Opinion on the Commission communication on the Community and German unification

(91/C 41/07)

On 3 September 1990, the Council of the European Communities decided to consult the Economic and Social Committee on the package of proposals for legislation containing the technical adjustments and transitional measures necessary to ensure the integration of the territory of the German Democratic Republic into the Community.

The Committee bureau instructed a study group of the Section for External Relations, Trade and Development Policy to prepare the work on the subject. Mr Petersen was nominated Rapporteur-General.

At its 281st plenary session (meeting of 20 November 1990) the Economic and Social Committee adopted the following Opinion unanimously.

1. Introduction

1.1. Since the borders were opened on 9 November 1989 the process of German unification has proceeded at a pace which not even the greatest optimists would have considered possible a year ago. The population of the GDR pressed, with growing impatience, for the rapid unification of the two German States. In no time at all any ideas politicians might have had of a gradual, long-term merger of the two States were made completely untenable by the growing masses crossing from East to West. Any delay would have triggered off further emigration and given further impetus to the economic demise of the GDR [1].

The driving force behind the peaceful revolution was the desire for political and economic freedom — individuals being more important than the collective, freedom more important than power and human beings more important than the State. The rallying cries were 'freedom and democracy' and the 'social market economy'. It was no accident that these two demands were made simultaneously, for there was a growing realization in the GDR that the economy and society were interdependent and closely linked.

The Economic and Social Committee welcomes the unification of the two German States in response to the will of the people. It expects that this unification will help to further consolidate and to safeguard the key ingredients of a free society in Europe, namely personal liberty, social justice and solidarity. The Committee is also of the opinion that German unification will hasten the process of European integration, on both the political and economic fronts.

There are, of course, matters which still give rise to concern and anxiety, not just amongst citizens of other EC countries but also in the former GDR. Germany's EC partners are particularly concerned about the possible adverse effects of unification on the peripheral regions of the EC and also about higher financial burdens which the poorer Member States are not in a position to bear. In the former GDR, feelings of insecurity have been prompted by unemployment — which is still rising for the moment — and the attendant hardships.

In this connection the Committee would refer to its Opinion on the Delors Report on Economic and Monetary Union (EMU) (CES No 1135/89) [2]. This Opinion voiced the Committee's concern about the wide variations of prosperity in the Community and pointed out that the structural adjustments which still need to be made in some Member States before the achievement of EMU should not be at the expense of the most underprivileged groups and regions in the Community. It therefore regretted that no support measures had been proposed to cushion any economic and social hardship. The views expressed at that time are particularly valid in the context of German unification.

1.2. The removal of borders and strengthening of democratic structures are clearly cornerstones for increased economic cooperation with neighbouring countries in Central and Eastern Europe too. It is encouraging to note that an increasing number of East European countries with centrally managed economies are in the process of introducing democratic structures and market economies. Closer economic cooperation throughout Europe is thus in the offing, and will provide a challenge for the Community.

There is no doubt that efforts to strengthen economic cohesion in the Community, to establish a single market by the end of 1992 and to move towards closer cooperation with the East European States, mean risks as well

[1] The Committee has already made an in-depth study of political developments following the opening of the borders and economic issues affecting the GDR in the information report of the Section for External Relations, Trade and Development Policy on Central and Eastern European Countries (ESC No 492/90 fin.).

[2] OJ No 329, 30. 12. 1989.

as opportunities for African, Caribbean and Pacific countries (ACP). In the view of the Committee it is of crucial importance that the European Community upholds its pledges made under the new Lomé Convention. The Community must continue to make sure that no ACP country finds it more difficult to gain access to traditional markets in Europe.

1.3. The EC responded both rapidly and constructively to the peaceful revolution in the GDR and the subsequent unification process. It took all the necessary steps to integrate the GDR into the Community without delay. As early as 17 January 1990 the President of the EC Commission, Jacques Delors, stated in an address to the European Parliament that East Germany was assured its place in the EC, if it so desired. Accession had, however, to be a peaceful and democratic process based on free self-determination and in line with the principles of the Helsinki Final Act, the East-West dialogue and the prospect of European integration. German unification has undoubtedly been completed in this spirit.

In response to the gathering momentum of the German unification process, the EC Commission lost no time in drawing up a three-stage plan for the incorporation of the GDR into the Community as part of a united Germany. The plan was given unconditional support by the European Council at the special summit in Dublin on 28 April 1990. As stated in the conclusions of the Presidency, the European Council unreservedly supported the unification of Germany. The Community was confident that German unification — in response to the freely expressed wish of the German people — would benefit the development of Europe in general and the EC in particular.

The EC Commission's three-stage plan envisages first of all an 'interim phase', which began with German monetary, economic and social union. This stage will be followed by a 'transitional phase', beginning with the achievement of the political unity of Germany, before moving on to the 'final phase', in which the whole of Community law is fully applied.

1.4. As early as the special Dublin summit it was decided that the Commission should present the Council as soon as possible with a general report and in this context should also submit proposals for the requisite transitional arrangements, on which the Council would take an immediate decision.

The Communication published in the meantime by the Commission on the Community and German Unification [1] sets out appropriate proposals for expediting the rapid transposition and adaptation of Community law after the GDR's incorporation into the EC.

The Committee regards the comprehensive Commission paper, produced at very short notice, as an important, indeed essential, contribution to the rapid incorporation of the five new Länder into the European Community. In general, it approves the adjustments and transitional measures proposed in the document for the territory of the former GDR. The Committee deals below with individual sections of the package, submitting proposals for amendments and additions and making some critical remarks.

2. Community law and German unification

2.1. The territories of the GDR were integrated into the European Community when they became part of the Federal Republic of Germany on 3 October 1990. The Commission proposals are confined to the immediate impact of German unification on the Community's responsibilities and secondary Community legislation.

2.2. The legal integration of the former GDR into the Community has been phased in.

The first State Treaty (*Staatsvertrag*) of 18 May 1990 establishing a monetary, economic and social union between the Federal Republic of Germany and the former GDR on 1 July 1990 meant that key areas of West Germany law were in force in the acceding territory prior to accession. Since these areas of law were compatible with EC legislation, a vital step was taken on the road to monetary, economic and social integration (despite the continued existence of two separate States) before EC frontiers were extended on 3 October 1990.

The Treaty of Union (*Einigungsvertrag*) concluded between the two German States on 31 August 1990 stipulated that all Community law would apply in the territory of the former GDR from the date of accession, i.e. 3 October 1990. As Article 10 of the Treaty of Union states, Community law includes the treaties establishing the European Communities, amendments and additions thereto, and legislation based on the treaties.

With the Treaty of Union, many Federal German laws have been amended with a view to their application in the new *Länder*. In certain cases these amendments still have to be adopted by the all-German Parliament.

2.3. The automatic application of Community law in the former GDR territories consequent upon unification will not involve amendment of the treaties or other primary legislation.

