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# THE OUTLOOK FOR 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.*

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## TABLE OF CONTENTS

	Page
THE PROBLEM . . . . .	1
SUMMARY . . . . .	1
DISCUSSION . . . . .	2
DOMESTIC SITUATION IN WEST GERMANY . . . . .	2
Results of the Recent Elections . . . . .	2
Prospects Under the New Parliament . . . . .	3
Economic Situation and Trends . . . . .	4
Economic Outlook . . . . .	5
Current Attitudes . . . . .	6
EAST GERMANY AND THE REUNIFICATION PROBLEM . . . . .	7
Soviet Policy Toward Germany . . . . .	7
The Situation in East Germany . . . . .	7
LINES OF DEVELOPMENT IN WEST GERMAN FOREIGN POLICY . . . . .	9
Basic Problems of Foreign Policy . . . . .	9
Association with the West . . . . .	9
<i>Rearmament and the NATO Alliance</i> . . . . .	9
<i>The European Cooperation Policy</i> . . . . .	11
<i>Expansion of West Germany's Influence       Outside Europe</i> . . . . .	11
Policy Toward the Bloc . . . . .	12
THE LONGER TERM OUTLOOK . . . . .	13
<i>The Problem of National Security</i> . . . . .	13
<i>The Problem of Reunification</i> . . . . .	13
CHART — The West German Bundestag (Post-Election 1957) . . . . .	Following Page 13

SECRET

**SECRET****THE OUTLOOK FOR GERMANY****THE PROBLEM**

To estimate the outlook for Germany, including the Federal Republic of West Germany, East Germany, and Berlin, but with special reference to political developments in the Federal Republic and to the foreign and defense policies of its government.

**SUMMARY**

1. As a result of the decisive victory of the Adenauer government in recent elections, the prospects are good for the continuance in West Germany of a moderate stable government allied with the West. Its current economic health as well as political stability could be threatened both by crises generated by internal circumstances and by developments outside West Germany's control, e.g. a major recession in the West, or a major decline in the strength and cohesion of NATO. We believe that, barring such external developments, serious internal divisions and extremism are highly unlikely.

2. The rate of economic expansion will probably slow down primarily as the result of an increasingly tight labor situation. Some price rises also appear likely. However, serious economic strains appear very improbable unless caused by a major recession in the West.

3. The Soviet leaders have again slammed the door on reunification. They have no intention of permitting the anti-Soviet

population of East Germany to be added to that of West Germany on terms which would enable a unified Germany to join with the West. Moreover, they want to continue their occupation of East Germany in order to protect their position in Eastern Europe, to apply a vise on Poland, and to retain the advantages of the advanced deployment of powerful military forces.

4. Similarly the USSR is not likely to weaken its hold on Berlin and, in conjunction with the East German regime, will probably apply increased pressures on the Allied position. A widespread East German revolt seems unlikely in the next few years, although spontaneous outbreaks are always possible, particularly if there were uprisings elsewhere in the Satellite area.

5. So long as this situation continues, the West Germans seem likely to remain in NATO. They also believe that they must rearm in order to assure their national

SECRET

2

security, either as a part of NATO or, if need be, independently. Nevertheless, rearmament progress will probably continue to be hampered by doubts concerning the basic strategic concepts upon which forces and weapons systems should be built, and by a lack of popular enthusiasm to accept the costs and sacrifices involved. We believe the West Germans are unlikely to consider withdrawing from NATO and assuming a posture of

armed neutrality unless the alliance became greatly weakened or unless the USSR made an acceptable reunification offer. In the event the USSR reassessed its position and offered new terms for reunification, the West Germans would not accept them if there were clearly a risk of their becoming a Soviet satellite; on the other hand, they probably would accept something less than they or their Western allies now consider essential.

## DISCUSSION

### DOMESTIC SITUATION IN WEST GERMANY

#### Results of the Recent Elections

6. The outcome of the September 1957 national elections for the Third Bundestag was a decisive victory for Chancellor Adenauer and his administration. The Chancellor's Christian Democratic Union (CDU) and its Bavarian affiliate, the Christian Social Union (CSU), won 50.2 percent of the popular vote, as compared with 45.2 percent in the 1953 federal elections, and now hold 270 seats out of a total of 497 in the new Bundestag.<sup>1</sup>

7. The results of the election confirm the trend toward a two-party system. The CDU/CSU and the principal opposition party, the Social Democrats (SPD), represent over 80 percent of the electorate. The SPD also increased its strength in the recent election by polling 31.8 percent of the vote and obtaining 169 seats in the Bundestag—a gain of 16 seats over its standing in the second Bundestag. It now controls over one-third of the Bundestag and is consequently in a position to block amendment of the Federal constitution.

8. The two major parties are united in their commitment to democratic government, and their programs and policies have increasingly come to reflect a public consensus on basic social and economic objectives. On neither domestic nor foreign policy was there a fundamental disagreement between the two parties in the recent political campaign; their differ-

ences in approach were primarily a matter of political tactics. On the reunification of Germany, the major issue of public debate, the SPD has contended that the government's attitude was needlessly rigid and proposed an all-European security system as an alternative to NATO membership. However, both parties

<sup>1</sup> Distribution of popular vote and of Bundestag seats as a result of the 1957 election. (See also attached chart following page 13.)

