



European Communities

EUROPEAN PARLIAMENT**SESSION DOCUMENTS**

English Edition

9 July 1990

SERIES A

DOCUMENT A 3-183/90/C

INTERIM REPORT

drawn up on behalf of the Temporary Committee to consider
the impact of the process of German unification on the
European Community

on the implications of German unification for the
European Community

Rapporteur: Mr A.J. DONNELLY

*

* *

Part C: **OPINIONS** of the other committees

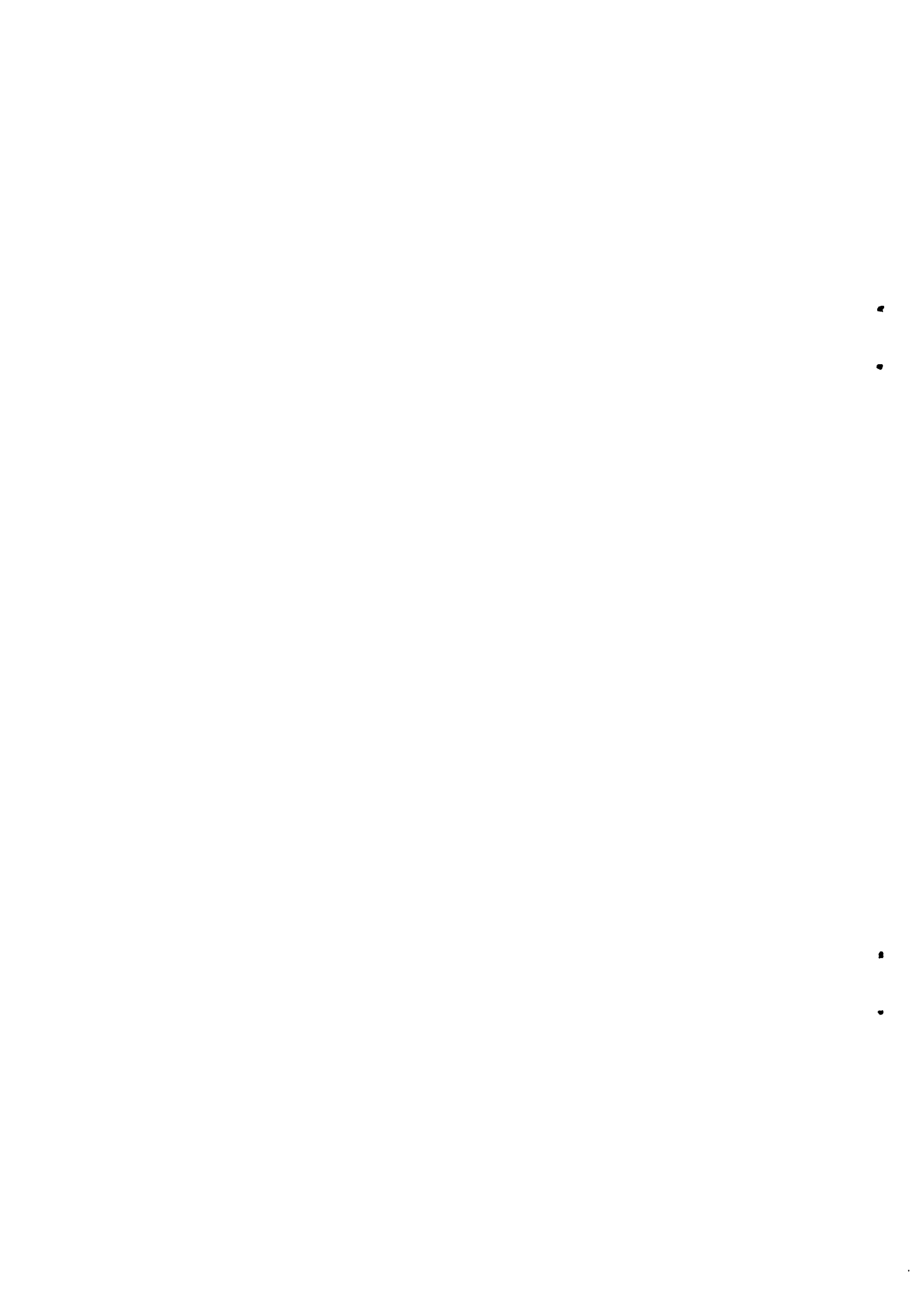
DOC. EN\RB\92110 A Series: Reports B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations) PE 141.041/fin/C

* = Consultation procedure requiring a single reading

**II = Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment

**I = Cooperation procedure (first reading)

*** = Parliamentary assent which requires the votes of a majority of the current Members of Parliament



C O N T E N T S

1.	Opinion of the Committee on Agriculture, Fisheries and Rural Development	4
2.	Opinion of the Committee on Budgets	19
3.	Opinions of the Committee on Economic and Monetary Affairs and Industrial Policy	27
4.	Opinion of the Committee on Energy, Research and Technology	48
5.	Opinion of the Committee on External Economic Relations	51
6.	Opinion of the Committee on Legal Affairs and Citizens' Rights.	55
7.	Opinion of the Committee on Social Affairs, Employment and the Working Environment	60
8.	Opinion of the Committee on Regional Policy and Regional Planning	63
9.	Opinion of the Committee on Transport and Tourism	66
10.	Opinion of the Committee on the Environment, Public Health and Consumer Protection	72
11.	Opinion of the Committee on Youth, Culture, Education, the Media and Sport	78
12.	Opinion of the Committee on Development and Cooperation	82
13.	Opinion of the Committee on Budgetary Control	87
14.	Opinion of the Committee on Women's Rights.	92

OPINION
(Rule 120 of the Rules of Procedure)

of the Committee on Agriculture, Fisheries
and Rural Development

Draftsmen : Mr J. DALSSASS (agriculture)
Mr R. BÖGE (fisheries)

At its meeting of 22 and 23 March 1990, the Committee on Agriculture, Fisheries and Rural Development appointed Mr Dalsass draftsman for the section on agriculture and, at its meeting of 26 and 27 April 1990, it appointed Mr Böge draftsman for the section on fisheries.

At its meetings of 26 and 27 April 1990 and 22 and 23 May 1990, the Committee on Agriculture, Fisheries and Rural Development considered the section of the opinion concerning agriculture. At the last of these meetings, it adopted this section by 33 votes to 3. At its meeting of 29 and 30 May 1990, it considered and, on a proposal from its Subcommittee on Fisheries, unanimously adopted the section concerning fisheries.

The following took part in the first vote: Colino Salamanca, Chairman; Borgo and Graefe zu Baringdorf, Vice-Chairmen; Dalsass, draftsman; Bocklet, Carvalho Cardoso, da Cunha Oliveira, Fantuzzi, Funk, Gaibisso (for F. Pisoni), Garcia, Görlach, Happart, Keppelhoff-Wiechert, Kofoed, Lulling (for Navarro), McCartin, McCubbin, Marck, S. Martin, Mottola, Nicholson (for Saridakis), Ortiz Climent, Partsch (for Falqui), N. Pisoni, Rothe, Scott-Hopkins (for Spencer), Sierra Bardaji, Simmonds (for Howell), Sonneveld, Stevenson, Thareau, Vazquez Fouz, Verbeek, Vohrer and Wilson (for Woltjer).

The following took part in the second vote: Colino Salamanca, Chairman; Killilea, Vice-Chairman; Böge, draftsman (for Bocklet); Carvalho Cardoso, Dessylas, Fantuzzi, Funk, Guillaume, Keppelhoff-Wiechert, Miranda da Silva (for Piquet), Mottola, Newens, Saridakis, Sierra Bardaji, Sonneveld, Stevenson and Vazquez Fouz.

Agriculture

There are two agricultural policy aspects to the process of German reunification: firstly, the transition from a planned economy to a market economy, appropriate to all the sectors of the GDR's economy, in common with the other countries of Europe recently liberated from the Communist yoke; secondly, and this is of particular importance to agriculture, the inclusion of East German agriculture in the existing rules of the Common Agricultural Policy without jeopardizing the latter.

1. The present state of agriculture in East Germany

1.1. Level of development

With 10.8% of the working population (FRG: 5%)¹, agriculture in the GDR accounts for 10% of the gross domestic product (FRG: 2%).

Although East German agricultural output is significantly below what one might expect from the potential of the soil if pre-war statistics are compared with statistics for the two Germanys, and although its performance is about 20% lower than that of the FRG, it is still at the level of a Western industrialized country and only slightly below the Community average². Labour productivity is substantially lower (circa 30%).

Hitherto the GDR has been virtually self-sufficient in food, with output at the same level as that of the most developed countries.

The GDR does not differ, then, quantitatively from Western Europe. The fundamental differences - and the source of problems - lie in the way production is organized, including manning levels, and in the inferior quality of East German products which is considerably aggravated by logistical shortcomings.

1.2. Machinery

The level of farm mechanization in the GDR is high but the machinery is not always in the first bloom of youth. Farming methods are based on a high level of utilization of chemical products with scant regard for soil which should be abandoned. Although farm equipment as such is largely obsolete, this is not true of equipment for treatment, storing and canning after harvest.

¹ In any comparison it must be borne in mind that farms are organized in the GDR in such a way that workers are regarded as farmers although they would be included under different headings by Western statisticians

² The figures are of the same order of magnitude as those of Ireland, but there the comparison ends. The annexes contain comparative data on agriculture in the two Germanys. These data help confirm the conclusions presented below.

1.3. Organization

Collectivization extends to 95% of farms in the GDR. Some products for agricultural use (seed, etc) are handled direct by state enterprises (Volkseigene Güter - VEG). Production is still largely in the hands of the cooperatives (Landwirtschaftliche Produktionsgemeinschaften - LPG) which resulted from the collectivisation in about 1959 of land redistributed to farmers at the time of the 1947 agricultural reform.

Farm holdings are very large (an average of 5020 ha for LPGs). Dairy and crop farming are completely separate. The work is organized on an industrial basis.

This type of organization, based on ideological rather than economic criteria, could have produced significant advantages in terms of economies of scale. To a certain extent this is true: the advantages of large-scale specialized farms with a high degree of mechanization have enabled East German agriculture to supply the country despite the usual drawbacks of the Communist production model: lack of flexibility in production (rigid plans) and labour (hours of work comparable to industry), stress on quantity with no regard for quality, slow and restricted pace of innovation, no control of costs and no incentive to take decisions locally.

Ultra-large production units have also brought their own disadvantages: excessive time spent on transport, lack of synergy between production units, inability to respond to risks, including climatic risks, and in particular ecological disasters.

1.4. Price policy and marketing

Production and consumer prices have no logical economic basis: for example there are subsidies fixing the price of bread at a level so low that almost half of production is used to feed cattle.

Consumer subsidies impose a very considerable burden on the budget of the GDR, amounting in 1988 to 32 bn Marks.

Nevertheless, wages in agriculture are still very much below those in industry: while the minimum salary in industry is 1290 Marks, the average agricultural salary is 1200 Marks.

2. The prospects of reform

2.1. Privatization

Transformation of East Germany's economy will necessarily involve privatization of farms and a breaking up of large holdings, with diversification on a human scale.

This does not necessarily mean that East German farmers will adopt the full package of the Western model of family-based holdings, since a cooperative approach could well be an advantage in a competitive world. There is therefore a likelihood of long-term coexistence between family holdings and 'reformed' LPGs of a more reasonable size.

Whatever structure is adopted in East Germany, there are likely to be major new initiatives in the following areas:

2.2. Training

Ending the strict distinction between stock-raising and crop-farming is a matter of urgency. It will require a considerable training effort in respect of production methods, principally to give farmers the resources to establish going concerns in a competitive market economy, to improve the quality of their products and to remedy the ecological waste resulting from planned farming.

Farmers used to depending on instructions received from 'above' will not necessarily develop an entrepreneurial mentality. Help in management, combining training and continuous monitoring, is all the more important in that the Community's Common Agricultural Policy can give farmers the impression that they are still in a rigid system with no personal responsibility.

2.3. Quality

As mentioned above, there is a very urgent need for a drastic improvement in the quality of products, not only standards of taste and appearance far in excess of the minimum standards demanded by the EEC consumers, but also veterinary or phytosanitary quality. Obtaining a level equivalent to that of Community standards on quality is the prerequisite for the integration of East German products in the Community's internal market.

One important quality factor consists of introducing production methods less dependent on the large-scale use of chemicals but based on investments in adequate canning and transport facilities.

2.4. Price-setting

Liberalization of prices of agricultural products to bring them in line with the real cost of product³, i.e. close to those of the West, is inevitable, with all the social problems that this involves.

The existing system of aid to consumers will have to be replaced by a system of direct aid to the more disadvantaged consumers, while the system of maintaining production prices will give way to the possibility of EEC intervention. Current estimates suggest that the likely increase in the Community budget will be between 1000 and 3000 m ECU per annum⁴.

³ i.e. price rises of 50% to 300%

⁴ This figure represents 4% to 12% of spending by the EAGGF Guarantee, which is an annual per capita outlay of between 60 and 180 ECU for the GDR (current Community average: 81 ECU per capita).

3. East Germany's foreign trade: risks and prospects

The principle aim of East Germany's agriculture hitherto has been to make the country self-sufficient. The GDR is a net exporter of agricultural produce, almost all of its trade relations in this respect being with COMECON countries.

It is clear that the unsatisfied demand for a number of products and the inclusion of the GDR in a monetary conversion zone will have a far-reaching impact on the current situation, although it is difficult to venture a forecast given the absence of viable statistics and uncertainty as to trends in East Germany's agricultural productivity, future commercial, agricultural and monetary policies of the other countries of COMECON and the future of COMECON itself.

A modification of Community policy should be based on the following aspects:

3.1. Short-term: main requirements

3.1.1. Food

Having been deprived of top quality products for a long time, all the indications are that East German consumers will be spending a large proportion of their Deutschmarks on the purchase of food.

There are therefore encouraging prospects for fruit (notably citrus fruits) and vegetables and wine from Mediterranean countries.

If consumption adopts the same pattern as that of the FRG, outlets will rapidly appear for products from Denmark (meat and fish products), the Netherlands (cheese and fresh vegetables) and France (fruit and vegetables, dairy products and cooked meat).

Although imports of food from the British Isles are reaching a significant level in the FRG, there is little likelihood of a short-term trend in the GDR since such products are from areas where East German agriculture is itself able to compete.

3.1.2. Plant and machinery

East German agriculture will have to adopt a method of production which is less wasteful of labour, inputs and intermediate products. It will be based on large-scale but not mammoth farms. It will have to pay more attention to the environment. It will produce better-quality products with a higher value added. This will require investments in:

- more up-to-date equipment of suitable size;
- handling and treatment plant;
- computerized management systems.

In addition to the agricultural sector itself, large-scale investments are expected in the food-processing industry, in transport and distribution (in particular cold chains).

Quite clearly the FRG will attract the lion's share of these new markets, although other EEC countries have major sectoral advantages.

Nevertheless, there is one major risk: that farmers will indulge in a disproportionate level of investment which will lead them to excessive indebtedness and to excess production in order to cover their debts. There is a similar risk in investing in farm productivity rather than in adapting farms to the demand of the market.

3.2. Medium-term: competitive capacity

Once it is modernized, East Germany's agriculture should reach a level of productivity comparable to that of the leading agricultural countries in the EEC.

It will benefit from up-to-date machinery and from a farm structure geared towards obtaining higher returns. In fact, within the space of a few years the situation is likely to be very encouraging.

Paradoxically, in the context of general overproduction within the EEC, this is not very good news. It is vital, then, for East German agriculture to be reorganized not only on the basis of production targets but also in line with the objectives of the CAP.

It is important therefore for farmers in East Germany to agree to accept the discipline implied by the CAP before their production can be incorporated into that of the Community. It is in the interests of the GDR as it is in the interests of the Community as a whole that EEC aid, and also aid granted by the FRG, takes account of these objectives.

One basic means of achieving this discipline lies in rejecting a transitional system with derogations from European quality standards. East German production should be integrated sector by sector once the existing market mechanisms in the EEC can be applied in their totality, but not before.

Finally, the EEC should negotiate for the Community as a whole while maintaining a transitional scheme of priorities for the GDR of trade agreements with the European members of COMECON enabling existing exchanges to be maintained despite problems of monetary conversion (whether or not the currencies of these countries become convertible in the near future).

CONCLUSIONS

Integration of East German agriculture in the Community is a positive move but it will call for considerable vigilance and continuing strict standards on the part of the Community authorities both with regard to East German farmers and with regard to application of the rules of the CAP as we know it.

Consequently, the Committee on Agriculture, Fisheries and Rural Development calls on the Temporary Committee to consider the impact of the process of German reunification on the European Community to take note of the following conclusions:

A. Inclusion of East German agriculture in the CAP is both possible and desirable. If properly handled, this integration - far from representing a

threat to any party - could help increase the potential of the internal market in terms of agriculture and food.

B. The transition from a planned economy to a market economy is clearly a top priority, and it raises the issue of land ownership. The solution to this problem should retain the positive aspects of cooperative farming, of which there are numerous examples, while resisting the temptation to apply blindly the western model of family farms to East Germany.

C. The transition from a planned economy to a social market economy requires in agriculture

- . the creation of a liberal system that guarantees equal opportunities for all forms of farming,
- . the replacement of the present provisions applying to cooperatives (LPG) with new arrangements which take due account of the interests of landowners, investors and labour, which implies, in particular, in regard to association, the drawing-up of unequivocal provisions concerning the terms of membership and its termination, as well as participation in profits and losses.

The introduction of transitional arrangements should allow farmers to choose whichever ownership structure they so wish from the whole range of options from cooperatives to family farms.

D. Integration requires the removal, sector by sector, of barriers to the circulation of East German products once the products are capable of satisfying the Community quality standards and of being covered by the rules governing the common market organizations in question.

E. In the light of existing surplus production in the EC and on the world agricultural market, aid should be given for restructuring (particularly breaking up excessively large cooperative farms (LPG) combining crop production and stock-breeding, the development of individual farming), for rationalization and reducing capacity (cutting down the work force and stock and taking the most extreme examples of marginal yield land out of production) and for environmental protection.

F. Consequently, the priority areas for Community aid programmes should be:

- (a) to improve farming structures and equip farms with machinery, and to set up facilities for storing, processing and marketing agricultural produce, which also implies a modern food industry;
- (b) policies to promote extensive and more environment-friendly farming and, notably, to improve quality so that the levels required by Community standards may gradually be attained;

G. Since it may take a considerable time to overcome the appreciable difficulties of adopting the system, the committee favours phasing in the system of market organization, including common prices, for a transitional phase to enable farmers in the GDR to adjust to market conditions and to reduce to a minimum the burden on the social sector.

- H. The Committee on Agriculture recommends phasing East German agriculture into the organization of the markets under the common agricultural policy, along the lines of the arrangements made for Spanish and Portuguese accession.
- I. There are certain positive aspects to East German agriculture which should be retained and encouraged: the technical know-how of farmers, which is particularly important for large holdings, and the trading links with the other countries of Eastern and Central Europe.
- J. In the short term, economic and monetary union between the two Germanies will present some difficulties for GDR exports to the other countries of Central Europe whose currencies are not yet convertible. A special transitional aid scheme will be necessary to avoid the appearance of additional surpluses which do not conform with Community standards.
- K. There is an inherent risk in the good productive capacities of East Germany that surpluses will increase in a limited number of sectors, but sectors which are quantitatively the most important: cereals, sugar and milk. It is vitally important for these products to be integrated in the common market organization of the Community whilst respecting the objectives of the CAP: discipline as to volumes produced, application of the quota system, a market- and cost-based pricing policy, extensification and protection of the environment. In this connection the market organization will require modification, but to a lesser extent than when new countries join the Community. The ultimate aim must be to avoid further surpluses within the Community.