Secondary legislation can largely be applied immediately, which means that about 80 % of direct and

[1] Doc. COM(90) 400 final, Vols. I-III.

indirect Community legislation is already in force today in the territories of the former GDR. This notably includes external trade and customs legislation, most directives on technical barriers to trade, and legislation on freedom of establishment, the movement of capital and services, competition, company law, indirect taxation and public procurement.

In some sectors, however, (about 20 % of the corpus of Community law) transitional measures will be required to take account of the former GDR's distinctive economic and legal features and to ensure an orderly and socially acceptable incorporation of the five new Länder into the European Community. The transitional arrangements vary for each area and sector and can have the same legal basis as the relevant secondary legislation. They have been limited to what is absolutely necessary so that the adjustment process in the former GDR can proceed as rapidly as possible and integration into the Common Market can be speeded up.

2.4. The transitional measures proposed by the Commission essentially comprise technical adjustments and temporary derogations which will apply for fixed periods from the date of formal unification.

The Committee agrees with the Commission that in such cases the following principles must be adhered to:

— acceptance of the 'acquis communautaire' must be both the starting-point and ultimate objective,

— any transitional arrangements must be objectively necessary,

— derogations must be temporary and cause minimum disruption to the functioning of the Common Market.

The transitional measures will be based on the degree of Community integration achieved in the different areas and sectors. They will generally apply up to the deadline for transposition of the relevant Community policies, i.e. derogations in respect of the single market may apply until 1992 — 1993 and derogations in respect of the environment until 1995. In addition to transitional measures, new rules (such as a higher German sugar quota) will be proposed to take account of the increased production capacity resulting from unification.

2.5. The original idea was for transitional measures and adjustments to be transposed into German law or be directly applicable in the territory of the former GDR before unification.

However, since unification came about on 3 October 1990, i.e. earlier than expected, it became necessary to resort to an additional procedure and adopt provisional measures in order to prevent any infringements of EC law pending the adoption of the transitional measures. On 17 September 1990 the Council, with the agreement of the European Parliament, took a decision empowering the Commission to adopt provisional measures for the former territory of GDR, permitting for example some regulations not compatible with EC law to remain in force temporarily in this territory.

The ten-day period allowed by the Council was not sufficient to enable the Economic and Social Committee to comment on the provisional measures which entered into force on 29 September 1990. However, given the political and time constraints, the Economic and Social Committee considers that it was essential to adopt such measures since there was no other way of avoiding a legal vacuum pending the Council's adoption of the transitional measures. The Committee therefore gives *ex post facto* support to this interim solution.

2.6. On 27 September 1990 the Commission empowered the Federal Republic of Germany in a second stage to implement the provisional measures. The German Federal Government was also empowered under the first paragraph of Article 4 on the law approving the Treaty of Union to postpone or adapt the application and implementation of directly applicable Community laws, as well as German Federal law enacted in pursuance of Community law.

Under these powers the German Federal Government adopted on 29 September 1990, with the agreement of the *Bundesrat* (upper house of Parliament), a Regulation on the transposition of the legislation of the European Communities to the area referred to in Article 3 of the Treaty of Union (Regulation on the transposition of EC law). The Regulation sets out the derogations which the European Commission had proposed should constitute the definitive transitional measures. A number of other derogations in line with the Commission's proposals are already contained in the appendices to the Treaty of Union. They will be enshrined in Community law by EC legislation.

Owing to this interim solution the transitional arrangements and adjustments proposed by the Commission now have legal force by and large. The Council will have to decide whether they should continue to be applicable after the 31 December 1990 deadline. Such

a decision will in no way be prejudiced by the provisional measures.

2.7. The Commission has also been empowered, under a committee procedure specified in the Council Decision of 13 July 1987 laying down the procedures for the exercise of implementing powers conferred on the Commission, to take additional provisional measures in order to avoid difficulties in Germany or any other EC Member State and to regulate other details. Under the terms of this procedure the Commission may adopt proposals if the Council has not acted within a reasonably short period of time. In the agricultural sector, implementing measures are to be adopted by management committees.

The Economic and Social Committee considers that it is necessary to introduce such a flexibility clause which, like the provisional measures already in force, would apply only until 30 December 1990. A mechanism whereby safeguards can be adopted without delay is also in the interests of the other EC Member States.

2.8. With regard to the production and importation of goods below the standards set by EC regulations, the Commission's transitional measures stipulate that such goods must remain within the territory of the former GDR. To ensure that these provisions are strictly observed, end-use controls are envisaged. In this connection the Commission has, in collaboration with the German Federal Government, brought out a Communication in which the supervisory and control measures under consideration are reviewed in detail. Such measures primarily cover goods produced in the former GDR, goods imported into the former GDR from certain third countries without payment of duty, and agricultural products of the former GDR ([1]).

Controls may be carried out by the German authorities or the appropriate departments of the European Commission and, as before, they may also be carried out in other Member States. Infringements of transitional measures incur penalties (customs penalties, seizure of goods, withdrawal of import licences, fines of up to 10 000 DM). In the event of major market distortions, Member States may ask the Commission to discontinue the suspension of customs duties on certain goods and reimpose normal customs duties.

Although the Commission's package of measures constitutes a comprehensive control system, doubts remain. The Committee considers in fact that there is a well-founded danger of the transitional measures being circumvented at the border between the former GDR and the Federal Republic. It accordingly calls on the German Federal Government and the European Commission to make adequate use of the controls available, more particularly so as to preempt any calls for special labelling for such goods.

3. Overall economic impact of Germany unity

3.1. The Commission considers that German unification will have a positive overall economic effect. The growing demand for 'Western' consumer goods and the enormous demand for production plant and machinery — either for refurbishing outdated plant or fitting out new firms — will benefit industry and the building trade as well as the services sector (especially commerce, banking and insurance). Considerable public aid for strengthening the economy and mastering the social problems arising during the period of transition in the five new Länder will also cause a sharp increase in net borrowing by the State with the result that fiscal policy will also give a considerable impetus to expansion.

3.2. There has been a lot of speculation in the past months about the overall economic effect of German unity on the other Member States of the Community. It is certainly right to say that the boost which is likely to be given to demand and growth will also benefit Western trading partners — including first and foremost Germany's partners in the Community. The initial consequences of rising imports (coupled with modest growth in foreign demand) can already be felt. Germany's high current account surplus (which was still as much as 104 000 million DM in 1989) is beginning to shrink, while the state of other Community countries' current accounts is improving. This change will be of benefit to the international adjustment process and there will be greater convergence between Member States' external balances.

