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JOURNAL OF EUROPEAN INTEGRATION HISTORY

The purpose of The Journal of European Integration History is to encourage the analysis and understanding of different aspects of European integration, especially since 1945, in as wide a perspective as possible. The Journal publishes the conclusions of research on diplomatic, military, economic, technological, social and cultural aspects of integration. Numbers devoted to single themes as well as to diverse subjects are published in English, French or German. Each number includes reviews of important, relevant publications.

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ZEITSCHRIFT FÜR GESCHICHTE DER EUROPÄISCHEN INTEGRATION

A Pragmatic Visionary Through a Century of Change – Pierre Werner

Elena DANESCU

“Itinéraires luxembourgeois et européens”

Pierre Werner was born of Luxembourgish parents in Saint-André, near Lille, France, on 29 December 1913. A few months later, following the start of the First World War, the family returned to Luxembourg.1

After primary school, he attended a secondary school that prepared him for a career in industry and business so that he would be able to take over the family business from his father. Pupils at this school received intensive English lessons, which was unusual at that time. Werner continued his education in a multicultural environment that was typical for Luxembourg, and in addition to the country’s three languages (Luxembourgish, French and German), he also learnt Italian. His extensive language skills opened up new intellectual horizons, enabled him to structure his thoughts clearly and gave him a good understanding of the language and culture of those he came into contact with. Encouraged by his teachers, who were keen to see this gifted pupil devote more time to the humanities side of his studies. He then spent a year studying Latin and obtained his baccalaureate at the prestigious Athénée in Luxembourg City, the same Lycée classique that Robert Schuman had attended in the late 19th century. In 1934, he enrolled in the higher preparatory course in law in Luxembourg. One year later, he joined the Faculty of Law in Paris, at the same time attending courses at the École libre des sciences politiques (1935-1937). In January 1938, Werner successfully submitted his thesis in law in Luxembourg.

From early on, Pierre Werner was an active member of student associations, taking on major responsibilities. In Luxembourg, he was elected as president of the Association of Catholic University Students (“Akademikerverein”) from 1935 to 1937, and in 1937 he became the Vice-president of the international “Pax Romana” movement. During his time in Paris, Werner lived at the Biermans-Lapôtre Foundation, where he was involved in the activities of the “Cercle historique” (History Club) run by fellow Luxembourgers Joseph Guill and Georges Bourg with the aim of encour-

1. Itinéraires luxembourgeois et européens. Évolutions et souvenirs: 1945-1985 is the title of the memoirs published by Pierre Werner in 1992 with Éditions Saint-Paul de Luxembourg (roughly translated in English as “Routes through Luxembourg and Europe. Developments and Memories: 1945-1985”). The author would like to express her thanks to Marie-Anne and Henri Werner for giving her extensive access to the previously unpublished Werner family archives and for their ongoing support throughout her research. Many thanks also to Philippe Davieusart, Kenneth Dyon, Jean-Claude Jurecker, René Leboutte, Ivo Maes, Jacques Santer, Hanspeter Scheller, Sylvain Schirmann, Bernard Snoy and the late Jean-Claude Koeune for their various comments and suggestions.
aging students from Luxembourg to learn about the history of their country. It was here that Pierre Werner joined the European ranks of Catholic thinkers and forged useful links with several prominent figures. He regularly attended lectures by Jacques Maritain and became very familiar with the ideas of this mentor of the Christian Democracy movement. His humanist beliefs also spurred him to offer practical help to those in need, and he joined the "Équipes sociales" run by Robert Garric.

In his studies, Werner was particularly interested in company management and private finance. He forged strong ties with his teachers Jacques Rueff and Wilfrid Baumgartner (both future French Finance Ministers), Charles Rist and André Siegfried, all of whom influenced his intellectual development and sparked his interest in the study of economic and monetary phenomena. In Paris he also met Robert Schuman, who at that time was a member of the French National Assembly. Schuman showed him round the Palais Bourbon and tried to give him a taste for politics. Werner did not yet feel that he was ready; he took the view that

"if a young man wants to be more than just an average politician, he needs to be all the more conscientious and hard-working in preparing for his political career".2

As a young barrister in Luxembourg, in 1938 Pierre Werner secured a six-month internship at the Banque Générale de Luxembourg (BGL). With the outbreak of the Second World War, he ended up staying there until 1944, receiving on-the-job training in the banking profession. His work in the general secretariat of the BGL gave him the opportunity to closely monitor developments in the legislation introduced by the German occupiers and the effects it had on Luxembourg society. Approached by the Martin network of the French Resistance, Werner managed to pass on a range of information to the Luxembourg government in exile in London, including a report on the monetary, financial and banking situation in the country in 1942.3 As he revealed in his memoirs, he escaped Nazi persecution both because of Deutsche Bank’s financial interests in the Luxembourg bank and also thanks to the efforts of Hermann J. Abs, a banker and Chairman of the Board of Directors, who ensured that Luxembourgers who refused to enrol in Nazi organisations would avoid the worst consequences of their actions.4 The Werner family was not spared by the war, however: Pierre’s younger brother, forcibly recruited in the Wehrmacht, died on 15 January 1945 in a labour camp in Eastern Prussia.

After the Liberation, the Secretary general of the government, Léon Schaus, recruited Werner to the Ministry of Finance. He was thrown in at the deep end, and

4. “Thanks to my job at the Banque Générale, in which the Deutsche Bank had taken a major holding, I was able to escape Nazi persecution. Mr Weicker and I refused to join the ‘Heim ins Reich’ movement despite the insistent urgings of a director who had been seconded by the German bank” [our translation]. P. WERNER, Itinéraires..., op.cit., vol.I, pp.15-16.
Prime Minister and Finance Minister Pierre Dupong involved this young expert in the major issues of the time. Priorities included stabilising public finances, monetary reform and war reparations, as well as restoring the health of the Caisse d'Épargne de l'État, the only state-owned financial institution. In 1945, Werner was asked to draw up a report on the reorganisation of the banking system, and he was then appointed banking Commissioner. His responsibilities included setting up a regulatory authority for the credit market and overseeing international financial collaboration. He represented Luxembourg in major negotiations on several occasions, particularly with Swiss partners and within the Belgium-Luxembourg Economic Union (BLEU) and the Benelux.

