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European Summer School 2013 Best Paper Prize Winner

A ‘Cold War European’? Helmut Schmidt and European integration, c.1945–1982

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While Helmut Schmidt has often been depicted as a ‘reluctant European’ who only came to embrace European integration because of US policy under Carter, this article shows that Schmidt’s conceptions of Europe have remained largely consistent since the late 1940s. Using rare materials from his private archive, it analyses how Schmidt utilised the EC in dealing with the multiple crises of the 1970s, regarding European and transatlantic cooperation not as antagonistic but as complementary processes. With the reheating of the Cold War from the late 1970s onwards, however, the international and domestic preconditions of Schmidt’s two-pillar foreign policy gradually began to erode.

Introduction

Schmidt … is certainly not likely to push the Federal Government in the direction of a more forward Western European policy. … He is not so much anti-European as agnostic about it. He is sceptical about the Community’s ability to provide solutions for the immediate problems confronting Europe. He has an almost Prussian

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intolerance of its inefficiency and financial lackadaisicalness. His general aim will be to limit damage rather than to construct.\footnote{The National Archives, Public Record Office (Kew) [henceforward: TNA: PRO/] FCO33/2459, ‘Diplomatic Report 184/74: Germany, Europe and the United States’ , 27 February 1974.}

This quotation from the British Foreign Office shortly before Helmut Schmidt was elected German chancellor on 16 May 1974 is a good example of how Schmidt was widely perceived as being reluctant and half-hearted towards European integration at that time, only slowly coming to embrace its virtues during the later stages of his chancellorship. ‘Brought up Anglophile, emerged Americanophile, turned into Francophile’, the British weekly The Economist judged in 1979, and such perceptions have since become embedded in the emerging historiography.\footnote{W. Loth, ‘Deutsche Europapolitik von Helmut Schmidt bis Helmut Kohl’, in Ausbruch zum Europa der zweiten Generation: Die europäische Einigung 1969–1984, ed. F. Knipping and M. Schönwald (Trier: Wissenschaftlicher Verlag, 2006), 475.} For the historian Wilfried Loth, Schmidt’s early political career had been dominated by the transatlantic security relationship and national concerns in financial and economic matters; he also suggests that Schmidt’s European policy was ‘steered towards a Community that only worked insofar as it served the mutual interests of France and Germany’.\footnote{M. Schulz, ‘Vom “Atlantiker“ zum ”Europäer“? Helmut Schmidt, deutsche Interessen und die europäische Einigung‘, in Die Bundesrepublik Deutschland und die europäische Einigung 1949–2000: Politische Akteure, gesellschaftliche Kräfte und internationale Erfahrungen, ed. M. König and M. Schulz (Stuttgart: Franz Steiner, 2004), 202–3. More nuanced is M. Schulz, ‘The Reluctant European: Helmut Schmidt, the European Community, and Transatlantic Relations‘, in The Strained Alliance: US-European Relations from Nixon to Carter, ed. M. Schulz and T.A. Schwartz (Cambridge: University Press, 2010), 279–306.}

of literature depicting the 1970s as a decade of ‘Eurosclerosis’ and transatlantic tensions.\(^7\)

By contrast, this article argues that Schmidt’s concepts of Europe have actually remained remarkably consistent since the 1940s. They were grounded in the overriding principle that European integration ultimately served Germany’s self-interest, and displayed at least three distinctive features: first, the preference for pragmatic piecemeal integration in clearly defined areas resulting from Schmidt’s awareness of the growing economic interdependencies in the post-war world; second, an internationalist conviction based on the need to bind post-war Germany firmly and permanently into multilateral Western alliances; and, finally, the attempt to constantly balance Germany’s relations with France and the United States. Thus, the article rejects the notion that Schmidt somehow converted from being an ‘Atlanticist’ into being a ‘European’, showing instead how both relationships remained two equally indispensable pillars of his foreign policy throughout the Cold War. Depicting Schmidt as part of a particular generation that rose to power in the late 1960s and 1970s, it shows how these leaders embraced European integration primarily because it served the national interests of their nations,\(^8\) and how they consciously sought to adjust the EC to the new challenges of the 1970s. In so doing, the article not only adds to a growing historiography that describes the 1970s as a period of European progress and reform, rather than as one riddled by stagnation and widespread ‘Eurosclerosis’,\(^9\) but it also reveals the many interconnections of European integration and the Cold War more generally.\(^{10}\)

**Early thoughts on Europe in the 1940s and 1950s**

Born on 23 December 1918, Helmut Schmidt had never experienced democratic rule as an adult before 1945; straight after his Abitur, he was drafted and remained a soldier throughout the war. Whereas the Social Democratic Party’s (SPD’s) leading figures, above all the charismatic and dominating party leader Kurt Schumacher, were first and foremost political children of Weimar Germany, Schmidt was part of a new generation

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that had been ‘exposed to the full force of Nazi ideology without possessing the experience of previous political epochs to relativise what it was being told’.\textsuperscript{11} Though knowledge of a Jewish grandfather had made him largely immune to Nazi propaganda,\textsuperscript{12} he nonetheless lacked an awareness of political alternatives, the experience of Nazi Germany having instilled in him a profound scepticism of any grand ideological schemes.\textsuperscript{13} These generational differences resulted in very different attitudes towards Germany’s future within the SPD; and it was in this regard that the young Schmidt opposed the official party line for the first time.

