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THE OUTLOOK IN WEST GERMANY

Submitted by the
DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

on 22 March 1960. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, The Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK IN WEST GERMANY

THE PROBLEM

To estimate the outlook for West Germany, with special reference to political developments and the foreign and defense policies of its government, over the next few years.

CONCLUSIONS

1. The domestic factors which over the past few years have produced economic prosperity and political moderation in West Germany persist. However, international problems, especially those relating to Berlin and the security situation, pose serious dangers. Barring an international recession seriously affecting the West German export market, prosperity will probably continue, though labor shortages and other factors will slow the rate of economic growth. The Christian Democratic Union/Christian Socialist Union (CDU/CSU) will almost certainly be returned to power in the 1961 *Bundestag* elections if Adenauer carries out his present plans to head the ticket again and will probably win even if the Chancellor, evidently still fit at 84, does not run. Although the opposition Social Democratic Party (SPD) has moved toward the center on both domestic and foreign policy issues, it is unlikely to unseat the present government.

2. Nevertheless, the present West German political system and Adenauer's policies have yet to undergo the test of major adverse developments such as a

major world recession or a serious setback in the Berlin situation. While the West Germans appear to have rejected extremism of the right or left, the emergence of such tendencies cannot be ruled out.

3. West German policy will probably continue to be based on the principle that the country's security can be maintained against the Soviet Bloc and its international stature re-established only within the context of close ties with the US and its other Western allies. Soviet inflexibility has eroded hopes that acceptable reunification could be negotiated with the USSR and has strengthened Adenauer's belief in the need for a strong Western military and diplomatic posture vis-a-vis the Bloc. Barring real progress toward effective international disarmament, West Germany will proceed with the buildup of its own military establishment, which by late 1961 or early 1962 will constitute the largest continental contribution to NATO Shield forces.

4. West German policy is likely to be marked by greater assertiveness and initiative in seeking to satisfy the country's

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national desires. With the growth of West German economic and military strength, the West German Government and people are becoming more sensitive to implications that they have a second class status in NATO. Mutual suspicions between West Germany and its allies have arisen over such questions as anti-Semitism and the West German base discussions with Spain. These tendencies could lead to serious strains between West Germany and its allies but we believe that the West Germans, particularly Adenauer, will try to avoid real dissension at least so long as they depend on the alliance for security.¹

5. Doubts have begun to grow in the minds of Adenauer and other leaders as to whether US nuclear capabilities will continue to be as much a deterrent to Soviet aggressive action in Europe as heretofore. These doubts are reinforced by what Adenauer and others regard as signs of weakening US determination to maintain a strong military position in Europe. The West Germans will continue to emphasize the maintenance of a strong NATO to which the US is firmly bound. At the same time the Federal Republic will develop its own military capabilities and military production facilities and assist in developing those of

other European NATO members. It may seek an increase in US missiles stationed in Europe and a voice in their employment. It may also explore further the subject of a continental military system with its own nuclear capability. These tendencies would probably be intensified if West German misgivings about US and NATO determination were to grow. Should the West Germans become convinced that the US was abandoning its European commitments some moves towards neutralism or accommodation with the USSR would probably ensue.

6. West German leaders, regardless of party, are convinced that Allied rights in Berlin and Berlin's economic and political ties with the Federal Republic cannot be reduced or changed in any essential particular without serious damage to West German interests. Any serious impairment of Western rights in Berlin would be a severe blow, and the West Germans would demand additional guarantees and concrete manifestations of support from the West.

7. Any major unilateral withdrawal of US forces from West Germany would be a severe shock to the government and people. After West Germany's own military strength has become substantial, the West Germans would probably pose no serious objection to some reduction of US forces if it were justified in the context of NATO military planning and if international conditions were not unpropitious. Even so, the West Germans would almost certainly press for the retention of sufficient US forces to make it clear that the US was still committed to the NATO effort.

¹ The Director of Intelligence and Research, Department of State, would add the following to this paragraph:

Nevertheless, a growing lack of confidence both in government circles and in public opinion concerning the ability of the West to protect the political and territorial integrity of the Federal Republic, exploited by continued Soviet pressure, could stimulate a trend toward nationalistic independence in action on the part of the West Germans. This could lead ultimately (but not within the period of this estimate) to the isolation of the Federal Republic, thus creating a situation in which accommodation with the USSR might result.

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8. Barring the replacement of de Gaulle by a markedly less friendly regime in France, close ties with the French will probably remain an important element in West German economic, political, and perhaps military policy—although not to the extent of weakening the overall NATO military effort or subordinating Bonn to

Paris. However a successor to Adenauer (especially Erhard) would probably have a less cordial relationship with de Gaulle, and be less inclined to subordinate relations with the UK and other members of the Outer Seven to the development of close ties with France and the other members of the Common Market.

DISCUSSION

I. THE DOMESTIC SCENE

A. General

9. The West German domestic scene continues to be dominated by Adenauer. Nourished by growing prosperity, the political and social institutions developed since the war appear to have taken root and won broad popular acceptance. Basically conservative and Western in outlook, the mass of the West German people show little disposition to question Adenauer's leadership in either foreign or domestic matters. Traditional religious, class, and ideological disputes have been largely muted and some of them may have been permanently altered. Extremism—neo-Nazi, Communist or other—has been unable to develop momentum.

10. Some doubts and uncertainties have developed among political leaders and influential groups as a result of the increases in Soviet military power and Khrushchev's aggressiveness in reopening the Berlin problem. These leaders are beginning to question the willingness and even ability of NATO and particularly the US to continue to protect West Germany and its interests. There has been little evidence that these uncertainties have affected the general public. However, they could spread if the situation appeared to the West Germans to have deteriorated seriously, and would almost certainly spread rapidly if government leaders were to articulate their worries openly and continuously.