Comparison of agricultural statistics: Federal Republic
of Germany and German Democratic Republic
1988

28.02.1990

Feature	Unit	Federal Republic	GDR
		1988	
Holdings (>1 ha)	Number	667 215	4621
Agricultural area	Mill.ha	11.9	6.2
Of which, arable land	Mill.ha	7.3	4.7
Arable land as % of agricultural area	%	60.9	75.8
% of arable land devoted to cereals	%	65.2	51.4
Population	Mill.	61.5	16.7
Agricultural area per head of population	ha	0.19	0.37
Persons employed in agriculture per 100 ha agricultural area	000 Number	821 6.9	600 - 720 9.7 - 11.7
Tractors per 100 ha agricultural area	1000 Number	1438.1 12.1	167.5 2.7
per 100 ha arable land	Number	19.8	3.6
Combine harvesters (1987) per 100 ha arable land	Number Number	149 000 2.1	18 112 0.4
Plant protectives used (active ingredient)	t	32 500	30 146
Consumption of mineral fertilizers (nutrient)			
Nitrogen	1000 t	1441.4	873.2
Phosphorous	1000 t	676.5	348.8
Potassium	1000 t	858.5	583.3
Lime	1000 t	1459.0	1685.9
Consumption per ha agricultural land			
Nitrogen	kg	121.0	141.3
Phosphorous	kg	56.8	56.4
Potassium	kg	72.1	94.4
Lime	kg	122.4	272.7
Consumption per ha arable land			
Nitrogen	kg	198.5	186.3
Phosphorous	kg	93.2	74.4
Potassium	kg	118.2	124.4
Lime	kg	200.9	359.7

Comparison of agricultural statistics: Federal Republic
of Germany and German Democratic Republic
1983/88

Feature	Unit	Federal Republic	GDR
		1983/88	
Yield per ha			
Winter wheat	dt/ha	62.1	52.1
Winter barley	dt/ha	53.4	48.8
Total cereals	dt/ha	52.3	44.0
Potatoes	dt/ha	333.6	233.6
Sugar beet	dt/ha	490.4	302.3
Winter oil-producing plants ¹	dt/ha	29.4	25.6
Livestock in animals per agricultural area			
Cows	animals/100 ha	87.3	67.4
Pigs	animals/100 ha	22.3	24.0
Sheep	animals/100 ha	1.0	4.0
Performance			
Milk per cow	kg	4713	3821
Eggs per hen	Number	257	220
Per capita consumption			
food consumption			
Meat and meat products	kg	101.2	96.6
Fish and fish products	kg	12.2 ²	7.7 ³
Eggs	Number	272	303
Butter	kg	7.6	15.6
Margarine	kg	7.8	10.6
Cheese	kg	16.0	8.9
Vegetables	kg	73.1	99.3
Fruit	kg	119.1	71.8
Beer	l	145.8	142.8
Spirits	l	6.4	15.3
Wine and champagne	l	25.5	11.0

Sources: Fed. Min. of Agriculture's annual statistics on food, agriculture and forestry, 1988 and 1989; Annual statistics published by the Federal Office of Statistics, 1989; Annual statistics of the GDR, 1988 and 1989

¹ Federal Republic: winter rape only

² Weight of catch

³ Effective weight

THE FISHING INDUSTRY IN THE GDR

There is no doubt that the extension of the European Community to include the territory of what is now the GDR will entail adapting the East German fisheries sector to the provisions of the common fisheries policy.

Current structure of the fishing industry in the GDR

The East German fisheries sector comprises deep-sea, sea, inshore and freshwater fishing.

The fishing industry is presently organized on the basis of the following production and processing operations:

- the state-owned combine VEB Fischkombinat Rostock, with the fishing operations VEB Fischfang Rostock and VEB Fischfang Sassnitz, together with processing, trading, planning and research centres;
- 27 fishing cooperatives (FPGs) on the Baltic coast, working as legally independent undertakings;
- freshwater fishing, comprising state-owned enterprises and production cooperatives.

Deep-sea, sea and inshore fishing

The VEB Fischkombinat Rostock is the GDR's main producer of fish and fish products. It is directly responsible for deep-sea and inshore fishing and the use of fish and fish products in the GDR. Its tasks include:

- fishing
- sea transport
- cold storage
- fish processing
- wholesale fish trade in the districts
- retail fish trade in the Rostock district
- product development
- fisheries research
- production of rationalization methods for the handling and processing of fish.

The combine has two specialized fishing operations at its disposal:

1. VEB Fischfang Rostock - the combine's main undertaking, also responsible for all deep-sea fishing;
2. VEB Fischfang Sassnitz - responsible for sea and inshore fishing, comprising cutter fishing in the Baltic and inshore fishing proper (mainly angling and driftnet, fixed-net and pound-net fishing).

The VEB Fischfang Sassnitz also acts as the managing firm for cooperative sea and inshore fishing. Under its management, the 27 fishing cooperatives operate as economically and legally independent firms.

The VEB Fischkombinat Rostock further comprises:

- nine fish-processing undertakings in eight districts of the GDR;
- two undertakings producing machines and equipment for the handling and processing of fish;
- the Rostock Institute for Deep-Sea Fishing and Fish Processing, a fisheries research centre;
- the state-owned foreign trade undertaking (AHB) Fischimpex, which carries out all import and export activities for the East German fishing industry and is also responsible for the GDR's international relations in the fisheries sector;
- the VEB Fischhandel Berlin, a fish wholesaler supplying 52 fish distribution centres belonging to the combine, with around 44 000 retail fishmongers and social food producers in the GDR.

The Rostock fish combine has a fishing fleet of complex structure, principally comprising:

Deep-sea fishing fleet

45 vessels with 23 fishing and processing vessels able to function in all climatic zones. The following are planned:

1990	1 new refrigerator ship
1993	4 new fishing and transport vessels
1994	1 new fishing and processing vessel
by 2000	20 new vessels in all, mostly replacements.

Sea and inshore fishing fleet

47 26.5 metre cutters
159 12 - 26.5 metre cutters, used by the 27 fishing cooperatives.

Freshwater fishing

Freshwater fishing in the GDR comprises 14 state-owned undertakings (VEBs), 30 cooperatives and 7 cooperative organizations (KOE). Fishing is possible on some 130 000 ha of water, of which 115 300 ha are lakes and rivers and 14 000 ha are ponds.

Special features of East German freshwater fishing are intensive fish farming, caging, the use of power-station cooling water to rear fry and the introduction and breeding of new species of fish.

Number of people employed in the East German fisheries sector

The Rostock fish combine currently employs a total of 15 500 people in its 16 undertakings. Of these, 8900 work in the main firm, the VEB Fischfang Rostock; 4480 fishermen from the Rostock and Sassnitz fishing operations go to sea.

The 27 independent fishing cooperatives employ a total of 3050 cooperative members and other workers.

At present, 3125 people are employed in freshwater fishing.

Fish production

The catch of the East German fishing industry as a whole increased steadily until the mid-70s. It reached its peak in 1975, with 376 000 tonnes. While the catch from deep-sea and inshore fishing dropped again after 1975, the catch from freshwater fishing continued to rise.

In 1989 the East German fishing industry's total catch of raw fish amounted to 244 000 tonnes, broken down as follows:

- deep-sea fishing by the Rostock fishing operation	153 000 t
- cutter fleet of the Sassnitz fishing operation	21 750 t
- the 27 fishing cooperatives	45 930 t
- freshwater fishing	22 700 t

East German deep-sea fishing takes 30% of its catch in the zones of other coastal states. The GDR has concluded valid bilateral fisheries agreements with the following states:

<u>Country</u>	<u>Valid until</u>	<u>Unless terminated, will be extended</u>
Norway	January 1992	by a further 5 years
Sweden	December 1993	by a further 5 years
USSR	December 1990	by a further 5 years
Faroes	December 1991	by a further 5 years
USA	July 1992	
Canada	unlimited	
Mozambique	December 1996	by a further 5 years

According to information from the GDR, there are no further specific agreements on matters relating to the management of fisheries resources. However, there are a number of agreements on scientific and technical cooperation with other states which also embody economic cooperation.

The main species of fish caught by deep-sea, sea and inshore fishing are:

Herring (a quarter of all salt-water fishing), various kinds of horse mackerel, Atlantic mackerel, redfish, south-west Atlantic short-finned squid, cod, grenadier, cape, hake and the European flounder.

Herring accounted for 87% of the catch in the Baltic Sea, cod for 8% and flatfish for 5%. Flounder accounts for the vast majority of flatfish caught (around 90%).

Imports were necessary in order to supply the public with fish and fish products. In 1989, 78 711 tonnes of fish were imported.

Such imports are financed through the proceeds from selling fish not normally consumed in the GDR. In 1989 a total of 38 154 tonnes were exported, around 10 159 tonnes (26.6%) to CMEA countries (particularly Czechoslovakia, Poland and Bulgaria).

Freshwater fishing - catch and species

The catch from freshwater fishing multiplied between 1955 and 1988, reaching 26 500 tonnes in 1988, 92% of which was fish for food.

The production of fish for food is dominated by carp with 57%, followed by trout with 28%. Other important species are eel, tench, pike, pike, perch, whitefish, perch, bream and roach.

Marketing system for fish products

The main features are:

- (a) product design
- (b) pricing
- (c) trade
- (d) marketing channels.

(a) A permanent Working Party on New Products and a permanent Working Party on Packaging work under the direction of the Institute for Deep-Sea Fishing and Fish Processing.

(b) The industrial and trade prices are confirmed by:

- the VEB Fischkombinat Rostock in the case of salt-water fish and salt-water and freshwater fish products,
- the Berlin Institute for Freshwater Fisheries in the case of freshwater fish,
- the district councils in the case of salads and delicatessen products,

in consultation with the Ministry for Finance and Prices.

Industrial prices are maximum prices. The transport costs of wholesalers and retailers are offset by state-controlled wholesale and retail margins (discounts on the retail price).

The retail prices for salt-water and freshwater fish and fish products are fixed in price directives and confirmations which traders may neither exceed nor undercut.

To date, fish products have received significant state subsidies, as a result of which prices have been kept at the 1949/50 level, despite constant increases in production costs.

(c) The fish trade provides the link between production and retailers. It is responsible for distribution and takes care of transport, transfer and storage from producers to retailers and large consumers.

The wholesale trade in fish supplies 44 000 retail sales outlets and social food production units, which in turn supply the public with fish and fish products.

(d) The following contracts are concluded at the quarterly consumer goods trade fairs in Leipzig:

- contracts relating to the supply of raw fish between the suppliers and the distribution area of the VEB Fischkombinat Rostock;
- contracts relating to the provision of raw fish between the distribution area of the VEB Fischkombinat Rostock and wholesale traders and fish-processing firms;
- contracts between fish-processing firms and wholesale traders on the supply of various finished products.

A number of direct contracts also exist between suppliers of raw fish and fish-processing firms and wholesale traders.

Changes in consumer patterns

There will be drastic changes in the East German market. In the next two to three years, the buying pattern of the East German public can be expected to become progressively similar to that of the Federal Republic. This will result in a quite different structure of products and industrial development.

On the basis of its initial survey, the Subcommittee on Fisheries has reached the following conclusions:

1. points out that the East German fishing industry will face radical changes, in particular adaptation of the fishing fleet, the modernization of processing and the trading system; this also applies in regard to the dismantling and restructuring of the industry to create genuine fishery cooperatives;
2. considers it necessary to apply the principles of the common fisheries policy to the territory of the GDR as quickly as possible; there may be a need for transitional arrangements in certain sectors for an approximate five-year period;
3. nevertheless stresses the need for suitable transitional arrangements to ensure that restructuring and modernization are carried out in a socially acceptable manner;
4. calls on the Commission to inform Parliament as soon as possible of the probable impact of the GDR's inclusion in the common fisheries policy on the fisheries budget,
5. calls for detailed information and insists that Parliament be consulted in due time when the GDR's existing bilateral agreements with third countries are to be incorporated within the Community's agreements.

OPINION

(pursuant to Rule 120 of the Rules of Procedure)

of the Committee on Budgets

Draftsman: Mr Luigi Alberto COLAJANNI

At the meeting of 2 April 1990, the Committee on Budgets appointed Mr Luigi Alberto COLAJANNI draftsman of an opinion.

At the meeting of 11 June 1990, the committee considered the draft opinion and adopted the conclusions unopposed, with one abstention.

The following took part in the vote: von der Vring, Chairman; Cornelissen, Vice-Chairman; Colajanni, draftsman; Adam (for Wynn), Böge, Desama (for Hory), Goedmakers, Habsburg (for Forte), Holzfuss, Kellett-Bowman, Lamassoure, Langes, Lo Giudice, McCartin (for Arias Cañete), Pasty, Rønn (for Papoutsis), Samland, Theato and Tomlinson.

1. This opinion on the interim report of the Temporary Committee to consider the impact of the process of German unification on the European Community will take account of the conclusions of the Dublin Summit and the positions adopted by the European Parliament in April 1990.⁴ It will also take account of political developments and the timetable to be adopted for German unification.
2. Despite the many uncertainties surrounding the situation, the present opinion will seek to pinpoint the actual needs of the German Democratic Republic and determine the contribution which the Community can make to the restructuring of its economy.

The different stages of the accession process

3. As Commissioner Schmidhuber told the Committee on Budgets on 24 April 1990, the Commission has defined three distinct stages for the unification process:
 - (a) an interim stage spanning the period from monetary union to formal unification, which will involve a series of social and economic reforms in the GDR, as laid down in the Treaty on monetary, economic and social union concluded between the two Germanies on 18 March 1990;
 - (b) a transitional stage following formal unification, when the territory of the GDR will become part of the Community;
 - (c) a final stage, beginning once the adaptation of Community laws to the GDR is complete.
4. With regard to the dates of the various stages, it can be estimated - roughly - that the first stage could be completed during 1991 and that, consequently, by the end of next year the territory of the GDR will formally belong to the Community and Community law will apply, apart from any derogations negotiated during the transitional stage.

The decisions of the special Dublin Summit

5. Before embarking on the question of budgetary consequences, your draftsman would like to recall the position adopted by the European Parliament in its resolution of 4 April 1990, which laid special emphasis on two principles:
 - the need to increase the pace of European integration;
 - Community financial participation in the process of regenerating the East German economy from 1991.

⁴ Resolution of 4 April 1990 on the Community's response to German unification (B 3-691/90)
Resolution of 5 April 1990 on the guidelines proposed with a view to the preparations for the 1991 budget (A 3-81/90)

6. The conclusions of the Dublin Summit of 28 April specify clearly that the gradual application of Community policies to the GDR can begin only once formal unification of the two Germanies is complete, which, according to present - possibly conservative - estimates, will be before the end of 1991.
7. The conclusions also stipulate that, before formal unification, the GDR should enjoy access to EIB loans, EURATOM and ECSC loans and other Community support measures under the Phare programme, and may also participate in the EUREKA programme.
8. Your draftsman has taken note of these conclusions and, in particular, of the fact that the Community is to be kept informed of developments and of measures taken in the course of the unification process and that the Commission is to be associated with the discussions.
9. However, your draftsman deplores the fact that the European Council did not agree to the request put forward by the European Parliament¹ that a special Community aid programme be drawn up for the GDR to cover the period leading up to full unification.

The needs of the GDR

10. Despite being one of the more advanced Central and Eastern European countries, the GDR has an estimated GDP of 112 billion ECU, lower than the Community average, while both its industrial fabric and infrastructures require modernization to allow economic restructuring to take place.

<u>Country</u>	<u>Per capita GNP (1000 ECU)</u>
Belgium	13.9
Denmark	18.2
FRG	18.3
Greece	5.7
Spain	9.1
France	15.8
Ireland	7.7
Italy	14.4
Luxembourg	19.5
Netherlands	14.2
Portugal	4.3
UK	14.8
EEC	14.2
GDR (estimate)	7.0

11. At the present time it is extremely difficult to quantify the GDR's needs and your draftsman can only quote the figure of 490 billion ECU given by a number of economic institutes, which may be considered approximate but not unrealistic.

12. Regardless of the exact figure, it is clear that a substantial aid effort will be required to promote the restructuring of the German economy, in which the Community as well as the Federal Republic must participate.
13. For its part, the Federal Republic has set up a fund for German unity endowed with more than 46 billion ECU for the period up to 1994.
14. The Community should provide assistance initially from Title 9 of the budget - aid to third countries - and subsequently through the gradual application of Community policies. In any event, the Community's participation will depend on the appropriations made available both in the financial perspective and the budget for 1990 - by means of an amending and supplementary budget - and in the preliminary draft budget for 1991.

Financial implications

15. The Federal Republic's commitment to helping with the reconstruction of the Democratic Republic's economy will have an indirect impact on the Community budget.
16. Some economic analyses maintain that a 1% increase in prices in the Federal Republic would result in a 0.15% increase in prices in the Member States generated by imports. Imported inflation of this kind will mainly affect those countries with the highest level of imports from the Federal Republic (Netherlands 26.6%, France 19.3%, Italy 18.5%, United Kingdom 16.5%).
17. As far as additional growth is concerned, an increase of 1% in the Federal Republic's growth would produce an increase of 0.7% in German imports which are equivalent to just under 15 billion ECU in total.

Effects on revenue

18. Once the unification of the two Germanies is formally completed, the first consequence for the Community budget will be the impact on revenue.
19. In addition to the financial implications for the Community countries mentioned above, the integration of the GDR within the Community will increase the Community's overall GNP. Given that, for the purposes of financing its budget, the Community may have at its disposal overall resources up to a ceiling of 1.2% of GNP, on the basis of available estimates and adjusting current GNP to average rates of Community growth up to 1992, Germany's contribution to the Community budget following unification could increase by approximately 1.4 billion ECU in 1992.
20. Furthermore, according to estimates by the Commission, the democratization and opening-up to the West of East Germany and other Central and Eastern European countries could produce an increase in the overall growth rate of the Community of approximately 0.5%, leading to a further increase in the EEC budget of about 1.4 billion ECU.

21. The overall impact on Community revenue, as things stand at present, could vary between 1.4 and 2.8 billion ECU in 1992.
22. However, this assessment will depend on full observance of the principle laid down by Chancellor Kohl that German unification should not be achieved at the expense of the backward regions of the EEC and that, therefore, Germany would not reduce its financial contribution to the EEC during the transitional period.

Expenditure estimates

23. Prior to formal unification, the Community will provide assistance through its aid programme for third countries, notably the Phare programme, originally intended for Poland and Hungary but recently extended to cover all the Eastern European countries.
24. The Community is participating in this programme financially, with an allocation for 300 m ECU for Poland and Hungary, plus 200 m ECU for 1990 and 850 m ECU for 1991, provided under the revision of the financial perspective of 21 May 1990, as well as by coordinating aid from the industrialized countries.
25. Although some policies will be introduced gradually after formal unification, the structural funds as a whole will come into immediate application, as was the case for previous accessions.
26. In the agricultural sector there is a greater degree of uncertainty and much will depend on what arrangements are made for the adjustment period. The GDR has an agricultural surface area equivalent to 7%, and output equivalent to 5% of the Community total, while the productivity gap in this sector is lower, for example, than in the industrial sector.
27. It should also be remembered that the GDR's production is concentrated in sectors such as wheat, barley, milk, butter, sugar, beef and pork and poultry, nearly all sectors where the Community currently has a surplus. This is likely to generate an increase in Community intervention costs difficult to calculate at the present time.
28. It is also vital for the Commission to introduce a system for the rapid assimilation by the GDR's agricultural sector of the mechanisms of the common agricultural policy, since, as trade increases between the GDR and the Community countries, particularly the Federal Republic, it will be difficult to ensure that GDR products do not abuse Community mechanisms, thereby upsetting the arrangements for curbing production (thresholds, stabilizers, etc.).
29. Court of Auditors' experts estimate that the amount of Community farm price support required could be as much as 2 billion ECU. The restructuring of the GDR's agricultural sector to bring it up to the level of Western Europe would require 20 billion ECU, of which 10 billion would be provided by the EEC over a period of years.