In the late 1940s, German political debate centred mainly on the future of the Ruhr, the country’s industrial heartland. Throughout the occupation period, the Allies had been at odds over the region’s future: whereas France had pressed for its complete deindustrialisation to prevent a resurgent and possibly revanchist Germany, the United States and the United Kingdom had recognised the importance of the Ruhr in reviving a largely destroyed Germany in light of the emerging Communist and Soviet threat to Western Europe.\textsuperscript{14} On 28 December 1948, the Allies decided to put the Ruhr under external control, with its industrial output managed by an international authority. Whereas the Christian Democrats (CDU) under Adenauer reluctantly acquiesced to the scheme, the SPD heavily opposed it as a repressive tool constraining the self-determination of the German people. Schumacher in particular believed that, with Germany denied control of its industrial heartland, there would be little chance for his vision of a unified, socialist, and self-determined Germany in the future.\textsuperscript{15} A volunteer in the First World War, Schumacher had aggressively opposed the rise of the Nazis during the 1920s and 1930s, which had resulted in a 10-year imprisonment in various concentration camps. Thus, he regarded the Allied victory not as defeat but as liberation of the German people, believing that any future European order would have to start with a unified, democratic Germany firmly embedded in a strong, socialist Europe of self-determined and equal nation-states.\textsuperscript{16}

The young Schmidt, by contrast, had very different ideas. In the SPD’s party magazine of February 1949, he attacked Schumacher by claiming that the almost universal condemnation of the Ruhrstatut in Germany was both ‘wrong and


\textsuperscript{13} For Schmidt’s experience of Nazi Germany, see H. Schmidt, ‘Politischer Rückblick auf eine unpolitische Jugend’, in Kindheit und Jugend unter Hitler, ed. H. Schmidt and L. Schmidt (Berlin: Siedler, 1992), 213–54. For the intellectual foundations of his political thought, see M. Rupps, Helmut Schmidt: Politikverständnis und geistige Grundlagen (Bonn: Bouvier, 1997).


\textsuperscript{16} Merseburger, Schumacher, 7–8.
dangerous’: ‘Wrong, because it only grasps at best half of the facts; dangerous, because it may well compromise future possibilities for cooperation in Western Europe’. In his eyes, the Ruhrstatut’s main virtue was that it satisfied France’s ‘legitimate security needs’, which he thought had been the main obstacle to greater European cooperation in previous years. Germany could only recover if Western Europe recovered as a whole, for which he regarded French good-will a necessity. Already the year before, Schmidt had warned in another article that the SPD’s nationalist stance over the Ruhr would only isolate the party internationally, even forwarding his article to a British Labour Party member to show ‘the English comrades that there are factors in the German socialism which have other ideas than the official party line’. He reaffirmed that he personally stood ‘strictly for the “international nationalisation”’ of the Ruhr, despite having been ‘heavily attacked … by old German social-democrats because of my “neglection [sic] of justified German claims”’. At the time, Schmidt’s beliefs were significantly shaped by his perceptions of political developments in other countries, such as Scandinavia or Britain – as part of his economics degree at Hamburg University, for example, he had written an extensive essay on the nationalisation policies of the British Labour Party. In contrast to the landlocked West Prussian Schumacher, Schmidt took great inspiration from his hometown’s past as a major Hanseatic trading port, with his thirst for intellectual inspiration soon translating into various initiatives for greater international cooperation. In April 1948, as leader of the German Socialist Student Movement (SDS), Schmidt organised an international conference of Socialist youth organisations with 70 participants from 15 different countries where he bemoaned the ‘intellectual isolation’ of his generation and put the conference under the motto ‘We young German Socialists ask our friends from abroad to give us their opinions’. This internationalist outlook, which would remain a constant feature of Schmidt’s politics, was intensified by his university studies, which illustrated to him the growing interdependence of European and worldwide economies. Working at the Hamburg Department of Foreign Trade afterwards, he also experienced the advantages of European cooperation at first hand. In an official publication in 1950, for example, Schmidt pleaded for greater cooperation between the sea ports of Northern Europe. In light of their declining importance, he claimed that the ‘leading persons of all parties concerned’ should prefer ‘a mutual agreement to the risk of a ruinous competition’. Schmidt suggested ‘a cooperation and coordination of all the port resources forming an organic part of the economic integration of all Europe as a

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19 1/HSAA005003, Schmidt to Eady, 28 June 1948.
whole’ which he likened to the Schuman Plan.\(^{22}\) In several other articles, he similarly argued that concrete proposals for economic cooperation served the unification of Western Europe categorically better than any more grandiose schemes, musing whether economists should not ultimately be seen as the better Europeans.\(^{23}\) Indeed, such views were not dissimilar to those of Jean Monnet, who had also discovered the political advantages of pooling economic resources and capacities during his stint at the French Trade Ministry during the First World War.\(^{24}\)

Clearly, then, the young Schmidt was anything but agnostic or half-hearted towards the European integration process in the late 1940s. He was also one of the few SPD politicians who spoke out in favour of the Schuman Plan in May 1950, which was otherwise supported only by a small minority of North German politicians in the party, such as Bremen’s mayor Wilhelm Kaisen or the Hamburg mayor Max Brauer. Schumacher in particular repeatedly attacked the French proposals as ‘conservative, capitalist, clerical, and cartelistic’ because of their Rhinelandish flair and the predominantly Catholic, centre-right politicians involved in their creation.\(^{25}\) Significantly, Schmidt later claimed that he had been responsible for the economic analyses that had shaped Kaisen’s and Brauer’s views during his time at the Hamburg Department of Foreign Trade.\(^{26}\) Yet, these views never took hold of the SPD’s majority. At the decisive party convention in 1951, only 11 delegates defied the party-line, with four more abstentions.\(^{27}\) It is noteworthy that one of them was Schmidt’s fellow North German Willy Brandt, whose 12 years in Scandinavian exile and subsequent political maturation in Cold War Berlin had instilled in him similarly strong internationalist convictions.\(^{28}\)

Looking back, it seems that the late 1940s were a period in which Schmidt formed many beliefs that would shape his European policies later: the preference for concrete schemes for economic integration in particular areas; an internationalist outlook with an awareness of other countries’ views and interests; as well as the conviction that post-war Germany could only make its voice heard as part of a wider European community. Indeed, these views were not unlike Konrad Adenauer’s at the time, who similarly embraced European integration primarily for the concrete benefits it promised to deliver to the Federal Republic of Germany (FRG) – a final end to Franco-German hostilities and a safe multilateral environment for its political and economic


\(^{24}\) A. Wilkens, ‘Einleitung’, in Interessen verbinden: Jean Monnet und die europäische Integration der Bundesrepublik Deutschland, ed. A. Wilkens (Bonn: Bouvier, 1999), 9.

