parties; Willy Brandt and the SPD had especially become engaged in terms of financial and moral support.32

The Socialists decided to form a government after winning 34.8 percent of the vote and having been confirmed as the largest party. At the same time, this victory also represented a decision for Europe over against the traditional Atlanticist orientation of Portuguese policy and its Third World variant in the policy

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of the leftist officers. This was augmented by the fact that the Christian Demo-
crats also strongly supported rapid entry into the European Community and that
the Social Democratic Party, which represented reformist elements of the former
Caetano regime, was also inclined in the same direction. Only the Communists
categorically rejected membership. As with Karamanlis, membership in the Euro-
pean Community for Soares primarily represented a contribution to stabilizing
the young democracy, which according to the constitution of 2 April 1976 still
was under the tutelage of the Revolutionary Council. Economic experts’ doubts
about the problems that would ensue in many branches of the poorly-developed
Portuguese economy were dismissed by Soares with reference to the insufficient
foundation of democracy.

The first step toward Europe made by the Soares government was entry into
the Council of Europe in August of 1976. In doing so, it not only ensured recogni-
tion by Western democracies but also demonstratively distanced itself from the
self-conception of the old regime, which in the years after the Second World War
had not concerned itself at all with joining this fundamental European organiza-
tion. In September, there followed the signing of a supplementary and financial
protocol to the trade treaty of 1972 with the EC (with which the unloved EFTA
member Portugal had reacted to the entry of Great Britain, Ireland, and Denmark
into the EC). By means of this new addition, transitional assistance was orga-
nized, as the Commission had had in mind for Greece with the proposal for a
preliminary membership. After a series of bilateral negotiations with the govern-
ments of the Nine, the official application for entry was submitted on 28 March
1977.33

The Commission needed more than a year—until May of 1978—before it took
a positive position on the application. Five more months went by before negotia-
tions began. These talks were endlessly tedious. They lasted far longer than those
with Greece and only came to a conclusion in June of 1985. The main reason for
this astonishingly long delay, as measured by initial hopes, lay in the fact that
the Suárez government in Spain had submitted an application of its own on 27
July 1977, some four months after the Portuguese; and the Commission as well
as the Council had by mutual agreement decided to deal with both applications
together. Soares wanted to avoid that but was unable to prevail—in contrast to
Karamanlis, who succeeded in keeping the Greek negotiations, begun earlier, out
of the complex of Iberian issues.

The Spanish application had resulted from constant pressure by the Euro-
pean Community on Franco’s successors as well as related efforts to support dem-

33 António Costa Pinto and Nuno Severiano Teixeira, “From Atlantic Past to European Destiny:
ocratic parties. In May of 1976, Maurice Faure released a report commissioned by the European Parliament; not only did the document explicitly make Spain’s entry contingent on democratization, but it also listed in detail the steps necessary for that democratization. Beginning with the appointment of Adolfo Suárez as prime minister in July of 1976, the regime embarked upon this process and thereby made EC accession into the symbolic badge of democratization. After the first free elections on 15 June 1977—by which Suárez’s Union of the Democratic Center became the largest party—the new government submitted its application. It was supported by all the parties. Even the Communists threw in their weight; in contrast to the Leninists in Portugal, the Spanish Communists had set a Euro-Communist course under the leadership of Santiago Carrillo.34

With the Spanish application, the problem of Southern European competition in the fruit, vegetable, and wine industries presented itself in an entirely new dimension. The producers in the French southwest and Languedoc feared being literally overrun by competition from low-wage countries that also enjoyed climate advantages; both the Communists and the Gaullists became advocates of these concerns. The opposition in Italy was strong too, and Greek voices joined in from 1981 on. The solidarity among democrats demanded by Karamanlis had its limits, just as that of the communists did. Carrillo found himself having to listen to French party chief Georges Marchais arguing that Spanish entry into the Common Market would not contribute to solving the problems of the Spanish working class.

The argument based on urgency, which Karamanlis had effectively employed against opposition within the Community, did not lend itself to the case of Spain and Portugal: Firstly, there never was the danger of a “leftist” regime in Spain, something that frightened the conservative governments especially. Secondly, fears of radical upheavals or counter-revolutions dwindled to the extent that the processes of democratization advanced; the consolidation of political conditions in Italy after the shock over the murder of Aldo Moro by a terror cell of the Red Brigades in May of 1978 also played a role in this. Under these circumstances, the status of candidate for entry, negotiating with the prospect of success and receiving all manner of transition assistance, sufficed to strengthen the democratic order; entry became less significant in and of itself.

Despite the foreseeable implications for the Common Agricultural Policy, the Commission took a positive stance toward Spanish accession as well; this was officially issued on 29 November 1978, shortly after the new Spanish constitution had been ratified. On 19 December, the Council of Ministers gave the green light for the opening of negotiations. After a year and a half, in July of 1980, talks were de facto put on ice because Giscard d’Estaing insisted that an understanding on reform of the Common Agricultural Policy and an increase in the Community budget had to be reached first. Neither did talks make much progress after the French presidential elections of May 1981; at the European Council in Brussels in June of 1982, Giscard’s successor Mitterrand insisted once again on a comprehensive solution to all questions associated with expansion. Paris regarded expansion of spending on the Common Agricultural Policy to be the solution to the problem of Iberian competition; neither Bonn nor London was prepared to accept that, however. Nor did Spain’s entry into NATO on 30 May 1982 suffice to break the opposition.

A way out of the crisis in negotiations first manifested itself when Socialist Prime Minister Felipe González, victor of the Spanish parliamentary elections of 2 December 1982, increased the moral pressure on Paris and Bonn. At the Stuttgart meeting of the Council on 18 and 19 June 1983, a reform of the Common Agricultural Policy was approved that led to the passage of a market for fruit, vegetables, and olive oil. At the same time, Schmidt’s successor Helmut Kohl agreed in principle to a hike in the percentage of the value-added tax received by the Community, a source that in the meantime had grown to more than half of its total revenue. One year later, at the Council meeting in Fontainebleau on 25 and 26 June 1984, an increase in the value-added tax percentage from 1.0 to 1.4 percent was agreed upon. In return, Mitterrand gave his approval to a definitive roadmap for entry negotiations. Under the pressure of an ultimatum from Papandreou, who had become head of the Greek government in October of 1981, an “Integrated Mediterranean Program” of the Community was issued that envisioned nearly three billion ecus for promoting modernization in southern France, Italy, and Greece.

