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FRAME ECONOMIC

FOREIGN AFFAIRS COUNCIL, 5 MARCH: LUNCH: GERMAN UNIFICATION

SUMMARY

1. USEFUL DISCUSSION OVER LUNCH OF THE PATH TO GERMAN REUNIFICATION IN WHICH GENSCHER REPLIED TO QUESTIONS FROM YOU AND OTHER MEMBERS OF THE COUNCIL. HE SAID THAT UNDER ARTICLE 23 OF THE CONSTITUTION THE GDR COULD BE TREATED AS A SINGLE UNIT. THE GERMAN CONSTITUTION WOULD NEED TO BE AMENDED AFTER UNIFICATION TO AVOID FURTHER USE OF THE ARTICLE 23 ROUTE. THE 2 DECEMBER ELECTIONS WOULD BE TO THE BUNDESTAG, NOT ON A PAN-GERMAN BASIS. ON MONETARY UNION THERE WOULD BE A DISTINCTION BETWEEN SAVINGS AND CURRENT TRANSACTIONS AND THIS WOULD BE BACKDATED. DELORS SAID THAT THE COMMISSION'S ESTIMATE OF THE NET BURDEN ON THE COMMUNITY BUDGET WAS IN THE RANGE 1.2-2 BILLION ECU (BUT WILLIAMSON SAID THE FIGURE COULD BE LESS IF THE GDR WAS NOT TREATED AS AN OBJECTIVE 1 REGION).

DETAIL

2. GENSCHER (FRG) OUTLINED PLANS FOR FUTURE DISCUSSIONS. GERMAN-GERMAN TALKS WOULD TAKE PLACE ON 9 MARCH FOLLOWED BY A MEETING OF THE TWO PLUS FOUR AT POLITICAL DIRECTOR LEVEL IN BONN ON 14 MARCH. THE LATTER WOULD BE PRECEDED BY CONSULTATION AMONG THE ALLIES. HE DID NOT HOWEVER EXPECT THESE TALKS TO GET FAR IN ADVANCE OF THE GDR ELECTIONS. HE SAID THAT THE GERMANS HAD HAD A MEETING WITH THE USSR IN GENEVA AT POLITICAL DIRECTOR LEVEL LAST WEEK BUT THAT THE SOVIET UNION HAD BEEN VERY UNDECIDED ON SECURITY ISSUES. TURNING TO THE QUESTION OF THE CONSTITUTIONAL ROUTE TOWARDS UNIFICATION HE SAID THAT THE CDU/CSU FAVOURED ARTICLE 23 AND THE FDP WERE INCLINED TO AGREE. THE SDP INCLINED TO ARTICLE 146 BUT DID NOT EXCLUDE ARTICLE 23. IN ANY CASE THE EXTERNAL ASPECTS WOULD HAVE TO BE SETTLED BEFOREHAND. HE WAS WORKING HARD TO ENSURE THAT NEITHER GERMANY'S FRIENDS NOR THE SOVIET UNION SHOULD HAVE THE IMPRESSION THAT ARTICLE 23 WAS A MEANS OF BYPASSING THEIR RIGHTS IN THE EXTERNAL FIELD.

YOU ASKED THREE QUESTIONS:

(A) IF THE ARTICLE 23 ROUTE WERE CHOSEN WHO WITHIN THE GDR WOULD BE AUTHORISED TO TAKE THE DECISION? WOULD IT BE AN INFORMAL VOTE OF THOSE ELECTED TO THE GDR PARLIAMENT ON 18 MARCH FROM THE AREAS CONCERNED?

(B) ONCE UNIFICATION HAD TAKEN PLACE WOULD GERMANY AMEND THE CONSTITUTION TO PREVENT AREAS OF RUSSIA AND POLAND WHICH HAD BEEN PART OF PRE-WAR GERMANY FROM USING THE SAME ROUTE?

(C) WHAT SORT OF TIMESCALE DID THE GERMANS ENVISAGE? COULD UNIFICATION TAKE PLACE BEFORE THE 2 DECEMBER ELECTIONS WHICH WOULD THEN PRESUMABLY HAVE TO COVER THE WHOLE COUNTRY?

4. GENSCHER REPLIED ON (A) THAT ARTICLE 23 REFERRED NOT TO 'LAENDER' BUT TO 'PARTS OF THE COUNTRY'. THE GDR COULD THUS APPLY AS A SINGLE UNIT. BUT THREE OF THE FIVE AREAS WOULD WANT TO RESURRECT FORMER LAENDER AND THERE WOULD BE A WISH TO DEMOLISH THE DISTRICTS BASED ON THE POWER STRUCTURE OF THE GDR. THE DEMOCRATIC PARTIES IN THE GDR SHOULD BE ABLE TO WORK OUT FAIRLY QUICKLY HOW TO PROCEED. ON (B) HE CONFIRMED THAT THE CONSTITUTION WOULD HAVE TO BE AMENDED AFTER UNIFICATION TO DELETE ARTICLE 23 WHICH WOULD HAVE BECOME VOID, AND TO DELETE THE REFERENCE IN THE PREAMBLE TO THE AIM OF GERMAN UNITY WHICH WOULD HAVE BEEN ACHIEVED. ON (C) HE SAID THAT THE ELECTIONS ON 2 DECEMBER WOULD BE TO THE BUNDESTAG, NOT ON A PAN-GERMAN BASIS. THE EXTERNAL ASPECTS HAD TO BE DEALT WITH FIRST AND THE RESULTS OF THE TWO PLUS FOUR DISCUSSION SHOULD GO TO THE CSCE SUMMIT.