	Percent of Vote		Number of Bundestag Seats		
	1957	(1953)	Present	August 1957	1953
Christian Democratic Union/Christian Social Union (CDU/CSU) <sup>a</sup>	50.2	(45.2)	270 <sup>a</sup>	253 <sup>a</sup>	(243)
Social Democratic Party (SPD)	31.8	(28.8)	169	153	(151)
Free Democratic Party (FDP)	7.7	(9.5)	41	35	(48)
German Party/Free People's Party (DP/FVP) <sup>a</sup>	3.4	(3.3)	17 <sup>a</sup>	34 <sup>a</sup>	(15)
Refugee Party (BHE)	4.6	(5.9)	0	19	(27)
Other Parties	2.3	(7.3)	0	3	(3)
	100.0	100.0	497 <sup>b</sup>	497 <sup>b</sup>	487

<sup>a</sup> Parties in the government coalition.

<sup>b</sup> 10 Saar deputies seated in January 1957.

SECRET

SECRET

3

as well as the populace tacitly acknowledged the current international impasse over reunification. The previously important issues of rearmament and of West Germany's NATO membership — both widely believed to be a bar to reunification — lost much of their divisive impact. The building of West German armed forces and their contribution to NATO have been widely accepted as a practical necessity.

9. The blurring of political differences and a lack of interest in ideological appeals has led to the progressive weakening of smaller parties. The electoral system used in the Federal Republic eliminated the splinter parties, and permitted only two of the smaller parties to secure representation in the Bundestag. The Refugee Party, which received 27 Bundestag seats and 5.9 percent of the votes in 1953, failed to obtain representation. Its greatly reduced position as a national party reflects the degree to which West Germany's 10 million refugees from the East have been assimilated into West German society. The two right wing parties which obtained representation in the new Bundestag both did poorly. The Free Democratic Party (FDP), which followed a blatantly opportunistic course during the campaign, hoping to play the key role in the formation of a government if neither the CDU or the SPD won a majority, obtained only 41 seats. The German Party, which won 17 seats, owes even this limited success to its election agreements with the CDU.

10. The two major parties have tended to discard ideological appeals in favor of platforms which attract a wide variety of interests and groups. This movement toward more broadly-based moderate appeals has necessitated greater efforts in balancing the divergent interests within the two parties. The SPD's appeal for middle-class support has involved the muting of its orthodox old guard. The CDU, in its attempts to represent at the national level the interests of both Catholics and Protestants, industrialists and workers, peasants and urban dwellers, has benefited from the quality of Adenauer's leadership and the absence of any major divisive issues so that the problem has been manageable, at least for the time being.

### Prospects Under the New Parliament

11. With a comfortable majority of 43 seats, the CDU/CSU will almost certainly retain control of the government over the next four years. Its margin is increased by the support of the smaller German Party, which will continue to provide a useful adjunct as a source of conservative Protestant support. While the Chancellor is 82 years old, he seems to be enjoying vigorous health and an undiminished appetite for leadership. Unless he suffers from a seriously debilitating illness, he probably will not retire. He has avoided indicating his choice of a successor.

12. There is no dearth of candidates to succeed to the party leadership; Vice Chancellor and Economics Minister Ludwig Erhard, Foreign Minister von Brentano, Defense Minister Franz-Josef Strauss, and Finance Minister Franz Etzel are possible successors. Whoever succeeds to Adenauer's position will probably not exercise the same effective leadership. Serious dissension in the CDU/CSU will probably be avoided, at least during the first year or two following Adenauer's departure.

13. We believe, however, that the party will suffer some loss of cohesion and discipline when Adenauer is no longer at the helm. The regional, religious, and economic interests of the groups comprising the CDU/CSU in both the Bundestag and in the country will be less effectively harmonized, and separate factions or currents are likely to emerge. This will complicate the legislative process and tend to weaken the decisiveness and effectiveness of the government.

14. The Social Democrats, again condemned to political opposition, will have to reexamine both their basic strategy and their policy positions. Some of its leaders probably will urge that the party give up its attempt to cultivate middle-class votes, reestablish itself as a class party, adopt a radical program of social reform, and carry on a strong campaign against the pro-Western policy of the government. Such a program might have the advantage of rallying a variety of discontented elements to the Socialist cause in the event the domestic economy deteriorated or the foreign policies of Christian Democrats proved unrewarding.

SECRET

SECRET

4

15. We do not believe, however, that the SPD will adopt such a program. The vast majority of its supporters do not appear either to be eager for a social revolution or convinced that a fundamental change in foreign policy would win much for the party or for Germany. The present moderate leadership seems likely to retain control despite its inept and lackluster management of the party. It will keep a critical eye on CDU policies, take advantage of any mistakes or changes in the international situation, and in general advance the line that West Germany should be more flexible and less committed than at present. We believe that the Socialists have little prospect of becoming a majority party or of heading up a coalition government at least in the next few years unless developments outside their control — such as a severe economic crisis or a foreign policy debacle — should give them opportunities not now foreseeable.

16. The FDP, weakened by dissension among the diverse elements of the party, must attempt to remain in vigorous opposition if it is to retain its political identity. As with the SPD, its only hope appears to be to capitalize on unforeseeable opportunities. Containing conservative nationalist elements already committed to greater independence from the West, the FDP must wait upon an atmosphere when this appeal could be more effectively exploited as a political force.