B. The Economic Factor

11. A fundamental element in the present scene is the continuing vigor of the West German economy. The government has promoted economic growth through well designed and carefully administered monetary, fiscal, and trade policies. Although the growth of Gross National Product (GNP) slowed down to about 3 percent in 1958, it is now back to 6 percent a year in real terms. Gross investment continues to exceed 20 percent of GNP. The Federal Republic's 1959 GNP amounted to some \$56 billion, as compared to \$66 billion for the UK and \$51 billion for France. On a per capita basis, this puts the Federal Republic on a par with France and nearly up to the UK's level. West German gold and foreign exchange reserves total \$5-6 billion (as against \$3.5 billion for UK and nearly \$2 billion for France) despite considerable investments abroad and sizable government prepayments during 1959 on West Germany's postwar external debt.

12. The strong world demand for West German capital equipment and other goods remains a key ingredient in West German prosperity. The volume of new export orders in 1959 was 25 percent over 1958. Foreign trade turnover currently equals about 30 percent of GNP, with sizable export surpluses. In addition, the domestic market continues to grow and inflation has been largely avoided. With the notable exception of coal mining, virtually all sectors of the economy have shared

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in the general prosperity. Spurred by the steady increase in real wages and a considerable growth in social welfare benefits to the population as a whole, both consumer expenditures and savings are rising. West Germany's economic position is strengthened by high labor productivity and an industrial work week which, while beginning to dip below the Western European mean, still averages about 45 hours.

13. During the recent years of rapid economic growth and increasing prosperity, West Germany has enjoyed a number of special advantages. There has been a competent, hard working, and relatively undemanding labor force, whose natural growth has been augmented by refugees from East Germany, many of them young and active. The industrial plant is modern, having been rebuilt and greatly expanded since the war. Relatively few resources of manpower and production have been devoted to defense purposes, allowing concentration on the civilian economy and production for export. Neither industry nor government has had to carry large funded debts.

14. Some of these advantages are diminishing and West Germany is beginning to encounter difficulties in maintaining the present rate of economic momentum without risking inflation. The labor market has become extremely tight, despite the movement of surplus labor from coal mining to new jobs. Natural increments to the labor force are beginning to fall off sharply as a result of losses and the low birthrate during the war. The net refugee inflow will probably continue to decline. The number of men in the military establishment is increasing. Thus difficulties in meeting labor requirements will probably become even more serious. Pressures from labor for higher wages and shorter hours are also likely to increase.

15. Although general prosperity and several revisions in the structure of business taxes have kept the government in a strong financial position, it may resort to some deficit financing to cover increased social benefits and military expenditures, thus creating inflationary pressure. With the burden of taxes and as-

sessments already heavy, and with federal elections next year, substantial tax increases are unlikely in the near future. In order to avoid serious inflation, West German authorities will probably feel compelled to apply increasingly stringent fiscal and monetary brakes, even at the expense of some decline in investment and in overall rates of growth.

16. Although there will be some price increases, inflationary pressures are not likely to get out of hand. Labor will obtain a greater share of national income, but the vigor with which it will press its demands will probably continue to be restrained by awareness that the lot of the workers is reasonably good and steadily improving, and by union fear of contributing to, or being held responsible for, an inflationary spiral. The government, for its part, will continue active in promoting prompt and reasonable wage settlements. Moreover, the continuance of the present high rate of personal savings would mitigate the inflationary pressure of higher wages while also providing investment capital. West Germany's competitive position is such that world demand for West German products is also likely to remain strong.

17. Barring an international recession affecting major portions of the West German export market, the prospects for economic growth over the next few years are generally favorable, though the growth rate will probably decline. Trends will depend to some extent on future developments with respect to the European Economic Community (EEC), and the European Free Trade Association (EFTA or Outer Seven). Owing to the efficiency of its industry, West Germany stands to benefit more than its partners from the common market provided by the EEC. It has, however, extensive trade relations with the Outer Seven which would suffer if the two trade areas develop into rivals. Nevertheless, given the broad range of West German export markets and the strength of its internal economy, the success or failure of efforts to achieve an accommodation between the EEC and the Outer Seven is unlikely to have a critical effect on the West German economy as a whole.

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C. The Political Outlook

18. After more than a decade of control of West Germany's destinies, Chancellor Adenauer at 84 is still the dominant political figure and appears determined to remain so at least through the 1961 parliamentary elections. Although the Chancellor's maneuverings over the presidential succession in 1959 aroused resentment among the leaders within the ruling Christian Democratic Union/Christian Socialist Union (CDU/CSU) there has been little adverse effect on Adenauer's standing with the party rank-and-file or with the general public. He will almost certainly dominate the party so long as he is physically and mentally able to do so. So far there have been no signs of significant decline in his health, energy, or mental vigor.

19. The minor parties have been declining in importance, and the 1961 elections will turn on the contest between the government parties and opposition Social Democratic Party (SPD).² The latter has generally held its own

² See table below for West German postwar political trends.

in the various state elections since the last parliamentary vote in 1957 and is now making a vigorous effort to appeal to the middle-of-the-road voter. In its new party program, the SPD explicitly holds traditional Marxist dogma to be obsolete and frankly acknowledges the need for a conservatively paced reform within the framework of existing institutions. The SPD has also moderated its opposition to the government's foreign and military policies. The party's recognition of the need to broaden its popular support by a more moderate approach to the voter is further demonstrated by a growing belief within the party leadership that Berlin Mayor Willy Brandt should head the ticket, although he is a relative newcomer to the inner SPD circle.

