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Ambassy BONN

January 29, 1963

The German Political Scene at the Turn of the Year

Bundesp. No. 1010, Jan. 24, 1962; A-164, July 23, 1962

Enclosed is a review of the major political problems, the state of the Federal Republic's foreign relations, and the internal political situation at the beginning of 1963, prepared by the political officers concerned with Berlin affairs, Atlantic Community and defense affairs, labor and internal political developments. The following subjects are covered:

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In summary, although the scaffold of the German situation and German problems remains the same, there are new apertures, new winds and drafts blowing through, and some new faces, which in retrospect make 1962 look like a year of striking changes.

A year ago the Berliners, still preoccupied by the Wall and other Soviet-communist pressures, were defensively braced for trouble, with some misgivings as to what the Allies might or might not do when it came. The Soviets were in a "high posture," although in words (their December 27, 1961 Note) had never spoken more beguilingly. At this year's end the Berliners had recovered their habitual self-confidence, particularly satisfied, following the Cuba crisis, about American attitudes. Mayor Brandt's party thought that prospects for West Berlin elections in February looked almost too good: the SPD expects to obtain over 60 percent of the votes. The Soviets and East Zone (Ulbricht), in contrast, had their hands full with restoring the Party line after Cuba, ideological problems with the "dogmatists," and bolstering the faltering economy of the Zone. There were no new pressures on Berlin. Except among his henchmen, Ulbricht's prestige is about as low as it could be. In words, however, the Soviet message to Adenauer this Christmas could not have been couched in more insulting language (Khrushchev as a man of peace, sharing the views of President Kennedy and Pope John XXIII, accusing Adenauer of trying to stir up war in Cuba and civil war in Germany). Though there has been little change in the externals of the Berlin problem per se, there are growing signs that it is viewed from the Soviet side in a slightly more realistic way, and on the part of the Berlin and Bonn authorities perhaps also more flexibly. The Embassy has detected a deepening West German interest in Berlin and German reunification, which has been particularly noticeable among the youth.

With regard to defense problems and NATO strategy, the Germans talked so much about theories of defense, the changeover in the NATO command, and the controversial figure of Defense Minister Strauss, that it tended to obscure the quiet progress they have made in building up their forces. Although short of military "back-up" and faced with tighter financial resources, they have now eleven divisions assigned to NATO, with a twelfth on the way, which represents approximately half of the NATO forces in the central front.

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Strategically the Germans have identified their views with those attributed to General Norstad (viz, allowing for a strong nuclear deterrent), and have not adjusted, as yet in any case, to the idea that under certain circumstances a greater flexibility in strategy would be advantageous. Currently they are awaiting with much interest clarification of the possibilities and implications of the Nassau agreements--still somewhat mistrustful that it amounts to a continuation of the British (and possibly also French) national nuclear position and relegation of the non-nuclear nations to a second-class position; somewhat more hopeful that it may lay the foundations for a genuine multilateral nuclear force in which the Federal Republic might have a voice. As a result of Under Secretary Ball's explanations to the NATO Council and subsequent discussion with the Chancellor and German Ministers in Bonn, there is on the whole a readiness to accept the Nassau agreements as a fresh start of much significance. In lending their support, however, the Germans will increasingly resist anything suggesting second-class status. They feel that their relative contribution and responsiveness to American and NATO requests, their performance in comparison with others, and their geographic situation all entitle them to a greater voice in important defense decisions for the alliance.

After a notable step forward by the Six Common Market countries a year ago, in agreeing upon a Common Agricultural Policy (CAP), the succeeding months have been marked by the problems posed in implementing the CAP for certain agricultural products, notably grain and poultry, and by the negotiations at Brussels for British accession to the Treaty of Rome. The complicated system of levies and agricultural-pricing threaten to reduce U.S. exports of these products to Germany, and have become of political as well as economic concern. Until this January the difficulties about British entry into the Common Market were to a large extent treated as technical matters (modalities of British adherence to the Treaty of Rome, transitional arrangements for British agriculture, and the like). On January 14, President de Gaulle brusquely revealed that his objections were much more fundamental--an objection to the British on the grounds that they were nationally too dissimilar to the Continental nations, that they would weaken the political cohesion of the Six, and were in effect an instrument of continued American domination of Europe. Hardly anyone in Germany interpreted this stand as other than a bid for French hegemony in Europe; but there was a sharp division of views between the Chancellor on the one hand, most of his Cabinet, political colleagues, and Opposition on the other, as to what should be done about it. The Federal Republic has consistently and officially supported British entry. It was feared that the Chancellor, out of regard for his cherished Franco-German reconciliation, would settle for the half a loaf of closer Franco-German cooperation as de Gaulle desired. His colleagues, critics, and opponents, all demand that any further progress toward this aim not be at the expense of German solidarity with Benelux and Italy on behalf of British entry. At the moment the question is still up in the air. It may come to the point where the Germans will have to choose, as James Reston put it, "not merely between France and Britain, but in the end, between France and the United States."