5. DUMAS (FRANCE) THANKED GENSCHER FOR HIS ANSWERS TO MY QUESTIONS. HE WAS SATISFIED WITH THE REPLY ON AMENDMENTS TO THE CONSTITUTION. IT WAS IMPORTANT TO AVOID BEING PRESENTED WITH A FAIT ACCOMPLI AND THE POLITICAL DIRECTORS MEETING ON 14 MARCH SHOULD MAKE AN INVENTORY OF THE EXTERNAL PROBLEMS. GENSCHER SAID THE FRG HAD NO PROBLEM IN DISCUSSING THESE MATTERS WITH THE FOUR BUT THE GDR WOULD NOT HAVE A LEGITIMATE GOVERNMENT ON MARCH 14 AND WOULD NOT BE ABLE TO BIND THE FUTURE GOVERNMENT. THE MEETING COULD DISCUSS A LIST OF QUESTIONS BUT THE ANSWERS WOULD BE FOR THE FUTURE GDR GOVERNMENT. DUMAS NODDED.

6. EYSKENS (BELGIUM) SAID THERE WAS AN UNEASINESS AMONG THE GERMAN MINORITIES. BASKET 3 SHOULD BE MADE MORE CONCRETE AND PRECISE ON THE RIGHTS OF MINORITIES. THE COMMUNITY MIGHT PROPOSE THIS TO THE

CSCE. HE ASKED ABOUT THE TIMETABLE FOR GERMAN MONETARY UNION. GENSCHER SAID THE QUESTION OF MINORITIES WAS SEPARATE FROM THAT OF GERMAN UNIFICATION. MONETARY UNION WAS THE ONLY WAY OF HALTING THE MASSIVE MIGRATION FROM EAST TO WEST SO WOULD HAVE TO HAPPEN BEFORE UNIFICATION. IT WOULD FORCE THE NEW GOVERNMENT TO CARRY OUT MAJOR REFORMS. THE DETAILS WERE STILL BEING DISCUSSED AND RUMOURS SHOULD NOT BE BELIEVED BUT THERE WOULD CERTAINLY BE A DISTINCTION BETWEEN SAVINGS AND CURRENT TRANSACTIONS. THIS DISTINCTION WOULD BE BACKDATED, IN VIEW OF THE FACT THAT SPECULATORS WERE CURRENTLY BUYING OSTMARKS. HE EMPHASISED THAT THIS INFORMATION WAS STRICTLY CONFIDENTIAL.

7. MRS ADAM-SCHWAETZER (GERMANY) DESCRIBED THE STRUCTURE OF GERMAN COMMITTEES STUDYING THE GDR'S INTEGRATION INTO THE COMMUNITY. NO TREATY AMENDMENTS WERE REQUIRED BUT SECONDARY LEGISLATION WOULD BE NEEDED IN A LARGE NUMBER OF AREAS. DISCUSSIONS WITH THE COMMISSION HAD STARTED. THE GDR'S EXTERNAL AGREEMENTS WERE BEING STUDIED. THE USSR HAD INSISTED THAT THESE SHOULD BE RESPECTED. AGRICULTURAL PRICES IN THE GDR WERE VERY HIGH. (SHE TOLD YOU PRIVATELY THAT GERMAN AGRICULTURAL POLICY WOULD BE LIKELY TO CHANGE IN VIEW OF THE LARGER FARMS IN THE EAST). GENSCHER SAID THERE WAS NO WISH TO INCREASE THE NUMBER OF COMMISSIONERS, OF VOTES IN THE COUNCIL OR OF MEP'S FOR THE TIME BEING.

8. DUMAS ASKED ABOUT THE EFFECT OF GERMAN UNIFICATION ON THE 1992 TIMETABLE. ADAM-SCHWAETZER SAID THE ADJUSTMENTS WOULD ALL BE MADE BY THE END OF 1992. THE PROCESS OF ADAPTING COMMUNITY LAW WOULD TAKE PLACE BY MEANS OF COUNCIL DECISIONS BASED ON COMMISSION PROPOSALS. RATIFICATION BY NATIONAL PARLIAMENTS WOULD NOT BE NEEDED. TO TAKE ACCOUNT OF THE PROBLEMS OF UNEMPLOYMENT, GRADUAL BUT RAPID RESTRUCTURING WOULD BE NEEDED. GENSCHER ADDED THAT THE SERVICE SECTOR WOULD GROW QUICKLY. MANUFACTURING WOULD BE MORE DIFFICULT. IT WOULD BE NECESSARY TO CLOSE SOME PLANTS, EG CHEMICAL PLANTS.