20. Nevertheless, the SPD has handicaps other than having to contend with the imposing figure of Adenauer, who has demonstrated phenomenal vote-getting appeal. The SPD will probably be unable effectively to challenge the government on foreign and military issues unless there is a sudden and sharp setback to German interests for which the government could be readily blamed. In domestic matters

POSTWAR POLITICAL TRENDS IN WEST GERMANY

	1949		1953		1957	
	Percent of Popular Vote	Parliamentary Seats (Total 402)	Percent of Popular Vote	Parliamentary Seats (Total 487)	Percent of Popular Vote	Parliamentary Seats (Total 497)
MAJOR PARTIES						
Christian Democratic Party/Christian Socialist Party (CDU/CSU).....	31.0	139 ¹	45.2	244 ¹	50.2	270 ¹
Social Democratic Party (SPD).....	29.2	131	28.8	151	31.8	169
TOTAL.....	60.2	270 (67%)	74.0	395 (80%)	82.0	439 (88%)
MINOR PARTIES						
Free Democratic Party (FDP).....	11.9	52 ¹	9.5	48 ¹	7.7	41
German Party (DP).....	4.0	17 ¹	3.3	15 ¹	3.4	17 ^{1 3}
Refugee Party (BHE).....	—	—	5.9	27 ¹	4.6	— ⁴
Communist Party (KPD).....	5.7	15	2.2	—	—	— ²
German Reich Party (DRP) (or radical right predecessors).....	1.8	5	1.1	—	1.0	—
Others.....	15.4	43	4.0	2	1.3	—

¹ Government parties.

² KPD banned in 1956.

³ Now down to 15 seats, the minimum necessary to maintain an independent faction in parliament and party representation on *Bundeslag* committees.

⁴ Failed to qualify since obtained neither 5 percent of popular vote nor 3 directly elected representatives. Prior to 1953, only 1 directly elected representative, or 5 percent of vote, was needed to qualify.

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the CDU/CSU continues in a strong position to exploit the prosperity issue. While the CDU/CSU probably lacks the high degree of organizational discipline of the SPD, it appears to have a somewhat larger body of regular, reliable supporters.

21. As matters now stand, there appears to be little chance that the SPD can upset a ticket headed by Adenauer. The most it can accomplish will probably be to demonstrate that its popular support was increasing and that it is a force to be reckoned with in the 1965 elections. It will probably be able to retain the ability to block constitutional changes which its present control of slightly over a third of the *Bundestag* membership provides.

22. Should Adenauer die or become incapacitated before the elections, the leadership of the CDU/CSU would probably fall to Deputy Chancellor and Economics Minister Ludwig Erhard, who remains the party's most popular figure next to Adenauer. If Adenauer were to withdraw from office but remain in a position to influence the result, the party would probably have to choose between Erhard and some Adenauer-backed candidate. Party Deputy Chairmen Heinrich Krone and Uwe von Hassel appear to be likely alternatives to Erhard, with Minister of Interior Gerhard Schroeder, Defense Minister Franz Josef Strauss, Finance Minister Franz Etzel and Minister President Franz Meyers of North Rhine-Westphalia among the dark horses. Despite the divergency of views within the party over the succession, a decision could probably be reached without undue delay and without serious damage to party unity.

23. The contest between the two parties would be far more equal if Adenauer were not running. Particularly if the SPD's candidate were a popular figure like Brandt, it could attract many independent voters. With Adenauer no longer the authoritative voice of West German foreign policy, the SPD might also be in a better position to criticize the government's handling of the Berlin question and other foreign policy issues. Even so it is unlikely that the SPD, which won 32 percent of the vote in 1957, could improve

its turnout sufficiently to unseat the present government. The CDU/CSU would still have the great advantage of the prosperity issue, would almost certainly do its best to rally support around the reputation of Adenauer, and thus would probably receive at least a plurality. Even if it lacked a majority in its own right it would probably be able to secure the support of the Free Democratic Party (FDP), the only other party likely to have sufficient strength and independence to influence the outcome.³ Under these circumstances, a "grand coalition" between the CDU/CSU and the SPD appears highly unlikely.

24. The present outlook is for continued moderation and stability in West German political life over the next few years, with popular support divided between the right-centrist CDU/CSU and a left of center SPD with most of its Marxist trappings removed. The trend toward progressive elimination of the smaller parties, both at the national and *Land* levels, will probably continue.

25. Nevertheless, there are elements which might threaten stability and moderation in West Germany. The end of the Adenauer era will test the ability of the Germans to conduct their affairs without a paternal figure determining major lines of policy and generally setting the tone of West German government

³ The FDP received 7.7 percent of the popular vote in 1957 and will probably be able to meet the minimum requirements for representation in the parliament (i.e., either 5 percent of the total popular vote or the direct election of three delegates). Barring a basic shift in Bonn policy on the Oder-Neisse line or the Eastern territories, the All German Bloc, or Refugee Party (BHE) which received 4.6 percent of the popular vote in 1957, will probably fail once again to qualify for representation in the parliament. The German Party (DP) with 3.4 percent of the vote in 1957, and which only qualified through sufferance of the CDU/CSU which permitted it a number of uncontested direct mandates, may actually have to merge with the CDU. The German Reich Party (DRP) and other parties of the right are unlikely to obtain more than 1-2 percent of the total vote. The outlawed Communist Party, which would probably not receive more than 1-2 percent of the vote even if it were permitted to participate, will probably not exercise any significant influence in the campaign.

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and politics. At a minimum, Adenauer's departure from the political scene is likely to lead to more open competition among the various political, economic, and other interests in West German society. Moreover, West Germany's heavy economic dependence on foreign trade and the deep involvement of its security interests in the diplomatic and military problems now confronting the NATO countries will continue to make it vulnerable to external shock. The West German people appear to have rejected radicalism of either the right or the left and to have turned their backs on old-style militarism despite their acceptance of rearmament. However, the possibility that West Germany might eventually revert to extremism if confronted with a severe threat to its economic well-being or national security cannot be ruled out. Given the progressive absorption of extremist and other elements by the two major parties, tendencies in this direction might develop within these parties without being signaled by the emergence of separate extremist parties.

