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## **WEST GERMANY AND EUROPEAN UNITY in U.S. Foreign Policy, 1969-1990**

From the late 1960s transatlantic relations including the West German-American "special relationship" faced new challenges. The world of the 1970s and 1980s was more complex, interconnected and economically more competitive than the previous two decades which had largely been characterized by the bipolarity of the early Cold War.<sup>1</sup> Simultaneously, the American attitude towards both European integration and German unification began to change. During the first two post-war decades all American governments had been in strong support of the ever closer integration of the European continent within an Atlantic framework.<sup>2</sup> Even de Gaulle's challenge to American leadership of Europe throughout the 1960s did not fundamentally alter Washington's pro-integration policy.<sup>3</sup> The late 1960s-early 1970s, however, proved to be a decisive turning point as far as America's European strategy was concerned. American support for the further integration of the European continent including German unification deteriorated considerably. By the early 1970s, not so much traditional foreign policy matters but rather a climate of severe trade competition and economic jealousy dominated America's relations with the European Community (EC). Moreover, from the late 1970s the economic difficulties were complemented by serious European-American

1. For recent accounts of German-American relations in the European context see above all Wolfram Hanrieder, *Deutschland, Europa, Amerika: Die Außenpolitik der Bundesrepublik Deutschland 1949-1994* (2<sup>nd</sup> rev. and exp. ed., Paderborn: Ferdinand Schöningh, 1995) [Engl. edition: *Germany, America, Europe: Forty Years of German Foreign Policy* (New Haven: Yale University Press, 1989)]; see also the articles in *Deutschland und die USA im 20. Jahrhundert: Geschichte der politischen Beziehungen*, edited by Klaus Larres and Torsten Oppelland (Darmstadt: Wissenschaftliche Bundgesellschaft, 1997).

2. While there is an abundance of literature on certain aspects of American-European relations particularly in the security field, there are only very few comprehensive accounts. See above all Geir Lundestad, *"Empire" by Integration: The United States and European Integration, 1945-1997* (Oxford: Oxford University Press, 1998); Alfred Grosser, *The Western Alliance: European-American Relations since 1945* (London: Allen & Unwin, 1980).

3. See Robert O. Paxton and Nicholas Wahl, eds, *de Gaulle and the United States: A Centennial Reappraisal* (Oxford: Oxford University Press, 1994); also H. Simonian, *The Privileged Partnership: Franco-German Relations in the European Community* (Oxford: Oxford University Press, 1985).

differences over security issues and NATO's policy towards the Soviet Union. Trade and security matters became closely intertwined and this situation contributed to the bitterness of transatlantic conflicts.

With hindsight it is clear that the transatlantic crisis during the last two decades of the Cold War was strongly influenced by the gradual emancipation of Western Europe from American tutelage. With its support for European reconstruction and integration after the Second World War the USA had never intended to nourish an independent "third force" on the European continent. Although it may be argued with some justification that there was something very unique about the way the American "empire" and American "hegemony" developed, the United States resembled very much a traditional great power as far as its willingness was concerned to remain the undisputed leader of the Atlantic system.<sup>4</sup>

It was the Nixon administration's policy of attempting to uphold its global position while neglecting both the economic and financial dimension of such a role and the co-operation with the European Economic Community (EEC) after 1969 which gradually encouraged the Western Europeans to develop common economic, financial and even political institutions. It will be argued in this article that transatlantic mistrust and ever greater American pre-occupation with its own economic competitiveness and global standing pushed the leading EC governments into co-operating increasingly more closely, for example, by means of the creation of the European Monetary System and the Single European Act. These developments were viewed with great distrust by Washington. In particular, the Reagan administration was not prepared to support European integration which seemed to challenge America's own economic if not political position. Only in the course of the process of German unification and the other dramatic events of 1989-1990 did President Bush manage to re-align the USA with the process of European integration.

### ***European Reconstruction and American Preponderance***

The crisis situation which faced transatlantic relations in the 1970s and 1980s was far removed from Washington's visionary strategy designed in the 1950s which was characterized by America's enthusiastic support for European reconstruction and unification.<sup>5</sup> Beginning with the 1947 Marshall Plan it was Washington's intention to stabilize and reconstruct the continent with the help of generous economic and financial aid. American policymakers

4. See Geir Lundestad, "Empire by Invitation? The United States and Western Europe, 1945-1952," *Journal of Peace Research* (1986), 263-277; Geir Lundestad, *The American "Empire"* (Oxford: Oxford University Press, 1990), 31ff.; John G. Ikenberry, "Rethinking the Origins of American Hegemony," *Political Science Quarterly* 104 (1989), 375-400.

recognized that only a united Western Europe at peace with itself would be able to create a concerted front against the military and ideological threat from the Soviet Union. Moreover, only such a Europe would ensure the reconciliation of the Federal Republic of Germany with the countries of the western world and thereby generate lasting Franco-German friendship while avoiding tendencies towards neutralism and defeatism.<sup>6</sup> In this respect, the term “double containment,” introduced into the literature by Wilfried Loth and Wolfram Hanrieder, has proven a helpful explanatory construct.<sup>7</sup> In addition, Washington’s thinking was influenced by idealistic “missionary” notions such as traditional American enthusiasm for federalism and the conviction that European unity would strengthen democracy. Underlying America’s post-war vision was above all the assumption that only a fully integrated, stable and economically viable Europe would develop into a peaceful continent. Achieving prosperity in Western Europe appeared to depend on the creation of a unified single market. It would prevent economic nationalism and lead to a truly free and multilateral transatlantic economic system. In due course this strategy would have the advantage of making unnecessary the continuation of American economic aid to Western Europe. It would close the dollar gap, permit the convertibility of European currencies, allow the Europeans to export to the USA and, in addition, create a huge market for American exporters.<sup>8</sup> In the heady enthusiastic days of the late 1940s and throughout the 1950s it appeared as if the eventual unification of the European continent would not only ensure permanent peace and well-being on the continent but also America’s long-term economic prosperity.

