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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

6 August 1954

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Probable Developments with Respect to West German
Sovereignty and the EDC

A. The Post-Geneva Situation and the New Soviet Note

1. The recent Soviet proposal for a new all-European conference on collective security indicates that the USSR still regards prevention of West German rearmament as a primary objective and is seeking to capitalize on the favorable atmosphere created by the Geneva "settlement" through new initiatives designed to forestall EDC ratification and to split the US from its allies. The Kremlin undoubtedly hopes to disrupt the delicate Western negotiations on EDC and restoration of West German sovereignty by creating the impression that, in the light of Geneva, a successful East-West conference on Europe also is possible. If the initial Soviet proposal is rejected as "more of the same", we believe that the USSR will follow up with further proposals aimed at German neutralization. These proposals may be accompanied by a series of gestures aimed at softening Western Europe, by a heightened propaganda campaign designed to prove that US-UK policy vis-a-vis Germany will lead to World War III, and perhaps by incidents in the Far East designed further to upset Western solidarity. The Kremlin will probably also indicate that rejection of its proposals would lead to an alliance between the USSR and East Germany, and end hopes of the peaceful unification of Germany.

2. In making these gambits the USSR will seek to influence those numerous non-Communist Western Europeans who appear to view the outcome of the Geneva Conference as evidence of changed Soviet intentions, and as a portent for "peaceful co-existence". The corollary of this view is that Western Europe is no longer under compulsion to press for a buildup of NATO strength, and that there is no urgent need for West German rearmament. Moreover, the agreement at Geneva is reviving hopes that the German problem may still be resolved through negotiation between the Soviet Bloc and the West if the US does not prove too intransigent.

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3. At the same time, speculation is rife in Western Europe as to the real meaning of the current US-UK program to grant sovereignty to West Germany if EDC is not ratified this summer. Opponents of EDC in France and Germany are claiming that the US and the UK have given up on the EDC and that German rearmament has been indefinitely postponed. US and UK declarations of full support for EDC and of determination to achieve a German defense contribution may counter this propaganda to a considerable extent. However, the US and UK may be unable to correct such interpretations fully until the French Assembly's intentions with respect to EDC are clear, and the US-UK proposals can be revealed.

4. Thus three new elements -- confusion over the new US-UK proposals on West Germany, the "relaxed" post-Geneva atmosphere in Western Europe, and above all the new Soviet initiative for negotiations on European problems -- have created a situation in which EDC ratification may no longer appear as urgent as before. Given the present climate of European opinion, further Soviet proposals which created a strong belief that the USSR actually desires a compromise German settlement would probably force our Western European allies to demand that these be explored, even at the cost of further delay in West German rearmament. The recent Soviet notes, with their rehash of well-worn themes, are unlikely to have this effect. However, if the USSR should follow them up with such proposals as would lead to a new East-West conference on European issues, we believe that a completely new situation would be created and the estimates which follow would have to be revised.

B. Probable Developments in France

5. If Soviet pressure for new negotiations can be successfully resisted, and if Mendes-France remains persuaded of US-UK determination to change West Germany's status, we believe that the French premier will continue his efforts to obtain a decision on EDC. In the past, the French have been sceptical regarding suggestions that US policy would undergo an "agonizing reappraisal" if EDC were not ratified. However, the knowledge that the US and UK were considering new and clear-cut courses of action toward West Germany, coupled with the firm Benelux and West German stand on EDC, at least initially impressed the French with the gravity of their situation. While Churchill's parliamentary explanation and Secretary Dulles' notification to Congress of the US-UK proposals have prompted French opponents of EDC to represent them as an "alternative" to EDC, such an interpretation is unlikely to dissuade Mendes-France from his publicly stated intention to obtain a prompt decision on EDC. His success in meeting his deadline on Indochina probably will encourage him to attempt to meet the other tasks he has set. We believe that Mendes-France, his prestige bolstered by success

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at Geneva, will probably remain in office long enough to force the Assembly to vote on EDC before it adjourns.

6. Prospects for EDC Ratification. However, the committee appointed by Mendes-France to effect a compromise acceptable both to supporters and opponents of EDC has failed, and he now is faced with making his own proposals, as promised in his investiture speech. Spaak and Adenauer appear ready to accept certain modifications in the treaty which could assist French ratification, but which would not require legislative confirmation. Since such changes probably could only be minor, however, Mendes-France may seek to obtain a gentleman's agreement from the other prospective EDC members to modify the treaty after its ratification. The French might propose such later changes as: (a) widening the area in which unanimous agreement is required; (b) increasing the powers of the Council at the expense of the Commissariat; and (c) delaying implementation of some supranational aspects of the treaty. Adenauer has already expressed willingness to discuss such modifications and we believe that the EDC signatories would reluctantly accept changes that would not destroy the supranational features of EDC.

