

The Battle for the Participation of the European Community in the G7 (1975-1977)

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The subject of Community participation in Western Economic summits¹ is mostly neglected by historians who mainly focus on internal developments of the integration process.² The fact that the European Community (now European Union) is a member of the G7 is next to unknown even to the well-informed public. The meetings involving the leaders of the West started at Rambouillet in 1975. The first summit gathered the heads of state and government of the United States, Japan, Great Britain, France, the Federal Republic of Germany and Italy. Canada joined the club in 1976, at the Puerto Rico summit. It was not until 1977, at the London summit, that the European Community, represented both by the president of the European Commission and the president of the Council, managed to get an invitation. From London onwards these meetings became generally known as 'G7' (Group of Seven). After the fall of the Berlin wall, Russia, the second largest nuclear superpower, was invited to attend and then to join this group of powerful nations in 1998. As Joseph Stiglitz has put it:

“the seven countries are no longer the seven largest economies in the world. Membership in the G-7, like permanent membership in the UN Security Council, is partly a matter of historical accident”.³

The accident and the reasons that led to the presence of the European Community in the G7 are the focus of this article.

The Seventies marked the beginning of a new economic era defined by elements of economic and social crisis and restructuring of the industrial economy in the West, increasing impoverishment in some parts of the Third World, the rise of new trading states in South East Asia, and, later, the emergence of China and India as regional powers. In this context, the effort to reassemble the West through cooperation at the highest levels responds to different but linked developments.

In the first place there was a relative weakening of the position of the United States in the international economic system, accompanied by emerging tensions between Europe and the US. The impact of free and growing capital movements in a system of flexible exchange rates helps to explain why

1. The research for this article has been partly financed by the Gerald R. Ford Foundation. The only specific accounts are works by political scientists: G. BONVICINI, W. WESSELS, *The European Community and the Seven*, in: C. MERLINI (ed.), *Economic Summits and Western Decision-Making*, St Martins, New York, 1984; S. HAINSWORTH, *Coming of Age: The European Community and The Economic Summit*, www.g7.utoronto.ca/scholar/hainsworth1990/index.html.

2. A. VARSORI, *La storiografia sull'integrazione europea*, in: *EuropaEurope*, 1(2001), pp.69-94.

3. J.E. STIGLITZ, *Globalization and its Discontents*, W.W. Norton & Company, New York, 2002, p.15.

European governments did not see the end of Bretton Woods as a liberation from the ‘patronage’ of the dollar. By 1958 most of North America and Western Europe had achieved full currency convertibility. The dollars held in Europe for investment were exchanged for speculative purposes with other currencies, banks opened up new branches to exploit the profitable market of European currencies, and by 1970 “the total pool of Eurodollar deposits (\$ 57 billion) exceeded by far the dollar reserves held by governments (\$ 37 billion)”.⁴ It is easy to imagine the potentially destabilizing effect of this massive private capital market on monetary stability and trade relations between European countries. Another important element of the new economic era was the relative decline of the United States in trade and manufacture.⁵ The US had emerged from WWII in an impressive economic condition. In 1945 they were responsible for more than 40% of Gross World Product. By 1980 their share had fallen to about 20%. In this same period, there was a spectacular recovery of production in Western Europe and Japan. Even the Third World, after reaching its nadir in 1953, enlarged its share of world manufacturing production from 9.9% in 1973 to 12% in 1980. Alongside this changed production patterns there was also an important change in trade flows. Until 1967, the United States enjoyed a positive trade balance. It was approximately balanced in 1968 and 1969, but ran into deficit for the first time in the 20th century in 1971.⁶ A multipolar world started to emerge in which the distinctions between centre and periphery were less stark than before. Robert Gilpin goes so far as to argue that the emergence of the Newly Industrialized Countries (NICs) “could prove as significant as the emergence of Western civilization as the dominant force in international economics”.⁷ The weakening of American political and economic leadership, while fuelling a new wave of anti-Americanism, also pushed some of the elites on both sides of the Atlantic to new forms of cooperation.

Another important factor pressing for the renewal of Western unity was the direct threat posed by the Third World.⁸ In 1974, at the Sixth special session of the United Nations⁹ (the first to be devoted entirely to economic questions), the Group

4. D. REYNOLDS, *One World Divisible: a Global History since 1945*, Penguin Books, London, 2000, p.405.

5. P. KENNEDY, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*, Fontana Press, London, 1989, pp.533-564.

6. R. BELLOFIORE, *I lunghi anni Settanta. Crisi sociale e integrazione economica internazionale*, in: L. BALDISSARA (ed.), *Le radici della crisi* Carocci, Roma, 2001, p.77.

7. R. GILPIN, *The Political Economy of International Relations*, Princeton University Press, Princeton, 1987, p.264.

8. On this topic, see G. GARAVINI, *L'Europa occidentale e il Nuovo ordine economico internazionale (1974-1977)*, in: *Ventesimo Secolo*, 9 (2006).

9. J. BHAGWATI (ed.), *The NIEO: The North-South Debate*, MIT Press, Boston, 1977.

of 77,¹⁰ led by the OPEC countries, adopted a document for the establishment of a New International Economic Order (NIEO). The aim was to free the South from economic dependency on the North, redistribute wealth, and reform international economic institutions by exploiting the West's post-oil shock weakness. The high point for the South was the opening of the Conference on International Economic Cooperation (CIEC) in December 1975, exactly at the same time as the first G7, during which all questions relating to the development of the South were presented, including: the energy question, development, commodity prices, and financial issues. Through the G7, Western leaders sought to relaunch international economic institutions of Bretton Woods (GATT, IMT, World Bank) and to counter the new challenge from the South preparing a common approach for the CIEC.¹¹

But there was another, specifically European issue which came to the forefront, especially at the Puerto Rico summit. There was a possibility that Italian Communists could win the 1976 election, which would endanger NATO, lead to a "neutralization" of the Continent and its departure from the rules of the common market. A coordinated response was necessary.