Thus, Washington’s reasons for supporting European integration can hardly be called altruistic.<sup>9</sup> In fact, European integration must be regarded as the *deus ex machina* with which the Truman Administration intended to square the circle and solve the daunting economic but also military problems of the

5. See the articles in *The United States and the Integration of Europe: Legacies of the Postwar Era*, edited by Francis H. Heller and John R. Gillingham (Basingstoke: Macmillan, 1996); Klaus Schwabe, “The United States and European Integration, 1947-1957,” in *Western Europe and Germany: The Beginnings of European Integration, 1945-1960*, edited by Clemens Wurm (Oxford: Oxford University Press, 1995), 115-135; Michael Hogan, *The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947-1952* (Cambridge: Cambridge University Press, 1987).

6. See *Foreign Relations of the United States (FRUS) 1955-57*, Vol. IV, 399 (26/1/1956); also the various articles in *Vom Marshall-Plan zur EWG: Die Eingliederung der Bundesrepublik in die westliche Welt*, edited by Ludolf Herbst et al. (Munich: Oldenbourg, 1990).

7. See the brief discussion in Hans-Jürgen Schröder, “USA und westdeutscher Wiederaufstieg (1945-1952),” in Larres and Oppeland, 106-107.

8. Federico Romero, “U.S. Attitudes towards Integration and Interdependence: The 1950s,” in Heller and Gillingham, 103-121; John Killick, *The United States and European Reconstruction, 1945-1960* (Edinburgh: Keele University Press, 1997), 65 ff., 171 ff.

9. It seems to be more appropriate to speak of “enlightened self-interest.” See Killick, 185.

post-war world. Both President Truman and his successor Dwight D. Eisenhower expected that an economically healthy Europe would be able to build up strong military forces and abide by a policy of strength towards the Soviet Union. They believed that a prosperous Europe would be able to allow Washington to reduce the number of troops based in Europe. This was an important dimension; after all Congress had to give its support to America's expensive Western European and Cold War policies.<sup>10</sup> Furthermore, it was expected that the creation and development of NATO and the successful implementation of the strategy of containment would help the Europeans to foster a sense of security and stability. This would prevent any internal challenges to the NATO framework, the security roof which Washington superimposed on western political and economic integration. The system would work and become mutually reinforcing as it would give considerable advantages both to the United States and to Western Europe.<sup>11</sup>

However, European integration did not work as had been expected in Washington. Instead of being all-embracing, at first it appeared that it tended to concentrate only on a limited number of countries and merely on certain economic sectors (e.g. the coal and steel industries). Moreover, it was clearly protectionist and discriminatory. There were ever increasing European endeavours to keep the economic competition from the United States and the dollar area out of Europe.<sup>12</sup> Thus, genuine liberalization of trade and payments and the introduction of multilateralism and currency convertibility as desired by Washington did not occur. Instead, European regionalism prevailed. However, throughout the 1950s Washington continued to regard this as a temporary phenomenon which would not be able to prevent the gradual development of full multilateralism. Short-term American economic sacrifices were regarded as affordable and would later be counter-balanced by the immense economic advantages accruing from a huge unified market.<sup>13</sup> Policymakers in the USA did not yet worry about American international economic competitiveness. Instead, at the height of the Cold War full European

10. Moreover, Eisenhower hoped that the unity of Western Europe "would solve the peace of the world" and would "ultimately attract to it all the Soviet satellites" See *FRUS 1955-57*, Vol. IV, 349 (21/11/1955).

11. See *FRUS 1955-57*: While the U.S. would be able "to sit back and relax somewhat," Eisenhower cited the "American historical patterns as an illustration" and expressed the belief that "each and every one" of the Western Europeans "would profit by the union of them all and none would lose;" also Lundestad, *Empire by "Integration,"* 18 and 71. See also Pascaline Winand, *Eisenhower, Kennedy and the United States of Europe* (London: Saint Martin's Press, 1993).

12. See for example *FRUS 1958-60*, Vol. VII, Part 1, 61-64 (29/7/1958), 218-220 (16/12/1959).

13. See Romero, 114-118.

supranational unity and not least the integration of the Federal Republic with the West were viewed as vital to the national interest of the USA.

### ***The Transition to Interdependence in the 1960s***

By the end of the 1950s the view that geopolitics was more important than mere economic and trade matters was increasingly challenged from within the American government. The speedy recovery of the European economies, above all epitomized by the West German “economic miracle,” and the discovery of structural deficiencies in the American economic performance ensured that the Europeans came to be seen as serious competitors. In particular, Federico Romero and Alan Milward have argued that from 1958, the year the EEC began working, America’s attitude towards European integration became much more sceptical.<sup>14</sup> Indeed, in the 1960s economic aspects in transatlantic relations gained increasing importance, not least due to the fact that the American payments deficit had greatly increased in 1958-1959. Thus, genuine currency convertibility and the termination of all protective European tariffs and trade discriminations began to be regarded as long overdue. American coolness to the British inspired free trade area and then to EFTA can be explained by the fact that both entailed trade discriminations against the USA without having any of the expected integrationist advantages of the EEC outlined above [Lundestad, “*Empire*” by *Integration* 89-90]. The West German-American squabbles about German off-set payments as a contribution to the cost of American troops and equipment based on German soil also indicated the increasing importance of economic and financial matters to Washington. Until the matter was resolved in July 1976 with a final one-off payment, this issue led to regular public displays of severe friction in German-American relations. Bonn felt treated like a country still occupied. President Johnson’s refusal to enter into any compromise on the matter contributed to Chancellor Erhard’s downfall in 1966. This episode indicated the importance with which Washington had begun to view financial matters.<sup>15</sup>

14. See the discussion in Lundestad, *Empire by “Integration,”* 83 ff., esp. 87-89; Romero 114-118; Thomas W. Zeiler, *American Trade and Power in the 1960s* (New York: Columbia University Press, 1992); Diane B. Kunz, “Cold War Diplomacy: The Other Side of Containment,” in *The Diplomacy of the Crucial Decade: American Foreign Policy during the 1960s*, edited by Diane B. Kunz (New York: Columbia University Press, 1994), 80-114.

