

25X1

Approved For Release 2004/09/28 : CIA-RDP85T00875R001500060014-1

Approved For Release 2004/09/28 : CIA-RDP85T00875R001500060014-1

Secret



Weekly Summary

Special Report

Ostpolitik from Brandt to Schmidt

Secret

№ 986

August 9, 1974
No. 0032/74A

25X1

Approved For Release 2004/09/28 : CIA-RDP85T00875R001500060014-1

Approved For Release 2004/09/28 : CIA-RDP85T00875R001500060014-1



OSTPOLITIK
FROM BRANDT TO SCHMIDT

SECRET**Summary**

The Guillaume espionage case and Chancellor Brandt's subsequent resignation occurred at a time when Bonn's Ostpolitik was showing some signs of rejuvenation. Despite this setback, neither Bonn nor Pankow wished to reverse what had been accomplished under Brandt; they proceeded to establish diplomatic relations shortly thereafter.

Chancellor Schmidt, a major figure in Brandt's government, wants to maintain continuity in relations with all the Eastern countries, but he plans to pursue a more cautious policy in line with his more modest expectations of what can be accomplished.

The difference between Brandt's and Schmidt's policies will be most evident in their differing views on economic cooperation with the East. Brandt and his chief foreign policy adviser, Egon Bahr, wanted to move in this direction, hoping to get the government more actively involved in promoting trade and financing industrial projects. They regarded Ostpolitik as a long-term process, designed to preserve the possibility of German reunification by slowly overcoming the division of Europe.

Schmidt, a politician more attuned to problems within the Atlantic community, gives highest priority to the threat of economic instability that Western Europe faces as a result of the rising cost of raw materials and energy. He argues that the need to control inflation rules out the granting of large credits or loans to the Eastern capitals. Although interested in industrial projects that promise deliveries of energy from the Soviet Union, he has informed the Soviet leaders that at present Bonn cannot afford to give financial assistance.

Schmidt's parsimonious attitude will displease the Soviets, who will make their impatience evident when the Chancellor visits Moscow this October. Bonn's decision to establish a Federal Environmental Office in West Berlin this fall has also soured bilateral relations. From all present indications, however, neither side wants a confrontation to develop over this issue. Their goal will be to create as much favorable publicity at the summit meeting as possible since no major agreements are likely to be concluded. This effort would particularly benefit Schmidt since the two coalition parties in Bonn face stiff contests in two state elections later that month.

SECRET

SECRET

25X1

In the long run, we are very keen—if only for the sake of supplying our economy with raw materials and energy—on raising trade with Moscow and the other East European countries even further. From the Soviet Union we want great quantities of raw materials of every description: natural gas, crude oil, possibly electric current.... We must be prepared to grant credits once the situation concerning our export surpluses has become somewhat more favorable again. That will be the case in one or two years. The Soviet leaders know that at present we are close to the edge of our capacity.

Chancellor Schmidt
June 12, 1974

Background

The collapse of the Brandt government following the Guillaume affair came at a time when Bonn was about to conclude its efforts at restoring normal political relations with the USSR and Eastern Europe. Brandt was particularly interested in establishing a new relationship with the "other Germany" based on trust, and he looked forward to the opening of diplomatic relations with East Berlin. Upon leaving office, however, he had only the bitter feeling that he had been victimized by East German machinations.

The revelation of Guillaume's espionage activities in the chancellor's office also came at a time when Brandt's critics were claiming that Ostpolitik had already come to a dead end. Many parliamentary deputies on both sides of the aisle were pointing to the widespread public feeling that Ostpolitik had failed to live up to the expectations raised by the chancellor.

To be sure, the general atmosphere of Bonn's relations with the East had certainly improved, compared with the hostility and recriminations that characterized the first 20 years of the Federal Republic's existence. Ostpolitik had helped free a new generation of West Germans from the burdens of the past and had permitted Bonn to have the same kind of relationship with the East Europeans that the other Western nations enjoy. The Brandt government could also pride itself on contributing to East-West detente, and could claim that the current series of multi-

lateral negotiations would never have been possible without Ostpolitik.