Werner accompanied Finance Minister Dupong to the Annual Meetings of the International Monetary Fund (IMF) and became familiar at an early stage with the multilateral financial institutions set up by the Bretton Woods Agreement. In 1947, the government gave him the task of negotiating a $12.7 million loan from the International Bank for Reconstruction and Development (IBRD) to rebuild the country. Luxembourg was one of the first four applicants for aid, despite the fact that at this time, the IBRD (which had not yet established any real rules of operation) had intended these loans to go towards relieving balance-of-payments difficulties rather than internal budget expenses. Nevertheless, following three months of intense negotiations in Washington, Werner successfully secured the loan.

Werner had been aware of the importance of European issues since his university days, and his commitment to European unification gradually began to take firm shape. As he revealed in his memoirs, from 1949 he became convinced "of the urgent need" for the countries of Western Europe "to undertake the economic and political construction of a united Europe". His

"experience of working in the international arena, particularly an awareness of the weakness and the divided state of Europe, made it almost an intellectual obligation".

He later took an active role alongside Jean Monnet in the Action Committee for the United States of Europe.

In 1949, as government adviser and acting Secretary to the Council of Ministers, Werner was brought into direct contact with the country's general affairs and European integration strategy. He worked closely with the Prime Minister, who increasingly regarded this competent, meticulous expert as the best person to succeed him as Minister for Finance. This duly came about on 29 December 1953, the day of Werner's 40th birthday, when he was appointed Minister for Finance (and the Armed Forces) in the government formed by Joseph Bech following the death of Pierre Dupong. This was the beginning of a long career as a statesman, in which public finance played a prominent role. In his first budget speech to the Chamber of Deputies, he outlined the principles underpinning his political approach, to which he would remain committed for his entire life: for Werner, safeguarding Luxembourg's financial stability and budget equilibrium, adding a human dimension to law enforcement
and guaranteeing social justice were vital for the creation of solid foundations on which to build the country’s independence.5

Werner headed the list of candidates for the Christian Social People’s Party (CSV) in the parliamentary election on 1 February 1959 and was duly elected Minister of State (Prime Minister). For twenty years – from 1959 to 1974 and from 1979 to 1984 – he led the coalition cabinets that his party formed with either the Liberals or the Socialists. His role as Prime Minister was also combined with other ministerial portfolios in what were seen as priority areas for the country. He served as Minister for Finance (1959-1964 and 1969-1974), for the Treasury (1964-1969 and 1979-1984); and for Foreign affairs and Justice (1964-1967), as well as for the Civil Service (1967-1969) and for Cultural affairs (1969-1974 and 1979-1984).

Werner was a constant presence on the European political stage, since for Luxembourg, European political and economic integration took precedence over all other international concerns. Drawn to act as both a Luxembourger and a European, he left his imprint on the key events in the European integration process. The merger of the executive bodies of the ECSC, Euratom and the EEC in 1965, the choice of Luxembourg as one of the permanent capitals of the Community institutions, the development of the Kirchberg European quarter, the 1966 Luxembourg Compromise and the 1970 Werner Report that sketched the outlines of Economic and Monetary Union are just some of the achievements to which Werner made a vital contribution.6 Alongside the eminent legal expert Pierre Pescatore, Secretary-general of the Foreign Ministry, Werner played a part in developing an independent diplomatic service based on national intellectual elites, continuing the work begun by Joseph Bech.7

As a proponent of dialogue and rapprochement, Werner was also involved in other issues – the strengthening of the institutions, political cooperation, enlargement, the reform of the CAP and international relations – when Luxembourg held the rotating


presidency of the Council of the European Communities. When Europe experienced difficulties, this little country was able to make a decisive contribution to breaking deadlocks and proved to be an essential mediator, facilitating dialogue between its larger neighbours and partners. The 1966 “Luxembourg Compromise”, which brought an end to the empty chair crisis, is a clear illustration of this role.

“Whether chairing the Council or the European Council, Luxembourg has demonstrated the same qualities: an unwavering professionalism, a considerable degree of impartiality and a determination to push the Community forward. Its geographical situation and the structure of its economy mean that Luxembourg’s interests largely coincide with those of the Community. [...] Its commitment to Europe gives its presidency an outstanding dynamism and resonance”.  

In the mid-1960s, Werner’s European commitment and mastery of the art of consensus gave rise to the idea that he might one day stand for the post of President of the Commission of the Communities. It was only a rumour, as the Luxembourg Prime Minister never really considered giving up his national elected office.

The election on 26 May 1974 resulted in a new coalition formed by the Democratic Party (DP) and the Luxembourg Socialist Workers’ Party (LSAP), under the premiership of Gaston Thorn. The CSV, which had led all the country’s post-war governments, went into opposition. This political upheaval coincided with the beginnings of the painful steel crisis. Werner was elected as chairman of the CSV party’s group in the Chamber of Deputies. He worked to rebuild his party and encouraged it to pursue an approach inspired

“to some extent by the British tradition of ‘Her Majesty’s loyal opposition’ – respecting any ministerial management driven by concern for the welfare of all Luxembourgers, and proposing original solutions (using watertight legislative techniques) as alternatives to the options put forward by the government and the majority”.

As leader of the opposition, Werner focused on key issues for domestic policy. He pushed the CSV to play an active role in the consensus-based management of the steel crisis and worked for social dialogue. One of the results of this approach was the establishment of the “steel tripartite”, which subsequently developed into the “Luxembourg model for social consultation”. The government also adopted two


mechanisms – for economic diversification and for the creation of the Société nationale de crédit et d’investissement (National Credit and Investment Company, or SNCI) – which Werner had recommended years before to boost the country’s competitiveness. At the same time, renowned for his expertise, Werner remained a reference for politicians of all stripes. Finance Minister Raymond Vouel (Socialist) consulted him on budget issues such as the crisis budget and public spending, and Prime Minister and Foreign Minister Gaston Thorn (Liberal) discussed strategic issues and international policy questions with him.

During this period, Werner pursued his commitment to Europe in the Monnet Committee, the European Movement, the European League for Economic Cooperation (ELEC) and the Christian Democrat International, via conferences run by universities and banking organisations and in the media. His favourite subjects remained EMU and political union. He played a part in the creation of the European People’s Party (EPP), which was founded on 8 July 1976 in Luxembourg and served as a new framework for strategic reflection on Europe. In 1979, in the run-up to the first European Parliament elections by direct universal suffrage, Werner wrote the economic and social chapters of the EPP’s election manifesto.