15. In particular Congress had become increasingly suspicious of the EC. See Roger Morgan, *The United States and West Germany, 1945-1973: A Study in Alliance Politics* (London: Oxford University Press, 1974), 200-204; Elke Thiel, *Dollar-Dominanz: Lastenteilung und amerikanische Truppenpräsenz in Europa*, (Baden-Baden: Nomos, 1979); Gregory F. Treverton, *The Dollar Drain and American Forces in Germany: Managing the Political Economies of Alliance* (Athens: Ohio University Press, 1978). See also Volker Hentschel, *Ludwig Erhard: Ein Politikerleben* (Munich: Olzog, 1996).

Part of the American reaction to the increasing economic competition from Western Europe was the Dillon and Kennedy rounds in GATT which aimed at creating a more liberal world trading system by, above all, reducing EEC tariffs on American goods. The attempt to strengthen the role of the restructured and renamed OECD had a similar aim. Not surprisingly, Kennedy's "Grand Design" contained the expectation that an ever more united and independent Europe would have a strong and lasting American connection.<sup>16</sup> In the security sphere Washington also began to pay more attention to accommodating the Europeans and their attempts to achieve greater independence. Part of this strategy was the effort made during the Kennedy and Johnson administrations to introduce a sea-based Multilateral Force (MLF) to give the Europeans, in particular the West Germans, the impression of participating in NATO's nuclear decision-making process. It was hoped that any Franco-German nuclear collaboration could thus be avoided. The 1967 establishment of NATO's Nuclear Planning Group as well as the creation of the Eurogroup in 1968 were part of this policy.<sup>17</sup> However, Washington had no desire to give up any real power. It was not Europe, for example, but the U.S. who insisted on terminating the "massive retaliation" doctrine in favour of the "flexible response" strategy in the late 1960s. It was also characteristic that the last Cold War summit at which the Europeans (i.e. London and Paris) were invited to participate was the abortive Paris summit of 1960. Thereafter, summitry was conducted bilaterally between Washington and Moscow.<sup>18</sup>

During the 1960s Washington's political, military as well as economic pre-dominance within the transatlantic alliance was criticized more often than hitherto but not seriously challenged. The only notable exception was de Gaulle's policy but, on the whole, Washington was not too disturbed and merely waited patiently for the General's departure. Thus, America's positive view of European federalism remained largely unimpaired. Washington still regarded European integration as vital to successfully compete in the Cold War. This would only change with the "era of negotiations" and the coming to power of the Nixon administration in 1969.

### ***The Re-Evaluation of America's European Policy in the 1970s***

Throughout the global recessions of the 1970s the world's leading economies found themselves increasingly exposed to the often contradictory necessities

16. See Grosser, 200-201; see also Winand.

17. These are good examples for the fact that for Washington European integration was always subordinate in importance to upholding the Atlantic framework.

18. The exception were the quadripartite Berlin negotiations in 1971 but this was a special case.

of “global interdependence, regional integration, and national self-assertion.”<sup>19</sup> Washington resented the ever growing competition and exclusionary trade habits of the EC which seemed to challenge America’s leadership position. Moreover, in the wake of Vietnam and Watergate, the United States underwent a deep identity crisis. This situation encouraged policymakers in Washington to indulge in “naval gazing” and to concentrate on the larger themes of international politics while neglecting the many complex regional European affairs. Above all, the financial burden of the Vietnam War, the lingering costs of financing the domestic “great society” programmes of the 1960s as well as the two oil crises of the 1970s which were accompanied by rising energy prices meant that America’s economic and financial position was much less secure than in the previous decades. The United States had not only accumulated a considerable balance of payments deficit, but from 1971, for the first time since 1883, it also had a considerable trade deficit as well as inflationary problems, rising unemployment, almost stagnant wages and the position of the dollar, the world’s leading reserve currency, was weakening. The reputation of the West German mark as a solid “safe heaven” for investors however was becoming stronger. President Nixon accused the EC of unfair trade practices and demanded that the Europeans should lower their tariffs and allow more American goods to enter the common market. In particular, he made the EC’s protectionist new Common Agricultural Policy (CAP) responsible for America’s trade deficit. In fact, one of the main reasons for Washington’s problems was the relative overvaluation of the dollar which helped European (particularly West German) and Japanese exports. Ever since the devaluation of most European currencies in 1949, the dollar had remained overvalued. Moreover, both the EC and EFTA had discriminated against all non-essential U.S. goods by imposing quotas, exchange controls and import licences.<sup>20</sup> The lingering monetary crisis came to ahead in the summer 1971. In August Nixon decided on the sudden suspension of the dollar’s convertibility into gold. This resulted in the free floating of international currencies and, above all, in an effective devaluation of the dollar. Simultaneously, the President imposed a ten per cent protective tariff on imported goods. In practice, these decisions terminated the 1944 Bretton Woods system of fixed exchange rates. Moreover, they were solely dictated by American domestic-economic requirements and disregarded any consequences for the

19. Quoted in Wolfram Hanrieder, “The German-American Connection in the 1970s and 1980s: The Maturing of a Relationship,” in *Shepherd of Democracy? America and Germany in the Twentieth Century* edited by Carl C. Hodge and Cathal J. Nolan (Westport, Ct.: Greenwood Press, 1992), 116. See also Herbert Dittgen, “Die Ära der Ost-West-Verhandlungen und der Wirtschafts- und Währungskrisen (1969-1981),” in Larres and Oppelland, 188-190.

