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FRAME EXTERNAL

MY TELNO 1122: INFORMAL MEETING OF EC FOREIGN MINISTERS:
21 APRIL: GERMAN UNIFICATION

SUMMARY

1. BROAD BACKING FOR COMMISSION APPROACH. NEED FOR 28 APRIL EUROPEAN COUNCIL, WHILE ENDORSING THE GENERAL PRINCIPLE OF UNIFICATION AND INCORPORATION OF THE GDR IN THE COMMUNITY, TO SET CLEAR PROCEDURES, BUT NOT TO GET BOGGED DOWN IN THE DETAIL, WAS ENDORSED. SOME COMMISSION/FRG TENSION EMERGED OVER THE COMMISSION'S CONTACTS WITH THE GDR PRE-UNIFICATION. UNWELCOME FOCUS ON COMMISSION TRAILING ISSUE OF POSSIBLE SPECIAL FINANCIAL SUPPORT FOR THE GDR PRE-UNIFICATION.

DETAIL

2. DELORS (COMMISSION) INTRODUCED THE COMMISSION PAPER (UKREP TELNO 1106). THE GDR PROBLEM WAS SPECIFIC. THERE WERE THREE PHASES. DURING THE FIRST (PRE-UNIFICATION) THE COMMISSION WOULD KEEP IN TOUCH WITH BOTH WITH THE FRG AND GDR BUT DECISIONS WERE THEIR RESPONSIBILITY. THE SECOND, TRANSITIONAL PHASE WAS MORE CLASSICAL. THE CHOICE OF EXCHANGE RATE FOR GDM WOULD HAVE IMPORTANT IMPLICATIONS FOR THE EC AS WELL AS FOR THE TWO PARTS OF GERMANY. HE THEN RAN THROUGH A LIST OF MAIN PROBLEMS, CONFUSING THOSE OF THE PRE-UNIFICATION AND THE TRANSITIONAL PHASES:

(I) TRADE. INNER GERMAN TRADE PROVISIONS WOULD REMAIN IN FORCE. NO NEED FOR NEW RULES SO LONG AS THE PRE-UNIFICATION PERIOD WAS NOT TOO LONG.

(II) FINANCIAL AID. THE GDR WOULD QUALIFY UNDER TEMPUS AND TRAINING FOUNDATION PROGRAMMES AND GET MONEY AS A CENTRAL AND EAST EUROPEAN COUNTRY. IT COULD BE GIVEN EIB, EURATOM AND ECSC LOANS. SHOULD MORE

BE DONE? THE QUESTION MUST BE POSED BUT SEVERAL MEMBER STATES WERE HESITANT SO HE WOULD NOT PRESS FOR AN ANSWER.

(III) STATE AIDS. MEMBER STATES WERE LEGITIMATELY WORRIED ABOUT DISTORTIONS OF COMPETITION. THE SITUATION REQUIRED VIGILANT MONITORING.

(IV) AGRICULTURAL/FISHERIES. GDR AGRICULTURE WAS QUITE COMPETITIVE. THE FISHING FLEET WAS GROSSLY EXCESSIVE. CLASSICAL TRANSITIONAL REMEDIES WOULD NEED TO BE APPLIED.

(V) EXTERNAL AGREEMENTS. NOT MUCH PROBLEM FORESEEN WITH GDR TAKING ON EC OBLIGATIONS. FORMER GDR OBLIGATIONS MORE TRICKY. ABOUT 150 AGREEMENTS WITH THE SOVIET UNION ALONE. NEED TO AVOID TOO SHARP A BREAK.

(VI) COMMUNITY ACQUIS. WOULD APPLY IN FULL ON UNIFICATION UNLESS TEMPORARY DEROGATIONS WERE NEGOTIATED. THIS WOULD REQUIRE A METICULOUS, SECTOR BY SECTOR SURVEY WHICH WAS NOW UNDER WAY.

(VII) STRUCTURAL FUNDS. MUCH WOULD DEPEND ON THE GMU EXCHANGE RATE. IF A 1:1 RATE WERE CHOSEN, OBJECTIVE 2 RATHER THAN OBJECTIVE 1 MORE LIKELY AND VICE-VERSA. IN ANY CASE SUBSTANTIAL NEED TO USE OBJECTIVES 3 AND 4 AFTER UNIFICATION TO DEAL WITH UNEMPLOYMENT FOLLOWING GMU.

(VIII) ENVIRONMENT. APPALLING SITUATION. DELORS REFUSED TO SPECULATE ABOUT THE OVERALL BUDGETARY IMPLICATIONS. PRE-UNIFICATION THESE WOULD NEED A SPECIFIC, NEW DECISION IF SPECIAL AID WAS TO BE PROVIDED: AFTER UNIFICATION THEY WOULD RESULT FROM THE APPLICATION OF COMMUNITY POLICIES IN THE USUAL WAY.

