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10 DOWNING STREET
LONDON SW1A 2AA

15 February 1990

From the Private Secretary

Dee Smith,

GERMAN REUNIFICATION

The Prime Minister and Foreign Secretary had a talk this morning about recent developments over German unification.

The Prime Minister said that the decision to establish a framework of the Berlin Four and the two Germanies to discuss the consequences of unification for NATO and European security was a considerable success. We should make sure that work started straight away at official level in this forum.

The Prime Minister continued that it was now very important to make similar arrangements to handle the EC aspects of German unification. The Commission had been slow to start on this. The Community should be looking urgently at the financial and other implications of absorbing East Germany into the Community, with the aim of ensuring, so far as possible, that the additional financial burden was borne by the Federal Republic. We should have a significant number of allies for this approach. She hoped that the Foreign Secretary would raise the matter at the forthcoming Foreign Affairs Council. We should also liaise closely with the Secretary-General of the Commission.

The Foreign Secretary reported that Mr. Haughey was considering holding an informal meeting of EC Heads of Government shortly after the East German elections in March, to talk about the implications of unification. The Prime Minister commented that this would be too late. The preparatory work should be in hand now.

I am copying this letter to John Gieve (HM Treasury), Neil Thornton (Department of Trade and Industry), Michael Harrison (MAFF) and Sonia Phippard (Cabinet Office).

John Gieve,
Charles Powell

CHARLES POWELL

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