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With regard to development aid, the situation in brief is that having got off to a brisk start in 1961 (commitments of DM 5.5 billion), the Government is now inclined for various reasons to rest on its oars (new commitments of only DM 1.25 in 1962). These sums have, in fact, permitted the inauguration of an active and respectable aid program in some fifty countries, which has resulted in a marked increase in German political influence around the world. The Federal Republic is conscious of this. The less encouraging feature of its aid program is with respect to follow-up and accessibility to new demands. A general change in the economic climate in Germany and a significant decline in public and parliamentary support for foreign aid threaten to cause a serious retrenchment of the foreign aid program. In addition, concern for its balance of payments position has created some pressure for modification of Germany's liberal trade policies, although these pressures have thus far been successfully resisted by the Government. Increased "sales resistance" is also being met in the field of military procurement, stemming doubtless from local interests and a general lower rate of economic growth in industry.

At the present point German labor is not yet, but could increasingly become, a problem for the economy and the Government. After a decade of working with exemplary discipline, labor's reaction to pleas for "everybody tighten belts" was "not we first". There is implicit in this a threat of comparatively more militancy or challenge, which the Government at any rate (with the exception of the Ministers of Finance and of Economy) was not disposed to resist in a year of important land elections.

The major themes in German foreign policy are relations with the United States, relations with the other NATO states (with a special place for France and also the other Common Market states), and relations with the Soviet Union; the minor themes, an interest in certain of the Socialist bloc neighbors (especially Poland, Hungary, and but for the fact of Belgrade's recognition of the East Zone region, Yugoslavia), and relations with the developing countries.

In many respects--the participation of the German representative in the Ambassadorial Working Group in Washington, working relations with the Foreign Office in Bonn, logistic support arrangements between the American and German defense forces, German military procurement in the United States, commerce and cultural exchanges, and the visits and personal contacts between American and German political leaders--relations between the Federal Republic and the United States could hardly be closer. So far, however, as they are thought of in terms of the Chancellor's attitude, relations have had their ups and downs: mostly down in the course of the spring, as suspicion developed with regard to Allied planning about Berlin; reaching a nadir at the time of the news-leak on Allied plans and the reassignment of Ambassador Grewe; sharply up after the visit of Secretary Rusk in June and succeeding visits of Mr. McGeorge Bundy and Under Secretary Ball; down at the announcement of

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General Norstad's retirement; up with the Cuba crisis; and moderately up at present, with certain question-marks as to the implications of the Nassau agreements and degree to which the Chancellor may be influenced by de Gaulle.

Relations with the other NATO countries have remained on a favorable basis (Turkey, Greece, Portugal), perhaps with a continued modest improvement in some respects (Denmark, Norway). The Common Market arrangements and negotiations have made relations closer with the states concerned, but attention is monopolized at present by the problem of British entry. The most notable development over the past year has been the special relationship worked out with France. There is no doubt about it that for the Chancellor--and for de Gaulle too after his triumphal visit to Germany last summer--this amounts to something approaching an "embrace." How far it can be given a concrete form (it now has a legal form, as a treaty) that will be operative into the future remains to be seen. For both parties the arrangement partially compensates for the political union not yet achieved under the Treaty of Rome. It has given rise to certain suspicions that the French may regard it as a substitute; the Germans have at any rate taken pains to emphasize that it will not be exclusive or to the prejudice of NATO.

Relations with the Soviet Union are, if not exactly a coefficient of the Berlin problem, at any rate dominated by it. A Soviet tentative a year ago towards some bilateralism awakened much interest but in the end evoked no positive response. The current Soviet visage has never been harsher toward the Chancellor. There is some expectation that Moscow may try a more active policy after Adenauer retires next autumn. The Germans would like more contacts and more trade with their neighbors to the East (especially Poland, and they have made a start with Hungary), but are frustrated partly by the others (political demands for diplomatic recognition, or acceptance of the Oder-Neisse boundary) and partly by their own Hallstein doctrine (no diplomatic relations with states recognizing the GDR). It might be said that there are signs of a thaw, at least in the Foreign Office and in certain business circles, but it is not yet very deep nor does it hold out much promise.

With energetic commercial activity and aid programs for over fifty countries in Africa, South and Southeast Asia, the Middle East, and South America, the Germans have had the satisfaction of seeing a steady rise in their political weight outside Europe. Capitalizing on the fact that their colonial past is far enough back to be more or less forgotten, the FRG endeavors as a matter of principle to avoid involvement in local quarrels (especially the Arab-Israeli), and tries to obtain commitments in favor of self-determination for Germans (Berlin and the East Zone) as well as others. Any state which carries its neutrality to the point of formal recognition of the East Zone regime does so at the cost of diplomatic relations with Bonn (the "Hallstein doctrine"), as in the case of Yugoslavia in 1957 and Cuba on January 14, 1963. The Hallstein doctrine has a corollary with respect to economic aid, though it is somewhat more flexibly applied.

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In internal politics 1962 was a difficult year, with the coalition government subject to increasing strains until it finally fell apart over the Spiegel affair. The Chancellor did not have an easy Cabinet team in the first place; the Government was nervous about foreign policy and defense strategy, and improvised its way through economic and labor problems with difficulty; Defense Minister Strauss received an embarrassing amount of adverse publicity throughout. At the same time, in terms of party politics, it may have been a year of emancipation. Perhaps the most significant fact which emerged from the Spiegel crisis was that Adenauer's power had in effect been broken. After thirteen years of dominating German policy and any combination of politicians that ventured to oppose him, the Chancellor now has limits to his freedom of action which he cannot overstep without his own party closing in on him. He has a period of grace until his "voluntary" retirement in the autumn of 1963. Since the Germans accept the fact that he is already an historical figure, when they are not in the habit of challenging lightly, he may finish out his days in the style to which he is accustomed. Germans are not entirely sure that he will step down when the time comes, and they suspect that he is not above maneuvering Economics Minister Erhard out of the succession if he can. In terms of popularity, the CDU/CSU consider Erhard their best man for the transition Government until the elections in 1965. After the elections, the Chancellorship is probably open to any one of a number of contenders: Erhard or Schroeder, von Hesse, Dufosse, or Krome, more or less in that order. As a result of the Spiegel affair, former Defense Minister Strauss now seems out of the running for the near future (although, in view of his abilities and as head of his Bavarian CSU group, he may still have a strong voice in parliament).