The government could also point to such tangible gains as the improvements in transit and traffic privileges that allowed greater access to East Berlin and East Germany. The Quadripartite Agreement on Berlin, which went into effect after the Bundestag ratified the non-aggression treaties with the Soviet Union and Poland, reaffirmed Western legal rights and access to the divided city. More West Berliners and West Germans have since been able to visit the "other Germany" than at any time since the Berlin Wall was erected. Automobile traffic between West Germany and West Berlin rose by nearly 17 percent in 1973, and travel by West Germans to East Berlin and East Germany jumped by almost 62 percent during the same period.

Nevertheless, by the end of 1973, enough difficulties had emerged to convince many West Germans that Ostpolitik was running out of steam. Although Bonn went on to establish diplomatic relations with the remaining East European countries, these governments refused to give a formal guarantee that West Berliners traveling in their territory would receive legal assistance as part of the usual consular services. They referred West German officials to Moscow to settle the issue.

Most disappointing of all was Pankow's decision in November to double the minimum

SECRET

currency exchange requirement for travel to East Germany. This tactic reduced visits by roughly a third from the 1973 level. Officials in Bonn and West Berlin protested strongly but had no means of forcing Pankow to reverse its action.

Before "The Fall"

In response to this situation, Brandt and Bahr wanted to prove that Ostpolitik was not stagnating, hoping at the same time perhaps to distract public attention from other problems that the chancellor was encountering on the domestic scene. During his 11-day visit to Moscow in early March, Bahr discussed Berlin issues with Soviet leaders and made preparations for the chancellor's visit to the Soviet Union later this year. Some progress was made in negotiating a scientific and technological agreement as well as a bilateral legal assistance agreement extending such services to West Berliners. West German and Soviet officials were in fact trying to conclude these negotiations when the Guillaume affair became public.

During Bahr's visit, the Soviets announced that they were prepared to pay cash for nearly \$1 billion worth of equipment to be provided by West German firms during the first phase of the Kursk steel mill project. The Soviet decision removed pressures on Bonn to subsidize the project and, at the same time, underscored Moscow's interest in giving Brandt a badly needed public relations boost after his party's defeat in the Hamburg state elections.

The East Germans, for their part, agreed at about the same time to place diplomatic relations on a firmer basis by exchanging permanent missions with Bonn. A few weeks later, the two Germanies concluded three bilateral accords in the humanitarian field. West Berlin officials, who had often charged that Brandt and Bahr were sacrificing the city's interests for the "broader" goals of Ostpolitik, were gratified that Bonn's permanent mission would be allowed to provide consular services for West Berliners and that the three inter-German accords also applied to West Berlin. Thus, just prior to the Guillaume affair,

Ostpolitik was again showing some signs of progress.

Schmidt at the Helm

Chancellor Schmidt clearly does not have the commitment to Ostpolitik that motivated Brandt and Bahr. Like most residents of Hamburg, where he was born, Schmidt looks westward and is convinced that West Germany's future lies in its relationship with the Atlantic community. Schmidt's principal areas of interest are financial policy, European monetary cooperation, and defense problems pertaining to the Atlantic alliance—a subject on which he acquired considerable expertise as defense minister in the first Brandt government. In his government declaration on May 17, Schmidt stated that he intended to place a high priority on dealing with domestic economic problems—something that many voters felt Brandt had failed to do. The dismissal of Brandt's protege, Egon Bahr, from the cabinet and from the post of federal plenipotentiary for Berlin was another sign to some that the new Chancellor intended to substitute a policy of "benign neglect" for Brandt's active policy toward the East.

Despite these developments, Schmidt has stated publicly that he intends to travel to Moscow to meet with Brezhnev later this year, probably in October. His decision came as a surprise in Bonn where the Guillaume affair still rankles and where many believe that the East should have first demonstrated its good intentions before Schmidt agreed to visit Moscow.