### Economic Situation and Trends

17. One very important factor underlying the high degree of current political stability in West Germany has been its remarkable progress in economic development and international trade. Starting with a heavily damaged industrial base and a very low standard of living, West Germany is now enjoying considerable prosperity and has a sound financial position. This economic progress has absorbed the major energies of the West Germans, has contributed to the weakening of formerly rigid class distinctions, and has greatly enhanced the acceptance of the policies of the Adenauer government. The CDU's overwhelming victory in the recent election was probably more an endorsement of Ger-

man prosperity than a measured approval of the specific policies which accompanied it.

18. Both domestically and in foreign trade the West German economic situation in 1956 and early 1957 was exceedingly favorable. The West German gross national product, in terms of purchasing power equivalents, is now about as large as that of the UK, \$74.4 billion compared with the UK's \$75.6 billion, and considerably larger than France's almost \$60 billion.<sup>2</sup> By 1960, when the Saar is scheduled to return to the German economic area, West Germany's total GNP will probably exceed that of the UK. West Germany's per capita consumption in 1956 was slightly lower than that of France and about 10 percent below that of the UK, but it was substantially improved over earlier years. The rapid recovery of West Germany is due to the fact that it invested a significantly higher proportion of its national product than did other West European states. Moreover, while France and the UK struggled with internal inflation and foreign payments problems, West German prices increased only slightly and an export boom was piling up large foreign exchange reserves, which had reached \$5.5 billion by August 1957, about 70 percent of it in gold and dollars. However, West Germany's relative position in Western Europe still falls short of the position of pre-war Germany, both in over-all production and in per capita production and consumption.

19. The recently accelerating trend in the West German export surplus to an annual rate of almost \$1 billion in the first half of 1957, has been due primarily to expanding demand and inflation in the rest of Western Europe.<sup>3</sup> The resulting strains on the foreign exchange reserves of other Western Eu-

<sup>2</sup> Estimate for 1956 on the basis of 1955 US prices. Figure for West Germany adjusted to include West Berlin.

	1955	1956	First Half 1957 (Annual Rate)
Exports	6.14	7.36	8.24
Imports	5.82	6.63	7.30
Export Surplus	0.32	0.70	0.94

SECRET

SECRET

5

ropean countries, intensified in recent months by capital flights to the Deutsche Mark, may now be brought under control by the French devaluation and more stringent credit restrictions in the UK. In any case the West German government will almost certainly maintain its refusal to appreciate the Deutsche Mark. Its approach rather is to liberalize import duties, to advance the schedule for payment of foreign debt obligations and arms purchases, to make increased restitution payments, and to provide for some export of capital. If these measures plus some anticipated inflation in West Germany fail to correct the imbalance, the Federal Republic hopes that other countries will make the necessary adjustments. If they do not, West Germany will be under increasing pressure to appreciate the Deutsche Mark, relax credit restrictions, and lend more extensively abroad, or suffer trade discrimination.

20. Long-term private capital investment abroad by West Germans is developing slowly. In the year ending June 30, 1957, it amounted to \$118 million, mostly in the Western Hemisphere. Private lending in the Middle East and South Asia has consisted mainly of medium-term credits to facilitate the sale of capital equipment and construction goods. West German exports to these latter areas have been expanding steadily for a total of \$650 million in 1956, or about 9 percent of all West German exports. The Federal Republic has made two recent loans to the IBRD for a total of \$175 million, and this may indicate that further government loans abroad will be made. West Germany is committed to provide \$200 million during 1958-62 for the development of the overseas territories of its Common Market partners and may undertake loans to the European Payments Union and to France.

21. There are indications that the rate of economic expansion in West Germany may be slowing down. Some decline was to be expected as the backlog of reconstruction needs was met and the labor situation became tighter. In 1956 real GNP and industrial production increased 6.4 and 8 percent respectively, as compared with gains of 11.2 and 14 percent in 1955. However, in early 1957

West German economic growth accelerated somewhat, as it did in the rest of Western Europe. In large measure, the level of West German economic activity is dependent on conditions in other Western countries, since West German exports total over 30 percent of its industrial production. The continuing growth of the West German economy even at somewhat reduced rates has been due largely to the rising level of its exports.

22. In part the declining rate of growth has been in response to the West German policy of maintaining a tight monetary and financial brake on the economy in order to control inflationary pressures resulting from an already tight labor market. Gross fixed capital investment reached a peak of 23 percent of GNP in 1956, but fell off significantly in the first half of 1957. Authorizations for both industrial and residential construction have declined. The recent reduction in the bank rate was an attempt partially to offset this trend.

### Economic Outlook

23. Under the best of circumstances West Germany will encounter greater obstacles to future economic growth. Fully 50 percent of the total population is now employed or self-employed — a higher proportion than in any other Western industrial country. The labor force will grow more slowly during the next five years. Due mainly to low wartime birth rates, annual net accretion to the labor force will decline from the current rate of 700,000 to about 400,000 by 1962. Moreover, the average number of hours worked in manufacturing and building has fallen from 47.7 in early 1955 to 46.7 hours per week in early 1957. Further reductions are likely as the result of already negotiated and pending trade union contracts.

24. West Germany will increasingly encounter some of the inflationary pressures which have bedeviled its Western neighbors. The tight labor market and somewhat more limited opportunities for productivity increases raised West German wage costs by 5 percent in 1956; greater restlessness on the part of trade unions indicates that this trend is likely to continue. Recently several large trade unions,

SECRET



SECRET

6

including those of the metal workers, have announced their intention to seek higher wages, shorter hours, and greater fringe benefits. Coal prices have been raised by 8 percent since the election and other basic industries may seek to follow suit. In contrast to substantial surpluses in recent years, the federal budget is expected to be in deficit by over \$1 billion in the year ending March 31, 1958, as a result of growing defense and social security expenditures. These and other factors point to the likelihood of rising wage costs and an accelerated rise in consumer prices.