A by-product of the recent Länder elections, the internal troubles of the conservative parties, and of their own party's moderateness in policy and skill in tactics, has been the Social Democrats' steady accretion in strength. In the negotiations with the CDU/CSU for a "grand coalition" at the end of the recent crisis, the SPD broke an important psychological barrier. They are now considered "regierungsfähig" by everybody. The possibility of SPD participation in the Government should henceforth not be excluded.

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I. The Main Problems

A. Berlin *

The Berlin problem in 1962 remained a critical German national and international political issue. It continued to occupy the attention of German political figures and the Federal Government as well as the Allied Governments, especially as diplomatic soundings progressed through a good part of the year to see whether a possible negotiated modus vivendi could be reached with the USSR. Allied, but particularly U.S., attitudes and reactions on Berlin still were regarded as the touchstone of Allied resolve vis-a-vis the Soviets and as a barometer of Allied reliability and ability to defend their political and security position in Central Europe.

On the diplomatic front, the Federal Government, not without internal political strains and some foot-dragging, supported U.S. efforts to see whether a basis for a negotiated "agreement to disagree" could be found with the USSR. After some internal political maneuvering, the Federal Government accepted the concept of an international access authority as a possible means of resolving one of the major problems: guaranteed access to Berlin. It also sought to obtain stronger advance commitments from its Allies on countermeasures. Months of soul-searching on the issue whether or not to accept the imposition of passport and visa requirements for travel to Berlin also led the Federal Government, as the year ended, to try to present for allied approval and concurrence a strong position on this issue. Throughout the year it was clear that German efforts were directed toward getting the three Allies to accept, in the case of blockage of civil access to Berlin, full responsibility for civil ground access to the city. A stronger position on passports and visas was a concomitant of this effort, which will continue into 1963, to get advance Allied commitment to accept responsibility for civil access. In general, it was the Embassy's impression that the German Government wished to move ahead on a broad spectrum of Contingency Planning. Often progress was difficult. Either for reasons of governmental organization and Ministerial competences or because of internal political considerations, the Government failed to take firm and clear positions on some matters, of which the passport and visa problem and the credits under IZG were examples.

As is inherent in the situation, events of the year disclosed differences of opinion or emphasis on Berlin between the Berlin authorities and the Federal Government. The Federal Government tended to take a somewhat broader view of the Berlin problem and to analyze it and to deal with it in an international and all-German context. It increased in various ways its subventions and other support for Berlin viability, and promises to continue to do so in the future. The Government (with the exception of the All-German Affairs Ministry) tended to rely upon quadripartite responsibility for Berlin and Germany as a whole, while de-emphasizing the German constitutional view that Berlin is a Land of the Federal Republic. Brandt and the Berlin authorities, on the other hand, pressed the vital necessity of strengthening ties between the Federal Republic and Berlin, and emphasized tripartite responsibility (with full West German

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support and cooperation) for defeating West Berlin against further Communist encroachment. Moreover, the Berlin authorities also appeared convinced that the psychological realities and significance of some developments on Berlin morale were not adequately appreciated by the Federal Government or the Allies. Considering the psychological climate as imperative for Berlin morale, they viewed slight improvements in circulation of persons within Berlin, for example, as potential gains of real significance. The Federal Government, although willing to advance credits within IZT under certain conditions for limited political concessions, has no illusions about the minor nature of these concessions, the principal significance of which is humanitarian. For political and psychological reasons, too, Berlin officials, living in a tense situation and often reacting hypersensitively, seemed to exaggerate, for example, the importance of arrests on the Autobahn, the insignificance of which travel statistics for 1962 amply demonstrate. In retrospect, perhaps the principal development of the year was the willingness of the Federal Republic to increase credits to East Germany. While this willingness has political aspects related to access to Berlin, it is probably most noteworthy as a realization that this is one of the few potential means left to be of some humanitarian assistance to their fellow Germans in material terms. Moreover, it appeared to be the only available potential way of improving the movement of persons within Berlin which is of major importance to the Senat.