The battle for participation: Rambouillet and Puerto Rico

The main promoters of the G7 were the French president Valéry Giscard d'Estaing and the German chancellor Helmut Schmidt. The Western economic summits were a European idea, a late response to Henry Kissinger's patronizing and failed 'Year of Europe' initiative. Schmidt remembers the decision was taken at the summit of the Conference on Security and Cooperation in Europe in the summer of 1975:

"One afternoon, sitting around a table in a garden in Helsinki, we decided to hold the first Summit; in order to avoid that it could fall in the hands of bureaucrats, we agreed to charge our personal representatives with the task of the preparatory works".¹²

10. The Group of 77 was born during the United Nations Conference for Trade and Development (Unctad) in 1964. It grouped the Less Developed Countries and progressively formulated requests focusing on 4 main objectives: 1) stabilization of commodity prices and the creation of a Common Fund; b) solution to the problem of the debt of developing countries; c) creation of an international code for the transfer of technologies; d) increase of financial aid; e) adoption of special measures in favour of poor countries. See: S. KRASNER, *Structural Conflict: the Third World Against Global Liberalism*, University of California Press, Los Angeles, 1985; G. JACOANGELI, *Il dialogo Nord-Sud e le prospettive di un Nuovo ordine economico internazionale*, in: *La Comunità Internazionale*, 4(1977), pp.47-63.

11. This was clearly stated by US high officials on many occasions. For example by Brent Scowcroft: "it is not our intention to institutionalize these summits or to set up ongoing subgroups, but primarily to use the summit to give political impulse to activities in existing institutions". Gerald R. Ford Library, NSA, Country Files Europe-Canada, Box 9, Memo from Brent Scowcroft, *Your Meeting with Luxembourg Ambassador Meisch*.

12. H. SCHMIDT, *Uomini al potere*, Sugarco, Milano, 1987, p.168.

To be sure, Schmidt and Giscard d'Estaing, then Finance ministers, started meeting in 1973 with their partners from the US, Britain and Japan. They discussed matters concerning international monetary negotiations. These private meetings, known as the 'Library Group', consolidated the solid friendship between the chancellor and the French president, which the latter described as "a unique case in the relationship between leaders of contemporary countries",¹³ and contributed to the rise of an international economic and financial technocracy.¹⁴ European governments and private financial and industrial interests, such as the Trilateral Commission,¹⁵ were pressing for more cooperation between great industrial countries and organized themselves to influence their respective countries.

Even before the collapse of the Bretton Woods system, the French were especially concerned about the dominant role of the dollar as a reserve currency and the need for a return to a stable international monetary system, and about the control of oil prices which could not be achieved by the Energy Agency.¹⁶ The need for monetary stabilization in Europe was reinforced by the constant depreciation of the dollar *vis-à-vis* the mark, the strongest European currency (from 1970 to 1979 the dollar lost 50% of its value).¹⁷ Flexible exchange rates tempted French private industries to press for devaluation, endangered the fixed price system of the Common Agricultural Policy (CAP) and pushed France and Germany further apart.¹⁸ The Americans wanted to avoid any discussion of the instability of the international monetary system, in which they would inevitably have to defend

13. V. GISCARD D'ESTAING, *Il potere e la vita*, Sperling & Kupfer, Milano, 1993, p.61.

14. For example Paul Volker and Karl-Otto Pohl, having worked as liaison officers for the meetings, found themselves heading, respectively the US and the German, central banks. Examples of senior civil servants first involved with the preparation of the Summit meetings, and then moving to the highest institutional or governmental posts are countless. On the Italian side one might remember Carlo Azeglio Ciampi who became head of the Banca d'Italia, Finance minister, Prime minister and president of Italy. Renato Ruggiero became head of the World Trade Organisation and Foreign affairs minister.

15. The Trilateral Commission, a para-governmental institution founded in 1973 by David Rockefeller, is composed by politicians, businessmen, senior civil-servants from the US, the European Community (now the EU) and Japan. On its objectives, Laurent Cesari (L. CESARI, *Que disait la Trilatérale*, in: *Revue d'histoire diplomatique*, 1(2000), p.80) argues that: "Dès sa fondation, la Trilatérale a compris que la variabilité des taux de change risquait d'inciter les puissances industrialisées à former, avec certains fournisseurs privilégiés de matières premières, des blocs semi-autarciques ordonnés autour d'une monnaie dominante: Etats-Unis et Amérique Latine, Europe occidentale et Afrique, Japon et Asie du Sud-Est. Pour contrer cette évolution, la Commission n'a cessé de prôner la concertation des politiques macroéconomiques conjoncturelles entre les Etats-Unis, la Communauté Européenne et le Japon, ainsi qu'une approche commune envers les pays fournisseurs de matières premières, notamment les Etats pétroliers".

16. An interesting account of Giscard's foreign policy can be found in G.-H. SOUTOU, *L'alliance incertaine: Les rapports franco-allemands, 1954-1996*, Fayard, Paris, 1996, pp.357-367. Soutou argues that Giscard, while formally sticking to De Gaulle's policy of independence, operated to get France closer to the West.

17. F.L. BLOCK, *The Origins of International Economic Disorder*, University of California Press, Berkeley, 1977.

18. A. MORAVCSIK, *The Choice for Europe*, Cornell University Press, Ithaca, 1998, pp.264-274; H. SIMONIAN, *The Privileged Partnership*, Clarendon Press, Oxford, 1985, pp.179-192.

themselves. On the other hand, it was in their interest to participate in a forum to reassess the special relationship with Europe¹⁹ and to reduce the risk of the “finlandization” of the Continent.

Giscard d’Estaing hosted the first summit at the castle of Rambouillet. It was readily agreed that it would be held from 15th to 17th of November. Issues of content and form had to be solved before that date. In general terms, questions of content were easier to solve than those of participation.

Although the summit would assemble the major Western economic powers, Gross Domestic Product would not be the sole criterion for selection. Giscard d’Estaing wanted four countries to participate: the three major European powers plus the United States. Yet each of the four had a different opinion about the composition of the guest list. Schmidt wanted to include Japan, stressing that this would avoid the trouble of Germany being the only participant to the summit which had been defeated in the Second World War.²⁰ American president Gerald Ford pressed for enlargement and, “supported by Wilson, argued on behalf of including Italy and – more passionately - Canada”.²¹ Ford’s desire to include Canada was not surprising given Canada’s status as the US’s most important trading partner. If they were excluded from the talks, Ford feared, the Canadians might feel slighted and drift towards greater protectionism. In any case, Kissinger and Ford preferred the idea of a discussion forum with its major industrial and military allies rather than being left to face French criticism on its own. Giscard worried that allowing Canada to participate would encourage requests from middle-sized European states whose involvement might dilute the confidential and intimate atmosphere he hoped to engender at Rambouillet. Above all, he wanted France to represent Europe rather than be influenced by it.