30. The Community should give special priority to the needs of the environment and social sectors in the Democratic Republic to underpin the commitments already given by the Government of the Federal Republic.
31. Another important factor is the question of trade agreements. On the basis of Articles 110 et seq of the EEC Treaty, the Community will have to assume responsibility for the GDR's trade relations, which will involve costs both directly and in terms of greater competition.
32. By the same token, in the context of the common fisheries policy, the Community will have to renegotiate the GDR's fisheries agreements, not to mention the efforts that will be required to modernize its fishing fleet, which is approximately double the size of that of the Federal Republic.
33. It is impossible at this stage to place a figure on the costs to the Social Fund, although these may be substantial given the forecast of increased unemployment in the present GDR in future years.
34. As regards costs to the budget, it is widely felt that these could be largely covered by the additional revenue anticipated. However, given the uncertainty still surrounding the true state of the GDR's economy, this may be an optimistic view. Some experts are predicting that annual aid of 8 billion ECU will be required, of which 4 billion will have to come directly from the EEC budget under the structural funds. If this were the case, expenditure would exceed revenue by 1.2 billion ECU.

Effects on peripheral regions

35. Consideration should also be given to the possible adverse effects which the integration of the GDR into the Community will have on the Community's peripheral regions, owing to their fragile economies and the competition which will be provided by certain products.
36. Indeed, some regions could face increased competition, for instance in the agricultural sector where productivity may recover more easily than in other sectors, or from products gaining access to the Community under the GDR's trade agreements, which the Community will have to take over. In addition, the peripheral regions of the Community will suffer a reduction in their share of EIB finance, unless specific measures are taken.
37. For these reasons, your draftsman feels that the Commission should submit as soon as possible a programme of Community measures to assist the peripheral regions to enable them to adapt more effectively to the situation which will emerge after German unification, as already called for by the European Parliament¹.

Revision of the financial perspective

38. Notes that 0.03% of GNP remains available for further revision of the financial perspective in accordance with Article 12 of the interinstitutional agreement, should the recent revision of the financial perspective, with an extra 200 m ECU in 1990, 820 m ECU in 1991 and 870 m

ECU in 1992, in non-compulsory expenditure, prove to be insufficient for the actual needs of Community policy for Central and Eastern Europe.

39. In addition, the Community's first obligation is to ensure that the burden of German unification does not fall on the existing regions of the Community in the form of cut-backs in aid and in the Community's commitment to strengthen economic and social cohesion.
40. This new revision of the financial perspective should take account of a series of factors such as the impact on revenue, the cost of applying Community law and the cost of derogations, which is undoubtedly more difficult to calculate.

CONCLUSIONS

On the basis of the remarks set out above, the Committee on Budgets asks the Temporary Committee to consider the impact of the process of German unification on the European Community to take into account the following conclusions:

- A. Reaffirms the position adopted by the European Parliament that German unification must entail a quickening of the pace of European integration and financial participation by the Community in the process of regenerating the East German economy with effect from 1991;
- B. Notes the conclusions of the special Dublin Summit of 28 April 1990, particularly the fact that the Community is to be kept informed of developments and measures to be taken and that the Commission will be associated with the discussions;
- C. Deplores the fact that the European Council has not accepted the European Parliament's request¹ that a special Community aid programme be drawn up for the GDR in the period leading up to full unification;
- D. Calls on the German Government to provide its own statistical estimate of possible changes to its scheduled contribution to the Community budget and to say what procedures it intends to follow in order to comply with the undertaking given by Chancellor Kohl that the cost of East German integration will not fall on the shoulders of the weakest regions of the Community;
- E. Considers it vital that, prior to the beginning of the 1991 budget procedure, the impact on revenue and expenditure in the Community budget produced by the integration of the GDR, laying particular emphasis on its effects on the mechanisms of the CAP, together with an estimate of the burden on the other structural funds and of the costs deriving from the EEC's assumption of the GDR's commitments in the commercial and fisheries sectors;
- F. Calls on the Commission to submit a Community action programme for the peripheral regions to help them adapt more effectively to the new market conditions generated by German unification, as already called for by the European Parliament in April 1990;

- G. Considers it vital that the Commission submit to the budgetary authority a proposal for a further revision of the financial perspective under the provisions of Article 12 of the interinstitutional agreement, which provides a margin of 0.03% of GNP for unforeseen expenditure, should the appropriations for Central and Eastern Europe be insufficient.

- H. Considers it necessary that the Commission submit as soon as possible proposals concerning the change in the volume of own resources resulting from the enlargement of the Community by 17 million inhabitants, so as to pinpoint those sectors of the budget where expenditure should be increased.

OPINION

of the Committee on Economic and Monetary Affairs and Industrial Policy

Draftsman: Mr BOFILL ABEILHE

At its meeting of 20 March 1990 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Bofill rapporteur.

The committee considered the draft opinion at its meetings of 18 April 1990, 31 May 1990 and 27 June 1990 and at the last meeting adopted the conclusions with one abstention.

The following took part in the vote: Beumer, chairman; Desmond, vice-chairman; Bofill Abeilhe, rapporteur; Barton, Cassidy, Cox, De Donnea, De Piccoli, Ernst de la Graete, Glinne (for Tongue), Herman, Hoppenstedt, Merz, Metten, Nielsen (for Riskar Pedersen), Read, Siso Cruellas, Speciale, van der Waal (for Lataillade) and von Wogau.

1. Completion of the internal market before the end of 1992, the goal set by the Heads of State and of Government of the Member States, involves a whole programme of measures contained in the White Paper submitted by the Commission and approved by the European Council in Milan in 1985. Article 8a of the Single European Act lays down that 'the internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured'. The completion of the single market is fundamental to the future development of the European Community's economic potential and prosperity. We must continue to pursue this goal with even greater energy than has been displayed hitherto.

2. German unification presents a great challenge, both to the German people and to the European Community as a whole. The logical historical and political desire of the German people for unity has to be seen from a Community point of view, and approached accordingly.

3. The process of unification means the incorporation of the present territory of the GDR into the Community, for which previous accessions provide no comparable conditions nor procedures. This is not the accession of a new Member State, but enlargement through the extension of a Member State, an enlargement which both de facto and de iure has its origins in the political inspiration of the EEC Treaties, the Bonn Grundgesetz (Basic Law) and the Hallstein Declaration.

However, although this is not an accession in the strict sense (as laid down in Article 237), the difficulties and procedures involved in this enlargement are similar to those encountered in the various enlargements of the Community, in that a whole series of regional derogations and transition periods are going to be required in order to ensure the harmonious economic and social development of the Community as a whole as laid down in the EEC Treaties.

4. The enlargement process in question is atypical, and clearly differentiated from previous accessions: the first phase of the integration of the GDR into the EEC is being carried out prior to formal incorporation or the disappearance of the GDR as an independent state. Moreover, there has not been the traditional negotiation of the conditions of accession. For this reason, the process calls for far-reaching control and disciplinary measures (supervision by the Commission), in order to avoid an over-relaxed attitude which could lead to invidious comparisons and tensions and to claims being made by other Member States. Furthermore, it will be necessary to ensure that such exceptions as may arise do not degenerate into practices contrary to Community norms. The European Parliament, using the consultation and cooperation procedures, has a major role to play in this area.

5. The fact that the GDR's centrally planned economy is based on fundamentally different principles from those governing the workings of a market economy further accentuates the extent to which this process is atypical.

Radical reforms are immediately required to allow the gradual adaptation of the GDR economy to the Community economic model: reform of the price system, of the monetary and credit system and of taxation and social security structures and the establishment of an economic and legal framework allowing private property and freedom to set up businesses.

6. German unity and the integration of the GDR into the European Community must be compatible with the completion and operation of the internal market. It is essential that secondary Community legislation be applied as rapidly as possible, with a minimum of derogations and transition periods, and that the territory and population of the present GDR benefit from Community instruments designed to bring about the gradual establishment of economic and social cohesion.

7. The completion of the internal market means the creation of an area in which technical, physical and fiscal frontiers have been fully abolished. Since the decision of the Heads of State and of Government to undertake the completion of the internal market, a whole series of measures have been adopted with a view to achieving this goal within the deadlines established. Although considerable efforts have been made by the Community institutions and the Member States, much remains to be done.

8. The changes required for the gradual economic and social adaptation of the territory of the present GDR call for specific aid, within a framework of transition periods and regional derogations, to allow the transformation of obsolete production structures and uncompetitive industries. Nonetheless, the services of the Commission's DG III are correct in asserting that such aid must not seriously infringe the rules of competition, although the GDR must be allowed a certain leeway in their application during the initial phase.

The Commission will have to establish control and supervision measures to prevent too much flexibility, since otherwise there will be a danger that Community aid policy in sensitive sectors (synthetic textiles and fibres, the automobile industry, shipbuilding, steel, etc.) will have to be amended to meet claims made by other Member States. Furthermore, the prospect of a united Germany means that the Commission must reconsider current aid programmes for the FRG.

9. The need to respect competition policy is a key element in the efficient operation of the internal market. Progressive change towards a social market economy will be accompanied by wide-ranging economic and social restructuring, calling for major investment. It is expected that in coming years, there will be a very high level of investment in the territory of the present GDR, which will entail a threat to freedom of competition in trade in goods and services. The Commission must be on its guard against distortions of competition and make it possible for all Community undertakings, without discrimination, to have access to these new investment programmes.

It will also be necessary to avoid the infringement of Community regulations concerning public contracts so as to respect the spirit of freedom of competition; transition periods, which could block access for Community businesses, do thus not appear to be advisable.

10. After unification, Community trade policy will also be gradually applied in what is currently the GDR. A united Germany within the European Community will have to adapt the trading commitments contracted by the GDR, two thirds of which are with COMECON, principally the USSR.

The application of Community trade policy will be accompanied by a whole series of unilateral measures (anti-dumping, anti-subsvention, etc.) and technical adaptation of certain Community instruments (generalized system of preferences, common import arrangements, etc.). The customs union will also be extended to the territory of the present GDR.

Changing the legal and commercial structures on which the GDR's trade with third countries has been based presents problems. The Commission will make arrangements with the two German states concerning the ways in which these commitments are to be taken on in so far as they are compatible with Community policy. The GDR's commercial obligations to the COMECON countries (and, above all, the USSR) are of considerable duration and scope. These commercial exchanges, which have no actual monetary value, were based on a dependent status in the political, economic and legal spheres which is increasingly less real. They constitute pseudo-exchanges which have produced severe distortions in trade and unrealistic prices which cannot be adjusted to the trade model followed by the Western economies.

11. Community measures concerning the environment should be applied gradually from the outset of economic union, i.e. in the provisional adaptation phase. We should distinguish between new installations, which must respect Community standards, and older installations which must be covered by the gradual adaptation of existing standards.

Regulations concerning products should be applied immediately, while taking account of the need for gradual progress imposed by the GDR's current situation. More complicated is the question of vehicle exhaust emissions, where a certain degree of flexibility is called for.

With regard to energy there appear to be no difficulties, with the exception of the possible problem of trade with the USSR, which might affect competition policy, due to the idiosyncratic COMECON trading system.

12. German unification will also mean extending the Common Agricultural Policy to the territory of the GDR. Derogations and transition periods therefore need to be established to allow agriculture there to be modernized and reorganized and to reach the production levels of the Community countries. At the same time the system of prices for agricultural products needs to be adjusted in stages, abandoning the GDR's practice of consumption subsidies for numerous products.

13. In the field of taxation, it should be pointed out that unification will mean the abolition of the GDR's taxation system and its replacement by that of the FRG. The introduction of the latter should be completed during the first phase of the unification process, without prejudice to the gradual approach called for by the special circumstances surrounding this process.

With regard to direct taxation, fiscal parity is both desirable and fair for all physical and legal persons resident in a united Germany. The monetary conversion of salaries at a rate of 1 Ost-Mark to 1 Deutsche Mark, which will produce a sharp rise in income in the GDR, justifies the appropriateness of applying the Einkommensteuer (tax on personal income) from the very start. Nonetheless, gradual measures of a transitional nature could be adopted to lessen the subjective effect of this tax. Nor do there appear to be major obstacles to the application of the Körperschaftsteuer (company tax), without

prejudice to reasonable investment incentives within the territory of the former GDR.

With regard to indirect taxation, and with particular reference to the introduction of Value Added Tax (VAT), the services of the Commission's DG III rightly feel that the rules on harmonization currently in force in the EEC must be applied as rapidly as possible, with any particularities which may be agreed on through the procedures established for this purpose. Increased purchasing power on the part of GDR residents as a result of the new parity in currency justifies the block extension of consumer taxation to the GDR as a means of moderating over-consumption.

As far as avoiding distortion of the rules governing the internal market is concerned, GDR fiscal adjustment is one of the most significant and complex questions to be dealt with.

14. In the field of financial services, immediate adjustment to Community legislation is imperative. The few banks which exist in the GDR will be absorbed by the banks of the FRG; this process of absorption is already visibly under way. A rapid adjustment of the GDR's financial system to the provisions and characteristics of Community legislation is required; in this instance, the granting of transition periods is unjustified.

Exceptions to freedom of movement of capital would be unacceptable due to the major problems they would cause from the point of view of supervision, competition and solvency. Such exceptions could be applied only by means of safeguard clauses, pursuant to Articles 108 and 109 of the Treaty.

The small and relatively inactive GDR insurance sector is also being virtually absorbed by major insurance bodies in Western Germany. With regard to stock market activity, as financial backing by means of marketable securities develops, Community practices and regulations will have to be implemented.

15. With regard to freedom of movement of workers, what is expected is intra-German population flows as a result of obvious linguistic and cultural links. There will be a high level of demand for managers and business administration experts, as well as teaching staff, in East Germany. Despite the sharp drop in East German emigration to the FRG, a new wave is foreseeable due to rising unemployment, which is unfortunately envisaged on an alarming scale as a result of the coming economic changes.

The West German Basic Law automatically granted full rights of FRG citizenship to East German citizens arriving in the FRG. These were the Übersiedler as opposed to the Aussiedler, the latter being largely Russians, Poles, Hungarians and Czechs of German origin who wished to obtain German nationality. These naturalized Aussiedler and Übersiedler form part of the working population of the Community. In the case of an Aussiedler, a person from a third country was being granted easy access to Community citizenship. This created a situation of discrimination vis-à-vis his or her compatriots who, not being of German origin, did not enjoy the advantages enjoyed by Community workers.

With regard to mutual recognition of diplomas, the Federal Republic currently recognizes automatically most of the diplomas awarded in the GDR. Nonetheless, there might be difficulties with regard to professions involving legal and economic training, since course-content is very different from their

equivalents in the Community. With regard to vocational training programmes and education, programmes such as ERASMUS, LINGUA, COMETT, TEMPUS, EUROTECNET and FORCE need to be stepped up and the way in which they are shared out readjusted. Vocational exchange programmes for young workers must also be encouraged.

16. The goal of harmonious, balanced development throughout the Community means that we must consider, within the framework of regional policy, the need to facilitate structural action on behalf of the GDR.

The funds earmarked under Objective 1 (least-favoured regions) of the ERDF have already been distributed, and we therefore believe it would be appropriate to set up a specific fund (which was not taken into consideration by the FRG at the recent Dublin summit) on behalf of East Germany for two reasons: as a means of demonstrating Community solidarity and of reducing the transitional periods and derogations which are indubitably necessary for virtually all the areas dealt with above. With regard to social and economic cohesion, the GDR will benefit extensively from the European Social Fund, under Objectives 3 and 4: long-term unemployment and integration of young people into the labour market.

17. On the assumption that the derogations granted for East Germany might endanger the working of the internal market, it would be appropriate to maintain some temporary frontiers until such time as the derogations in question cease to have an effect on the completion of the internal market (as was the case for the accession of the Saar). With regard to trade, it should be borne in mind that such frontiers would be necessary if it proved impossible to adjust the obligations contracted by the GDR with third countries to Community legislation.

18. German unity will undoubtedly bring beneficial, medium-term effects for the Community. The disappearance of an unwanted frontier created by the antagonisms of the Cold War; the restoration of basic freedoms to a large part of the German population and the disappearance of the dictatorships in the countries of Central and Eastern Europe all mean that considerable advances have been made in our conception of what a greater Europe might be. At Community level, the extension of the Community after German unification will have various positive effects as a result of the increase in internal demand (16 million new citizens), which will produce both economic growth and a rise in social welfare which will unquestionably benefit all Community countries to a greater or lesser extent.

19. CONCLUSIONS

- (a) The objective of completing the internal market before the end of 1992 is of central importance for the future development of the Community; this process cannot be held back or watered down.
- (b) German unity must not be approached as an exclusively bilateral problem, but from a genuine Community perspective.
- (c) The provisions of the Treaties and of secondary legislation will be applied in their totality on the territory of the GDR. Derogations will require specific decisions on the part of the appropriate Community institutions. Parliament's active participation is desirable.

- (d) Derogations and transitional periods are inevitable, but should be kept to a minimum.
- (e) If these derogations were substantially to affect competition policy and therefore impede the working of the internal market, it would be necessary to maintain frontier controls between the two Germanies.
- (f) All granting of aid in whatever form will have to be the subject of prior examination by the Commission in accordance with the rules of competition and the objectives of the Community.
- (g) Community environmental standards should be applied in new industrial installations and gradually implemented in existing installations. Those concerning products should be applied immediately, although a certain flexibility seems called for in the case of motor vehicles.
- (h) One-to-one currency parity for salaries makes the gradual application of both direct and indirect taxation desirable from the outset. The tax reforms required for the transition to a market economy should not distort the rules governing the operation of the internal market.
- (i) In the field of financial services, adjustment to Community legislation must begin from the outset of the reorganization of the sector.
- (j) In order to complete the internal market in the field of freedom of movement of persons and the right of residence, steps must be taken to ensure that Community Law encouraging the movement of workers, students and pensioners is applied without restriction to all citizens of a united Germany.
- (k) Once German unification has been accomplished, the instruments which reflect Community solidarity will have to be used to strengthen economic and social cohesion between the former territory of the GDR and the other EEC regions.
- (l) The process of German unification will stimulate the process of European Political Union.
- (m) The difficulties which the early stages of the unification process create for the development of the Community will, in the medium-term, have beneficial effects on economic growth and the welfare of the Community's citizens.

OPINION

(Rule 121 of the Rules of Procedure)

for

the temporary committee to consider the impact of the process
of German unification on the European Community

Draftsman: Mr K. RISKÆR PEDERSEN

On 21 March 1990 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Riskær Pedersen draftsman of an opinion on the implications of German economic and monetary union for economic and monetary union in the Community.

The committee considered the draft opinion at its meetings of 18-20 April, 30 May-1 June and 26-28 June 1990 and at the last-mentioned adopted it unanimously.

The following took part in the vote: Beumer (Chairman); Desmond (Vice-Chairman); de Donnea (for Riskær Pedersen, draftsman), Barton, Bofill Abeilhe, Cassidy, Cox, Ernst de la Graete, Glinne (Rule 111(2)), Herman, Hoppenstedt, Merz, Metten, Nielsen (for Punset I Casals), Read, Siso Cruellas, Speciale, van der Waal (for Lataillade), and von Wogau.

I. Introduction

Before the political unification of West Germany and the GDR, it is recognized that monetary union is the most readily attainable and supportive means of facilitating the transition to a market economy in the GDR as well as the only effective way of stemming emigration from East to West Germany. The introduction of the DM in the GDR is also an assured and sound method of providing a secure basis for the industry, both inside and outside Germany, involved in the regenerative process and will enable public sector participation to be cut back.

It must be recognized that the measures that have to be taken in West Germany in connection with monetary union with the GDR are already changing a number of internal parameters in the German economy, but must also be expected to change a number of the underlying assumptions previously made about developments within the European Communities. The changes will have particularly significant implications for economic and monetary union within the Community. These diversions, disruptions and delays will become even more pronounced the more the social side of East German integration is taken into account but the European Parliament would once again stress that these changes and disruptions to the scheduled plans must be subordinated to the main political objective - the introduction of fundamental human rights in Eastern Europe.