25. Because of West Germany's strong foreign exchange and trade position, it will be able to absorb a considerable amount of inflation without economic strain. However, industrial disputes, pressures on profits, and public sensitivity to inflation may thus come to disturb an otherwise favorable economic and political situation.

### Current Attitudes

26. The most characteristic attitude in West Germany today, consequent to this sense of economic well-being and to the absence of any major political issue, is one of self-confident euphoria. The West Germans seem chiefly concerned with matters personal and materialistic. Encouraged by their individual progress toward personal security and material comfort, they are hopeful and expectant that these things will be further strengthened in the years just ahead. Individually the West Germans are not exercised over political faiths or nationalistic ambitions. There is a predominating desire to play it safe.

27. Yet, this desire to play it safe carries with it certain undercurrents of uneasiness, especially in informed circles. There is a latent feeling, which from time to time is surfaced by events outside Germany, that perhaps the course which West Germany is pursuing could turn out to have been the pathway to disaster. The Suez crisis in 1956, with the sharp split between the policy of the US and the UK and the veiled threat of Soviet military action against the UK and France, had a forceful impact upon West Germany, dependent almost wholly upon a healthy NATO for

its security. Likewise, the events in Poland and Hungary were recognized as harboring serious danger of violent conflict in which West Germany itself might become involved.

28. What made these developments of such concern to the West Germans is their belief that, in a war between the great powers, West Germany would probably be virtually destroyed. The presence of US forces together with the NATO alliance are generally recognized as essential to West Germany's national security. Yet, this means an identification with policies which the West German public may not at all times approve. While West Germans generally have a deep aversion to nuclear weapons, an increasing number are coming to accept the need for nuclear forces on their territory. These contradictions create a dilemma which no German likes to face and which many are prepared to leave to a trusted leader, willing and able to assume responsibility.

29. This attitude is reinforced by a widespread feeling that West Germany cannot now do very much to shape its own national policy. Bonn is a temporary capital; half of Germany and a quarter of its population are under Soviet and Polish administration; Berlin is under alien control. The West Germans, through association with the West, have gained an outlet for their energies and a measure of national security, but for many Germans this is not good enough. They find it difficult to become reconciled to the fact that the solution of Germany's major problems — security and reunification — is dependent to so great an extent on other powers. But to take the responsibility wholly upon themselves, they recognize, is beyond their capabilities, and it involves difficult problems with the USSR which they are not prepared to face alone. Few West Germans believe that the Western policy of strength in itself will lead to German reunification; they recognize that, under present circumstances, reunification can be brought about only if the two great powers assent to it. This does not prevent the West Germans from taking a constant measure of the policies of those powers and trying to devise means to influence the outcome.

SECRET

SECRET

7

## EAST GERMANY AND THE REUNIFICATION PROBLEM

### Soviet Policy Toward Germany

30. Whatever may be the long-term Soviet objective in Germany, it is obvious that during the past year, the Soviet leaders have again slammed the door on reunification and locked and bolted it. If for no other reason than to protect its position in Eastern Europe, the USSR believes that it cannot now afford to give up its control and occupation of East Germany. Over the longer term, perhaps the Soviet leaders have some hope that events will so progress as to give them an opportunity to bring about West Germany's withdrawal from NATO and heighten responsiveness to Soviet pressures. They will probably continue to show interest in negotiating with the Federal government on matters of common concern, particularly trade, and at the same time probe for weaknesses on larger issues. At the moment the Soviet leaders almost certainly are not giving any thought to permitting the deeply anti-Soviet population of East Germany to be added to that of West Germany on any terms acceptable to the West Germans.

31. Retention of control over East Germany has practical advantages for the USSR, aside from that of denying it to the West, including (a) the application of a vise on Poland through the powerful Soviet military forces stationed in East Germany, (b) the advance positioning of Soviet forces against NATO, and (c) the possibility of exerting continuous political pressure on the Federal Republic through holding 18,000,000 Germans hostage. While the USSR is taking a smaller percentage of East German GNP, it still derives a considerable economic advantage from its position. In addition, the importance of East German uranium must be considered. We believe these advantages outweigh in Soviet eyes the adverse effect of holding down a deeply anti-Communist, anti-Soviet population through a regime devoid of popular support.

32. We believe that the USSR will continue to oppose any scheme for German unification which does not create conditions in central

Europe at least as favorable to the Soviet position as those which now obtain through the occupation of Eastern Germany. It seems unlikely, in particular, that the USSR will be genuinely interested in proposals for reunification on the basis of a neutralization of Germany alone. The USSR is probably convinced that the prospect of a neutralized Germany is illusory, that a formally neutral Germany would sooner or later side with the West. The USSR will almost certainly continue to insist on direct negotiations between East Germany and the Federal Republic as a pretext for avoiding serious discussion. The USSR will seize every opportunity to enhance the position and prestige of the East German regime. At the same time the USSR will take all measures, including the suppression by force of popular movements, to maintain the security of its position in East Germany.