In this context, Italy requires a special mention. At this time, it held the rotating presidency of the Council. In this capacity, Italian Prime minister Aldo Moro had signed the Final Act of the Helsinki conference on 1 August 1975 on behalf of the Nine. But this was not repeated in Rambouillet. Italy’s success in its bid to get invited to Rambouillet was due to its creative diplomacy,²² and the fear (mostly stemming from Germany and the United States) that the Italian government’s

19. As Kissinger (KISSINGER H. *Years of Renewal*, Simon & Schuster, New York, 1999, p.692) reports: “Within our government, some saw the proposal as a French (and German) maneuver to blame the United States for the slow pace of economic recovery. And the Treasury Department worried that Giscard would try to use the summit to convince Ford to return to the system of fixed exchange rates that has been abandoned in 1971. Ford disagreed. We had been insisting, he argues, on charting a common destiny for the industrial democracies in our diplomacy and in our public pronouncements, and he would not turn his back on the opportunity to give it additional meaning”.

20. H. SCHMIDT, op.cit., p.362.

21. H. KISSINGER, op.cit., p.692.

22. Raimondo Manzini, a senior diplomat of the Italian Foreign ministry, toured Paris, London and Washington to gather consent for the Italian admission. He eventually managed to counter the resistance of the *Quai d’Orsay*. This episode is described also in L.V. FERRARIS, *Manuale della politica estera italiana 1947-1993*, Laterza, Bari, 1996, p.264.

reputation might be damaged before the following year's important national elections.²³ The mood was gloomy. An editorialist of the *New York Times* wrote:

“If Communist gains in Italy and elsewhere in Southern Europe are to be reversed, if Britain is to be rescued from economic disaster, if France is to avoid a Popular Front and Portugal a dictatorship of the Left or Right, the industrial democracies must take joint action to speed up recovery and solve urgent problems”.²⁴

Once Italy was finally admitted, a battle ensued about whether it could at the same time represent the European Community. Yet this fight only made it evident that there was no possibility for the leader of one of the member states, be it Italian or French, to represent the Community in the international arena (on one of the matters falling under its competence) without causing serious tensions between European countries. As the Rambouillet summit centred on economic issues, these difficulties quickly became apparent. The controversial problems²⁵ concerned trade, monetary matters, energy, policy towards developing countries and the East-West relationship. These were the basic themes that every summit since Rambouillet has dealt with. The idea was that the G7 could agree on a common position on each of these subjects and then work to implement it via specific international institutions. Without doubt, this procedure would marginalize those Western countries which were not represented in the talks.

A memorandum written for president Gerald Ford describes the interplay of different national interests.²⁶ For Ford, fearing the waning of American leadership, the summit would “stress that the destinies of the industrial democracies are intertwined on economic issues in much the same way as they are in the sphere of defense and mutual security”. The president had to avoid technicalities, stress the importance of an American economic recovery and underline the common interests between industrialized countries. The French host's main interest was centred on monetary issues, a possible return to the ‘Gold Standard’ and “his desire to reduce the exchange rate volatility, avoid a dollar depreciation weakening European competitiveness”. He would focus on “developing international remedies to France's economic ills and affirming France's political and intellectual leadership of Europe”. The German chancellor would try to demonstrate that his nation's slow recovery was not his fault and “can be counted on to point to the US its responsibilities to help Europe recover, to describe vividly the adverse effect on NATO of weak European recovery”. Both Japan and Italy, for different reasons, would be relatively inert at the meeting and happy with the prestige gained from their participation. For Takeo Miki “attendance at this meeting symbolically confirms international acceptance of Japan as a major economic power” and he would act as a regional speaker for Asian countries. “Moro's attendance is, in itself, a victory for Italy,

23. This kind explanation for the Italian admission is shared in the memories of all the major decision-makers in the summit from Schmidt, to Kissinger, to Giscard d'Estaing.

24. *The New York Times*, 16.11.1975.

25. An “informal group” was to negotiate the issues of common concern. This group would be later called “personal representatives” and, finally, “sherpas”.

26. National Archives Records Administration (NARA), Declassified Documents Reference System (DDRS), Memo for the president, Secret *International Economic Summit Overview*, 12.11.1975.

which was not originally on the list of participants” was the conclusion of the memorandum, with the corollary that Italy would play no significant role.

Overall, the main result of the summit, together with a closed doors discussion between Foreign ministers on the North-South-dialogue, which had done well in the CSCE, in the Lomé Agreement and had a common representation at the CIEC, was the definitive acceptance by France of the end of the Bretton Woods system and the move to flexible exchange rates. The Kingston Agreement (7-8 January 1976) between the countries who were members of the IMF formalized this decision.

Although it was not grasped by the international press, a question began to emerge both before and after the Rambouillet summit. The European Community had no representative to take part in discussions which concerned matters, especially trade negotiations, for which Community competence was exclusive. Single member states could not act alone in this area.²⁷ What was the point of discussing the next round of trade negotiations and the possible lowering of tariffs in the GATT framework if no effective decision could be taken without the Community? The White House was conscious of this problem. The above-mentioned memorandum for the American president warned that “the Europeans might however be reluctant to make specific commitments on the grounds that trade policy in Europe is made in an EC context rather than a national context”. The small member states complained violently, both within the Community and to the United States, and were given the hint by Kissinger that “some within the Community” opposed participation.²⁸ The president of the Commission, Frenchman Xavier Ortoli, warned after the summit, even if it was not publicly but within the college of commissioners, that:

“Il est difficilement acceptable que des questions d'intérêt majeur pour l'ensemble des Etats membres soient traitées avec la participation d'une part seulement de ceux-ci. Même si telles réunions ne conduisent pas à des décisions formelles leur renouvellement conduirait à une quasi-institutionnalisation qui poserait des problèmes graves. Enfin, il est inacceptable que des questions de compétence communautaire soient traitées hors des procédures de la Communauté”.²⁹

27. The ‘avis’ (1/75, 11.11.1975) by the European Court of Justice concerning Common Commercial Policy was published a few days before the Rambouillet summit. It stated that: “Une telle politique est conçue par article [113 EC] dans la perspective du fonctionnement du marché commun, pour la défense de l'intérêt global de la Communauté à l'intérieur duquel les intérêts particuliers des Etats membres doivent trouver à s'ajuster mutuellement. Or, cette conception est, de toute évidence, incompatible avec la liberté que les Etats membres pourraient se réserver, en invoquant une compétence parallèle, afin de poursuivre la satisfaction distincte de leurs intérêts propres dans les relations extérieures, au risque de compromettre une défense efficace de l'intérêt global de la Communauté”.