With those safeguards in place, negotiations with Portugal and Greece could then be carried to a conclusion at high speed. The treaties signed in Lisbon and Madrid on 12 June 1985 envisioned a seven-year transition period for Spain and ten for Portugal. For the Spanish steel industry, Spanish fruit, and olive oil, transition periods of up to seven additional years were agreed upon. Access by the significant Spanish fishing fleet to territorial waters of other members was even quantitatively limited for a period of seventy years. The escudo and peseta were incorporated into the basket of currencies for calculating the ECU, but participation in the exchange-rate mechanism of the European Monetary Union was
deferred until a later date. So, on 1 January 1986, the number of member states in the Community rose from ten to twelve.35

Despite the long delay and the difficult compromises, the process of democratization and Europeanization succeeded in all three new member states. It was accelerated during the transition phases along the lines of harmonization with the political structures of Western Europe and catching up on economic development. After taking power in Greece, Papandreou led the originally anti-imperialist oriented PASOK to support EC membership aggressively. Not even the return to the military organization of NATO in October of 1980, which Karamanlis had pushed through due to the lack of European defense structures, was called into question any longer. In Portugal, the prospect of membership made the constitutional reform of 1982 possible, which freed the democratic institutions from the tutelage of the Revolutionary Council and its socialistic program. The conviction that the future of the nation lay in the European Community grew stronger and was henceforth part of the national self-understanding. In Spain, Prime Minister González, supported by a comprehensive national consensus, was able to transition from the battle for entry to the battle for further developing the European Community. The concept of a strong Spain within a strong Europe advanced to a guiding principle of Spanish policy on Europe, contributing to the country’s identity.

At the same time, the experience of the stabilization of the southern European democracies strengthened the awareness that the European Community was more than an association devoted to economic benefit. The perception of responsibility for the democratization of the Southern European states underscored that the integration of the Germans after the collapse of the National Socialist regime had not been a one-time task but rather belonged to the core function of creating the prerequisites for the durability of democratic orders. Given that the European Union was largely alone in carrying out this function now—in contrast to the German case—and that it was in the beginning undertaken even in a certain contrast to tendencies in US policy, the EC was strengthening its claim to be an autonomous actor in international politics. This double experience flowed together into the concept of the “civilian power Europe” that now became popular: The perception of the European Community as an international actor that did not wield influence due to military might but rather thanks to the com-

bination of an attractive civilization and targeted employment of its economic means. The report on the significance of the southern expansion, presented by the Commission in 1984, tellingly was prepared by François Duchêne—a political scientist who had in 1973 already interpreted the EC as “a power for the international spread of civil and democratic standards.”

The concept of civilian power was not applied to Turkey, however. The Turkish government reacted to the Greek application for entry with a demand for equal participation in European Political Cooperation (EPC). Turkey wanted to ensure that at least the provisions of the supplementary protocol to the association agreement, having taken effect in 1973, would be carried out in accordance with the Turkish interpretation: Only a gradual reduction of protective tariffs for Turkish industrial products over a period of twelve years and for approximately forty-five percent of EC exports over no less than twenty-two years; a gradual reduction of limits on imports of Turkish agricultural products, also over a period of twenty-two years; incremental establishment of free movement for Turkish labor over twelve years; financial assistance, the extent of which was to be re-determined every five years. The Council of Ministers rejected this request as wholly inappropriate, however; in light of the financial burden that the southern expansion already entailed, no political majority could be found in any member state for the idea of compensating for the increased support of Greece by spending more on the development of Turkey. On the contrary: When for once a Turkish product—cotton textiles—enjoyed success in the European market, Great Britain limited imports. The Federal Republic sought to avoid the pledge to accept more guest workers, and in general, the Mediterranean policy of the EC, especially the 1975 free-trade agreement with Israel, devaluated the loosening of import limits and the financial assistance agreed upon in the supplementary protocol. When the Turkish military reacted to the increasing inability to form a stable government in September of 1980 by staging another coup, political contacts were suspended by the European Parliament and the Commission and financial assistance frozen.

This perpetuated a vicious circle that had burdened Turkey’s approach to the European Community since the beginning of negotiations on the association treaty: On the one hand, there was a lack of consensus among the governments

of the Community as to what was the actual goal of the association; while on the other, a coherent and long-term strategy for Europeanization was lacking in Turkey. The conviction that “Turkey is part of Europe,”37 which to the Adenauer government and the Hallstein Commission, for example, had still been completely obvious, retreated wholly into the background. That this occurred precisely at the time that the European identity of the Community was gaining depth of focus is not without a certain tragic element. The path out of the isolation in which Turkey had fallen in the early 1980s would be extremely arduous.38

The Defense of Détente

Whereas the European Community was distinguishing itself as a civilian power, progress on Common foreign and defense policy did not materialize. Regular meetings of EPC and the European Council did ensure that there was an increasing European socialization among the foreign-policy actors as well as the development of common standpoints, not only in regard to southern expansion but also to conflicts in Africa, relations with Latin America, and the crisis in Iran after the fall of the shah in the winter of 1978–79. The European Council of Venice in June of 1980 strengthened the autonomy of European Middle East policy in that it recognized the right of the Palestinians to self-determination and characterized the Palestinian Liberation Organization (PLO) as their legitimate representative.39 The central question of military autonomy was omitted, however. This was on the one hand the result of the Labour government’s rejection of a common foreign policy, a stance that remained unchanged after confirmation of the decision for entry. On the other hand, the defense expert Schmidt, socialized as an Atlanticist, did not regard European autonomy as a high-priority goal; and Giscard d’Estaing was for the time being busy dismantling the anti-American points of French European policy.

However, the problems resulting from the one-sided dependence of Western Europe and especially of the Federal Republic on the US and the inadequacy of a purely nationally-defined defense strategy, which de Gaulle had in the end retreated into, led Schmidt and Giscard to aim for a common European defense strategy. According to Schmidt’s testimony—not contradicted by Giscard—it was the French president who made the first step here in the search for a common foreign policy for the Nine, doing so because of discomfort over the status quo in French defense policy, which the self-appointed heirs of the general had elevated to a dogma. Schmidt responded with a series of analyses and proposals, and over the years, a thoroughgoing dialogue developed out of this, which was mostly carried on privately by the two leaders due to its delicate nature.