33. Similarly the USSR will probably not weaken its present hold on Berlin, although it will probably continue to turn over additional responsibilities to the East German regime. Pressures on West Berlin are almost certain to continue in order to test Western vigilance and resolution, to maintain a security check on allied movements, and to erode the Western position. As more authority is transferred to the GDR, the harassments of Western communications are likely to be stepped up in an attempt to force West Germany and the Western powers to deal with the East German regime. The ousting of the Western Allies will remain a major Soviet objective. To achieve this objective the Kremlin might take harsh action against Berlin if: (a) Western political, psychological, and military strengths eroded sufficiently to encourage Moscow to believe that Western responses would lack unanimity and decisiveness, or (b) the Soviets became convinced that more vigorous actions against West Berlin would divert Western strengths from other areas of critical importance to the Bloc.

### The Situation in East Germany

34. The overwhelming majority of East Germans regard the regime of the zonal Communist Party (SED) as alien in its subservience to Soviet interests and have not accepted

SECRET

S E C R E T

8

the "German Democratic Republic" as a separate national entity. Their overriding political aspiration is for reunification and the elimination of Soviet control. Faced with almost universal hatred and contempt, the SED regime has been forced to resort to many techniques for repressing and diverting open hostility, and it has had to forego any change which might be interpreted as a confession of weakness. Hence, the processes of de-Stalinization in other areas of the Bloc have not led to any changes in the SED leadership. Walter Ulbricht, the leader of the party, has remained fanatically loyal to Moscow and his position and repressive policies have been strengthened by Khrushchev's unqualified public endorsement. Stability in East Germany rests heavily on the presence of Soviet troops and the belief of the populace that these troops would be decisively employed against any attempt to change the political situation by force.

35. Contributing to the basic political discontent is the low standard of living, which we estimate to be less than 75 percent that of West Germany. The people are aware that these conditions are due both to Soviet exploitation and indigenous Communist mismanagement. The Communists have attempted to alleviate economic grievances as one means of avoiding a popular revolt in this highly sensitive area. In order to assist the East German government to maintain economic growth and to provide some concessions to German consumers, the USSR has reduced its exploitation considerably and is providing goods and foreign exchange to the zone on a loan basis. The result has been some improvement in living standards and a reduction in the population's irritability. However, the economic situation of the zone is likely to remain depressed in spite of a possible increase in Soviet assistance. The USSR is not willing to undertake assistance on a sufficient scale markedly to improve the situation in the next few years and the SED regime lacks the flexibility and resources to do so on its own. A factor contributing to the depressed situation has been the continuous loss of manpower due to the flight of almost 300,000 refu-

gees annually to the Federal Republic since 1953.

36. Although the East Germans have little or no loyalty to their own regime, a majority appear to be socialist in orientation. In any reunification they would probably attempt to salvage some of the social changes — land reform, nationalization of large-scale industry, and the enhanced status of the workers relative to other East German groups — which they believe have been the only accomplishments of the occupation regime. Although these attitudes have lent some plausibility to the Soviet proposal for the reunification of the "two Germanys" on a "confederative basis," the East Germans by and large recognize that the Soviets are using this formula as a device for perpetuating their control of East Germany.

37. A widespread East German revolt seems unlikely in the next few years, although there is always the possibility of spontaneous outbreaks, particularly if there were uprisings elsewhere in the Satellite area. The population is aware, both through their own experience and by viewing the example of Hungary, that resort to force would prove abortive, if not disastrous. Moreover, it seems clear that the SED leaders, whose personal and political survival would be at stake, would assist in repressing disorders without mercy. They would probably consider the East German forces unreliable and would therefore depend almost entirely upon Soviet forces.

38. While the present Soviet position on East Germany appears frozen, it is possible that the Kremlin will make changes in the leadership of the East German regime in an attempt to give it an appearance of respectability. Such alterations would be made only with due regard to the Soviet security position in Poland. Such a move would be designed to increase the chances for broadened international recognition of the East German regime and its acceptability within East Germany. Although the Soviets probably regard the present West German government as unlikely to make substantial concessions on reunification, such changes in East German leadership would have the effect of placing Bonn in a less advantageous position.

S E C R E T

SECRET

9

## LINES OF DEVELOPMENT IN WEST GERMAN FOREIGN POLICY

### Basic Problems of Foreign Policy

39. Considering the situation existing in the world today, and particularly the strength and determination of the USSR with respect to its position in Eastern Europe, West Germans have three alternative lines of policy open to them. These broadly stated are: (a) to seek to develop a rapprochement with the USSR and the Satellites, with the aim of achieving reunification while preserving an acceptable degree of autonomy; (b) to follow an independent course in foreign affairs, eschewing military alliances and counting on a stalemate between East and West to enable them to achieve a strongly independent neutral posture; and (c) to remain firmly attached to the Western alliance, in confidence that the strength and resolution of the West will protect them against any attack while they attempt to enlarge West Germany's role in the Western alliance and in the world at large.

40. The first alternative would be a complete reversal of West Germany's post-war policy and most West Germans recognize the serious risk of being absorbed into the Soviet orbit. We believe that this alternative would be given little consideration in West Germany short of US actions signifying an abandonment or critical reduction of its defense commitments in Western Europe.

41. The second alternative probably exercises a greater attraction for the West Germans. Leaders in at least two of the parties, the Socialists and Free Democrats, have publicly sought support for a formula which would lead to the reunification of Germany and guarantees of its security by both the West and the East. So long as their present confidence in the effectiveness and reliability of US security guarantees continue to exist, however, most West Germans would not consider this alternative seriously unless there was some better prospect than at present of attaining reunification thereby. Since the USSR has made it clear beyond all misapprehension that it will not now accept a reunified Germany on any condition short of Soviet hegemony over the whole, a policy of com-

plete non-involvement appears to most West Germans as a poor substitute for the present policy.