\(^{25}\) Merseburger, Schumacher, 464–8.


\(^{27}\) Merseburger, Schumacher, 470.

recovery. Yet Schmidt was also shaped by his generational experience, by his essentially North German outlook on international affairs, as well as by his understanding of economics. In contrast to Adenauer, for example, he had little time for visions of a Christian bourgeois Europe uniting both Catholic and Protestant West Germans against the Communist threat, instead being attracted to conceptions of a bigger, outward-looking Europe that included the Scandinavian countries as well as Britain. Such generational and regional differences were to become even more pronounced in 1950s and 1960s Germany.

The makings of a “Cold War European”

During the 1950s, the Adenauer government exercised virtually a monopoly on foreign policy in West Germany. With the Cold War curtain running directly through German soil and in light of massive Soviet military superiority in conventional forces, Adenauer’s policy of binding the FRG as closely as possible to the West (‘Westbindung’) seemed like an obvious choice. The SPD’s policies for socialisation and early German reunification, by contrast, seemed increasingly at odds with these harsh geopolitical realities. Yet it was only after the disastrous 1957 general election that the SPD officially moved away from socialist doctrines and committed itself to the market economy, a crucial step from being a workers’ party to being a mass party. It also began to conceptualise its foreign policy within the existing status quo in Europe; developments that coincided with wider changes in the Cold War landscape. In particular, whereas the American advantage in nuclear weapons had managed to effectively deter Soviet attacks on Western Europe during the 1950s, the nuclear stalemate that resulted from the USSR’s development of ‘second strike capabilities’ now led to questioning of the continuing value of this US strategic doctrine of massive retaliation for European defence. As a result, the French President Charles de Gaulle was the first to call for more European independence from the Americans. De Gaulle’s vision was that of a cooperative pan-European system stretching from the Atlantic to the Urals, based primarily on political cooperation with Germany and simultaneous Franco-Soviet détente, which was meant to achieve ‘the greatest freedom of action for

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32 Ibid., 184.

France and to maximise her world role’. This quest for a more independent role for France came to dominate European politics throughout the 1960s, and it provoked a variety of responses in West Germany.

Simply put, the German debate was fought between ‘Atlanticists’, who feared that French behaviour jeopardised transatlantic relations and compromised the FRG’s security, and ‘Gaullists’, who believed that a Franco-German axis at the heart of a more independent European alliance was the best course to advance Germany’s national interests. For example, the most outspoken proponent of ‘German Gaullism’ at that time, the leading Bavarian politician Franz-Josef Strauß, wrote in a book he published in 1966 that ‘the United States of Europe, with their own nuclear deterrent, must be in a position to protect themselves in order to achieve an equal partnership with the United States of America’.

Again, regional identities were of paramount importance, as most supporters of ‘German Gaullism’ could be found among South German Catholics, such as Karl-Theodor von und zu Guttenberg or Heinrich Brentano. North German Protestants like Schmidt, by contrast, tended to place more emphasis on the transatlantic relationship, as well as on forging closer links with Britain and the Scandinavian countries. Schmidt in particular often juxtaposed his own regional identity as a cosmopolitan Hamburg citizen against the Rhinelandish roots of Adenauer’s conservatives, warning about the influence of the ‘Rhine-/Ruhr-clique’ and describing Bonn as the FRG’s capital as a ‘sad joke’. In 1957, Schmidt even abstained from voting on the Treaties of Rome in the German Bundestag because of British absence; and in several newspaper articles in the 1950s and early 1960s, he warned that any European scheme without the support of London would be a ‘death trap’ in the long run – ‘Hitler also underestimated England’, one subheading read.

There was an important geostrategic dimension to this, as Schmidt, the SPD’s primary spokesman on security and defence in the late 1950s, strongly rejected the view of German Gaullists that a nuclear-armed EC based on a Franco-German axis would increase German security. Instead, he thought that such ideas grossly overestimated the Western Europeans’ military strength. In his first book, he claimed that the French force de frappe was based on ‘illusionary visions’ and had ‘no weight whatsoever vis-à-vis Moscow’; Britain would similarly be ‘as unable as all the other West European countries to survive even the smallest nuclear strike, let alone be able to

35 Though it is important to note that neither camp wanted to break ties with either the US or France completely. See T. Geiger, Atlantiker gegen Gaullisten: Außenpolitischer Konflikt und innerparteilicher Machtkampf in der CDU/CSU 1958–1969 (München: Oldenbourg, 2008).
37 Geiger, Atlantiker-Gaullisten, 48–64.
38 Die Welt, 28 July 1962.
40 Echo, 2 April 1960; Echo, 9 April 1960.
carry out a retaliatory attack.

Any nuclear armament of the FRG was even more unrealistic, as he put it in no uncertain terms to the SPD party convention in June 1966: ‘Germany will not become a nuclear power. The entire world situation clearly stands against this. . . . There is no point in trying to avoid this basic fact.’ Instead, Schmidt thought that the West Europeans should devote their energies to counter the massive Soviet superiority in conventional forces, thereby strengthening the European pillar of NATO and trying to ensure a ‘balance of power’ on all military levels. John F. Kennedy’s concept of an ‘Atlantic Community’, resting on both an American and a European pillar, had much greater appeal to him.