Actually, East Germany soon made a move in that direction. In an apparent effort to make amends for the damage the Guillaume affair had done to bilateral relations, Pankow announced in late May that it would be prepared to hold bilateral talks concerning the currency exchange requirement and economic cooperation, especially industrial projects involving the delivery of energy to West Berlin.

Pankow's forthcoming attitude was probably the result of prodding from Moscow. Both the Soviets and East Germans are aware that Schmidt

SECRET

25X1

is in a strong position in view of the reluctance of most West Germans to see Ostpolitik moving again if the price is additional political and economic concessions. The bilateral talks so far have not taken place.

Elements of Continuity

Schmidt's decision to go ahead with a summit meeting with Brezhnev this fall reflects the value he places on maintaining continuity in relations with the East. He is aware that since its revival by foreign minister Schroeder in the Erhard government more than a decade ago, Ostpolitik has become a permanent dimension of German foreign policy. A pragmatist, the new Chancellor also realizes that he must keep open his channels to Moscow and is anxious to establish personal contact with the Soviet leaders. Any sign that he was allowing detente to wither would raise serious problems for Schmidt with his colleagues in the Social Democratic Party and would disappoint the East Europeans.

Schmidt indicated that he was aware of these considerations when he praised the previous government's efforts at detente in his maiden speech to the Bundestag.

Moscow likewise has no intention of allowing inter-German problems to undermine its relations with Bonn. As long as Bonn does not adopt an anti-Soviet line, Moscow seems prepared to do its part to keep relations between the two states on a businesslike basis. Brezhnev and Brandt were able over a period of time to develop a relationship that enabled both sides to discuss their problems in a candid fashion. There is no reason to believe that the Soviet leaders will be unable to deal effectively with Schmidt, even though they view him with some caution. The Soviets probably believe he is bound by the agreements they concluded with Brandt and that he will not radically alter bilateral relations. Their demonstrated desire for Western technology and long-term credits is another factor underlying their apparent interest in assuring stable relations.

The East Europeans also have a strong interest in expanding relations with Bonn. Their eagerness for greater trade and economic coop-



Economics Minister Friderichs (l) and Chancellor Schmidt

eration with West Germany will not be affected by their need to support the political interests of their East German ally. In the past, several Eastern regimes have grumbled that the East Germans enjoyed the economic benefits of inter-national trade for years while slowing efforts by others to establish diplomatic relations or to expand trade with West Germany. Now that the two Germanies are developing their political relationship within the framework of the Basic Treaty, Pankow has little say over what the other East Europeans choose to do in their relations with Bonn.

Finally, and perhaps most important, there are no major political disputes between Bonn and most of the Eastern capitals. The Eastern regimes, moreover, have had to end their vitriolic attacks against German revanchism to prove their commitment to detente.

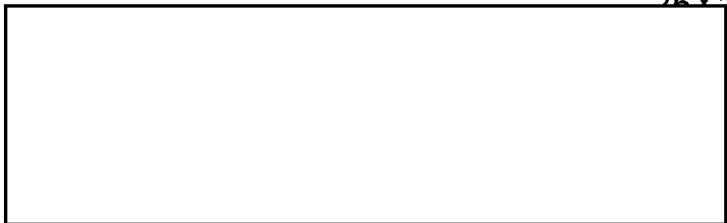
Berlin Issues

Despite the extent to which Bonn's relations with the East have been "normalized" and the

SECRET

25X1

interest of both sides in keeping them that way, sources of past and future friction continue to exist. The complex issue of legal assistance for West Berliners traveling in the East is a good example of this. Most Eastern governments allow West German embassies to provide consular services and, as a matter of practice, legal assistance to West Berliners. They insist, however, that Bonn has no authority in cases involving West Berlin courts. West German and Soviet negotiators have reached agreement on a formula to solve the issue but remain deadlocked on the manner of official Soviet acknowledgement. Schmidt and Brezhnev may discuss this issue when they meet this fall.