II. Economic, monetary and political union

Monetary union between East and West Germany could be achieved at the same time as introducing certain aspects of actual economic union, i.e. before full economic and political union between the two Germanies. A precondition of this would therefore be the immediate introduction of capital market regulations, company law and competition law, bringing it into line with current West German law.

Efforts should be stepped up to achieve political union as quickly as possible and incorporate the GDR under Article 23 of the West German Constitution since using Article 146 would be unnecessarily complicated from the Community's point of view. This is also anticipating that the problems associated with the ownership of land and property in the GDR are resolved.

III. The Community's contribution

Even if German monetary union is a reality on 1 July 1990, it is unlikely that the process of achieving full unification between the two countries will be completed before the end of 1991. Even after that date, the Community must accept that the former GDR will require a wide range of transitional measures and exemptions. At the structural level, there will also be a range of more fundamental problems in need of a solution. It is not clear, for example, what the GDR's commitments are under delivery and supply contracts with the USSR. The former GDR could become many an East European country's indirect route into the Community along the same lines as the GDR's former special status which enabled it to engage in free trade with West Germany.

Such indirect access to the Community with the opportunity of acquiring convertible currency, combined with Community companies' participation through direct investment in industry in several East European countries may be two extremely important factors in consolidating and improving the basis for a transition to a market economy in those countries.

Calls for the GDR to be cut off from the other Eastern and Central European countries and demands for closed borders between the GDR and the COMECON countries reflect a lack of solidarity and will only serve to impede and delay the whole process of reform in Eastern Europe. The Community must accept now that establishing fundamental human rights in Eastern Europe and introducing democracy and an operational market economy will inevitably call for economic sacrifices from the Community as a whole and, if need be, require positive discrimination in favour of a number of European countries in the necessary transitional phase.

IV. Property rights

Particular demands will be made of the GDR to resolve the legal problems surrounding the ownership of properties and land which were nationalized without compensation and are now being reclaimed by the original owners. Legislation must be enacted in such a way that the present occupants of these properties or the enterprises located on the land concerned (e.g. agricultural land) which may be the subject of ownership disputes, are given reasonable opportunity to use the property in question. This may be done, for instance, by fixing rent rises at a level which takes into account the overriding need to ensure that East German citizens have as much disposable income available as possible after housing costs in order to offset wage differentials between the two Germanies. This must also be a requirement irrespective of the problems pertaining to property rights and the need to avoid inflation deriving from rising rental values as a result of the now guaranteed conversion to West German marks of real assets situated in the GDR. The right of use of agricultural areas, for example, is a problem in itself and transitional arrangements should be devised to safeguard the interests of all parties.

V. Conversion rate

A key factor in preparing for monetary union has been setting a conversion rate between the West German and East German mark. From an economic point of view, the conversion rate should be dictated by the difference in productivity between the two Germanies, i.e. a 2:1 conversion rate. The political deliberations, however, have had an understandable tendency to give greater priority to the concerns of the East German people.

Monetary union and currency conversion is a matter of monetary policy and, in accordance with the European Parliament's recently adopted report by Mr Donnelly (Doc. A 3-20/90), it should be prepared and implemented by the authority responsible for monetary policy, taking into account the Member States' and the Community's general economic objectives.

Within the GDR's own economic framework, currency conversion will have to be followed up immediately by an end to state subsidies and price support, comprehensive privatization programmes and revision of regulations in the environment and labour market sectors.

The fact that savings can only be exchanged at the full rate in specific amounts is an attempt to control private consumption in order to avoid too much upward inflationary pressure, unemployment and upsetting the former GDR's balance of trade with other countries. This arrangement might possibly be combined with appropriate exemptions if the wish is to see savings diverted to buying shares in privatized, former state enterprises or investment in land and real property. The need to adapt capital market regulations also means bringing in actual credit legislation which would have to be relatively restrictive in a transitional phase given the opportunities open to people to re-mortgage real assets and borrow against savings.

The conversion rate is also of great importance as regards the payment of direct income and transfer payments to the population in the GDR.

It is estimated that the difference between disposable real wages in the GDR and West Germany after housing costs will be approximately 20-25%, a level it is assumed which will eliminate the emigration problem, all other things being equal, and apart from the movement of families and the elimination of structural unemployment.

Both a lower tax burden and lower housing costs in the GDR help to narrow the gap between disposable wages in East and West Germany but vigilance is called for to ensure that these benefits are not wiped out or the gap widened through failure to control prices, wages and housing costs in the GDR; likewise the West Germans should concentrate the anticipated increase in taxation in 1991 on direct taxes and measures to equalize the block grant between the various 'Länder' and not to increase specific excise duties and indirect taxes, for example, which are expected to be the same throughout Germany.

VI. Economic implications for West and East Germany

For the West German economy, the consequences of its huge financial stake in the GDR are considerable.

The simple fact is that of a population of some 16 million in the GDR, only 7.2 million are actively employed and the fear is that 25-30% of the labour force may be unemployed within 12-18 months following the abolition of state support and price subsidies.

It must be expected therefore that unemployment benefit will run into substantial figures and that the cost of transfer payments for old age pensions etc., will be borne by the State if standards are adjusted to the West German norm.

In addition, investment in infrastructure, for example, and the environment programme will also be extremely costly. It is estimated that the former GDR will have to invest DM 150-250 billion over ten years to bring the environment into line with West German standards. It is anticipated that 65 000 people will lose their jobs simply as a result of closing down heavily pollutant and hazardous enterprises.

Even if West Germany makes savings on previous transfers to Berlin and the peripheral areas, there will be a huge time-lag before these are realized.

Growth throughout the economy will bring in more revenue by way of taxes (at the same rate of taxation), and a sharp increase in growth in the former GDR itself will help to reduce the cost of unemployment benefit, for example. The elimination of structural unemployment will, however, be impeded by poor levels of training and adjustment problems and bottlenecks in general. Re-establishing full employment in the former GDR will therefore require approximately 8% economic growth a year over an estimated period of some five years.

All the benefits and savings for West Germany will materialize at a later point in time, and the initial problems will therefore have to be resolved by West Germany and the West German taxpayer.

As regards economic developments in West Germany, monetary union initially implies a considerable increase in the cash deficit which it is feared will increase in 1991 from an anticipated level of approximately 0.4% of GNP to up to 3.5-4% of GNP until a rise in revenue is able to offset the increase in expenditure. The setting-up of the special reconstruction fund may be simply regarded as a 'transfer' setting apart an actual public deficit as a separate fund which is financed, moreover, through borrowing as would have been the case had the deficit been financed directly via the public budgets.

As regards the Federal Republic's foreign trade, there will also be a (long hoped for) reduction in the balance of trade surplus. A growth in German GNP of approximately 1% may be expected in the first year with a knock-on effect of 0.5-0.6% growth in GNP for the other Member States of the Community. Thus, the predicted increase in the growth of German GNP is approximately 4-4.5% for 1991.

Full utilization of capacity by German industry combined with severe bottlenecks and a percentage growth in the former GDR that could reach 5-7% a year will further enhance the opportunities for trade with Germany and a section of the German export industry will be employed on production for the domestic market. It might therefore be said that West Germany has been forced to assume the position if long sought to occupy as an economic driving force with all the benefits and risks that this entails.

It is impossible to forecast the probable inflationary pressure on the German economy. Even a restrictive monetary policy and rising interest rates will presumably outlive their usefulness when the increase reaches a level where rises in interest rates will themselves have an inflationary effect. A restrictive monetary policy will also have a limited effect when, for political reasons, financial policy takes an expansive approach and is designed to encourage a high level of public consumption and secure investment in infrastructure and environment programmes.

Apart from bringing about an immediate increase in interest rates in defence of the German mark and as a counter to inflationary tendencies, the increase in economic growth must also result in a rise in real interest. This will rise over a few years in relation to the relatively low level at which it has been held over a number of years.

This situation produces the need to reabsorb demand by raising taxes or through domestic public borrowing.

VII. EMS cooperation

Even with a responsible and restrictive monetary policy, the German mark may be weakened. It is impossible to offset this by raising interest rates without imposing an unacceptable burden on the West German public and West German industry. At a certain point, it will only be possible to avoid a weakening of the DM if domestic interest rates are pushed up or a stringent fiscal policy is implemented.

This development will change the basis of cooperation in the EMS.

The previously traditional tension between the DM and the other Member States' currencies will thus be eliminated to the point where the German economy has completely absorbed the GDR's national economy. This will probably take 3-5 years.

VIII. Conclusions

1. In view of the growing need for the stability of European currencies, the European Community now needs a common monetary policy more than ever. The forthcoming governmental conference must therefore create the preconditions for the creation of an independent European Central Banking system dedicated to stability.
2. Monetary union between the two Germanies will serve as a model and an inspiration for European monetary union and the experience acquired will provide a basis for immediately introducing the latter as an extension of the former.

OPINION

(Rule 120 of the Rules of Procedure)

for the Temporary Committee to consider the impact
of the process of German unification
on the European Community

Draftsman: Mr MERZ

At its meeting of 20 March 1990 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr MERZ draftsman of the opinion.

At its meeting of 31 May 1990 the committee considered the draft opinion and adopted it by 19 votes to 3, with 2 abstentions.

The following took part in the vote: Beumer, Chairman; Desmond, Vice-Chairman; Barton, Bofill Abeilhe, Cassidy, Christiansen, Cox, de Donnea, De Piccoli, Ernst de la Graefe, Herman, Hoppenstedt, Merz, Metten, Nielsen, Mihr, Pinxten, Read, Rogalla, Saridakis, Siso Cruellas, Speciale, van der Waal and von Wogau.

INTRODUCTION

Because it is opening up politically and economically, because of forthcoming Deutschmark monetary union and because the social market economy is to be introduced, the GDR will have the opportunity to bring about a sustained increase in economic productivity and attain a high level of prosperity within a short time. Extending the Deutschmark area may be detrimental to stability of the Deutschmark itself, and hence of the fabric of the Community as a whole, unless certain conditions are met, however.

In addition to monetary policy measures to ensure stability, it is the GDR which must in particular lay down competition policy - policy that should be geared to the following objectives:

- State monopolies in the GDR must be broken up in favour of a broadly based private sector.
- All private firms must ultimately be viable without state aid.
- In a market economy, there is no raison d'être for price subsidies.

Right from the outset, the new GDR Government should endeavour to ensure that the competition policy it lays down is consonant to the greatest possible extent with European and German Federal competition law. This will lessen the need for harmonization after the GDR accedes to the Federal Republic and hence to the European Community.

The relevant GDR ministers should hold early, ongoing consultations with all Community institutions on competition policy in the GDR. The European Parliament calls for such consultations to be based on the following considerations:

1. COMPETITION RULES

There is no contradiction between the opening-up of the GDR market and the generally acknowledged principles underlying competition. This is why takeovers by private firms of state monopoly enterprises in the GDR ('Volkseigene Betriebe' (VEB) and 'Kombinate') would be out of the question if private-sector monopolies were established in the process. Since regulation of such a takeover outside the GDR can proceed only if it establishes or strengthens dominant market positions in the Community or in the Federal Republic of Germany - in accordance with the principle that action can be taken only where there is an extraterritorial impact - an effective authority to oversee competition, including preventive merger control arrangements, must be put in place as soon as possible.

At the same time, the GDR's trustee authority must decentralize and sell off into private ownership the VEBs as soon as possible, this to proceed separately from any rescue efforts.

II. STATE AIDS

If, as the new GDR Government wishes, the GDR accedes to the Federal Republic of Germany pursuant to Article 23 of the Basic Law and in so doing becomes part of the Community, large sections of Community law must become applicable there as soon as possible. This also holds true for the Treaty provisions on state aid.

Failing substantial aid, it will not be possible to rebuild the GDR. Such aid must not jeopardize the Community's existing structural-fund commitments towards other Member States. As regards establishing a functioning economy, the means for rebuilding the economy must chiefly come from within the economy itself. Infrastructure-related and regional assistance, where required, will initially be funded from the budget of the GDR and of the Federal Republic of Germany. Assistance from the Community's structural funds should be made available to the GDR after it accedes to the Federal Republic of Germany and hence to the European Community.

It must be possible to make prompt and flexible use of federal-budget aid. Right from the outset, the Commission must be kept fully informed in this connection. Such aids, together with the scheme to provide equity capital assistance from the European Recovery Programme's special fund must be open to investors from any Member State.

Prior to unification in federal form, a review of aid should be conducted in the light of the criteria set out in Article 92 et seq. of the EEC Treaty. Infrastructure measures and revenue transfers between the federal budget and the Land budgets will not be affected by this. Article 92(2)(c) of the EEC Treaty will continue to be applicable to aids for measures in the territory of the GDR, as presently constituted, after the division of Germany has come to an end too. Accordingly, such aid is compatible with the common market in so far as it is required in order to compensate for the economic disadvantages caused by the division of Germany.

Neither the aid for Berlin nor the special arrangements to assist the border area between the Federal Republic and the GDR can simply be discontinued overnight; assistance will have to be provided at a lower level on a non-preferential basis.

III. PRICE SUBSIDIES

Because of price subsidies, resources in the GDR have been seriously misdirected. The subsidies are incompatible with a system in which prices are freely determined by supply and demand, and are contrary to the principles underlying the EEC Treaty; they must be totally abolished at the same time as Deutschmark monetary union takes effect.

Where there is hardship as a result of abolishing price subsidies, the only appropriate adjustment measure to take will be to make direct transfer payments (temporary topping-up of wages, housing allowances, supplementary benefit).

CONCLUSIONS

Pursuant to Rule 120(6) of the Rules of Procedure, the Committee on Economic and Monetary Affairs and Industrial Policy suggests that the following be incorporated into the motion for a resolution by the committee responsible on:

policy on competition and aid

The European Parliament,

- having regard to the conclusions of the presidency of the special meeting of the European Council on 28 April 1990 in Dublin,
- whereas the social market economy is capable of securing lasting prosperity and social justice for the inhabitants of the GDR,
- whereas the GDR will be unable to rebuild its economy through its own efforts alone,

Cites the following principles as the basis for an effective European Community policy on competition and aid:

I. Aims of Community competition policy towards the GDR:

1. to bring the GDR's competition law into line as soon as possible with competition law in the European Community, this to include preventive merger control arrangements;
2. to prevent private-sector monopolies;
3. to decentralize and promptly to dispose of state-owned enterprises, this to proceed under the responsibility of the state trustee and independently of rescue efforts;
4. to bring the GDR's commercial law promptly into line with European Community internal market legislation;
5. to prevent all instances of discrimination, for instance in the form of import duties or levies, against imports entering the GDR from third countries and to avert all forms of preferential treatment of GDR exports.

II. Aims of Community aid policy towards the GDR:

1. to prevent distortions of competition resulting from prompt action to take account, in the GDR, of Community aid provisions and to ensure that aid financed by the Federal Republic meets the criteria set out in Community law;
2. to maintain all Community structural-fund commitments vis-à-vis countries which have hitherto been in receipt of moneys;
3. to ensure that the initial funding required for the national insurance systems and the interim funding for infrastructure-related and regional aid is provided from the budget of the Federal Republic of Germany;

4. to ensure that all the Federal Republic of Germany's assistance programmes, in particular the ERP concerning equity, capital assistance, are implemented even-handedly and are open to investors from any Member States;
5. to provide comprehensive information about the ERP in the Community, since virtually nothing is known about the programme outside the Federal Republic of Germany;
6. to reduce the level of aid for Berlin and for the border area between the Federal Republic and the GDR to a lower level on a non-preferential basis;
7. to ensure that, when Deutschmark monetary union takes effect, all price subsidies are abolished;
8. to make Community assistance programmes open to the GDR, too, in future.

OPINION

(Rule 120 of the Rules of Procedure)

for the Temporary Committee to consider the impact of the process of
German unification on the European Community

Draftsman: Mrs C. ROTH

At its meeting of 20 March 1990, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mrs ROTH draftsman of the opinion.

At its meeting of 1 June 1990 the committee considered the conclusions outlined by the draftsman and adopted them by 21 votes to 3, with 3 abstentions.

The following Members took part in the vote : Beumer, Chairman; Desmond, Vice-Chairman; Roth, draftsman; Barton, Bofill Abeilhe, Cassidy, Cox, de Donnea, de Piccoli, Ernst de la Graete, Friedrich, Herman, Hoff, Hoppenstedt, Janssen van Raay (for Bernard-Reymond), Merz, Metten, Mihr, Nielsen (for Riskaer), Pinxten, Read, Rogalla, Saridakis (for Iodice), Siso Cruellas, Speciale, van der Waal (for Lataillade) and von Wogau.

CONCLUSIONS

Pursuant to Rule 120(6) of the Rules of Procedure, the Committee on Economic and Monetary Affairs and Industrial Policy hereby proposes that the following text, in respect of which the draftsman will submit an oral explanatory statement, be incorporated into the motion for a resolution by the committee responsible:

Industrial policy

- whereas the process of economic and industrial renewal in the GDR requires subsidiary support from the European Community which must guarantee that future unification with the FRG and, hence, membership of the EEC is achieved in conditions which are fair to the whole of the Community,
1. Takes the view that the political upheaval must be followed by a process of radical economic change with the aim of achieving a social and ecological market economy;
 2. Calls for suitable measures to prevent long-term unemployment in the GDR;
 3. Advocates the establishment, parallel to the economic, monetary and social union between the two German states of an environmental union with the following objectives:
 - the use of production technologies which minimize pollutant emissions, environmental damage and the intensive use of resources,
 - a transport sector which bears the actual economic cost of its activities,
 - the rapid closure of all obsolete, environmentally harmful industrial plants,
 - the equally rapid installation of the most modern environmental technology in all industrial plants capable of being overhauled;
 4. Is convinced that the economic system to be developed in the GDR must foster social and ecological progress by means of improved economic growth;
 5. Views with concern the fall in production and investment on the territory of the GDR and concludes from this that there is a need to support GDR firms by means of measures which comply with the rules on competition in force in the Community; hopes that this trend will be reversed following the entry into force of the Treaty on Economic, Monetary and Social Union;
 6. Considers that thorough tax reform is needed to prepare the GDR properly for a market economy: this reform must take into account the present and future Community patrimony;
 7. Advocates rapid decentralization, with extensive private ownership of the means of production, in order to avoid private monopolies and attract investment from all countries, in particular those of the European Community;

8. Recommends the establishment of a public sector geared to real needs, and of efficient small- and medium-sized firms in the commercial and service sectors alongside the existing industrial sectors,
9. Proposes the establishment of regional development funds and employment agencies as a means of fostering socially responsible and innovative economic growth, in which workers from undertakings to be closed on ecological and other grounds can be employed;
10. Calls for the establishment of a programme for an environmentally acceptable energy supply system, with support from the European Community, covering the conversion and modernization of lignite-fired power stations, the decentralization of power station operations, combined heat and power generation, the exploitation of all energy savings potential and the use of renewable energy sources;
11. Considers it essential that all inhabitants of the GDR benefit as soon as possible from the same social security and unemployment benefit system as in the FRG;
12. Proposes the introduction of tax incentives to encourage private investment funds which seek to invest the resources they administer in ecologically sound activities and recommends the creation of specific funds to clean up the environment and combat pollution in the GDR;
13. Welcomes the fact that there is no likelihood of investment transfers on wage cost grounds because Federal German undertakings expect wages and incomes to be brought into line at a high level in the medium term;
14. Proposes, therefore, the encouragement of investment in the GDR by companies from other EC Member States;
15. Calls for the speedy implementation of the decision of principle taken at the special meeting of the European Council of 19 April 1990 whereby the European Community will grant the GDR unlimited access to EIB, ECSC and EURATOM credit facilities in the period leading up to unification.

