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FEDERAL GOVERNMENT VIEWS ON UNIFICATION

SUMMARY

1. SEITERS THINKS ON BALANCE THAT GDR WILL NOT COLLAPSE BEFORE THE ELECTIONS. LATEST FEDERAL GOVERNMENT VIEWS ON 2 PLUS 4 CONFERENCE AND RELATED PROCESSES. STOLTENBERG SAYS THERE SHOULD BE PREPARATION IN NATO.

DETAIL

2. SEITERS BRIEFED THE US AND FRENCH AMBASSADORS AND ME TODAY ON MODROW'S VISIT YESTERDAY TO BONN AND ON THE CURRENT INTENTIONS AND VIEWS OF THE FEDERAL GOVERNMENT.

3. HE SAID THAT THE IMPORTANT RESULT OF MODROW'S VISIT WAS THE CREATION OF A JOINT COMMISSION TO WORK ON THE ARRANGEMENTS FOR GERMAN MONETARY UNION. THE COMMISSION WAS TO TAKE THE PREPARATIONS AS FAR FORWARD AS POSSIBLE BEFORE THE EAST GERMAN ELECTIONS, SO THAT MONETARY UNION COULD BE INTRODUCED QUICKLY THEREAFTER. MODROW HAD ASKED FOR A FURTHER BIG CREDIT WITHOUT CONDITIONS. THE FEDERAL GOVERNMENT HAD DECLINED, ON THE GROUNDS THAT THE MONEY COULD NOT BE USEFULLY SPENT IN PRESENT CIRCUMSTANCES IN THE GDR AND THEREFORE THAT IT WOULD HAVE NO VALUE AS A SIGNAL TO THE GDR POPULATION THAT BETTER DAYS WERE COMING. THE FEDERAL GOVERNMENT HAD INSISTED TO MODROW THAT WHAT WAS NEEDED WAS THE REPLACEMENT OF THE EASTMARK BY THE D MARK. THE FEDERAL GOVERNMENT'S REQUIREMENT FOR THIS WAS THAT THE ECONOMIC REFORMS NECESSARY TO LAUNCH A MARKET ECONOMY IN THE GDR SHOULD HAVE BEEN PASSED INTO LAW. THAT MEANT THAT THE GDR MUST TAKE OVER THE BUNDESBANK LAW AND FEDERAL LAWS ON PROPERTY AND MANY OTHER MATTERS. THE GDR LAWS ON PRICES, WAGES AND EXTERNAL TRADE, AMONG OTHER THINGS, WOULD HAVE TO GO. THE FEDERAL GOVERNMENT WAS WILLING TO HELP TO PAY THE SOCIAL COST OF THE TRANSFORMATION OF THE GDR ECONOMY IN THE FORM OF UNEMPLOYMENT BENEFIT AND REASSURING ORDINARY PEOPLE THAT THEIR SAVINGS AND PENSIONS WOULD RETAIN THEIR VALUE.

3. FEDERAL GERMAN OFFICIALS HAVE SEPARATELY TOLD US THAT THEY WILL

BE CARRYING OUT AN INVENTORY OF GDR ASSETS, AS A PRECONDITION FOR DECIDING THE RATE AT WHICH EASTMARKS WILL BE EXCHANGED FOR D MARKS. THE BUNDESBANK IS CONCERNED THAT THIS SHOULD BE DONE IN STRICT PRIVACY, TO AVOID DESTABILISING THE MARKET AND CREATING FURTHER UNCERTAINTY IN THE GDR.