3. IN THE SUBSEQUENT DISCUSSION ALL MINISTERS BROADLY ENDORSED THE APPROACH IN THE COMMISSION PAPER. THE FOLLOWING SPECIFIC POINTS WERE REGISTERED:

(I) GENSCHER (FRG). THE 28 APRIL EUROPEAN COUNCIL SHOULD WELCOME UNIFICATION WHICH WAS NOT ACCESSION BUT INCORPORATION. SO NO NEED FOR TREATY CHANGE. GMU NEGOTIATIONS WOULD BE INTER-GERMAN BUT THERE WOULD BE FULL EC CONSULTATION. DEROGATIONS POST-UNIFICATION SHOULD BE KEPT TO A MINIMUM. COMMISSION CONTACTS WITH THE GDR DURING THE PRE-UNIFICATION PHASE WERE FINE IF THEY RELATED TO THIRD COUNTRY PROBLEMS BUT MEMBERSHIP IMPLICATIONS SHOULD BE HANDLED WITH THE FRG OTHERWISE THIS WOULD APPEAR TO BE A NORMAL ACCESSION NEGOTIATION

AND THE ARTICLE 23 ROUTE TO UNIFICATION WOULD BE UNDERMINED.

(II) DUMAS (FRANCE). TOO SOON TO SPEAK IN DETAIL OF BUDGETARY ISSUES BUT NOT AVERSE TO SOME PRE-UNIFICATION AID IF SEPARATE FROM STRUCTURAL FUNDS. EXTERNAL OBLIGATIONS OF GDR NEEDED CAREFUL STUDY. SUPPLY CONTRACTS FOR OIL AND GAS FROM THE SOVIET UNION COULD NOT BE CHANGED OVERNIGHT. THERE WOULD NEED TO BE SOME TEMPORARY DEROGATIONS BUT THERE WAS NO NEED TO GO INTO DETAIL AT THE 28 APRIL EUROPEAN COUNCIL. THE EC INSTITUTIONS NEEDED TO BE FULLY IN ON THE ACT FROM NOW ONWARDS AND THE FRG SHOULD INITIATE ANY REQUESTS FOR DEROGATIONS.

(III) PINHEIRO (PORTUGAL). CONCEPT OF GLOBAL EC EQUILIBRIUM AND BALANCE OF ADVANTAGES CRUCIAL. DOUBTED IF COSTS AND BENEFITS OF UNIFICATION WOULD BE EQUITABLY SHARED.

(IV) YOU SAID OUR STARTING POINT WAS TO WELCOME THE GDR INTO THE COMMUNITY. THIS SHOULD BE ENDORSED ON 28 APRIL. THIS SHOULD BE ACHIEVED AS QUICKLY, AS FULLY AND AS SMOOTHLY AS POSSIBLE. WE WERE AT THE START OF A NEGOTIATING PROCESS. TOO MUCH DETAIL SHOULD BE AVOIDED AT THIS STAGE. THE COUNCIL MUST BE INVOLVED AT EVERY STAGE EVEN IF MUCH GROUNDWORK WOULD FALL TO THE COMMISSION. IT WAS UP TO THE GERMANS AND THE COMMISSION TO IDENTIFY PROBLEMS, KEEPING THEM TO THE MINIMUM. SUBSTANTIVE DECISIONS ON ANY DEROGATIONS MUST BE TAKEN BEFORE UNIFICATION. TRADE DISTORTIONS MUST BE AVOIDED. IT WAS TOO SOON TO GRAPPLE WITH BUDGETARY ISSUES BUT PRE-UNIFICATION THE GDR SHOULD BENEFIT FROM THE EBRD, FROM A SHARE OF CENTRAL AND EAST EUROPEAN FUNDS AND FROM EIB AND OTHER LOANS.

(V) DE MICHELIS (ITALY) CRITICISED THE ABSENCE OF ANY MENTION OF FREE CIRCULATION OF PEOPLE. GDR CITIZENS CANNOT JUST BE REGARDED AS THIRD COUNTRY NATIONALS. COULD AGREE TO PRE-UNIFICATION AID. BUT WHAT INSTRUMENTS AND FROM WHAT FINANCIAL SOURCE? THIS SHOULD BE SETTLED QUICKLY.

(VI) FERNANDEZ ORDONEZ (SPAIN). ARTICLE 235 (IE UNANIMITY) SHOULD BE THE BASIS FOR ANY DEROGATIONS NEEDED. ANY PRE-UNIFICATION AID SHOULD BE FINANCED OFF EC BUDGET.

(VII) CHRISTODOULOU (GREECE). PREPARED TO CONSIDER PRE-UNIFICATION AID WHICH SHOULD COME FROM THE EC BUDGET. FINANCIAL PERSPECTIVES MIGHT NEED FURTHER REVISION. CAP IMPLICATIONS COULD BE TRICKY.