OPINION IN THE FORM OF A LETTER

Letter from the Chairman of the Committee on Energy, Research and Technology to Mr Fernandez-Albor, Chairman of the Temporary Committee to consider the impact of the process of German unification on the European Community

Subject: Opinion on the impact of German unification on European Community policy in the fields of energy, research and technology

Dear Mr Chairman,

At its meeting of 19/20 June 1990 the Committee on Energy, Research and Technology discussed the possible and probable impact of German unification from the point of view of Community policy in the fields of energy, research and technology.

For the Community the integration of the German Democratic Republic represents both an enrichment, and at the same time, a tremendous challenge and burden. Although it is not yet possible to make a definitive assessment of the situation in the energy and environmental sectors, it is reasonable to suppose that both fields are in a critical state in the GDR, that energy efficiency is low and that the price - cost ratio is scarcely calculable. The high degree of atmospheric pollution in the GDR (and the consequent pollution of water and soil) is a direct result of GDR energy policies. For example:

- Per capita, the consumption of energy from primary sources in the GDR is now the third highest in the world;
- Brown coal is the country's major energy source (70% of the total);
- 50% of steam generators and 36% of steam turbines are over 20 years old; these and all other energy production systems are obsolete and inefficient;
- Industrial production, on the other hand, is extremely energy-intensive;
- SO₂ emissions are over twice as high (in absolute terms) as in the Federal Republic of Germany;
(in 1000 t) GDR 5 500
 FRG 2 345
 France 1 734
 Italy 2 086
- The GDR has the highest SO₂ emissions in Europe per land unit;
- The GDR has the world's highest rate of CO₂ emissions due to human activity;

29 June 1990

- In certain regions, dust levels have increased by 10% since 1980 alone;
- In many regions with energy-producing and heavy industry, every other child is suffering from illness as a result of environmental pollution;
- 54% of forested land is severely damaged;
- Since remedying this situation has not hitherto figured among the priorities of research and technology policy in the GDR, the potential in this sector is severely limited, without a special catch-up effort.

As a future part of the Community, the GDR must be made subject to the latter's energy policy objectives. That means that significant increases in economic growth must not be accompanied by similar increases in electricity production and that in general the economy must grow without an equal increase in energy requirements; the environment must be spared at all stages of the energy cycle; energy efficiency must be decisively increased from the raw materials stage to the final consumer, while costs and prices must be kept within bounds and remain transparent at the same time; the supply and handling of energy must be safe from the production stage to the final consumer; energy sources and supply systems must be diversified; primary energy use in the GDR can be at today's level in the year 2000 through a more efficient energy utilization, despite growing energy consumption in households and parts of industry. Simply cutting the frontier lighting system will save the equivalent of 500 MW.

The Commission should be urged moreover to ensure that the reorganisation of the energy industry in the GDR and its links with the Federal Republic's energy system respect Articles 85 (prohibition of practices preventing, restricting or distorting competition) and 86 (abuse of a dominant market position).

Nuclear energy should be subjected to EC safety standards and monitoring as a priority, particularly in view of the GDR reactor designs, which are a safety risk. This applies to reactors, transport and treatment of nuclear waste, intermediate and final storage sites.

Ultimately, all Community regulations, directives and decisions relating to energy and the environment - and other sectors - must be implemented in the GDR. According to cautious estimates, that means an initial investment of between 130 and 250 billion ECU. In broader terms, however, the entire system of energy supply and use in industry, public buildings and private households will need to be subjected to thorough reform; the same applies to public awareness with regard to the treatment of energy and the environment.

There are a variety of ways in which the Community can introduce its energy policy into the GDR. The range of possible measures includes encouraging and promoting joint ventures in the fields of energy production, energy-saving systems and environmental protection, direct investment and information on and assistance with access to EC energy research and technology programmes. The Community should therefore offer the GDR priority access to programmes such as THERMIE, SAVE, VALOREN and STRIDE with special funds supplementing those already earmarked; action to improve energy efficiency and the R&D decommissioning programme and preferential integration into fields of the third research framework programme which are of interest to both parties.

If the Community were to make more resources available, without lessening its efforts in its present fields of activity, the present burden of unification with a GDR which is backward in the fields of energy and the environment could, through combined measures and integration-oriented research and technology policy, be converted into a new opening for an environmentally sound and decentralised energy market which encourages small-scale energy production possibilities and stronger social and economic cohesion with Eastern Europe.

Yours faithfully,

(sgd)
Hiltrud Breyer
Draftsman

(sgd)
Antonio La Pergola
Chairman

The following were present: La Pergola (chairman), Lannoye (vice-chairman), Breyer (draftsman), Bettini, Garcia Arias, Larive, Nielsen (for Verwaerde), Regge, Rinsche and Sanz Fernandez.

OPINION

(Rule 120 of the Rules of Procedure)

of the Committee on External Economic Relations

Draftsman: Mr H. CHABERT

At its meeting of 17 April 1990, the Committee on External Economic Relations appointed Mr Chabert draftsman of the opinion.

The committee considered the draft opinion at its meeting of 31 May 1990 and adopted it unanimously.

The following took part in the vote: De Clercq, Chairman; Cano Pinto, Stavrou and Moorhouse, Vice-Chairmen; Chabert, rapporteur; Aglietta, de Vries, Elles (for Simmonds), Maher (for Porto), Rossetti, Sainjon, Stevenson (for Randzio-Plath), Titley and Visser (for Tsimas).

1. Introduction

Two unknown factors make it difficult to assess the impact of German unification on the Community's external economic relations:

- (a) the timetable for unification and the detailed arrangements for achieving it;
- (b) the nature and extent of the GDR's external commitments, particularly within the CMEA.

The problems of details and timing have been discussed, up to a certain point, within the temporary committee, in particular on the basis of points raised by the Commission. At the Dublin Council of 27-28 April, the Commission also put forward a scenario for integration, consisting of an initial interim phase of adaptation, followed by a transitional phase (beginning with formal unification), and then a final phase (involving full application of the 'acquis communautaire').

2. With regard to point (b), unification will open up the GDR economy to the world market and will mean considerable structural adjustments, including re-orientation of its external trade:

- currently (1987), 65% of the GDR's trade is with the countries of the CMEA, including 40% with the USSR,
- the USSR and the countries of the CMEA depend very heavily on the GDR for relatively high-technology goods, some of which would fall within the scope of COCOM,
- the GDR mainly imports raw materials and energy supplies from the CMEA, at prices which are difficult to ascertain and compare.

3. It must be borne in mind that, according to the most likely scenario, the future Federal Republic of Germany will, by embracing the GDR, inherit all the GDR's external commitments and entitlements, and within its sphere of competence the EC will have to manage the GDR's 'legacy'.

From this point of view, it must be remembered that the GDR is bound, within the CMEA, to a series of purchase and supply commitments, and to economic cooperation involving:

- annual protocols for each product, on the basis of four-yearly trade agreements;
- economic cooperation agreements (1986-1990) on the basis of five-year plans;
- many intergovernmental agreements, expiring in 2000, on the division of labour and specialization among the countries of the CMEA;
- sectoral agreements, of indefinite duration, between governments and large undertakings (Kombinats).

There are also commitments in the agricultural sector (sugar protocol with Cuba), and in the fisheries and development aid sectors.

4. This list, though only a summary of the GDR's international commitments, gives an initial idea of the complexity of the task: these commitments will have to be re-negotiated as the GDR develops towards a market economy.

In this context, the Community's competence and responsibility (and the Community has exclusive competence as regards trade policy) come into play as soon as the GDR loses its status under international law, i.e. after unification.

5. To indicate the size of the problem and the need for re-negotiation, it must be remembered that in a market economy it is impossible to guarantee certain levels of supplies or purchases to trading partners without resorting to measures (such as export subsidies, discrimination in the allocation of currencies or licences) which are illegal both under Community law and GATT; the incorporation of the GDR into the FRG will mean that GATT rules will apply to external trade in the products of the former GDR.

6. In terms of GATT, it must be stressed that in abolishing state-controlled trade and adopting the common customs tariff, the GDR will, in practice, abolish non-tariff (variable) barriers and introduce customs tariffs (in general bound tariffs, except for the special case of agriculture).

The re-directing of the GDR's foreign trade towards the world market will very probably mean the opening up of new markets not only for Community partners but also, though on a slightly less favourable basis, for many third countries which are signatories to GATT.

The general level of protection offered by the CCT would probably be insufficient to protect the GDR's rather weak industry from external competition; it would therefore be possible - during the transitional phase - to negotiate special treatment for the GDR in derogation from GATT. This would, however, mean retaining the customs barrier between the FRG and the GDR after unification, which seems politically unrealistic.

7. The COCOM poses a particular problem. After unification, exports from the former GDR to the Soviet Union will be subject to the COCOM lists, particularly with regard to products incorporating 'dual use technologies', especially in the optics and machine tools sectors and in information technology.

The only solution to this problem, which could prevent the development of production technology in certain sectors of the GDR economy, seems to be to revise the COCOM lists, unless trade with the USSR is drastically reduced.

8. The above factors point to the following conclusions:

- (a) the interim adjustment phase, before unification, must, by virtue of its duration and the intensity of the efforts made, bring about the structural changes in the GDR economy necessary to allow it to join the Community without disturbing the common commercial policy;
- (b) these changes should enable firms in the former GDR, through improved productivity, to withstand the effects of unification on their external competitiveness, in particular with regard to:

- the abolition of state-controlled trade and adoption of the common customs tariff;
- application of the GATT rules, particularly with regard to state aid and subsidies, dumping, intellectual property and rules of origin;
- adoption of EC external commitments, particularly free trade zones and preferential agreements with developing countries, and the system of generalized preferences;
- projected re-orientation of the former GDR's trade towards the Community market, and adaptation to new technical standards and new quality and safety criteria;

while respecting Community rules on freedom of competition and on mergers;

- (c) any derogations from the GATT rules to be applied to the ex-GDR economy after unification and during the transitional phase would, in most cases, require the retaining of a customs border within Germany, even after unification;
- (d) the Commission, in cooperation with the other Community institutions, must assist the GDR in re-negotiating its external commitments, in order to bring them in line with the Community's common commercial policy and its external relations;
- (e) after unification, the Community will have to adapt (though without calling into question) some of its external policy instruments, such as the SGP, the Lomé Convention or a possible agreement on textiles to take into account the enlargement of its market;
- (f) through its temporary committee and, on a more permanent basis, through its Committee on External Economic Relations, the European Parliament must be kept fully and constantly informed on this process of adjustment.

Brussels, 27 May 1990

Committee on Legal Affairs and Citizens' Rights
- The Chairman -

WL/jv
65/90

Mr G. FERNANDEZ ALBOR
RMA 216
BRUSSELS

Subject: Interim report of the Temporary Committee to consider the impact of the process of German unification on the European Community

Dear Mr Chairman and Colleague,

By letter of 23 March 1990 you announced that, before submitting the report on the impact of the process of German unification on the European Community at the end of its term of office, your committee intends to draw up an interim report which is due to be submitted to plenary next July and asked the Committee on Legal Affairs and Citizens' Rights to deliver an opinion.

At its meeting of 18-19 June 1990, the Committee on Legal Affairs and Citizens' Rights considered the subject before your committee and on a proposal from its rapporteur, Mr Janssen van Raay, came to the following view:

1. The will of the German people in the Federal Republic of Germany and the German Democratic Republic to achieve national unity is sanctioned by the principle of the right of self-determination of peoples (Article 1(2) of the UN Charter), conforms with the goal of German unity, which the Federal Republic of Germany set itself in the preamble to its Basic Law and which is recognized as a common objective inter alia in the Treaty of 23 October 1954 on relations between the Federal Republic of Germany and the Three Powers (the German Treaty), and is in accordance with the objective which the preamble to the EEC Treaty fixes for the Member States, i.e. ensuring the economic and social progress of their countries by common action to eliminate the barriers which divide Europe.
2. If, as envisaged in the preamble to the State Treaty signed on 18 May 1990 between the Federal Republic of Germany and the German Democratic Republic on the creation of a monetary, economic and social union, unification is brought about in the manner prescribed in Article 23 of the Basic Law of the Federal Republic of Germany, i.e. in the form of a declaration by the 'acceding parts of Germany' and through the entry into force of the Basic Law for those parts, it is to be assumed that, while the Member State, the Federal Republic of Germany, will increase the size of its territory, its formal status as an entity in international law will however remain unaffected. The Member State, the Federal Republic of Germany, will not thus be replaced by any new legal entity.

For the theoretically possible, but increasingly unlikely alternative of drawing up a new Constitution by a pan-German constituent assembly and its entry into force pursuant to Article 146 of the Basic Law of the Federal Republic of Germany, there are two possibilities which, however, lead to the same result as regards membership of the European Community.

If we accept, as does the Federal German Constitutional Court, that despite a new Constitution, the Federal Republic of Germany and a united Germany would be one and the same thing, this conclusion requires no further explanation.

On the other hand, if we assume that a united Germany would be a new State in international law, the issue of the legal succession of this new State in the Community Treaties would have to be assessed according to the rules of customary international law as expressed in the 1978 Vienna Convention on the Succession of States in respect of Treaties, which has not yet entered into force.

Accordingly, the Treaties concluded by the predecessor states remain applicable to a state created from a merger between those states, unless something else is agreed between the successor state and the other parties to the Treaty, the applicability of the Treaty for the successor state would be incompatible with the sense and purpose of the Treaty or the applicability would alter the basic conditions for the implementation of the Treaty (Article 31(1) of the Vienna Convention). In this case, none of these conditions is met.

The territorial validity of the Community Treaties is a different matter from membership of the Community. The latter is regulated in the Community Treaties (Article 227 of the EEC Treaty, Article 198 of the EAEC Treaty and Article 79 of the ECSC Treaty); these provisions lay down limitations and extensions in relation to the European territory of the Member States. There are no provisions for the event that that territory should expand.

As regards a solution to this problem, there are generally two opinions which, however, in this instance, lead to the same result.

According to one view, pursuant to Article 29 of the 1969 Vienna Convention on the Law of Treaties it is to be assumed that the Community Treaties would apply to the entire, expanded, territory.

According to the other view, the rules of customary international law concerning the merger of states are applicable, pursuant to which the extension of the validity of the Community Treaties beyond the territory of the Federal Republic of Germany requires the agreement of the other Member States - the form of which is not laid down (Article 31(2) of the Vienna Convention on the Succession of States). However, we may assume from the declarations made by the Heads of State or Government of the Member States, especially the conclusions of the extraordinary meeting of the European Council of 28 April 1990, that that agreement would be forthcoming.

Accordingly, it is immaterial for the issue of the extension of the validity of the Community Treaties to the territory of the existing German

Democratic Republic whether Article 23 or Article 146 of the Basic Law of the Federal Republic of Germany is invoked.

3. An immediate extension without transition of the field of application of Community law would however result in its partial unenforceability in practice and in considerable legal uncertainty.

A stage-by-stage process in terms of subject matter and timing within the framework of the Community Treaties is indispensable; two phases can be distinguished here:

- a preparatory phase up until the incorporation of the GDR in the FRG and hence in the field of application of Community law;
- a transitional phase of varying duration depending on the subject.

4. During the preparatory phase the GDR's legal system must be reshaped in such a way as to ensure that, as stated in the preamble to the above-mentioned State Treaty, 'the application of the law of the European Community is guaranteed after the establishment of national unity'. The State Treaty contains sufficient basic principles and guidelines for the adaptation of the legal system.

Until the end of the preparatory phase the Protocol on German internal trade and the Community trade and cooperation agreement with the GDR will remain in force.

5. During a transitional phase appropriate temporary derogations from the application of existing rules contained in derived legislation and special provisions for the integration of individuals and/or certain branches of the economy will be necessary.

In formal terms such measures may take the form of regulations and directives based on those legal bases that are material for the relevant legal act contained in derived legislation. To simplify the procedure, they may be consolidated into framework regulations or framework directives for one or more subject areas on condition that the relevant law-making procedure in each case (consultation or cooperation, majority requirements for Council decision) is the same.

6. As far as representation in Community institutions is concerned, only with the European Parliament is there a problem since the principle of equality under electoral law implies that the 16.6 million increase in the population should be democratically reflected in the representative body of the European people.

7. Conclusions:

- 7.1 The incorporation of the present German Democratic Republic in the Federal Republic of Germany pursuant to Article 23 of the Basic Law of the Federal Republic leaves the latter unaffected as an entity in international law and therefore does not affect its membership of the European Community. This would also be the result of unification pursuant to Article 146 of the Basic Law of the Federal Republic of Germany: Germany's membership of the European Community would not be affected.

From the point of view of the European Community, it is therefore immaterial whether unification is achieved through Article 23 or Article 146 of the Basic Law of the Federal Republic of Germany.

The procedure for and timetable of German unification have not yet been established notwithstanding the Treaty of 18 May 1990. It is therefore not yet possible to assess the full impact on constitutional and international law.

- 7.2 Whichever approach is adopted, the unanimous view is that the unification of the Federal Republic of Germany and the German Democratic Republic to form a single state will result in the present German Democratic Republic falling within the scope of application of the Community treaties without any formal treaty modification.

On this point the conclusions of the special meeting of the European Council of 28 April 1990 in Dublin state that: 'The Community warmly welcomes German Unification... It will be carried out without revision of the Treaties.'

There is accordingly no need to discuss the question whether incorporation of the territory of the German Democratic Republic into the jurisdiction of Community law requires the consent of the Community Member States (consuetudinary international law within the meaning of Articles 31 and 17 of the 1978 Vienna Convention on state succession) or not (theory of mobile frontiers of contracting states).

- 7.3. The problems of adaptation resulting from this incorporation must be solved through independent initiatives to modify legislation by the present German Democratic Republic, on the one hand, and the European Community, on the other, during a preparatory period up to unification and during a transitional period thereafter. There is no need for special negotiations between the German Democratic Republic and the European Community or for a treaty under international law. What is essential, however, on account of the allegiance to the Community (Article 5 of the EEC Treaty) and as was stated in the conclusions of the European Council in Dublin - is that the Federal Republic of Germany should keep the European Community fully informed of the progress of its deliberations and agreements with the German Democratic Republic and that the Commission should play an appropriate part in all deliberations which touch on the interests of the Community. The role of the Federal Republic of Germany as a trustee for the German Democratic Republic reflects its status in the Protocol on German internal trade.

In this process, the European Parliament will carry out the duties generally falling to it in the legislative process.

Furthermore, to maintain its democratic legitimacy, the European Parliament will need to deliver its opinion in due course on the integration of the German Democratic Republic into the European Community.

- 7.4. The question of the representation of the people of the present German Democratic Republic in the European Parliament should be resolved in the context of the revision of the appropriate provisions of the Treaty, which

is to take place before the next elections to Parliament in 1994. Efforts should be made to secure representation on the basis of a balanced system and in accordance with the structure of the Treaties.

As a temporary transitional arrangement, it might be appropriate to grant observer status to representatives of the people of the present German Democratic Republic.

The above conclusions were adopted by 20 votes to 0 with 1 abstention¹.

¹ The following took part in the vote: Stauffenberg, Chairman; Vayssade, 1st Vice-Chairman; Rothley, second Vice-Chairman; Anastassopoulos, Bandres Molet, Blak, Bontempi, Bru Puron, Cooney, Garcia Amigo, Grund, Inglewood, Janssen Van Raay, Marinho, Marques Mendes, McIntosh, Medina Ortega, Merz, Oddy, Reymann, Salema, Von Wogau

OPINION IN THE FORM OF A LETTER

Letter from the Chairman of the Committee on Social Affairs, Employment and the Working Environment to Mr Fernandez Albor, Chairman of the Temporary Committee on the impact of the Unification Process of Germany on the European Community

Subject: The social consequences of German unification

The Committee on Social Affairs, Employment and the Working Environment discussed the above matter at its meeting of 27 June 1990 and reached the conclusions set out below.