The revival and modernization of the former GDR's economy will require enormous injections of capital and this means that following the steady rise during the eighties, there will be a sustained fall in the net outflows of capital from the Federal Republic. Hence the frequently expressed concern that other Community countries such as Spain, Portugal or Ireland might suffer as a result of German industry's involvement in the five new Länder. The Community expects that — irrespective of the huge funds flowing to the new part of the Federal Republic — German firms will continue to invest in other Community countries. Investments considered to make economic sense will certainly be continued.

([1]) ESC(90) No 1983 final.

3.3. Looking at overall economic progress so far, there is no denying that expectations in the former GDR have not been fulfilled by a long shot. The industrial base there is shrinking under the pressure of international competition and unemployment is rising steadily from month to month. The necessary transformation — according to the most recent overall economic analyses of the main German economic research institutes — is fraught with difficulties. These difficulties were expected, though not the ferocity with which they have surfaced.

According to the research institutes, the transformation of the East German economy will take some time. To quote: 'Privatization, the clarification of ownership rights, the disentanglement of monopolistic enterprises and the development of an efficient public sector are already proving to be troublesome. It will be completely impossible in the short term to complete the modernization of infrastructure, the building of a modern economy based on the division of labour, the development of a differentiated wage structure and the clean-up of the environment. It is not yet possible to foresee how long the transformation process will take.' [1] At any rate, the contraction will continue — according to the institutes — until the middle of next year and not until then is there a likelihood — starting at whatever level the economy might have fallen to — of a gradual revival. The institutes forecast an unemployment peak of 1,7 million in 1991 and 2 million workers on short time in the coming winter.

3.4. The Commission's and the German economic research institutes' assessments diverge sharply, and this raises the question of whether one of them is being completely unrealistic. The Committee thinks that the answer in this case is no. In fact, it is highly likely that the positive macroeconomic effects forecast by the Commission will materialize in the medium term. The sole problem with the Commission's forecast is that the time factor is ignored and the conflict-ridden transitional phase is not touched upon. General forecasts about economic effects — no matter how correct they may be — are of little use for economic policy decisions. It is to be hoped that the difficult adjustment processes which the East German economy must undergo do not unduly impair the adjustments and transitional arrangements proposed by the Commission. At any rate, it is not out of the question that some of the ambitious transitional deadlines — e.g. in the environmental sector — may soon prove to be wishful thinking because of East German firms' inability to invest.

[1] From 'Die Lage der Weltwirtschaft und der deutschen Wirtschaft im Herbst 1990'.

4. External aspects

4.1. Since 3 October 1990, the EC's common trade policy has also applied, in principle, to business in the former GDR. In practice, it became applicable with the entry into force of the first State Treaty on 1 July 1990, since when the new *Länder* have basically been subject to the same customs, foreign-trade and tax legislation as the Federal Republic. Thus, even before the formal unification of the two German States, the Community had entered into a *de facto* customs union with the GDR and this was supplemented by a *de facto* agricultural union on 1 August 1990. From that date, trade in agricultural products — with both the Member States and non-Community countries — has also been governed by the relevant Community legislation.

4.2. German unification has undoubtedly raised a number of foreign-trade problems for the Community. These relate, on the one hand, to the extent to which the Community can (or must) assume the international rights and obligations of the former GDR and, on the other, to the application in the new Länder of the treaties concluded by the Community.

Account must also be taken of the economic consequences for neighbouring states and the former GDR's principal trading partners as well as of ties between COMECON countries and their suppliers in the former GDR.

The maintenance and expansion of trade relations with COMECON countries is in the interests of both sides. Moreover, the Federal Republic and the former GDR have assured their COMECON trading partners that there is no danger of unification penalizing them, for example as a result of the sudden abrogation of existing contracts. This principle of 'legitimate expectation' (*Vertrauensschutz*), which is enshrined in both the State Treaty and the Unification Treaty, has been consistently reiterated by the Federal Government, particularly vis-à-vis the Soviet Union, the former GDR's main trading partner.

4.3. The Economic and Social Committee regards the principle of legitimate expectation as of crucial importance for the international division of labour especially in the context of German unification. The Committee feels that this principle must be guaranteed

with respect to Eastern Europe at a time when it is undergoing a major process of political transformation and renewal as it attempts to introduce democratic systems with market economies, and when the COMECON countries are making major efforts to liberalize their foreign trade and seeking, quite justifiably, a closer involvement in the world economic order.

4.4. The Committee welcomes the various forms of Community support for the process of reform in Central and Eastern Europe, such as the conclusion of trade and cooperation agreements and the multilateral support programme of the Group of '24', which the Commission has been coordinating since mid-1989 on the instructions of the Paris Economic Summit. It is also pleased that the Community intends to suspend customs duties for a transitional period on certain imports of industrial [including European Coal and Steel Community (ECSC)] and agricultural products covered by bilateral agreements between the former GDR and COMECON countries or Yugoslavia, provided that the goods concerned remain in the former GDR territory and certain maximum values or quantities are not exceeded. The transitional period proposed by the Commission — one year with a possible one-year extension — should, however, be reconsidered. It might save more time and cause fewer problems to fix a two-year transitional period from the outset.

4.5. Patience will also be required. Centralized mismanagement can hardly be eradicated in a short time. Nor can fixed quotas, production targets and the use of money merely as an accounting unit — which have long characterized intra-COMECON trade — be conjured away overnight. At the same time, it is essential to bear in mind that increased trade in goods and services with COMECON must not be seen as a one-way process. Whilst the urgently required modernization and expansion of production capacity and infrastructure will inevitably suck in a large volume of imports, a sound basis for trade with Central and Eastern Europe will be established permanently only when the countries concerned gain access to Western markets and can earn the foreign currency they need.

4.6. The admission of the former GDR to the world economic system must be based on the principles of free (and fair) trade as laid down, in particular, in the General Agreement on Tariffs and Trade (GATT). The incorporation of the GDR into the Federal Republic has automatically extended the GATT area, i.e. a non-member has acceded to GATT indirectly without going through the admission procedures.

In principle, as already stated, Community trade policy has applied in the former GDR since the formal unification of the two German States. However, legal, economic and political considerations make it necessary to introduce the abovementioned adjustments and transitional arrangements, not least with a view to avoiding abrupt changes. The Committee therefore agrees that the Commission should notify GATT of the proposed measures, but wonders whether notification alone is enough. In its view, far from simply being notified, the GATT partners must be asked to approve a waiver, that is a temporary derogation from the GATT regulations. This, however, means having to negotiate with GATT. In particular, GATT must be convinced that the transitional trade arrangements and adjustments proposed by the Commission will not permanently discriminate against any of its partners.

5. Internal Market

5.1. In the key areas of Community Single Market legislation, no derogations will be required for the integration of the five new *Länder* into the Community. The main areas involved here are:

— customs union,

— public procurement,

— industrial and intellectual property,

— free movement of persons,

— financial services, company law and taxation,

— indirect taxation.

