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FRAME ECONOMIC

GERMAN UNIFICATION: SPEECH BY COMMISSIONER BANGEMANN

SUMMARY

1. COMMISSION HAVE CIRCULATED EXTRACTS FROM SPEECH BY BANGEMANN IN BERLIN ON 9 MARCH. FIRM STRESS ON FRG BEARING MOST OF THE BURDEN OF GERMAN UNIFICATION.

DETAIL

2. THE FOLLOWING POINTS ARE WORTH NOTING FROM THE SPEECH:

(A) BANGEMANN ARGUES STRONGLY FOR THE ARTICLE 23 ROUTE: FRG'S INTERNATIONAL TIES WOULD NOT BE AFFECTED: BEST AND SIMPLEST ROUTE WHICH WOULD AVOID A LEGAL VACUUM WITH THE COMMUNITY: FRG CONSTITUTION HAS BROUGHT RESPECT AND RECOGNITION TO GERMANY - DON'T SUGGEST THAT AN ENLARGED GERMANY WOULD BE DIFFERENT OR REQUIRE IT TO JOIN THE COMMUNITY A SECOND TIME.

(B) THE FRG WOULD BEAR MOST OF THE BURDEN. THE COMMUNITY CAN OFFER HELP FOR ADJUSTMENT BUT BEAR IN MIND THAT A UNITED GERMANY WILL STILL HAVE AN INCOME ABOVE THE COMMUNITY AVERAGE. THE WHOLE OF THE GDR SHOULD BE AN ASSISTED AREA. BUT SEVERAL LESS DEVELOPED MEMBERS OF THE COMMUNITY ARE WORRIED THAT IT WILL DRAW AWAY INVESTMENT FROM THEM.

(C) GERMAN MONETARY UNION WILL PROVIDE USEFUL LESSONS FOR EMU, IN PARTICULAR ON THE NEED FOR AN INDEPENDENT CENTRAL BANK WITH PRICE STABILITY AS ITS OBJECTIVE. FOR GEMU THERE MUST BE A 1:1 EXCHANGE RATE FOR SAVINGS AND PENSIONS BUT THE ABILITY OF THE GDR ECONOMY TO COMPETE INTERNATIONALLY WILL BE THE REAL FACTOR. RIGIDITY OF WAGES IN THE FRG HAS HELD BACK EMPLOYMENT CREATION AND MONETARY UNION MUST BE ACCOMPANIED BY ECONOMIC REFORM IF UNEMPLOYMENT IN THE EAST AND INFLATION IN THE WEST ARE TO BE AVOIDED.

(D) THE GDR IS IN A BETTER STATE THAN THE FRG WAS 40 YEARS AGO. IN

SOME AREAS SUCH AS HEALTH IT IS IN THE MIDDLE OF THE EUROPEAN COUNTRIES.

(E) THE FEAR OF AN OVERPOWERFUL GERMANY AT THE CENTRE OF EUROPE RESTS ON THE OUTDATED CONCEPT OF RIVAL NATION STATES. IN A COMMUNITY WITH STRENGTHENED COOPERATION FRONTIERS WOULD ONLY BE POLITICAL LINES ON A MAP AND NOT OBSTACLES DIVIDING COUNTRIES.

(F) WE STILL NEED ALLIANCES AS A FACTOR OF STABILITY IN EUROPE BUT MUST EVOLVE BEYOND MILITARY BLOCKS AND NOT PERPETUATE THEM.

(G) NEUTRALITY WOULD BE BAD FOR GERMANY AND CUT IT OFF FROM THE REST OF EUROPE. IT IS NOT SUITABLE FOR A COUNTRY OF 75 MILLION PEOPLE.

(H) A CLEAR DECLARATION ON THE ODER-NEISSE LINE SHOULD BE MADE WITHOUT DELAY. A UNITED GERMANY WOULD MAKE NO TERRITORIAL DEMANDS.

(I) GERMAN UNITY IS PART OF THE PROCESS OF RECONCILIATION IN EUROPE. THE COMMUNITY HAS BEEN A FACTOR MAKING FOR GERMAN STABILITY.

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