(VIII) POOS (LUXEMBOURG). THE COMMISSION MUST LAY THE BASIS BUT THE

COUNCIL MUST DECIDE ALL DEROGATIONS. NO POSITION ON PRE-UNIFICATION AID UNTIL HE KNEW HOW MUCH WAS BEING PROPOSED.

(IX) VAN DEN BROEK (NETHERLANDS). THE COUNCIL AND COMMISSION MUST BE INVOLVED AT ALL STAGES. A CLEAR MESSAGE OF WELCOME SHOULD ISSUE FROM THE 28 APRIL EUROPEAN COUNCIL. DEROGATIONS MUST BE AS SHORT AS POSSIBLE AND DECIDED PRE-UNIFICATION.

4. DELORS, REPLYING TO THE DISCUSSION SAID HE SOUGHT FOUR CONCLUSIONS ON 28 APRIL:

(I) A WELCOME TO THE GDR INTO THE COMMUNITY.

(II) ENDORSEMENT OF FULL CONCERTATION FROM NOW ONWARDS BETWEEN THE EC INSTITUTIONS AND THE FRG.

(III) A CLEAR VIEW ON PRE-UNIFICATION AID TO THE GDR. THIS COULD NOT BE SWITCHED FROM EXISTING POLICIES. BUT THERE WERE AMPLE FEOGA SAVINGS AVAILABLE.

(IV) A PROCESS FOR WORKING UP TRANSITIONAL DEROGATIONS BASED ON THE TREATY BASIS APPROPRIATE FOR EACH ONE OR ARTICLE 235 AS APPROPRIATE. BOTH THE COUNCIL AND THE EUROPEAN PARLIAMENT WOULD BE FULLY INVOLVED.

REVERTING BRIEFLY TO THE PRE-UNIFICATION PERIOD, IT WAS UP TO THE FRG TO FULFIL ALL ITS EC OBLIGATIONS BOTH UNDER THE INNER GERMAN TRADE PROVISIONS AND UNDER STATE AIDS RULES. THE COMMISSION WOULD REPORT REGULARLY TO THE COUNCIL AND WOULD ASK FOR ACTION EVEN IN THE PRE-UNIFICATION PERIOD IF THINGS LOOKED LIKE GOING OFF THE RAILS.

5. GENSCHER THANKED ALL HIS COLLEAGUES FOR THE CLARITY AND THE WARMTH OF THEIR WELCOME TO THE GDR. INCORPORATION WOULD FURTHER THE CAUSE OF EUROPEAN UNIFICATION. THE FRG WOULD WORK CLOSELY WITH THE COMMISSION PRE-UNIFICATION TO ENSURE ALL ITS EC OBLIGATIONS WERE STRICTLY OBSERVED. AS TO GDR NATIONALS, THE BEST THING WAS TO ABOLISH VISA REQUIREMENTS AND HE HOPED THIS WOULD SOON BE AGREED.

6. COLLINS (IRELAND): PRESIDENCY) THEN ATTEMPTED TO SUM UP. THERE WAS A CLEAR WELCOME FOR UNIFICATION. THE TASK SHOULD BE ACCOMPLISHED HARMONIOUSLY AND WITHOUT ECONOMIC AND MONETARY INSTABILITY. NO TREATY REVISION WOULD BE NEEDED. TRANSITIONAL MEASURES SHOULD BE LIMITED TO THE MINIMUM. THE PRINCIPLE OF SOLIDARITY WOULD BE APPLIED AND THE INTERESTS OF ALL TAKEN INTO

ACCOUNT. A TIMETABLE MIGHT BE USEFULLY BE SET, WITH A COMMISSION PAPER ON THE TRANSITIONAL MEASURES NEEDED TO BE TABLED BY THE END OF THE YEAR AND THE NECESSARY DECISIONS TAKEN IN THE FIRST HALF OF 1991. MEANWHILE THERE WOULD BE REGULAR REPORTS TO THE FAC. PRE-UNIFICATION AID WOULD BE CONSIDERED BY THE EUROPEAN COUNCIL. GENSCHER TOOK EXCEPTION TO SUCH DETAILED CONCLUSIONS WHICH HE HAD NOT STUDIED. HE DID NOT LIKE THE IDEA OF ANY TIMETABLE WHICH COULD AFFECT GMU AND INNER-GERMAN DISCUSSIONS. IN ITS DEALINGS WITH THE GDR THE FRG WAS AVOIDING SUCH DEADLINES. HE PREFERRED THE UK'S FORMULATION (''WORK TO BE DONE QUICKLY, FULLY AND SMOOTHLY''). VAN DEN BROEK ALSO OBJECTED TO REACHING ANY CONCLUSIONS AT AN INFORMAL MEETING. COLLINS SAID NO DOCUMENT WOULD GO FROM THE FOREIGN MINISTERS TO THE EUROPEAN COUNCIL. AS TO FORMULATIONS, HE NOTED THE ACCEPTABILITY OF THE ONE MENTIONED BY THE UK.

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