28. In a report to the president of the European Commission on a meeting between Prime minister of Luxembourg Thorn and Kissinger, few days before Rambouillet, the secretary of State is reported to have assured “de la manière la plus formelle M. Thorn que lui-même s'était inquiété de la chose auprès ‘de certains interlocuteurs’ de la Communauté, qui l'ont découragé de s'occuper de cette affaire”. In: Bureau Archives Commission (BAC) 81/84, Porto Rico, note à l'attention de Monsieur F.X. Ortoli, Secret, 20.11.1975.

29. BAC 81/84 Porto Rico, COM (75), PV 362, procès-verbaux, séance du 3 décembre 1975.

The battle for Community participation was mainly to be conducted against the French by both the small member states (the Little Five: The Netherlands, Belgium, Denmark, Ireland and Luxembourg) and by the European Commission. In the beginning it was probably the former who were more insistent. Germany faced a particular dilemma. On the one hand, Schmidt was an active supporter of multilateral schemes to solve the world's economic problems and this could point towards the acceptance of Community participation. On the other hand, "he had in many ways a very old-fashioned view of history being made by what history teachers call *great men*".³⁰ Moro was probably the only participating leader who was convinced of the strategic importance of the Community playing a strong role in world affairs.³¹ He believed in a European foreign policy as a medium-term objective, centred on a loyal, but critical, relationship with the United States, a normalization of the links with Eastern Europe and co-operation with the developing countries of the Third World. Italy would support, even if not very effectively, the participation of the Commission president.

The smaller member states of the Community were more worried about being marginalized in the international and European arenas than by theoretical debates concerning a European foreign policy. They objected to the very concept of a 'directoire' of capitalist and industrialized nations. But once it was obvious that the summits would continue, they opted to fight for some kind of participation.

The original idea was not to institutionalize the summits. Yet six months after Rambouillet another meeting was convened. This time Ford played host. Invitations for the Puerto Rico summit, held on 27-28 June 1976, were sent to all the governments that had participated the previous year as well as to Canada. Once again the Community had not been invited. The reaction of the Little Five was swift. However, their position had not been adequately coordinated with the Commission and their action was ultimately incoherent and too weak to counter French hostility.

The Puerto Rico summit was soon to be the object of discussions between the Permanent representatives to the European Community.³² On June 4 the ambassador for Luxembourg let it be known that his Prime minister, then holding the presidency of the Council, had filed a request for an invitation of the Community with the US government.³³ The Americans were non committal: they

30. T. GARTON ASH, *In Europe's Name*, Jonathan Cape, London, 1993, p.87.

31. A. MORO, *L'Italia nell'evoluzione dei rapporti internazionali*, Ebe Moretto, Roma, 1986, p.349.

32. BAC 81/84, Porto Rico, *Note de Emile Noël pour Monsieur le Président Ortol* Confidentiel, 11 June 1976. Both the meetings of the Permanent Representatives of the 4 and 9 June are here summed up in this file.

33. BAC 81/84 Porto Rico, Report of the Delegation of the Commission of European Communities in Washington, *La Communauté et Porto Rico*, 25.06.1976. This report displays a certain distrust for Washington: "Sans aller jusqu'à s'imaginer que de telles réunions aient entre autre dans l'esprit de nos amis américains le but d'affaiblir ou de diluer la Communauté, on peut néanmoins noter qu'un certain nombre d'interlocuteurs à Washington se déclarent agacés et frustrés de la façon dont on peut traiter avec la Communauté. La tendance de certains a souvent été de chercher à compléter le canal des négociations communautaires par un canal parallèle avec les Etats Membres. Cette tendance existe toujours et l'on peut se demander si le groupe des Sept n'est pas un instrument idéal pour arriver à dépasser ces institutions communautaires bien gênantes".

regretted the tensions between European partners, confirmed that the summit had an informal nature and was not to be institutionalized, and that Rambouillet had proved that all could work to the best without the Community.³⁴ At another meeting of the Permanent representatives in June 9, it was evident that there was no internal agreement on Community participation. France was firmly against it. Of the Five excluded from the summit, only the Belgians supported participation, while the Dutch and the Danish opposed it, albeit for different reasons. The debate continued in the meeting of the Foreign affairs Council in Senningen on June 12, and then in the meeting of the personal representatives of the Foreign ministers on June 16. In this last meeting the dispute seemed to be solved with an *ad hoc* decision that allowed for participation of the Community with its dual representation.³⁵ After only two days, the French government vetoed this solution.

In addition, Danish opposition and a Dutch reserve were an obstacle for a long-term decision on Community participation. The Danish government proposed two kinds of solutions: a single delegation to represent all the Europeans; or, alternatively, the participation of all the nine members of the Community. The Dutch government had expressed a more general concern about the institutionalization of a meeting which ran the risk of creating first and second class members in the Community: the Big Four having a double representation and much more room for manoeuvre than the others.³⁶ The Danes' argument was unrealistic because it was impossible to forbid some governments to participate in international initiatives that dealt with matters outside Community competence. The Dutch had raised a sensible problem, but proposed no viable solutions.

In the debate, the Commission kept a low profile. Emile Noël, secretary general of the Commission since 1958, was in charge of the dossier and attended the meetings of the ambassadors to the EC. He had the opportunity to express the Commission's line:

“L’initiative du Président Thorn a le grand mérite d’obliger la Communauté à se saisir du dossier au lieu de refuser d’en discuter, comme jusqu’à présent. J’ai indiqué qu’il n’y avait qu’une seule manière correcte de représenter la Communauté, celle du porte-parole exclusif pour les matières communautaires ou pour les matières sur lesquelles les Neuf avaient décidé de parler d’une seule voix. Inviter les neuf Etats membres quand ils n’étaient pas d’accord ne signifiait pas inviter la Communauté [...]. J’ai enfin souligné

34. Memcon, Sonnenfeldt and ambassador Meisch, *Economic Summit in Puerto Rico*, 04.06.1976, NSA, Country Files, Box 9, Gerald R. Ford Library.