Again, his views were largely in line with most other Social Democrats including Willy Brandt, who was similarly attracted by the vision of a powerful Europe firmly embedded in a transatlantic framework.

Nonetheless, Gaullist policies could not but illustrate the growing freedom of manoeuvre for the West Europeans, as the corset of superpower confrontation slowly eased over the divided continent. For the SPD, this offered an opportunity to design and implement its Ostpolitik, departing from Adenauer’s policy of strict non-recognition of the GDR and trying to foster a rapprochement with the GDR and Eastern Europe by increasing political and economic contacts and creating interdependencies. Though it is sometimes forgotten today, Schmidt was among its earliest architects, having taken part in the drafting of the 1959 Deutschlandplan and travelling extensively through Eastern Europe in the summer of 1966. Yet like Brandt, he was also aware that Ostpolitik could only be successfully pursued with firm backing from the Western alliance. As he put it in a speech to the annual IISS conference in London in 1966, any German foreign policy had to ‘combine our interests with those of our neighbours. We could be the more successful the more we would be able to eliminate any fear of Germany’. France was of paramount importance in this. ‘The future of our country depends to a considerable degree on a minimum of understanding and friendship between Paris and Bonn’, he claimed to a

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gathering of European socialist parties around the same time, as Germany simply could not ‘ afford Russo-French flirtations at the cost of Germany, especially not at the cost of our position regarding Berlin and German unification’. During his time as minister of defence (1969–72) and minister of finance (1972–74) under Brandt, he thus reacted strongly whenever rumours of German neutralism surfaced. In February 1970, for example, he accused the British Daily Telegraph in an angry reader’s letter of having ‘tried to construe a contrast between the eastern policy of the Federal Republic and its membership in the Atlantic Alliance although the entire Cabinet has unanimously emphasised that its eastern [sic] policy is being pursued on the basis of the Alliance. Consequently, no differences of opinion whatever, let alone a split does or did exist within the Federal Cabinet’. Though this may well not have been the whole truth, Schmidt’s line was again in full accordance with that of Chancellor Brandt, who similarly went to great lengths to counterbalance his Ostpolitik with a correspondingly proactive Westpolitik.

Clearly, then, Schmidt had come to appreciate how European integration provided an important framework to advance German interests already in the 1960s. Again, his multilateralist convictions were of paramount importance, as was his awareness of the political power of economic interdependencies. In October 1974, less than six months after his election as Chancellor, Schmidt therefore visited Brezhnev in Moscow, opening up long-term prospects of economic cooperation and clearing the way for substantial improvements in intra-German relations. He also played a crucial role in the Conference of Security and Economic Cooperation in Europe, again trying to increase trade links while strongly resisting pressures to legally cement the inalterability of inner-European borders. As will be seen later, the long-term consequences and ultimate incompatibility of these moves with American grand strategy would come to haunt the Western alliance in the late 1970s.

**Schmidt’s European policy before Carter, 1974–76**

At the time of his election as German Chancellor on 16 May 1974, however, Schmidt was widely perceived as being half-hearted or even hostile towards European integration. Such perceptions had only recently been fuelled by his clash with the French foreign minister Michel Jobert at the Washington Energy Conference in

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49 1/HSAA005474, Schmidt to Daily Telegraph, 26 February 1970.
January 1974, where Schmidt, upset by France’s opposition to joint transatlantic action, had claimed that ‘if he had to choose between the US and France, he would choose the former’. Yet, though Jobert publicly castigated Schmidt’s alleged betrayal of the European cause, Schmidt’s position was in fact completely in line with his long-term vision of a two-pillar foreign policy of a united Western Europe firmly embedded in a transatlantic framework. He spoke out not against a joint European position in principle, but against French preferences for dealing with the oil-producing countries unilaterally instead of devising a common approach. This became evident to everybody once the election of Valéry Giscard d’Estaing as French president on 27 May 1974 triggered a marked change in French foreign policy, which offered Schmidt the opportunity to conduct a proactive European policy right from the start of his chancellorship.

To Schmidt, the most significant result of Giscard d’Estaing’s election was that, in marked contrast to his predecessors, Giscard’s European commitment went ‘hand in hand’ with a renewed emphasis on cooperation with the United States, an approach that was strikingly similar to Schmidt’s own conceptions of transatlantic relations since the 1950s. For Schmidt, who had already cooperated closely with Giscard during their joint stint as finance ministers in 1972–74, this meant that a major obstacle towards greater European integration had been removed, with neither country defining its European commitment in opposition to the American superpower any more. Already in June 1974, he therefore told US President Nixon ‘how pleased I am with the looming possibilities of closer Franco-German cooperation in European and Atlantic matters’; in a letter to his old friend Henry Kissinger, Nixon’s national security adviser, he similarly pointed out that Giscard seemed ready for US-European cooperation as two equal partners. The almost simultaneous replacement of Edward Heath by the more transatlantic-minded Harold Wilson as British prime minister, as well as Nixon’s succession by Gerald Ford in August 1974, further added to this new climate of transatlantic harmony and benevolence. ‘You know, it’s sick’, Kissinger remarked in private conversation with Ford as early as September 1975, ‘There has been a revolution in our relations with France . . . our relations with Europe have never been better.’ Thus, the early years of Schmidt’s chancellorship saw a ‘moment of striking transatlantic cooperation’ that

56 Gfeller, European Identity, 199.
57 1/HSAA006579, Schmidt to Nixon, 4 June 1974; Schmidt to Kissinger, June 1974.
contrasted starkly with the ‘much more problematic periods’ before and after Ford’s presidency.  