The parliamentary election on 10 June 1979 saw Pierre Werner return to power as leader of a coalition government between the CSV and the Liberals. The new Minister of State received more individual votes than his predecessor, Gaston Thorn, who became Deputy Prime Minister and Foreign Minister and would soon become the first Luxembourger to serve as President of the European Commission. The CSV also won the European elections and secured three of the six seats allocated to Luxembourg.

From 1979 to 1984, the Werner government faced major challenges, including the resolution of the steel crisis with its major social consequences, economic diversification and societal reforms. Realising that as Prime Minister he would have to be closely involved in balancing conflicting interests, Werner gave up the time-consuming portfolio of Finance. He retained his role as Treasury Minister, however (responsible for monetary and credit policy), thereby continuing a tradition that still holds true until the current Government’s entering into office (December 2013): Luxembourg Prime Ministers always had monetary issues as part of their responsibilities. He also chose the portfolio of Cultural affairs. His main achievements in this field were the creation of a National Cultural Fund and the Language Law, which enshrined the three-language model as the basis of Luxembourg’s national identity.


13. It is also worth noting that during his time in opposition, Pierre Werner served as a member of Luxembourg City Council, where he saw the realisation of one of the plans he had put forward in the early 1950s, when he first stood for election – the Grund lift, linking the lower and upper districts of Luxembourg City.

Santer, Werner’s long-standing colleague and leader of the country’s main political party, was appointed Minister for Finance. During the 1979-1984 term, several reshuffles took place, including the entry into government of Jean-Claude Juncker, then aged just 28, as Junior Minister for Employment.

Halfway through its term, the Werner government was faced with a serious and unexpected crisis. On 22 February 1982, the Belgian government took the unilateral decision to devalue its currency. This had a major impact on Luxembourg’s fiscal policy, which was designed to combat inflation and promote full employment. Although the idea of withdrawing from the monetary union with Belgium was raised in some quarters, Luxembourg chose a more moderate course of action. In these circumstances, the Werner government successfully redefined the economic and monetary doctrine of the BLEU, and in May 1983 it adopted the Act establishing the Luxembourg Monetary Institute (IML), which had been on the agenda of the Chamber of Deputies for several years. The IML operated until 1998, when Luxembourg opened a full central bank as a member of Economic and Monetary Union.

The Luxembourg government focused its diversification strategy on two innovative areas that would become the country’s key drivers for growth: the financial centre and the audiovisual industry.

Werner had a thorough knowledge of the financial centre, which had gradually taken shape since the 1960s under the leadership of his successive governments. Ongoing improvements to its legislative and institutional infrastructure and a policy of specialisation (in insurance and reinsurance, consultancy firms and training) strengthened its international competitiveness. Over time, the financial centre became a real-world laboratory for the single currency, with the first Eurobond issue and the

15. “Monetary decisions are always taken on the spot and depending on the economic, social and financial conditions of a national community at a given time. The main thing in a monetary union is that the interests of one of the partners should not be sacrificed. [...] Discussions on a monetary proposal are always tricky since they can give rise to positive or negative evaluations which, by implication, can have a negative impact on the very aim of a monetary policy, which is stability”. See _Statement by Prime Minister Pierre Werner on Luxembourg monetary policy_, in: SERVICE INFORMATION ET PRESSE DU GRAND-DUCHÉ DE LUXEMBOURG, Documentation bulletin, 3(1983), pp.8-9, here p.9.

16. On 15 March 1979, the monetary status of Luxembourg was clearly laid down for the first time in law. The new Act provided for the participation of the Luxembourg franc in the definition of the ECU and gave the government the prerogative to set applicable exchange mechanisms. The Act also provided for the creation of a new institution, known as the Luxembourg Monetary Institute, responsible for monetary and credit policy in the country and for representing Luxembourg within the newly created EMS. The proposal for the creation of this new institution was submitted to the Chamber of Deputies in November 1981 but was delayed because of disputes over the status (public or private) of its staff.

implementation of the public and private European unit of account. When the Werner Report was published in 1970, Pierre Werner set up an informal think tank for the financial centre, composed of experts from Luxembourg and abroad (including Robert Triffin, Fernand Collin, Edmond Israel, Raymond Kirsch and Jean Blondeel), which anticipated future trends and sketched out various development scenarios.

Bolstered by the success of the Compagnie Luxembourgeoise de Télédiffusion (CLT) since the 1950s, the Werner government decided to target what appeared to be a promising niche market: satellites and telecommunications. Given that the European audiovisual sector was only just beginning to gain momentum, this was a significant challenge, with considerable economic implications (the advertising market) and cultural implications (the broadcast language and the culture portrayed). To guarantee Luxembourg’s long-term position in this sector, the Werner government was of the view that “only a Luxembourg-run satellite would be satisfactory”. This firm condition gave rise to a bitter political and diplomatic clash with France and Germany doing their utmost to block the plan. The excessive demands of some US technological and financial partners also created an obstacle to the implementation of the plan. Ultimately this initiative only came to fruition during Santer’s first premiership in 1985, with the creation of the Société Européenne des Satellites (SES), which has now become the world’s second leading satellite operator.

In July 1984, despite his party’s victory in the parliamentary election and his own popularity with the electorate, Pierre Werner chose to withdraw from political life.

“Seeing politics as a sacred calling, Pierre Werner fully embodied a sense of personal and political integrity that was never questioned by anyone, including his fiercest opponents”.

He remained active in public affairs, however, and was particularly involved in promoting the single currency and SES, chairing the SES board from 1989 to 1996 and subsequently becoming honorary chairman. In 1992, he published his memoirs, entitled Itinéraires luxembourgeois et européens.

His wife Henriette Pescatore, together with their five children, provided invaluable support for Pierre Werner throughout his lengthy career. With discretion and efficiency, she was closely involved throughout her life in a number of causes that were particularly important to her, including the provision of schooling for the children of fairground workers at the Schueberfouer and, alongside Edmond Israel, encouraging interfaith dialogue between Jews and Christians.

