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CENTRAL INTELLIGENCE AGENCY

9 November 1954

MEMORANDUM FOR: Mr, Allan Evans (OIR)
 Lt. Colonel Paul S. Reinecke, USA (G-2)
 Captain B. E. Wiggin, USN (ONI)
 Colonel William S. Boyd, USAF (AFOIN-2B2)
 Colonel Floyd E. Dunn, USA (JIG)

SUBJECT : NIE 23-54: "Probable Developments in West
 Germany"

1. The attached terms of reference for NIE 23-54 were agreed on in a meeting of the Board with your representatives on 5 November.

2. Following is the allocation of production responsibilities for the preparation of contributions:

<u>Sections</u>	<u>Agency</u>
I, II and III	OIR/State
IV	Defense (primary) OIR/State (secondary)
V	OSI/CIA
VI and VII	OIR/State

3. All contributions are due in ONE by the close of business on Friday, 19 November.

4. Production schedule follows:

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DOCUMENT NO. _____
 NO CHANGE IN CLASS. 1
~~X~~ DECLASSIFIED
 CLASS. CHANGED TO: TS S C
 NEXT REVIEW DATE: _____
 AUTH: HR 70-2
 DATE: 13 MAY 81 REVIEWER: 018557

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|----|-------------------------------------|-------------|
| a. | Contributions due | 19 November |
| b. | Staff draft to Board | 1 December |
| c. | Board draft to IAC representatives | 3 December |
| d. | IAC representatives complete action | 9 December |
| e. | IAC consideration | 14 December |
| f. | Advance copy to NSC | 15 December |

Paul A. Borel

PAUL A. BOREL
Deputy Assistant Director
National Estimates

Distribution "B"

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CENTRAL INTELLIGENCE AGENCY

9 November 1954

SUBJECT: TERMS OF REFERENCE: NIE 23-54: PROBABLE DEVELOPMENTS
IN WEST GERMANY

THE PROBLEM

To estimate the present situation and probable developments
in West Germany.

NOTES

- i. NIE 23-54 is designed to revise and update NIE-82, "The Outlook in West Germany" (17 July 1953), which estimated probable developments over the next five to 10 years.
- ii. We believe that substantial portions of NIE-82 will not require revision. The new Terms of Reference call for contributions only on those sections which seem to require updating or extensive rewriting in the light of recent developments. However, contributors should also feel free to propose the revision of other sections if they believe it necessary.

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- iii. Except for Section VIII, these terms of reference are prepared on the assumption that the London and Paris accords are ratified.
- iv. The terms of reference are a revision of the terms distributed to the Agencies on 20 September 1954.

QUESTIONS BEARING ON THE PROBLEM

COIR I. DOMESTIC POLITICAL TRENDS (paras. 13-22, NIE 82)

The more general portions of this section (paras. 13-14, 16, 20-22) appear to remain generally accurate although some updating (paras. 15,17) and elimination (para. 18) will be necessary. The comparison of political party strengths (para. 14, footnote 5) should be updated to reflect the 1953 elections.

- A. What is the state of Adenauer's present and prospective control over the coalition? What is the likelihood that the present coalition will break up and that the CDU will attempt to govern alone? What would be the effect of such developments on West Germany's political stability? In the event of Adenauer's departure from office, who would be likely to succeed him? With what effect on West Germany's political stability?

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- B. What is the possibility of a CDU-SPD "grand coalition" prior to the next general election? What are likely future trends in SPD policy and popular support? In FDP policy and popular support?
- C. Are there any indications of a significant decline of popular confidence in government by moderate political parties? What is the outlook for the predominance of moderate constitutional forces?
- D. Is a sharp increase in nationalist feeling likely? Under what circumstances might it arise? To what extent would such an increase affect the attitudes of the major West German political parties? What domestic political actions would Adenauer or his successor be likely to take in the event of rising West German nationalism? Which parties would be likely to benefit from increasing nationalism? Would the Communists benefit? To what extent will the Saar remain a domestic political issue?

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- E. Is there any significant Communist infiltration of the coalition parties or the SPD?

- F. What will be the impact on the political situation of the re-establishment of military forces? Are the professional military leaders likely to assert a political role? Will the Bundestag retain control of military affairs, or might the military leaders consolidate a separate power center? What are the prospects for extreme nationalists taking control of the military establishment?

MOIR II. SOCIAL ISSUES (paras. 23-26)

This section appears to remain generally adequate.

- A. Are there indications of renewed anti-Semitism or of serious antagonisms over the confessional schools? Are charges of CDU clericalism likely to develop into a significant issue?

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- B. Have the attitudes of ~~West German~~ labor or the role of labor unions changed since 1953? Is management resistance to labor's demands likely to lead to a significant breach of labor-management relations and to any protracted period of instability?
- C. What progress has been made in the assimilation of refugee elements into the West German social pattern?
- D. Will the creation of military forces lead to significant social changes?