Schmidt summarized these conversations:

I presented to my friend primarily three security-policy aspects: Firstly, the undesirable, excessive dependence of the Federal Republic on the US, which was unavoidable owing to the refusal of French participation in a common defense organization. [...] Secondly, I emphasized my conviction that French troops and the reserves that could be mobilized, combined with German troops and their reserves, would by themselves almost be sufficient to deter the Soviet Union from any conventional attack on Europe. In doing so, I called Giscard’s attention to the neglect of France’s conventional armed forces, which has been seen for about fifteen years in terms of weapons and equipment but also in terms of the psychological handling of the army. Thirdly, I pointed out the dangerousness of NATO’s military plans. How there was a feeling of being severely inferior to the Soviet armed forces in conventional terms, and in the event of a military conflict, there was a desire to answer very early with so-called tactical nuclear weapons; a nuclear detonation on German soil would however immediately shake any further German willingness to resist, regardless of whether it were an American, English, or French nuclear weapon. The French conception of a glacis east of the Rhine that the Germans would defend therefore rested on very dubious theoretical considerations.40

Influenced by Schmidt’s arguments, Giscard made adjustments to the French defense policy. In May of 1976, General Guy Méry, chief of staff of the French Army, publicly announced the possibility of French participation in a “forward defense” by NATO, that is, a combat mission on German soil and also a phase of conventional warfare before nuclear weapons were employed. Regarding the use of tactical nuclear weapons, top-secret negotiations were carried out with the US that resulted in an agreement in 1979. At the same time, with American support, strategic missiles and cruise missiles were developed that could reach Soviet territory, in contrast to the Pluton missiles that had been ordered by Pompidou and deployed since 1974. In the budget planning for 1977–82, funding for conventional

40 Schmidt, Die Deutschen und ihre Nachbarn, pp. 170ff.
arms and especially for land forces were increased at the expense of the nuclear component. Lastly, a program for modernizing the French forces stationed in the Federal Republic was begun in 1980. At the Franco-German summit of 4 and 5 February 1980, the construction of a joint Franco-German tank was announced.

Giscard was not prepared to do more, however, such as make a public guarantee of intervention in the event of an attack on the Federal Republic or embark upon a new initiative to develop a European defense structure. The opposition of the Gaullists in the military and in politics was too strong for that. Even Méry’s cautious distancing from the concept of a “force de frappe” that was focused solely on protecting national territory ended up generating such a large amount of polemical criticism that Prime Minister Barre felt compelled in a speech on military doctrine a year later to speak only very generally of “neighboring and allied territories” for which “the concept of deterrence was likewise [to be] employed.”

There was no review of the contradiction between European-oriented praxis and a still nationally-defined doctrine.

As a consequence, in resolving the most urgent security-policy task at hand, Schmidt and Giscard stayed with the traditional division of labor between the autonomy of France and the Atlantic integration of the Federal Republic. This consisted of finding an appropriate response to the modernization of Soviet medium-range missiles targeting Europe. Schmidt feared a decoupling of Europe from the American security guarantee because the new Soviet weapons—designated SS-20 in the West—were to be deployed in the winter of 1976–77 and, in contrast to the previous generation of medium-range missiles (SS-4 and SS-5), would be capable of neutralizing nuclear weapons stationed in Europe with little warning time. In order to banish the danger of decoupling, he demanded—first at the NATO summit in May of 1977—that the next round of arms control talks include weapons systems below the strategic level of the intercontinental weapons with which the Soviet Union and US threatened one another.

Giscard d’Estaing was initially very hesitant about this demand because the negotiations on the so-called “Euro-strategic” weapons threatened the expansion of French medium-range systems to which he had just committed himself. At the Franco-German summit of 14 and 15 September 1978, he recommended to

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Schmidt the alternative of stationing American medium-range missiles in Europe that could reach Soviet territory. This did not please Schmidt: In his view, it would be problematic to contribute to the arms spiral; moreover, domestic approval for the proposal would be difficult to gain. Brezhnev paid a state visit to the Federal Republic during the first week of May and showed no openness at all to his host’s call to limit the arsenal of medium-range weapons. After this, Schmidt regarded the threat of such an American deployment as an appropriate means by which to compel the Soviet side to concede. He was aware that, depending on circumstances, that threat might actually need to be carried out. He still regarded the deployment as the second-best solution and, furthermore, saw good prospects for the threat to work.

This was the solution that would come to be known as “upgrading” and would go on to be passionately debated in public. It was decided in principle at an intimate meeting of Carter, Callaghan, Giscard, and Schmidt, which the chancellor had requested in early October and which—in order to take French sensitivities into account—took place on the French Caribbean island of Guadeloupe from 4 to 6 January 1979. Here, Carter offered the production and deployment of Pershing II missiles, which could reach the Soviet Union at least from German territory and which could be ready for deployment in four years. Schmidt accepted this offer but, along with Callaghan, emphasized that there first had to be negotiations on limiting medium-range missiles. Giscard highlighted the fact that the West would not have a bargaining chip without the new weapon systems, and so he demanded a limit on the negotiation offer to the four years that would be needed for the Pershings to be ready for deployment. Beyond that, he insisted that the modernization of the French nuclear arsenal not be hindered by the talks.43

The emphases of Schmidt and Giscard were thus very divergent: Whereas for the West German chancellor it was primarily a matter of reducing Soviet medium-range missiles, the French president was above all concerned with the expansion of his nation’s own medium-range arsenal. Both goals were included in the “double-track decision” passed in Brussels on 12 December 1979 by the foreign ministers and defense ministers of NATO in support of carrying out the basic agreement reached on Guadeloupe: There were to be negotiations to the end of 1983; if no satisfactory results had been achieved by that time, then 108 Pershing II missiles and 464 cruise missiles were to be deployed. Along with the Federal Republic, Italy agreed to accept the weapons; Belgium and the Nether-

lands made their acceptance dependent on the results of negotiations. This was a rather unequal deal insofar as the chances of successful negotiations were lessened not least of all by the fact that French and British nuclear weapons were not to be included. In French public opinion, there predominated a feeling of relief that their country's autonomy had been maintained as well as the Germans' link to the West, whereas in the countries where deployments might occur—and especially in the Federal Republic—fear spread of a new arms race and a lowered threshold for nuclear war.

The divergent priorities in the double-track decision did not prevent Schmidt and Giscard from working closely together in defending détente policy against American overreactions and thereby bringing the Europeans' autonomous role in the East-West conflict into sharper relief. Both had been in agreement in seeking to persuade Carter to give up his bold public denunciation of Soviet human rights violations—Giscard doing so in an attention-getting interview in the American magazine *Newsweek* in September of 1977 and Schmidt with forceful reproaches in private conversation. Along with their partners in EPC, both leaders also sought to prevent the Carter administration from having the follow-up gathering of the Conference on Security and Co-operation in Europe (meeting from October 1977 to March 1978 in Belgrade) devolve into nothing more than a tribunal against Eastern human rights violations. They were not very successful. They did however manage to have the Belgrade meeting end with a declaration proclaiming the desire to continue the dialogue of détente and to hold at least one more follow-up conference. The European governments could link up with that in their bilateral talks with the East Bloc states, and they in fact did so.