In recognition of Werner’s lifelong commitment to a united Europe, he received the Robert Schuman Gold Medal in 1971 and the Prince of Asturias Award in 1998, sharing the latter award with his disciple Jacques Santer for their “contribution to the process of European monetary integration that has culminated in the creation of the euro”.

Pierre Werner died in Luxembourg City on 24 June 2002. The former EU Commission President Jacques Santer – a long time collaborator of Pierre Werner and his successor as Prime Minister of Luxembourg in 1984 –, said of him:

"It is rare to find politicians that can rightly claim to have left a decisive mark on the country they were called to serve and therefore successfully steered the course of events".\(^{19}\)

**An early introduction to economic and monetary thinking**

Pierre Werner’s years as a university student in Paris and the contacts he made with leading intellectuals of the day gave him a taste for economic and monetary questions, which he began to study more closely when he began his career in the banking sector in Luxembourg. His subsequent government positions enabled him to develop a pragmatic view of these issues. He directly witnessed the effect on Luxembourg of the forced introduction of the Reichsmark and the subsequent introduction of the franc after the Liberation. These successive transitions, which he experienced personally as a young banker and then as a state official, encouraged his reflections on currency and the processes of conversion and reconversion, especially in the absence of a specific national currency and bank of issue, as was the case in Luxembourg.

His constant presence in the closed circle of Finance Ministers over a period of 25 years and his dealings with experts of all political stripes always kept that interest alive. He closely followed developments in monetary thinking and new ideas, and he tested some of his initiatives in a variety of settings, including European networks, the Christian democracy movement, the BLEU and the Benelux.

He built long-lasting relationships of trust with his European counterparts, especially Baron Jean-Charles Snuy et d’Oppuers, Valéry Giscard d’Estaing, Raymond Barre, Karl Schiller and Franz Etzel, as well as with central bank Governors and other bankers, in particular Baron Hubert Anziaux, Cecil de Strycker, Guido Carli, Jelle Zijlstra, Bernard Clappier, Karl Blessing, Hans Tietmeyer and Hermann Abs (a banker at Deutsche Bank whom Werner met during his youth). He had regular discussions with these specialists over a long period. In the Action Committee for the United States of Europe, he was particularly close to Jean Monnet and Robert Triffin. Werner enjoyed cordial relations with the British, especially Edward Heath, and he was very interested in the issue of the United Kingdom’s accession to the European Communities. The good connections he had long maintained in US political and business circles added an important global dimension to his thinking, especially as regards the conclusions to be drawn from US economic liberalism and the dollar’s role as both a national and international currency.

Over and above his official duties, Pierre Werner had a real passion for economic and monetary questions, as his private archives amply demonstrate. He based his approach on personal ideas and contributions, and developed his thinking in close dialogue with those in European academic and university circles, to whom he remained linked throughout his life.

In a lecture entitled "What monetary integration means", given in Strasbourg on 21 November 1960, Werner set out his thoughts on monetary issues. Taking inspiration from the Benelux Union, which was based on a monetary agreement, he demonstrated that economic integration was achieved more directly via gradual monetary rapprochement in conjunction with the alignment of economic policies, within a common market between sovereign countries that was rooted in an international financial system. The progressive introduction of a European unit of account would lessen the risks of currency fluctuations caused by speculative movements of capital. In international relations, this European currency

"would supply a benchmark for value shielded from ups and downs in the national currencies, facilitate the expansion of international trade and encourage the development of savings".

Werner was in tune with the ideas of Robert Triffin (inspired by the dollar and the US deficit), as well as with those of Belgian Finance Minister Pierre Wigny and Fernand Collin. In the summer of 1961, Werner learned about the Monnet Committee's proposal for the establishment of a union of the monetary reserves of the Six, which he saw as the prelude to a common monetary policy and a common currency.

Werner, who adhered to Robert Marjolin's ideas and shared the vision set out in the European Commission's Action Programme for the Second Stage of the EEC, worked out his own conception of monetary integration. In a lecture given in Brussels on 27 November 1962, he again advocated the creation of a European unit of account defined in relation to gold as the first stage of a European monetary system. He was in favour of fixed exchange rates, associated with monetary discipline and solidarity in a specific institutional framework – a "monetary institute", which could serve as a clearing house among the central banks. Werner believed that this method would

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20. The Werner family archives contain a wealth of documents gathered by Pierre Werner from the 1950s onwards, including manuscripts, handwritten notes and comments on official documents, exchanges of letters with various figures, diplomatic and institutional texts, statistics, as well as a large number of press articles on the European integration process and on economic and monetary questions. This material is accompanied by a collection of images and a series of sound and video recordings. See Inventory of the Pierre Werner family archives, in: E. DANESCU, A rereading of the Werner Report of 8 October 1970 in the light of the Pierre Werner family archives (research corpus), Source: CVCE.eu by UNI.lu.


enable monetary integration to proceed along the lines of Community development without impinging on national responsibilities.

In February 1965, following proposals from general Charles de Gaulle for a reform of the international monetary system, Werner encouraged the Six to strengthen their monetary cooperation. For Luxembourg, economic and monetary integration was a foreign policy priority to which Werner's government was fully committed. This became clear in 1966 when Luxembourg, with its Prime Minister at the helm, held the presidency of the Council of Ministers of the Communities. In speeches to the European Parliament, at the IMF Annual Meeting and on other occasions on which he spoke on behalf of the European Communities, Werner called for the creation of a European unit of account with a guaranteed fixed exchange rate, common monetary discipline and economic policy coordination. In the US, Werner was seen as the spokesman for European monetary policy.

At the 20th Benelux Economic Congress, which took place in Luxembourg in May 1967, Werner again took the opportunity to speak about a European currency. Even though he saw the creation of a single currency as premature, he believed that economic convergence, based on shared monetary discipline, was vital. The idea of parallel movement between monetary integration and economic coordination within the Common Market began to take shape.

The cracks that had begun to appear in the Bretton Woods system and the impact of the UK's application for accession prompted Werner to proceed with his ideas. How could Europe become an area of monetary stability, protecting the Member States' economies from upheavals? Werner was invited to speak alongside Jean Monnet and Walter Hallstein at the CDU's economic congress (the Europaforum) on 26 January 1968, where he set out a "five-point action plan for European monetary integration". His proposal was based on the establishment of a European unit of account, prior consultation between national authorities, fixed exchange rates between the Member States, internal and external solidarity (especially within the IMF) and the creation of a reserve fund for the Community. He emphasised the consequences of the deregulation of capital flows and the development of the Euromarkets, two phenomena that he had been able to study within the Luxembourg financial cen-

tre. His speech anticipated the key issues raised in the first Barre memorandum published by the Commission of the European Communities a month later.

