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INFO PRIORITY WASHINGTON, PARIS, EAST BERLIN

SPAETH ON GERMAN UNIFICATION

SUMMARY

1. SPAETH FAVOURS RAPID MOVEMENT TO GERMAN ECONOMIC AND MONETARY UNITY AFTER GDR ELECTIONS BUT HOPES FOR AN ORDERLY PROCESS TOWARDS STATE UNITY OVER 1-3 YEARS.

DETAIL

2. THE MINISTER PRESIDENT OF BADEN-WUERTEMBERG, ON WHOM THE WELSH SECRETARY AND I CALLED IN STUTTGART ON 20 FEBRUARY, SHARED THE FEDERAL GOVERNMENT'S VIEW THAT THE BEST HOPE OF GIVING PEOPLE IN THE GDR HOPE OF BETTER DAYS WAS TO INTRODUCE GERMAN MONETARY UNION QUICKLY AFTER THE GDR ELECTIONS. IT WOULD BE NECESSARY FOR THE NEW GDR GOVERNMENT AFTER 18 MARCH TO INTRODUCE THE LEGISLATIVE FRAMEWORK FOR A FREE MARKET ECONOMY INCLUDING THE BUNDESBANK LAW. THEREAFTER, PERHAPS IN THREE MONTHS FROM NOW, THE D MARK COULD BE INTRODUCED. THE GDR ECONOMY BEING MUCH SMALLER THAN THE WEST GERMAN, IT WOULD BE POSSIBLE IMMEDIATELY TO EXCHANGE EAST MARKS FOR D MARKS AT ONE-TO-ONE FOR CURRENT FLOWS (WAGES, PENSIONS ETC) AND TO REPLACE SAVINGS AT THE SAME EXCHANGE RATE BUT IN STAGES OVER A PERIOD.

3. INVESTMENT, MOSTLY WEST GERMAN BUT ALSO JAPANESE AND OTHER FOREIGN, COULD THEN FLOW RAPIDLY INTO THE GDR. AT FIRST INCOMES IN THE GDR WOULD BE 50 PER CENT OF THOSE IN THE FRG BUT THEY WOULD GROW QUICKLY OVER THE NEXT FEW YEARS. SPAETH ADMITTED, HOWEVER, THAT EMIGRATION MIGHT WELL CONTINUE DURING RESTRUCTURING OF THE EAST GERMAN ECONOMY, AND MIGHT EVEN BE INCREASED BY THE NEW UNEMPLOYED MOVING TO THE FRG. THERE WOULD BE PRESSURES TO INCREASE SALARIES FASTER THAN PRODUCTIVITY IMPROVED.

4. SPAETH SAID THAT THERE WAS TOO MUCH EMOTION IN THE ATTITUDE OF THE FEDERAL GOVERNMENT. ONCE ECONOMIC UNITY HAD BEEN ACHIEVED, A STABLE STRUCTURE FOR MOVING STEP BY STEP TO STATE UNITY SHOULD BE ESTABLISHED. THE PROCESS MIGHT TAKE 1 - 3 YEARS, AND THAT SHOULD ALLOW TIME FOR THE FOUR PLUS TWO DISCUSSIONS TO SUCCEED. DURING THE TRANSITION TO STATE UNITY THERE SHOULD BE A CONFERENCE OF THE EAST AND WEST GERMAN PARLIAMENTS AND A CONFERENCE OF THE LAENDER IN ALL

GERMANY. SPAETH SAID THAT THE PUBLIC MOOD IN THE FRG WAS NOW LESS EUPHORIC ABOUT UNITY THAN IN DECEMBER, AND IMPLIED THAT AN ORDERLY PROCESS FROM ECONOMIC TO STATE UNITY MIGHT SUIT THE PUBLIC MOOD.

5. SPAETH SAID THAT THE GDR PARTIES ALLIED TO THE FEDERAL CDU WOULD WIN AT MOST 20 PER CENT OF THE VOTE ON 18 MARCH. THE EAST GERMAN SPD WOULD DO MUCH BETTER. IT WOULD BE DIFFICULT FOR THE FEDERAL COALITION TO NEGOTIATE WITH AN EAST GERMAN GOVERNMENT LED BY THE EAST GERMAN SPD AND NO DOUBT GREATLY INFLUENCED BY THE FEDERAL SPD. THE LAENDER IN THE GDR COULD BE QUICKLY RECALLED INTO EXISTENCE, AND MIGHT GIVE MORE IMPORTANCE THAN THE GDR GOVERNMENT EVEN WHEN THE LATTER WAS DEMOCRATIC. ALTHOUGH IT SEEMED LIKELY THAT THE GDR WOULD NOT BREAK DOWN COMPLETELY BEFORE 18 MARCH, AUTHORITY THERE WAS VERY WEAK AND ALL SORTS OF UNEEXPECTED THINGS MIGHT HAPPEN IN DUE COURSE.

COMMENT

6. SPAETH LIKES TO EXPRESS OPINIONS DIFFERENT FROM THOSE OF HIS RIVAL, KOHL. HIS VIEW THAT STATE UNITY MIGHT NOT BE REACHED FOR THREE YEARS IS HIGHLY UNTYPICAL OF VIEWS HERE. WHAT SPAETH FORESEES IS DESIRABLE BUT THE GENERAL EXPECTATION AT PRESENT IS THAT STATE UNITY MIGHT COME IN ABOUT A YEAR FROM NOW.

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