When Carter reacted to the entry of Soviet troops into Afghanistan at Christmas time in 1979 by suspending both the détente dialogue and ratification of the SALT II Treaty, Schmidt and Giscard once again made efforts toward moderation. In a joint declaration at the close of the Franco-German summit of 4 and 5 February 1980, they characterized the Soviet intervention as “unacceptable.” However, their warning to the Soviet side confined itself to the statement “that détente would not be able to survive another blow of that kind.” That was indeed an accurate analysis, but it also carried the message that, unlike the American president, Bonn and Paris did not want to deviate from their détente course. There followed the barely veiled suggestion that under the current circumstances it was the European powers that ought to take on special responsibilities. On French televi-
sion, Giscard characterized this declaration as the “clear date of the reappearance of Europe as a new center of influence and decision-making in world politics.”

In fact, the Nine did not participate in the comprehensive trade restrictions that Washington imposed on Moscow as “punishment.” Only the Federal Republic responded to Carter’s call for a boycott of the Summer Olympics in Moscow, doing so only after strong domestic disputes and out of a concern to avoid damaging the Western alliance any further. At the urging of Polish Prime Minister Edward Gierek, Giscard went to Warsaw on 19 May to meet with Brezhnev in order to warn him of the consequences of a Soviet intervention in Poland. In order to move the USSR to negotiate on limiting medium-range missiles, Schmidt accepted a Soviet invitation to visit Moscow on 30 June. Each leader’s mission was discussed with the other in advance, and both proved successful in the end: Moscow shrank back from the idea of military intervention against the Solidarity Movement, and Brezhnev proposed on 21 August that negotiations be started on medium-range missiles. Carter had no easy way of rejecting the offer out of concern for the cohesion of the Western alliance, and so negotiations began on 16 October in Geneva on “Euro-strategic” weapons.

Schmidt and Giscard thus provided one another support in the détente crisis unleashed by the Soviet decision to intervene in Afghanistan. Schmidt’s journey to Moscow protected Giscard from Mitterrand’s accusation that he was making himself into Brezhnev’s “errand boy,” and Giscard’s journey to Warsaw could be pointed out to those who saw in the chancellor’s action only another attempt to curry favor with Moscow for the sake of German reunification. The pressure that Carter exerted on both leaders fizzled absent sufficient resonance in France and the Federal Republic. Schmidt and Giscard had thus secured for Western Europe an influence over containing the “second Cold War,” an influence that neither the Federal Republic nor France could have gained by itself. Schmidt confirmed this in retrospect: “Alone, I would without a doubt have been much more circumspect.”

In their joint resistance to American pressure, Schmidt and Giscard also found themselves stronger when working together on the issue of European defense. The chancellor was clearly able to convince his friend that preserving the French medium-range arsenal would not spare France the consequences of

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a nuclear exchange on German soil and that he expected a quid pro quo for the exclusion of French and British nuclear weapons from the sought-after negotiations. In any event, the two agreed on a Franco-German defense alliance in July of 1980 that in essence amounted to adding an autonomous European pillar to NATO. According to this agreement, the Bundeswehr was to refrain from acquiring tactical nuclear weapons and instead expand its conventional capacities significantly over five years and, along with the French armed forces, become part of a joint high command. In this way, a force was to develop that when mobilized could within one week comprise some eighteen German and twelve French divisions. That would facilitate a reduction of American forces in Europe and offer a promising prospect of “defending the western portion of Central Europe” without resort to nuclear weapons. In return for the expansion of the Bundeswehr and the Federal Republic’s contribution to the cost of modernizing the French Army, Paris was to expand the mission of its nuclear force de frappe “by unilateral declaration to the protection of Germany too.” The French president would continue to have sole decision-making power over use of the force de frappe; the West German chancellor was to receive a veto right over the use of tactical nuclear weapons, however.50

Overall, France was therefore to Europeanize its defense strategy, while the Federal Republic was to free itself from being merely subsumed within the American defense strategy. To what extent this implied a return of France to the military organization of NATO or a modification of the decision-making mechanisms in the Western alliance remained unclear and was not fully negotiated by Schmidt and Giscard. What was primarily important to them was that their approach could raise the nuclear threshold in Europe and that the West Germans would be offered a version of the French nuclear concept that they could back. Both may additionally have helped contain West German anxiety over a nuclear confrontation and thus preempt any tendencies toward neutralization. European autonomy within the Western alliance would thus gain substance, and the extension of this dual alliance to the other members of the Community would accordingly be only a matter of time.

It was the case however that significant opposition had to be overcome in order to push this project through. It did not fit with the dogma of the closest possible interweaving of American and West German security that was accepted

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by large segments of the FRG’s military establishment and that was also popular with the West German public—and, in the final analysis, with the French public too. It was also not readily compatible with the détente policy approach of Egon Bahr, an approach that promised possibilities for German reunification primarily through reducing conventional forces in Europe and that therefore had placed great hope in the negotiations on Mutual and Balanced Force Reductions (MBFR) in Vienna. Above all, however, the project threatened the illusion of French independence, to which the guardians of Gaullism in the military and politics clung, along with an overwhelming majority of the French populace. If the US administration were to engage in mobilizing the various forces opposing the project, there was thus a good chance of derailing it.

After having successfully warded off an attack by Carter on his détente policy at a meeting of the G-7 in Venice on 22 and 23 June, Schmidt was committed to facing this new challenge too. He speculated that “the waywardness of two American presidents” would certainly contribute “to understanding in European public opinion for the necessary adjustments.” For his part, however, Giscard feared that the project of a Franco-German military treaty with such far-reaching implications might reduce his chances of re-election in the coming spring. He therefore asked Schmidt to postpone the working out of the treaty until after the vote and to do nothing beforehand to unsettle French public opinion. The treaty on the formation of a military alliance was then to be signed on the twentieth anniversary of the Élysée Treaty, that is, 22 January 1983. Schmidt perforce agreed to this but warned against waiting too long: “My time in office has its limits.”