II. FOREIGN AND MILITARY POLICY

A. General

26. The foreign policy of West Germany has been built on the principle that the country's security against the Soviet Bloc can be maintained and its stature and influence re-established only within the context of close ties with the US and its other Western allies. It is unlikely that there will be any drastic alteration in the next few years in West Germany's special sense of dependence on the US. Nor is it likely that its participation in Western European movements for closer association will undergo major change. However, in the last year or so there have arisen factors which will affect West German policy and actions.

27. Doubts have begun to grow in the minds of Adenauer and other German leaders as to whether US nuclear capabilities will continue to be as much a deterrent to Soviet aggressive action in Europe as heretofore. These doubts have been reinforced by what Adenauer and others regard as signs of a weakening of US

determination to maintain a strong military position in Europe. Adenauer sees in developments since Khrushchev reopened the Berlin issue signs that the UK and perhaps the US may be willing to compromise with the USSR at West German expense.

28. The inflexible determination of the USSR to maintain control over East Germany and its increased efforts to obtain international acceptance of the GDR have eroded the hopes of those in West Germany who believed that a policy of accommodation with the Bloc could lead to reunification on acceptable terms. These factors have strengthened Adenauer's belief that the USSR must be faced with an equally inflexible determination on the part of the West. Hence, he is deeply disturbed by anything which he interprets as a decrease in the relative power position of the US or a softening of its will to defend the West German position in Western Europe.

29. Moreover, West Germany has already become a major factor in the continent's economic strength and will soon become an important military factor. Under these conditions, West Germany will seek to play a more important role in the economic, diplomatic, and military affairs of Western Europe. The desire to enhance its role comes at a period of readjustment in Europe arising from such developments as the strains caused by the rivalry of the EEC and the EFTA, the advent of de Gaulle, and French progress towards the acquisition of a nuclear capability.

30. Hence we believe that there will be growing assertiveness on the part of West German leaders. While we believe the West Germans will not, at least in the near future, undertake actions which they consider as inconsistent with commitments to their allies, they will be increasingly sensitive to any indications that they are considered to have a second-class status and less careful than heretofore to avoid an appearance of going ahead on their own. For example, while the recent initiatives toward obtaining facilities in Spain were almost certainly not considered by the West Germans as inconsistent with NATO, they either miscalculated the strength of Western

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European objection or decided to proceed despite such objections. Similarly, the West German interest in the possibility of developing a continental military system with its own nuclear capability is considered as supplementary to and not in conflict with NATO. In any event an effort to play a role commensurate with its views of its own power and strength is almost certain to characterize West German policy. While the pace and scope of these developments will depend in large measure on Adenauer's personal decisions so long as he remains in effective power, his views are shared by many West German leaders, and the trends described above are likely to emerge and grow under any probable successor.

31. The possibility of a gradual deterioration of relations between West Germany and its Western allies, particularly after Adenauer, cannot be wholly dismissed. West German public opinion has already shown great sensitivity to the criticism and suspicion voiced in the UK and other NATO countries over the recent anti-Semitic incidents and the military talks with Spain. There is developing among West Germans a feeling that they are not being accorded the confidence and acceptance that their policies and behavior have earned. The more assertive and independent-minded policies West Germany is likely to pursue will probably cause further difficulties. We believe, however, that the West Germans will attempt to avoid the development of serious dissension in the alliance so long as they continue to depend on the alliance for security.⁴

⁴The Director of Intelligence and Research, Department of State, would substitute the following for paragraph 31:

The growing lack of confidence in the ability and will of the West to protect the political and territorial integrity of the Federal Republic, now manifest in the elite groups of West Germany, has been accompanied by a general feeling of irritation on the part of the population in response to what has been considered unfair and unreasonable reaction in the West to West German developments such as the anti-Semitic incidents and the military talks with Spain. The development of further disenchantment with

B. Berlin and Reunification

32. West German leaders, regardless of party, are convinced that Allied rights in Berlin and Berlin's economic and political ties with the Federal Republic cannot be reduced or changed in any essential particular without serious damage to West German interests. They are particularly insistent that nothing be done to prejudice the Allied position that the Western presence in Berlin is based on the right of conquest. Any serious impairment of Western rights in Berlin would be regarded by many West Germans as the beginning of a series of events leading toward the eventual loss of the city to the GDR and as making even more remote the possibility of reunification on terms acceptable to West Germany.

33. For the present, the West Germans will probably continue to employ delaying tactics and try to ward off major decisions as long as possible. They will attempt to exercise a veto over Western concessions and encourage France to stiffen the Western position. They will continue to seek to link Berlin with the reunification question, insisting that any guarantees on Berlin continue until the latter is achieved.

34. However, the West Germans are pessimistic about their ability to hold their partners in line. They also doubt Western readiness to act with determination if the Communists harassed Berlin and its access routes. Although Adenauer will stand firm as long as possible, he would probably feel compelled to go along with some concessions if his allies insisted that he do so since he has no alterna-

and distrust of the alliance, exploited by continued pressure from the Soviet Union, could lead in time to a situation which would find widespread popular support for a greater degree of independence in action on all fronts—military, political, and economic. Such nationalistic independence in action might tend increasingly to alienate West Germany's allies and lead ultimately (but not within the period of this estimate) to the Federal Republic becoming isolated and unable unilaterally to defend itself. Under these circumstances, we believe the Federal Republic might be led to adopt a policy of accommodation with the Soviet Union.

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tive. At the same time, he would ask for additional guarantees or concrete manifestations of support.

35. Even if the present position in West Berlin is maintained without significant Western concessions, West Germany's opposition to the GDR's claims to equal status and West German hopes regarding reunification are likely to suffer a further weakening in the next few years. The division of Germany remains an underlying source of discontent in the Federal Republic, and reunification a national goal which no politician can openly abandon. However, the West Germans have become increasingly resigned to the belief that the Communists can neither be compelled nor persuaded to release their hold over the eastern territories. There is also recognition of the fact that the Federal Republic will have to live with the GDR for a long time to come.