1962 saw only two periods of really aggravated tension in and around Berlin. The first occurred in winter and early spring following upon certain demands made of the Allies by the Soviets with respect to air access. These demands were not met and a period of harassment on an ascending scale ensued which terminated only after Secretary Rusk delivered a blunt warning to Foreign Minister Gromyko at Geneva. While several lessons can be drawn from this extended episode, one, in the Embassy's view, was of major importance. It is that when the Soviets seek to exert pressure by operational as distinct from diplomatic or psychological means, firm refusal to be deterred from functioning normally is the best Allied response. Such a response demonstrates clearly to the Soviets that the situation cannot be changed by unilateral and essentially operational means if the Allies do not react in a premature and frightened fashion. Actions speak louder than words and are afterwards better understood. The second lesson was that the civil airlines will fly under conditions of severe harassment, and that when they do, their passenger rate does not fall off due to psychological pressures. The subsequent period of aggravated tension was brought about by the abolition of the Soviet Kommandatura in East Berlin and almost concomitant Peter Fechter incident (the youth who died trapped on the Wall) which touched off violent and thoroughly understandable popular Berlin reactions. This incident provided the pretext for the Soviet introduction of armored personnel carriers to transport their War Memorial Guard on a regular basis into West Berlin, a tactic which ceased only when the Allies again made it perfectly clear to the Soviets that after a certain period, such a mode of transport would no longer be permitted. This episode was another instance of an effort by the Soviets to make both short and long term political and psychological gains through a unilateral operational change. The real and potential adverse effects were only reversed by a firm and unyielding posture vis-a-vis the Soviets on an operational level. The lesson again was that firm determination caused the Soviets to back down.

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In German eyes, the firm U.S. handling of the Cuban crisis has had a considerable effect on Soviet tactics toward Berlin. They feel that it has at least deterred the Soviets from further unilateral actions which might have presented grave risks. They take some comfort in signs that Ulbricht's economic difficulties, his shift in the public line on Berlin, and his emphasis on the necessity of overcoming internal economic difficulties since the Soviet-American confrontation over Cuba all suggest that East German pressure on the Berlin problem is now being reduced. They deduce that Ulbricht and his East German regime are adjusting to a new Soviet line which will play down an early separate peace treaty and will continue to assert the necessity of achieving a diplomatic solution through negotiation and compromise. This analysis is intrinsically interesting, since the course of the year disclosed a certain development in Federal Republic attitudes toward East Germany. While non-recognition remained a keystone of Federal Government policy, the year heard more voices advocating contacts to expand the economic and cultural ties remaining between the two parts of Germany. More ideas in this direction will be manifest in the coming year, since the conviction appears to be spreading that only by taking the initiative to develop channels of contact can the Federal Republic hope to maintain any semblance of German unity, to develop any expanded sense of German community of purpose, and to be of any humanitarian assistance to fellow Germans across the barbed wire.

In sum, 1962 was a year of adjustment to the "Wall" and its consequences. It was featured by two instances of Soviet operational harassment as well as the usual diplomatic, psychological, and propaganda pressures. West Berlin's position was readily sustained throughout the year. Events of the year in a certain sense demonstrated the irreconcilable dilemmas of former years. Every nation intimately involved with Berlin as well as the Berlin authorities and the Federal Republic have somewhat different objectives and interests. But in defending Western vital interests, the U.S. ultimately confronts the Soviet Union with the decision of seeking by military means to eject our forces from the city. The great risks such an effort could entail appear unacceptable to the USSR and presumably to its East German satellite. As long as this remains so, the problem of Berlin which the USSR created anew in November 1958 will either be with us in its present unresolved state—an uncomfortable but bearable modus vivendi for all concerned—or it will have to be resolved by political and diplomatic means. From a German point of view, 1962 disclosed little to show that an acceptable political resolution was around the corner. In fact, the year's events suggested that even if the U.S. and the USSR could possibly reach understandings on some matters which might help to resolve the Berlin problem, the Federal Republic or the Berlin Senat or someone of the other Allies would find some aspect of these understandings unacceptable. U.S. handling of the Cuban crisis has made a profound impression on the Germans. They hope that the resoluteness displayed will also have its effect on the USSR and will make the Soviet position on dealing with both Berlin and Germany more reasonable, possibly within a broader negotiating framework such as disarmament or nuclear testing. In 1963 the German Government may well seek to divert any diplomatic soundings or negotiations from the narrow Berlin framework and to direct them toward an all-German framework having broader European security features.

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B. Defense Problems and NATO Strategy *

The West German defense scene has been characterized throughout 1962 by a steady but unspectacular physical build-up of the Federal German Armed Forces, accompanied by the continuing public discussion of NATO strategy. These aspects of the defense picture were all but forgotten, however, in the closing weeks of the year in the attention devoted to Defense Minister Strauss' political difficulties and the consequent Cabinet reorganization leading to Strauss' exclusion from the Government.

With respect to the physical build-up, 1962 saw the progressive consolidation and implementation of paper gains of previous years; manpower of the Bundeswehr increased from 360,000 to almost 400,000 during the year. Three Army divisions reached the manning and readiness status necessary to permit their formal assignment to NATO commands, increasing to eleven the number of FRG "NATO-committed" divisions. Progress in the Navy and Air Force build-up was less impressive, owing in large measure to delays in equipment (e.g., F-104G) and to the very gradual impact of legislation lengthening the conscription period.