5.2. Most directives regulating trade in industrial products can also be applied without derogations, although transitional arrangements (which are to apply until 31 December 1992) are planned for cosmetics, machinery, electrical appliances, textiles, prepackaging and crystal glass. The period of adjustment for pharmaceuticals and veterinary medicines will be extended until 31 December 1995.

The Committee endorses the transitional periods proposed for these product areas, which it considers appo-

site for solving the problems of adjustment. In this connection, it would draw attention once again to the provision stipulating that GDR products and goods imported from COMECON countries which do not comply with Commission directives may not be marketed in the Community outside the territory of the former GDR. Germany has to take all the necessary action to ensure that these goods remain within the former GDR. The action taken must be compatible with the Treaty, and in particular the objectives of Article 8A, and must not lead to intra-Community border controls or formalities. Conversely, the Committee would ask the Commission to ensure that no other Member State is compelled to increase its controls or formalities. It would be disastrous if the ambitious plan to establish a frontier-free area by the end of 1992 were to be watered down this way. The aim should be to induce firms in the former GDR to focus all their efforts in the coming year on adjusting rapidly to Community standards and quality requirements.

5.3. In the field of the professions the directives regulating the recognition of diplomas on the basis of a Community definition of minimum training will be directly applicable once a few technical changes have been made. This applies to the general rules governing the recognition of diplomas, and the specific rules for doctors, nurses, dentists, veterinary surgeons, midwives, architects and pharmacists. An 18-month period of adjustment will be required only for the application of the Directive harmonizing the training of medical specialists.

The Committee gives its approval to the proposed amending Directive; at the same time it assumes that where evidence of formal qualifications is required to exercise a regulated profession, such qualifications will only be recognized by the Member States after careful examination of the diplomas and certificates submitted. In addition to professional competence, the political facts behind the evidence of formal qualifications should play a role here.

5.4. In the field of competition law there is no need for any derogations with regard to the application of EEC Treaty Articles 85 and 86 and the Community legislation derived therefrom (Regulation No 17, control of mergers, group exemptions, etc.). The Commission ensures their application on a non-discriminatory basis.

The control of state aid will also not require any formal adjustments. If major difficulties emerge in individual sectors, the Commission should apply EEC Treaty Articles 92 and 93 flexibly. The shipbuilding industry (proposals for amending the 6th and not yet adopted 7th Directives) is a special case. The wording of the proposals differs slightly in the German version (maybe unintentionally), but both stipulate that operating aid for shipbuilding and ship conversion in the former GDR may be compatible with the Common Market provided that:

— the shipbuilding industry has undertaken a systematic and specific restructuring programme, including capacity reductions, which can be considered capable of allowing it to operate competitively after the end of 1992, and

— the aid is progressively reduced.

The Committee can endorse these proposals. However, it thinks that the two-year transitional period laid down is insufficient. The shipyards in the former GDR will have to make considerable adjustments and act urgently to restructure and increase productivity. A start has already been made in this direction. In addition, studies are being carried out at the moment and some of these will not be completed until 1991. Even if the selective restructuring measures still to be adopted are implemented rapidly, the shipyards are hardly likely to become fully competitive in the remaining period.

In this connection, the Committee would refer to its Opinion of 19 September 1990 (ESC No 1057/90) on the proposal for a 7th Council Directive on aid to shipbuilding [1]. Because of the unduly degressive reduction in aid and its validity for only two years, this Commission proposal was considered by the Committee to be generally unsatisfactory.

6. Common agricultural policy

6.1. Because of the differing institutional and economic conditions, bringing the former GDR's agricultural sector under the common agricultural policy (CAP) presents a special challenge. The Commission is attempting to minimize derogations in the core areas of agricultural policy and impose a strict time-limit on them. In the view of the Committee the Commission should also make sure that the proposed derogations do not put any Community region, for which the CAP is of vital importance, at any sort of disadvantage.

6.2. Under the terms of Article 15 of the first State Treaty between the two German States, the former

[1] Doc. COM(90) 248 final.

GDR committed itself to introducing a price support system and a system of external protection modelled on the Community regime. The aim was to bring national producer prices into line with Community prices as quickly as possible. Thus the GDR had taken its most important farm policy decision even before acceding to the Federal Republic, for prices are the key regulatory mechanism in market economies.

6.3. The differences in production between the two parts of the united Germany are striking. Despite the roughly comparable quality of the land the average yields per hectare in the new *Länder* are 20-30 % lower. Sugar beet production lags a particularly long way behind. With modern production techniques, better quality seeds and dynamic management, however, it will be possible to increase crop yields appreciably in a relatively short period of time.

This will undoubtedly put pressure on a Community agricultural market which has now been struggling with structural surpluses for many years. Measures to take some pressure off the market will therefore be indispensable in the five new *Länder*, too, if the future of the CAP reforms is not to be put in jeopardy. The CAP's principles must be observed — also as regards intervention quantities and production quotas.

— With regard to the sugar quota, the Commission is proposing a basic quantity of 870 000 tons white sugar. The Committee considers a further large reduction in this basic quantity to be indispensable.

— The Commission also proposes cuts in milk production. The former GDR's milk regime will remain in force until the end of the milk marketing year, but the quota scheme will be introduced on 1 April 1991. Instead of the average 8 million tons per year between 1986 and 1988 there is to be a guaranteed total quantity of only 6,6 million tons in the 1991-1992 milk marketing year.

6.4. The drastic cuts in milk production will necessitate a sharp reduction of roughly 20 % in the former GDR's dairy herd. In order to ensure that the ensuing meat mountains do not distort the highly sensitive Community market in meat products, the Committee suggests that the meat be exported to East European countries. The Soviet Union and — without question — other countries will probably continue for some time yet to be very keen on importing farm produce. The lack of foreign currency might of course be an obstacle, which is why the Committee proposes that these countries be given food aid in emergencies.

However, if the efforts being taken by East European countries to push through reforms also extend sooner or later to agriculture, these countries will make every effort to become exporters of farm produce themselves. This eventuality is borne out by a US Ministry of Agriculture forecast that the countries of Eastern Europe will become farm-produce exporters in important product areas by the year 2000.

6.5. Quality standards for crop and livestock production lag a long way behind — as does the processing and marketing of produce. There is a shortage of slaughterhouses, cold storage plants and meat-processing facilities, to quote but three examples. The processing industry in the former GDR is therefore not in a position — at least in the immediate future — to comply with all Community provisions. The Commission is consequently proposing transitional arrangements which will last until 31 December 1992. At the same time, produce which fails to comply with Community quality of health standards or the like (e.g. the legislation governing livestock epidemics or the protection of animals) can be marketed only within the territory of the former GDR. The Committee urges the Commission to carry out effective checks to ensure the strict observance of this rule.