Throughout 1968, Werner became increasingly active in the Action Committee for the United States of Europe. He had fruitful discussions with Jean Monnet, Robert Triffin and Guido Carli, who shared his vision. Carli, Governor of the Bank of Italy, considered what the press referred to as the “first Werner plan” to be so novel that he made sure it was circulated in Italian and international financial circles. The document raised interest among the Benelux Finance Ministers and also the Community’s Ecofin Council, which analysed it at its meeting on 9 and 10 September 1968 in Rotterdam. Werner drew attention to the two basic principles underpinning his plan: political commitment on the part of the Member States, and a parallel approach between economic policy coordination and monetary integration.

“Monetary solidarity will only be established laboriously in line with the strengthening of economic policy, and is dependent on it. Furthermore, the establishment of legal procedures and instruments directed towards a common monetary policy will be a powerful lever for bringing national economies closer together”.

The careful balance he imagined strongly influenced the philosophy of the Werner Report two years later. Nevertheless, in order to defend the Luxembourg financial centre, and in his role as Prime Minister, Pierre Werner moved away from this middle line, choosing instead to adopt a “monetarist” approach. The difficulties experienced first by the pound sterling and then by the French franc justified this approach, and the EEC Council of Ministers placed monetary questions at the forefront of the agenda for European integration.

By the beginning of 1970, Pierre Werner’s monetary thinking showed that he was actively committed to a European currency – first a common currency, then a single currency – which he envisaged as being not just for use (both public and private) within Europe but also internationally. Such a currency, based on solidarity and a common monetary policy between the Six, would be immune to national weaknesses. As an advocate of the need for fixed exchange rates between European currencies (with respect to the international reserve currencies), he proposed that a monetary institute should be set up to serve as a central bank. He was among the first to stress the need to consider the role of the pound sterling in a common European currency,

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27 In anticipation of the liberalisation of capital movements within the Community, France insisted on giving priority to tax harmonisation, which would have a huge impact on the financial legislation in Luxembourg. To safeguard the assets of the financial centre, Werner suggested an alternative at the Ecofin Council on 4 March 1968. Basing his reasoning on parallel movement between the free circulation of goods (in force to the 1st July 1968) and capital, Werner suggested giving priority to monetary harmonisation and postponing tax harmonisation to a later stage. The particularities of Luxembourg’s financial centre, which would subsequently be disputed on more than one occasion by those same partners, were therefore preserved.
looking ahead to the inevitability of British membership of the Community, for which he worked hard.

The Werner Report: A precursor to a full EMU

At the Hague Summit on 1 and 2 December 1969, the Member States agreed to explore ways of making progress towards an economic and monetary union by 1980. This decision was the result of an agreement between President Georges Pompidou and Chancellor Willy Brandt, who, encouraged by Jean Monnet, had decided to intervene personally to ensure that the monetary question would be raised.28

They also agreed to investigate the possibility of setting up a European reserve fund (ERF), which would be a logical result of a joint economic and monetary policy. The proposed ERF, suggested by Brandt, was actually penned by Robert Triffin, who drew up the proposal at the request of Monnet and fine-tuned it within the Action Committee for the United States of Europe. But the final agreement in The Hague reflected the differences of opinion between all the parties, foreshadowing the clashes between "economists" and "monetarists" that would characterise the work of the Werner Committee. While Brandt believed that the effective harmonisation of economic policies was a prerequisite for the establishment of an ERF, Pompidou called for the introduction of a balance-of-payments support system and a monetary union between the Six.

An ad hoc group of experts was set up to discuss the issue of EMU. Members were chosen on the basis of three criteria. Firstly, the experts had to be officials in charge of economic and financial policy in the Member States. Secondly, they had to be particularly committed to European integration. And lastly, any solution put forward had to have the widest possible support from the governments. The group, set up on 4 March 1970, was formed of the leaders of the five specialised committees of the Commission, who also held high national offices, but they sat on the committee in a personal capacity.29


29. These were the chairmen of the Monetary Committee (Bernard Clappier from France, who was also Deputy Governor of the Banque de France), the Committee of Governors of the Central Banks (Hubert Anaïs from Belgium, Governor of the National Bank of Belgium), the Medium-Term Economic Policy Committee (Johann Baptist Schollhorn from Germany, State Secretary in the Federal Ministry of the Economy), the Conjunctural Policy Committee (Gerard Brouwers from the Netherlands, State Secretary in the Dutch Ministry of the Economy) and the Budgetary Committee (Gaetano Stummati from Italy, Treasurer-General in the Italian Treasury). The Commission was represented by the Director-General for Economic Affairs (DGII), Ugo Mosca.
The right man at the right time

After securing the unanimous agreement of the Member States, Pierre Werner was appointed chairman of the group, reflecting his economic and monetary expertise and his reputation for securing a consensus. But our research has revealed that the decision was far from straightforward as a result of conflicting interests and diplomatic bargaining.30

The Werner archives reveal that it was Baron Jean-Charles Snoy et d’Oppuers who, during a telephone call on 25 February 1970, proposed that he take on the role of chairman of the group. Snoy shared this idea with his French counterpart Valéry Giscard d’Estaing. They were keen for political authority to be represented in the group, and they also saw a parallel with the Spaak Committee which had drafted the Treaty of Rome. After thinking it over for a few days and receiving positive noises from the Six, Werner agreed.

Bernhard Molitor, then Director for National Economies at the Commission of the Communities, presents another version of events.