4. SEITERS SAID THAT THE ECONOMIC SITUATION IN THE GDR WAS DECLINING. PUBLIC SERVICES, ALREADY INTERMITTENT AND POOR, WERE GETTING WORSE. BUT THE FEDERAL GOVERNMENT'S ASSESSMENT WAS THAT THE GDR SHOULD PROBABLY GET BY UNTIL 18 MARCH WITHOUT A DEFINITIVE COLLAPSE. SEITERS SAID THAT EMIGRATION FROM THE GDR HAD SLOWED A LITTLE IN RECENT DAYS, BUT THIS YEAR'S FIGURE WOULD SOON REACH 100,000. IT WAS POSSIBLE THAT MODROW'S REFUSAL YESTERDAY IN BONN TO DECLARE UNQUIVOCALLY FOR GERMAN MONETARY UNION WOULD ADD TO PESSIMISM IN THE GDR AND THUS INCREASE THE RATE OF EMIGRATION. BUT SEITERS SAW GROUNDS FOR HOPE THAT THE CLEAR PROSPECT OF THE TWO GERMAN ECONOMIES BEGINNING A PROCESS OF FUSION SOON AFTER THE GDR ELECTIONS WOULD GIVE PEOPLE HOPE AND ACTUALLY REDUCE EMIGRATION. FEDERAL OFFICIALS ATTACH IMPORTANCE TO ACHIEVING A HIGH RATE ECONOMIC GROWTH EARLY ON THE GDR.

5. I ASKED SEITERS HOW THE FEDERAL GOVERNMENT, FOLLOWING THE KOHL/GENSCHER VISIT TO MOSCOW AND THE MEETINGS IN OTTAWA, INTENDED TO ENSURE THAT PROGRESS TOWARDS GERMAN UNITY AND PROGRESS TOWARDS AGREEMENT ON THE INTERNATIONAL FRAMEWORK, ESPECIALLY SECURITY ASPECTS, PROCEEDED IN STEP. THIS PRODUCED FROM SEITERS AND SUDHOFF (PUS, AUSWAERTIGES AMT) A CLEAR STATEMENT THAT THE FEDERAL GOVERNMENT WANTED "THE CLOSEST CONSULTATION" WITH THE THREE WESTERN ALLIES. THE PROCESS THAT THEY FORESAW WAS:

- IMMEDIATELY AFTER FORMATION OF A NEW GDR GOVERNMENT FOLLOWING THE ELECTIONS, INNER GERMAN NEGOTIATION ON CONCLUDING MONETARY UNION AND ON FURTHER STEPS TOWARDS UNITY.

- DURING THOSE INNER GERMAN NEGOTIATIONS, MEETING OF FOREIGN MINISTERS IN THE 2 PLUS 4 FORMAT.

THE MATTERS AGREED BY 2 PLUS 4 TO BE REPORTED TO THE CSCE MEETING, FOR WELCOMING BUT NOT TAMPERING BY THE 35 STATES.

6. SUDHOFF SAID THAT IN GENSCHER'S VIEW THE 2 PLUS 4 MEETINGS, OF WHICH SEVERAL ROUNDS MIGHT BE NEEDED, SHOULD TAKE PLACE IN GERMANY. THE FEDERAL GOVERNMENT HAD FORMED NO VIEW ABOUT THE LOCATION BUT WOULD NOT (NOT) WANT TO USE THE ALLIED CONTROL AUTHORITY BUILDING IN

BERLIN. THE FINAL 2 PLUS 4 MEETING MIGHT BE OF HEADS OF GOVERNMENT. SUDHOFF SAID THAT THE FEDERAL GOVERNMENT WOULD WANT PREPARATORY TALKS AMONG POLITICAL DIRECTORS TO BEGIN BEFORE THE GDR ELECTIONS, FIRST WITH THE THREE WESTERN POWERS AND THEN WITH THE GDR. AFTER THE GDR ELECTIONS, DATES FOR THE 2 PLUS 4 CONFERENCE PROPER COULD BE CONSIDERED. THE INTENTION OF THE FEDERAL GOVERNMENT WOULD BE THAT PROGRESS BETWEEN THE TWO GERMANIES TOWARDS UNITY AND IN THE 2 PLUS 4 FORUM ON THE EXTERNAL ASPECTS SHOULD MARCH IN PARALLEL. I ASKED WHETHER THAT MEANT THAT THE TWO SHOULD REACH THEIR CONCLUSION AT THE SAME TIME. SEITERS AND SUDHOFF SAID THAT WAS THE FEDERAL GOVERNMENT'S AIM. EVEN IF THE GDR CHOSE TO ACCEDE TO THE FRG THROUGH ARTICLE 23 OF THE FEDERAL BASIC LAW (MY TELEGRAM NO 160) THE GDR DECISION WOULD NEED TO BE FOLLOWED BY LEGISLATION IN THE BUNDESTAG AND OTHER IMPLEMENTING ACTION, ALLOWING, EVEN UNDER THIS MOST RAPID ROUTE TO UNITY, AT LEAST A MATTER OF MONTHS FOR DISCUSSION BY THE 2 PLUS 4 FORUM. THE FEDERAL GOVERNMENT WOULD PROBABLY LEAVE TO THE GDR THE DECISION ON ITS CONSTITUTIONAL ROUTE TO UNIFICATION, IE WHETHER THROUGH ARTICLE 23 OR THROUGH A GERMAN CONSTITUTIONAL ASSEMBLY.