It was primarily this benevolent external environment that enabled Schmidt to utilise the European Community in what he regarded as his most important international task, namely to counteract the consequences of the world economic crisis, which he believed could only be solved through international cooperation.  

Though most studies thus far have centred on Schmidt’s role on the global level, such as in the creation of the world economic summits, the coordination of European economies, which suffered from quite different fates in early 1974, lay at the core of Schmidt’s wider strategy. For example, whereas German inflation was comparatively modest at 7.2%, the situation was significantly worse in France (12.0%), Britain (13.2%), and Italy (14.2%). As Schmidt attributed these trends largely to different national economic and fiscal policies, often pursued with little regard for their wider international ramifications, he considered it pivotal to use the EC framework to achieve a common economic course based on fiscal restraint and budgetary consolidation. While he regarded any effort at concerted international action as ‘pointless’ without ‘the de-facto leadership by the United States and without the involvement of Japan’, Schmidt wrote in an internal memorandum to Brandt and Wehner, the possible success of any scheme would ‘remain fragmentary without the involvement of the European Community as a whole’. Again, Schmidt found an eager partner for this economic course in Giscard, who quickly embarked upon a stability-orientated fiscal policy in France, despite the many constraints he was facing from Gaullists and Socialists alike. Apart from the economic logic behind coordinating the EC’s two biggest economies, such joint progress within a multilateral framework also seemed necessary to Schmidt in order to counteract any impressions of German dominance in the economic field. On German television in July 1975, for example, he warned that Germany should ‘only give gentle advice. If we give advice too loud someone comes and says that we want to behave like Wilhelm II’. A few years later, he put it even more bluntly: ‘The greater the relative success of Germany, the longer the memory of Auschwitz will last.


60 For the wealth of literature on the multiple crises of the 1970s, see as a starting point N. Ferguson et al., eds., *The Shock of the Global: The 1970s in Perspective* (Cambridge MA: Belknap Press, 2010).


63 1/HSAA010071, Schmidt to Brandt and Wehner, 14 April 1974.


Thus, Schmidt’s early preference for pragmatic, piecemeal cooperation over more ambitious schemes of European integration is again clearly detectible, since he regarded the essentially intergovernmental coordination of European economic policies as the EC’s most urgent task. As he explained in a major speech to the Foreign Affairs Club in February 1976: ‘If for instance we put the pro capita gross domestic product in Germany at 100, the figure for the nine countries of the Community in 1974 range between 100 on the one hand and 35 only in the ninth country. … These figures reflect differences in inflation rates, not only that, and hence in exchange rates but also in standards of living, in productivity, in the degree of industrial modernisation, in infrastructures and in social structures’. Consequently, the Community could not ‘overnight, by those “qualitative leaps” which one hears mentioned so often, develop into an all-embracing European union. Each stage of integration must stand the test in that the people in our countries are willing to endorse it, to support it, because it holds advantages for them and opens up prospects for a better future’. It was important that there was ‘a realisation that the nations of Europe are better off on a common course as far as the economy is concerned, and certainly as regards security and peace’.66

These convictions in turn shaped Schmidt’s attitudes towards the EC’s institutions, which have often received criticism from contemporaries and historians alike.67 After all, the most important result of Schmidt’s early European policy was the institutionalisation of regular meetings between EC heads of government in the form of European Council, organised strictly along intergovernmental lines.68 It is not without some justification, then, that historians like Wilfried Loth criticise the ‘institutional abstinence’ in Schmidt’s European policy.69 Yet, Schmidt believed that only an intergovernmental forum could offer decisive leadership at a time when economic and fiscal policies were still firmly in the hands of national governments. He therefore regarded the European Council as a necessary element in the EC’s reform and revitalisation. ‘Let us not waste time on sterile philosophical disputes about a federal or a confederated Europe’, he claimed in his Foreign Affairs Club speech, ‘and also let us not rouse expectations which cannot be fulfilled’.70 That he was not alone in this belief is evident not least in the fact that such regular meetings of European heads of government had first been suggested by Willy Brandt, Georges Pompidou and Edward Heath, none of whom can be suspected for a lack of conviction to the European cause.71

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67 See, for example, the parliamentary debate on Europe in Protokolle des Deutschen Bundestages, 7. Wahlperiode, 235. Sitzung, 8 April 1976, 16369, 16371.
69 Loth, ‘Deutsche Europapolitik’, 480
The European Monetary System and the changing context of the transatlantic partnership, 1977–78

Hence, Schmidt’s European policy from 1974 to 1976 reflected many characteristics of his earlier political thought, for example his awareness of the interdependence of European economies, or the preference for piecemeal cooperation in clearly defined areas. Yet, the decisive precondition for Schmidt’s early European policies to flourish was the benevolent and cooperative transatlantic relationship under US President Gerald Ford. With the election of Jimmy Carter in January 1977, however, the nature of US-West European cooperation changed profoundly, as American Cold War strategy gradually began to shift towards a more confrontational stance vis-à-vis the Soviets.\(^{72}\) While any departure from détente was always likely to antagonise the Federal Republic, the transatlantic climate under Carter was further worsened by severe diplomatic fallouts, for example over nuclear proliferation or the neutron bomb.\(^{73}\) When rumours over a new European currency scheme proposed by Schmidt then leaked to the press in April 1978, merely a week after Carter’s decision to delay production of the neutron bomb had become public; most commentators quickly interpreted the move as an assertion of greater European autonomy from the United States. The German weekly Der Spiegel, for example, talked about a conscious ‘decoupling’ of Europe from the US in the monetary field, asserting that Schmidt now believed that ‘Europe should cut its own path in fiscal policy’.\(^{74}\) Indeed, these interpretations have since become mirrored in some of the historiography on Schmidt’s European policy.\(^{75}\) Embedding the EMS’s genesis in the wider evolution of Schmidt’s thought, however, reveals a striking sense of continuity: though the scheme was consciously presented as a radical and innovative break from previous policies at the time, its technical mechanisms as well as the underlying motivations behind it, were almost entirely in accordance with Schmidt’s previous convictions.\(^{76}\)

To be sure, some of the motivations behind the EMS could undoubtedly be found in the dollar’s chronic instability. While this had been a recurrent feature of the international monetary system since the abolition of fixed exchange rates in the early 1970s, the Carter administration’s economic and fiscal policies had drastically


\(^{74}\) Der Spiegel, 10 April 1978.