20. See Killick, 173.

country's allies. Secretary of the Treasury, John Connally, did not hesitate to admit that the American action had been taken "to screw the Europeans before they screw us."<sup>21</sup>

Thus, America's relative economic and financial decline in combination with global detente and the accompanying perception that the military threat from the Warsaw Pact was receding, decisively contributed to undermining the Nixon administration's commitment to the European continent.<sup>22</sup> In addition Congress had grown increasingly sceptical about the benefits of America's involvement in Europe. Throughout the 1970s, Senator Mansfield introduced eight amendments for American troop reductions in Europe.<sup>23</sup> Within the administration, it was above all National Security Adviser Kissinger, a keen student of 19th century European power politics, who insisted on basing America's relations with its Western European allies on a purely bilateral nation state basis within the Atlantic framework. Thus, the administration chose to ignore the European Commission and the fledging common European institutions almost entirely [Schaetzel 50; Andrianopoulos 66 ff., 152 ff]. In Kissinger's realist world view it was unlikely that "Europe would unite in order to share *our* burdens or that it would be content with a subordinate role once it had the means to implement its own views." He advised that a "common focus had to be achieved among sovereign equals; partnership had to be evoked rather than assumed."<sup>24</sup> While continuing to speak out in favour of a united federal Europe, in fact the Nixon administration was not interested anymore in supporting the development of a supranational Europe with common political and economic decision-making bodies. Washington intended to leave the initiative with respect to any further steps towards a more united continent to the Europeans. Nixon and Kissinger were convinced that America was a declining power which only had a limited degree of influence on the EC [Lundestad, "Empire" by Integration 101].<sup>25</sup>

21. Quoted in John Peterson, *Europe and America in the 1990s: The Prospects for Partnership* (Aldershot: E. Elgar, 1993), 41. See also Harold James, *Rambouillet, 15 November 1975: Die Globalisierung der Wirtschaft* (Munich, 1996), 131ff.

22. The best account on the Nixon administration and European Integration is still J. Robert Schaetzel, *The Unhinged Alliance: America in the European Community* (New York: Harper and Row, 1975), 48ff. For Nixon's detente policy see Raymond Garthoff, *Detente and Confrontation: American-Soviet Relations from Nixon to Reagan*, 2<sup>nd</sup> rev. ed. (Washington, DC: Brookings Institution, 1994).

23. Argyris G. Andrianopoulos, *Western Europe in Kissinger's Global Strategy* (Basingstoke: Macmillan, 1988), 132ff.

24. Henry Kissinger, *Years of Upheaval* (London: Weidenfeld & Nicolson & Michael Joseph, 1982), 131-132.

25. Robert S. Litwak, *Detente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969-1976* (Cambridge: Cambridge University Press, 1984).

Despite these insights which seemed to indicate a willingness to accept the realities of a more pluralistic and interdependent world, in practice, the Nixon administration still expected a largely docile Europe. In particular, as far as East-West relations and the NATO alliance were concerned, Washington certainly wished to be in full control. Ostpolitik, West Germany's fairly independent variant of detente, was therefore only grudgingly accepted by the Nixon administration.<sup>26</sup> Although, the acceptance of the Cold War status quo and the *de facto* recognition of the GDR had been urged on West Germany since the Kennedy era, Kissinger initially believed that the Bonn government had embarked on a new Rapallo policy.<sup>27</sup> Above all, Nixon and Kissinger disliked the independence and confidence with which the West Germans proceeded with Ostpolitik and competed with Washington's own strategy of superpower detente. Within a general climate of American suspicion of growing European independence, these factors contributed considerably to the apprehension with which Chancellor Brandt's policy was regarded by the Nixon administration.<sup>28</sup>

By 1973 Kissinger realized that transatlantic relations were in urgent need of revision and repair and, to the anger of the EC countries who had not been consulted, he grandly announced the "Year of Europe" [Brandt 192; Kissinger, *Years of Upheaval* 128ff., 151ff]. In effect, the "Year of Europe" was Kissinger's attempt to improve U.S.-EC relations while safeguarding Washington's leadership role. Kissinger proposed a new Atlantic Charter and did not hesitate to emphasize that America had global responsibilities while the EC countries only had to deal with regional problems. Moreover, he insisted on a greater degree of military burden-sharing as only Europe's economic contribution would guarantee the further functioning of America's security umbrella. Both points but particularly the linkage between economic and security concerns led to severe difficulties between Washington and the Western Europeans. Kissinger however managed to persuade the Europeans to agree to a clause in the Atlantic Declaration, signed in June 1974, which stated that Washington should be consulted before the EC countries arrived at important decisions which impacted on transatlantic issues. Thus, American ideas of the

26. See Klaus Larres, "Germany and the West: the "Rapallo Factor" in German Foreign Policy from the 1950s to the 1990s," in *The Federal Republic of Germany since 1949: Politics, Society and Economy before and after Unification*, edited by Klaus Larres and Panikos Panayi (London: Longman, 1996), 303-318.

27. See Henry Kissinger, *The White House Years* (London: Weidenfeld & Nicolson & Michael Joseph, 1979), 409, also 529-530.

28. Willy Brandt, *Erinnerungen* (Frankfurt/M.: Ferenczy, 1989), 189-190, 192; Paul Frank, *Entschlüsselte Botschaft: Ein Diplomat macht Inventur* (Stuttgart: Deutsche Verlags-Anstalt, 1982), 287; Seymour M. Hersh, *The Price of Power: Kissinger in the White House* (New York: Summit Books, 1983), 416.

nature of the transatlantic relationship had largely won the day [Kissinger, *Years of Upheaval 192-194*].<sup>29</sup> In practice, however, allied relations remained tense. Severe friction occurred during the Yom Kippur War of October 1973 when Washington full-heartedly backed Israel while many Europeans including the West Germans hesitated to do so. The EC was much more dependent on Middle Eastern oil than the USA and many countries (like France, the UK but also the FRG) had strong economic links with the Arab countries in the region.<sup>30</sup> Thus, the war and the energy question were closely connected with both security and economic prosperity.