7. SEITERS SAID THAT KOHL'S FIRST BIG ELECTION CAMPAIGN RALLY IN THE GDR WOULD BE ON 20 FEBRUARY IN ERFURT. IT WOULD ATTRACT BIG CROWDS AND MUCH EXCITEMENT. ONE OF HIS 5 SUBSEQUENT APPEARANCES IN THE CAMPAIGN WOULD BE A RALLY IN EAST BERLIN MUCH NEARER THE ELECTION.

8. EARLIER IN THE DAY, SPEAKING AT A NATO AMBASSADORS' LUNCH STOLTENBERG HAD SAID THAT THE FEDERAL GOVERNMENT ATTACHED IMPORTANCE TO PREPARATORY DISCUSSION AT NATO OF THOSE MATTERS AFFECTING NATO WHICH WOULD COME UP IN THE FOUR POWER CONTEXT. HE ALSO WANTED 'A COMMON POSITION OF THE WESTERN FOUR FOR PRESENTATION WITHIN THE SIX'.

COMMENT

9. AFTER KOHL'S RUSHED CALL FOR GERMAN MONETARY UNION, MODROW'S UNWILLINGNESS TO INTRODUCE THE ENTIRE FEDERAL ECONOMIC SYSTEM BEFORE THE GDR ELECTIONS SEEMS TO HAVE STEADIED THE PACE OF CHANGE ON THIS ASPECT OF GERMAN UNITY FOR THE MOMENT. BUT IT IS CLEARER THAN EVER THAT MONETARY UNION WILL MEAN THE EXTENSION OF THE FEDERAL ECONOMIC SYSTEM TO THE GDR AND BUNDESBANK CONTROL OF CURRENCY IN THE GDR. THE FEDERAL GOVERNMENT'S HOPE NOW IS TO ACHIEVE THIS AS SOON AS IS PRACTICALLY POSSIBLE AFTER THE GDR ELECTIONS. MEANWHILE, SEITER'S PROFESSIONS OF HOPE THAT EMIGRATING MIGHT DIMINISH SOUND LIKE THE WISH BEING FATHER TO THOUGHT.

9. THE REMARKS OF SEITERS AND SUDHOFF ON THE IMPORTANCE OF

CONSULTATION WITH ALLIES AND THE NEED TO KEEP THE INTERNATIONAL AND INNER GERMAN TRACKS MOVING IN PARALLEL REFLECT THE GREATER REALISATION HERE SINCE KOHL'S VISIT TO MOSCOW AND THE OTTAWA MEETINGS THAT ACCOUNT MUST BE TAKEN OF OTHER COUNTRIES' VIEWS. AS SEEN FROM HERE, IT IS IN OUR INTERESTS TO GET POLITICAL DIRECTOR TALKS WITH THE AMERICANS, FRENCH AND GERMANS STARTED AS SOON AS POSSIBLE, SO THAT IT MAY BE HARDER FOR THE FEDERAL GOVERNMENT TO CONSULT US INSUFFICIENTLY IF INNER GERMAN DEVELOPMENTS AGAIN STREAK AHEAD IN THE COMING WEEKS.

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