36. West Germany will have to cope with the practical problems involved in the steady growth of economic and other contacts with the GDR. During the course of international negotiations it may also face increasing pressures from its allies to demonstrate its reasonableness by falling in with a general pattern of East-West adjustments. Under these circumstances, it is likely that West Germany would progressively move in the direction of tacit acceptance of the "two Germanies" thesis. A successor would probably be somewhat less rigid than Adenauer in this respect but not to the extent of favoring a basic change in West German policy toward reunification.

C. The Satellites

37. West Germany's limited economic and semiofficial contacts⁵ with other Eastern European satellites will probably increase over

⁵ One-sixth of the Sino-Soviet Bloc's trade with the non-Communist world is with West Germany, and demand for West German technological and industrial items will probably grow. However, this trade is negligible from the West German viewpoint. Bloc trade, about a third of it with the GDR, now constitutes less than five percent of West Germany's total.

the next few years despite Adenauer's present opposition to move in this direction. There is considerable feeling, within the CDU/CSU as well as in the SPD, that diplomatic recognition of Poland and Czechoslovakia might provide opportunities to mitigate anti-German feeling and develop West German influence and prestige in Eastern Europe. Barring a sharp deterioration of East-West relations, pressures to move in this direction will probably grow. However, the scope and impact of any increase in contacts between West Germany and Eastern Europe will probably be limited, at least within the period of this estimate. There will probably continue to be little West German demand for the goods available in Eastern Europe. The establishment of federal diplomatic relations with Eastern Europe will be hampered by the problems of the boundaries between Germany, and those of Poland and Czechoslovakia.

D. NATO, the US, and West German Military Policy

38. West Germany continues to regard the US strategic nuclear capability combined with a strong forward echelon force as necessary for the security of the Federal Republic. This Sword and Shield concept, as embodied in NATO planning, is considered essential to contain Soviet pressures and maintain popular confidence within West Germany itself. Therefore the Bonn Government strongly opposes any reduction in the strength of Western forces in West Germany, and strongly opposes the concept of disengagement limited to Central Europe.

39. In line with these views the Federal Republic has committed itself to provide substantial contributions toward the achievement of planned NATO force goals. Progress was initially slow, owing to the difficulties of reconstituting a military establishment from scratch. Military procurement has lagged because the West Germans have sought to postpone purchase of weapons whenever possible so that they would be sure of having the newest and most advanced equipment.

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40. The West German military establishment⁶ now numbers about 240,000 and is scheduled to grow to about 350,000 by late 1961, or early 1962.

a. The *ground forces* now total 150,000 men and include 11 understrength divisions of limited combat capabilities, 7 and 1/3 of which are already committed to NATO. Present plans call for an increase in the ground forces by the end of 1961 to 220,000, including 12 combat divisions all of which will be committed to NATO. The planned buildup will probably be completed as scheduled.

b. The modest *naval force*, which is committed to NATO, is primarily designed to perform escort and antisubmarine duties and minewarfare and will include a small naval air arm. Considerable construction of smaller vessels is under way but construction of larger ships (e.g., guided missile destroyers) awaits the lifting of WEU restrictions. (See footnote 7 below.)

c. The *air force* is primarily designed to be a tactical force, committed to NATO. Although the West German Air Force (GAF) has a considerable number of modern aircraft, its present effectiveness is limited by the relatively small number—600—of trained jet pilots and a comparatively low state of combat readiness. Plans call for a considerable increase by the end of 1961 in the quantity of aircraft and activated squadrons. However, there are limitations imposed by the inadequacy of the training establishment and of the base structure. We estimate that 10 fighter-bomber squadrons, 6 tactical reconnaissance squadrons, 8 interceptor squadrons, and 5 transport squadrons will be combat-ready by 1961. In addition 4 NIKE and 2 HAWK missile battalions are planned to be activated by the end of 1961. Of these, we estimate that 3 NIKE and 1 HAWK battalions will be combat-ready by the end of the period. In their present form GAF plans envisage a 1964 force of 60 squadrons. Execution of the planned post-1961 buildup will be contingent in large part upon future decisions regarding the roles and relative priorities assigned missiles and manned

⁶ See Appendix A for more detail.

aircraft and the availability of the required base structure.

41. The West German public has generally accepted the need for a substantial contribution to NATO. Even the SPD and its sympathizers have become less critical of NATO military concepts and less favorable to the idea of disengagement. Despite continuing reservations about conscription and the equipping of West German forces with nuclear weapons, the SPD now recognizes the need for at least a moderate military buildup and goes along with the stationing of US nuclear-capable forces in West Germany. Since West Germany is presently scheduled to spend only about 5 percent of GNP on defense in the next few years, defense expenditures do not constitute a heavy burden on the economy and could probably be substantially increased without serious economic strain.

42. Although West Germany will probably continue to procure much of its military hardware from the US, it will lay increasing stress on further development of its own military production base. About 60 percent of West German military procurement is currently being placed in West Germany, but there has thus far been little production of heavy armaments. In addition, the Defense Ministry is developing joint procurement and financing arrangements with other European NATO members under which both West German and other European production facilities would be strengthened. West German industry shows increasing interest in the investment opportunities involved. To these ends, West Germany will probably continue to seek progressive elimination of the remaining WEU restrictions on its armament production.⁷

⁷ The Western European Union, which came into being in 1955, joined the two former Axis powers, West Germany and Italy, to the then already existing Brussels Pact group of France, the UK, Netherlands, Belgium, and Luxembourg. Under this agreement, the Federal Republic of Germany obligated itself not to manufacture in West German territory, atomic, biological, and chemical (ABC) weapons, and also certain other listed weapons, including guided missiles, warships above 3,000 tons, submarines above 350 tons, and

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43. Already involved in production of various short-range tactical missiles, West Germany is interested in entering the field of longer range missiles. It is currently seeking greater leeway with respect to the production of naval vessels and equipment. The UK and perhaps others will probably continue reluctant to approve a wholesale elimination of WEU curbs.