\(^{76}\) The most recent study is E. Mourlon-Druol, A Europe Made of Money: The Emergence of the European Monetary System (Ithaca, NY: Cornell University Press, 2012); for a tighter focus on Schmidt, see Thiemeyer, ‘Schmidt und die Gründung des Europäischen Währungssystems’, 245–68.
worsened the situation in the eyes of the Europeans. Already in January 1978, Schmidt therefore highlighted the consequences of the dollar’s instability in the German Bundestag, illustrating how the dollar’s weakness also impacted on European currency exchange rates and threatened intra-EC trade.\(^{77}\) Thus, one prime motivation of the EMS was to offer European economies greater protection from such external currency fluctuations by tying its currencies permanently together within an agreed band of 2.25%. In July 1978, this was also how Schmidt introduced the scheme at the Bonn world economic summit. There was ‘virtually no German company that is not on edge because part of its production is being sold at changing price levels or because it cannot make adequate profit estimates’, Schmidt declared. Since the ‘German- French border’ was ‘not an economic border’ and the EC had made ‘our companies dependent on one another’, the EMS was needed to protect European economies against the drastic external currency fluctuations at the time.\(^{78}\) In so doing, it would also protect Schmidt’s economic agenda of fostering stability-driven economic policies of key EC economies, something he had pursued since the earliest days of his chancellorship. As he claimed in an interview with the Süddeutsche Zeitung in July 1978, there was the risk of ‘a setback in the coordination of our economic policies within the EC if we did not eliminate the disruptive factor of fluctuating exchange rates as far as possible’.\(^{79}\)

Thus, though triggered by the dollar’s instability, the EMS was essentially a defensive attempt to protect the substance of the economic policies Schmidt had been trying to push through since 1974. Neither was there much originality in the technical aspects of the EMS, as Emmanuel Mourlon-Druol has recently suggested. It did not include a European Monetary Fund, any automatic obligations for stronger currencies to intervene, or any significant transfer of financial resources to weaker member-states, thereby making its concrete mechanisms in fact ‘almost identical’ to the European currency snake of the early 1970s.\(^{80}\) There is also no reliable evidence that the EMS was deliberately directed against the dollar. Indeed, Schmidt believed that greater currency stability in Europe would not undermine but strengthen the transatlantic alliance by stabilising its European pillar, insisting in an interview with the Washington Post that the EMS had absolutely nothing to do with any alleged wish to replace the dollar as a reserve currency.\(^{81}\) Significantly, Schmidt’s views were shared by most people in the Carter administration. A major US intelligence assessment, for example, concluded that the EMS was primarily driven by ‘the frustrations that West European leaders are facing in their inherently difficult task of developing the coordinated economic policies needed to go along with the region’s high degree of economic integration’. With each country

\(^{79}\) Süddeutsche Zeitung, 14 July 1978.
\(^{80}\) Mourlon-Druol, Europe Made of Money, 258, 250–7.
still pursuing largely independent fiscal and monetary policies, Schmidt ‘probably’ viewed ‘his plan as a way to force “stabilisation” measures within Europe as a condition for German assistance on exchange rates’.\textsuperscript{82} Carter’s chief economic adviser Henry Owen similarly briefed the president that ‘we view the EMS as an important step toward European integration, which we have long supported, and that we trust EMS will evolve in ways that will strengthen the global monetary system, world growth, and the IMF’s role.’\textsuperscript{83} This seems to have been largely in line with Carter’s personal attitude. ‘Our policy is to encourage the EC and its cohesiveness in political and economic matters’, he claimed at the Bonn economic summit, ‘we assume no adverse intention regarding the dollar, and I doubt that there is any toward the dollar.’\textsuperscript{84}

Quite apart from contemporary portrayals, then, the EMS was not a radical departure from previous convictions on behalf of Schmidt, but it was essentially a defensive move designed to protect the achievements of his European policies in previous years. Neither was it directly targeted against the dollar’s leadership role in the international system, or even designed to undermine the transatlantic alliance from within. In one of his major interviews at the time, Schmidt in fact defended himself openly against such accusations of having turned from an ‘Atlanticist’ into being a ‘Europeanist’, again drawing on John F. Kennedy’s ‘Atlantic Community’: ‘I have never seen these two as alternatives, but I have always regarded them not only as reconcilable, but as mutually reinforcing.’\textsuperscript{85} The very fact that the EMS was commonly perceived as a sign of greater European autonomy at the time, however, already foreshadows some of the difficulties Schmidt would have to face in trying to reconcile the increasingly diverging American and European interests during his final years as chancellor.