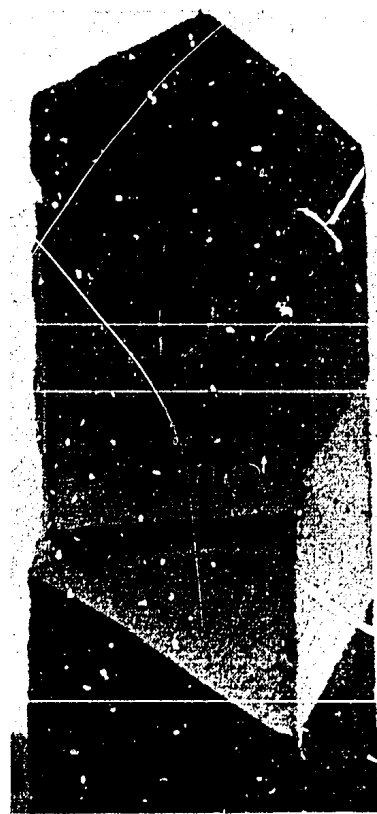
The East Germans have retaliated by undertaking spot checks of travelers on the autobahn. There have been no serious disruptions of traffic, but one employee of the Environmental Office was denied the use of the access route. At Bonn's request, the Transit Commission established to handle such matters met on August 6. Bonn hopes to resolve the issue in the commission and prevent it from causing further trouble.

Bonn's decision to establish a Federal Environmental Office in West Berlin has also been a troublesome issue.

25X1

The Soviets, for their part, regard such efforts to strengthen West Berlin's ties to the Federal Republic as violations of the Quadripartite Agreement and have strongly protested Bonn's decision. Although Moscow regards the issue as

25X1



One of the main considerations in the formulation of "change through rapprochement," a decade ago was the realization that the solution to the German problem question was conceivable neither through annexation nor through a single act but only as the result of an historical process.

Egon Bahr, July 1973
Second Tutzing Academy speech



SECRET

SECRET

25X1

one of prestige, it may not seek an open confrontation because the Western allies have agreed to support Bonn. Soviet diplomats in Bonn have suggested measures that would prevent establishment of the office from undermining their legal position. Specifically, they seek a guarantee from the West that this office will be the last federal institution to be established in West Berlin.

Officials in Bonn will not reverse their plans to have the office fully manned sometime this fall, but they may be willing to go along with a possible decision by the Western allies to give the Soviets some form of assurance. Mayor Schuetz, on the other hand, will most emphatically oppose any agreement, formal or informal, that would curb efforts to strengthen the city's ties to the Federal Republic. The Chancellor will almost certainly discuss Berlin issues with Soviet Foreign Minister Gromyko when he visits Bonn in mid-September.

Whither Ostpolitik?

Beyond keeping such issues as these from becoming too aggravated, the basic problem facing Chancellor Schmidt and his government is how to give continued meaning to Ostpolitik. Actually, there are only two areas that offer opportunities to extend Ostpolitik beyond what the Brandt government achieved.

Cultural exchanges are one such area. West German and Polish historians, for example, are meeting annually to revise school textbook interpretations of World War II. As a result, future generations of West German and Polish youth may have a less acrimonious relationship. Ideological differences, however, still pose limitations. This is particularly true with regard to East Germany, which wants to purge from its citizens' minds any notion of German unity by emphasizing the Marxist foundations of East Germany's political, social, and economic system. Consequently, Bonn is encountering difficulties in negotiating a cultural agreement with Pankow.

Cross-cultural understanding is more likely to be advanced by tourism. Travel to the East is a kind of everyday Ostpolitik—largely outside gov-

ernmental direction—in which first-hand exposure tends to weaken old prejudices, many of which have nothing to do with ideology. The number of West Germans on vacation or business trips to Eastern Europe has grown tenfold in the past decade—and now reaches nearly three million each year. Although the Eastern capitals welcome the tourists for their hard currency, they are still worried that exposure to Western ideas and influences poses a threat to their system of government.

