

JHC

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MR POWELL

EC Implications of German Reunification

The Prime Minister said in Cabinet this morning that work should be put urgently in hand on the European Community aspects of German reunification, especially now that it seems this could come about quickly through the incorporation of East German Länder into the Federal Republic. This minute reports on how we are setting about this.

2. As the Foreign Secretary said during the discussion, a fair amount of work is already in progress and a paper by the Foreign Office is being considered at official level next week. A paper for Ministerial discussion will then be prepared.

3. The analysis covers both the legal and practical implications of German reunification. On the first, the broad conclusion is that a process of negotiation is inescapable. Even if no changes to the Treaty of Rome itself were needed, there would undoubtedly have to be derogations or transitional periods for the application of Community obligations in the territory of the former GDR. Community environmental standards, for example, could not be applied immediately: and, more generally, the establishment in East Germany of the sort of market-based economy which many Community obligations presuppose will inevitably take time.

4. As for the practical implications, the effect of applying the main Community policies to East Germany will need an input from a wide range of Whitehall Departments. The intention will be to arrive at an assessment of the effects for the UK, and from

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this to derive a UK position for the various subjects that we expect to be covered by the negotiations. The implications for the Community budget will obviously be an important component.

5. This is likely to be quite complex. But we ought to aim at getting our position worked out before the East German Election, in the expectation that matters could move quickly thereafter. An OD meeting is scheduled for 14 March and, if the Prime Minister agrees, we will aim to have proposals on the agenda for that meeting.

R.R.B.

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