The Committee fully recognizes that the German unification process is taking place very rapidly indeed and that a number of measures have already been taken to ensure that the citizens of the GDR will, in principle, enjoy the same social protection as that obtaining in the Federal Republic. It is also aware, however, that several crucial problems still have to be tackled.

The Treaty between the two German States which is to enter into force on 2 July 1990 covers not only economic and monetary union but also, and at the same level, social union, as the first step towards full unification and the integration of the present GDR into the European Community. The Committee wholeheartedly endorses the European Council's insistence that this process must take place within the European Community context. By the same token, it supports the European Council's call for 'smooth and harmonious integration of the territory of the GDR within the Community, whilst, at the same time, fully respecting Community commitments and objectives, notably those concerning the completion of the internal market and the creation of an economic, monetary and social union'. It regrets, however, that the European Council 'did not specifically support the idea of a special pre-accession Community aid package for the GDR as suggested by Parliament in its resolution of 4 April'.

As regards the impact of German unification on the social sphere, one must distinguish between the legislative implications on the one hand and the financial implications on the other.

In this contribution to the interim report, the Committee has decided that, at this stage, the emphasis must be placed predominantly on the legislative aspect. It considers that the financial consequences for the European Community should be treated in the final report. Although the Federal government has already stated that during the pre-accession phase the Federal Republic will bear the full financial burden, i.e. making no demands on Community funds, this Committee nevertheless considers it highly desirable that the European Community should, at the very least, start preparing the Community Support Framework for the GDR.

27 June 1990

In the framework of the Community's gradually evolving social dimension, the Committee's priority concern is that the highest level of social protection be maintained: in this connection, care must be taken to ensure that the level of protection in the GDR in those areas where such protection may be higher must also be maintained.

Moreover, it should be noted that nearly all the experts agree that German economic and monetary union will inevitably give rise - at least in the short to medium term - to plant closures and laying off of workers on a very substantial scale.

* * *

Within this overall context, the committee considers that particular attention should be given to the following areas:

- protection of workers against mass dismissals, and the preservation of their rights and advantages in the case of the transfer and/or bankruptcy of firms;
- health and safety at the workplace;
- improvement of living conditions (housing, health care, etc.);
- vocational training;
- freedom of movement;
- improvement of the conditions for women's employment with a view to facilitating their full integration in the labour market (child care, parental leave, etc.);

In conclusion, the committee:

- is concerned at the massive rise in unemployment that is likely to occur in the GDR and the resulting social and political problems;
- insists that the measures undertaken in favour of the GDR must not be to the detriment of other - and notably the less-advantaged - regions of the Community;
- + considers that as a positive step towards easing the integration of the GDR into the European Community, Community financial assistance should be made available in support of pilot projects in key training sectors;
- insists that as a matter of priority importance the Commission should make a comparative study of the Community action programme for the implementation of the Social Charter and the decisions and intentions of the German authorities in this whole area: in this connection, careful note should be taken of those sectors where the EC might benefit from the experience of the GDR;
- reiterates its request that the Community should already start preparing a framework for eventual EC social measures adapted to the new situation and requests that the European Employment Observatory be instructed to follow very closely the impact of German unification on the labour market and to put forward proposals accordingly.

The committee considered the draft opinion at its meeting of 27 June 1990, and at the same meeting adopted it unanimously.

The following were present at the vote: Van Velzen (Chairman and rapporteur); Barros Moura, Vice-Chairman; Von Alemann, Alvarez de Paz, Buron, Cabezon Alonso, Ephremidis (for Elmalan, Hadjigeorgiou, Hughes, Marques Mendes,

McMahon, Megahy, Menrad, Nianias, Nielsen, Oddy (for Carniti), Pronck, Torres
Cuoto, Van Oustrive (for Glinne), Wilson.

(sgd) W. van VELZEN

Opinion of the Committee on Regional Policy and Regional Planning
(for the interim report)

Letter from the Chairman of the Committee to, Mr Gerardo FERNANDEZ-ALBOR,
Chairman of the Temporary Committee to consider the impact of the process of
German unification on the European Community

1 June 1990

Dear Mr Chairman,

Further to your letter of 23 March 1990, the Committee on Regional Policy and Regional Planning at its meeting of 29 and 30 May 1990 considered the impact of the process of German unification on the European Community's regional policy, after noting the serious lack of precise and reliable socio-economic information concerning East Germany and the present uncertainty regarding the duration and the stages of the unification process.

The Committee on Regional Policy and Regional Planning has therefore decided to reserve the right to draw up a more detailed opinion in respect of the final report which your committee will submit at the end of its mandate and has adopted the following conclusions :

1. Welcomes the commitment made by the European Council meeting in Dublin on 28 April 1990 that the Community would ensure the smooth and harmonious integration of the German Democratic Republic in the Community and that, at the same time, the internal and external development of the Community would continue and economic and monetary union gradually be established, in accordance with the principles of economic and social cohesion.
2. Is convinced that German unification will give added priority to the Community objective set out in Article 130 A of the EEC Treaty, namely to reduce disparities between the various regions and the backwardness of the less-favoured regions.
3. Considers that, on the basis of the data available, most of East German territory will probably be eligible for co-financing under the Structural Funds and considers it politically essential that the Community should show solidarity towards the East German population which should, of course, benefit from all the structural policies from the moment of unification.
4. Considers, therefore, that in assessing the overall budgetary cost for the Community of German unification - an assessment requested by the European Parliament on 4 April² - the new financial requirements should, as a matter of urgency, be calculated in such a way as to avoid cuts in present and future financial commitments in respect of peripheral and disadvantaged regions of the present Community.

² Resolution on the Community's response to German unification (Minutes of proceedings of the sitting of 4 April 1990 - PE 139.832, p. 47)

5. Requests that the revision of the financial perspective of the Interinstitutional Agreement of 29 June 1988 should take into account these additional requirements and that Structural Fund endowments be increased so as to include the appropriations necessary for the new programme of Community measures in favour of peripheral regions, a programme which Parliament requested the Commission of the European Communities to draw up³ so as to enable these regions to adjust as well as possible to the new situation brought about by German unification.

6. Demands, in view of the above, that Community measures to promote social and economic regional development should strictly respect the following two criteria :

(a) the regions which at present benefit from the Funds and the European Community's lending instruments must suffer no adverse effects due to the implementation of Community structural policies either as regards eligibility for resources or as regards the amount they receive up to the end of 1993, the date of expiry of the present Structural Fund legislation;

(b) these structural policies must under all circumstances be fully implemented in East Germany from the moment of unification;

7. Considers that the Commission of the European Communities should immediately draw up :

(a) a study on the social and economic situation of the regions of East Germany so as to assess their needs;

(b) a study of the impact of imminent changes and restructuring measures in East Germany on Community regions in order to determine which structural actions are necessary to promote the economic and social cohesion of the Community as a whole.

8. Emphasizes that the study of the economic and social situation should, as far as possible, ascertain the per capita GNP and the rate of unemployment on a comparable basis and in respect of the territorial subdivisions which should correspond to the new Länder, bearing in mind that an assessment of the rate of unemployment will have to take into account the foreseeable consequences for employment of the inevitable restructuring measures in the various economic sectors following unification.

9. Insists, moreover, that the Commission should first study and then submit to Parliament and the Council the transitional measures that will probably have to be taken in respect of Structural Fund legislation.

10. Is, of course, aware of the difficulties and problems that will arise due to the application of certain principles and provisions of this legislation, notably as regards the criteria of eligibility and, above all, of 'partnership'.

³ Resolution on the guidelines proposed with a view to the preparations for the 1991 budget (Minutes of proceedings of the sitting of 5 April 1990-PE 139.833, p. 33, para. 6)

11. Emphasizes, in this connection, that the Commission of the European Communities should cooperate closely with the German authorities to contact those bodies that will be at national and, if possible, local level for programming and managing Community co-financing in order to provide preparatory technical aid forthwith.

12. Strongly recommends the rapid introduction in East Germany of the regional/federal system obtaining in the FRG since experience indicates that this system will greatly promote the social and economic development of the new Länder since it will give citizens greater co-responsibility for regional planning and the use of resources.

13. Welcomes the fact that the European Council meeting in Dublin advocated full access of the German Democratic Republic to EIB, EURATOM and ECSC loans even during the period preceding unification and calls on the Community authorities to implement the policy adopted by the European Council as soon as possible.

14. Considers that these loans may help to bridge the gap between the two German economies, promote environmentally acceptable development and bring about the integration of persons, goods and information.

15. Calls on the Commission of the European Communities to submit, as soon as possible, a report on the new system of regional aid measures which Germany will have to adopt and the consequences as regards the coordination of these measures at Community level in view, notably, of economic and monetary union.

The Committee on Regional Policy and Regional Planning adopted these conclusions unanimously at its meeting of 29/30 May 1990.

Yours sincerely,

Antoine WAECHTER

The following took part in the vote : WAECHTER, Chairman; MAHER and DE ROSSA, Vice-Chairmen; CALVO ORTEGA, CUSHNAHAN, DA CUNHA OLIVEIRA (deputizing for MAIBAUM), DAVID, ESCUDER CROFT, FITZGERALD, GARAIKOETXEA, GARCIA ARIAS (deputizing for GOMES), GUTIERREZ DIAZ, IZQUIERDO, KÖHLER, LAMBRIAS, MALANGRE (deputizing for CONTU), MAZZONE (deputizing for BORLOO), MEDINA ORTEGA (deputizing for D. MARTIN), ORTIZ CLIMENT (deputizing for LUCAS PIRES), PACK, RAFFARIN, RAGGIO, ROSMINI, RUFFINI, SIERRA BARDAJI (deputizing for HARRISON), A. SMITH, STAES and WELSH.

OPINION
(Rule 120 of the Rules of Procedure)
of the Committee on Transport and Tourism

By letter of 23 March 1990 Mr Fernandez-Albor, Chairman of the Temporary Committee to consider the impact of the process of German unification on the European Community asked the Committee on Transport and Tourism for its opinion.

At its meeting of 25 April 1990 the committee appointed Mrs von Alemann draftsman. The committee considered the subject of the opinion at its meetings of 30 May and 21 June 1990 and at the latter meeting adopted the conclusions by 16 votes to 0 with 2 abstentions.

The following took part in the vote conducted by Mr Amaral: Topmann, Vice-chairman; von Alemann, draftsman; Bettini (for Fernex), Braun-Moser (for Bonetti), Coimbra Martins (for Iacono), Cornelissen (for Fantini), Lalor (for Marleix), Lüttge, McIntosh, McMillan-Scott, Müller, Porrazzini, Sarlis, Schodruch, Stamoulis, Visser, van der Waal and Wijsenbeek.

1. The far-reaching political changes in Central and Eastern Europe are adding completely new dimensions to European transport policy and presenting it with new tasks. The Committee on Transport is currently drawing up its own report⁴ on this topic. Without wishing to anticipate that report, the broader context cannot be disregarded in this working document, since German reunification is one facet of those far-reaching changes. In the age of high-speed trains and mass air transport, transport policy discussions can no longer be confined to regional issues. On the other hand, it is not for the European Parliament to deal with matters of internal German transport policy. This document therefore covers only those areas where the common transport policy conducted on the basis of Article 75 et seq. of the EEC Treaty and the transport policy implications of German reunification coincide.

2. The current transport policy of the European Community can best be described in terms of its objective of establishing the internal transport market and giving it practical form through flanking measures⁵. This embraces the common organization of the markets in land, maritime and air transport, the accompanying harmonization of technical, social, fiscal, safety and environmental provisions, the joint conduct of external relations and complementary measures in the transport infrastructure sphere with a view to developing transnational networks and strengthening cohesion. Transport policy measures taken in connection with German reunification must fit in with this framework. These measures include :

- the establishment of a common system of transport rules in an integrated economic area,
- the establishment of common transport law and uniform standards to govern transport infrastructure construction,
- a joint transport infrastructure plan and the integration, for financial and planning law purposes, of development programmes,
- the definition on a joint basis of tasks to be performed by the State.

3. German reunification is creating a pressing need to develop transport infrastructures in eastern Germany. As a first step, the Federal German Transport Minister has announced the re-establishment of transport routes truncated by the drawing of frontiers more than 40 years ago. This involves the completion of the Hof-Plauen and Obersuhl-Wommen motorways and the Eichenberg-Arenshausen rail links, and the electrification of the Bebra-Neudietendorf, Helmstedt-Magdeburg and Probstzella-Camberg lines⁶. Priority is being given to examining gaps in the rail network in the following planning areas : Hamburg-Berlin, Salzwedel, Nordharz, Meiningen/Mellrichstadt and Coburg. In the medium term, plans will have to be made for comprehensive modernization of the transport network in the GDR; this applies both to the railways, large sections of track being rotten and useable only at unacceptably low speeds (17% of the network is made up of slow sections, one fifth of the 6000 bridges need replacement, M 10 billion is required for sleeper replacement), and to the road network, which in no way meets current safety requirements (road surface, guard rails, hard shoulder); only 42% of

⁴ Rapporteur : Mr Anastassopoulos (see Working Document PE 140.287)

⁵ In this connection, see the draft report by Mr Amaral (PE 139.444)

⁶ See Bundestag document 11/6343, 1 February 1990

roads and 60% of road bridges can be used without restriction. These are all domestic German tasks which do not affect Community transport policy. In terms of that policy, it is instead vital that the potential of the East German area should be correctly assessed in connection with the development of the key European transport axes and that European planning should be expanded to incorporate new axes linking the economic and population centres of Central and Eastern Europe with those of the GDR and the European Community.

4. In this connection, the medium-term plan agreed between the governments of the Federal Republic and the GDR to build a high-speed rail track between Hanover and Berlin is significant. This project fits in with the plan for the European high-speed rail network which already, in its current form, includes the Paris-Brussels-Cologne-Hanover-Berlin axis⁷. In the light of likely future needs, this plan should be expanded to incorporate an extension of this axis beyond Berlin to Warsaw or even Moscow. In the north-south direction, an additional Berlin-Dresden-Prague-Vienna-Budapest axis should be established. In its work on the future plan for combined transport in Europe, the Commission should, from the outset, make provision for adequate routes into the territory of the GDR, since the saturation of the road network makes the development of intermodal chains essential. Despite all the problems, particularly in respect of environmental protection, which road transport creates, road construction must not be neglected, since the mobility of the individual in his or her own car is a symbol of personal freedom, especially for GDR citizens. However, this is primarily a matter of filling in gaps and extending existing axes, so that overall European planning would not appear to be affected.

5. In the aviation sphere, a key issue is the modernization of the GDR's air traffic control system. Attention should be paid not only to its compatibility with the Federal German system, but above all to ensuring that it can easily be incorporated into the future, fully-automated European system. The newly-formed Länder in the GDR will assume responsibility for administering airports. They will lay down their development plans in the light of the needs and potential of their regions; a need is already emerging for a large airport for the Berlin region. The same applies to maritime transport; hitherto seaport development has not been planned at European level but is dictated independently by the operators themselves in accordance with their needs and potential. It will therefore be up to the shipping companies to decide, on the basis of commercial considerations, which ferry routes should be restored or discontinued. There is a pressing need for maintenance investment, for example in the mole system at Warnemünde in order to secure access to the port of Rostock. The same applies to the inland waterway network, on which roughly M 6 bn will have to be spent in order to prevent continuing decay reducing the navigable depth, and therefore capacity (by up to 20%).

6. The financing of the essential infrastructure development projects is a matter for the two German states and, in future, the reunited Germany. With regard to the short-term measures already agreed on, DM 150 m has been set aside in the Federal German budget for 1990 and DM 100 m for 1991. In addition, DM 860 m are available from intra-German transit fees and M 1185 m

⁷ See COM(89) 564 final, p. 31

from a GDR fund. The cost of building the Hanover-Berlin high-speed rail line is put at DM 4 bn. No final forecast can yet be made of the expenditure involved in modernizing the entire GDR transport network; the most plausible estimates suggest a figure of DM 100 bn each for the road and rail networks. If progress is made in developing a complementary Community finance instrument, projects on the territory of what is now the GDR can naturally be considered for Community support if they meet the same criteria as laid down in other parts of the Community.

7. The transition on the territory of the GDR from a transport economy dominated by state-trading firms to a free transport market is bound to cause difficulties. Five state combines determine the structure of the freight transport market; private hauliers enjoy only an insignificant market share; there are no haulage firms. Road passenger transport is handled by roughly 100 bus companies. The objective must be to harmonize the rules on the basis of EC law. Preparations for the introduction of uniform rules to govern freight and road passenger transport are in full swing, with a range of legislative measures to be enacted this summer. The task is being made even more complicated by the fact that it cannot be achieved solely by adapting GDR transport law to that of the Federal Republic because the Federal German transport market is also in a state of upheaval prior to the completion of the EC internal market. Where the future application of Community law places burdens on transport firms in the GDR, e.g. through the payment of contributions to the reorganization fund for inland waterway navigation, steps must be taken to ensure that the firms concerned also enjoy the corresponding benefits, in this case the scrapping premium.

8. Of course, special transitional provisions and periods will have to be laid down for GDR transport undertakings, whereas 1 January 1993 is the crucial date for their Federal German counterparts. The duration of these transitional periods may vary according to the relevant practical requirements: previous accession treaties can be taken as a guide. As German reunification is to be implemented pursuant to Article 23 of the Basic Law of the Federal Republic of Germany and, therefore, no actual accession treaty between the Community and the GDR is required, the legal form of these transitional rules will need to be clarified. The Commission has announced that a legislative proposal on this matter will be referred to Parliament before the end of 1990. In this connection there will also have to be adjustments to Community law, for instance regarding the Community quotas for crossfrontier road haulage which will remain in force until 31 December 1992. In the final analysis, however, sooner or later the internal market rules will apply in full on the territory of the GDR. This will call for considerable efforts on the part of undertakings and financial subsidies from the German state which should win Commission approval, given the exceptional circumstances. In this connection, due consideration should also be given to the impact of restructuring on the employment situation on the territory of the GDR.

9. Harmonized technical, social and fiscal provisions are necessary accompaniments to the free internal market. There is now no question that they will in future be applied in full on the territory of the GDR, although appropriate transitional rules and periods will have to be negotiated, as dictated by the relevant economic and technical circumstances. The Community should show understanding for the exceptional situation in Germany but, at the

same time, be careful to ensure that derogations are not misused and that the vital progress towards harmonization in the transport sector is not hampered by German reunification. Just how pressing the need is for rapid harmonization is illustrated by the fact that prompt European harmonization would have obviated the need to introduce the highly controversial German heavy goods vehicle toll which has also been incorporated in the German state treaty on economic and monetary union.

10. The Community must attach particular priority to ensuring that environmental protection standards can rapidly be implemented in the transport sector on the territory of the GDR. This will be feasible only if commercial vehicle fleets are quickly renewed. At present, the average age of vehicles used by private haulage undertakings in the GDR is over 20 years. Forty-one of the 44 aircraft operated by Interflug are outdated and no longer comply with emission standards; only three of its aircraft are modern Airbuses. The capital for this renewal will have to be raised in part on the capital market; state subsidies will be required, in particular for small and medium-sized undertakings, if it is to be achieved with the necessary speed. However, as this renewal will generate considerable growth and create jobs, we recommend that the Community should show the greatest justifiable strictness in granting transitional derogations from environmental protection provisions and should rather make concessions in other areas, e.g. the application of subsidy provisions.

11. A further very sensitive area is transport safety. The technical monitoring of vehicles, which is unfortunately as yet only compulsory in the Community for commercial vehicles under the terms of Directive 77/143/EEC⁸, must be implemented as rapidly as possible, and with equal stringency, for all vehicle types throughout the Community. On the other hand, the GDR does rigorously apply certain particularly strict rules such as the zero blood-alcohol limit for drivers and speed limits. Until these rules are abolished, visitors from other Community Member States should be informed of them so that they do not encounter unnecessary difficulties. However, this example demonstrates once again how necessary the Community harmonization of road transport safety provisions is. The Federal German Government should take the opportunity to review its position on this matter.