“It was Mr Raymond Barre who put forward the name of Pierre Werner – who was highly respected both for his political, economic and financial skills and for his commitment to Europe – as chairman of the group [...]. Raymond Barre felt that it should be a Minister from a Member State who made this proposal to the Conference of Finance Ministers in Paris which followed the Commission’s adoption of the proposals. He talked about it to Baron Snoy, but the latter did not put the proposal forward at the first exchange of views and it was the German Minister for Economic Affairs, Karl Schiller, who took on the task.”31

Luxembourg Foreign Minister Gaston Thorn, who also played a direct role in the events, put forward another highly apposite account, in which he suggested that it was he who proposed Werner as chairman.32

“Had Pierre Werner not made a start – and such a good start – I’m not sure, we might have had the euro one day all the same, but certainly not now! [...] When Pierre Werner produced his report, I was the one who put his name forward. I was Foreign Minister and it was at the Foreign Affairs Council that people were saying: ‘What shall we do’? It was the old argument [...]: some people were saying you had to complete the economic union first and the currency would follow from that; others were saying ‘you have to set up the currency and then the economy will follow’. Of course, what you had to do was both of those things! Which we did in the end, but it took a long time. And then when people were saying ‘Which working group shall we get to produce this report and who is to chair it?’, I was the one who proposed Pierre Werner, and some people were surprised. [...] A Foreign

32. CVCE.eu by UNI.lu, Gaston Thorn, filmed interview, 1998.
Affairs colleague, quite a high-placed one at that, came to see me and said: ‘Gaston, withdraw this proposal! We’ve decided to do this report but some people are keener on it than others! The day might very well come when we will want to kill off the idea and it will be hard to do so if the Prime Minister (Werner) is the head of the working group’. I said ‘Don’t you see? That’s exactly why I want him to be the head of it!’ And that’s how the Werner report was launched’.33

New documents from the Werner family archives, as well as other previously unpublished sources, shed fresh light on the sequence of events.34 We learn, for example, that at the Ecofin Council of Ministers on 24 February 1970, it was suggested that the ad-hoc group – already consisting of the five chairmen of the specialist committees – should also include a Luxembourg representative and a representative of the Commission.35 The idea of the committee being jointly chaired by these “outsiders” even arose. In this context, France and Germany put forward the proposal that Bernard Clappier should be appointed as chairman.36 But Belgium, which held the Presidency of the Council of Ministers of the Community in the first half of 1970, saw Hubert Anstiaux as the best candidate. To avoid a clash with France and Germany, Baron Snoy put forward a third solution. “After several private discussions, [he] proposed that Luxembourg be [represented] through its Minister of State, Pierre Werner himself”.37

On 3 March, the Belgian Permanent Representation to the Commission published this official proposal and clarified that if the candidate accepted, the group would be chaired solely by Werner. All the delegations reached agreement, except Germany, which did not give an immediate response. It was not an easy decision for Germany to make, firstly because, by adopting the principle of joint chairmanship, as reflected in its joint proposal with France, Germany had not given any thought to an alternative solution. Secondly, the prestige Pierre Werner enjoyed as the Prime Minister of a

33. The Foreign Ministers of the Six met between 19 and 21 December 1969. Their agenda included discussions on the harmonisation of economic policies and monetary cooperation following the conclusions of the Hague Summit. Since the final communiqué of the Summit only stipulated the objective of the Council – namely that in 1970, in close collaboration with the Commission, a plan for stages with a view to the creation of an economic and monetary union should be worked out – it could be presumed that the technical discussions to define the framework and practical arrangements had been left to the Foreign Ministers. It was highly likely that the agreement on the appointment of the Luxembourg Prime Minister was the outcome of these negotiations, and that Baron Snoy, following the agreement from the Foreign Ministers, then officially put forward the name of Werner.


35. BA/Arch (Bundesarchiv, Koblenz), B 102, Wirtschafts-und Währungsunion in der EWG. Einsetzung des 5. Präsidentenausschusses, Director of Department E in the Federal Ministry of Economic Affairs to State Secretary Detlev Rohwedder (telegram), 03.03.1970; Wirtschafts-und Währungspolitik in der EWG. Bestellung des Präsidenten des ad-hoc-Ausschusses, Director of Department E in the Federal Ministry of Economic Affairs to Rohwedder, (telegram), 05.03.1970.

36. This was the conclusion reached at the talks between Rohwedder and Valéry Giscard d’Estaing, French Finance Minister, in Paris at the end of February 1970. Bestellung des Präsidenten des ad-hoc-Ausschusses…, 05.03.1970, op.cit.

friendly country meant that extreme care had to be taken. In reality, the concern was that

"the Luxembourg chairmanship might serve as a counterweight to the German position, which was in favour [in the context of an economic and monetary union] of harmonising the members' economic policies".  

Sharing the same hesitations, the Dutch took action. Citing as their official argument that as Prime Minister, Werner was of too high a rank compared to the other experts, they proposed State Secretary Walter Schöllhorn as chairman of the committee. The German Ministry of Economic Affairs rejected any such possibility, citing the country’s commitment to the joint agreement reached with France. But France reversed its position and, without warning its partner, agreed to back the Luxembourg candidacy. Germany was left with no choice but to confirm its support for Werner. The next day, the Council of Ministers officially approved the chairmanship: the Werner Committee could begin its work.

Belgium played an essential role in Werner's appointment as head of the group of experts. It was Belgium – specifically Baron Sney – that put forward the name of the Luxembourg Prime Minister and the idea of a single chairmanship, drafted the negotiating paper and worked to secure a political agreement. But it was thanks to Germany – which managed to bring the Netherlands on board and bypass the double-dealing by France – that the initiative actually came to fruition.

**Laying the groundwork for EMU**

The Werner Committee began its work on 20 March 1970. Of the fourteen official meetings of the group, nine were held in Luxembourg (as well as several technical meetings), confirming the country's reputation as a permanent capital of the Communities and a centre for reflection on economic and monetary issues.

On 7 October 1970, after seven months of clashes and reversals, and following an interim report, the members of the committee finally managed to reach agreement

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38. BArch B 102, Telegram from the Director of Department E in the Federal Ministry of Economic Affairs to Rohwedder, 03.03.1970. The Germans were concerned by the monetarist views previously held by Werner (see above) and by the fact that his ideas were very close to those of Giscard d'Estaing and Baron Sney. Their concerns ultimately proved to be unfounded, as Werner chaired the group of experts with objectivity and impartiality. See E. DANESCU, *La construction européenne dans les années 1970. Pierre Werner et le couple franco-allemand*, in: S. SCHIRMANN (dir.), *Le couple franco-allemand vu par les États tiers depuis 1963*, Fare cahier n°7, CNRS, L’Harmattan, Paris, 2016, pp.47-80.
on a shared vision for EMU. This was laid down in the Werner Report. In the preamble to the report, the experts explained that they did not seek "to construct an ideal system in the abstract", but rather to determine the elements that are indispensable to the existence of a complete economic and monetary union. The union as it is described here represents the minimum that must be done, and is a stage in a dynamic evolution which the pressure of events and political will can model in a different way" [our emphasis].