OIR III. ECONOMIC TRENDS (paras. 27-33)

This section still appears accurate, although updating of economic data is necessary.

A. Internal

- 1. Has the outlook for German economic prosperity changed since NIE 82? What will be the impact of rearmament on the West German economy? What percent of GNP will be expanded on the military establishment?

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2. Are the government's conservative economic policies likely to continue to satisfy the West German public? Which elements of the population are likely to be dissatisfied? To what extent will this dissatisfaction affect government policies? Is the government likely to sell any of its industrial enterprises to private interests? What is the likely course of West German industrial organization?
3. What will be the availability of private West German investment capital? What are the prospects of private foreign capital being offered and accepted?
4. Would industrial wage increases resulting from labor agitation be likely to cause any substantial weakening of West Germany's competitive position abroad?

B. Foreign

1. By what means are the West Germans improving their foreign economic position? Is West Germany's

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willingness to extend highly favorable credit terms to foreign customers likely to threaten West Germany's domestic economic foundations? What would be the economic effect of a world recession on West Germany's competitive position in foreign markets?

2. Does it appear likely that West Germany will achieve economic hegemony over Western Europe? What will be West German governmental and popular attitudes and those of special interest groups toward continued participation in the Coal and Steel Community? What are the prospects for broad expansion of Franco-German economic cooperation?
3. What is the outlook for further West German economic penetration in the Middle East? In other foreign markets? Does West German competition threaten seriously the foreign economic position of the US, the UK, or Japan?

IV. REARMAMENT

Defense
OIR

The statement of West Germany's military potential in paras. 34-38 still appears accurate, but this section requires revision in the light of the London and Paris accords.

- A. How much time will West Germany require to reach presently scheduled force goals? By what date will the German forces attain combat effectiveness? What are prospects for effective Allied control of the size, disposition, equipment, and employment of the German forces?
- B. What is the attitude of the public, the government, and the political party leaders toward re-establishment of forces? What will their attitudes be when rearmament is under way? What is their attitude toward NATO and Western European Union? Toward integrating the West European defense forces? Are serious West German objections likely to develop toward the limitations on rearmament and arms manufacture? Is West Germany likely to seek to evade these limitations?

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OSI V. SCIENTIFIC AND TECHNICAL CAPABILITIES (paras. 39-40)

We believe that the estimative judgments in this section remain accurate.

OIR VI. PROBABLE FOREIGN POLICY (paras. 41-60)

Some parts of this section appear generally valid but considerable updating and revision seems required in most parts.

A. General Orientation

1. In order of priority, what are West Germany's current foreign policy objectives? How will the recovery of sovereignty and military powers affect these objectives? How will implementation of the London and Paris accords shape the course of West German foreign policy?
2. What role will West Germany seek to play in NATO? Is West Germany likely eventually to attempt to change the defensive character of NATO? Will it attempt to drag the other Western Powers into an aggressive policy toward Soviet-dominated German territory?

3. Will a sovereign West Germany seek to influence the West to adopt more cordial relations with the Bloc?

B. Reunification of Germany

1. How strong is the West German desire for reunification? What are the trends regarding this desire? Do the West Germans believe that reunification is attainable through negotiations among the four occupying powers? Do they believe that reunification will be advanced or retarded as a result of rearmament?
2. Would the present Bonn Government oppose Soviet proposals to reunify Germany, on condition that Germany be neutralized? What will be the position of the lesser coalition parties and the SPD on reunification? Is it still likely that most Germans would favor Soviet proposals to reunify Germany through free elections but with controlled rearmament and denial of the right of alliance?

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3. Under what circumstances would Bonn enter into negotiations with the East German regime leading toward more normal relations? Toward reunification?

C. German Attitude Toward the Western Powers

1. What will be the likely West German attitude toward the US and UK? Toward the retention of US and UK forces and facilities in Germany? What would be the attitudes in the event that the US or UK undertook to reduce these forces?
2. What is likely to be the West German attitude toward France during the next few years? Are the West Germans likely to press for the early reduction of French garrisons in Germany? Will the Saar issue continue to irritate Franco-West German relations?

D. Attitude Toward the USSR

1. What will be the likely West German attitude toward the Soviet Bloc? Under what circumstances

might West Germany eventually seek a neutral position between East and West? Seek a rapprochement with the USSR?

OIR VII. POLICIES OF A UNIFIED GERMANY (Paras. 61-62)

1. What would be the most likely policies of a unified Germany?

OIR VIII. What would be the most important consequences in West Germany of a rejection of the London and Paris accords by: (a) the French Parliament, (b) the West German Parliament?