The only initiative that Giscard d’Estaing wanted to get underway before the French presidential elections in April and May of 1981 was the proposal for a “Conference on Confidence- and Security-Building Measures and Disarmament in Europe.” This fit with the new European defense concept in that it was only to involve talks on conventional armaments. In contrast to MBFR, this new initiative was to include Soviet territory up to the Urals. The proposal was strongly supported by Schmidt and was put forward in November of 1980 at the beginning of talks at the Madrid CSCE Conference. It was finally able to win approval there. On 17 January 1984, the negotiations for this new initiative opened in Stockholm.

51 Soell, Helmut Schmidt, pp. 751–761.
52 Schmidt, Die Deutschen und ihre Nachbarn, p. 171.
53 Ibid., p. 284.
After the French presidential elections, the project of a military alliance was put on the back burner. New President François Mitterrand, who had little foreign policy profile, was initially against any privileging of his West German partner above his other allies. In his circle, the priority was especially on an understanding with Britain, in accordance with tradition. In terms of security policy, he reverted to a “force de frappe” doctrine that envisioned use of French nuclear forces only in the event of a direct attack on French territory and that limited French engagement in the defense of the Federal Republic to the conventional realm. This was however expanded by the establishment of a “rapid deployment force”; at the same time, links to NATO mission planning were cut back.\textsuperscript{55}

At the beginning of 1982, on the occasion of regular Franco-German consultations, Mitterrand conceded to Schmidt “a thorough exchange of ideas between the two governments on security issues.” Since then, talks have been conducted between the foreign ministers and defense ministers of the two countries on a regular basis, as had been envisioned in the Franco-German Treaty. Furthermore, a Franco-German Security and Defense Commission was established, made up of the chiefs of the general staffs and the Political Directors of both foreign ministries.\textsuperscript{56} In terms of content, however, these talks made hardly any progress. When the foreign ministers and defense ministers gathered for the first time in October of 1982, the social-liberal coalition had just broken apart, with Helmut Kohl having become the new chancellor. The project of a military union now lacked a driving force on the West German side as well: What Kohl primarily conceived of as Franco-German military cooperation was only the return of France to NATO military integration—also a wholly-traditional position. What had made the concretization of plans for a European defense much easier—limiting the dialogue to the smallest circle around both top politicians—proved to be the decisive hindrance in carrying out such plans now that both leaders had lost elections.

In a spectacular way, Mitterrand advocated implementation of the decision for an “upgrading” of intermediate-range missiles in a speech before the Bundestag in January of 1983. In doing so, he was expressing the French interest in the Federal Republic’s linkage to American defense strategy as clearly as his own persistence in the ideology of France’s independence in security policy.\textsuperscript{57} He was clearly unaware that neither the one nor the other could be harmonized with the development of a security-policy identity for Europe. In contrast to Giscard, he was not prepared to pay a price for preventing the feared drift of the Federal


Republic into neutrality. When Schmidt presented the bigger picture to him at a private meeting in June of 1983, his reaction was cautiously positive. He could not however bring himself to the decisive concession: a French nuclear guarantee for the Federal Republic.58

Not even the decision for jointly building a battle tank was carried out. Mitterrand did indeed push hard for its realization, but the West German arms-industry lobby as well as the budget-policy experts opposed it. In France, a new tank would be necessary by 1990, while that need would not arise in the Federal Republic until 1995. Additionally, there were fears in the Federal Republic of losing the export market for the successful “Leopard” battle tank; from the perspective of competition, there was also opposition to technology transfers to France. Given that the political justification for the project—the military union—had slipped from sight, German opponents of the decision of February 1980 were finally able to win out: The defense committee of the Bundestag halted development of the Franco-German tank in February of 1982.

What remained was the shared will to continue détente policy. Schmidt and Mitterrand were in agreement on putting up a fight against the demand by US President Ronald Reagan to reduce East-West trade in order to discipline the Soviet Union. The two leaders prevailed on the issue of constructing a natural gas pipeline from the USSR and also refused to expand the list of security-sensitive goods that could not be exported to the Eastern Bloc. When a storm of outrage erupted in French public opinion over the allegedly too feeble respond of the West Germans to the imposition of martial law in Poland in December of 1981, Mitterrand publicly emphasized that the views of the two governments were in accord. Both Bonn and Paris rejected the economic sanctions against the Soviet Union that Reagan had imposed in response to the ban on the Solidarity movement. When in June of 1982 the sanctions were extended to technical equipment needed by the Europeans for the construction of the natural gas pipeline, the EC foreign minister condemned the American action as “unacceptable for the Community.”59

This solidarity continued after Helmut Schmidt had been replaced by Helmut Kohl. Hans-Dietrich Genscher, who remained in the role of foreign minister in the new coalition, had Kohl’s support in advocating a declaration by the heads of state and of government of the Community affirming the goal of the “independence of Europe” in world politics. The “proposal for a European Act,” for which they were seeking support from the partner governments, aimed “by means of a common foreign policy and common presence and action of the member states in

the world to make it possible for Europe increasingly to take on a global political role in accordance with its economic and political weight.”

**Thatcher, Genscher, and Colombo**

Great Britain kept back from the new discussion over “the idea of a strong Europe that takes on its responsibility to the full extent.” It was not only Callaghan who rejected stronger institutionalization and common foreign policy or an autonomous defense. Margaret Thatcher, who in 1975 had replaced Edward Heath as leader of the Conservatives and who had won parliamentary elections in May of 1979, also opted in a wholly-traditional way for national independence and close connections with the US. The “hard” attitude toward the Soviet Union that Carter had taken since the beginning of 1980 fit well with her temperament. Accordingly, she not only reduced diplomatic communication with Moscow but also publicly criticized Giscard’s insufficient support for the new American course. She got along famously with Carter’s successor Ronald Reagan.

Instead of developing a common foreign policy, Thatcher concentrated at the beginning of her term on the problem of British net payments to the Community, as it was presented to her by representatives of the British Treasury, which was critical of the EC. Thatcher was not an opponent of British membership. In regard to the European Community and its further development, she behaved like “an agnostic who continues to go to church,” as Christopher Soames once remarked. On the one hand, this led her to a series of initiatives for reconfiguring the Community according to her views. On the other, she also repeatedly let herself be seduced into sharply anti-European rhetoric, which brought her into conflict with various cabinet colleagues and thwarted her initiatives.

