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FRAME ECONOMIC

YOUR MEETING WITH SIR LEON BRITTAN : 5 MARCH : GERMAN UNIFICATION

SUMMARY

1. A USEFUL RUN OVER THE GROUND ON THE MAIN COMMUNITY ISSUES ARISING FROM GERMAN UNIFICATION AND PROSPECTS FOR THE 28 APRIL SUMMIT.

DETAIL

2. BRITTAN SAID HE SAW THE 28 APRIL DUBLIN MEETING AS AN OCCASION TO RATIFY PROCEDURAL DECISIONS ABOUT GERMAN UNIFICATION. DISCUSSIONS WOULD TAKE PLACE IN THE TWO PLUS FOUR ON SECURITY, BETWEEN EAST AND WEST GERMANY ON GEMU AND IN THE COMMISSION THERE WOULD BE AN INTENSIVE STUDY ON THE COMMUNITY CONSEQUENCES OF UNIFICATION. THE COMMISSION WERE WELL PLUGGED IN TO THE GEMU DISCUSSIONS AND WERE GETTING ON WITH WORKING UP THEIR THOUGHTS ON COMMUNITY ASPECTS. THE SUMMIT WOULD NEED TO WORK OUT A TIMESCALE FOR BRINGING ALL THIS TOGETHER IN THE LIGHT OF THE GERMAN ELECTIONS. ONE COULD ENVISAGE AN ORDERLY PROCESS WITH UNIFICATION AND COMMUNITY MEMBERSHIP TAKING PLACE AFTER AGREEMENT HAD BEEN REACHED ON THE COMPLEX ARRANGEMENTS REQUIRED FOR TRANSITION AND DEROGATIONS: OR A LESS ORDERLY SITUATION IN WHICH THE PROBLEMS WOULD HAVE TO BE SOLVED AFTER UNIFICATION/MEMBERSHIP. YOU SAID THAT DISCUSSION OF GERMAN UNIFICATION IN NATO WAS ALSO IMPORTANT: NATO WAS LIKELY TO HOLD A SPECIAL FOREIGN MINISTERS MEETING ON THE SUBJECT IN APRIL.

3. ON THE STATE AIDS/COMPETITION ASPECTS BRITTAN SAID HE HAD TOLD STATE SECRETARY SCHLECHT, WHEN HE VISITED THE COMMISSION TEN DAYS AGO THAT THE AIDS ALREADY BEING GIVEN TO WEST GERMAN FIRMS TO SET UP IN THE EAST SHOULD BE NOTIFIED TO THE COMMISSION, SO AS TO REDUCE ANXIETY ON THE PART OF MEMBER STATES. THE COMMISSION WOULD BE SYMPATHETIC. ON THE LONGER TERM ASPECTS, HIS OWN VIEW WAS THAT THE COMMISSION SHOULD DRAW A DISTINCTION BETWEEN GENERALISED AIDS DESIGNED TO HELP EAST GERMAN INDUSTRY ACROSS THE BOARD FROM MORE

FOCUSSED AID TO A PARTICULAR INDUSTRY WHICH MIGHT HAVE A DISRUPTIVE EFFECT ON THE COMMUNITY'S EXISTING INDUSTRY. YOU WONDERED HOW EASY IT WOULD BE TO DRAW THIS DISTINCTION. BRITTAN AGREED THAT IT WOULD NOT BE AN EASY LINE TO DRAW. BUT THE COMMISSION SHOULD BE GENEROUS WITH THE FORMER (HELP ACROSS THE BOARD) BUT NOT THE LATTER (HELP TO SPECIFIC INDUSTRIES). AS REGARDS CARTEL POLICY THIS WAS UNLIKELY TO BE A MAJOR FACTOR AT AN EARLY STAGE AND HE THOUGHT THAT THE COMMUNITY'S RULES SHOULD BE APPLIED FROM THE BEGINNING.

4. ON THE LEGAL FORM OF INTEGRATION, BRITTAN THOUGHT THE ARTICLE 23 ROUTE LOOKED THE SIMPLEST. YOU AGREED THAT NOW THAT THERE WAS A FRAMEWORK IN PLACE, THE ARTICLE 23 ROUTE LOOKED EASIER.

5. ON STRUCTURAL FUND ASSISTANCE, BRITTAN SAID THERE WOULD HAVE TO BE A HAGGLE. THE AID NOW BEING GIVEN TO BORDER REGIONS AND BERLIN WOULD HAVE TO BE PHASED OUT SINCE THE JUSTIFICATION FOR SPECIAL TREATMENT OF THESE AREAS, IN TERMS OF INTERNATIONAL TENSION, WOULD HAVE DISAPPEARED. IT WAS CLEAR HOWEVER THAT THE EAST GERMAN LANDER WOULD BE ENTITLED TO SOME REGIONAL MONEY. ON THE ENVIRONMENT, WHAT WAS NEEDED WAS TO AGREE ON REALISTIC TIMESCALES.

6. ON GEMU, BRITTAN SAID THAT IN HIS VIEW A ONE FOR ONE EXCHANGE RATE, WHICH WAS BEING TALKED ABOUT WOULD BE DISASTROUS FOR GERMAN INDUSTRY. HE THOUGHT THIS RATE MIGHT BE APPLIED ONLY TO CERTAIN SMALL TRANSACTIONS, WITH A RATE OF PERHAPS ONE TO THREE APPLIED TO OTHER TRANSACTIONS AND SAVINGS. HE EXPECTED MONETARY UNION AND CURRENCY REFORM TO TAKE PLACE SOON AFTER THE ELECTIONS, WITH AN ANNOUNCEMENT OF MAJOR CHANGES IN ECONOMIC POLICY ON THE SAME DAY.

7. TURNING TO THE IGC, YOU SAID THAT AN IGC DEVOTED TO EMU ALONE WOULD BE MUCH PREFERABLE TO A BROADER ONE. WE WOULD ALSO RESIST ITS DATE BEING BROUGHT FORWARD. BRITTAN SAID THAT HE HAD ARGUED IN THE COMMISSION AND WITH THE TAIOSEACH AGAINST BRINGING THE IGC FORWARD AND HE THOUGHT THAT THIS WAS NOW A RECEDING THREAT. HOWEVER, THERE WAS MUCH ALARM IN THE COMMISSION ABOUT THE ATTITUDE OF THE EUROPEAN PARLIAMENT AND THIS WOULD LEAD SOME TO SUPPORT THE IDEA OF A WIDER IGC. HE WOULD PREFER TO SEE TWO SEPARATE IGC'S EITHER IN PARALLEL OR BETTER STILL ONE AFTER ANOTHER. BUT HE WAS NOT CONFIDENT THAT HIS VIEW WOULD WIN THE DAY.

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