7. Consequently Mendes-France probably will be able to obtain or promise sufficient modifications in the treaty to convert a number of fence-sitters and less vehement opponents of EDC. Nevertheless, he will be unable to secure changes sweeping enough to satisfy the majority of EDC opponents, particularly the former Gaullists (GRS) now in the Mendes-France government. The ex-Gaullists are already applauding the US-UK proposals as an acceptable alternative to EDC, which not only retains the independence of the French army, but also affords opportunities for indefinitely delaying West German rearmament. Accordingly, in forcing a decision on EDC, Mendes-France probably would lose the support of the GRS and their ministers probably would then resign.

8. Other problems which present obstacles to EDC ratification are the Tunisian reform program, and Mendes-France's request for decree powers to implement his economic program. The effectiveness of Gaullist and other opposition to EDC in the Assembly will depend to a large degree on the outcome of these issues. The actions and statements of other Western governments, especially any public pressure on France and Western responses to Soviet proposals on European issues, will also influence the outcome of an Assembly vote on EDC. However, if Mendes-France successfully surmounts these hurdles, and if the forthcoming Soviet proposals are effectively countered by the West, we believe that there is an even chance that the Assembly would ratify EDC. Mendes-France may be able to secure at least a slim majority, chiefly among the present center and left-center parties, if he can promise some modifications in the treaty, and force the issue to a vote.

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9. Should Mendes-France fail to gain a decision on EDC, no successor government would be likely to obtain French ratification. Moreover, even if EDC is ratified by the Assembly, the ratification process will not be completed until it is either approved by the Council of the Republic, or re-passed by an absolute majority of 314 votes on the second reading in the Assembly. In any case, action by the Council will not take place until the fall. Mendes-France believes that the Council is likely to reject EDC and that its decision would have to be overridden by the Assembly. Therefore, he has pressed for modifications in EDC in order to achieve an absolute majority in the Assembly. In the event of a required second reading the changes in EDC he will propose would be even more essential, and a dramatic new gesture of support for EDC by the West might also be necessary.

10. Prospects if EDC is not Ratified. If the French Assembly does not ratify EDC this summer and the US and the UK then seek French acquiescence to granting West German sovereignty, we believe that France, aware that the US and the UK might otherwise proceed without it, would reluctantly agree after considerable bargaining. However, France probably would make every effort to strengthen the proviso postponing West Germany's right to rearm. It might seek some form of veto power over German rearmament. Nevertheless, if the US and the UK refused any alternative to a clear French agreement to decide on German rearmament within a certain period, and if they seemed prepared to abrogate the present tripartite occupation agreements, we believe the French would ultimately agree to the US-UK proposals.

11. Assuming French agreement to the US-UK proposals on condition that any decision on German rearmament would be postponed for a certain period, we believe they would use the interim to seek some other method for rearming West Germany than the establishment of a national German army. They might make such suggestions as: a special subordinate status for West Germany within NATO; a coalition army with limited German, and possibly British, participation; or some form of arms pool. If these proposals were unacceptable, the French might prove intransigent on German rearmament even if faced with the threat of unilateral US action to arm the Germans in its zone. In the last analysis, however, we believe that they would be more likely to yield to US-UK pressure and accept the formation of a national West German army under some form of NATO control. They would reason that: (a) France would otherwise be isolated in Western Europe; (b) the NATO machinery provides a means for control of West German rearmament; and (c) the NATO states would probably agree that production of such arms as nuclear weapons, submarines, and military aircraft should be prohibited in "strategic areas" like West Germany.

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C. Probable Developments in West Germany

12. Adenauer is being sorely pressed because of French hesitation on EDC and his resultant inability to make further progress toward West German sovereignty and European integration. The recent Soviet grant of sovereignty to East Germany, the numerous demonstrations of French weakness compared with growing German strength, and rising European criticism of US policy have contributed to the growing impatience of the German public. However, Adenauer's relative success in the recent North Rhine-Westphalia election and the favorable German reaction to the Eisenhower-Churchill conference appear to have curbed that restiveness temporarily. Moreover, Adenauer's forceful speech demanding sovereignty for West Germany and closing the door to renegotiation of EDC before its ratification almost certainly strengthened his domestic position.