6.6. The structure of agriculture in the former GDR is radically different from that in the Federal Republic and the rest of the Community. It is the outcome of a policy which has been modelled for many years on the industrialization of agriculture. Expropriation and collectivization were the most important instruments used to attain the objective of establishing a fully organized agro-industrial complex. Although there are various types of farms in the five new *Länder*, the most common is the agricultural production cooperative [*Landwirtschaftliche Produktionsgenossenschaft* (LPG)]. These were set up during the collectivization phase between 1952 and 1960 and were subsequently developed further. Last year these cooperatives, which are not comparable in any way with the types of cooperatives to be found in the Member States of the European Community, farmed roughly 85 % of agricultural land.

Without a doubt the most important, but at the same time most difficult, task facing agricultural policy in the former GDR is to unravel the structures that were established by force.

6.7. Existing Community structural aid measures offer hardly any chance of success in the former GDR. According to the Commission, more harm than good

could be done in some cases. The Commission has therefore adapted the available structural policy measures to conditions in the former GDR. The guiding principle has been not only to satisfy the needs of the large production cooperatives but also to offer family farms effective assistance in re-equipping and modernizing their establishments.

6.8. The Economic and Social Committee has given detailed consideration to the package of measures. The proposed measures are considered to be adequate in part, though the Committee thinks that some of them should be modified. Whether or not the planned deadlines are realistic is debatable. This applies not only to the special provisions under Regulation (EEC) No 797/85 but also to the proposal amending Regulation (EEC) No 866/90. Article 13 of the latter excludes investments in respect of which work commenced more than six months before the date on which the Commission receives the application for assistance. The Committee considers that, in view of the difficult transitional period in the former GDR, this time-limit is hardly likely to suffice. It should be extended to nine months mainly because the Länder autorities' machinery for approving and forwarding future investment applications has not taken shape yet.

6.9. The Committee expressly welcomes the Commission's proposed set-aside and extensification schemes for stabilizing Community production and improving the rural environment. Special mention should be made of the inclusion of land planted with potatoes. The Committee thinks that set-aside should be extended even further, especially where the ground is heavily contaminated and must be taken out of production because food can no longer be grown on it.

6.10. In order to make the restructuring of agricultural production cooperatives easier, the Commission is proposing to raise the ceilings on eligible investments and make a larger number of pigs and dairy cows eligible for investment aid. The Committee agrees with the Commission on the need to encourage the restructuring of agricultural cooperatives, provided that the number of pigs is not increased and that account is taken of the reduction in the number of dairy cows which will have to take place in the former GDR.

It is not in the interests of production cooperatives or family farms in the former GDR to receive aid for measures which sooner or later may turn out to be uneconomic. In view of the Community surpluses, there should be no intensification of farm production in the former GDR. It has long been established in the other Member States that such intensification is economically and ecologically unsound.

The Committee proposes that the Commission focus available resources on measures which reduce costs but do not increase production. In particular, a major effort should be made to establish in the five new *Länder* a highly efficient and flexible processing and marketing sector which has close ties with agriculture.

7. Transport and telecommunications

7.1. The transport and telecommunications infrastructure in the former GDR is inadequate, overcrowded, antiquated and prone to breakdowns. The command-economy infrastructure policy of the past overtaxed the railways, retarded the development of the road network considerably and neglected telecommunications. Enormous funds will have to be invested in order to rehabilitate and expand the infrastructure, and optimize its quality.

7.2. According to the Commission the integration of the former GDR's transport sector into the Community will require only a few transitional measures. The transitional arrangements are timed to ensure that the integrated transport market can be completed to all intents and purposes by the end of 1992.

The adjustments and transitional arrangements meet with the Committee's broad approval. In the case of maritime transport, however, the Committee wonders whether it is in fact necessary to grant a four-year period of grace for agreements concluded by the former GDR. The parties to the UN Code of Conduct for Liner Conferences have pledged not to conclude any bilateral cargo-sharing agreements amongst themselves, and on top of this the Member States of the Community have promised to let all such agreement with non-Code signatories expire by the end of 1992. Why a further two-year period of grace is necessary for the former GDR is difficult to understand. The Committee thinks that the Commission should ensure that the agreements entered into by the former GDR expire before 1 January 1995.

In the road-transport sector the main concern is the deadlines for fitting tachographs recording driving hours and rest periods. The Commission proposes a

three-year period of grace, which it justifies on the grounds that workshop capacity in the former GDR is inadequate. The Committee admits that this may justify a lengthy period of grace, but firmly believes that the period should be shortened to no more than two years. Some of the vehicles in question are already equipped with a Community-approved tachograph, and there is hardly any danger of workshops having too much work on their hands. The Commission's second argument — that it wants to give smaller firms the chance to replace their fleets (which are frequently between 20 and 28 years old) before they get involved in a costly re-equipped operation — is well meant, but equally unconvincing. There is no overlooking the fact that the tachograph is vital in helping to improve working conditions (driving hours and rest periods) and road safety. The possibilities for carrying out checks during the transitional period is another point which the Committee wonders about: there is no reference at all to this in the Committee document.

7.3. The funds needed for the large-scale renewal of infrastructure in the former GDR are being revised upwards all the time. In its latest estimates, the Federal Ministry of Transport arrives at a figure of 125 000 million DM for transport infrastructure alone. These funds are to be used initially to bring the network in the former GDR up to Western standards; the rail network will require slightly less than 50 000 million DM, about 60 000 million DM will go on trunk and local roads and the inland waterways will require a further 8 000 million DM. These figures do not include the cost of increasing infrastructure capacity, plugging gaps and everyday maintenance and repair.

In view of the vast funds required and the need to complete the most urgent projects in a reasonable space of time public funding will be clearly overtaxed. Therefore, new forms of infrastructure finance should be considered. Above all, private capital will have to be mobilized. Examples such as the Channel Tunnel, the link with Scandinavia and the Transrapid magnetic levitation railway show that private finance may be quite a realistic proposition.

7.4. Because of its geographical position, united Germany will undoubtedly become the crossroads for East-West and North-South traffic in Europe. The demand for transport services will increase, especially once the Single Market has been completed. Today restrictions and barriers exist between countries but tomorrow the question of whether a transport operation is confined to one country or covers the whole of Europe will be immaterial. Hence the need in future to consider and judge infrastructure investment more in a European-wide context, with the railways playing a special role from the transport, regional development and environmental points of view. The planning of infrastructure of Europe as a whole is gradually taking shape. Given this fact, the Committee welcomes the Commission's intention to pay close attention to the development of East-West links so that the merging of European economies is not impeded and the associated exchange of goods not hampered by transport bottlenecks.

7.5. The rules of the market place are going to come more to the fore in European transport. This means keener competition. Equal opportunity, liberalization and harmonization are the ultimate objectives. The Committee therefore urges the Commission to help ensure that Member States' transport market regimes do not lag behind the liberal provisions. Transport and infrastructure form the natural basis for a large European market; they are the prerequisites for further economic growth and social progress.