The American-European differences with respect to the “Year of Europe” and the Yom Kippur War pushed the EC into developing more sophisticated processes of co-operation, not least in order to be able to resist pressure to fall in line with American wishes. The 1973 Declaration on European Identity was influential in gradually leading to a tentative common European foreign policy. It encouraged EC members to use the instrument of European Political Co-operation (EPC), created in 1970, to ensure that foreign policy positions would be co-ordinated among all EC countries.<sup>31</sup> Still, most authors view the 1970s largely as a “dark age” or a “stagnant decade” for European integration.<sup>32</sup> The two oil crises and the accompanying economic recession (best characterized by the phrase “stagflation”) as well as the expansion of the EC from six to nine countries with the addition of the UK, Ireland and Denmark on 1 January 1973 caused a severe long-lasting crisis of adaptation within the Community.<sup>33</sup> On the whole, “the disarray of Europe” worked to the benefit of the USA. Washington was able to insist on the importance of the Atlantic framework and regain “its position as the leading power among the partners who were unified only when under its direction” [Grosser 281]. However, under Nixon and Kissinger an important re-evaluation of U.S.-EC relations had taken place. Washington had begun to look after its own economic and political interests much more than hitherto. It was not prepared anymore to accept unilateral disadvantages in the hope of obtaining vaguely-defined benefits in the long run. The age of transatlantic patience had come to an end.

29. Also William C. Cromwell, *The United States and the European Pillar: The Strained Alliance* (Basingstoke: Macmillan, 1992), 79ff.

30. George Lavy, *Germany and Israel: Moral Debt and National Interest* (London: Frank Cass, 1996), 175ff.

31. See Desmond Dinan, *Ever Closer Union? An Introduction to the European Community* (Basingstoke: Macmillan, 1994), 75-87.

32. Peterson, *Europe and America in the 1990s*, 42; Keith Middlemas, quoted in Lundestad, “Empire” by Integration, 109.

33. See Derek W. Urwin, *The Community of Europe: A History of European Integration since 1945* (2<sup>nd</sup> ed., London: Longman, 1995), 157ff.

### **Years of Crisis: Carter, Reagan and the “Relaunch” of Europe (1977-1989)**

Despite Jimmy Carter’s professed pro-European attitude and his intention to concentrate on re-establishing more co-operative and constructive trilateral relations among the U.S., Western Europe and Japan, his ever-increasing domestic and international difficulties did not leave him much time to look after European integration issues.<sup>34</sup> Carter was however the first President who visited and acknowledged the importance of the EC Commission [Lundestad, “*Empire*” by *Integration* 108-109]. Still, the economic differences in transatlantic relations were not overcome. During the Carter presidency the existence of monetary disputes and rivalries among the allies were often revealed in the course of the various economic summits which had become established practice in the western world since 1975. They constituted an active strategy to once again attempt to co-ordinate the western world’s economic and financial policies. While in the past such initiatives had usually come from the USA, in the mid- to late 1970s the EC became increasingly active in this respect. The EC countries, for example, attempted to put western currency exchange rates on a new stable footing with the help of first the Smithsonian Agreement, then the so-called “currency snake,” and eventually by creating the European Monetary System (EMS) in 1978, the forerunner of EMU (European Monetary Union). The main aim of the EMS was the establishment of a zone of stable exchange rates floating in tandem against the dollar thus obtaining a certain protection in face of the volatile world of international trade dominated by the unstable dollar. This benefited above all the position of the Deutschmark—which became ever more important not only as the EC’s leading currency but also increasingly as a global reserve currency.<sup>35</sup> In the long run this had a positive effect on the West German economy and the country’s political influence within the EC, thus enhancing the rivalry between Bonn and Washington.

West German Chancellor Schmidt, a trained economist who together with French President Giscard d’Estaing increasingly appeared to become the EC’s economic spokesman, expected Washington to co-ordinate its expansionary economic strategies with the EC. However, Carter refused to do so.<sup>36</sup> Instead, continued American economic problems during Carter’s term in office led to Washington’s unpopular suggestion that in order to diminish the Ame-

34. On Carter’s domestic and foreign policy see Burton I. Kaufman, *The Presidency of James Earl Carter* (Lawrence: University Press of Kansas, 1993); John Dumbrell, *The Carter Presidency: A Re-evaluation* (Manchester: Manchester University Press, 1995); Gaddis Smith, *Morality, Reason and Power: American Diplomacy in the Carter Years* (New York: Hill & Wang, 1986).

35. See Morgan, *The United States and West Germany*, 204-208; Hanrieder, *Germany, America, Europe*, 290ff.; also Rainer Hellmann, *Gold, the Dollar, and the European Currency Systems* (New York: Praeger, 1979); Thomas L. Ilgen, *Autonomy and Independence: U.S.-Western European Monetary and Trade Relations, 1958-84* (Totowa, N.J.: Rowman & Allanheld, 1985).

rican trade deficit with the EC, the West German and American economies should form an economic "axis." Bonn was asked to act as a "locomotive" for western economic growth by ending its restrictive monetary policy and to embark on an expansionist economic strategy instead. Schmidt, however, believed that this would be detrimental to his policy of stabilizing inflation and the value of the mark. Washington's willingness to increasingly resort to protectionist measures to defend the competitiveness of American goods was much resented by the EC. The summit meeting in Venice in the summer of 1980 must be regarded as one of the lowpoints of transatlantic and in particular West German-American relations.<sup>37</sup> However, on the whole, in the course of its last two years in office the Carter administration adopted more restrained macroeconomic and trade policies with a greater emphasis on co-operation with the EC. Carter, for example, began to pay more attention to stabilizing the value of the dollar and made important concessions during the Tokyo round of multilateral trade negotiations in April 1979. The President seemed to have realized that America's relative weakness and the EC's growing strength made transatlantic co-operation and mutual accommodation imperative. In effect, it seems that the Carter administration had become "educated to the new limits of American power."<sup>38</sup>

These limits also became apparent as far as security policy issues were concerned. Differences over arms control negotiations and rearmament issues including Carter's unilateral decisions first to develop and then to cancel the so-called neutron bomb as well as disputes over the divisibility of detente characterized the dire state of transatlantic relations during the Carter era.<sup>39</sup> Under severe pressure from the dramatic shift to the right in American domestic opinion during the 1970s, in 1978-1979 Carter underwent a transforma-

36. See Helmut Schmidt, *Menschen und Mächte* (Berlin: Siedler, 1987), 188ff., 202ff., 222ff.; also Barbara Heep, *Helmut Schmidt und Amerika: Eine schwierige Partnerschaft* (Bonn: Bouvier, 1990); Hanrieder 282ff.; Helga Haftendorn, *Sicherheit und Stabilität: Außenbeziehungen der Bundesrepublik zwischen Ölkrise und NATO-Doppelbeschluss* (Munich: Deutsche Taschenbuch Verlag, 1986), 35ff.; Robert O. Keohane, "U.S. Foreign Economic Policy toward other Advanced Capitalist States," in *Eagle Entangled: U.S. Foreign Policy in a Complex World*, edited by Kenneth A. Oye et al. (New York: Longman, 1979), 91-122.