13. The Soviet proposals have already been taken up by the SPD and neutralist elements in West Germany. These groups are demanding another effort at negotiation with the USSR to see whether or not a basis for German reunification can be achieved. We believe, however, that unless the USSR comes up with markedly new proposals, the basic scepticism of the West Germans will remain strong and Adenauer will probably remain able to control unrest within his own party and within the coalition so long as hope remains for EDC. Nevertheless, the US-UK decision to grant sovereignty to West Germany if the French do not ratify EDC this summer would make it difficult for him to acquiesce in any delay beyond that time.

14. However, the West German people are far more interested in ending the occupation and acquiring sovereignty than in rearmament, and they would almost certainly be satisfied in the short term by a four-power declaration granting sovereignty but including a temporary prohibition on rearmament. Adenauer himself appreciates French sensitivities, believes that Franco-German cooperation is the keystone of harmonious relations in Western Europe, and is apprehensive concerning a revival of German militarism. Therefore, if sovereignty were granted, he would probably not press the French for early approval of West German rearmament.

15. On the other hand, if the French were unwilling to join the US and the UK in granting West Germany sovereignty, Adenauer would be forced to adopt increasingly independent policies toward the French. He would find it politically impossible to agree to granting France a veto power over German rearmament in return for French agreement on West German sovereignty. If France rejected all the US-UK proposals, Adenauer would most likely attempt to negotiate with the US and the UK

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alone, even though he would be aware that the consequent Franco-German resentments would threaten the foundations of his European policy.

16. Should the US and the UK fail to grant West German sovereignty in event of French failure to act on EDC this summer, Adenauer probably would be forced to follow an even more ostensibly independent and "neutralist" course. Nationalist feeling would increase in all levels of the West German population, the moderate elements in both major parties would be weakened, and the popular appeal of the Right extremists would increase significantly. Moreover, sentiment favoring a unified but neutralized Germany would increase. Adenauer would probably have to seize the initiative from his critics, who would be likely to press both for bilateral understandings with the Western Powers and more flexible policies toward the Bloc.

D. Probable Developments in the UK

17. Most Britons have a lively fear and mistrust of German nationalism and military and economic power. However, a clear majority in the UK reluctantly approves West German rearmament on the grounds that this development is inevitable, that it is essential to Western Europe's defense, and that the real issues concern timing and method. The British government apparently hopes that knowledge of the US-UK intention to restore West German sovereignty will help persuade the French to ratify EDC. If the French Assembly failed to ratify before the summer recess, we believe that Britain would favor proceeding with the London agreement, but would probably be willing to delay West German rearmament for six months or even a year in order to obtain French concurrence. However, it would probably not be willing to accede to an indefinite delay, and if EDC appeared dead, would favor seeking French agreement to German rearmament under NATO.

18. French failure to act on EDC would make German rearmament an even more lively issue in British politics and would almost certainly strengthen those who oppose it. The Labor Party would seize upon the ostensible failure of EDC to reopen debate on policy toward West Germany. If France failed to ratify EDC, and if no alternative acceptable to the French appeared by the time of the fall Labor Party convention, majority opinion in the Labor Party would almost certainly oppose West German rearmament until such an alternative had appeared. On the other hand, if a new formula for West German rearmament appeared which seemed likely to win French approval, Attlee would probably back such a formula. In such circumstances the chances are better than even that the majority of his party would support him.

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E. Probable Developments in the other EDC Countries

19. The Low Countries, which favor a West German defense contribution because it would improve their own defenses, would almost certainly support any policy proposed by the Big Three. They would probably support bilateral US-UK action even if France opposed. In event of disagreement, they would tend to follow the policy of the UK. The Dutch in particular might prove sticky on any proposals to water down the supranational features of the EDC.

20. The chances of Italian action on EDC will be influenced largely by the nature of the French decision on EDC and the outcome of the negotiations on Trieste. If a satisfactory Trieste settlement is achieved, if the French have not rejected EDC, and if the US and UK continue to press for ratification, we believe that Italy would ratify EDC promptly in the fall. On the other hand, the implementation of a new US-UK policy vis-a-vis West Germany would probably lead the Italian government to support the US-UK action.



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CENTRAL INTELLIGENCE AGENCY

3 August 1954

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Probable Short Term Communist Courses of Action in the Post-Geneva Period*

I. CONSISTENCY OF SOVIET POLICY

1. We believe that the Communist acceptance of a Geneva settlement does not constitute a major shift in Soviet policy, but is consistent with the main policies the USSR has been pursuing for some time. The principal Soviet strategic aim over the last few years has been the weakening and eventual disruption of the US-led anti-Communist alliance. Following the check which Communist aggression encountered in Korea in 1950-51 and the steps taken by the aroused Western Powers to build a heavily-armed and closely-knit alliance the Communist leaders apparently concluded that, if they continued on their provocative course, they would not only soon be faced with a military combination highly dangerous to their security but might be risking a general conflict.