Ostpolitik and Eastern Trade

Despite the attention given to cultural cooperation and tourism, trade and industrial cooperation is of far greater importance to government and business circles in West Germany. Actually, nothing could better illustrate the difference between Brandt and Schmidt on Ostpolitik than the manner in which each has viewed economic cooperation with the East.

Brandt's Approach

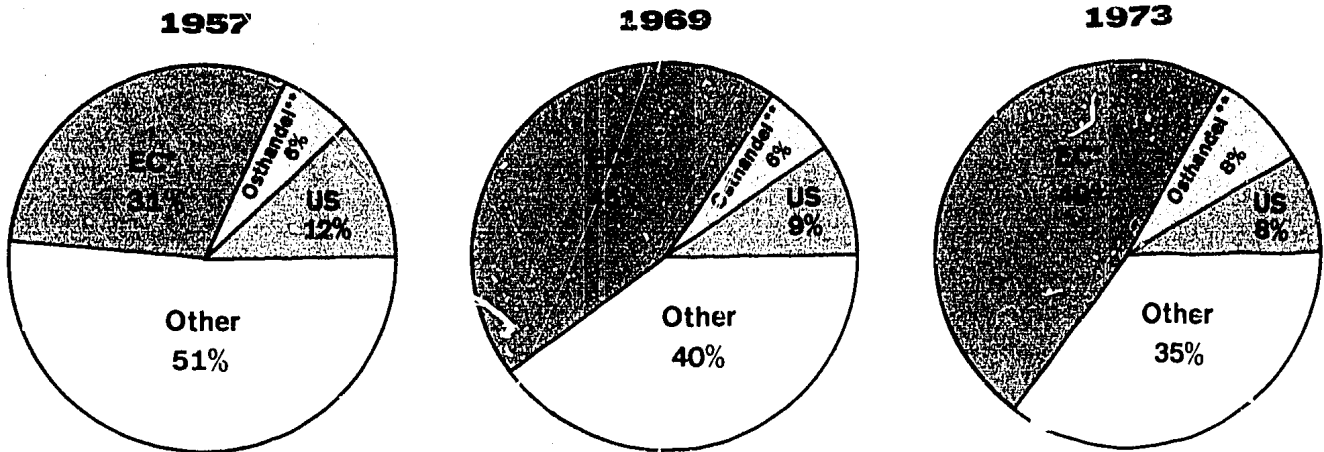
Last November, Brandt appointed Bahr as chief government coordinator for all economic cooperation with "state-run economies." In preparation for visits to Washington and Moscow to discuss East-West trade, Bahr formulated new models for economic cooperation with the Soviet Union and Eastern Europe. Emphasizing the bilateral approach, Bahr's plans had two objectives: to boost German imports of raw materials and fuels from the East, and to make West Germany more competitive in financing large-scale industrial projects in these fields. Bahr favored the creation of a financial institution modeled on the US Export-Import Bank that would offer loans and credits to support projects promising to generate imports of raw materials.

25X1

These models, though ostensibly directed toward practical considerations, were more an indication of Brandt's and Bahr's eagerness to shape policy in terms of their own political philosophy. Both men looked upon Ostpolitik as

SECRET

The Evolution of West German Trade



*Includes Great Britain, Ireland & Denmark.

** Includes East Germany & Yugoslavia.

F 56331 8-74

a long-term process, the next phase of which would be economic cooperation. Their overall goal was to set in motion an "historical process" that would ultimately help break down the existing political, military and economic blocs in Europe, a process that would eventually overcome these divisions and make German reunification less remote. Both men shared a Bismarckian perspective that saw Germany as a force in central Europe with valid interests in the East as well as the West.

The four-stage plan for the demilitarization of central Europe that Bahr drafted in 1968 when chief of the Foreign Ministry's policy and planning staff illustrated his line of thought. It envisioned the gradual creation of a demilitarized zone by means of renunciation-of-force agreements and troop reductions. Berlin would then eventually serve as the administrative center for the zone, which would include, at the minimum, the two Germanies, Poland, Czechoslovakia, and the Benelux countries.