35. The compromise text, later rejected by the French government, went like this (Texte adopté ‘ad referendum’ par les collaborateurs des ministres à Luxembourg, 16.06.1976): 1. La conférence de Porto Rico n’ayant qu’un caractère *ad hoc*, la décision prise par la Communauté et ses Etats membres en ce qui concerne leur présence, ne constitue pas un précédent et ne préjuge pas les délibérations ultérieures du Conseil européen; 2. Sur ces bases, les neuf Etats membres recommandent la participation à cette conférence des présidents du Conseil et de la Commission; 3. Ceux-ci présenteront les positions de la Communauté dans les domaines relevant de sa compétence là où elles ont été arrêtées.

36. BAC 81/84, Porto-Rico, *Organisation de réunions du type ‘Rambouillet-Porto-Rico’*, note d’Emile Noël pour le président Ortoli, 06.07.1976.

qu'il s'agissait là d'une affaire à régler entre Européens et non pas à soumettre à une sorte d'arbitrage américain. Si les Européens se mettent d'accord sur une formule de présence communautaire, les Etats-Unis n'auront qu'à en prendre acte".³⁷

Noël, probably due to his long-standing experience at the top of the Commission, was relaxed about the outcome of the summit. Others in the general secretariat worried about its possible disruptive effect on the Community. A report from Etienne to Ortoli³⁸ stressed the dangers for the Community of possible decisions in fields of economic policy, monetary policy, trade matters and East/West relations:

"Le danger existe qu'à Porto Rico les Américains n'entraînent les Allemands à préconiser certaines mesures économiques non acceptables pour les autres et qu'il n'y éclate une divergence préjudiciable à la Communauté entière. Ceci serait assez désastreux quelques jours après la conférence tripartite".

For Etienne, the British pound and the Italian lira faced enormous difficulties that the EC was attempting to counter through loans and the coordination of monetary policies. Trade matters were to be discussed in the GATT framework and in Brussels. The first G7 meetings imposed, or tried to impose, a common economic policy, at the same time that they entrusted the task of stabilizing the pound and the lira to the IMF rather than to the Commission. Asked for its advice, the Commission's legal service prepared a dossier³⁹ in which, after having stressed that the matters such as economic policy, monetary coordination and trade, were within Community competence, it stated that the creation of yet another international institution (where some EC members participated while others did not) would be detrimental:

"A cet égard, les progrès péniblement accomplis sur la voie de la reconnaissance de la Communauté en tant que telle dans toutes les enceintes internationales à vocation économique sont encore fragiles, et la participation isolée de certains Etats membres à d'importantes rencontres internationales, hors de la présence de la Communauté, ne peut que les compromettre et affaiblir la crédibilité de la Communauté en général".

The Commission was ready for Puerto Rico. Although it was not represented in the preparatory meetings between the leaders' personal representatives, it prepared a number of dossiers for its president. Overall, they show that the EC was still quite divided on nearly all the subjects to be discussed, except those where unity was strictly required, particularly trade policy.⁴⁰ There was no common approach to energy questions. The Commission's mediating strategy was to rationalize energy use, to invest in new sources such as nuclear energy and natural gas, avoid political and

37. BAC 81/84, Porto Rico, note d'Emile Noël pour le président Ortoli, confidentiel, 11.06.1976.

38. Historical Archives of the European Union (HAEU), Emile Noël Papers (EN), 1916, note de M. Etienne pour Ortoli, 15.06.1976.

39. BAC 81/84, Porto Rico, Réunion au Sommet de Porto-Rico, service juridique de la Commission des Communautés Européennes, JUR/1732/76, 11.06.1976.

40. The briefing dossiers on the different issues can be found in BAC 81/84, Porto-Rico.

economic confrontation with OPEC countries.⁴¹ At the Conference on International Economic Cooperation (CIEC) “aucune position commune des Neufs sur les principaux éléments du programme intégré” was found. In the monetary field, inflationary countries with weak currencies, such as Italy and Great Britain, had different priorities from Germany, whose main objective was to fight inflation⁴² and promote monetary stability. In trade policy the Europeans searched for a common approach to counter commercial deficits with both the United States and with Japan. But no definitive agreement for the conclusion of the Tokyo Round dealing with further trade liberalization was found.⁴³ In any case, the main issue discussed at Puerto Rico had nothing to do with Community competences but was essentially political: it was the fear of a Communist victory in Italy.⁴⁴

The creation of Western economic summits did not help European cohesion. Five Community members fought the G7. The European Commission openly declared for the first time that it regretted not having been invited.⁴⁵ In July, the European Parliament joined the anti-summit front with a strong resolution expressing fear that “cette initiative mettrait en danger le sens même des institutions communautaires”.⁴⁶

41. The main reference for the energy policy of the Community in this period is the Communication, transmitted by the Commission to the Council on June 5, 1974, entitled *Towards a new energy policy strategy for the Community*.

42. This was evidenced by the US government: “Although the EC has been reasonably successful in establishing a custom union, strengthening political cooperation, and solidifying a ‘European approach’ in a number of areas it appears to have lost forward momentum in such areas such as establishment of an Economic and Monetary Union”. In: NARA, DDRS, *Economic goals of the summit conference in Puerto Rico*, memo for the president, 25.06.1976.

43. The link between monetary instability in Europe and the unwillingness of the Europeans to increase trade liberalization should not be underestimated. An American memorandum (NARA, DDRS, Remarks for bilateral discussion with President Giscard d’Estaing at the economic summit in Puerto Rico, memo for the president, date omitted) is quite illuminating: “France has repeatedly blocked agreement between U.S. and E.C. officials on disputed issues. The reasons are: – In France’s view, a negotiated reduction of the common external tariff could reduce its value for European integration; – A negotiated liberalization of trade measures associated with the CAP would impinge heavily on France; – France has argued that a reduction in trade barriers is not very meaningful when exchange rates float widely. In this connection France may raise the link established in the Tokyo declaration between the multilateral trade negotiations and the reform of the International Monetary System”.

44. As stated in a memo for president Ford: “A central focal point of the Summit will be Italy. It will be a prominent issue over the next several months because of the political and economic implications of what happens there, especially their significance for the future of the European Community, the Western economic system, and the Western political and security system [...]. However because the Italian situation does not lend itself to publicity efforts should be made to avoid portraying the summit as a meeting focusing on the Italian situation”. In: Talking Paper with Giscard, Top Secret, *Specific Results of Proposed summit Meeting*, 05.18.1976, NSA, Memcon, Box19, Gerald R. Ford Library.