12. The shipping sector also faces problems concerning the condition of its fleet. Two thirds of the 157 freighters in the GDR's merchant fleet are outdated; only the 12 train ferries comply with modern technical requirements. The situation is similar in the inland navigation sector. The inland navigation combine has at its disposal capacity totalling roughly 500 000 tonnes, but two thirds of the 489 vessels are obsolete. Complementary Community structural aid (scrapping fund, shipbuilding programmes) will be essential if medium-sized undertakings are to be established in this sector.

13. A difficult problem, which will only be resolved in the course of time, is posed by the land, maritime and air transport agreements concluded by the GDR with other states. Once the internal market is in place, all agreements

⁸ OJ No. L 47, 18.2.1977, p. 47

concluded by Member States which touch on aspects of transport policy which will then be governed by Community rules will gradually be replaced by Community agreements. If this necessary adjustment process is kept in mind during future moves towards German reunification, it should be possible to find acceptable solutions for all concerned. Admittedly, it will only be possible to resolve certain politically particularly delicate problems, such as the rules governing air sovereignty over Berlin, in conjunction with the Four Powers, perhaps as part of a definitive peace settlement for Germany.

Conclusions

14. In the transport policy sphere, German reunification must and will take place in the context of the joint objectives of the internal market and will in no way call into question the existing degree of integration. Very substantial tasks, particularly in respect of transport infrastructure, will be achieved through German efforts alone. Complementary Community measures may be taken in accordance with the same criteria as apply in other areas of the Community. The adaptation of the transport economy on the territory of the GDR to internal market requirements may make transitional rules and periods necessary, but cannot justify long-term derogations. German reunification is not a reason for slowing down the development of European transport policy. Quite the reverse is true: certain problems could be more easily and more effectively solved were the internal transport market already closer to completion.

OPINION
(Rule 120 of the Rules of Procedure)

of the Committee on the Environment, Public Health
and Consumer Protection

Draftsman: Mrs ROTH-BEHRENDT

At its meeting of 26 April 1990 the Committee on the Environment, Public Health and Consumer Protection appointed Mrs ROTH-BEHRENDT draftsman of its opinion.

The Committee considered the draft opinion at its meetings of 28 May and 20 June 1990 and adopted the conclusions unanimously at the latter meeting.

The following took part in the vote: Mrs Schleicher, Sir James Scott-Hopkins and Mr Iversen (Vice-Chairmen), Mrs Roth-Behrendt (draftsman), Mr Alber, Mr Avgerinos, Mr Bertens, Mrs Bjornvig, Mr Bombard, Mr Bowe, Mr de la Camara Martinez, Mr Canavarro, Mr Caudron (deputizing for Mr Di Rupo; Mr Ceci (deputizing for Mr Imbeni), Mr Chanterie, Mr De Piccoli (deputizing for Mr Puerta); Mrs Diez de Rivera Icaza, Mrs Green, Mrs Jackson, Mrs Jensen, Mrs Martin (deputizing for Mrs Veil), Mr Monnier-Besombes, Mr Muntingh, Mr Partsch, Mr Pereira, Mr Pimenta, Mrs Polack, Mr Pronk (deputizing for Mrs Oomen-Ruijten), Mr Schwartzenberg, Mr Ll. Smith, Mr Vernier and Mr Vohrer.

(A) Preface

Because of the brevity imposed on committees asked for their opinions, the draftsman is unable to attempt a comprehensive description of the ecological situation in the GDR. This can be found in summary form in the document entitled 'The environmental protection situation in the GDR and problems concerning adjustment to European Community provisions', produced by the Directorate-General for Research for the temporary committee to consider the impact of the process of German unification on the European Community (PE 141.755).

There is also a wealth of literature on the subject, some quoted in the abovementioned document, with the result that the ecological situation in the GDR is today one of the best-documented policy areas of all. This is due not least to the efforts of scientists in the Federal Republic who have untiringly maintained contact with their colleagues in the GDR over the last 20 years and pieced together a mosaic of individual items of information. Particular reference should be made of the environmental movement in the GDR which has been active there since 1985, initially under the severest political handicaps, and which could at first make headway only with the protection of the Lutheran church. By way of example we would quote the 'environmental library' maintained by the Gethsemane congregation in Berlin (GDR) and the 'Church research centre' in Wittenberg.

Over a period of years these environmental activists were able to produce a truer picture to contrast with the rosy image portrayed in official propaganda. Immediately after the Wall was opened on 9 November 1989, these figures and facts were made public at the 'round table' and forced the State and government to produce realist reports on the situation, on which the draftsman can now rely.

(B) Summary of the GDR's problems in respect of environmental protection, nuclear safety, consumer protection and public health

The environmental protection situation in the GDR is characterized by :

- the third greatest gross domestic consumption of energy in the world (after the USA and Canada),
- the world's highest SO₂ emissions per km² and per capita,
- the world's highest consumption of lignite, some of it low grade,
- Europe's highest dust emissions per km²,
- highest nitrate and pesticide soil pollution in Europe,
- Europe's, if not the world's, lowest supply of top grade surface water,
- water used an average of 7 times, locally up to 20 times, with completely inadequate purification facilities, as a result of which the GDR is reusing water at rates which would be excessive even in arid areas of southern Europe,
- the greatest European importer of domestic and special waste,
- the highest rate of loss of species of flora and fauna in Europe, in relation to its territory.

Moreover, by 31 December 1989 only one power station in the GDR had been fitted with devices to reduce sulphur emissions, and in none had nitrogen oxides been reduced. There is only one domestic and one special waste disposal plant, and they are of ecologically questionable value. There are

only two third and fourth stage purification plants. Over 90% of the motor vehicles in both private and public hands are hopelessly obsolete. With the lowest price of electricity in Europe (0.08 Ostmark) there is no incentive to save energy so that even the simplest regulating devices are unknown in private or public buildings.

The GDR's nuclear industry has a hopelessly outdated USSR technology-based nuclear power plant at Lubmin (Greifswald). A second plant near Stendal has been under construction for 10 years and is also based on 16 year-old USSR technology.

Consumer protection in the GDR is at present based on neither suitable legal instruments nor any substantial consumer protection organization. Nor can we ignore the fact that not only the range of products on offer, but also their safety, is below standard. Thus food additives (e.g., colouring and preserving agents) are allowed which have long been banned in the Community. Beer has long been brewed with ingredients which several European laboratories are at present struggling to analyze. The same applies to prepared foodstuffs, baking ingredients, tinned goods, confectionary etc., Nor is the situation better in respect of other manufactured goods (e.g. domestic appliances, hi-fi equipment); here too the West finds less to criticize in the often unimaginative design than in the failure to observe safety standards, the materials used and the absence in practice of any guarantee.

Public Health also presents a depressing picture by European standards: an unhealthy way of life characterized by a high consumption of animal protein (in per capita meat consumption the GDR would come top in the Community), a diet lacking vitamin-rich components such as fruit, vegetables and milk products and a still-rising trend in consumption of tobacco and alcohol by comparison with other Community countries. In conjunction with the high levels of environmental pollution this has been produced a comparatively low life expectancy (locally up to five years less than in the Federal Republic of Germany for example) and high incidence of heart and circulatory disease and cancer.

The provision of specialists (other than in internal medicine) is inadequate as is that of special clinics (e.g., for treating tumours, and for nuclear medicine); preventive examinations are inadequate, as are the facilities for aftercare and rehabilitation (e.g., after accidents and vocational disease), and the grim state of the handicapped and of psychiatry constitutes another dark chapter over the last 40 years.

Over the next few months the public health service is threatened with local collapse as a result of obsolete or non-existent equipment and the emigration of medical and nursing staff. The impending closures of polyclinics, either as a result of bankruptcy of their sponsors, for those run by industry, or on cost grounds with the introduction of the market economy in the case of the public polyclinics, are unlikely to be adequately offset.

What was originally praised even in the West as in some respects an exemplary public health system is increasingly proving to be an inadequate response to the complex threat to health in a modern society.

The draftsman would conclude her description, in a somewhat resigned frame of mind, by referring to two aspects which she regards as positive and which should be retained: the rate of recycling, only exceeded in Europe by Sweden

(e.g., for glass, paper, and noble and non-ferrous metal), together with the absence of plastic and other non-returnable packaging. However, after the frontiers are opened, reality in the form of adaptation to Western consumer habits will probably swamp this bit of progress.

(C) The Community and the process of German unification

The draftsman makes the following assumptions

1. Secondary legislation should be divided into:

- Community law still to be put into force immediately by the GDR government in GDR territory,
- Community law to be put into force by the GDR government on the date German unification takes effect,
- Transitional arrangements to be negotiated between the Community and the governments of the GDR and FRG to run beyond the date of unification.

2. As regards the financial instruments, we have to distinguish between three types of aid:

- ad hoc aid to the GDR to facilitate preparatory adaptation,
- aid to which a unified Germany would in principle be entitled, and
- aid which might be granted to the former GDR territory in the form of special measures.

The draftsman bases her assumptions on the belief that the territory of the present GDR cannot be allowed to become an area in which economic development is achieved by social and ecological 'dumping'. This would be detrimental to both the equality of development opportunities of all regions of the Community, and the population of the GDR.

The draftsman therefore urges the Commission, in close cooperation with the two governments, to lose no time in drawing up a list of secondary legislation and financial instruments falling into the three categories she has described.

Thus, for example, the GDR could apply the following measures in its territory without delay:

- Directive on emissions by vehicles with an engine capacity of more than 2 litres,
- The directive on the conservation of birds,
- The directive on environmental impact assessment,
- The directive on free access to environmental information,
- The directive on price indication,
- The directive on the labelling of foodstuffs, tobacco products and spirits,
- Certain directives on the use of additives, colouring agents, etc. in foodstuffs, beer, wine, non-alcoholic beverages, feedingstuffs, etc.,
- Directives on consumer credit, and on consumer protection concerning doorstep transactions, package tours, etc.

With the integration of GDR territory into the Community the following measures could be transposed into national law:

- Directive on emissions from vehicles with engines of less than 2 litres,
- Directive on the discharge of aldrin, dieldrin and endrin into the environment,
- The directive on measurement of air pollution,
- The framework directive on waste,
- The directive on the classification, packaging and labelling of dangerous substances,
- The directive on the use of PCBs and PCTs,
- The directive on advertising of tobacco products,
- The directive on frozen food,
- Minimum standards for protection against ionizing radiation (in part),
- Further sections of foodstuff legislation,
- Directives on the use of pesticides and herbicides,
- Directive on pharmaceutical products,
- Making the GDR nuclear-energy industry, including uranium mining, subject to the provisions of the EURATOM Treaty, and especially of the supply Agency (which will probably involve complicated negotiations with the Soviet Union as majority owner of the WISMUT uranium mines),
- Directives on the safety for children of products and toys.

Transitional periods, some of the them lengthy, may be required in the following areas:

- Practically all directives on water quality and the discharge of pollutants,
- Much legislation on air pollution (e.g. combustion plants, limit values for air pollution, waste disposal plant),
- Some directives on food quality standards (in view of the special problem of possible regional marketability).

The GDR could also contribute to environmental progress in the Community, e.g. by legal enforcement of its present practice of recycling glass, by making the deposit system a requirement and banning plastic bottles and other forms of plastic packaging. This would pose an interesting problem for the Community, when incorporating the GDR into its legal territory, as to whether it would allow the GDR territory to take a step backwards in environmental terms, or opt for progress for the Community as a whole.

The draftsman takes the view that the following financial instruments should immediately be made available to the GDR:

- aid for environmental, consumer and public health bodies, and strengthening their infrastructures, in order to provide a proper counterweight to the producer associations,
- integrating GDR institutions in environmental, consumer and health information campaigns (e.g. on child safety, cancer, Aids, alcohol and tobacco abuse),
- inclusion in training and further training programmes receiving Community aid.

The following financial instruments could be applied when the GDR is incorporated in the Community's legal area:

- the Environmental Fund, the ACE programme and the programme for protecting the North Sea and the Baltic,
- the pilot programme for the disposal of nuclear plant,

- the ENVIREG programme, possibly with special reference to the disposal of residual waste.

Programmes tailored to the regions could be produced for the following areas:

- the restoration of the environment in abandoned brown coal mining areas, with special reference to the implementation of the Bern Convention,
- help to reform the public health system.

(D) Conclusions

The Committee on the Environment, Public Health and Consumer Protection recommends that the committee responsible incorporate the following conclusions in its resolution:

1. The integration of the GDR into Community territory raises comparatively minor legal but considerable practical difficulties in respect of the environment, consumer protection and public health, in that:
 - much secondary legislation can still be adopted by the GDR as a sovereign state,
 - other secondary legislation may be put into force when the two German States are unified,
 - long transitional periods will be required in some areas (e.g. clean air and water, food quality standards).
2. The Commission is called upon to initiate negotiations with the two German States without delay to ascertain which specific directives, regulations and financial instruments could apply at what stage, and to submit a report to the European Parliament on the matter by 31 December 1990, in the form of a communication.
3. GDR associations and institutions should immediately be included in Community aid, in training and further training programmes and information campaigns. This should be accomplished in 1990 by means of a supplementary budget.
4. Community policy must be aimed at preventing social and ecological dumping in GDR territory.
5. In the light of past experience, efforts must be made to avoid a situation in which uncoordinated economic development in the GDR subsequently necessitates costly ecological remedial programmes, as in other Member States of the Community.
6. The reorganization of the health system must be continued by safeguarding preventive measures and disseminating basic medicine, while at the same time ensuring that new technologies are introduced.
7. It is important to ensure that a socially and ecologically compatible market economy is introduced on GDR territory, which in many areas might even serve as an example to the Community as a whole.

OPINION IN THE FORM OF A LETTER

Letter from the Chairman of the Committee on Youth, Culture, Education, the Media and Sport to Mr FERNANDEZ ALBOR, Chairman of the Temporary Committee to consider the impact of the process of German unification on the European Community

Subject: The unification of Germany and the consequences thereof for the European Community

Dear Mr Fernandez Albor,

At its meeting of 28, 29 and 30 May 1990, the Committee on Youth, Culture, Education, the Media and Sport considered, from the point of view of its own responsibilities, the consequences of the unification of Germany for the European Community. It approved the following text unanimously.⁹

1989 was a year which saw major upheavals in central and eastern Europe. The opening by Hungary in May 1989 of the 'iron curtain' separating it from Austria led, after the massive exodus of East Germans to the FRG via Hungary and Austria (and later via Czechoslovakia and Poland), to another event of great historical importance, the opening of the Berlin Wall on 9 November 1989. On that day, the German people made clear their wish for unity after more than forty years of division due to the Cold War. With the fall of the Berlin Wall, not only the division of Germany but also the division of Europe is coming to an end. A Europe of peoples is being reborn before our eyes and it is against this background that one must judge the decisions taken by the European Councils of Strasbourg (8-9 December 1989) and Dublin (28 April 1990) which gave the green light to the unification of Germany and assigned the Community an important role in this new intra-European context.

6 June 1990

⁹ The following were present at the time of the vote: Barzanti, Chairman; Canavarro (for Elliott), Coimbra Martins, Dillen (for Le Pen), Gröner, Kellett-Bowman (for Stewart-Clark), Larive, Münch, Oostlander, Rawlings and Taradash.

As regards German unification and its consequences for the spheres covered by our committee, we wish to draw the attention of the committee responsible to the following points:

- (a) The Committee on Youth, Culture, Education, the Media and Sport considers that the process of German unification must be assessed in the broader context of the development of relations with the countries of Central and Eastern Europe. It recalls that the Community already has plans to implement two specific programmes for these countries, TEMPUS¹⁰ and the European Training Foundation¹¹.
- (b) The committee is aware that the creation of a climate of confidence between a unified Germany, and its neighbours, and also between Western Europe and Central and Eastern Europe as well as the USSR, is essential for consolidating peace in this part of the world. It is impossible to over-emphasize the fundamental role played by the European Community in this matter among the countries of Western Europe. The Community's role is indispensable now that this climate of confidence is growing between the two parts of Europe and, in particular, between a united Germany and its Polish, Hungarian and Czechoslovak neighbours with the result that a painful history is finally being overcome. The committee believes that the young people of Europe are the key to a future based on trust and friendship, since they are less subject to prejudices than previous generations. The committee therefore advocates setting up a German-Polish Youth Scheme, a German-Hungarian Youth Scheme and a German-Czechoslovak Youth Scheme, on the lines of the Franco-German Youth Scheme, which has been a great success, so as to bring about greater understanding between the German people and the Polish, Hungarian, Czech and Slovak peoples. The European Parliament should, moreover, declare its readiness to sponsor an initiative of this kind if the governments concerned take the appropriate decisions.
- (c) In this same spirit, the committee welcomes the fact that the new East German Government has acknowledged the country's responsibility for Nazi crimes, as West Germany did forty years ago. This responsible attitude towards historical events shows the willingness of the East German Government to face up to its international obligations in respect of its own past and shed light on all the dark chapters of its history, thereby revealing its faith in the democratic future of the East German state and also that of a united Germany.
- (d) It notes, in the same spirit, the desire of the present GDR Government to distance itself from the crimes committed by the Communist regime in the post-war period.
- (e) The committee calls on the East German Government to guarantee forthwith, by amending legislation if necessary, the freedom of journalists and the media as part of the creation of a pluralist democracy based on freedom of

¹⁰ See report by Mr Oostlander (Doc. A 3-73/90) on COM(90) 16 final/2

¹¹ See report by Mr Harrison (Doc. A 3-68/90) on COM(90) 15 final/3

information. A useful contribution could be made by extending the scope of the directive on television without frontiers to the territory of the GDR.

- (f) The committee calls on the new East German authorities, in accordance with the coalition agreement of 12 April 1990, to endeavour as soon as possible to guarantee freedom in culture and the arts, as exists in the west.

It advocates immediate cooperation in the cultural sphere (exhibitions, concerts, theatre, films, etc.) between the Community and East Germany, even before the de jure unification of Germany takes place, so as to encourage mutual understanding.

- (g) The committee stresses that the Community should make a financial contribution to the restoration of certain historic buildings with a symbolic value in the eastern part of Germany, in order to show that East Germany is already considered part of the Community.

- (h) The committee emphasizes the importance of conducting an information campaign on behalf of Parliament and the Commission in East Berlin, so as to establish contacts between Community circles and political (government and Volkskammer), administrative, trade union and other East German circles and thereby facilitate the adaptations needed to bring East German legislation in line with Community law. The establishment by these Community institutions of an Information Office could help meet these requirements.

- (i) The committee calls on the Commission to examine without delay the issue of the recognition of East German university degrees and vocational qualifications, so as to enable all Germans, following German unification, to move freely within the Community and vice versa.

- (j) The committee calls for the citizens of the GDR to be given easy access to Community training programmes (ERASMUS, COMETT, LINGUA, etc.), even before the de jure unification of Germany. As far as vocational training is concerned, the Commission should consider whether the best instrument for meeting the needs of the GDR, taking into account the forthcoming introduction of a social market economy to this country and its considerable needs in the spheres of business management, financial services, environmental protection, etc., is the CEDEFOP or the European Training Foundation or a combination of the two. Community initiatives to help the GDR in the above fields will clearly entail increased financial resources for the programmes concerned. The TEMPUS programme, currently limited to Poland and Hungary, foreshadows a broader form of cooperation with the other countries of Central and Eastern Europe, to go hand-in-hand with the progress made by these countries towards democracy.

- (k) The committee recommends that a national German team be set up for the 1992 Olympic Games, to be sponsored, along with the other national teams of the Member States, by the European Community.

The Committee on Youth, Culture, Education, the Media and Sport therefore calls on the Temporary Committee to consider the impact of the process of German unification on the European Community to include either in its interim report or in its final report all the essential points of the above, so that this 'enlargement', resulting from the extension of the territory of a Member State and therefore of Community territory, can serve as an example when the states of Central or Eastern Europe apply for membership of the European Community.