The reheating of the Cold War and the disintegration of Schmidt’s two-pillar foreign policy, 1977–82

Though the FRG’s \textit{Ostpolitik} had largely complemented and coincided with American détente policy in the late 1960s, their objectives had never been fully compatible from the start. Whereas US strategy had aimed primarily at preserving and consolidating the status quo in superpower relations, \textit{Ostpolitik} had at least partially been based on the assumption that the creation of long-term political linkages and economic interdependencies might gradually lead to internal transformations from within Eastern Europe.\textsuperscript{86} As a result of the Carter administration’s increasingly confrontational approach towards the Soviet Union after 1977, these underlying conceptual differences

\textsuperscript{82} JCL, NLC-49-2-11-5-9, ‘West European Monetary Initiatives: Signal to the US?: An Intelligence Assessment’, 2 June 1978.
\textsuperscript{83} JCL, National Security Affairs, Brzezinski Material, VIP Visit File, Box 4, Owen to President, 12 December 1978.
\textsuperscript{85} \textit{Die Welt}, 14 July 1978.
now burst into the open. In light of this, Schmidt’s final years in office saw repeated and sustained attempts by the German chancellor to reconcile the increasingly divergent interests among the transatlantic alliance: while desperately shoring up European support for NATO’s double-track decision, he was simultaneously trying to preserve the many political and economic advantages the Europeans had gained from détente. The ultimate failure of Schmidt’s delicate balancing act would contribute heavily to his ousting from office in October 1982.

In fact, the most significant strategic decision of the Western bloc during the final years of Schmidt’s chancellorship serves as a powerful example of Schmidt’s personal attachment to the transatlantic alliance. Throughout the late 1960s and early 1970s, superpower détente policies, aimed at achieving approximate parity on all military levels, had also helped stabilise European security. From the mid-1970s onwards, however, the Soviet Union’s deployment of intermediate-range nuclear ballistic missiles, the so-called SS-20s, severely threatened to upset this strategic balance in Europe: not only were these missiles excluded from all ongoing arms control negotiations, but NATO also lacked adequate counter-weapons to serve as effective strategic deterrents. 87 With major West German cities being among the SS-20s’ most likely targets, Schmidt decided to publicly draw attention to the emerging strategic imbalance, calling for an adequate Western response to the Soviet build-up during a well-publicised speech in October 1977. 88 In due course, his call would result in NATO’s infamous ‘double-track’ decision to modernise its intermediate-range nuclear weapons while at simultaneously offering arms control negotiations to the Soviets. This decision, in whose genesis Schmidt played a vital part, in fact ‘bore all the hallmarks of his political thought’: it remedied the potential military imbalance while also keeping open channels of communication to the Soviet Union. 89 More generally, it was also a powerful demonstration of transatlantic unity and resolution in light of adverse domestic and international circumstances; even though one for which Schmidt eventually would have to pay a heavy price.

By contrast, the Soviet invasion of Afghanistan in December 1979 triggered more irreconcilable transatlantic rifts. Whereas the Carter administration called for tough economic sanctions in order to contain future Soviet aggression, West European leaders like Schmidt were anxious to refrain from such drastic measures in order to deescalate tensions and allow the Soviets to save face. Both political and economic pressures put the Western Europeans at odds with American grand strategy. With

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regard to the economic sphere, the many trade links that had emerged since the late 1960s between Western and Eastern Europe meant that the Europeans simply had more to lose from economic sanctions: in the early 1980s, West European trade with the Soviets amounted to $41 billion, compared to a total of only $2.5 billion in US-Soviet trade. They also feared that a reheating of superpower tensions would threaten the continent’s military security, causing alarm in all West European capitals. Indeed, while the FRG, given its role as NATO’s Cold War frontline and unique vulnerability over Berlin and intra-German relations, was particularly anxious to ensure that the achievements of détente ‘should not be called into question’, most other West European countries followed suit. As Carter’s National Security Adviser Zbigniew Brzezinski bemoaned, ‘the Allies have, in effect, done nothing in their bilateral relations with the Soviets to show their displeasure and concern over the invasion of Afghanistan.’ In fact, by reluctantly supporting the boycott of the Moscow Olympics in 1980, the FRG had actually fulfilled more US demands than other major allies, such as Britain or France. ‘No other European will do more than Schmidt’, Brzezinski grudgingly admitted, ‘and most will do less’. These events were mirrored in the Western response to the Polish crisis of 1981–2, where the West Europeans were similarly united in their refusal to follow the new US president Ronald Reagan’s call for economic sanctions. Indeed, over the delicate question of the Siberian Gas Pipeline, even Margaret Thatcher sided unreservedly with the West Europeans. Rather than interpreting Schmidt’s vocal discontent over US Cold War strategy under Carter and Reagan as a significant change from his earlier political beliefs, then, it may more convincingly be seen merely as the reflection of a wider irreconcilability between Western European and American Cold War strategies which came to the open in the late 1970s.

During his final years in office, Schmidt increasingly sought to reconcile the irreconcilable, trying to reaffirm Western Europe’s commitment to the transatlantic alliance while also protecting its different political and economic interests during a phase of renewed superpower conflict. Throughout 1981 and 1982, he therefore repeatedly stressed his strong personal commitment to the transatlantic alliance in public. ‘The most important factor contributing to stability is and remains the partnership between Europeans and Americans’, he wrote in Foreign Affairs in 1981, regarding ‘this historic partnership’ as ‘a constant of our policy. Our basic foreign policy orientation is not negotiable. Our American and our European friends as well as our partners the world over

92 JCL, NLC-17-131-4-2-2, Brzezinski to President, 18 March 1980.
can depend on it. At this point, however, Schmidt’s political capital was already diminishing, since he now faced virulent opposition not only from his own party, with key figures like Egon Bahr or Willy Brandt speaking out against the NATO double-track decision, but also from a growing peace movement which united a variety of protest groups under an often diffuse banner of anti-Americanism. These domestic pressures in turn were beginning to severely constrain his influence abroad. In early 1981, for example, US Secretary of State Al Haig told the new American president Reagan how Schmidt wanted ‘to assure you in the strongest possible terms that the FRG would stand firmly behind the decision to station Pershing and cruise missiles in Germany “no matter how much the far left might yell”. But he also made vividly clear that it would be impossible for him politically to stand behind modernisation if the U.S. failed to pursue negotiations on limiting TNF deployments with the Soviets. Yet, the Reagan administration was beginning to lose patience with Western European sensibilities. Next to Haig’s memorandum, one member of the National Security Council noted in handwriting how it was ‘not our job to keep Schmidt in power – or any of the others. . . . STATE is too concerned on saving European governments and lets that become overriding concern in setting US policy. . . . Someone at State misses fact trend in Europe is to the right. Alternative, in case of Germany, is not Willy Brandt or anyone like him!’