2. The USSR reacted by avoiding further aggressive moves on the pattern of the Berlin blockade and Korea, and by moving toward a more "conciliatory" line which held out hope to the hard-pressed Western states that the burdens of rearmament could be escaped through negotiated settlements. Stalin's death apparently facilitated this shift, and was employed to encourage Western hopes of a genuine change in Soviet policy. At the same time, the Communist leaders apparently concluded that the continuation of colonial "liberation movements", such as the armed insurrections in Southeast Asia, was not incompatible with the main line of their policy. Not only did these actions tax Western resources, but they were themselves the source of divisions among the Western allies, and between them and the free nations of Asia.

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3. Communist Aims at Geneva. In view of the considerable Viet Minh military successes between the Berlin and Geneva meetings, the Communists do not seem to have capitalized as fully on their Indochina military opportunities as would have been possible. By further delaying tactics at Geneva, they might have hoped to seize the whole of Indochina in a relatively short time. In addition, by causing Mendes-France to fail in his dramatic bid for peace, they might have intensified the internal crisis in France.

4. That the Communist leaders chose to sacrifice these immediate gains was probably due at least in part to their fear that continued war in Indochina would greatly increase the risk of US intervention, or at a minimum lead to solidification of an anti-Communist alliance in Southeast Asia, perhaps even including many Asian states. But their decision was probably also in large part due to their belief that a compromise Indochina settlement would bring still greater advantages than a military conquest of Indochina, the winning of which they probably regard as only temporarily postponed in any case. The Communists probably calculated that a compromise settlement would enhance their reputation for moderation and sharpen the divisions among non-Communist countries, thus serving the Kremlin's main strategic aim of splitting the US from its allies.

II. PROBABLE POST-GENEVA COMMUNIST COURSES OF ACTION

5. Summary. In view of the success of their tactics in Indochina, we believe that the Communists are unlikely to follow up the Geneva settlement by major new aggressive moves. While they will continue to exploit existing pressure points to the extent which they consider will not stiffen rather than weaken the Western alliance, we believe that, in the short term at least, they will capitalize on the favorable atmosphere created by Geneva through intensified efforts at negotiation designed to: (a) forestall EDC and German rearmament; (b) forestall creation of a SEATO alliance or of a US-backed Middle East defense grouping; and (c) further split the US from its allies. They apparently hope to profit more from a further relaxation than from a sharpening of East-West tensions.

6. Soviet propaganda and diplomacy since Geneva indicate that the Soviet leaders are eager to press their advantage and

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maintain the momentum of negotiation, or at least of talk about negotiation. Communist propaganda is bearing down hard on the themes of nuclear energy control and disarmament, collective security plans for Europe and Asia, and admission of Communist China to the UN, contrasting these to the "dangers to peace" inherent in "warlike" US policies. The Soviet note of 25 July states that Geneva gave "fresh proof of the fruitfulness of efforts directed at normalizing international relations, at resolving important problems not only in Asia but in Europe as well."

7. Western Europe. The Soviet call for a new all-European conference indicates that the USSR still regards prevention of West German rearmament as a primary objective and is seeking to forestall the US-UK drive for EDC ratification by creating the impression that, in the light of Geneva, a successful East-West conference on Europe is also possible. The Soviet leaders must have recognized that in allowing an Indochina settlement they risked bringing about a situation more favorable to French ratification of EDC. Their proposal for a new European conference seems calculated to minimize that risk. The USSR will probably concentrate on France, hoping that the Indochina cease fire will induce a mood receptive to Soviet European proposals.

8. Whether or not the initial Soviet proposal is rejected, we believe that the USSR will follow it with further proposals aimed at exploiting French opposition to EDC, West German desires for reunification, and British doubts on German rearmament by urging the alternative of a unified but neutralized Germany held down by all-European collective security guarantees. The Kremlin also will further develop the line that rejection of its proposals will lead to an "alliance" between the USSR and East Germany, and "and forever" hopes of peaceful reunification. However, we see no evidence that the USSR will basically revise the position it took at Berlin. We still believe that it will not accept free all-German elections or withdraw its troops from East Germany until it feels confident that all Germany would thus come under its effective control.