42. During the next few years close cooperation with the Western alliance seems likely to be regarded not only as the sole workable alternative for West Germany, but also as according opportunities for expansion of trade and influence. The policy of association with the West still leaves considerable room for the employment of German initiative and energy. It provides the West Germans on the one hand with the opportunity, through demonstrating their own strength and trustworthiness, to retain US support and to discourage the US from adopting policies inimical to German interests. It provides on the other hand the opportunity, through exercising its economic power within an association of European states, to emerge ultimately as the dominant power in Western Europe.

### Association with the West

43. *Rearmament and the NATO Alliance.* A number of factors induce West Germany to rearm. Most West Germans believe that they need to build armed forces to assure their national security, either as a part of NATO forces or, if need be, independently. Many West Germans are anxious to rebuild their military strength in order to be in a position to exercise greater influence in the Western alliance. Moreover, they know that the US sets considerable store by a substantial West German contribution to NATO. West Germany's NATO partners, while harboring various degrees of apprehension over the prospect of a well-armed Germany, recognize the desirability of strengthening the NATO shield forces. They tend to feel that West Germany should get on with its rearmament so that their own defense efforts can become less burdensome. Despite all these considerations, rearmament progress will continue to be hampered by doubts concerning the basic strategic concepts upon which forces and weapons systems should be built and, to a lesser degree, by a lack of popular enthusiasm to accept the costs and sacrifices involved.

44. In order to deal with some of these problems, Defense Minister Strauss has reoriented

SECRET

SECRET

10

defense planning toward smaller, combat-ready forces equipped with the "most modern weapons." Both he and the Chancellor have made their position clear that, short of an over-all agreement on disarmament which included a political settlement for Germany, West German forces must in due course have tactical atomic weapons. The government also revised its force goals from 500,000 men by 1958 to a tentative 343,000 by 1961. By the end of 1957 the military establishment will total 135,000 of which 85,000 will be ground force personnel. At the same time, the Federal Republic has pressed for a full review of NATO strategy in the light of recent weapons development. The Chancellor and his defense minister apparently believe that this review will lead to acceptance of West Germany's program. Nevertheless, there will be continuing uncertainty about West German defense efforts at least until the current NATO review of strategy is completed and its implications are fully understood.

45. In the meantime, West German military plans are for forces which can be readily adapted to tactical atomic weapons. The seven divisions now activated for NATO will not have a significant combat capability until early 1959. Similarly, the West Germany navy and air forces are still in an initial organizational and training stage. Development of a small but highly efficient anti-submarine, escort, and minesweeping navy will probably have been completed by 1962. However, it appears likely that the preoccupation of the West German air force with advanced aircraft types and missiles will lead to substantial delays in West Germany reaching by 1962 the goal of 1300 operational aircraft or 20 percent of anticipated NATO combat air strength. Defense Minister Strauss has placed strong emphasis on a territorial army not under NATO command for such duties as home defense.

46. The West Germans are conducting research and development work on missiles. All phases of research are permitted the West Germans but they are prohibited by treaty from the production of missiles for military purposes, with the exception of air defense missiles of a specified size. The Federal Republic plans to request a waiver on these re-

strictions to permit the production of the Cobra, a small anti-tank missile, which has been developed by a German firm. At the same time the Federal Republic has an agreement with Oerlikon, a Swiss firm, for the production of the Cobra and perhaps some other missiles being designed in West Germany. An air defense missile, being developed by Telefunken with the cooperation of other West German firms, will reportedly not reach a test firing stage for three years. In addition, numerous private organizations have been experimenting with missiles for meteorological and other scientific purposes. Some of these vehicles might be adapted to military uses.

47. While West Germany has the technical capacity to initiate a nuclear weapons production program, it is forbidden to do so by treaty restrictions. Any attempt to revise these at an early date would almost certainly involve serious political and diplomatic problems. Furthermore, West Germany would be dependent for at least the next three and perhaps as much as five years upon an outside source for the fissionable material necessary to develop its own atomic weapon. If it were able to obtain this material, it could probably produce a prototype inefficient low yield bomb in about one year.

48. High level talks in January 1957 laid the groundwork for West German-French cooperation in weapons research and development, including missiles. Detailed arrangements are still being developed, but it has been agreed that common research facilities and French testing sites in North Africa will be used. There have been some indications that official discussions between the two countries also included the possibilities of collaboration in the production of nuclear weapons. There is no firm evidence of such collaboration and it has been denied in responsible West German and French quarters.

49. Although such collaboration would have advantages for both West Germany and France, it would need to be open and large scale in order to result in a significant weapons program. A joint program on this scale would necessarily encounter serious obstacles, not the least of which would be French popu-

SECRET

SECRET

11

lar sensitivity in assisting the West Germans to develop a new and powerful force. It is more likely that the West German government will seek through NATO to obtain these weapons from the US, or failing in this, to produce them cooperatively, not only with France but with other West European states.