9. ANDRIESSEN (COMMISSION) ASKED WHETHER TREATY AMENDMENT WOULD BE NEEDED IF THE ARTICLE 146 ROUTE WERE CHOSEN. HOW WOULD DISCUSSION BE ORGANISED IN ADVANCE OF LEGISLATION? MRS ADAM-SCHWAETZER SAID THAT NEITHER ARTICLE 23 NOR ARTICLE 146 WOULD INVOLVE TREATY AMENDMENT. DISCUSSION WITH THE COMMISSION SHOULD TAKE PLACE CONTINUOUSLY.

10. DELORS ACCEPTED THAT SUBSTANTIAL DISCUSSIONS COULD ONLY TAKE PLACE AFTER 18 MARCH. THERE WERE SOME PROBLEMS. HOW AND OVER WHAT PERIOD WOULD THE GDR ADAPT COMMUNITY LAW? HOW WOULD THE FRG/GDR

FRONTIER BE CONTROLLED DURING THE TRANSITIONAL PERIOD? THIS WAS A DIFFERENT PROBLEM FROM CONTROLLING THE SPANISH FRONTIER WHICH EXISTED AND COULD BE POLICED. ON GEMU, IF THE RATE WAS 1:1, THE GDR WOULD NEED SUBSIDIES: HOW MUCH AND FOR HOW LONG WOULD THIS BE PERMITTED? HE HAD NO ANSWERS, BUT THERE WERE IMPORTANT QUESTIONS. REFLECTION WOULD BE NEEDED.

11. DUMAS ASKED ABOUT BUDGETARY CONSEQUENCES. DELORS SAID THAT FOR THE PRESENT WE MUST WORK WITHIN THE FINANCIAL PERSPECTIVES. FROM 1993 IT WOULD BE NECESSARY TO REVIEW THE NET BURDEN ON THE COMMUNITY, WHICH WOULD FALL IN THE RANGE 1.2-2 BILLION ECU. THE FRG WOULD SAVE THEIR PRESENT EXPENDITURE IN BERLIN AND THE BORDER AREAS WHICH WOULD ENABLE IT TO CARRY A LARGER SHARE OF THE COSTS. WE SHOULD DISCUSS TOGETHER THE INFLATIONARY IMPACT OF THE EXTRA BURDEN ON THE FRG. MRS ADAM-SCHWAETZER SAID THERE WOULD INDEED BE A REDUCTION IN EXPENDITURE IN BERLIN. THE FRG WOULD HAVE TO SPEND A LOT BUT THERE WOULD BE A RAPID IMPROVEMENT AND AN OPENING OF MARKETS TO OTHER MEMBERS OF THE COMMUNITY. GENSCHER AGREED THAT INVESTMENT WAS NOT JUST FOR THE FRG. HE ADDED THAT THE HUMANITARIAN PAYMENTS BY THE FRG WOULD ALSO STOP.

12. POOS (LUXEMBOURG) SAID THE GERMANS SHOULD BEAR MOST OF THE COST. THE COMMUNITY MUST NOT FORGET THE EAST EUROPEAN COUNTRIES OR THE THIRD WORLD. GENSCHER SAID WE MUST BE CAREFUL NOT TO TALK UP INFLATION. ELLEMANN-JENSEN (DENMARK) ASKED WHETHER IT WAS UNDERSTOOD HOW MUCH ANXIETY THE POLICH FRONTIER ISSUE CAUSED? GENSCHER SAID IT WAS INDEED WELL UNDERSTOOD AND WAS UNDER INTENSIVE DISCUSSION, AT THE MOMENT ON A PRIVATE BASIS.

COMMENT

13. IN REPLY TO YOUR QUESTION ABOUT THE 1.2-2 BILLION ECU FIGURE MENTIONED BY DELORS AS THE BURDEN ON THE COMMUNITY, WILLIAMSON (SECRETARY GENERAL OF THE COMMISSION) SAID A LARGE QUESTION MARK UNDERLYING THESE FIGURES WAS WHETHER THE GDR WOULD BE TREATED AS AN OBJECTIVE 1 REGION. IF SO, THE COST WOULD BE INCREASED BY 600 MECU. THIS WAS A SUBJECT OF DISAGREEMENT WITHIN THE COMMISSION'S SERVICES. IN WILLIAMSON'S VIEW THE DECISION WOULD BE AGAINST OBJECTIVE 1, IN WHICH CASE DELORS FIGURES WERE TOO HIGH.

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