9. Along with preventing West German rearmament, the Soviets aim at disrupting the Western alliance by enticing the European members of NATO into their alternative collective security scheme. As set forth in the Soviet notes of 31 March and 25 July, this scheme would require the abandonment of NATO commitments, deny West Germany to the NATO alliance, and end in the withdrawal of US forces from Europe and isolation of the

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US. While the Kremlin hardly expects such sweeping successes, it apparently regards the Molotov plan as a useful gambit for appealing to European opinion.

10. As in the case of the Danish-USSR trade talks in Moscow, the USSR will also continue to exploit the disruptive possibilities of East-West trade negotiations. Moreover, the USSR has been making efforts to tie Finland more closely to the Bloc; in the recent Finnish-Soviet trade negotiations, it sought to secure political commitments from the Finns. However, we see no indications that unusual Soviet pressure is likely to be applied.

11. The Far East. The principal immediate Communist effort in the Far East is likely to be to prevent the development of any Western-sponsored collective defense arrangement in the area. The Communists will feed Asian neutralist sentiment by emphasizing "Asian solidarity" and the prospects for peaceful co-existence via negotiated settlements, as demonstrated by Geneva. Peiping may propose an Asian "collective security" pact as a counterpart to Molotov's European security plan, or a series of bilateral pacts along the lines of Chou-en-Lai's "Five Principles". Peiping is also likely to attempt to frighten prospective Asian members of a SEATO by threats as to the consequences of joining any such organization.

12. At the same time, the Communists will probably intensify their long standing efforts to promote frictions between the US and other non-Communist states over Asian issues, and create situations in which Communist China can appear to uphold Asian solidarity against US "warlike" designs. The question of Communist Chinese admission to the UN will be vigorously exploited for this purpose.

13. Above all, Peiping will almost certainly attempt to make the status of Taiwan a major issue over the next year. With its flanks in North Korea and Tonkin now secured by armistice agreements, it may feel that the risks involved in a more aggressive policy have been reduced. While a Chinese Communist invasion remains unlikely, Peiping may feel that "military incidents" in the Taiwan area can be exploited to create apprehension in the non-Communist world concerning US policy in the Far East.

14. Communist successes in Indochina may also give new impetus to guerrilla warfare and subversive activities in

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Southeast Asian areas where they now exist. In particular, there is likely to be a stepping up in Communist political warfare activities in Thailand, to serve as a reminder to Asian neutralists that alignment with the US invites Communist aggression. We believe it unlikely, however, that the Communists will make any major aggressive military moves in South-East Asia, lest they solidify anti-Communist opposition and undermine their own efforts to encourage neutralism.

15. In Indochina we estimate that for the next year or so the Communists will not deliberately break the armistice agreement by making large scale attacks across the Geneva demarcation lines. However, we believe that the Communists will not give up their objective of securing all Indochina, but will pursue their objective by para-military, political and psychological means. Subversive and local guerrilla actions against the French and Vietnam authorities will probably continue. Nevertheless, we believe that Soviet and/or Chinese Communist control over the Viet Minh will remain effective enough to insure that no local developments will contravene the broader Moscow and Peiping desire that purely local gains must be subordinated to their general strategic aims.

16. The Communists probably regard the situation in Korea as stabilized for the present, and believe that their prospects in Korea will not be worsened by the indefinite continuance of this stalemate. To score a propaganda point against the US, however, they may make "new" proposals for unification and advocate the resumption of negotiations.

17. We believe that the Communists will follow up their Geneva success by intensified efforts to wean Japan away from the US. They probably expect Japanese neutralist sentiment to be strengthened by Geneva, and will approach Japan with attractive economic inducements in order to encourage such neutralism. Peiping and Moscow may even offer Japan a favorable peace treaty in order to normalize relations, although territorial issues will pose an obstacle to this course.

18. The Middle East. We believe that Geneva and post-Geneva developments will not of themselves have much significant effect on the scale and nature of Communist activities in the Middle East. The USSR is already pursuing a more active policy in the area than in the past, but such activity appears to be primarily in response to US efforts to strengthen Middle East defenses. This Soviet activity, marked both by offers of

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economic assistance and other friendly gestures and by propaganda and diplomatic pressures against potential participants in a US-backed defense grouping will probably be intensified to the extent that the US and its allies appear to be making progress toward bolstering their position in the area.

19. However, the indications are that in the short term at least the USSR will use inducements more than threats. The USSR still appears to have no sense of urgency about achieving actual Communist control over the area. While it might be tempted to turn to the Middle East as offering fruitful opportunities for pressure on its Western adversaries, it is difficult to see how it could undertake any drastic action without alienating the neutralist opinion it is seeking to cultivate in the Middle East and other areas.



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