7.6. Developments in the former GDR and the opening-up of East European markets also present telecommunications with new tasks. The telecommunications sector in the former GDR is in an extremely dilapidated state. The telephone network dates back to the Twenties, more than 90 % of telephone lines are reported to be worn out and only 17 % of the population have a telephone. Telecommunication services such as telefax, teletex and videotex are largely unknown. According to the latest information, a total of 55 000 million DM is to be invested between now and 1997 in modernizing and developing the telecommunications network in the former GDR.

The Commission considers that the most important Community telecommunications legislation can be applied immediately. Only two Community Directives (terminal liberalization and mobile communications frequencies) will have to be adapted.

8. Structural policy

8.1. The economy of the former GDR is on the brink of a difficult period of restructuring. The switch from a centrally managed economy to a social market economy is bound to spark off wide areas of sweeping structural changes. Enterprises are uncompetitive in wide areas of the economy: their range of products fall far short of the customary international quality

standards, and productivity — while fluctuating sharply — is still only 30-50 % of West German rates; in addition, the systematic waste of human resources, energy and environmental assets is borne out by a high capital-output ratio, above-average per capita energy consumption and the alarming extent to which the environment is being destroyed.

8.2. Because of this terrible state of affairs, the Commission considers that Community assistance is also necessary and thinks that the Community's structural funds have an important role to play. The Committee accepts the Commission's proposal that the five new German *Länder* should qualify for aid from the Community structural funds, as this will underscore their integration into the Community.

The Commission is proposing a special programme for the structural development of the former GDR, with funds totalling 3 000 million ECU for the period 1991-1993. The structural funds will be topped up for this purpose, i.e. the money will not be siphoned off from the other Member States. The Committee advocates that the funding be reviewed at the end of 1993 and be scaled down in line with any improvement in the overall economic situation in the new Länder. It also assumes that in future all possible steps will be taken to avoid conflicts about the distribution of funds between a united Germany and the poorer peripheral regions of the Community. The Federal Government formally renounced any Community contribution towards the cost of German unification at the special Dublin summit on 28 April 1990.

8.3. The Commission states correctly that the restructuring of the former GDR economy must be tackled swiftly. It has therefore proposed a simplified procedure for development plans. There is to be only one such plan for the five *Länder* and even this is to be less detailed than usual. The Federal Government is drafting this development plan at the moment, and it is to be submitted to the authorities in Brussels by 31 January 1991. It will form the basis for the drafting by March 1991 of a Community support framework regulating the use of the structural funds, the deployment of resources and German co-financing.

8.4. When appraising this simplified procedure, consideration should be given to the fact that the statistical base in the former GDR is extremely poor, for data are distorted and fragmentary. Furthermore, it does not seem feasible at the moment to make reliable plans two years in advance for the comprehensive adjustment process; deployment of the structural funds is therefore also out of the question at the moment. It is objectively impossible to select and plan aid for areas in the former GDR which, by Commission definition, are backward, are threatened with industrial decline or face adjustment problems in agriculture. Flexibility is required here. It therefore makes sense for the Commission not to designate objective 1, 2 and 5b areas. Furthermore, aid granted under the funds should wherever possible be global and its use should be carefully coordinated by the Federal Government and the new *Länder*.

8.5. One question to be asked in the wake of unification is what is to happen to the Federal German aid granted to Berlin and the areas along the border between the two former German States. This aid was designed to mitigate the hardship resulting from the division of Germany, but this motive has now ceased to exist. The Federal Government therefore intends to table a law before the end of 1990 phasing out these aid programmes over a seven-year period. The Committee thinks that this transitional period is too long and should be reduced considerably.

9. Energy

9.1. The power supply system in the former GDR is inadequate, polluting the environment and endangering health. Its excessive reliance on indigenous brown coal means that oil, natural gas, nuclear energy and hard coal are used comparatively little. The system is typified by the low efficiency of energy consuming plant and high energy conversion losses, especially in connection with electricity supplies. The situation is exacerbated by high distribution and transport losses in the electricity and gas networks.

Brown coal in the former GDR provides almost 70 % of aggregate primary energy needs. Deposits will last for another 60 to 70 years at the current rate of extraction and therefore do not inhibit its use. Its availability, quality, wastefulness and environmentally damaging nature are, however, inhibiting factors. Brown coal's high sulphur content makes the former GDR, with an annual output of more than 5 million tons, one of the worst SO_2 polluters in Europe, since power stations have no filter equipment. In addition, the quantities of material which have to be removed in order to extract the coal are increasing, causing a drop in the level of the water-table and an increase in the land-area being used.

A good 80 % of the 23 000 mW output from power stations is obtained by burning brown coal. The energy technology used here is completely out-of-date, as are the carbonizing and high-temperature coking plants in which fuels and raw chemicals are obtained from brown coal. Antiquated power station technology has a very damaging effect on the environment. Not one power station in the former GDR is equipped with properly functioning equipment for the removal of sulphur and nitrogen oxides. Dust filters — if at all present — are not used all the time.

The power supply system is also highly subsidized, and though this will change, there will be no incentive until then to use energy sparingly. Unduly high per capita primary energy consumption — almost 20 % higher than the figure for the Federal Republic — is the inevitable consequence of this.

9.2. All in all, the power supply situation in the former GDR may be said to be extremely critical. The complete reorganization of the power industry is urgently necessary. Sustained energy savings and efficient power supplies will be the key objectives. The power industry's installations must be thoroughly modernized and made technically safe, environmentally friendly and economic. A different, balanced energy mix is required, embracing not only fossil fuels and renewable energies but also nuclear energy, the safety requirements for which must be raised to the highest level. The oil industry monopoly must be abolished. Competition is needed and must be secured wherever possible.

9.3. The Commission document provides for only a few derogations for the energy sector. A twelve month transitional period is proposed merely for information and consultation on the prices of crude oil and petroleum products and the notification of hydrocarbon imports and exports. The Committee endorses this derogation. However, two additional remarks are required in respect of the Commission's comments on the restructuring of the energy sector. Firstly, the Commission states that the former GDR's gas imports from the USSR will rise from 8 000 million m^3 to 16 000 million m^3 by the year 2000. This forecast seems to be over-optimistic; at any rate there is no reliable information to corroborate such a rise. Secondly, the passage about the supply of fuel elements for reactors in operation should indicate not only that natural uranium is produced in the former GDR, but also that the USSR owns 95 % of the uranium mining company Wismuth AG. Even if Wismuth AG intends to cease its mining operations at the end of 1990, negotiations will probably have to be conducted with the USSR, especially as Euratom will become the owner of all special nuclear material in the former GDR.