Brandt never publicly endorsed this policy proposal for obvious political reasons, but per-

haps accepted its long-range goals as something to work toward. Growing pessimism about the ability to create a new security system for Europe in the foreseeable future prompted Brandt and Bahr to turn their attention to trade and economic cooperation with the East. Both men evidently hoped to further the "historical process" of pan-European cooperation by offering the Eastern capitals more of what they so long desired—Western technology and trade. They justified their views by arguing that the conflict between the two halves of Europe was fading in significance when compared with the growing problems between the industrialized nations of the northern hemisphere and the underdeveloped, though often energy-rich countries of the south.

Schmidt's Views

Schmidt has a somewhat different perspective on economic relations with the East. Unlike Brandt and Bahr, he has formal training as an economist and has a better sense of what is possible. He does not share their belief that the goal of improving relations with the East justifies the expansion of economic ties as a matter of principle. Furthermore, the Chancellor, like most

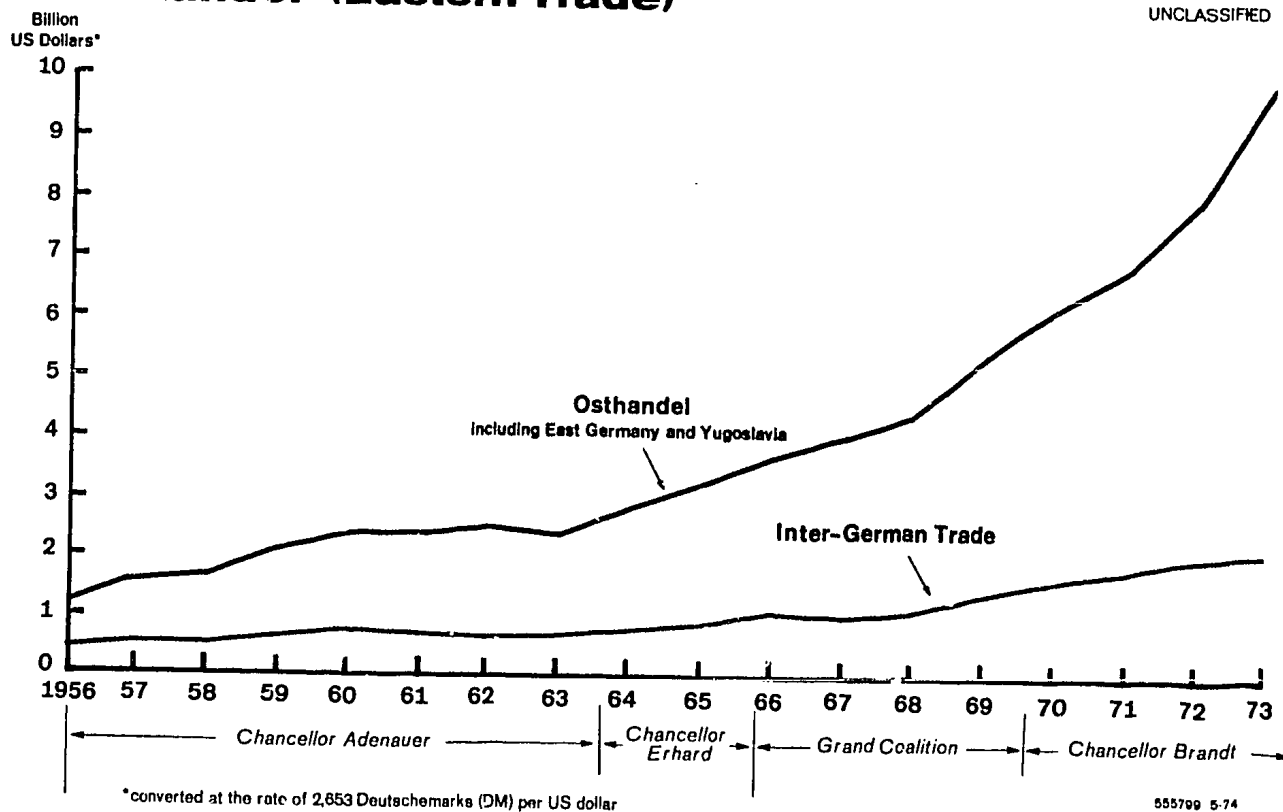
West German politicians, recognizes that the economic relations among members of the European Community are of far greater importance.