37. The meeting led to an unprecedented personal clash between Schmidt and Carter. Carter speaks of an "unbelievable meeting" and "the most unpleasant personal exchange I ever had with a foreign leader." Quoted in Jimmy Carter, *Keeping Faith: Memoirs of a President* (Toronto: Bantam Books, 1982), 536, 538.

38. Benjamin J. Cohen, "An Explosion in the Kitchen? Economic Relations with Other Advanced States," in *Eagle Defiant: United States Foreign Policy in the 1980s*, Kenneth A. Oye et al. (Boston: Little Brown, 1983), 113.

39. See Sherri Wasserman, *The Neutron Bomb Controversy: A Study in Alliance Politics* (New York: Praeger, 1983); Dittgen 190-196; also Dittgen, *Deutsch-Amerikanische Sicherheitsbeziehungen in der Ära Helmut Schmidt: Vorgeschichte und Folgen des NATO-Doppelbeschlusses* (Munich: W. Fink, 1991).

tion from apostle of detente to rigid cold warrior. In Europe, however, and in particular in West Germany, there was much stronger interest in the continuation of detente under almost all circumstances than in America. Therefore, Carter's imposition of trade sanctions on the USSR (by above all stopping grain sales) and the American boycott of the Olympic Games in Moscow were regarded as exaggerated reactions to the Afghanistan invasion of December 1979.<sup>40</sup> Carter was strongly criticized for deliberately mixing economic and security policies. In effect, Carter had resorted to Kissinger's hard-headed realist policy of "linkage" but with a greater emphasis on the "stick" than on the "carrot." In general, most EC countries viewed American politics under Carter as ambiguous and unpredictable while the President regarded the EC as unhelpful, unsympathetic and even ruthless as far as Washington's global predicaments were concerned. Despite Carter's approval, in principle, of further progress towards a united European continent, the constant crisis atmosphere of his presidency had not given him the chance to play an active role in this respect. While transatlantic and particularly German-American relations severely suffered, European integration was largely benignly neglected by American policymakers during Carter's spell in office.<sup>41</sup>

When Ronald Reagan entered the White House in January 1981, he was intent on re-imposing America's leadership on transatlantic relations. Both the EC's much stronger economic position, accompanied by greater political confidence, and the era of detente with the Soviet Union were simply ignored by Reagan as if these developments had never taken place. Thus, while during the Nixon administration transatlantic tension had largely concentrated on economic and trade issues, under Reagan, even more so than under Carter, economics as well as security issues and severely differing perceptions regarding the East-West conflict affected the transatlantic alliance.<sup>42</sup>

Above all, Reagan was not interested in supporting the creation of a supranational Europe. In fact, his new policy of strength towards Moscow precluded a reassessment of Washington's relations with its allies.<sup>43</sup> As far as

40. See Schmidt 243ff.; also Ernst-Otto Czempel, *Machtprobe: Die USA und die Sowjetunion in den achtziger Jahren* (Munich: C.H. Beck, 1989).

41. For a succinct analysis of Carter's policies see (despite the title) Miles Kahler, "The United States and Western Europe: The Diplomatic Consequences of Mr. Reagan," in Oye et al., *Eagle Defiant*, 276-289.

42. See Coral Bell, *The Reagan Paradox: U.S. Foreign Policy in the 1980s* (New Brunswick, NJ, 1989), esp. 121ff.; also Czempel, and Michael Jochum, "Der Zerfall des sicherheitspolitischen Konsenses und die Verschärfung der Wirtschafts- und Währungskrisen (1981-89)," in Larres and Oppeland, 204ff.

43. For an excellent analysis see Geir Lundestad, "The United States and Western Europe under Ronald Reagan," in *Reagan and the World*, edited by David E. Kyvig (New York, 1990), 47-62; also Strobe Talbott, *Deadly Gambits: The Reagan Administration and the Stalemate in Nuclear Arms Control* (New York: Knopf, 1984).

Reagan's policy towards the Soviet Union was concerned, it is useful to differentiate between Reagan's first and second term in office; from 1984-1985 the President embarked upon a less hard-line approach towards the USSR. Although this helped to improve Washington's relations with its allies to a considerable degree, Reagan still expected the Europeans to follow America's "hegemonic" lead without questioning any of its policies. Thus, with respect to transatlantic relations a deliberate policy of arrogant neglect rather than benign neglect can be observed throughout Reagan's terms in office. Early in his presidency, for example, the Reagan administration talked casually of developing nuclear warfighting capabilities and the possibility of entering into tactical nuclear exchanges with the Soviet Union. Such exchanges would of course have taken place over European territory destroying much of the continent in the process. The same apparent willingness to distance himself from European security concerns appeared to apply to the President's enthusiasm regarding the development of the Strategic Defence Initiative (SDI). If this project ever came to fruition, it would make the United States immune to nuclear attacks by the Soviet Union, while in all likelihood such protection would not be available to the Europeans. Equally, Reagan's negotiations with Soviet Secretary General Michael Gorbachev in Reykjavik in October 1986 almost led to the elimination of all ballistic missiles in East and West and the tabling of plans for the eradication of all nuclear weapons in the foreseeable future. Although such a development would have dramatically affected the future of the European continent, Reagan never consulted the Europeans [Bell 27ff.; Lundestad, "The US and Western Europe" 48ff.; Kahler 290ff]. The same applied to Reagan's and Gorbachev's so-called "double-zero" agreement of 1987-1988 which foresaw the removal of all medium-range missiles from Europe and Reagan's 1988 proposal to modernize NATO's short-range nuclear Lance missiles in Europe. As the latter were mostly deployed in West Germany and could only reach German territory, the lack of consultation with Bonn deeply angered the Kohl government.<sup>44</sup>