9.4. Energy policy is committed — at both national and international level — to overall economic objectives, and must therefore make every effort to remain operational — or become so again — at all levels. Energy problems can no longer be solved overnight by nations going it alone. Energy policy is a long-term task, requiring close international cooperation and coordination. European cooperation is called for. This realization is not new, but so far it has not been addressed properly. For example, the European Communities have still not developed a common energy policy, although work on the urgent tasks at hand — reduction of energy consumption, replacement of petroleum by other energy sources, swifter development of modern energy technology and more energy research — ought to have been coordinated by Member States long ago.

Therefore the Committee emphatically welcomes and supports the call for the creation of a European energy community made by the Dutch Prime Minister, Mr Lubbers, at the European Council meeting in Dublin on 25 June 1990.

10. Social affairs, education and training

10.1. The rapid political and legal incorporation of the former GDR into the Federal Republic [1], will have to be matched by major efforts to achieve corresponding social integration. The Committee attaches crucial importance to the social aspects of the unification process as witness the numerous Opinions in which the social forces represented on the Committee repeatedly indicated the sine qua nons for economic and social cohesion. The Committee Opinion on social developments in the Community in 1989 described the social market model and the people's Europe ethic as cornerstones for political and social progress towards European Union. The Committee is also convinced that these factors are crucial to the Community's attractiveness for the fledgling democracies in Eastern Europe.

[1] OJ No C 225, 10. 9. 1990.

10.2. The Committee broadly endorses the handful of adjustments and transitional arrangements which the Commission considers to be necessary in the field of social policy. A number of additional comments and suggestions on individual Commission proposals are set out below:

— The Committee welcomes the immediate introduction of freedom of movement for workers without any transitional arrangements. Following the abolition of the border between the two Germanies, it would be neither defensible nor practically possible to treat German workers differently. However, it should be noted that Spanish and Portuguese workers will not enjoy freedom of movement until 1993.

— Community legislation on social security for migrant workers has always been immediately applicable on the accession of a new Member State. However, the Commission points out that several sections of the relevant Regulations [Nos 1408/71 (EEC) and 574/72 (EEC)] will have to be adapted in the wake of unification. This cannot be done — the Commission argues — until the shape of future social legislation in the former GDR becomes clear. The Committee finds it difficult to accept this line of thought, for the Commission has long known that the Federal Republic's labour and social legislation was to be transposed directly to five new *Länder*. The Committee therefore asks the Commission to submit the allegedly necessary transitional arrangements without delay with a view to rapid adoption by the Council.

— There is no need for any adjustments with regard to the equal treatment of men and women or labour legislation. Appropriate provisions have been in force since the introduction of German monetary, economic and social union.

— The protection of workers at the workplace is now covered by fifteen Community Directives or proposals for Directives which — insofar as they have already been adopted by the Council — will have to be incorporated into national legislation by 31 December 1992. The Commission proposes that the Directives on the protection of workers from the risks arising from exposure to chemical, physical and biological agents at work should be deferred until 31 December 1992. The difficult conditions in the former GDR brought about by antiquated industrial plant and administrative, technical and training-related problems seem to rule out a reduction in this transitional period or even the Directives' immediate application.

— Workers' skills will play a key role in the restructuring of the East German economy. The switch from a centrally managed to a social market economy must be backed up by a large-scale skills-acquisition campaign which must be seen as an important investment in a better future.

— Workers in the former GDR have very good paper qualifications. Roughly 80 % of the workforce have successfully completed some form of vocational training. However, the types of skills acquired in a socialist economy differ considerably from the requirements of a competitive market economy. Above all, the knowledge and experience of modern production, information and communications technology is lacking and must first be acquired. This is compounded by severe non-skills-related shortcomings, for independence, initiative and creativity are not required in a planned economy. Retraining and further training are therefore urgently required at all levels. This includes the right of workers to participate on equal terms in all Community education and training programmes. The Committee welcomes the fact that it will not be necessary to amend existing legislation in this area. It urges the Commission however to take steps to brief citizens in the five new *Länder* as quickly and comprehensively as possible about the numerous Community vocational training programmes available. This should be done in close liaison with the competent German authorities.

10.3 Efficient consumer protection depends crucially on the information given to the population of the new *Länder*. The level of the provision of such information should be brought into line with EC practice as soon as possible. Assistance should be provided in this area by the Federal German authorities and consumer organizations, but the European Community itself should also launch information campaigns.

The Committee wonders whether consumer information should not become an integral part of the Community's education and training programmes.

10.4 An operational system of self management for citizens of the former GDR will also be required if democratic structures are to be developed and living and working conditions improved. Working conditions should be reformed and reorganized via autonomous channels for the reconciliation of interests. The Com-

mittee supports the free workers' and employers' organizations now being established for the first time since 1933; they will bear a special responsibility in view of the difficult period of economic change and rising unemployment in the new *Länder*. They must strive to agree on common objectives and priorities and help to reconcile interests and liaise between State and individual.

11. Environment and nuclear safety

11.1. In large areas of the former GDR air, water and soil are heavily polluted. Despite a comprehensive battery of environmental laws, and although protection of the environment was written into the constitution from 1972 onwards, in practical terms environmental concerns were only of secondary political importance. And the lack of an effective environment protection infrastructure meant that in any case there was no way of enforcing the laws.

The causes of this heavy pollution are in many respects to be found in the system itself. In particular, the decision of the former GDR government to hang on to technologically obsolete industrial plant, to step up the use of brown coal and to force the pace of industrial production in energy-intensive sectors was a major contributing factor to environmental pollution. Incentives to use raw materials and energy economically were completely lacking.

11.2. The most serious environmental problem is the high level of atmospheric pollution. Annual emissions of SO_2 into the atmosphere total more than 5 million tons. This makes the former GDR one of Europe's main sources of SO_2 emissions. The main culprit is the electricity supply system, which is almost 70 % dependent on brown coal as its primary energy source.

High emissions of pollutants coupled with relatively scarce water resources have led to heavy water pollution and thus to water supply shortages. Only just over 20 % of total supplies is of drinking water quality. The technological inadequacy, or indeed complete lack, of municipal and industrial water treatment plants is the cause of this problem. One consequence is that large quantities of cadmium, mercury and lead find their way into the Elbe and from there into the open sea.

Soil pollution is no more encouraging. Intensive brown coal mining has left large tracts of wasteland in its wake. Their recultivation will take decades. Waste management policy has only compounded the problem. Whilst it is true that raw material shortages have led to recycling on a wide scale, there has been very little in the way of organized disposal for non-recycled waste. Rubbish tips are overburdened and some of them are a danger to ground water.

11.3. A review of the environmental situation in the new *Länder* reveals a gloomy picture. Federal German environmental legislation has applied in the former GDR since the first State Treaty came into force. Insofar as Federal German legislation incorporates Community environmental legislation, the former GDR's environmental legislation has formally been Community-compatible since 1 July 1990. Areas covered include environmental protection, nuclear safety and radiation protection, the water industry, waste management and chemicals. This affects first and foremost the construction and operation of plant and the associated rules and regulations. When the former GDR joined the Federal Republic, Community legislation affecting products and substances (e.g. the Regulation on drinking water) and environmental quality standards also came to apply in the territory of the new *Länder*.