The Werner Report gave a definition of EMU, which would be established in three stages over the course of a decade (1971-1980), based on the principle of "parallel movement in practice"—to coin the phrase used by Hans Tietmeyer— with regard to economic convergence and monetary cooperation. The final objective was the irreversible convertibility of the Member States' currencies, complete liberation of movements of capital and the irrevocable fixing of exchange rates, and perhaps even the replacement of national currencies by a single currency. Monetary policy vis-à-vis the outside world would be a Community responsibility. The report recommended creating a "centre of decision for economic policy" that would be "politically responsible to a European Parliament" (elected by universal suffrage), and a "Community system for the central banks" (which would be preceded by a European Monetary Cooperation Fund (EMCF)). Political cooperation was vital for the success of the process. EMU was described as a "leaven for the development of political union, which in the long run it cannot do without". The report introduced strong macroeconomic governance, involving the coordination of budgetary and monetary policies (even if the creation of a single currency was not expressly stipulated), and full financial integration, implying fiscal harmonisation (including capital taxation). Regular consultation with the "social partners" (management and unions) would be required for the implementation of Community policies.

The plan by stages had a number of intrinsic weaknesses, the first of which was the logic of fixed (but adjustable) exchange rates on which it was based, despite the first signs of cracks in the Bretton Woods system. The plan was also developed on the basis of a centralist approach, although it was clear that national sovereignties

41. This principle applied in three areas: parallel movement in progress towards economic policy convergence and the imposition of additional monetary constraints; parallel movement in the imposition of monetary constraints and the transfer of powers over economic policy (monetary and credit policy) to the Community; parallel movement in the development of Community powers and the corresponding development of effective European institutions (the European Parliament, the Commission and the system of central banks). See H. TIEDEMeyer, L'union économique et monétaire au centre du débat politique, in: Hefte, 1971(1971) and Idem., Herausforderung Euro. Wie es zum Euro kam und was er für Deutschlands Zukunft bedeutet, Hanser, München, 2004.
took precedence over Community interests. Finally, only the first three-year stage, due to begin on 1 January 1971, was described in detail. The second and third stages and the institutional architecture were only given a brief outline, with basic indications and no timeframe.

In his political statement on 26 October 1970, Werner explained the essence of the report.

"I am happy to note that on all these aspects we forged a unanimous collective view. Of course these joint replies do not reflect all the individual preferences of the members of the group. But we do think that having looked at the question from all sides, at long sessions where we compared a range of ideas, we have succeeded in giving shape to the wish for proceeding in parallel on the measures to be taken in the economic and financial fields. What we aspired to do was, once and for all, to break the vicious circle of economic and political preconditions. We have tried to draw a line midway between the view that monetary union is the final culmination of European integration and the view that it should be a powerful engine that drives the integration process. I think that the proposals are in line with the existing treaties and that they do, precisely, seek to ensure that the objectives of the treaties will be achieved in full. Thus for stage one we can go a great deal of the way without amending the treaties. However, there must be a strong political will backing up this process all the time that it is being put into effect".  

Based on the Werner Report (which had no binding value), but watering it down significantly, the Commission drafted its own plan, which it submitted to the Council on 29 October 1970. This plan was launched on 22 March 1971, but it was de facto shelved in 1974 following the crisis affecting the dollar and the IMS.  

As well as the international environment and the priority given to national policies, (French) resistance to supranational institutions was one of the reasons why economic and monetary union reached a stalemate, thereby highlighting the recommendations (never followed up) in the Werner Report.

"In an Economic and Monetary Union, national governments put at the disposal of the common institutions the use of all the instruments of monetary policy and of economic policy whose action should be exercised for the Community as a whole. These institutions moreover must have a discretionary power similar to that which national governments possess now, in order to be able to meet unexpected events".

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Nearly twenty years later, the Delors Report finally brought the Werner Report to fruition.46

"[In the report by the Delors Committee] we agreed on the three stages taken over from the Werner Report: stage one, devoted to enhancing coordination, from 1 July 1990; stage two, a transition stage on the way to the final stage, preparing the ground for what were ultimately to be the institutions for Economic and Monetary Union; and the last stage, at which the exchange rates between the currencies themselves and between them and the single currency would be laid down irrevocably".47

Werner’s input

The previously unpublished archives belonging to the Werner family shed light on Pierre Werner’s contribution to various sections of the report and his work in coordinating the experts in the committee.

The method – three main points. At the group’s preliminary meeting on 11 March 1970, Werner set out the main areas of reflection for a single currency. Drawing inspiration from the Common Market method and based on the five-point Luxembourg plan from January 1968, Werner proposed a method based on the definition of three main points: a starting point, a final objective and the possible ways to link the two. Werner also advocated the need to maintain a comparative approach in all areas, systematically identifying areas of consensus to be consolidated and areas of disagreement that required further discussion.48

Deepening the experts’ reflection – six main priorities. After reaching agreement on the interim report on 22 May 1970, Werner proposed the basis on which the group’s work should be continued. He set out six priority subject areas, which were approved by the Finance Ministers of the Six on 29 May 1970 in Venice.49 It should also be noted that, strongly influenced by the Luxembourg social market economy

48. In January and February 1970, on the initiative of their Finance Ministers, several governments provided the Werner Committee with their visions of economic and monetary union: Belgium (the Snov plan), Germany (the Schiller plan) and Luxembourg (whose position, drafted by Pierre Werner, was based on his five-point plan from 1968). In turn, the Commission of the Communities published the second Barre memorandum, which emphasised the fact that economic coordination must go hand in hand with monetary solidarity. Comparing these four documents in detail, the Commission identified two key positions: firstly the Luxembourg plan, with the “most purely monetary” approach, and secondly the Schiller plan, based on the convergence of economic policies.
49. These priority areas for the continuation of the Werner Committee’s work were institutional aspects, strengthening of coordination in the area of short-term economic policy and medium-term economic policy, the introduction of instruments for budgetary and monetary coordination, and the exchange rate regime.
model, Werner then emphasised the importance of consulting the social partners before establishing any Community policies.