The Reagan administration's disinterest in consulting the Europeans can also be observed with respect to economic issues. The EC's and in particular West Germany's increasing trade with the GDR, the Soviet Union, the developing world as well as certain Arab nations was viewed with a combination of great suspicion and envy in Washington. Reagan attempted to restrain the competition of the EC countries and he did not hesitate to explain the rationale of American trade policy with the help of transatlantic security

44. See Hans-Dietrich Genscher, *Erinnerungen* (Berlin: Siedler, 1995), 581ff.; Hanrieder, 364-366; Michael Broer, *Die nuklearen Kurzstreckenraketen in Europa: Eine Analyse des deutsch-amerikanischen Streits*, (Frankfurt/M.: Peter Lang, 1993).

reasons which usually resulted in the development of severe economic conflicts.<sup>45</sup> Such crises developed, for example, in connection with the envisaged European gas pipeline deal with Moscow, Bonn's intentions to export a nuclear power plant to Brazil or to sell sophisticated Leopard tanks to Saudi Arabia.<sup>46</sup> Reagan's controversial trade sanctions on the Soviet Union in the wake of the declaration of martial law in Poland in December 1981 ensured that transatlantic relations deteriorated further. American policies with respect to Nicaragua, the Middle East and of course "Irangate" brought about further strong European criticism while in particular, the EC's common agricultural policy (CAP) had to bear the brunt of (partially quite justified) American attacks on European protectionism [Lundestad, "The US and Western Europe" 50ff].

However, as usual the EC was ready to compromise as far as security and political issues were concerned, fully realizing that reasonable transatlantic relations and a functioning NATO alliance were still the indispensable pillars of the Cold War world. Thus, from November 1983, after the negotiations with Moscow within NATO's "dual track" framework had failed, most EC countries went along with the deployment of new intermediate-range missiles in the face of very hostile peace movements in many countries. The EC countries even compromised over SDI and agreed to the imposition of sanctions (though largely symbolic ones) on Moscow after the Polish crisis of late 1981.<sup>47</sup> As far as important economic issues were concerned, the EC was however much less disposed to compromise. Reagan's emphasis on the market appeared to contradict his willingness to use protectionist measures to defend the competitiveness of American goods and his authoritarian attempts to curtail Western Europe's trade with Eastern Europe by degree. Therefore, with regard to the envisaged gas pipeline with Moscow, the EC countries were adamant not to be browbeaten by American attempts to undermine the deal by, for example, not allowing American companies and American technology to be employed in the construction of the pipeline. Reagan's attempts

45. See Manfred Knapp, "Das Dilemma der europäischen NATO-Staaten zwischen ökonomischen Machtzuwachs und sicherheitspolitischer Abhängigkeit," in *Friedenssicherung und Rüstungskontrolle in Europa*, edited by Christian Hacke and Manfred Knapp (Köln: Verlag Wissenschaft & Politik, 1989), 95-111.

46. Lothar Wilker, "Das Brasiliengeschäft: Ein "diplomatischer Betriebsunfall?," in *Verwaltete Aussenpolitik*, edited by Helga Haftendorn et al. (Köln: Verlag Wissenschaft & Politik, 1978), 191-208; see also note 54.

47. See for example Thomas Risse Kappen, "Origins of Estrangement: The Peace Movement and the Changed Image of America in West Germany," *International Security* 12 (1987), 52-88; Stephan Layritz, *Der NATO-Doppelbeschluss: Westliche Sicherheitspolitik im Spannungsfeld von Innen-, Bündnis- und Außenpolitik* (Frankfurt/M., 1992); Theodor Benien, *Der SDI-Entscheidungsprozess in der Regierung Kohl/Genscher 1983-86* (Munich: Tuduv, 1992); Thomas Risse-Kappen, *Null-Lösung: Entscheidungsprozesse zu den Mittelstreckenwaffen 1970-1987* (Frankfurt/M., 1987).

to impose what in effect amounted to extra-territorial sanctions on European companies who were willing to participate led to an outcry. Eventually, Reagan had no option but to quietly give in with the help of a face-saving argument.<sup>48</sup>

Above all, "Reaganomics", the catchword for the President's economic strategy, was viewed most suspiciously in Europe, with the exception of Britain's Margaret Thatcher. Reagan seemed to rely on a strategy consisting of a mixture of laissez-faire, supply-side economics, tight money and total governmental passivity (apart from support for the defence industries) that relied on the forces of the market to kick-start the economy. This economic ideology led to renewed monetary difficulties between Washington and the EC. Reagan's tax cuts and simultaneous huge investments in the defence industry with the help of borrowed money created a large American budget deficit. As the value of the dollar increased while interest rates were kept artificially high to allow the government to borrow cheaper money from abroad, from 1984 an enormous American trade deficit was built up. This meant that European countries also had to maintain high interest rates, which slowed down their economic expansion, to avoid the flow of savings and investments from the EC to the U.S.<sup>49</sup> Reagan's economic and financial policies showed once again that the EC was helpless in the face of unilateral American policies and was forced to react to the decisions which had been taken in Washington. Once again, "the precarious dependence of European economies on decisions taken by a fundamentally unsympathetic U.S. administration pushed the EC countries towards closer co-operation" [Peterson 45]. The EC under Commission President Jacques Delors began developing plans for a Single European Market (SEM) to liberate itself from overwhelming American influence on Western Europe's economic and financial fate. It intended to develop a fully free and integrated internal European market by 1992 and to design a common European currency system for shortly afterwards. Moreover, the French-led, though rather short-lived, WEU revival of 1984 helped to contribute to the development of new ideas for creating a genuine common European foreign and defence policy as later articulated in the Maastricht Treaty of 1991 [Urwin 180ff.].<sup>50</sup> After all, America's economic and financial predicament,

48. Anthony J. Blinken, *Ally versus Ally: America, Europe, and the Siberian Pipeline Crisis* (New York: Praeger, 1987); Bruce W. Jentleson, *Pipeline Politics: the Complex Political Economy of East-West Energy Trade* (Ithaca, N.J.: Cornell University Press, 1986); also Loukas Tsoukalis, "Euro-American Relations and Global Economic Interdependence," in *Europe, America and the World Economy*, edited by Loukas Tsoukalis (Oxford: Blackwell, 1985), 12-14.