45. BAC 81/84 Porto-Rico, declaration, 23.06.1976.

46. Résolution sur la Conférence au Sommet de Puerto Rico adoptée par l’Assemblée lors de la séance du 9 juillet 1976. The parliamentary debate showed that all the political groups strongly supported a Community role in foreign policy. The blame for the standstill was given to the Council and, to a lesser extent, to the Commission. A socialist MP warned that in this realm the Commission was “comparable à un cheval de course auquel on aurait lié les pattes et sur lequel on taperait à bras raccourcis pour l’obliger à un rythme plus rapide”.

Community participation: London

One of the novelties of 1977 was that the risk of a Communist victory in Italy seemed less prominent. At the same time, Spain and Portugal filed their formal applications for Community membership. The EC demonstrated its ability to work as a stabilizing element in European politics, even being perceived as an agent for democratization. Another novelty was that two new protagonists of world politics (both were nominated in 1977 and ended their term in office in 1980) had, albeit for different reasons, a strong interest in Community participation in the G7 meetings. Jimmy Carter had partially focused his electoral campaign on a new approach to foreign policy. Together with his National Security advisor Zbigniew Brzezinski, he condemned Kissinger's strategy of swiftly changing alliances and tactics as a kind of 'improvised' policy which could damage the cohesiveness of the West. Moreover, Brzezinski was one of the founders of the Trilateral Commission.⁴⁷ They both wanted to make this 'trilateral' experience the centre of American foreign policy:

"We assumed office feeling strongly that U.S.-Japanese relations had needlessly deteriorated because of the 'Nixon shocks' (the unilateral measures imposed by the United States on US-Japanese trade), and that the Europeans had been pointlessly insulted by Henry Kissinger's patronizing 'Year of Europe'. In addition, both the Vietnam War and the Watergate affair had jolted confidence in American leadership".⁴⁸

As soon as Carter took office, vice-president Walter Mondale was sent to Brussels and Tokyo to prepare the next economic summit and to prove the seriousness of the new American approach. As a senior officer of the Commission observed: "Carter wanted to speak to Europe, and the only organized structure which could speak for Western Europe was the European Community".⁴⁹ This should not hide the fact that the US administration's main relationship remained with the traditional European powers. The very same Brzezinski in fact "favoured placing primary emphasis on France in the shaping of our European policy, for I felt that France was the truly organic, integral and authentic nation on the Continent".⁵⁰

The other political leader was Roy Jenkins, the newly-appointed English president of the Commission. One of the few Labour politicians who had gained a pro-European reputation due to his straightforward support of British participation

47. L. CESARI (op.cit., p.84) argues that for Brzezinski the policy of the Trilateral was in the interest of the United States: "La multiplication des communications à travers les frontières joue à l'avantage des Etats-Unis, à la fois premier producteur des produits électroniques et siège des principales sociétés transnationales. Néanmoins, la permanence de cette domination américaine n'est pas assurée, car le dépit de ne pouvoir rattraper les pays de tradition industrielle dans la production de techniques de pointe pourrait susciter une flambée de nationalisme dans les pays en développement".

48. Z. BRZEZINSKI, *Power and Principle*, Straus and Giroux, New York, 1983, p.289.

49. B. OLIVI, *Carter e l'Italia*, Longanesi, Milano, 1978, p.7.

50. Z. BRZEZINSKI, op.cit., p.313.

in the European Community,⁵¹ he claimed to have kept his European flame burning by never having had a chance to visit Brussels. In his second trip in February for the customary “tour of capitals”, he met Giscard d’Estaing and began a diplomatic struggle for the participation of the Community: “which would dominate that spring and continue with diminishing reverberations throughout the rest of my presidency”.⁵² If, for the Ortoli Commission, Community representation at the G7 was only one of the dossiers on the table, for the Jenkins Commission, still searching for credibility and a major policy objective, it was the main dossier:

“Ortoli’s absence had unfairly been seen as a blow to his prestige and to that of the Commission. Part of the role I was expected to perform was to restore this prestige. My credibility as an effective new President was therefore somewhat at stake. But there was more to it than the questions of pride and position. The Little Five regarded my own determination to get there as an essential test of whether I was to be a true spokesman of the Community as a whole or a lackey of the big countries, from one of which I came and by the another of which my appointment had been initiated”.⁵³

At the beginning of 1977 there seemed to be a French diplomatic offensive to reinforce the European Council. This could hide a new French drive for a more inter-governmental Europe, an attempt to bolster French authority before elections and to counterbalance the French approval of the direct elections of the European Parliament. Summits between political leaders could represent a way out of crisis and stagnation both at a global level (via the G7), and at the European one (via the European Council).⁵⁴ It is the perception of this link and of the risk of ‘directoire’ that prompted the Dutch Prime minister Joop Den Uyl to defend the role of the Commission in the European Council, arguing that it should follow the rules of the Council of ministers and prepare its meetings under the initiative of the Commission.⁵⁵ Jenkins visited The Hague⁵⁶ at the beginning of March. Den Uyl warned that if the matter of Community participation was not appropriately solved, the European integration process ran the risk of a serious crisis. He could even

51. H. YOUNG, *This Blessed Plot*, Macmillan, London, 1998.

52. R. JENKINS, *European Diary: 1977-1981*, Collins, London, 1989, p.20.

53. Ibid., p.21.

54. G. DE MÉNIL, *De Rambouillet à Versailles: un bilan des sommets économiques*, in: *Politique étrangère*, 2 juin 1982, p.405: “Par la force des choses, l’organisation du premier sommet économique fut une initiative européenne. Les rencontres périodiques des dirigeants des pays de la Communauté offraient un précédent”.

55. *Agence Europe*, 09.03.1977. A letter (BAC 39/1986, Preparation of the European Council, 11.02.1977) by Etienne Reuter to the members of the Jenkins cabinet is quite interesting on the matter: “The French President’s analysis of the shortcomings of the present Council are very interesting. His proposals to improve the operation of the Council do, however, belittle the Commission’s role except when it comes to solving affairs which are strictly within the Community competence and have been prepared through Community procedures. Such a philosophy makes the European Council the engine of the European Union – a phrase used by Monnet – whilst Mr. Jenkins said to the European Parliament that the Commission is the very engine of Europe”.