50. The Federal Republic will remain sensitive to any evidence that the other NATO members, particularly the US and UK, are weakening their interest in or their commitments to NATO. It will react quickly to any proposed revisions in strategy which in its view might weaken either the deterrent strength or defensive posture of NATO. The Chancellor was deeply disturbed over reports in 1956 intimating that the US was revising its military policy in Western Europe and over the more recent British plans for withdrawing substantial numbers of troops from Germany. It is possible that West German apprehension over the prospect of reductions in US and UK forces would be lessened as West German forces develop quality and striking power. However, the West Germans would insist that US guarantees be strongly reaffirmed if US forces in Germany were reduced.

51. The West Germans have also demonstrated considerable sensitivity to the disarmament negotiations. Their particular concerns seem to be (a) to use these negotiations to bring the question of reunification back into the area of international discussion, and (b) to prevent any disarmament arrangement which would give a cover of legality to the East German regime and thus lead to a widespread recognition of the GDR as a permanent government. We do not believe, however, that the West German government would refuse to accept an otherwise satisfactory disarmament agreement, if supported by its major Western allies, merely because its particular concerns were not fully satisfied.

52. *The European Cooperation Policy.* West German backing for economic integration among European states already adhering to the Coal and Steel Community seems assured for the next few years. The EURATOM and Common Market treaties were approved in the Bundestag with the support of both the

government parties and the Socialist opposition. Some private interest groups are uneasy about the way in which the Common Market may affect them. They further protest that Germany has already made undue sacrifices for the integration policy, such as concessions on the Moselle Canal and agreement to EURATOM ownership of nuclear fuels. However, most Germans feel that the Federal Republic with its present economic strength will not only be able to overcome inequities but to influence future developments in its favor.

53. Among the political considerations motivating West German interest in West European cooperation almost certainly is a desire to reduce the remaining Western European suspicions and fears of Germany. For some West Germans, particularly those who view economic power as a source of security and prestige, West European cooperation also provides an outlet and an opportunity to exercise influence. Others, fearful that US support and assistance may not be as forthcoming in the future as in the past, wish to promote among Western European countries the means and the habit of mutual assistance to match the fact of their strategic and economic interdependence. The Suez and Hungarian crises of 1956 in particular demonstrated to many in West Germany, as elsewhere, that developments which vitally affected one of the West European states necessarily had a grave impact upon the others.

54. West German interests in European cooperation will probably survive Chancellor Adenauer, its main protagonist, although it may not be as actively pursued by his successors. West German pretensions for Western European leadership may become overweening in the eyes of other countries, with adverse effects on the movement. West Germany's promotion of a special relationship with the US might become an added source of friction in the Western alliance.

55. *Expansion of West Germany's Influence Outside Europe.* West Germany will probably intensify efforts to expand its influence outside Europe. Private West German interests are seeking the expansion of markets in those

SECRET

S E C R E T

12

areas of the world once dominated by British, French, and Dutch influence. The West Germans are likely to be more willing than in the past to provide government loans in the underdeveloped areas, preferably in cooperation with the US or other Western countries. In the next few years West German political interest in these areas is almost certain to be directed toward discouraging recognition of the East German government and to supporting common Western programs. In time, West Germany will emerge as a substantial contributor of foreign capital, with the Germans becoming a greater political force in underdeveloped areas. While providing vigorous economic competition, the Federal Republic will probably avoid taking political positions which would seriously clash with those of its allies, since their good will and support is essential to the execution of primary West German foreign policy objectives.

### Policy Toward the Bloc

56. Despite the absence of any genuine expectation of progress toward the establishment of a free united Germany, the West German government will continue to probe Soviet policy and intentions. These tactics will be designed primarily to satisfy public opinion that a stalemate continues to exist and that only Soviet intransigence bars the way to a satisfactory solution. Regardless of how successful its policy of cooperation with the West may prove to be from the standpoint of expanding German influence, no West German government will risk implying abandonment of the hope for eventual reunification. Consequently, West German leaders necessarily will be responsive to any sign of Soviet flexibility and willingness to negotiate.

57. In its relations with the Satellites other than East Germany, the West Germans appear to be moving toward a position of greater flexibility. In particular, the Federal Republic will seek to strengthen its economic ties in Eastern Europe; trade with the Satellites while small has been gradually increasing. The West Germans consider that their interests are served by encouraging Communist deviation from Soviet hegemony. While they are fearful that changes in Eastern Europe

may get out of hand and result in a bloody repression similar to that in Hungary, this fear is mixed with the hope that the estrangement of the Satellites — coupled, perhaps, with internal dissension in the USSR itself — will eventually induce the Soviet Union to withdraw.

58. The present West German leaders are currently seeking to establish a basis for a rapprochement with Poland. Many of them have assumed an attitude of "realism" toward the German territories under Polish administration east of the Oder-Neisse line. The Chancellor has publicly stated Germany will "never" seek the return of these territories by force, but might rather seek a form of Polish-German economic cooperation along the lines of the Common Market in Western Europe. However, the recent joint statement by Tito and Gomulka supporting recognition of the Oder-Neisse boundary and Yugoslav recognition of East Germany demonstrate the difficulties and uncertainties of a flexible West German policy toward Eastern Europe. The Federal Republic has broken off diplomatic relations with Yugoslavia in order to discourage other non-Bloc states from recognizing the GDR. It is, nevertheless, willing to maintain its economic relations with Yugoslavia and will probably continue to seek some formula which would permit it to recognize Gomulka's Poland. In any case, West Germany will almost certainly develop trade and other informal relations with Poland.

