

November 28, 1989

Special Analysis: Germanys: Betrothed, No Date Set□□□

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Summary:

An analysis of the future of relationship between East and West Germany and their potential unification.

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6.2(d)

Special Analysis**GERMANYS: Betrothed, No Date Set**

East Germany's political and economic vulnerabilities will make it increasingly dependent on West Germany over the next several years. This will lead, at a minimum, to common economic policies and probably to much closer coordination on a broad range of other issues, including security policy. Outright de jure reunification will be a more difficult issue, but it is conceivable that the process of change in East Germany could drive events in that direction faster than Bonn, its neighbors and allies, and the Soviets are prepared for.

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The most important factors transforming intra-German ties are economic ones: the new East German leaders are convinced massive new aid from West Germany is needed to avert a severe decline in living standards. Bonn sees East Germany's economic vulnerabilities as an unprecedented opportunity to make the East Berlin regime adopt reforms. East German leaders already are moving to overhaul their economic system and soon will announce a new joint-venture law and other reforms designed to attract West German investment and trade. Intra-German trade is likely to grow by at least a third over the next few years. West German investment probably will surge by at least \$5 billion, and the two economies inevitably will become more integrated.

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Ideologically, East German movement toward free elections, pluralism, and market-oriented reforms over time will erase the major systemic differences between the two states. Public opinion in both Germanys overwhelmingly supports closer relations. The euphoric mingling of hundreds of thousands of Germans after East Berlin opened the border reaffirmed the consciousness of a single German nation, and expanded travel opportunities undoubtedly will strengthen this bonding.

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Prospects: Closer Integration

Movement toward economic integration will put de facto limits on East German sovereignty: decisions involving the East German economy will be made increasingly in West Germany. Close coordination on other common interests, such as arms control, also is likely.

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A more formal association or confederation of the two states that limits but does not terminate East German sovereignty is a possibility. This would include synchronization of policies in key

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TCS 2975/89

28 November 1989

0444

~~Top Secret~~
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6.2(d)

areas such as defense and foreign policy and would inevitably affect the interests of Germany's neighbors and allies, requiring their support or acquiescence. Some political leaders in East Germany—including Premier Modrow—have already associated themselves publicly with the call for some sort of confederal relationship between the Germanys. [Redacted]

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Formal de jure reunification would require agreement of the four victorious wartime powers and would be more difficult to achieve. Soviet and European fears about renewed German power and concerns in both Germanys about antagonizing their principal allies make this a goal the West Germans prefer to approach gradually and under the umbrella of a European "peace order." Nevertheless, development of much stronger sentiment for reunification in East Germany might move events in this direction faster than anyone would have conceived only a few weeks ago: slogans favoring reunification have already appeared in demonstrations. [Redacted]

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[Redacted]

A more united Germany probably would help accelerate the trend toward greater political pluralism, human rights, and market-oriented economics in Eastern Europe. It would further weaken Soviet military leverage in the region and might expand opportunities for US businesses. [Redacted]

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TCS 2975/89
28 November 1989