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Apart from the strategy debate, the FRG defense effort/hampered in 1962, for the first time, by a tight defense budget. The Ministry's 1962 budget plan originally called for DM 13.2 billion. This sum was raised to DM 15 billion (as opposed to DM 15.6 billion subsequently requested by the Defense Ministry) following the August 1961 Berlin crisis. However, funds actually available to the Ministry were reduced to DM 14.5 billion--one billion less than estimated needs--by deducting from the 1962 budget the advance of DM 500 million given to the Defense Ministry in late 1961. The effect of the stringent defense budget was compounded by a higher rate of expenditures than anticipated, particularly on facilities construction and on military procurement from the U.S. As a consequence, a critical point was reached in November 1962 when it appeared that the FRG might be unable to meet its payments obligations vis-à-vis the U.S. The impasse was at least temporarily resolved by the Federal Government's decision to increase the 1962 defense budget by DM 1.1 billion--an as yet undetermined portion of which may be treated as an advance against the 1963 budget. Although the final Cabinet decision on the 1963 budget has reportedly not yet been taken, it appears that the Defense Ministry may be given about DM 18 billion (plus, perhaps, an amount equivalent to that portion of the 1962 budget supplement treated as an advance). A defense budget of DM 18 billion would be in line with the Defense Ministry's original request and DM 1 billion more than earlier accepted by the Finance Ministry, but it could result in a continuation of the "tight budget" situation and possibly necessitate a request for an additional budget supplement in late 1963.

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During 1962, the U.S. and UK continued to press the FRG for agreements offsetting their military expenditures in the FRG. The British concluded an agreement with the Germans providing that the latter would offset DM 600 million of the estimated DM 700 million annual foreign exchange costs of the BAOR through FRG military procurement in the UK, participation in military research and development projects, civilian procurement, and by taking over some British development aid projects.

The U.S. - FRG offset agreement of October 1961 (representing from six to seven ^{hundred} million dollars or approximately DM 2.6 billion), covering calendar years 1961/62 was extended through calendar year 1964 in a memorandum of understanding signed in September 1962 by Deputy Secretary of Defense Gilpatric and Defense Minister Strauss. This extension reflected, however, the tight German defense budget situation and increasing German concern over the FRG balance of payments in that it made the German commitment to offset U.S. military expenditures in the FRG conditional on the availability of funds.

The U.S. - FRG offset agreement also provided for the continuation and expansion of the cooperative logistics system. Individual technical arrangements were signed by U.S. and German representatives on several aspects of the cooperative logistics system, and operations were initiated in joint depot supply and maintenance support and joint use of training areas. At the Germans' request, negotiations and studies have also been undertaken with a view to establishing a comprehensive wartime logistics support arrangement between the U.S. and the FRG.

The major problem areas confronting the German defense build-up remained unchanged in 1962--except that finance was added to the shortages of land and personnel. Some progress was made toward resolution of the manpower shortage by the enactment in February 1962 of legislation extending the draft period from twelve to eighteen months. The full effects are not expected to be felt, however, for some time particularly with respect to technicians.

The strategy debate again received conspicuous attention in the Federal Republic of Germany this past year. On the one hand, the view persisted that European defense would be gravely weakened by any major shift away from the doctrine of massive retaliation which would place increased reliance on use of conventional forces at the outset of any conflict. To some extent, German views, as already discussed, were perhaps colored in this regard by the recognition that any such shift would compel Germany to increase substantially its conventional contribution to NATO. On the other hand, the Germans clearly continued to hope, irrespective of any change in strategy, for some progress toward establishing a NATO multilateral nuclear force in which other members of the Alliance might participate. Such a development in the German view might in part offset the effect of possible American reluctance to commit U.S. nuclear forces at the appropriate stage in any future conflict.

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All Germans agree that NATO must remain the cornerstone of FRG defense policy. It is also fully understood that the U.S.-controlled nuclear force (including both its strategic and tactical elements) constitutes the backbone of NATO and the prime protective umbrella for West Germany against a major attack.

Former Defense Minister Strauss and those who support him have taken the position that too much emphasis on conventional forces could weaken the credibility of the nuclear deterrent and increase the risk of war. The Germans do not believe there can be a sufficient conventional European build-up to withstand a major Soviet conventional attack; hence, according to their reasoning, NATO could ultimately be forced to choose between losing considerable territory, probably German, or being drawn into nuclear war. Thus a policy of initial reliance on conventional forces might increase the chances of the major nuclear war it was designed to avoid.

Clearly, however, not all quarters in the FRG share these views. There seems to be increasing understanding of the reasons behind a flexible strategy as urged by the United States. The SPD, for example, believes in a division of tasks within the Alliance and is willing to see nuclear forces exclusively within U.S. hands. Elements within the German Government accept the Strauss line, and the Chancellor apparently remains convinced of the desirability of a strategy based primarily upon early resort to nuclear weapons. However, Foreign Minister Schroeder and Bundeswehr Chief of Staff General Foertsch, judging from recent statements, seem more disposed to accept the validity of a strategy providing a greater element of choice in response to any Soviet aggression. The Cuban experience may have helped somewhat in the evolution of German thinking in this respect. Also, the detailed briefings on targeting and on the wide array of U.S. nuclear resources provided to various leading Germans in Washington and Athens have at least served to show that U.S. nuclear strength alone, once employed, is adequate to the defense needs of the Alliance. Nevertheless, the Germans remain officially committed to the existing NATO strategy and are not favorably disposed toward substantial increases in conventional force goals at this time. (There is, besides, an almost unanimous sensitivity to the financial pinch of increasing conventional forces.)

Another aspect of the strategy debate grows out of German doubts whether the United States would resort to the use of nuclear weapons if an attack were directed exclusively against Europe. Some German officials make no bones of their distrust that in such circumstances the United States would hesitate to use nuclear weapons out of fear that the Soviet Union would retaliate by a devastating nuclear attack against the American continent, even though such American hesitation would probably mean the loss of free Europe. To some extent statements by leading American officials that NATO defenses are indivisible or more specifically that the U.S. would resort to all necessary measures to ensure the defense of Berlin have helped assuage German concerns.