She took up the problem of net payments because, as things turned out at the end of the British transition phase, it had not been resolved by the “self-correcting mechanism” that Wilson had won from his partners: Thanks to North Sea oil reserves that had in the meantime been opened up and the resultant strengthening of the British pound, the UK’s gross national product per capita never

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63 Young, *Blessed Plot*, p. 311.
sank below the threshold of eighty-five percent of the average of the member states, which would have triggered limits on the country’s contributions to the Community. Because Britain continued to import more food and industrial products from third countries outside the Community and because its agricultural sector received few subsidies due to modernization and production in line with the market, the UK ended up paying approximately twice as much in tariffs and levies to the Community budget as it received from the Community. The Treasury calculated the expected difference as one billion pounds for the year 1980. The UK was thus the largest net payer into the Community, ahead of the Federal Republic, even though Britain’s per capita GNP had already fallen behind those of countries such as France, Denmark, and the Netherlands.

Thatcher perceived that as a glaring injustice. With little sense for the economic and political gains that her country could derive from the Community, she demanded nothing less than a balance between payments and benefits. Her mantra became “I want my money back,” which made for good publicity and which she repeatedly held against her partners. Schmidt and Giscard were confronted with this during their first encounters with the new prime minister, the other leaders of the Nine having to hear it at the first Council meeting in which she took part. When the Commission responded at the next Council meeting, in November of 1979 in Dublin, by presenting a modified distribution proposal that amounted to a reduction of British contributions by 350 million pounds, she rejected it as completely unsatisfactory. The partners in turn found that highly inappropriate, and so the Dublin Council meeting ended in an argument. Schmidt and Giscard were greatly annoyed by the endless tirades from the “grocer’s daughter.”

After tempers had once again cooled, the partners made significantly greater concessions to British demands. Schmidt especially regarded those demands as partially justified. Under his influence, the British were offered a deal at the next Council meeting, in Copenhagen in April of 1980: The UK’s contribution for the years 1980 and 1981 would be capped at the average amount from 1978 and 1979. That meant a reduction of some 760 million pounds. To the partners, this seemed to be a generous offer. British Foreign Minister Lord Carrington, State Secretary Michael Pallister, as well as Commission President Roy Jenkins urgently advised Thatcher to accept it. She once again refused any compromise, however, and this Council meeting too ended without result. At the end of May, Carrington did agree to this offer at a meeting of the Council of Ministers with the provision that the prospect also be held out of reducing the British contribution for 1982 and that the

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64 According to the characterization by a member of Giscard’s staff; Jenkins, European Diary, pp. 528–531. Cf. ibid., pp. 464–466 und Jenkins, A Life at the Centre, pp. 494–500.
Commission be given the task of developing a permanent solution. That was still not acceptable to Thatcher. Only after Carrington and foreign-policy parliamentary speaker Ian Gilmour threatened to resign did she agree to the interim solution.65

The Commission, since January of 1981 under the chairmanship of Gaston Thorn, made use of this opportunity to present a comprehensive reform program that overtly combined necessary adjustments to the Common Agricultural Policy with the expansion of intervention into other economic sectors. According to their report of 24 June 1981, agricultural expenditures were to be reduced by capping the subsidies when full supply was reached and then incrementally harmonized with world market prices. At the same time, the Regional Fund and the Social Fund were to be augmented. Thirdly, economic recovery was to be promoted through the expansion of the European Monetary System, increased investment in research and development, common energy-saving programs, and further harmonization of the rules of competition. Taken together, these measures were also to lead to a more uniform distribution of Community financial resources. Until that point had been reached, Great Britain was to receive compensation based on its percentage share of the GDP of the Community. In order to finance all this, the report declared that it was indispensable to increase the Community’s share of the value-added tax from the then-current one percent to two percent.66

There was no agreement on this program, however. Mitterrand did support the increase in the portion of the value-added tax but rejected the reduction in guaranteed agricultural prices. It was the other way around with Thatcher, who was in agreement with cutting agricultural expenditures but opposed to any expansion of the Community budget. Schmidt joined in: Having in the meantime become the only net payer, he regarded the praxis of subsidy apportionment in the Community with great skepticism. Commission President Thorn was not in a position to break the two-way blockade: As a representative of the smallest member state and as a liberal without backing from any of the large party networks, he had difficulty simply bringing the Commission together on a unified course. He was all the less successful in getting the heads of state and of government to commit themselves to compromises, as Ortoli and Jenkins had previously been able to.

Thorn was forced to look on powerlessly as Thatcher sought to compel decision-making in line with her views by having her agriculture minister, Peter Walker, block the routine raising of agricultural prices for the production period 1982–83 over several months. This British extortion attempt could only be put to an end when France separated the Federal Republic from the bloc of those opposing

increases. On 18 May 1982, the Council of Ministers summarily determined the agricultural increases by majority vote. Claude Cheysson, Mitterrand’s foreign minister who had previously served eight years as a commissioner in Brussels, curtly declared that the issue of agricultural prices did not involve vital national interests; and so Great Britain would not be able to cite the Luxembourg Compromise.

As punishment for behavior hostile to the Community, Thatcher had to accept that the reduction of the difference between contributions and subsidies for 1982 ended up somewhat lower than it had for the previous two years. In 1983, she had to fight hard once again in order to emerge triumphantly from the Stuttgart Council meeting of 18 and 19 June with the declaration “I have my check.” Yet this too was nothing more than a temporary arrangement for one year. The British contribution question continued to poison the atmosphere and, along with the difficulties in negotiating with Spain and Portugal, contributed once again to the impression that the Community was unable to act or reform itself.

That impression became all the more persistent when, parallel to Thatcher’s campaign for repayment, West German Foreign Minister Hans-Dietrich Genscher undertook an initiative to strengthen Community institutions. He was dissatisfied that Schmidt had so quickly accepted Giscard’s about-face on the issue of expanding the rights of Parliament and that the decision of the Paris summit of December 1974 on dispensing with unanimity in the Council had more or less been forgotten. The foreign minister also regarded it as necessary to make the European autonomy practiced by Giscard and Schmidt multilateral so as to give it a more stable basis. In general, Genscher was seeking to make the integration process dynamic once again and to work precisely against the impression of a stalemate on Europe policy, which had resulted from Thatcher’s campaign for repayment.