The role of the central bank governors. Werner was convinced that the Committee of Governors of the Central Banks had a vital role to play in monetary integration in the Community, and saw the EMCF as an area for progressive convergence between the different national monetary policies. Together with Baron Ansiaux, Chairman of the Committee of Governors, and Bernard Clappier, Chairman of the Monetary Committee, he developed a strategy according to which the Committee of Governors would be required to deliver a technical opinion. This opinion emphasised both the gradual approach and the irreversibility of economic and monetary union, thereby supporting the backbone of the Werner Report.

The international dimension of EMU. In the late 1960s, Werner advocated the idea of a European monetary identity and undertook to present this concept in political and financial circles in the United States. His participation in the Annual Meetings of the IMF, his regular conversations with US political and economic authorities and his long-standing relations with US financial circles and with Luxembourg bankers with a strong presence in the country enabled him to identify the key elements needed to give the plan an international dimension. One of Werner’s proposals was for the Member States to speak with a single voice in international financial institutions. He also constantly stressed the need to take the role of the pound sterling in a common European currency into account, looking ahead to the inevitability of British membership of the Community. Pierre Werner was directly involved in producing the English version of the plan by stages and in circulating it in academic and political circles in the English-speaking world, particularly by means of lectures and debates with the British Prime Minister, Edward Heath.

Mediation and consensus. Werner took on the vital role of mediator to secure consensus on the divergent viewpoints within the group and obtain an agreement on the interim report (22 May 1970) and the final report (7 October 1970). Sensitive issues were the transfer of responsibilities from national to Community level, medium-term economic policy, the importance of taking key decisions concerning monetary and credit policy together, and the decision-making power of the Community bodies. The clashes between German “economists” and French “monetarists” were so intense that it became impossible to reach the unanimous conclusions required for the group to progress. Werner therefore decided to draw on a broad spectrum of political influences. He contacted the Belgian and Italian Prime Ministers Gaston


51. From the beginning of the 1960s, Werner raised the idea of a reserve fund for Member States. He developed the idea in more detail in May 1967. The five-point action plan published in 1968 outlined such a fund as an instrument for financial solidarity within the Community, in line with Robert Triffin and his proposals for a European Reserve Fund. On this matter see I. MAES, E. BUYST, Triffin, the European Commission and the Project of a European Reserve Fund, in: M. DUMOULIN (dir.) Réseaux économiques et construction européenne, Peter Lang, Brussels, 2004, pp.431-443.
Eyskens and Emilio Colombo and the French, Belgian and German Finance Ministers (Giscard d’Estaing, Snuy and Schiller). In the committee of experts, he had frequent discussions with Anisaux and Clappier and with some deputies, including Tietmeyer, Bloch-Lainé and Mertens de Wilmars. He consulted central bankers Jelle Zylstra, Guido Carli and Otmar Emminger, together with Rinaldo Ossola, Chairman of the Group of Ten.

Werner was also in permanent contact with Triffin and Monnet. They consulted each other regularly to discuss the political influences that should be tapped, especially in Germany and the Netherlands, to secure agreement on the final report. Discussions held by Werner and Monnet with Chancellor Brandt, as well as Baron Snuy’s efforts with Dutch Finance Minister Johan Witteveen, were highly effective. The Werner Report, the result of a compromise between initially divergent views, can be seen as another “Luxembourg compromise”, in which Werner played a vital role.

A symmetrical EMU. In view of some of his writings prior to 1968, Werner was in favour of a monetary approach, which he also adopted in his political action, particularly to safeguard the interests of the Luxembourg financial centre. From 1968 onwards, he was one of the first to develop arguments for a symmetrical economic and monetary union and the principle of parallel progress in the economic and monetary fields. In discharging his duties as chairman of the group of experts, Werner chose to remain neutral, advocating a parallel approach to economic cooperation and monetary coordination as the underlying principle for the group’s reflections. He adopted a median position in the dispute between the various trends in monetary and economic thinking, between which it fell to him to arbitrate in order to bring the work of the Werner Committee to a successful conclusion.

Concluding remarks

Pierre Werner was a master of all trades – an economist, legal expert, politician and diplomat whose life spanned the 20th century. As Prime Minister and Finance Minister of Luxembourg over several decades, he shaped the future of his country and was one of the rare statesmen to play a part in the process of European unification from the post-war period to the mid-1980s.

Werner was all too aware of the particular geopolitical situation of his country, on the borders of France and Germany, and, convinced of the need to preserve national sovereignty and vital interests by adopting an international outlook, he placed the European integration process at the centre of Luxembourg policy. With a pragmatic, visionary approach honed during his many years in power, Werner was able to develop long-term strategies, focusing on what was achievable. His political method was based on three main principles: anticipation, innovation and consensus.

At domestic level, he played a major role in the modernisation of Luxembourg society. Many of his bold initiatives, including the resolution of the steel crisis, the
promotion of Luxembourg to the status of an international financial centre and the development of the audiovisual industry via the satellite project, were subsequently taken up by his successors.

As a fervent advocate of a common European currency, Werner was in regular contact with other instigators of monetary innovation, including Robert Triffin and Fernand Collin, as well as with the Monnet Committee and financial technocrats. His approach was an effective blend of political theory and action, and in the early 1960s he encouraged the Luxembourg financial centre to become a laboratory for the European currency unit. Werner exerted his influence among the European elites and was a prominent figure in both intellectual debates and the efforts to establish transnational guidelines and consensus on monetary matters.

The country's policy of active presence, clear-sightedness and "discreet availability" led to it assuming the role of mediator at several key moments in the European integration process. Examples include the "battle of the seats" in 1965, the choice of Luxembourg as a permanent capital of the Community institutions, the "Luxembourg compromise" in 1966 and the Werner Report in 1970. The BLEU and the Benelux were often called on to find solutions to crisis situations. Werner consolidated his role as an "honest broker" who could achieve a consensus between conflicting forces and ideas. From the time of Joseph Bech to Pierre Werner, Gaston Thorn and more recently Jacques Santer and Jean-Claude Juncker, Luxembourg has proved to be a breeding ground for "men of providence" capable of moving Europe forward. Continuity in leadership continues to be one of Luxembourg's main strengths.