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**PRESENTATION OF JEAN MONNET FOUNDATION GOLD MEDAL
TO CHANCELLOR HELMUT SCHMIDT
AND PRESIDENT VALERY GISCARD D'ESTAING**

Lausanne, 9 November

Laudatio by Jacques DELORS

Mr. President of the Swiss Confederation
Mr. "Conseiller d'Etat", Member of the Vaudois Government
Mr President Valery GISCARD D'ESTAING,
Herr Bundeskanzler Helmut SCHMIDT, Dear Helmut,

Dear Professor RIEBEN,
Your Excellencies,
Ladies and Gentleman,

It is a pleasure to be asked to give this laudatio to President Valery GISCARD D'ESTAING and Chancellor Helmut SCHMIDT on the occasion of their presentation of the Jean Monnet Foundation's Gold Medal.

No one can doubt that this ceremony will become an important event in the history of the Foundation, testified to by the presence, in this room, of the numerous prestigious guests.

Please permit me, in these circumstances, to pay tribute on behalf of us all, to the guardian of the memory of Jean MONNET and the European flame, Professor Henri RIEBEN. One cannot praise highly enough his enthusiasm, his rigour, and his intellectual curiosity. He hosted, in 1992, one of the seminars on the Crossroads of Science and Culture that I organised to stimulate cultural and ethical reflection around Europe. And, it is only natural that it was here that the theme of a model of European society was developed, so dear to Henri RIEBEN, active and inspired participant of this colloquium.

The Professor has picked a well-chosen moment to honour these two Statesmen who, among other determining actions, brought the vision and the project of a European money. This money, already in existence for financial market operations will, from 1st January 2002, take its concrete form of notes and coins. How can one, in what follows, distinguish between these two great individuals who began, decided, and argued in favour of this project together?

This laudatio, as you may well understand, will be devoted to the genesis of this great project. But I would not wish, for all that, to forget the other features of their careers. A few words then, where really it would require two books.

Valery GISCARD D'ESTAING

Valery GISCARD D'ESTAING, since his military engagement in 1944, has been involved in politics since the age of 29, in the cabinet of the President of the Council Edgar FAURE, then as a Member of Parliament for Puy de Dôme, at the age of 30. Since then he has not ceased to present himself in front of his co-citizens for election. Today; still a Member of Parliament, he also holds the Presidency of the Auvergne region.

His struggle for Europe has also not stopped since the Committee for European Monetary Union. After having, as Member of the European Parliament, between 1989 and 1993, participated constantly and effectively to its work, he presided the International European Movement from 1989 to 1997, and then, since 1998, has presided the Council of European Regions and Communes.

But to return to the heart of the matter, I would like above all like to insist upon the competence and experience he has acquired in monetary and financial affairs. Named, in 1959, Secretary of State for Finance, and then in January 1962, Minister for Economic and Financial Affairs, he came through the end of the "Golden Sixties" and had the premonition of a crisis, at once both monetary and financial, that would shake all the Western World and throw into doubt the still fragile edifice of the European Community. He was forced to leave his post in 1966, for reasons of political balance, as viewed by the then Prime Minister Georges POMPIDOU. When the later was elected President of the Republic in 1969, Valery GISCARD D'ESTAING returned to Rue de Rivoli, as part of Jacques CHABAN DELMAS's government.

All these problems faced, all this capital of accumulated experience, both would become useful for Valery GISCARD D'ESTAING when elected to the highest office, President of the Republic between 1974 and 1981. He thus had the means and the authority to give the necessary impetus, in full osmosis and joint action with Helmut SCHMIDT.

Helmut SCHMIDT

Helmut SCHMIDT was born early enough in the century to have to face the Second World War, as a soldier on the Eastern Front, and then as a prisoner of War. From 1946, he was an adherent of the SPD, and then was in charge of the economic policy service of the Lander of Hamburg. Elected in 1953 as a Member of the Bundestag, his political responsibilities continued to increase, to such a point that from 1961, he marked one of his primary interests and competencies with the publication of a strategy paper "Defence or Vengeance". Since then he has acquired a recognised competence in all areas of geo-politics, military strategy, and with an independent spirit that it is my pleasure to underline.

