

PRIME MINISTER

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EUROPEAN COMMUNITY: GERMAN UNIFICATION

I had lunch with David Williamson and David Hannay today. You may be interested in one or two points from the discussion.

David Williamson said that the Commission were not too alarmed by the problems of absorbing East Germany into the Community. They thought they were in general manageable. He did not at all exclude that an inner German border could be preserved for a brief transition period, to ensure that the Community could monitor East German compliance with whatever terms were agreed in negotiations. He expected the Commission's paper to put this as one option. Nor did he see great problems over agriculture and fishing. West Germany did not use a large part of its quota of fish and there would be good grounds to insist that they accommodate the East Germans within their quota. The most difficult problems were likely to come over the structural funds. It might also be necessary to offer the East Germans some sort of transitional aid from the Community, rather as we had done for Spain and Portugal. But this should come from money ear-marked in the Community budget for East Germany as part of Eastern Europe: the same funds would simply be given a different title.

David Williamson pointed out that, because of the Fontainebleau arrangements, the French and Italians would end up paying a far higher proportion of the costs of East German membership than we would, approximately three times more. The French were already last year equal with us as second largest net contributor to the Community and would probably move above us over the next year or two. He suggested that the fact that our financial burden would be relatively much smaller meant that we need not be too much out front in the negotiations with the Germans. I pointed out that we were usually the only ones to have done the thinking.

Both David Williamson and David Hannay expected the smaller member states to want to talk about wider political and security implications of unification on 28 April. The Commission did not favour this and would try to dissuade Mr Haughey from pursuing it. But it might be unavoidable.

David Williamson was opposed to formal conclusions from the meeting on 28 April. They would only lead to difficult and tiresome negotiations. He thought it should be enough for the Presidency to sum up with five or six agreed points (which he would discuss with us beforehand).

David Williamson hopes there will be no attempt to enlarge discussion on 28 April to cover economic and monetary union. The Presidency would want to avoid this. But at the end of the day others might insist.

Finally David reported that discussions between Douglas Hogg and Leon Brittan on Rover had gone quite well. He was reasonably optimistic that we could get away with repaying the £38 million plus a bit more, but not much. He strongly advised leaving the discussions in the hands of Douglas Hogg, even after Mr Ridley returns. It was quite clear the working relationship between Douglas Hogg and Leon Brittan was much better than with Nicholas Ridley, and this could help. He also advised against involving the Attorney directly in the negotiations.

CDP

CHARLES POWELL

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