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However, American interest in disarmament and the apparently favorable inclination of certain NATO members toward plans for denuclearization of Europe still create anxiety here. These considerations, among others, lie behind German interest in some form of multilateral force within NATO. The idea of NATO as the fourth nuclear power, supported widely last year, has perhaps not lost all of its attraction, but the Germans are now somewhat more appreciative of the practical and political difficulties this concept involves. Nevertheless they continue to hope a way may be found for other members of the Alliance to participate in some form of nuclear force, whether it be the seaborne multilateral force, the concept of which was set out by the U.S. in the latter part of the year, or the combined national and multilateral NATO nuclear force foreseen in the Nassau agreement. The Germans want to participate in some way in any decision to use nuclear weapons in support of NATO, and they remain sensitive about any arrangements which would seem to discriminate among categories of NATO members, for example, by relegating the FRG to the exclusive function of providing the Fussvolk.

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The Federal Republic's economic posture in Europe is determined to a major extent by the fact of German membership in the European Economic Community. Without important exception, all segments of German opinion--government, opposition, industry, labor--regard the Common Market and the economic integration which has evolved from German participation in it as a positive and dynamic force both in Germany and in Western Europe. Germans give substantial credit to the EEC in explaining the continuing Wirtschaftswunder here, and though the impact of a common agricultural policy on the German farmer received much attention, other sectors of the economy were quick to put matters in the broader perspective of the beneficial movement toward genuine European integration which the EEC was unmistakably producing.

The event of the year was the agreement (only after protracted and difficult negotiations) on a common agricultural policy January 14, 1962. During the course of the meetings in Brussels considerable sentiment developed here that German agriculture was being asked to make disproportionate and unreasonable concessions in the interests of others of the Six - Italy and France in particular - and for a time it seemed to be touch-and-go whether the Government would buck the local farm lobby. In the end, however, the German negotiators at Brussels were authorized to agree to steps looking toward complete harmonization of the agricultural policies of the Six, even though it meant the Government was later compelled to answer sharp criticism in the Bundestag.

The other major issue of the year involved the anticipated expansion of the EEC through the admission of new members. In the early spring negotiations were begun with the United Kingdom and were still going on as the year ended. Despite apparent agreement in principle that Britain's admission would ultimately add to the strength of the European community, the details of negotiating the terms proved insurmountable. Although the United Kingdom indicated complete readiness to subscribe to the Treaty of Rome, it argued its need for special arrangements during a transitional period in order to adjust its economic policies to those of the Six, which, as the British observed, had already had more than five years themselves to adjust. The major stumbling block came, as could have been expected, in the agricultural field, where there were basic differences between the British and EEC systems of assistance to agriculture. Difficulties were also encountered in working out arrangements by which the United Kingdom and the members of the British Commonwealth would adjust to British membership in the Common Market. Here, however, considerable progress was made, and most observers thought that the Macmillan government came through the Commonwealth Conference in the late fall in good enough shape to permit the negotiations at Brussels to resume with prospects of success.

The Federal Republic adopted a positive attitude toward British admission in the negotiations at Brussels. At home, however, the picture was less clear. Chancellor Adenauer never gave more than lip service to the idea and on several occasions publicly expressed doubts whether British membership was actually

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desirable. Although these equivocal utterances by the Chancellor were immediately refuted in influential government circles, the Chancellor's undeniably negative attitude remained. Moreover, the Chancellor's strong preoccupation with the cultivation of the Franco-German rapprochement, coupled with his knowledge of President de Gaulle's lukewarm attitude toward the British application, was not helpful to the British cause.

During the course of the year the EEC was able to work out procedures for closer association between a number of African states and the EEC, thus expanding the potential influence and operation of the European Community. No action beyond informal preliminary consultations took place on other pending applications for admission to the EEC.

The Coal and Steel Community and EURATOM have also undertaken preliminary discussions on the British application for admission to these two organizations, but no significant progress has been made. The general expectation is that until the question of UK accession to the EEC is settled, there is little point of moving ahead in these two organizations since it is unlikely that the British, if unsuccessful in their bid to join EEC, would wish to proceed with their applications in the ECSC and EURATOM.

Longer range prospects for strengthening and intensifying European integration, both political and economic, remain positive in German eyes. However, the time required, most observers in the Federal Republic would probably now concede, will be much longer than anticipated.

The possibility of the evolution of even broader forms of association, such as the proposed Atlantic Community, continued to receive attention here, particularly at the non-governmental level. There are strong supporters, especially among the younger politicians, of the concept of an eventual "United States of Europe." President Kennedy's Fourth of July speech describing the concept of a future Atlantic Community met with general approval in the Federal Republic. Nevertheless, the difficulties that were encountered and not overcome in the past year with respect to the evolution of a limited and loose form of European political union and in the consideration of the British bid for admission to the EEC have produced a degree of pessimism at all levels in Bonn about early prospects in these directions, at least so long as Adenauer and de Gaulle remain in power.