44. In view of West German fears that the deterrent effect of US nuclear capabilities may have decreased so far as the chance of Soviet aggressive action against Europe is concerned, the Federal Republic is casting about for additional means of inhibiting Soviet attack in Western Europe. Although the West Germans have not as yet reached any firm conclusions on this problem, it is likely that they will show increasing interest in having more US IRBMs stationed on the continent and perhaps in securing for themselves and other continental NATO members a greater voice in their employment. Furthermore, they will probably lend political support and possibly technical assistance to French development of nuclear armaments and there have been explorations of a continental power bloc based on the French nuclear program. At least within the period of this estimate it is unlikely that West Germany would attempt to develop a nuclear capability of its own, either alone or in cooperation with the French. West Germany has the scientific, technical, and material resources to undertake such a program. However, it would require not only a heavy investment but either the revision or violation of the WEU treaty. Furthermore, it would probably be considered by the West Germans as a dangerous provocation of the USSR, and to involve the risk of serious political dissension within West Germany.

(Footnote continued from preceding page)

strategic bombers. Whereas the ban on West German production of ABC weapons is absolute, and could presumably be lifted only by a new agreement acceptable to all parties, provision is made for lifting the other restrictions by two-thirds majority of the WEU members if a German request is supported by SACEUR. Some of these restrictions have been lifted including air-to-air and surface-to-air missiles, antitank rockets, and a naval training ship.

45. Future West German military policy will depend to a considerable extent on the policies of the US. Despite its interest in reducing the Anglo-American "domination" of NATO, West Germany continues to base its security policies on the concept of strong and integrated NATO forces in which US power and leadership play the central role. West Germany will almost certainly continue to adhere to this concept even if it were to involve some friction with its continental allies.

46. However, West Germany will remain extremely sensitive to any signs of weakening US will or ability to support NATO. At least over the next year or two, while the West German military buildup is incomplete, the Federal Republic is likely to be extremely concerned to assure the continued presence in Europe of substantial US forces, which has a special psychological value to the West German people. The West Germans would probably accept minor US force reductions which they did not consider as presaging a large-scale withdrawal from Europe or as weakening the Western bargaining position vis-a-vis the Bloc. However, any major withdrawal of US forces, especially ground combat units, would be a severe shock to the West German Government and people. As West German military strength grows, the West Germans would probably pose no serious objection to reductions of US forces, if they were justified in the context of NATO military planning and if international conditions were not unpropitious. Even so the West Germans would almost certainly press for the retention of sufficient US forces to make it clear that the US was still committed to the NATO effort.

47. In view of the reliance of West Germany on NATO, particularly the US, for its security against the Bloc, West Germans will remain highly sensitive to any development which could be interpreted as constituting or threatening a serious weakening of the US commitment to West Germany. This interpretation might be placed on such developments as a major unilateral withdrawal of US forces from West Germany or a Berlin settlement on terms which the West Germans considered a serious setback. In this case, many Germans would

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believe that basic German policy should be re-examined. The West Germans might explore the potentialities of a European "Third Force," particularly if other countries shared the view that the US was retiring from Europe. The West German military buildup would continue and might be accelerated, but there would almost certainly be a general recognition that West Germany could not insure its security by building up its own military forces. If there were to emerge a widespread belief that the US was abandoning its European commitments, a polarization of West German political opinion towards more extreme positions of both left and right would probably occur. Both left and right would probably tend towards trying to devise some modus vivendi acceptable to the USSR. The left, represented by a reoriented SPD, would probably advocate a position of neutralism, while the right might seek to make an accommodation with the USSR, offering economic, political, or military concessions in return for Soviet nonintervention.

E. Relations with Western Europe

48. Although the Federal Republic has quietly sought to develop economic ties and regain political acceptance throughout Western Europe and the Free World, it has placed particular emphasis on the development of close ties with its immediate Western neighbors, especially France. Adenauer is imbued with the idea that traditional French-German hostility must not re-emerge and that the economic and political life of the continent must be increasingly integrated if Western Europe is to retain its historic position as a center of political, economic, and cultural strength in the world. Franco-German rapprochement was strengthened after the advent of de Gaulle, whom Adenauer regards as a vigorous exponent of continental interests, as a strong supporter on the Berlin issue, and as the only Frenchman capable of lifting the limitations which the Algerian problem has placed on French ability to contribute to Western military and economic strength. Adenauer appears to regard de Gaulle as one of the few Western leaders of real stature and determination.

49. Barring the replacement of de Gaulle by a chauvinistic rightist or a leftist regime in France, close ties with the French will probably remain a central element in West German policy. Although the relationship in its present form owes much to the personal confidence developed between de Gaulle and Adenauer, most West Germans accept the basic concept of the close association of Western European countries. Even without Adenauer the West Germans would probably continue to see political and military advantages in working closely with France in Western European affairs. Over time, the integration measures developing under the EEC should progressively strengthen the links between France and West Germany.

50. Nevertheless, there are important limitations on how far even Adenauer will go in his efforts to strengthen ties with France. Despite his willingness to follow de Gaulle's lead in some matters, he has no desire to subordinate West German foreign policy to that of France. He will also continue to strive for closer ties with the other members of the EEC, Spain, and the Scandinavian countries, while at the same time avoiding seriously prejudicing relations with the UK. In addition, Adenauer may have to give some heed to the growing feeling among many elements in West Germany that he is pushing the French connection too hard and too fast.

