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FRAME ECONOMIC

GERMAN UNIFICATION : COMMISSION DISCUSSIONS ON 8 MARCH

SUMMARY

1. MEETING OF DELORS' STEERING GROUP MAINLY ON TIMETABLE AND PROCEDURES, FOLLOWED BY THE MEETING OF BANGEMANN GROUP ATTENDED BY MORE THAN HALF THE COMMISSION, WHICH HAD A GENERAL DISCUSSION OF THE MAIN PROBLEM AREAS. PAPERS TO BE PRODUCED BY A NUMBER OF COMMISSIONERS BY END MARCH AS A BASIS FOR DRAFT REPORT FOR 28 APRIL SUMMIT TO BE PREPARED BY THE SECRETARY GENERAL FOR APPROVAL BY THE COMMISSION IN MID-APRIL. COMMISSION ASSUMING GERMAN UNIFICATION WILL NOT TAKE PLACE FOR 12-18 MONTHS AFTER GEMU.

DETAIL

2. THE DELORS GROUP AGREED ON THE ABOVE TIMETABLE FOR THE PREPARATION OF THE COMMISSION'S PAPER. THEY ALSO AGREED THAT WORK SHOULD BE BASED ON THE ASSUMPTION THAT UNIFICATION WOULD TAKE PLACE BY THE ARTICLE 23 ROUTE AND THAT THERE WOULD BE NO TREATY CHANGE BUT THERE WOULD BE CHANGES TO SECONDARY LEGISLATION. IT WAS FURTHER AGREED TO WORK ON THE ASSUMPTIONS:

(A) THAT GEMU WOULD FOLLOW QUICKLY ON THE ELECTIONS (BANGEMANN SAID BY 1 JULY):

(B) THAT THERE WOULD THEN BE A PERIOD OF 12-18 MONTHS BEFORE UNIFICATION TOOK PLACE:

(C) THAT FOLLOWING UNIFICATION THERE WOULD BE A TRANSITIONAL PERIOD FOR THE APPLICATION OF THE COMMUNITY ACQUIS.

3. AT THE MEETING OF THE BANGEMANN GROUP IN THE AFTERNOON, THESE ASSUMPTIONS WERE EXPLAINED BY BANGEMANN AND WILLIAMSON, FOLLOWED BY A GENERAL DISCUSSION IN WHICH THE MAIN POINTS WERE AS FOLLOWS:

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Eric Amis
I am having lunch
with David Williamson
to discuss this on
Friday. *com*

(A) EXTERNAL. ANDRIESSEN THOUGHT THAT THE EXTENSION OF THE EC'S CUSTOMS UNION TERRITORY WOULD AMOUNT TO A LIBERALISATION IN GATT TERMS AND THERE WOULD BE NO SERIOUS GATT PROBLEMS. BUT HE WOULD LOOK AT GATT ARTICLE XXVI.5 TO SEE WHETHER THE PROVISIONS FOR THE COMPENSATION MIGHT APPLY BY ANALOGY. HE WOULD ALSO BE LOOKING AT THE GDR'S EXTERNAL OBLIGATIONS TO SEE WHETHER THEY WERE CONSISTENT WITH EC POLICY.

(B) INNER GERMAN FRONTIER. THERE WAS AN INCONCLUSIVE DISCUSSION ABOUT WHETHER IT WAS POLITICALLY POSSIBLE TO MAINTAIN AN INNER GERMAN FRONTIER AND, IF NOT, HOW ANY DEROGATIONS EG ON STANDARDS COULD BE CONTROLLED. IT WAS ARGUED THAT THIS PROCESS MUST NOT BE ALLOWED TO INTERFERE WITH THE ABOLITION OF INTERNAL FRONTIERS BY THE END OF 1992.

(C) INTERNAL MARKET. BRITTAN SAID HE HAD WRITTEN TO TIETMEYER ABOUT BANKING SUPERVISION IN THE PERIOD BEFORE THE BANKING DIRECTIVE COMES INTO FORCE. HE ASSUMED THE GDR WOULD ADOPT THE GERMAN PATTERN.