In the end, this harsh assessment was vindicated by events. On 1 October 1982, Schmidt lost a vote of confidence in the German Bundestag which forced the dissolution of his government and succession by the CDU leader Helmut Kohl as Chancellor. At this stage, the international and the domestic foundations on which Schmidt had previously built his foreign policy had been all but eroded. With Giscard and Callaghan already out of office, Schmidt seemed like the last man standing of a détente generation of European politicians, increasingly short of international and domestic support. Yet Schmidt’s continuing attachment to a strong Europe firmly embedded in the transatlantic alliance remained constant even after his fall from office, evident not least in a book he published in 1985. ‘National strategies are anachronistic in our present-day world’, Schmidt wrote. ‘Given the economic, political, and security interdependence of the Western world, neither the medium-size powers like Japan, France, Britain, Germany, Italy, and Canada, nor even the super-sized United States itself, can by their own national means alone achieve their economic goals, their

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97 Ronald Reagan Presidential Library (Simi Valley, CA), Executive Secretariat: NSC Meeting Files, Box NSC0008, Haig to President, 29 April 1981.

98 Handwritten annotations on Ibid., emphases in original.
political goals, or their external security’. What was required was therefore a ‘grand strategy for the West’, addressing both American and European needs.\(^9^9\)

**Conclusions**

In May 1982, Schmidt confided in a letter to the former British prime minister James Callaghan how he was ‘painfully aware of the restraints and vulnerabilities which beset German policy, knowing by experience that most of what we can do depends in the last resort on a well-functioning European Community and Atlantic Alliance’.\(^1^0^0\) As we have seen, this basic insight into West Germany’s exposed role in Cold War Europe formed the cornerstone of Schmidt’s political thought, something that can be traced from the late 1940s right up to the last days of his chancellorship. Schmidt never turned from an ‘Atlanticist’ into a ‘Europeanist’, but always regarded the two as equal and mutually reinforcing pillars of his foreign policy. Already in the late 1940s, Schmidt had realised that European integration was indispensable for mastering the growing economic interdependencies in post-war Europe, appreciating the advantages the EC promised to each member-state. In this regard, he supported European integration not to overcome the nation-state, but to overcome the antagonisms between nation-states at an age of unprecedented interdependence; beliefs that can be found in his earliest writings on the Ruhrstatut right up to his quest for the harmonisation of European economies in the 1970s and subsequent creation of the EMS. In this sense, Schmidt can be seen as a convinced ‘Milwardian’ Europeanist, embracing economic integration primarily for the concrete and tangible advantages it promised.

Yet Schmidt’s conceptions of Europe had always stretched beyond the economic sphere. For him, European integration was an indispensable vehicle for the promotion of German interests, having realised early on how the EC managed to contain the FRG’s foreign policy safely and permanently in a multilateral framework. Just like Adenauer in the 1950s or Brandt in the 1960s, Schmidt was fully aware that, because of Germany’s history as well as its exposed geopolitical position, any successful foreign policy always had to be embedded in a concerted multilateral effort. This is evident not only in Schmidt’s role in Ostpolitik after 1969, but also in his drive to revitalise the EC as part of a coordinated Western response to the challenges of the 1970s, which found its institutional expression in the creation of the European Council. While his desire for common European action would become more visible during the transatlantic rifts of the late 1970s, this was an element that had always existed in Schmidt’s politics. Far from being agnostic or half-hearted towards Europe, he had consciously sought to utilise and reform the European Community from the very beginning of his chancellorship. This vision of a strong Europe as key part of a wider transatlantic


\(^1^0^0\) B136/17494, Schmidt to Callaghan, 13 May 1982.
community remained constant throughout his political life, though external circumstances sometimes led to different public perceptions, in particular during the years of the Carter administration. Yet it was not that Schmidt’s political convictions had changed at that point; rather, the international and domestic preconditions on which he had previously built his two-pillar foreign policy were beginning to evaporate.

Taking a wider perspective, then, Schmidt’s story also forces us to reconsider the popular but misleading dichotomy of ‘Atlanticism’ and ‘Europeanism’ in Cold War Europe. For Schmidt, European integration was never designed to undermine American leadership of the Western world; yet he nonetheless regarded a strong and functioning EC as indispensable for both West Germany and the wider Atlantic alliance. Just like Adenauer or Brandt during much of their time in office, Schmidt remained convinced that the provisional Federal Republic could only thrive with both French and American support. Rather than trying to define ‘Europeanism’ against ‘Atlanticism’ or vice versa, it may be more fruitful to historicise such notions as part of contemporary political debate at the time, and to focus instead on the many relations and interconnections between the two interlinked processes of European and transatlantic cooperation. This applies in particular to studies of West Germany, the country at the heart of both European integration and the Cold War. Indeed, with a political career spanning from the late 1940s to 1987, Schmidt’s journey may be seen to illustrate the particular evolution and character of the Federal Republic during the Cold War, a divided and provisional country caught between ‘self-restraint’ and ‘self-assertion’, like few others.  

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