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D. Development Aid *

During the decade of the 1950's Germany's economic contribution to the developing nations was primarily from business sources; the Federal Government confined itself to guaranteeing private loans and investment as well as to participating in multilateral funds such as those of the UN and the EEC. During 1960 Bonn faced up to the political imperatives of a governmental aid program as such; it saw this as a way of gaining influence with (and keeping East Germany out of) the increasingly numerous and vocal non-aligned countries whose support on such issues as Berlin and German reunification it considered essential. Pressure from other governments, especially the United States, was decisive in bringing about the substantial program of long-term development loans launched late in 1960. This program amounted to about DM 3.7 billion, largely from extra-budgetary and non-recurring sources, to be spread over a two-year period.

In the first full year of the new program, 1961, the Federal Government was so zealous in economically wooing the non-aligned nations that it over-committed itself, allocating almost DM 5.5 billion for development projects in some 38 countries. The over-draft was made good by the Bundestag in ex post facto legislation. Only DM 1.25^{billion}, however, was obtained for 1962.

The result is that in the second year of the aid program the Federal Government made commitments amounting to less than 25% of those in 1961. Fifteen more countries were included, bringing the total with which the Federal Government has aid agreements to 53.

In 1963 the downward trend will continue since the draft budget contains only DM 1 billion in new obligational authority for bilateral development loans. Various reasons are given for this further cut-back. First, the budget situation is extremely tight at a time when the German economic pace has begun to slacken and the Federal Government is being pressed for increased defense expenditures. Second, after committing some DM 6.7 billion in two years, the Federal Government has substantial amounts in the aid "pipe-line," since only about DM 3 billion worth of agreed projects have been agreed upon and disbursements have totaled less than DM 2 billion for the two years. Third, the Federal Government is reorienting its aid program so that while less ambitious in extending bilateral credits, it will be more sensitive to the requirements of specific countries and situations. Furthermore, there will be a net increase in total aid for 1963 over 1962 because of greater multilateral contributions through such agencies as the enlarged EEC development fund and the World Bank's IDA.

Basically, the downward trend in appropriations for the German development loan program reflects the fact that it lacks any firmly-rooted public support. Neither the news media nor the politicians have received a clearly favorable reaction to discussions of foreign aid, and so they have lost much of the enthusiasm for this subject which they had shown in 1960 and 1961. Magazines which earlier had played up Germany's role in the newly-independent countries were more apt in 1963 to publish articles about the Ghanaian cabinet minister's golden bed. While there is still occasional interest in public lectures on

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"development policy," it is primarily the criticisms which are emphasized. No German political leader has come forward to champion the aid program. In fact its most effective opposition probably came from Herr Starke, who, before he was replaced as Finance Minister, succeeded in binding the aid program with administrative red tape giving him an effective veto on half the budget appropriation. It remains to be seen how restrictively his successor, Herr Dahlgren, will use this power. He may be more receptive than Starke, but there is little ground for hopes that the new Cabinet will reverse the downward trend in the aid program for 1963.

This trend has started during the first year in which Bonn has had a separate aid (Economic Cooperation) Ministry. During 1962 Minister Walter Scheel repeatedly emphasized the benefits derived from private capital investments in the developing countries and his belief that German private capital should therefore be encouraged through various incentives to flow in greater volume to these countries. In pursuance of this aim, he arranged the formation of a Development Corporation through which the Government can assist small and medium-sized German firms in making investments in developing countries.

Of the other Cabinet members with an equity in this subject, Economics Minister Erhard, having lost his battle against the establishment of a separate Aid Ministry, and never much convinced of the need for foreign aid, is not disposed to fight for larger appropriations. Foreign Minister Schroeder has not shown much interest or played an active role in this matter. The Chancellor has reportedly never been more than lukewarm toward the aid program.

On the whole, the subject has little political appeal in the Federal Republic, as demonstrated by this year's development aid debate in the Bundestag, which aroused little interest and virtually no controversy. The main points emphasized by Scheel were that the government would honor its existing obligations but it would be more careful about assuming new ones; aid would remain untied "in principle," but exceptions would be considered, with an eye to German industry and trade interests. The SPD opposition by and large concurred with the Government presentation. There was obviously no sentiment for a more dynamic program, and the Bundestag members more or less reflected the passive attitude of the German population on this question.

On one project--the Lome Harbor in Togo--the Federal authorities, after months of negotiations, broke German precedents by agreeing to a 30-year loan at 2%. On a few other projects they were more generous than in previous years in covering local costs. In response to repeated US prodding they also agreed to provide commodity import credits for the Congo, an important exception to their rule that development loans be for projects only. At the Middle-level Manpower Conference in Puerto Rico, the Germans said they were planning a Peace Corps, based on a study of the US model and of German private programs. These were favorable notes in the aid picture in 1962, but of minor importance in comparison with the downward trend in the long-term loan program.

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E. Labor *

Labor developments in 1962 were highlighted by the policy-making national conventions of the German Trade Union Federation (IGB) and several of its major affiliates, the election of a younger and more dynamic IGB leadership, a sharpening of internal differences with regard to emergency legislation, the reaffirmation of labor's uncompromising opposition to the "austerity policy" and moderation appeals of the Federal Government, the growing employer resistance to union wage demands which tended to generate worker unrest and the decline in labor's wage gains in spite of a continuing tight labor market.