(D) COMPETITION/STATE AIDS. BRITTAN SAID ACTIONS BY FRG FIRMS COMING UNDER ARTICLE 85 WOULD HAVE TO BE CONSIDERED DURING THE PRE-UNIFICATION PERIOD. CLOSE RELATIONS WITH THE GERMAN AUTHORITIES WERE NEEDED. ON STATE AIDS THE FRG'S DECISION TO NOTIFY SUBSIDIES TO FRG FIRMS OPERATING IN THE GDR WAS WELCOME. THE COMMISSION WOULD NEED TO GET INVOLVED EARLY IN THE QUESTIONS OF REGIONAL AIDS, INCLUDING THE FACT THAT THE BERLIN/SPECIAL BORDER REGION PROBLEM WOULD NOW MOVE EAST TO THE POLISH BORDER. THE PROCESS OF TAKING OVER THE KOMBINATE BY WESTERN COMPANIES WOULD HAVE TO BE CAREFULLY WATCHED. SCHMIDHUBER SAID THEY SHOULD BE 'DE-MONOPOLISED'. CARDOSO REFERRED TO THE EXTENSION OF SME INITIATIVES TO THE GDR.

(E) AGRICULTURE. WILLIAMSON SAID CONSUMER SUBSIDIES AMOUNTED TO 31 BILLION OSTMARKS BUT YIELDS WERE 80 PERCENT OF FRG ON AVERAGE SO THERE WOULD BE NO GREAT EXPLOSION OF PRODUCTION. HOWEVER THERE WERE STRUCTURAL PROBLEMS AND SUBSTANTIAL UNEMPLOYMENT. THERE WOULD PROBABLY BE NO NEED TO ALTER THE CAP FINANCIAL GUIDELINE. MACSHARRY HOWEVER THOUGHT THE GUIDELINE MIGHT HAVE TO BE INCREASED AND THAT THE GDR MIGHT NEED TO BE TREATED SEPARATELY IN THE APPLICATION OF STABILISERS TO AVOID OTHER MEMBER STATES SEEKING TO LOOSEN DISCIPLINES. AGRICULTURE SHOULD BE KEPT OUT OF ANY SPECIAL ARRANGEMENTS IN THE PERIOD UP TO UNIFICATION.

(F) FISHERIES. THE GDR FLEET WAS TWICE THE SIZE OF THE FRG FLEET AND

THE CATCH WAS ROUGHLY THE SAME. THERE WOULD BE SOME IMPLICATION FOR QUOTAS BUT THE GDR TENDED TO FISH FOR DIFFERENT SPECIES.

(G) STRUCTURAL POLICIES. WILLIAMSON POINTED OUT THAT IT WAS NOT CLEAR WHETHER THE GDR WOULD QUALIFY AS AN OBJECTIVE 1 REGION - POSSIBLY SOME AREAS WOULD. WHAT WAS CLEAR WAS THAT INDUSTRIAL RESTRUCTURING WAS NEEDED AS WELL AS RURAL DEVELOPMENT. THERE WOULD ALSO BE A SUBSTANTIAL CALL ON OBJECTIVE 3 AND 4 MONEY FOR TRAINING. MILLAN EMPHASISED THE LACK OF STATISTICS AND RAISED THE QUESTION WHETHER AN EARLY PEDIP TYPE PROGRAMME WAS REQUIRED. THIS WOULD AVOID DISTURBING THE BALANCE IN THE EXISTING DISTRIBUTION OF FUNDS.

(H) ENVIRONMENT. RIPA EMPHASISED THE SIZE OF THE PROBLEMS AND MENTIONED A FIGURE OF 130 BECU TO COVER IMMEDIATE MEASURES. WATER POLLUTION AND INDUSTRIAL WASTE WERE THE IMMEDIATE PRIORITIES. CARDOSO ALSO EMPHASISED THE NUCLEAR POWER STATION SAFETY PROBLEM. RIPA THOUGHT THE POSSIBILITY OF FINANCING THROUGH PHARE SHOULD BE LOOKED AT.

(I) BUDGET. SCHMIDHUBER SAID THAT THE MAIN FINANCIAL RESPONSIBILITY WAS FOR THE FRG BUT THE COMMUNITY WOULD HAVE TO CONTRIBUTE. NEW MONEY WOULD BE NEEDED FOR THE STRUCTURAL FUNDS SINCE THEY COULD NOT BE REALLOCATED. THE INCREASED COSTS TO THE BUDGET COULD NOT BE QUANTIFIED BUT BOTH REVENUE AND EXPENDITURE WERE LIKELY TO INCREASE IN PROPORTION TO THE GDR SHARE OF TOTAL POPULATION. HE SUGGESTED THAT IN THE PERIOD BEFORE UNIFICATION THE GDR MIGHT BE 'INCLUDED IN THE EC'S FINANCIAL REGIME' ON CONDITION THAT THE FRG CONTRIBUTED TO THE BUDGET AS IF THE GDR WERE ALREADY A MEMBER.

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