11.4. The Commission has checked close on 200 Community Directives and Regulations on environmental matters to see whether transitional measures are necessary. It proposes such measures for those cases where the state of the environment is such that Commission standards could not be complied with at the time of unification. This means in reality air, water and waste standards.

The Committee agrees with the Commission that the transposition of Community legislation should be completed as swiftly as possible. However, in view of the economic difficulties, the requisite restructuring process and the frequently still hazy picture of the actual scale of pollution, the Committee wonders whether it would not make sense to introduce a flexibility clause in connection with the proposed transitional periods. This would enable the Commission to act quickly and unbureaucratically, for example, in extending deadlines or taking additional measures as new knowledge came to light. The flexibility clause should, however, only apply to legislation relating to plant or equipment and not to legislation governing the make-up of goods and product quality.

11.5. It is proposed that nuclear safety, unlike the environmental sector, is not to be subject to any transitional measures. The Euratom Treaty entered into force in the five new *Länder* when they joined the Federal Republic and Articles 33, 35, 36 and 37 of the Treaty are therefore to apply there, too. It will thus be possible to immediately close plants which fail to comply with Community standards of protection. The clear line to be followed by the Commission here is welcomed unreservedly by the Committee.

12. ECSC

12.1. The integration of the East German steel industry into the Community system will cause serious indus-

trial, social and regional problems. The EC Commission estimates that none of the plants at a total of 15 sites is likely to be viable in its present form. They need to be modernized, restructured and rationalized. The Committee endorses this analysis, and in particular the Commission's conclusion that many jobs will inevitably be lost.

12.2. In view of the difficult and time-consuming restructuring process the Committee considers the Commission's proposals to be not comprehensive enough and not adequately tailored to the task. Although the Commission is prepared to apply ECSC instruments to combat the likely upheaval in the East German steel industry and pay out reconversion aid in the form of structural fund grants, it intends to be strict in applying the rules for aid to the steel industry established by Decision 322/89/ECSC (which allows aid for closures, research, environmental protection and regional investment only under certain circumstances). Thus, operating losses cannot be covered and neither investment aid nor operational aid, even during the period of return to profitability, can be granted. Despite these additional remarks the Committee notes with satisfaction that the Commission has lost no time in putting the ECSC instruments into practice.

12.3. The Commission's view that the steel firms in the five new *Länder* should be weaned off aid as quickly as possible is certainly the right one. However, in view of the difficult and protracted rehabilitation process, a high degree of flexibility will be required. There have already been transitional arrangements in other new Member States, especially Spain, so similar arrangements should be made by the Commission to solve restructuring problems in this particular case. Such arrangements would without question give considerable support to the steel industry's rehabilitation.

13. Financial aspects of German unification

13.1. Politicians, economists and the public at large have for months now been grappling with the burning question of what German unification is to cost and how it is all to be financed. In the other countries of the Community there is a growing concern that the financing of German unity will have an adverse effect on money and capital markets and on prices in those countries. After all, billions of Deutschmark will have to be found in the medium term to modernize and extend infrastructure in the new *Länder* (transport, telecommunications, local services), eliminate the enormous damage done to the environment and clean up the soil contamination (forecasts talk about 20 to 30 000 suspected old dumps). The enormous funds required for private investment and the high cost of housebuilding should not be forgotten, either.

13.2. The third volume of the Commission's paper contains initial information about the financial impact of German unity on the Community budget. The Commission rightly points out that its figures are provisional estimates, which by necessity had to draw on questionable and fragmentary data. Agriculture takes up a particularly large slice of expenditure and according to Commission estimates will devour anything between 700 and 1 250 million ECU in 1991 (because of administrative deadlines 1991 will have only eleven months). This wide margin is indicative of the difficulties encountered in estimating the future pattern of consumption and trends in production in the former GDR. On top of this, the sum of 1 000 million ECU has been earmarked for the special programme for the structural development of the newly acceded territory in 1991. Additional expenditure in other policy areas is put by the Commission at a further 150 million ECU — the presumed amount of the former GDR's contribution to the Community's own resources. In view of the numerous imponderables which are inevitably attached to these estimates, the Committee regards the figures as a rough guide, which may have its merits but can barely stand up to factual analysis.

13.3. On 7 November 1990 the budget committee of the German *Bundestag* (lower Chamber) held a hearing about the cost and financing of German unity. The Committee would have appreciated a Commission representative giving the Community viewpoint at its hearing. Being a well-established member of the European Community the Federal Republic has assumed a special responsibility, both politically and economically. According to the Committee this also implies giving close consideration to the possible economic effect of German unification on other Community countries and making allowance for this in the future formulation of German economic, fiscal and social policy.

In the run-up to 1992 and the second stage of the planned EMU the Committee would recall that it has repeatedly called for greater economic convergence and closer coordination of economic policies. The need for this is greater now than ever before. The Committee

would appeal to the Federal Government to take the initiative once more and explain to the European Council the financial policy decisions to be taken to meet the cost of German unity and the overall economic consequences for other Member States. This first step would certainly dispel a number of fears and go a long way towards getting Member States to work together even more closely in the economic field, too.

Done at Brussels, 20 November 1990.

The Chairman

of the Economic and Social Committee

François STAEDELIN

Opinion on the proposal for a Council Directive concerning the protection at work of pregnant women or women who have recently given birth [1]

(91/C 41/08)

On 22 October 1990, the Council of the European Communities decided to consult the Economic and Social Committee, under Article 119A of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Social, Family, Educational and Cultural Affairs, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 15 November 1990. The Rapporteur was Mrs Rangoni Machiavelli.

At its 281st plenary session (meeting of 20 November 1990) the Economic and Social Committee adopted the following Opinion with no dissenting votes but with five abstentions.

1. General comments

1.1. The Committee can endorse the proposal which rightly links the protection of health and safety of pregnant women, or women who have recently given birth, with the maintenance of employment and income rights. The proposal is also welcome in that it introduces measures which make maternity easier and which could help to redress the demographic imbalance affecting most EC Member States, not least the ageing of the population.

1.2. In line with the rights and measures foreseen in the Social Charter and accompanying social action programme, the proposal is also in accord with the views expressed in relevant Committee Opinions as regards

— basic Community social rights [2], in which it was stressed 'the rights of child, mother and family to legal and economic protection',

— the burden of proof [3], in which it was stated that good employment practices and modern personnel techniques needed to deter potential discrimination on sex grounds,

[1] OJ No C 281, 9 11 1990, p 3

[2] OJ No C 126, 23 5 1989, point III A1

[3] OJ No C 337, 31 12 1988, point 1 3d