In any case, Schmidt is pragmatic in his assessment of West Germany's economic relations with other countries. This applies to the goal of creating an economic and monetary union for Western Europe as well as grandiose visions of trade with the East. Schmidt sees the need to deflate exaggerated expectations in both areas. The consistent theme in the Chancellor's public and private comments is that plans for economic cooperation or assistance must not only be feasible but must also serve West Germany's interests. This "hard-headed" attitude is unavoidable, Schmidt argues, given the economic problems the nation faces as a result of the rising cost of raw materials and fuel.

As finance minister in Brandt's cabinet, for example, he repeatedly argued that budgetary limitations and the need to control inflation rule out government subsidies for export credits to the East, even for large-scale industrial projects. Economics Minister Friderichs and many of his colleagues in the Free Democratic Party support Schmidt on this score. They fear that granting subsidies to bridge the gap between the high interest rates on the German money markets and the credit demands of the Soviets and East Europeans might set an undesirable precedent. They defend this "laissez-faire" policy with the argument that Eastern trade has grown steadily without government intervention.

Indeed, the German business community has been largely self-reliant in its undertakings. German firms operate either independently or with

Osthandel (Eastern Trade)



the assistance of the *Ostausschuss der Deutschen Wirtschaft*--a semi-official organization whose members are drawn from firms interested in Eastern trade. Since 1956, the *Ostausschuss* has played a prominent role in searching out and promoting commercial opportunities for these firms. Bonn's "laissez-faire" policy toward Eastern trade clearly contrasts with the policies of other Western industrialized nations that are more willing to underwrite trade with the East with direct financial assistance.

Egon Bahr's re-entry into the cabinet on July 10 as minister for economic cooperation does not signal a change in this policy, as this ministry is responsible only for assistance programs to less-developed countries. The appointment was basically a shrewd political move by Schmidt. It currys favor with Brandt and other party leaders who have supported Bahr in the past, without expanding his direct role in the foreign policy field.

Schmidt's conservative attitude on the question of loans and credits to the East is evident in two particular cases, one involving Poland, the other East Germany. For some time, for example, Warsaw has been angling for some \$1 billion in credits. The Poles recently indicated that they would accept Bonn's offer of \$400 million in long-term, low-interest credits, but they still demanded additional funds as indemnification for war victims. They insist that ethnic Germans living in Poland will not be allowed to emigrate in large numbers until these demands are met. Schmidt has stated that he is not prepared to accommodate Warsaw. At present, ethnic Germans are being repatriated at the rate of about 10,000 a year, far lower than the annual rate of 50,000 that Warsaw promised last December.

In the case of East Germany, Pankow has shown its interest in continuing the swing-credit system that helps finance inter-German trade. Its desire to renew this provision or some modifica-

tion of it beyond 1975 surfaced in recent discussions with West German officials concerning the currency exchange requirement for travel to the East. The East Germans have not yet demanded the continuation of credit at its present level as a quid pro quo for a reduction in the currency exchange requirements, but the idea is on their minds. Schmidt has refused to make concessions to get Pankow to rescind its decision doubling the currency requirement, however, and demands that the East Germans comply with the bilateral transit agreements that pertain to West Berlin.