59. Despite the determination of the Federal Republic to avoid giving the East German regime any vestige of legitimacy, informal contacts exist in a wide variety of fields — such as trade, transportation, police, and public services. These contacts have been at the administrative rather than the governmental level. They will probably increase in the next few years and the West Germans will have increasing difficulty in avoiding relations at the government to government level.

60. In the event an East German uprising led to extensive and bloody suppression by Soviet troops, strong passions would be aroused in the Federal Republic. However, the West Ger-

S E C R E T



S E C R E T

13

man government has clearly shown its understanding of the risks involved in an uprising, and has sought to discourage open resistance against the East German regime. In event of an uprising we believe the Federal Republic would refrain from official actions in direct support of the rebels and would do its best to prevent the involvement of West German nationals. It would appeal to the United Nations, the NATO Council and the US for help and intercession, and would probably appeal directly to the Soviet Union, in an effort to stop the bloodshed and assuage the demands of the populace. The longer the duration of the rebellion, the greater would be the danger of West German involvement.

### THE LONGER TERM OUTLOOK

61. Barring major upsets in the world situation, we believe West Germany is likely to continue to remain economically healthy, politically stable, and allied to the West. A firm foundation for constitutional government has been laid. All significant political parties have maintained moderate and constructive policies: neither the Communists nor other extremists have obtained any important support.

62. However, West Germany has not yet had to meet the problems which would arise in the event of a serious crisis, generated either by internal or external circumstances. Although the possibility of serious divisions and extremist solutions cannot be excluded, they appear very unlikely. However, the political stability of the Federal Republic, its prosperity, and Western orientation could be directly affected by external developments largely beyond its control. In particular, external developments bearing on the potentially disruptive issues of security and reunification could upset present political trends in Germany and pose serious threats to the interests of the US and the West.

63. *The Problem of National Security.* No matter what party controls the government in the future, it is certain to consider the development of substantial West German military forces as essential to German security. West Germany is unlikely to contemplate withdrawing from NATO and assuming

a posture of armed neutrality, except in the event of an acceptable offer of reunification or a critical weakening of the Western alliance. As long as NATO proves effective, and West Germany has what it feels to be a satisfactory place in it, German security efforts will continue within the NATO framework. We believe that West Germany will ultimately develop a military establishment which includes nuclear and non-nuclear forces, and forces not committed to NATO.

64. *The Problem of Reunification.* The continued division of Germany will remain a source of national frustration and a symbol of Germany's lost power. It will remain an issue about which the Germans could be aroused. Feelings on reunification could be greatly intensified if political or economic conditions within West Germany were upset; if there were further dislocations in Eastern Europe; or if the West Germans became frustrated in their quest for security, influence, and trade in the West.

65. Even without such stimuli, West German leaders will gradually and increasingly direct their policies toward this goal. We believe they will aim at positions of flexibility, and will seek, through combining their mounting political and economic strength with diplomatic initiatives, to normalize relations with their eastern neighbors and the USSR as steps toward reunification. West Germany might use its growing military strength as a bargaining instrument with the USSR, offering to withdraw from NATO as a price for reunification; or if extremist elements assumed control in West Germany, they might be tempted to use their strength as a threat.

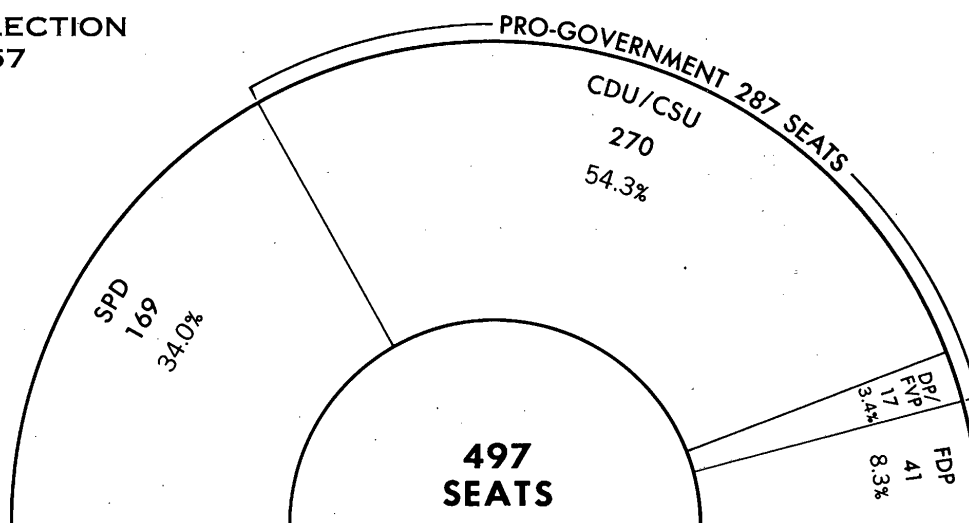
66. We believe the West Germans are more likely to seek reunification by agreement than by threats or adventures. In seeking such an agreement the West Germans would probably not accept conditions which would clearly risk their becoming a Soviet satellite; on the other hand, we believe they would accept something less than the terms which they and their Western allies now regard as essential. Moreover, changes within the Bloc, the emergence of new leadership in West Germany, or a major change in the situation in the West, might lead the USSR to reassess its position.

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# THE WEST GERMAN BUNDESTAG

POST-ELECTION  
1957



SPD — Social Democratic Party  
CDU — Christian Democratic Union  
CSU — Christian Social Union  
DP — German Party  
FVP — Free People's Party  
FDP — Free Democratic Party

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