Having spent four years as Minister of the Interior for the Lander of Hamburg, he returned to the Bundestag to preside the parliamentary group.

Following this he was named Minister for Defence, between 1969 and 1972, in Willy BRANDT's first government. Then came, in 1972, time for his other preferred subject, the economy, with his nomination to the post of Minister for Finance in the second BRANDT government. The resignation of the later would then take him to the post of Chancellor.

One should note this happy coincidence, Valery GISCARD D'ESTAING was elected President of the Republic on 19 May 1974, three days after Helmut SCHMIDT had been elected Chancellor of the Bundestag. So it was that history would open the way for and extremely rare political friendship.

Friendship in Politics

On the 31st of May, Helmut SCHMIDT visited the new President of the Republic. It was far from being their first meeting. They had noticed one another, during the 1960s, while participating in the work of the Jean MONNET Committee. Then, they had worked together, as the responsible parties for finance, in European meetings. A solid and intimate friendship was to develop, even while the natural evolution of things hardly encourages this.

As Valery GISCARD D'ESTAING underlines in his preface to the last work published by Helmut SCHMIDT, "Europe Affirms Itself: Perspectives for the 21st Century":

"Even if, between Heads of State, competition is eased, it exists nevertheless and stems from other distractions. Decision-makers remain attentive to their public opinion, and they often wish, during negotiations, to appear ahead of their foreign partners."

This common sense observation, you can, ladies and gentlemen, still witness today, in behaviour that is very often at the expense of the European interest.

Such a friendship has, without doubt, enriched the soul and content of Franco-German co-operation. It explains, in addition to the political talent deployed, the success of the monetary project, in spite of the divergent techniques that existed between the two men and the profoundly different reactions in their respective countries.

I shall not ramble on about political friendships, even if President GISCARD D'ESTAING has the elegance to cite two other strong and amicable relationships: that between Konrad ADENAUER and Charles DE GAULLE, and that between Helmut KOHL and François MITTERRAND. In my opinion, these personal factors were of great benefit to both the countries concerned and to Europe. But, we must underline straightaway that other factors have played a role, and other countries have, at certain moments or others, made decisive contributions to advances in European integration. In this manner, when it wishes to show itself, the importance of the spirit of the European family is undeniable.

1974 brought then, in the midst of the perils engendered by the evolution of the dollar and the petrol shocks, a re-launch of European integration.

Two projects aside from the monetary one mark this period, they were undertaken at the initiatives of President Valery GISCARD D'ESTAING, and ratified at a conference during the Summit of the European Community in Paris, in December 1974.

On the one hand, the European Parliament, which until then had been composed of Members delegated from National Parliaments, was to be elected by universal suffrage. This was done in 1979.

On the other hand, Heads of State were to hold regular meetings in the form of the Council of the Community, a form of political co-operation. The European Council

was, in some way, institutionalised and would find its place, finally, in the Maastricht Treaty.

The nature and content of these two propositions illustrates, in no better way, the recommendation formulated by Jean MONNET in 1965:

“In order that the citizens of our countries can search for, understand and support the common interest, one must create the conditions which change their attitude and their behaviour towards others: from national, their problems become common. This cannot be done but through common laws and institutions.”

The genesis of the EMS

Before addressing the question that leads to the creation of the European Monetary System, it is without doubt worthwhile to recall that cohesion among Europeans had not been able to resist the dual decision of the Americans, first of all in August 1971, to end the Gold Exchange Standard, created at Bretton Woods in 1944, and then to devalue the dollar: the dual standard dollar-gold no longer existed. In relation to the dollar that was now no longer convertible into gold, currencies could fluctuate inside a band of 4.5% (According to the terms of the Açores Agreement). The Europeans decided among themselves, on a reduced band of 2.25%. The famous snake in the tunnel.