To this purpose, a plan for a “Treaty on European Union” was developed in the Europe Department of the West German Foreign Office during the spring of 1980. This was to strengthen the political goal of European unity, better coordinate established activities, and highlight possibilities for further development within a readily comprehensible framework. In other words, it was a matter of now making decisions on those parts of the Tindemans Report that—in contrast to direct elections and the monetary union—had remained in limbo up to that point. Genscher took up this proposal in early 1981 and did so publicly, given that he was chairman of the smaller coalition partner and was eager for the opportunity to have the Free Democrats distinguish themselves in the area of European policy. In a speech at the traditional meeting of the FDP in Stuttgart on Epiphany (6 January 1981), he declared that it was “finally time” for such a treaty. As goals of the European Union, he cited “the development of a common European foreign

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policy, expansion of Community policy in accordance with the Treaties of Paris and Rome, coordination in the realm of defense policy, closer cooperation in cultural matters, and the harmonization of lawmaking.\textsuperscript{68}

Genscher’s initiative was taken up at once by Italian Foreign Minister Emilio Colombo. This Christian Democrat, who had long been an important figure in Italian politics, not only saw a chance to strengthen European institutions, a goal toward which he had already worked as president of the European Parliament from 1977 to 1979. He also welcomed the prospect of breaking up the Franco-German duopoly in formulating European foreign policy so as to have greater influence over shaping it. Two weeks after Genscher’s speech in Stuttgart, Colombo joined in the call for a union treaty during a speech in Florence. Thereafter, he met repeatedly with the West German foreign minister in order to exchange ideas about the contents of such a treaty.

Reactions were less enthusiastic in the other capitals. Giscard d’Estaing envisioned attacks on him once again for selling out national sovereignty, attacks that he absolutely did not need before the presidential elections. After those elections, Mitterrand was first of all concerned with preventing his European partners from intervening in the socialistic economic program of the new government. A plan for creating a “great European social space,” presented to the public on 13 October by French Europe Minister André Chandernagor, explicitly envisioned “no kind of institutional innovation” and unmistakably distanced itself from an “always somewhat unrealistic over-all concept.”\textsuperscript{69} Lord Carrington did signal interest in increasing foreign-policy cooperation, but he too was cool toward the notion of further institutional development.

Schmidt viewed these hesitant reactions as confirming his skepticism regarding the chances of achieving this initiative—and thus also his skepticism regarding its utility. When Genscher presented his draft treaty to the West German cabinet on 18 September, he also ran into opposition from Defense Minister Hans Apel, who was not pleased with the proposed expansion of foreign-policy cooperation into the realm of defense policy. After thorough discussion, a majority of the cabinet decided that it would not be possible to win acceptance for a new treaty that would be binding in international law. Genscher was only given permission


\textsuperscript{69} Jahrbuch der Europäischen Integration 1981, pp. 505–519.
to negotiate on a “political declaration of principle” whereby the heads of state and of government were to implement the pledges of the 1972 Paris summit. There was not to be any mention of establishing a separate council for defense-policy issues, which Genscher had previously advocated.\(^{70}\)

Nonetheless, in order to give the initiative as much gravity as was still possible, Genscher and Colombo decided to present it as a joint initiative of the governments of the Federal Republic and Italy and to raise the status of the sought-after declaration of principle rhetorically through use of the name “European Act.” On 4 November, they presented a joint draft. This reinforced the desire for a common foreign and security policy, completion of the internal market, and further development of the European Monetary System. New realms of cooperation cited in the document were culture, the legal system, and domestic security. In terms of institutions, it envisioned the creation of a secretariat for EPC, semiannual reports by the European Council to Parliament, ratification of international treaties by Parliament, and a commitment to restraint in using the veto right in the Council (those making use of the veto were to justify it in writing). Beyond this, the draft contained a declaration that the agreements would be reviewed after five years. If that review was positive, then a legally-binding treaty would be concluded.\(^{71}\)

The European Council put off the proposal for the time being. In an \textit{ad hoc} committee created at the Council meeting in London on 27 and 28 November, the various doubts were articulated about institutional augmentation and expanded content. When the Council of Ministers took up the matter on 20 June 1982, Genscher and Colombo did not succeed in dispelling those doubts. Only after Kohl had become chancellor in October of 1982 and had made the “European Act” a core component of his European policy did the project gain momentum. As leader of the opposition, he had made intensive efforts to develop the transnational Christian Democratic network of the “European People’s Party.” Hence, he eagerly made use of the opportunity right at the beginning of his chancellorship to distinguish himself in European politics and so approached Mitterrand with this intention. “I was of the firm conviction,” he wrote in retrospect, “that I should dare to take the decisive step on the way to the political unification of Europe in this decade.”\(^{72}\)


He benefited from the fact that in the first half of 1983 it was the turn of the Federal Republic to chair the Council. In the third week of March, he made it easier for Mitterrand to remain in the European Monetary System by pushing through another increase in the value of the mark parallel to the devaluation of the franc and the Italian lira; Kohl did this against the advice of most of the finance ministers and central bank governors. Then, he made use of the trust he had thereby gained in Mitterrand’s eyes to convince the French president to commit to a series of weakened formulations along the lines of the Genscher-Colombo program. The result of their agreements was the “Solemn Declaration on European Union,” which the European Council passed at its meeting in Stuttgart. At its core, this document was still only a declaration of intent regarding the deepening of existing interrelations and the development of new areas of cooperation. In contrast to the German-Italian proposal, there was mention of agricultural policy, social policy, and promotion of regional development; cooperation in the defense realm was limited to its “political and economic aspects.” In institutional terms, there was only the promise of circumspection in exercising the veto right and increased consultation of Parliament. In regard to treaties binding in international law, it was merely the case that official “positions” from Parliament would be necessary.\footnote{Europa-Archiv 37 (1982), pp. D420–D427.}

The value of this weakened form of the “European Act” was further restricted by unilateral declarations. No fewer than five of the ten signatories issued protocols that held to the necessity of unanimity in the Council of Ministers on so-called vital issues: France, Ireland, Greece, Great Britain, and Denmark. The last two of these states did not even want a commitment to justify use of the veto in writing. Additionally, the Greeks declared that their right to shape their foreign policy according to national interests could in no way be encroached upon; for their part, the Danes voiced reservations about six points of the declaration altogether.