51. Some critics of Adenauer's French policy feel that he is soft-pedaling reunification and other national goals to woo a country of doubtful stability and trustworthiness. The differences between Adenauer and his critics emerge most sharply over the problem of how to reconcile West Germany's commitments to France and the other members of the EEC with the fact that West Germany has substantial economic ties with the UK and the other members of the Outer Seven. There would almost certainly be a weakening of Franco-German cooperation in the event of Adenauer's departure from power, especially if Erhard, who is not so dedicated to cooperation with the French, were to succeed him.

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52. West Germany's relations with the UK will probably continue to be marked by some strain, despite continuing efforts on both sides to patch over their differences. Over and above the differences of approach which have emerged over such issues as Berlin and disengagement, strong elements in both major British parties have continuing reservations about West German reliability and respectability as an ally. The strong British reactions to the recent wave of anti-Semitic incidents in West Germany and the military talks between Spain and West Germany reflect this attitude. There is also concern in the UK over growing West German economic competition. For their part, the West Germans—and particularly Adenauer—feel that the UK has never accepted them as equals and that, playing its traditional balance of power game, it is deliberately trying to hold them in check.

53. Both Adenauer and his critics feel that EEC external trade policies should be liberal and hope that the Outer Seven can be discouraged from developing into a rival trading area in which West Germany would operate at a disadvantage. However, Adenauer is not disposed to take any steps which would slow down the process of intra-EEC economic integration or offend France, which remains opposed to a broadening of the EEC. In contrast, the point of view represented by Erhard seeks to avoid being tied down to a relatively narrow continental trading bloc and places principal emphasis on broadening the base of European economic cooperation. These views are strongly backed by business interests heavily dependent upon export trade with Scandinavia and the UK and by others who fear the controls involved in economic integration. Most of those who hold these views also feel that West Germany and Western Europe as a whole cannot afford to have the UK economically and politically estranged from the continent.

F. Relations with Non-European Areas

54. West Germany has made vigorous and largely successful efforts to develop diplomatic and economic ties in Latin America, in Asia, and more recently in Africa. While in Latin

America this trend reflects primarily the energy with which West German industry has pressed the search for markets, in Asia and Africa the motivation has been mainly political. It has illustrated the desire of the Federal Republic to develop a strong international position and to undercut similar efforts by the GDR. Particularly with regard to the Middle East and Africa, the pace of West German activity has reflected a growing conviction that the economic and cultural penetration drive of the Bloc represents a serious threat to the West, and that West Germany, as a country free of the colonialist tag, can play an important role in checking it.

55. West German public expenditures for underdeveloped countries, including grant aid, technical assistance programs, government-to-government loans and various United Nation projects, have been relatively small: \$127.1 million in 1958 and \$188 million in 1959. However, West German Government commitments (as opposed to actual disbursements) for assistance to underdeveloped countries, including commitments made under the program for guaranteeing private credits, are currently running about \$250 million annually. Government commitments now total more than \$1 billion of which the biggest single item is the largely untouched \$200 million commitment to the EEC development fund. Direct private investment of German capital in the less developed countries, growing at an accelerated pace in recent years, has totaled about \$250 million over the last eight years.

56. In carrying out its assistance programs, the Federal Republic has for the most part avoided direct governmental operations which might create fears of political domination on the part of the recipients or complicate relations with West Germany's European allies. Principal emphasis has been placed on the encouragement of commercial transactions through establishment of an export credit guarantee program and an investment guarantee fund, and use of aid programs in which the IBRD or other international institutions arrange for and administer a loan on the basis

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of funds specifically provided by West Germany.

57. In order to increase its activities and influence with minimal political complication, West Germany will probably favor the development of multilateral Western aid programs. However, some friction will probably arise especially in relation to the evolving states of

the French community, where West German participation must be reconciled with the French desire to retain a dominant economic role for themselves. Moreover, West German leaders will also probably remain essentially cautious in increasing their economic aid programs, emphasizing the limits of their economic resources and the threat of inflationary pressures.

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APPENDIX A

WEST GERMAN MILITARY STRENGTH AND PROBABLE BUILDUP BY SERVICES

I. GROUND FORCES

1. West Germany is now in process of developing a field army of three corps and 12 divisions, all of which, together with necessary support troops, will be committed to NATO. The West German Army now has approximately 150,000 men, or about two-thirds of the 220,000-man total planned for the end of 1961. The presently activated 11 divisions, including 7 and $\frac{1}{3}$ divisions already committed to NATO, are under strength and have only limited combat effectiveness. However, the West German Army has an excellent combat potential and the planned buildup probably will be completed as scheduled.
2. The buildup was deliberately slowed during 1959 to permit reorganization of combat forces into smaller self-contained units more suitable for atomic battlefield operations. Under this reorganization, the brigade becomes the basic unit of combined arms operations, and will be made capable of independent and sustained combat. Each division will be assigned two or more of these strengthened brigades, dependent on the combat mission. All army weapons with an atomic delivery capability will be attached to the division or higher echelons.
3. The reorganization process is now complete, and during 1960 the army should progressively improve its combat potential. However, the development and maintenance of high combat effectiveness will continue to be handicapped, at least for another year or two, by the army's heavy reliance on conscripts who must serve only 12 months and by the system of charging the tactical units themselves with training the quarterly increments of draftees. At present about 40 percent of the army is made up of conscripts.
4. The Federal Republic is also developing a Territorial Defense Force which currently comprises personnel assigned from the three major combat services (mostly army personnel), but which can recruit directly from the civilian population. This force will ultimately provide the housekeeping services, training, logistics, rear area communication, and security (static defense) support for the field army. It will also provide some support of the above types for Allied forces in Germany but as a force it will remain under national control and outside the NATO command and force structure. In its present formative state, the Territorial Defense Force has a strength of only 12,000 (of which somewhat over 6,000 are army personnel). The ultimate size of this force has not been determined, but indications are that it will probably consist of a professional cadre of 20,000-30,000 men, plus assigned reserves providing a mobilization strength of 200,000.
5. The Federal Republic also has militarized police units consisting of a Border Police of 14,500 and a State Alert Police of 11,000.