But nothing was going to stop speculation. Currencies attacked quit the snake of 2.25%, and sometimes even the 4.5% tunnel. President NIXON would make the disequilibrium worse, deciding in February 1973 on a second devaluation of the dollar. Amen to relatively fixed exchange rates. The world entered into the non-system of floating exchange rates that one could call, lessons drawn from the facts, the least bad solution in this period of never ending turbulence. The oil producing countries reacted by multiplying the cost of energy. Inflation was rampant and unhappily, confronted by these dangers, the European countries had neither the same analyses nor the same reaction. Thus it was that certain currencies would be forced out of the system as they could not remain within the snake, this attempt to limit the fluctuations of European currencies.

The truth obliges us to admit that until 1976, the technical dialogue between the Federal Republic of Germany and France was not very easy, due to a divergence in their inflation rates. French authorities nevertheless argued for the world to accept a return to a regime of relatively fixed exchange rates. A lost cause, the facts were against them. The Jamaica Agreement of 1976 officialised, in some way, the system of floating exchange rates.

A long period followed which saw France convert, not without jolts, toward the objective of the “Franc Fort”. President GISCARD D’ESTAING gave an impetus to the movement in 1976, with the government of Raymond BARRE, who, while

member of the European Commission, had done so much to rally the Member States around disciplined and efficient monetary co-operation.

There were but lessons to be drawn for our two recipients who without doubt thought, as Robert MARJOLIN observed in 1975:

“Europe is no further down the path of economic union than it was in 1969. In fact, if there has been, a movement, it is a movement in reverse.”

And, I would add, the publication of the WERNER report in 1970, did nothing to provoke a change in spirits. The Committee, which was head by the Luxembourg Prime Minister was charged with studying with a large group of top civil servants, the form that an Economic and Monetary Union could take. Such a project seemed distant from the sad realities of the European Community at this time.

President GISCARD D’ESTAING and the Chancellor SCHMIDT inaugurated a series of bilateral meetings, round tables, the first was held in Alsace, at BLAESHEIM. Their relations became so confident, that one or the other could permit themselves an audacious gesture. Indeed, this is what President of the Republic did when he presented to the Chancellor an analyse of not only the consequences of a floating exchange rate, but also of the practices that placed the costs of readjustment on the so-called weak currencies, which were against the long term interests of Europe.

An expert was designated from each side, the Governor of the Bank of France, Bernard CLAMAPPIER, who we all know played an eminent role next to Robert SCHUMAN, and Secretary of State, Doctor Horst SCHULMANN.

Their joint propositions called for a more constraining system than the snake, and were marked by a seal of reciprocity, between weak and strong currencies. The reaction of the Bundesbank was no surprise, it was against the project.

It was thus up to our two Statesmen to pick up the pilgrims baton and convince their partners, and for Helmut SCHMIDT; the more difficult task, obtain the consent of the German monetary authorities. They could also count on the efficient influence of the President of the European Commission, Roy JENKINS. However, the British Prime Minister, James CALLAGHAN, remained, despite his open mind, more reserved, least not to say hostile.

The project began to take form at the Bremen European Council, in July 1978. Helmut SCHMIDT, who’s profitable stubbornness is well known, desperately wanted British adhesion to the European Monetary System project. He was helped by other colleagues, and even proposed to the British a large margin of fluctuation – 6% percent instead of 2.25% - as Italy had asked for. But the English maintained their opposition. It was a dead-end, because, as is often the case, political vision and the technical qualities of a project can run aground due to a hardening of positions, and the tiredness of the participants.

President GISCARD D’ESTAING thus had the idea of dividing the project in two: a general agreement to which Great Britain could adhere and a relatively fixed exchange rate mechanism that these countries would not yet apply... for the

moment. In its stride, the European Council accepted to name the new unit of account the ECU, otherwise known as the “European Currency Unit”.

8 months later, on 13th March 1979, the EMS came into force. Lets us remind ourselves of the essential principals.

