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Brussels, 16 March 1990

**'FREEDOM' or 'JOY'; OR BOTH?
(German unification: locomotive or runaway train?)**

Extract of a speech by the Rt. Hon. Sir Leon Brittan, QC
Vice-President of the European Commission,
to the Torridge and West Devon Conservative Association
Friday 16 March 1990

Schiller's "Ode to Joy", as incorporated in the last movement of Beethoven's Ninth Symphony, serves - and serves well - as the anthem of the European Community. Can that joy now be extended to Eastern Europe generally, and Eastern Germany in particular? And if so, have the countries of Western Europe anything to fear from the process?

In the original version Schiller's poem was entitled "Ode to freedom". But that was a dangerously revolutionary title for the authorities of the day, and "Freedom" had to be replaced by "Joy".

In today's Eastern Europe it is at last realistic to talk of freedom. For the countries that have thrown off the shackles of Communism the route to Joy is seen as following the path of Freedom. It is our task in the West to help make that aspiration a reality, by giving them the encouragement and assistance they need. But we will only be able to do so if we are also able to allay the anxieties that have begun to emerge about the consequences of this process for Western Europe.

For the citizens of both parts of Germany the pursuit of freedom is accompanied by a determination to achieve unity. Whoever wins the elections in East Germany this weekend, unification will be the result. We can look forward to monetary union coming fairly rapidly, and unification after that.

I say "look forward to" advisedly, for while it is right that we should be careful, we should certainly not be churlish: we surely welcome the breakdown of totalitarian rule, and we surely also welcome the fact that in achieving German unity an objective which we have for so long supported should finally be achieved.

Nevertheless, we have to address the fear held by some that a united Germany will dominate the Continent both politically and economically, the fear that it will be not so much a locomotive for the development of the Community, as a runaway train dragging us all in a direction we do not want to go.

Those fears cannot simply be dismissed out of hand. But there is absolutely no need for them to prove justified if we handle the evolving situation in a sensible way. The European Community is the key to managing the transition to the new Europe, both politically and economically.

Those who argue that events in Eastern Europe should lead us to slow down the development of the European Community are quite mistaken. The breakdown of Communism in Eastern Europe is bound to lead to the old nationalisms reasserting themselves. The history of the nineteenth century shows just how dangerous nationalism can become if it is unchecked and is misused by leaders because they are unable to satisfy the more practical needs of their people. Those who are aware of that danger are right to look to the European Community to see how these perils can be avoided. In the case of East Germany the route is through membership of a united Germany firmly embedded in the Community. For the rest of Eastern Europe it is, at least for the present, through a series of Association Agreements designed to give each of the countries the help that it needs, to symbolise the Community's political commitment towards them. For the Community was specifically created to heal the wounds of war, and to provide a way for nations to harness their energies for the common good rather than mutual destruction. The Community is no threat to national identity, and it is a defence against nationalist excess.

President Gorbachev has talked of a "Common European home". It is an appealing image, but an eminent personality nearer home has taught us to be aware of architectural style. The brutalism of the so-called "modernist", totalitarian style, all bleak concrete, is rightly rejected. Should we now go back to a 19th century balance-of-power "neo-classical" model, or on to a "post-modern" style? In its tolerance of and respect for variety, the Community is surely closest to the latter, and the best chance of avoiding the errors of the past.

The Community is a marriage of politics and economics, born out of the experiences of war. It has given Western Europe political stability and economic prosperity. It would be an aberration of historic dimensions if, just when its success relative to the other half of the Continent is so apparent, we were to abandon the philosophy behind it. The Community was the successful framework for absorbing one part of Germany after the war; the arrival of the other part renews old preoccupations; the Community is the tried and tested remedy, and we should give it every support in its efforts to achieve greater strength through the completion of the 1992 process and the moves towards Economic and Monetary Union.

The best way for Britain to help Eastern Europe and allay the anxieties felt by some in this country about German unification is to give its full hearted support for the further development of the Community. The clearest practical signal would be to join the Exchange Rate Mechanism of the EMS later this year, and give more positive support for the moves towards Economic and Monetary Union in the forthcoming InterGovernmental Conference.

But the Community Institutions themselves must also take steps to deal with some of the specific anxieties that have already come to the fore.

My responsibilities in the Commission include competition policy, and in particular mergers. German unification is a sort of merger, writ very large indeed. But just as an industrial merger can be beneficial as long as the resultant firm is not likely to abuse a dominant position in the relevant market, so can German unification be to the benefit of all as long as it is within the larger Community framework. That is what it will be, and indeed it is what Germany itself wants.

Competition policy and German unification

The Community's competition policy has proved itself to be a strong and effective tool. But it can also be a sensitive one. It is our task in the context of German unification to use that tool to enable what is now East Germany to advance economically, without either part of Germany gaining an unfair advantage over the other countries of the Community. The West German Government has already shown its understanding that this is what we must do, and is giving us its full co-operation.

Our task relates both to state aids and to mergers and other agreements between companies. At the moment the East German economy is so totally controlled by the State that it is difficult to unravel the financial and other relations between the state and its companies. So the first task is to establish the facts. These will emerge from the talks currently taking place between the two German Governments. The Federal Republic has undertaken to inform the Commission of state aids being granted to firms in West Germany seeking to invest in the East.

It is right that we should receive the information at an early stage, even though East Germany will not become part of the Community until after unification. This is because economic and monetary union between the two German States will take place well ahead of full unification, and probably soon. Once that happens government subsidies in East Germany could have an effect on the Community as a whole, and it is for these reasons that the Commission is bound to become involved. The same applies to any mergers or restrictive agreements involving East Germany. Having been informed, we intend to be understanding and helpful towards the process of unification although we will seek to have the principles of Community competition law applied as soon as possible.

In the case of state aids we have to understand that you cannot switch overnight from an economy where government subsidies are the norm to one where they are the exception. We will also have to consider which parts of a united Germany should be entitled to receive regional assistance. It would be natural for the balance of the areas when aid is permitted to shift, so that the focus of assistance is much more on the Eastern part of Germany, with adjustments elsewhere.

It seems to me in general that there are three principles to be followed. First, we should handle the transitional phase with sensitivity. Secondly, we should accept that there has to be special help if East Germany is to catch up. But, thirdly, we should not permit help which has a dramatically damaging effect on particular places or firms in the rest of the Community. We all want to see help given, and have to accept that that cannot be done without there being some effect on the rest of the Community, even if it is Germany that is giving the aid. But what would be unwise to permit is aid which has a disproportionate effect on a

limited number of people. They would rightly feel that is unfair. So the Commission will have to apply the Treaty in a flexible, sympathetic but balanced manner, whether considering state aids or agreements between firms having an effect on competition in the Community. If we succeed in doing that we can play our part in the historic task of assisting East Germany to rejoin the Western family of nations, without damaging the economies of the rest of the Community.

It is not an impossible task. Unification can be of benefit to all. Neither unification nor the emergence of the other East European economies in a zero-sum-game. For there will be opportunities, for all European industry, including British industry.

It is up to us all to live up to the challenge in our different capacities. If those living in Eastern Europe have had the courage to liberate themselves from Communism, surely we can have the vision and imagination to find the right way of fitting them into the European family of nations.