56. EN-1611, visit in The Hague, March 1977.

envisage the possibility of refusing to participate in the European Council to be held in Rome at the end of March. Jenkins assuaged his fears. The Commission supported participation and would not accept EC representation only by the country holding the presidency. This would mean for the

“British Prime Minister putting on not just two, but three, hats: that of host of the meeting, that of leader of the British Government and that of the Community. The position would also be ambiguous because under such a compromise the Community would be represented by a member of the Council who was in any case present at the meeting in his own right”.

The Dutch were not alone in worrying about the threat that the summit posed to both European cohesion and all international institutions. Minister of Finance Wim Duisenberg explained, for example, that the IMF was currently discussing a new financial facility for South America and two Southern European countries to which the Netherlands were asked to contribute. He was sure the matter would be on the London agenda. In this case The Hague would not have a say without Community representation. On this his position was: “no contribution without representation”.⁵⁷ Eventually, it was agreed that a decision concerning Community participation at the London summit would be taken in the European Council of Rome scheduled for March 25 and 26.

The European Parliament once again forcefully asked for the participation of both the president of the Commission and the president of the Council in the summit.⁵⁸ Jenkins visited Bonn before the Rome Council.⁵⁹ He found the chancellor anxious to avoid a row with president Giscard d'Estaing who was the only one supporting his desire to avoid reflation. He guaranteed he would exercise his influence on Giscard as gently as possible. By now it was clear that only the French government opposed Community participation. On March 23 the French Permanent representative handed Jenkins a copy of a letter from the French president concerning the London summit.⁶⁰ Giscard d'Estaing confirmed his opposition to the Commission's presence but did not explicitly refer to the presence of the president of the Council, opening the door for James Callaghan to have two roles. His balanced arguments constituted a reflection on the nature of Community institutions, and in particular that of the Commission:

“Il s'agit de la nature de la réunion de Londres. Voici une Conférence qui réunit exclusivement des Chefs d'Etat et de Gouvernement, en l'absence de toute

57. The report of Noel is: “The facility was destined essentially for the highly indebted Latin American countries and one or two in Southern Europe. Mr. Duisenberg had said that no decision could be taken in respect of a Dutch contribution until the Summit issue was resolved. When Mr. Witteveen had objected that he could see no connection between the two questions, Mr. Duisenberg had pointed out that the matter was quite likely to be on the agenda of the London meeting: on this the Dutch view was quite simply no contribution without representation”.

58. Proposition de résolution, document 13/77. Séance du mardi 22 mars 1977, participation de la Communauté au sommet économique de Londres.

59. BAC 39/1986 (0114), speaking note in the preparations for the European Council, 22.03.1977.

60. BAC 39/1986 (0114), lettre du président de la République Française à Roy Jenkins, président de la Commission, 23.03.1977.

institution, pour un échange de vue libre et informel, qui ne saurait conduire à des décisions dans des matières communautaires. Rien ne la distingue des contacts que les Etats entretiennent entre eux, de façon bilatérale, et qui forment la trame même des relations internationales [...]. Il m'est arrivé, et m'arrivera de participer à des réunions d'Etats franco-africains, sans que le problème de la participation de la Commission ait été évoqué”.

This kind of legalistic position was quite weak,⁶¹ masking the true of Giscard d'Estaing that if there was a Community representative in the G7 he would be the only one able to speak for the Nine. On the other hand seven Community member states supported the presence of Jenkins (only the British were vulnerable to the French argument that supranationalism should be avoided). The European Parliament had repeatedly expressed its support for Community representation. Of the seven participants at the London summit, the US and Italy were very much in favour, while the others were neutral.

On behalf of the Little Five, the Dutch drafted a seven-page memorandum for the European Council in Rome.⁶² It analysed each of the French arguments and offered counter-arguments. It supported the participation of both the president of the Council and of the Commission, the latter because the Commission had specific competences that could not be overruled. It noted that the Community had mixed or exclusive competence in economic and monetary policy, the North-South dialogue, commercial policy and energy policy, all of which would be discussed in London. But, more substantially, it argued that the Community was not just another international organization: what distinguished the Community was that some part of national sovereignty had been delegated to it. If it were not represented in international conferences dealing with Community matters, its authority would be curtailed when dealing with third countries. Participation, argued the Dutch memorandum, would reinforce internal coherence and help to reach a common position on economic and monetary issues. The memorandum admitted that political issues could be discussed in London. In this case Community representatives should leave the room.

The Rome Council resulted in a victory for the partnership between the Little Five and the Commission. The Council's conclusions stated that: “The President of the Council and the President of the Commission will be invited to take part in those sessions of the Downing Street summit at which items which are within the

61. CHAN, 5 AG3/AE 53, G. Robin, Note. "Participation de M. Jenkins au sommet des industrialisés". 15.03.1977: "Comme M. [Jenkins] ne représente personne que lui-même s'il n'a pas le mandat communautaire, on verrait surgir la revendication d'un tel mandat. Celui-ci obtenu, la Commission apparaîtrait comme le porte-parole". But this position was contested in the *elysée* both by the vice secretary general Connac and by the secretary general François-Poncet: "En opposant les pays membres de la Communauté, elle affaiblit la construction européenne à un moment où l'évolution intérieure de certains, notamment de l'Italie, fait apparaître l'Europe comme un point d'amarage, un facteur de stabilité et de sécurité". (CHAN, 5 AG3/AE 53, François-Poncet. Note pour le Président, "Participation de la Commission au Sommet, 04.03.1977).

62. BAC 39/1986 (0114), Economische Topconferentie te loden 7-8 mei 1977, Delname EEG aan conferentie Europese Raad, 25/26.03.1977.

competence of the Community are discussed. Examples of such items are negotiations about international trade and the North-South dialogue”.⁶³ No decisions were taken on the future attendance of the Community at similar Western economic summits. The Community would not be able to participate in all the sessions of the London summit – a concession to French opposition.

The new role of the Commission in the G7 summits was marked by Jenkins' visit to Washington from 15 to 17 April. He had the opportunity to hold discussions with the most important American policy-makers, including president Carter, and to express the Commission's positions on trade and energy issues as well as the North-South relationship.