Yours sincerely,

(sgd) Roberto BARZANTI

INTERIM OPINION

(Rule 120 of the Rules of Procedure)

of the Committee on Development and Cooperation

Draftsman: Mr Amédée TURNER

At its meeting of 20 April 1990, the Committee on Development and Cooperation appointed Mr Turner draftsman of the opinion.

At its meeting of 20 June 1990, the committee considered the draft interim opinion.

At its meeting of 21 June 1990, the committee adopted the conclusions as a whole.

The following took part in the vote: Saby, Chairman; Aulas and Belo, Vice-Chairmen; Turner, draftsman; Cabezon (for Rubert de Ventos), Eijner Christiansen (for Pery), de Donnea (for Galland), Christopher Jackson, Langer (for Melandri), Lagakos, McGowan, Mendes Bota, Morris, Pons, Ruiz Giménez, Simons, Tsimas (for Van Putten), Vecchi and Wynn.

1. The Committee on Development and Cooperation has been called upon to give an opinion, at very short notice, on the effects of the process of German unification on the developing countries, and, in particular, on European development policy. A first consideration of this subject shows that German unification could have important consequences both in the medium and long term, but that it would be difficult at this stage to give an appreciation of their consequences in detail, until more sufficient detailed information can be assembled. The present opinion will, accordingly, limit itself to raising certain questions and formulating a number of recommendations with regard to the most urgent problems. The Committee on Development and Cooperation should once more be consulted on this matter in the context of the temporary committee's final report, and the proposals from the Commission, expected in the second half of the year. The Commission is at present examining the impact of German unification inter alia on the developing countries.

2. Several aspects of the question merit attention:

- the effects of German unification on the different intergovernmental treaties and agreements entered into by the GDR with developing countries. In addition all GDR development projects and their future operation and integration into West German development efforts where appropriate are currently being examined;
- the effects of German unification on trade flows of goods and services particularly the steps needed to ensure continued trade flow through newly developing free-market channels in place of the present command economy arrangements;
- the effect on capital flows because West German investment will undoubtedly be concentrated in East Germany;
- the contribution of a unified Germany to European Development Policy;
- the consequences on the developing countries, direct and indirect, of the new world political context resulting from German unification. The reduction in tension could open up the eventual possibility of increases of overall funding available for development.

3. Each of these points must be considered further, and the following indications could be completed or modified in the light of detailed examination :

- a. The new situation is characterised by reduced tensions between power blocks and ideologies which should lead to developing countries being able to adopt policies with less regard to the former ideological divide. The relations between the GDR and certain developing countries in the context of "socialist assistance" meant that that country had privileged relations with certain developing countries. It should be noted that this aid, in fact, frequently was directed to political, military and para military assistance. It is probable that the future relations between a united Germany and those developing countries will be substantially different , being more neutral from the ideological point of view. It is worth noting, in this respect, that the GDR has just appointed a Minister responsible for Development and that a decision has been taken to continue development work with a new draft programme to be proposed in July.

However the GDR will have no available budget. Hitherto GDR development aid has been disbursed on an ad hoc basis often tainted politically and militarily without overall principles. The countries covered by the GDR have largely been those not covered by the FRG and thus a comprehensive coordinated policy could result after unification. However the GDR has no funds for military expenditure to cut in favour of either expenditure and therefore the burden on the FRG will increase and all that can be expected in the short-term is that there will be no cut in development funding by United Germany. It will be 3-4 years before united Germany can attain per capita levels of contribution equivalent to those of the FRG at present. On the other hand the third world as a whole will lose a certain "fulcrum" position between East and West which at first may lead to a sense of a diminution of influence globally - but should eventually lead to a more healthy and robust position in world affairs for the Third World as a whole, and for individual countries;

- b. From the economic point of view a united Germany should, globally, be beneficial to the developing countries. On the one hand Germany's contribution to different development agreements, including notably the Lome Conventions, and to specialised multilateral agencies could eventually be increased as a result of Germany's improved economic situation. Secondly the financial and economic flows, in particular exports from the developing countries towards Germany, could increase. This is particularly true in the case of tropical products, where the elasticity of the potential market appears to be strong;
- c. It must be pointed out, however, that a modification of the economic flows, both financial and commercial, is likely. This affects intergovernmental agreements (e.g. the GDR with Cuba on sugar imports. There are also problems over bananas, oranges and the tropical products which the committee must study in more detail) and the behaviour of economic operators following the profound changes taking place in the economic structures of the GDR. Only a careful and detailed examination of the 60 or so trade agreements between the GDR and the developing countries can indicate future trends. This is now being carried out by the Commission. It may well be that developing countries with an interest in East German trade will need special assistance to adjust their trading methods and channels. It must be pointed out however that trade with the developing world amounts to only 3% of the GDR's external trade. There are trade agreements, mostly for barter, with Cuba, Nicaragua and Vietnam. Many of these have not been fulfilled and may have to be written off;
- d. In the short term, there are a certain number of urgent problems. For example a certain number of projects at present underway in different developing countries, notably Ethiopia, Mozambique, Angola and Tunisia, are in question mainly because of staff leaving. In other cases decisions must be taken on redeployment of remaining field staff where suitable. This is an intra-German matter. This requires rapid decisions. Some countries have already approached the Community for assistance. Could intervention by the Community be envisaged perhaps in some instances in Mozambique, Angola and Ethiopia;
- e. The position of students and trainees in East Germany or with plans to go there must be urgently considered to ensure that their educational careers are not interrupted. 6,800 students took up courses in 1989 and 5,600 in 1990. All those from Cuba have returned at their Government's request.

The GDR government states that it will maintain its grants, however much funding was provided by more than 60 centrally directed "NGO" type organisations, many of which have been disbanded or have no funds. In addition the problem of those who have become non training immigrants must be taken up;

- f. We note that 100,000 citizens of developing countries are (60,000 from Vietnam) are today resident in the GDR in the context of the "socialist assistance" referred to above. The recent increase in the level of unemployment in the GDR is contributing to the creation of a difficult situation, characterised, inter alia, by recent signs of xenophobia. It should be noted that the committee of inquiry on racism and xenophobia set up by the European Parliament is looking into this question. It must be stressed, nevertheless, that this is not an entirely new phenomenon, though the previous system in the GDR masked the reality and is similar to that in other European countries and is not an E.C. problem;
- g. Careful attention must be paid to the preoccupation of the Community's partners in developing countries with regard to the changes in eastern Europe. These countries are afraid lest the Community forgets its undertakings as a result of its new found interest in eastern Europe. These fears should be studied. Fortress Europe never corresponded to reality. Nevertheless particular attention should be paid to the flow of investment. The situation is particularly worrying for several ACP countries, for reasons which are, to a great extent, the result of structures and management in these countries. It is reasonable to fear that the potential which is emerging in the countries of eastern Europe, and more particularly in the FRG, may lead certain investors to favour these new opportunities at the expense of investment - frequently risky - in the developing countries;
- h. It will be necessary to estimate the possible medium and long term funding increases which may be hoped for arising from reduction in tension, primarily caused by strategic realignment in East and West Germany. We must then ensure that proper claim is laid to the proportion which should justly go to the advantage of the Third World;
- i. All these factors must be considered in the present international context which quite apart from recent international developments, is not, on the whole, favourable to the developing countries, particularly in Africa. These traditional problems of debt, raw material markets, restructuring, and changing trends in political institutions in Third World countries, are in no way lessened by the events in Germany. This is a further reason for giving careful consideration to the negative consequences which could affect the developing countries, and for finding the right solutions. Nevertheless, over and above the short term problems of German unification, which can not be separated from the changes in eastern Europe, one can detect longer term trends which should be generally beneficial to the developing countries. This will be the subject of a more detailed analysis by the Committee on Development and Cooperation.

CONCLUSION

5. While reserving the possibility of considering this question in greater detail at a later date, the Committee on Development and Cooperation wishes to draw the attention of the temporary committee to the following points :

- a detailed study of the short term difficulties created by the present changes should be carried out, and adequate solutions found, in order to avoid negative consequences for those developing countries which had relations with the GDR;
- in collaboration with the political leadership of the FRG and the GDR, the Community should consider whether any assistance will be required during the transitory period in order to maintain Community development policy objectives;
- the Committee on Development and Cooperation is pleased to note that the Commission is currently conducting a detailed study of the effects of German unification on the developing countries so as to be able to inform the Community's partners, and notably the ACP States, of the possible consequences. The Committee will undertake its own enquiries and will consider the results of the Commission's studies in order to advise more fully in the autumn.

INTERIM OPINION

(Rule 120 of the Rules of Procedure)

of the Committee on Budgetary Control

Draftsman: Mr M. HOLZFUSS

At its meeting of 23 April 1990 the Committee on Budgetary Control appointed Mr Holzfluss draftsman of its opinion.

The Committee on Budgetary Control considered the draft opinion at its meeting of 28 and 29 June 1990, and unanimously adopted its conclusions on 28 June 1990.

The following took part in the vote: Price, Chairman; Blak, Wynn, Vice-Chairmen; Holzfluss, rapporteur; Colom i Naval, Goedmakers, Kellett-Bowman, Lo Giudice, McMahon, Saridakis (for Langes), Theato, Tomlinson.

The temporary committee to consider the impact of the process of German unification on the European Community has asked the Committee on Budgetary Control to contribute to the study Parliament has instructed it to make. That committee's submission will be in the form of an opinion to be drawn up on the basis of the answers obtained to the following questions:

I. THE PROBLEMS OF BUDGETARY CONTROL AND THEIR CONTEXT

Whereas the European Parliament conceives its activity in the area of budgetary control as:

1. an assessment of the effectiveness of the Community's different financial mechanisms, and
2. a contribution to improving the implementation and monitoring procedures governing financing,

it would be useful in seeking to analyze the impact of unification of Germany in this sector to know:

- (a) the German Government's and the Commission's working hypotheses as to the progress of the unification process, to be able to determine when Community legislation can be applied;
- (b) the assessments that have been made hitherto of the impact of the unification process on the Community budget (revenue and expenditure) and on the other financial mechanisms (ECSC, EIB, loans, etc.).

II. THE EFFECTIVENESS OF COMMUNITY FINANCIAL MECHANISMS HAVING REGARD TO PROBLEMS OF GERMAN UNIFICATION

There are three main approaches to this question:

- analyzing the economic problems posed by the unification of Germany and identifying the most appropriate Community financial mechanisms to resolve them at every stage in that process;
- considering the changes that must be made to existing Community financial mechanisms to face up to the upheaval caused by unification;
- considering what structural changes will be necessary in the GDR to enable the Community's financial principles and rules to be applied.

It is not possible to list all the problems that can arise. The following are by way of example:

Common agricultural policy

The structure of agriculture in the GDR differs significantly from that of the FRG, being characterized by large-scale farms with surplus labour and low productivity:

- Could the CAP be applied without derogations (which have always been necessary with previous accessions), and if so how?

- Can the Commission submit a timetable for the introduction of Community agricultural legislation in East Germany?
- The GDR operates a consumer subsidy scheme: To what extent is this scheme compatible with the Community guarantee scheme?

The GDR has hitherto imported products in which the Community is largely self-sufficient, if not in surplus (wheat, barley, milk, butter, sugar, pork, beef and veal, poultry):

- Will the extension of the Community guarantee to GDR agriculture not risk creating new surpluses and obstructing the smooth operation of budgetary discipline?

What adjustment measures does the Commission expect to take to guarantee the balance of the Community market?

In the area of fisheries the East German fleet is disproportionate to the available natural resources:

- What measures to adapt the existing arrangements could be envisaged by the Commission?

Structural policies

The integration of the GDR's economic structures with those of the European market presupposes a large-scale use of Western capital, both private and public. The Community budget could be used in a number of areas.

Structural Fund operations would obviously be conditional on identifying the nature of the problems affecting the GDR economy (is it an underdeveloped economy or a declining industrialized economy?), on the structure of the system, and the existence of reliable statistical data:

- In the Commission's view, under what objectives of the structural fund framework regulations would the GDR be eligible for fund projects?
- What difficulties would be caused by applying fund rules, having regard to the particular structure of the GDR economy?
- Would it be possible to envisage using more complex mechanisms, such as integrated programmes (e.g. on the IMP model) or Community loans?

Can the Commission provide the following statistical information about aspects of the GDR economy that could influence the shaping of the EC budget:

- GDP, GNP (in aggregate and by economic sector);
 - per capita GDP;
 - trade and payments balance;
 - external trade relations;
 - capital movements, borrowing and lending;
 - budgetary data by sector?
- Will the Commission introduce the structural policy measures immediately after the unification of Germany? If so, according to what timetable?

Financial engineering could provide a major contribution in the form of risk capital and managerial know-how to East German undertakings:

- Does the Commission think it would be possible and appropriate to extend to the GDR the financial engineering mechanisms now being provided for Community undertakings (Eurotech-capital, etc.)?

The Commission considers the state of GDR transport and environmental infrastructures as unsatisfactory:

- Should an ad hoc transport infrastructure programme be arranged?
- Although the levels of pollution caused by East German industries will require assertive intervention, will temporary interventions from Community legislation also be necessary? If so, could intervention from the Community budget (structural funds, etc.) be considered to avoid distortions of competition detrimental to Western undertakings?

The European Council in Dublin on 28 April 1990 asked the Commission to submit proposals for transitional measures leading to balanced integration of the GDR into the Community system:

- What type of measures could be envisaged and how would they differ from standard intervention mechanisms?

III. CONDITIONS FOR THE EFFECTIVENESS OF COMMUNITY FINANCING IN RELATION TO IMPLEMENTATION AND MONITORING PROCEDURES

The different Community financial mechanisms will intervene in Germany under arrangements that will evolve along with the unification process itself. The problems of implementing and monitoring these mechanisms will also evolve in the same way. In an initial stage the problems will be those the Community is already familiar with: implementation and monitoring of external aid. But it will quickly become necessary to confront problems of introducing, at a rate it is still difficult to determine, the legal and administrative structures necessary for implementing Community arrangements. In relation to the problems posed by implementing financing and budgetary monitoring it will be important to distinguish between the transitional stage and the definitive stage. The most important questions in that connection include:

- What departments will be responsible for managing Community finances (payments offices, collection of revenue)? When will they take up their duties? To whom will they be answerable?
- The unreliability at present of the monitoring of trade between the two Germanies, which has failed to prevent major fraud originating in East bloc countries; will this be reduced or increased during the transitional stage? Will checks on trade between the two Germanies be dismantled at the same rate as checks at the East German frontier are set up?
- Will the Community monitoring authorities (Commission, Court of Auditors) be empowered to carry out spot checks and/or checks based on documentation before formal unification?

- Will the existing economic structures in East Germany not pose problems of implementation and monitoring for Community mechanisms?
 - * revenue: existence of reliable statistics on the basis of which vital macroeconomic data can be compiled;
 - * agriculture: administrative and legal problems of integrating a command-economy agriculture into the common organization of the market;
 - * structural funds: possibility of applying mechanisms intended for a market economy, and consequently complex and flexible, to rigid structures.
- Will the Commission introduce special arrangements for flows of trade at Germany's external frontiers (customs, agricultural levies, export refunds, etc.)?

The problems of implementation and budgetary control in the final stage should not be more complex than those that have arisen with successive accessions: derogations, extension of trade relations, etc.

- What training will be provided for the officials who will be responsible for implementing and monitoring Community finances?
- How will the repayment of loans be ensured?

IV. THE IMPORTANCE OF BUDGETARY CONTROL CONSIDERATIONS IN SUCCESSFULLY COMPLETING THE UNIFICATION PROCESS

As regards the impact of the unification of Germany, the Committee on Budgetary Control proposes the following statement as an initial contribution:

The European Council in Dublin on 28 April 1990 welcomed the fact that German unification would take place under Community auspices, and hoped that complete integration of the GDR into the Community system would take place as rapidly and harmoniously as possible. To that end the Community budget can play an essential part. However, it is not enough simply to anticipate requirements and enter the necessary amounts: it will be necessary to determine to what extent tried and tested mechanisms can also be applied to the characteristics of the East German economy, and there will have to be adequate checks both on the implementation of these policies and to forestall irregularities and frauds that could well be perpetrated in the transitional stage and after unification.

With the assistance of the Commission, the Court of Auditors and the German authorities, Parliament should draw up an analysis of the adjustments to the Community's budgetary and financial mechanisms, and to Community and national monitoring arrangements, that will be necessary to ensure their workability in the East German context.

OPINION IN THE FORM OF A LETTER

Letter from the Chairman of the Committee on Women's Rights to Mr Albor, Chairman of the Temporary Committee to consider the impact of the process of German unification on the European Community

Subject : Opinion for the Temporary Committee to consider the impact of the process of German unification on the European Community on the living and working conditions of women in the GDR and their implications for a united Germany within the EC

Dear Mr Albor,

At its meeting of 26 June 1990, the Committee on Women's Rights considered the above-mentioned draft opinion and adopted the conclusions set out below.

Given the lack of time, a complete and comprehensive opinion will be drawn up only in time for your committee's final report. Meanwhile I would ask you to incorporate the following points in the interim report that your committee is due to adopt shortly. They are areas of particular importance for the living and working conditions of women in the GDR and must be taken into account, therefore, when the general situation in that country is assessed.

1. Living and working conditions of women in the GDR

- some 91% of women of employment age in the GDR are in employment (and account for some 44% of family income, when both partners work);
- of those, over half are employed in typical 'women's occupations' and lower wage brackets (with a high proportion in the textile industry and agriculture);
- it is extremely unusual to find women in senior management positions;
- although, on paper, the workforce is often highly qualified, their qualifications will not necessarily be adequate in the context of the current restructuring of the economy;
- a considerable number of women in employment are single parents;
- the high proportion of women in employment has been made possible by a very extensive system of child care, every child entitled to a place;
- women with two or more children have a right to shorter working hours (reduced from 43.75 hours to 40 hours per week);
- mothers, but not fathers, have the right, if children are ill, to paid leave (1 child : maximum 4 weeks, 2 children : maximum 6 weeks, 3 children : maximum 8 weeks, 4 children : maximum 10 weeks, 5 or more children : maximum 13 weeks);

26 June 1990

- pregnancy and maternity leave, during which basic wages are payable, extends from 6 weeks before to 20 weeks after childbirth;
- women with two or more children have the right to paid leave up to the end of the first year after the birth of the youngest child; a maternity allowance is payable at the same rate as sickness allowance;
- women are entitled to abortion on demand during the first 12 weeks of pregnancy;
- the Family Law Code of 1965 envisaged equality for women in all areas and equal responsibility of men and women for providing for the family; childcare and housework, but in practice in the GDR - as in many EC Member States - women are regarded as primarily responsible for family work of every type in addition to their paid employment.

2. Conclusions

Accompanying measures before and immediately after German unification;

- Since women are strongly represented in the lower wage brackets and agriculture, they will be particularly susceptible to the unemployment that is expected to follow the necessary process of restructuring the economy. This will be exacerbated by the fact that the progressive closing down of nursery schools, which has already begun and will certainly accelerate, will suddenly place women in a situation of not knowing what to do with their children while they are at work.
- In addition to material assistance, short and medium-term further training and retraining programmes are necessary:
- EC programmes for further training and retraining,
- extension to the GDR of the third Community action programme to promote equal opportunities for women,
- possibly, special EC credit facilities.
- The legally enshrined right to child care for every child, the GDR could set a standard for the entire European Community. The European Parliament has been calling for many years for a Commission directive on child care, a key problem for ensuring equal opportunities for men and women.
- The GDR's legal provisions for the right to abortion on demand during the first 12 weeks of pregnancy could contribute to achieving the long overdue harmonization of the legal situation within the EC.

Yours sincerely,

(sgd) Christine Crawley)

The following members took part in the vote: Llorca Vilaplana, first vice-chairman, Domingo Segarra, second vice-chairman; Hermans, Pollack, Schmidbauer and Van Hemeldonck.

11

12