- The exchange rate mechanism limited the fluctuations of currencies around a peg rate by 2.25%.
- In order to manage the system, under the responsibility of the governors of the Central Banks, a European Monetary Fund was created, into which was placed 20% of the gold or dollar reserves of the Members. This management was accounted for in ECUs.
- Interventions were foreseen in order to maintain the stability of the system and if necessary there was also the possibility of short and medium term credit.

The Good and Bad Times of the EMS

The EMS was to have a chequered history.

Clearly, many amongst us did not stop trying to obtain from the member countries of the EMS, and above all the governors of the central banks, developments that would re-enforce the solidarity and the solidity of the system. Nothing but reticence, nothing but obstacles to simple technical improvements!

Nevertheless, at the meeting of Finance Ministers held at Nyborg, it was possible to confirm some advances, as should have been possible, as the governors meet once a month, at Basle. These were the so-called Basle-Nyborg agreements. The means for intervention were enlarged in order to improve the stability of the systems.

That said, although notable progress was made in terms of the reduction of inflation differentials, parity adjustments were still indispensable. However, these issues became more and more explosive, as questions of national prestige dominated over technical analyses that ordinarily would have been relatively consensual. When I presided the European Commission, I had the feeling during a meeting of the Ministers of Finance in January 1987 would be the last of its kind, the spirit of the meeting being so detestable.

In between time, and as this event is based on the Franco-German couple, it is convenient for me to recall that in March 1983 France, under the Presidency of Francois MITTERRAND, confirmed its adhesion to the EMS and thus, in some manner, having accepted the system, paved the way for further advances towards and Economic and Monetary Union.

But none of this would have been possible if an EMS had not proven that is was useful, politically as much as economically. Thanks to it, and also the efforts of the member states, the convergence of the economies gradually began to assert itself over a period that would lead us to the preparation of the Maastricht Treaty. Without

this success of the EMS and the 1992 programme, there would have been no question of me re-launching the project of Economic and Monetary Union.

The Committee for Economic and Monetary Union

This is what Helmut SCHMIDT and Valery GISCARD D'ESTAING had understood perfectly in the middle of the 1980s. A number of elements converged: the fall in the dollar, the attractiveness of the Deutsche Mark, the establishment of the Single Market, the return of optimism with regard to Europe that accompanied economic revival and the announcement of the liberalisation of capital movements, the ECU becoming the third currency in which bonds and guarantees were issued, public opinion becoming more attentive to the evolution of Europe. In such a context they saw here a window of opportunity.

They founded, in 1986, the Committee for European Monetary Union with the aid of 20 eminent figures: ex-Ministers, heads of business, bankers... and the following year, the Association for European Monetary Union, which was charged with disseminating ideas about EMU and also the ECU among the private sector. 400 hundred firms assisted in this. Chancellor SCHMIDT also participated, along with Etienne DAVIGNON, President of the Association, in the last seminar organised by this group, 30th of October this year. On this occasion, he presented, in view of the enlargement of the Union and the reform of its institutions, some strong propositions that deserve to be addressed in the debates that are to come, notably at the heart of the Convention that will reunite representatives of the European Parliament, national parliaments and governments, and the European Commission.

The GISCARD-SCHMIDT Committee, this is most often what it is called, got to work very quickly, and formulated from 1988 onwards a six point plan of action: creation of a European Central Bank, a general convergence of the economies, full participation in the EMS, complete free movement of capital, unification of the public and private flows of the ECU, development of financial operations in ECU, one of the important tasks that the Committee and Association strictly undertook.

The ground would be sown, with the central idea that the markets would progressively impose the ECU as a European and an international currency. This working hypothesis was contested, notably by the Bundesbank. It is why the Committee gradually, little by little, became accustomed to the idea that an institutional change would be a necessary precondition to establish EMU.