On trade matters, Jenkins, even taking into account the difficult balance of payments conditions faced by Italy and Great Britain, pressed for further trade liberalization. In a speech at the University of Chicago,⁶⁴ he stressed that “the European Community accounts for 40% of the world's trade, and its dependence on trade is fundamental. External trade represents 20% of the Community's gross domestic product as against 14% of that of Japan and only 9% of that of the United States”. Considering that the US trade surplus had grown from \$2 billion in the early 70s to 7.3 billion in 1976, the policy of the Commission was the reduction of, and in certain cases the elimination of, both tariff and non-tariff barriers to trade and to reinforce the GATT's institutional framework. Another crucial issue was energy. This was a challenging topic for the Commission since it had two different aspects. One concerned limiting the import of energy sources such as oil which undoubtedly fell under Community competence. The other concerned nuclear energy, a ‘new’ kind of energy whose development was favoured by the Commission because it would reduce European dependence upon imported oil. Moreover, it was closely linked to political and military concerns. In a press conference on April 7, president Carter expressed the new US policy of limiting nuclear fuel exports, upon which Europe was dependent, to reduce the risk of expanding nuclear capabilities by other countries. This new American policy led to significant criticism by the Commission.⁶⁵

“Europe would therefore not understand any unnecessary further delays in the implementation of our nuclear program for which we depend on you. To act otherwise would strengthen the position of the OPEC countries *vis-à-vis* the Community and would not be consistent with your original policy of dealing with the Community as an entity: any other approach from the US side in discriminating between

63. *Agence Europe*, 27.03.1977.

64. HAEU, EN-1586, visit in the United States, 12-17.04.1977.

65. The central issue here was the supply of ‘enriched uranium’ necessary for the working of nuclear plants. This came mainly from the US, and in small part from the USSR. Only France would be auto-sufficient by 1982, at which time its requirements were supposed to be covered by the Eurodif plant (France and others). BAC 156/1990, aide mémoire for president Jenkins for the London Summit (7-8 May 1977) on Nuclear Fuel Supplies note to Mr. Hayden Phillips deputy-chef de cabinet of the president, 02.05.1977.

nuclear and non-nuclear states will divide it and thus disrupt the common nuclear market”.⁶⁶

The last important issue discussed in Washington was the North-South relationship. This became a central topic of the Jenkins presidency and formed the essential part of what could be called Jenkins’s ‘global Keynesianism’. The background papers prepared for Jenkins stated that:

“We are committed to [...] keeping our markets open despite recession; increasing aid flows especially to the poorer nations; expanding compensatory financing by the International Monetary Fund; creating the International Fund for Agricultural Development based on common efforts by the developed, OPEC, and other developing nations”.

Jenkins was admitted to the London summit, but the formal arrangements for his participation were quite unsatisfactory. Giscard d’Estaing did not attend the first official dinner so as not to sit at the same table with someone who was neither a head of state nor a head of government. Jenkins was excluded from sessions dealing with general monetary and economic affairs and with political matters. At the press conference, he could sit in the front row and was given a microphone but was not allowed to speak.⁶⁷ Even though Jenkins was allowed to speak in front of the seven leaders, after the London summit he declared to the European Parliament:

“I cannot pretend that the arrangements for the representation of the Community were either logical or entirely satisfactory. I was able to play a full part in the discussions on trade and the North/South dialogue, and to a limited extent on energy. [...] But I was not present for the general economic debate, on which such vital questions as growth, inflation and employment, particularly among young people were discussed”.⁶⁸

After the summit, the Community became a full member of the G7, involved in all preparatory discussions, and could speak on all the economic questions.

Conclusions

The Community gained full participation in the G7 at the Bonn summit in 1978. But this does not mean that it always played an important role thereafter. After its first round of enlargement, the EC became the largest world economy and the most open to international trade. In the Seventies it attempted internal reforms in many fields. It struggled towards monetary union. It made its first steps towards some kind of redistribution policy with the creation of a regional policy. It attempted to be creative in its relationship with the developing countries. It advanced

66. EN-1586, background-papers for the president’s visit in the United States, 12-17.04.1977.

67. R. JENKINS, op.cit., p.99. HAEU, EN-2535, historique de la participation de la Communauté aux sommets économiques occidentaux, Memorandum by Crispin Tickell, 05.09.1980.

68. BAC 39/1986, statement by the president of the European Commission to the European Parliament, 11.05.1977.

institutional reforms with the creation of the European Council and the directly elected European Parliament in order to strengthen and legitimize the integration process. At the same time, the Community demonstrated that it could be a stabilizing political force at a regional level, and played an important role in the democratization of Spain, Greece and Portugal. All of this was equally reflected on the international level. Not only did the Commission negotiate for all multilateral trade agreements involving member states, but, as Geir Lundestad notes:

“In many ways 1975 was a year of breakthrough for European political cooperation. At the Conference on Security and Cooperation in Europe in Helsinki, the EC position was presented by a joint spokesman. At the vast international conference in Paris on economic cooperation between the North and the South (CIEC), the EC had joint representation for the first time. The Lomé agreement between the EC and 46 developing countries was also signed in 1975”.⁶⁹

The process by which the Community gained acceptance in the G7 is an excellent example of the difficulty for single member states to “go alone” on economic matters after the completion of the Common Market in 1968. It is also an episode of the ongoing struggle of the Community to reach a single voice in the international institutions. But this is not to suggest that the Community had the authority or the machinery to elaborate and manage a common foreign economic policy. The episodes in which the Community managed to find an active and creative European position still require a great deal of attention from historians. There is much evidence of the capacity of the Community to impose internal economic discipline (the main demonstration being the process of monetary unification), but the direct impact of the EC on the globalization process after the 70s is less evident. The considerations of Crispin Tickell, sherpa for the Commission in the G7 from 1977 up to the end of the Jenkins presidency, do not allow for much optimism:

“I was invited to the next meeting of the sherpas a few months later, and took part in preparations for following summits. No one tried to deprive me of meals. And everyone realized that the dividing line between matters of Community competence and other matters was blurred. I did not insist on Commission rights and responsibilities, and simply tried to be helpful, contributing papers (even one on climate change) from time to time”.⁷⁰

Furthermore, it could be argued that the battle for the participation of the Community in the G7 was the last won in terms of common, even if not always effective, European representation in the major international economic institutions.

69. G. LUNDESTAD, *East, West, North, South*, Sage Publications, London, 2005, p.209.

70. C. TICKELL, *President of the European Commission*, in: A. ADONIS, K. TOMAS, *Roy Jenkins*, Oxford University Press, Oxford, 2004, pp.189-190.