The Search for Energy

Despite his unwillingness to open Bonn's coffers to buy "human rights" for ethnic Germans or West Berliners, Schmidt is aware of the need to assure adequate energy supplies for the Federal Republic and for West Berlin in the coming decade. The Soviet Union, with its abundant sources of raw materials and fuels, has much to offer in this regard, as Schmidt and German industrialists realize. German firms, with government concurrence, have recently turned to the Soviets for the enrichment of uranium. Moscow presently offers much more favorable terms for such services than does Washington, but present contracts with the Soviets still do not constitute a significant portion of West German requirements. Bonn's overall energy policy aims at avoiding dependence on any one country or group of countries for vital raw materials.

Efforts to diversify the nation's energy sources have focused on major non-Arab producers such as Iran, but the government is also considering projects in the energy field that will involve the Soviets. One such project, being planned by the Joint West German - Soviet Economic Commission, is a trilateral deal involving Iranian natural gas, in which German firms would supply large-diameter pipe for the construction of a pipeline across the Soviet Union from Germany to Iran.

~~SECRET~~

25X1

Bonn is also considering projects that would supply electrical energy to West Berlin. The enclave is the only major urban community in Europe not connected to a power grid, and West Berlin will be hard pressed to meet its energy needs in the coming years without expanding its power plant system at considerable trouble and cost. The Poles have offered to supply West Berlin with electrical energy from a new plant on the Oder, provided Bonn finances the construction of a transmission line to the city. The Soviets are interested in building four nuclear power plants, two of which would supply energy to the Federal Republic in return for construction costs. In both cases, Bonn has demanded that there be a single, continuous transmission line from the East link-

ing West Berlin and the Federal Republic. The Soviets agreed to this demand in June, overriding objections from the East Germans. This sudden breakthrough on the long-standing deadlock has permitted the Soviets and German firms to reach a general agreement on the construction of the first of the power plants, which will be situated in the western part of the Soviet Union.

Schmidt will ponder longer and harder than Brandt on whether the government should help to finance these projects. His own public and private statements indicate that he would like to see these projects eventually completed.

Several factors will influence his thinking on the question of offering the financial assistance that these projects might require. A decision in the affirmative would contradict his arguments about the need to control inflation and would raise the eyebrows of other EC members who have listened to his admonitions on this score. On the other hand, the Chancellor must reckon that the Soviets might not be able or, for that matter, willing to pay cash for every industrial project as they have in the case of the Kursk plant. The high cost of borrowing funds in the West German and European currency markets could tempt the Soviets to shop elsewhere for the equipment they need. Thus, the possibility of being cut out of the sizable Soviet investment projects with their pay-off—increased access to Soviet raw materials—may motivate Bonn to subsidize credits in certain cases.

25X1



Marienborn checkpoint
Scene of recent harassment

The Summit

The meeting with Brezhnev in October will come too soon for Schmidt to offer anything

~~SECRET~~

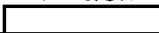
SECRET



25X1

substantial in the field of trade and economic cooperation. The Chancellor seems prepared to risk further Soviet impatience, and probably hopes that the large-scale industrial projects can be handled on strictly a commercial basis.

Schmidt's earlier interest in shelving the plan to establish the Federal Environmental Office in West Berlin was, in part, related to the fact that Bonn could not afford to satisfy Moscow's demand for credits. The Chancellor realizes that it is now too late to "kill" the project as a consolation prize for the Soviets. Mayor Schuetz and the West Berliners have made the environmental office a major political issue and insist that plans for its formal establishment not be postponed for the sake of the summit. Moscow, from all present indications, does not want any last minute con-

frontation and appears ready to receive Schmidt despite the bitterness this issue has created.

Officials in Bonn do not expect that any agreement on major issues will be reached at the summit. Schmidt's main objective will be to extract as much favorable publicity from his visit as possible. The two coalition parties—the Social Democrats and Free Democrats—face stiff contests in two state elections on October 27; this may prompt the Chancellor to time the summit to garner the greatest political capital for his government. The trip will most likely be scheduled for mid-October to coincide with the next meeting of the Joint Economic Commission and a large West German industrial exhibition planned for the same time in Moscow. 



25X1

25X1

◆ ◆ ◆

SECRET