II. NAVAL FORCES

6. The West German Navy (FGN) is still in a training stage. Under present WEU regulations, West Germany is prohibited from producing warships in excess of 3,000 tons, submarines above 350 tons, or any nuclear-powered ships. The present FGN consists of

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approximately 20,000 personnel and the following ships.

Destroyers (DD)	6
Submarines (SS)	2
Patrol Escorts (PF)	12
Submarine Chaser (PC)	1
Motor Torpedo Boats (PT)	28
Fleet Minesweepers (MSF)	6
Coastal Minesweepers (MSC)	17
Inshore Minesweepers (MSI)	19
Amphibious Craft	6
Auxiliary and Service Units	74

7. The FGN plans to reach its planned top personnel strength of 28,000 in 1962. It is also currently pursuing an active construction program, and by the end of 1963 the FGN will probably have operational a force of 12 new destroyers built in Germany (8 of which could be missile-carrying types providing present WEU restrictions are lifted), 6 Fletcher class destroyers on loan from the US, 6 German-built escort vessels, 7 former British patrol escorts, 12 small (350 ton) German-built submarines, 6 fleet minesweepers, 24 coastal minesweepers, and 30 inshore minesweepers. A fleet of 40 to 50 motor torpedo boats is to be based in the Baltic. Twelve amphibious craft, 10 harbor defense vessels, and an adequate auxiliary force capable of supporting the fighting ships in their operational areas are to be constructed. Training and operational proficiency are likely to keep pace with the overall expansion.

8. Overall effectiveness of the FGN is difficult to evaluate until the shipbuilding program progresses further; however, the morale, organization, and leadership of the fledgling navy are good, and the program appears to be leading toward a small but highly efficient navy, designed to perform escort duties, and anti-submarine and minewarfare. As West German shipyards catch up with merchant ship orders and as new weapons are made available to the FGN, the shipbuilding program is likely to gain momentum. West German naval forces will probably continue to be divided between the Baltic and the North Sea, with roughly two-thirds in the Baltic.

9. The West German Naval Air Arm (GNAA) is in the early stages of activation and is currently developing an operational capability to

support its assigned mission. The GNAA has a current aircraft inventory of about 95 aircraft, of which about 55 are assigned to two jet multipurpose squadrons, one turboprop ASW squadron, and one sea-rescue and service squadron. The present personnel strength of some 1,260 (140 officers, 1,120 enlisted) includes approximately 65 trained pilots and 50 trainees undergoing instruction. This strength is to be increased to 2,000 officers and men in 1960.

10. Current plans call for an operating force of 7 squadrons (100 operational aircraft) in 1960 as follows: 2 jet reconnaissance squadrons (Sea Hawks), 2 multipurpose squadrons (Sea Hawks), 1 ASW squadron (Gannet), 1 search and rescue squadron (Albatross SA-16, Bristol 171), and 1 general purpose squadron (Pembroke C-1). The GNAA is scheduled to receive 24 Breguet maritime patrol aircraft during the 1962-1963 period. Thirty F-104's are also planned for procurement by the GNAA during the 1963 period from West German production of the aircraft under license.

III. AIR FORCES

11. The West German Air Force (GAF) is primarily designed to be a tactical force, committed to NATO. Under present WEU restriction, West Germany is prohibited from producing weapons which would give it a strategic capability, and West Germany presently has no plans for procuring such weapons from outside sources. However, West Germany favors a common European IRBM development program, and is cooperating with the UK in the long range research and development of a British IRBM.

12. Although the size of the GAF is impressive, its effectiveness and capability are limited by a comparatively low state of combat readiness. Of a total of about 2,000 aircraft, only about 500 are in operational units. Present activated strength is 10 fighter-bomber squadrons, 6 interceptor squadrons, 4 reconnaissance squadrons and 4 transport squadrons. Of these only 6 fighter-bomber and 2 transport squadrons approximate full combat readiness. While current personnel strength is

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about 56,000, there are only about 600 trained jet pilots. Furthermore, although West Germany's extensive airfield system meets present GAF and Allied requirements, it will not adequately accommodate both the units programmed for the GAF and the Allied units now in West Germany unless planned construction is speeded up and programmed turnover of Allied air bases to the GAF is expedited.

13. GAF activation plans now being carried out call for an increase to 28 squadrons at the end of 1960 and to a strength of 38 squadrons by the end of 1961. This 1961 force would include: 10 fighter-bomber squadrons (250 aircraft), 8 tactical reconnaissance squadrons (144 aircraft), 8 transport squadrons (128 aircraft), and 12 interceptor squadrons (216 aircraft). In addition, one Matador surface-to-surface missile group (24 missiles) is planned. Equipment for this force is expected to include 65 G-91 Italian subsonic ground support aircraft and 50 F-104 supersonic jet fighters,

with substantial numbers of both F-104s and G-91s available from West Germany probably beginning in 1962. Activation schedules probably will be met. However, there are limitations imposed by the inadequacy of the training establishment and of the base structure. We estimate that 10 fighter-bomber squadrons, 6 tactical reconnaissance squadrons, 8 interceptor squadrons, and 5 transport squadrons will be combat-ready by 1961. Four NIKE and 2 HAWK missile battalions are also planned to be activated by the end of 1961. Of these, we estimate that 3 NIKE and 1 HAWK battalions will be combat ready by the end of the period.

14. In their present form GAF plans envisage a 1964 force of 60 squadrons. Execution of the planned post-1961 buildup will be contingent in large part upon future decisions regarding the roles and relative priorities assigned missiles and manned aircraft and the availability of the required base structure.

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