In the battle of ideas, it is important to note the influence of the report that, as President of the European Commission, I had asked Tommaso PADOA SCHIOPPA to write on the consequences of the creation of a Single Market. Taking certain classical theses, he was driven to outline three functions that would be necessary for the project to succeed: the function of allocation, which covered the failings of market mechanisms; the function of distribution which returns us to the Structural Funds whose development I praised, and which were accepted by the European Council in February 1988; and finally, the function of stabilisation, which could not succeed without monetary integration.

This report re-enforced the hand of the GISCARD-SCHMIDT Committee. The later triggering a debate to which in addition to the European Commission, Edouard BALLADUR, then Minister of the Economy and Finances, and Hans-Dietrich GENSCHER, Minister of Foreign Affairs of the FDR, participated.

The implementation of Economic and Monetary Union

It was in this context that the European Council met in Hanover in June 1988. The exercising President of the Community, Helmut KOHL, proposed to his colleagues to undertake a study on the forms of an Economic and Monetary Union. A Committee was charged to undertake the work within 9 months. I was given its Presidency. I insisted that the governors of the Central Banks were members, as well as three other qualified individuals and another Commissioner.

One cannot say that the atmosphere of this Committee was particularly serene. Even though we were asked to study the forms, and not necessarily argue in favour of an EMU, predispositions and fears were numerous. It is not the purpose of this laudatio to discuss this here. I would nevertheless like to underline that, in liaison with the concerns of the GISCARD-SCHMIDT Committee, the idea of a parallel currency was rejected, and along with it, the proposition for a common currency or, as the English would propose later, a hard "ECU".

The rapport was, if not adopted, taken into consideration by the European Council in Madrid in June 1989, not without expressions of opposition, notably from Great Britain. But so it was that political discussions were open where we could count on our two Statesmen to support the project, with all their authority, through their Committee. On the part of the Member States, not all were really convinced of the vital nature of the project. There was also the manifestation of fear that since the beginning I had rejected – as regards the consequences of German Re-unification. As always it was after 8 months of debate that a compromise was found on the basis of two parallel directions: one addressing Economic and Monetary Union, the other concerning the political dimensions of European integration. This was the Maastricht Treaty.

In the meantime, Mr President and Herr Chancellor, your child, the EMS, would know further insults. The least known was the detestable habit of treating important questions concerning the EMS only at the level of the Monetary Committee; that is to say among high civil servants of the Treasury and not at the political level, that of Finance Ministers. This allowed the decision, for example, and despite my violent disagreements on the method, on the entrance of Sterling that would then quit the ERM, in 1992, forced out by strong speculation. Then it was the turn of the Italian Lira to leave the system, before finally the French Franc would also be seriously threatened. The Council of Ministers thus decided to widen the margins of manoeuvre to 15% (instead of 2.25%) in order to maintain the EMS. But this was the moment of a dual tension, Germany and France, between certain Ministers and myself, also called for a provisional exit of the currency that was rising towards the upper limits, that is to say the Deutsche Mark.

Then came the difficult period of adjustment to the criteria fixed by the Maastricht Treaty that conditioned membership of EMU. A politically delicate phase, when one takes into consideration the slow down in economic growth and the rise in unemployment, but also in Germany the less than favourable attitude towards EMU among the majority of the population.

Today, we are dominated by the satisfaction of seeing the project on the point of realisation with the circulation of bank notes and coins. Some doubt this final step, others believe that it will help, given its concrete character, the diffusion of the European ideal. For me, if you will permit me, there is still an unachieved feeling, taking into account the balance – recommended by my report, wished for by the Treaty – between the economic and monetary part, that has not yet been realised. Which proves quite simply that one must always continue to analyse the state of the project and to improve it continually.

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But enough of this melancholy. Today, is a day of great celebration for our Europe.

I would have loved, but the risk would have been to be too long and boring, to illustrate how you are ever present, Herr Chancellor and Mr. President, in your political action and your proposals, through your books and interventions. You both pursue your common task with all the authority that comes to those who have truly advanced Europe. Your exchanges are, and will remain, fruitful, feed by your vision, your experiences, and the confrontation of your differing analyses... but all this is transcended by the profound friendship that unites you.