49. See Cohen, "Economic Relations with Other Advanced Industrial States," 113ff.; also Michael Kreile, "Aufschwung und Risiko: Die Wirtschafts- und Haushaltspolitik der Reagan-Administration," in *Die Ära Reagan: Eine erste Bilanz*, edited by Hartmut Wasser (Stuttgart, 1988), 162-184.

made worse by a rapid decline of the dollar's value in the second half of the 1980s, seemed to indicate the possibility of American troop withdrawals from Europe for financial reasons. The negotiations between Gorbachev and Reagan and the winding down of the Cold War also appeared to make this a distinct possibility for political reasons. At least further conflicts regarding financial "burden sharing" within NATO could be expected.<sup>51</sup>

The Reagan administration viewed the European activities towards an economically and politically more integrated and independent Europe with great suspicion. Despite its own protectionist and discriminatory trade policies, it did not hesitate to speak of a "Fortress Europe" and was deeply disturbed by European protectionist measures particularly in agricultural goods.<sup>52</sup> By the end of the Reagan years it appeared that not much was left of America's pro-European unity design as it had been developed in the late 1940s and 1950s. The United States had not been able to cope with an evermore independent Europe emancipating itself from American guidance. Adapting America's once predominant and unchallenged economic and financial position to the interdependent realities of the 1970s and 1980s was proving very difficult. While the Reagan administration instigated a fundamental and extremely successful review of its Cold War strategy after 1984-1985, it did not try very hard to fundamentally review transatlantic relations. By 1989, when George Bush entered the White House, the Atlantic alliance was at breaking point.

### ***A New Transatlantic Vision for the Post-Cold War World***

Transatlantic relations considerably improved during George Bush's Presidency. Unlike Reagan, Bush became less involved in the economic and military squabbles with America's allies. Instead he concentrated on the larger picture and realized the importance of reviewing European-American relations [Lundestad, "Empire" by Integration 111-116].<sup>53</sup> After some initial hesitation, in late 1989 and early 1990 Bush quickly realized that further European integration, transatlantic interdependence as well as German unification were inevitable. Thus, the Bush administration embarked on a course of accepting

50. See Peter M.R. Stirk, *A History of European Integration since 1914* (London: Printer, 1996), 203ff.

51. See Michael R. Beschloss and Strobe Talbott, *At the Highest Levels: The Inside Story of the End of the Cold War* (Boston: Little Brown, 1993); Don Oberdorfer, *The Turn. From Cold War to a New Era: The United States and the Soviet Union 1983-1990* (London: Simon & Schuster, 1991).

52. See Manfred Knapp, "EG 1992 und die USA: Transatlantische Beziehungen zwischen Wirtschaftskonkurrenz und Sicherheitspartnerschaft," in *Transatlantische Beziehungen: Die USA und Europa zwischen gemeinsamen Interessen und Konflikt*, edited by Manfred Knapp (Stuttgart, 1990), 119-150.

53. See also the interesting essays in *America and Europe in an Era of Change*, edited by Helga Haftendorn and Christian Tuschhoff (Boulder, Co.: Westview Press, 1993).

realities and attempting to influence and shape events.<sup>54</sup> This was made easier by the fact that the USA achieved a trade surplus with the EC in early 1990. Moreover, it had been possible to work out transatlantic compromises as far as the many conflicts with respect to the Single European Market were concerned.<sup>55</sup> Bush also realized that the end of the Cold War and the fall of communism in Central and Eastern Europe would make the newly liberated countries ask for immense financial support from the western world. As Washington was no longer in the financial position to offer a Marshall Plan for Eastern Europe, the Bush administration was happy for the Europeans to participate in this enterprise. In November 1990 a new Transatlantic Declaration was signed to strengthen American-EC relations. The Bush administration wished to create “a more united European Community, with stronger, more formal links with the United States” [Lundestad, “*Empire*” by *Integration* 114]. By late 1990 it appeared that the United States had again succeeded in superimposing a somewhat modified and more interdependent Atlantic framework on the process of European integration. This would hardly have been possible if Washington had not begun to express support for the EC’s increasingly successful endeavours to unite the continent in economic and monetary terms. Support was even expressed for the development of a common European foreign and security policy. America’s close friendship with West Germany was emphasized in May 1989 when Bush called for “partnership in leadership” between the two countries.<sup>56</sup>

Above all, President Bush realized that the answer to the question of how to overcome the difficulties and uncertainties of the post-Cold War world might well be similar to the solution found in the late 1940s. In view of the uneasiness expressed by countries such as France, Poland, Britain, the Soviet Union and others regarding the unification of Germany, once again the stabilization of the European continent seemed to require the subtle containment of Germany by means of the country’s voluntary integration into an ever closer Europe and a firm Atlantic system. Once again the Western Europeans including the Germans were happy to oblige in 1990. After all, according to Chancellor Kohl, German unification and further European integration were “two sides of the same coin” [quoted in Schwabe 115]. It was however clear

54. See Philip Zelikow and Condoleezza Rice, *Germany Unified and Europe Transformed. A Study in Statecraft* (Cambridge, Ma.: Harvard University Press, 1995); Peter H. Merkl, *German Unification in the European Context* (University Park, PA: Pennsylvania State University Press, 1993); also Heinrich Bortfeldt, “Die Vereinigten Staaten und die deutsche Einheit,” in Larres and Oppelland, 256ff.

55. See Reinhard Rode, “Transatlantische Wirtschaftsbeziehungen zwischen Freihandel und Protektionismus,” in Knapp, 70ff.

56. Ronald D. Asmus, “Germany and America: partners in leadership?” *Survival* 33 (1991), 546-566.

that European-American relations in the post-Cold War world would have to be based on a much more interdependent and equal basis than had ever been the case during the Cold War.