Mitterrand’s approach to Kohl’s policies went beyond the basic commitment to a concerted expansion of the Communities and cooperation among the governments. After he had come to understand that the modernization of France could in the end be ensured only together with the Community and that for this reason, there was no alternative to close partnership with the Federal Republic, he was prepared in the run-up to the Stuttgart Council meeting to agree in principle to limiting the agricultural budget. The French government declared that it was in agreement with a process proposed by Bonn for reforming agricultural policy. This meant that, as already mentioned, a negotiation packet on reform of agricultural policy, the increase in revenue, and the definitive settlement of the British entry issue could be gotten underway at Stuttgart.
After the Stuttgart meeting, Kohl and Mitterrand intensified their telephone contacts and meetings; informal conversations between the top officials of both governments occurred more frequently too. In the third week of September, staff of the chancellor’s office and of the Élysée Palace met for a Franco-German seminar at Konrad Adenauer’s one-time vacation spot, Cadenabbia on Lake Como, in order to inform each other about their methods of work and their positions. Here, the unresolved questions of European politics were thoroughly reviewed “in the course of very open discussion.”74 In the process, it seems that Mitterrand’s understanding grew regarding the necessity of Europe for securing French independence. “We find ourselves between two empires that treat us like colonies,” he said to his advisor Jacques Attali. “What should one do to resist them, if not build Europe?”75 At the end of the year, Mitterrand replaced Europe Minister Chandernagor with his personal friend Roland Dumas, who quickly succeeded in establishing close contact with Genscher.

In this way, a whole series of points of Franco-German understanding was achieved. Over the winter of 1983–84, Paris and Bonn agreed on the production of a joint attack helicopter, several projects of technical-scientific cooperation within the framework of the Community’s ESPRIT research program, as well as a series of technical regulations for the dismantling of protectionism and imbalances in Franco-German trade. In May of 1984, an agreement was concluded that provided for the incremental dismantling of border controls for persons and goods moving between France and the Federal Republic. All these measures were intended to serve as models for extension to other countries of the Community.

Parallel to this, the two parties coordinated their stances on the Stuttgart negotiation packet. The agreement on agricultural policy was concretized to the effect that the price guarantee for milk was to be limited quantitatively; prices for agricultural products were to be generally frozen. In return, Bonn agreed to the incremental dismantling of the so-called currency equalization payments to West German agriculturists who exported to other Community countries. Regarding the portion of the value-added tax that the Community was to receive as revenue, the West German government would not accept a doubling, as the Commission had been seeking, but nevertheless would agree to a hike from 1.0 to 1.4 percent. Regarding British contributions, Mitterrand accepted in the end a reduction of

two-thirds of the difference between payments from the value-added tax and subsidies from the Community budget.

On the basis of these agreements, a solution to the budget problems—accumulating since 1979—could have been reached at the Council meeting in Brussels on 19 and 20 March 1984. The breakthrough that had been carefully prepared by Bonn and Paris did not materialize there because Margaret Thatcher was not content with the level of reimbursement of British payments to which Mitterrand had agreed. Given that receipts from tariffs and levies were no longer included in the calculation, the permanent settlement being offered was in fact significantly lower than the one-time payments of previous years. Thatcher found this all the less acceptable given that the portion of the value-added tax going to the Community was to rise by forty percent. Because she persisted in her demands with accustomed stubbornness, Kohl simply refused to negotiate further with her. The heads of state and of government went their separate ways without results.

Up to the time of the next Council meeting, set for 25 and 26 June in Fontainebleau, Mitterrand—who was then serving as Council president—sought out all the governments individually in order to align them with the compromise negotiated between Bonn and Paris. At the same time, he let it be known in several public utterances, most clearly in a speech before the European Parliament in Strasbourg on 24 May, that he was now prepared to have the project for a European Union as advocated by Genscher and Colombo put into the form of a treaty. Bonn and Paris privately agreed on an alternate plan if Mrs. Thatcher were to stick with her noncompliant attitude: In that event, the treaty on the European Union was to be completed without Great Britain and instead only among those countries willing to accept it. For this purpose, the staffs of the Élysée Palace and the chancellery prepared a joint memorandum to be presented at a conference to be called by Mitterrand outside the mechanism of the Council. The French president did not leave the British government in the dark about the fact that Bonn and Paris were seriously contemplating this alternative.76

The threat of a core Europe without Great Britain worked. It was the case that at the meeting in Fontainebleau, Thatcher did demonstratively show that she was unimpressed initially. When Mitterrand interrupted the talks on the second day of negotiations with the observation that he saw hardly any prospect of success, however, she suddenly gave in. In a conversation with the French president, she accepted a settlement that was only one percent higher than the position on which Bonn and Paris had agreed. Kohl consented to this under the condition that the Federal Republic, as the largest net payer, would need to shoulder only two-thirds of the British rebate and that the other members take on more on a per-

percentage basis. Further, he insisted that the hike in the portion of the value-added tax be linked to the conclusion of negotiations with Spain and Portugal; it was to be in effect from 1 January 1986.\footnote{On the course of the Council meeting in Fontainebleau, Genscher, Erinnerungen, pp. 369ff.; Jacques Attali, Verbatim I, pp. 658–660; Roland Dumas, Le Fil et la Pelote. Mémoires, Paris: Omnibus, 1996, pp. 330ff.; Young, Blessed Plot, pp. 322–324.}

After the budget problems that had been building up since 1979 had finally been solved in this way, the further development of the Community as discussed in the context of the Genscher-Colombo initiative could be taken up concretely. Aware of the alternate plans that Mitterrand and Kohl had prepared, Thatcher came to Fontainebleau with a paper entitled “Europe, the Future,” which indicated where Britain saw a need for development: in cooperation on foreign and security policy as well as in liberalizing the Common Market.\footnote{Europa-Archiv 39 (1984), pp. D434–D440.} The partners eagerly took up this signal. In the closing communiqué of the Council meeting, the heads of state and of government announced their intention to provide a new and powerful impetus to economic development in Europe, which was to be accomplished by means of “completing the internal market” as well as developing scientific and technical potential. They then appointed two committees that were to work out measures for the further development of the Community: a “Committee for the Europe of the Citizen,” which was to develop proposals for mobility across borders and for citizens’ identification with the Community, as well as a Committee for the Further Development of European Institutions and Cooperation.\footnote{Conclusions of the chair of the European Council, 25 and 26 June 1984, ibid., pp. D440–D443.}

In the middle of 1984, it was therefore not only the southern expansion that entered the home stretch. It was also the case that the course was set for the further development of the Community, oriented on the needs of the time: the increased necessity of acting autonomously in world politics and the challenge of competition from the up-and-coming economic powers of the Far East, especially Japan. After a moment of crisis stemming from Mitterrand’s initial unfamiliarity with the European policy of Giscard d’Estaing, the surprising approach of the Socialist president to Kohl had provided a new ability to take action. It was thus no coincidence that photos of a commemoration at the graves of soldiers in Verdun on 22 September 1984 showing Mitterrand spontaneously taking Kohl’s hand became the emblem of a new epoch of Franco-German leadership in European policy.