Political Relations

To the labor movement, the dominating political theme during 1962 was emergency legislation; it evoked lively debates at union conventions and sharp controversies among union leaders. There had been indications of government-labor agreement on this issue early in the year, when Federal Interior Minister Hermann Hoehnerl (CSU), after consulting with labor leaders, declared that his proposed draft would not restrict labor's basic rights in the event of an emergency. A group of "moderate" union leaders headed by the dynamic president of the IGB Construction Workers Union, Georg Leber, who is also an SPD Bundestag Deputy, thereupon urged active union cooperation in formulating emergency legislation in order to assure maximum guarantees against any possible abuse of emergency powers by the Federal Government. Leber and his supporters were decisively defeated at the IGB national convention, however, where the resolution proposed by the "radical" wing, led by Otto Brenner, president of IGB's most powerful IGB affiliate IG Metall, obtained a two-thirds majority. This resolution reaffirmed the uncompromising rejection of any emergency legislation, adopted at the previous congress. Although subsequent official statements seemed to imply that there will be no political strike against such legislation if enacted by the necessary two-thirds majority in the Bundestag, it leaves the new IGB full-time Executive Board only limited space for maneuver. A majority of the full-time executive board members, particularly the new president, Ludwig Rosenberg, would have preferred a more flexible attitude. The "radical" majority in the IGB feels that its fears have been confirmed by the circumstances surrounding the "Spiegel" affair; this group argues that this episode proves that even "perfect guarantees" could not prevent the abuse of power by a hostile administration.

If the SPD decides to go along with emergency legislation containing what it considers adequate safeguards, union officials who are also SPD Bundestag deputies, will be faced with a conflict of loyalties that may well lead to more independent political maneuvering by both factions in the future, and thus adversely affect relations between SPD and the unions.

Labor's distrust of the government which has developed in post-war Germany is broad, and is likely to continue as long as the present political alignments are maintained. Not even a "grand coalition" (between the CDU/CSU and SPD) would serve to dispel the skepticism with which the labor movement regards such cooperation. Most labor leaders are convinced that the SPD, as a "junior partner" in a coalition dominated by the conservatives in the CDU/CSU, would have to go along

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with Economic Minister Erhard's "austerity principles" in budgetary and economic policies, leaving little possibility to implement and extend a social policy favorable to the workers. They feel that in such a coalition government, the SPD would be forced into a position of seeking to exert a moderating influence on union wage and hour demands, primarily upon the drive for shorter hours. Union leadership fears that a "grand coalition" operating under such conditions, would force them to tolerate measures which they otherwise would brand as "extremely reactionary." Psychologically, it would be extremely difficult for labor to suddenly change from its traditional opposition toward the government to a policy of cooperation and "constructive" criticism.

Labor's resentment against the Federal Government was not reduced by the TV and radio address delivered by Vice-Chancellor and Federal Economics Minister Ludwig Erhard on March 21, in which he held labor primarily responsible for inflationary developments and declining export surpluses and warned that the Federal Government would make every effort to "curb the unbridled freedom of the collective bargaining parties." The unions felt that this was a revival of the anti-labor campaign designed to prepare the ground for the enactment of anti-strike legislation. Labor leaders reacted sharply, even threatening a general strike to protect union rights; at the same time, they hastened to reach agreement in principle with the Confederation of German Employers' Associations (BDA) in proposing the establishment of a "neutral board of experts" to serve as an advisory council to the Federal Government to supply and evaluate overall economic data. Although their apprehension that Erhard was deliberately proposing a German type of Taft-Hartley Law proved unfounded, the unions remained suspicious, all the more since this was not the first time Erhard has charged that union wage policy was detrimental to the German economy. Erhard's strategy of mobilizing public opinion against union wage-demands actually shocked the unions to the point that they now have become opponents of his further political advancement, contrary to 1959, when they explicitly favored Erhard as a successor to Adenauer. Since then, union sentiment for the Economics Minister has been declining steadily and the unions now look upon him as "unilaterally representing management interests" and do not hesitate to take advantage of antipathies between Adenauer and Erhard to denigrate the latter. The pragmatic attitude of the newly-elected DGB president, Ludwig Rosenberg, might serve to make relations with a Federal Government led by Erhard more palatable, however, since he realizes that more than likely labor will have to get along with a conservative government at least in the foreseeable future. Except for emergency legislation, in which Rosenberg's hands are bound by a BSG congress decision, there are aspects of economic policy in which prospects for future labor-government cooperation are not beyond the realm of possibility.

The trade unions have become increasingly aware of the necessity for strengthening their position in Parliament, and to that end they have been seeking to foster better working relations with the CDU labor wing. The IGB Metalworkers Union convention, for example, added two CDU trade unionists to the union's part-time executive board at the explicit request of president Otto Brenner, a measure which no doubt was appreciated by Hans Katzer, executive secretary of the CDU Social Committees, the party's labor wing. Obviously, DGB is seeking to persuade Katzer and his friends to favor what it views as "progressive social policy" against the "reactionary plans of the FDP and the coalition" in the field of social legislation.

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Trade Unions and Collective Bargaining Developments

Collective bargaining developments during 1962 were characterized by increasing toughness and resistance on the part of management and it was only through extensive use of conciliation machinery and successful government mediation in major industrial disputes that strikes were averted. A number of spontaneous walk-outs, slow-down strikes and protest demonstrations reflected worker unrest on a scale that has been unknown in recent years.

Negotiated pay increases averaged 6-8%, substantially lower than those obtained during 1961 (10-10.5%). While continued manpower shortages tended to favor the union bargaining position, the employers were confronted with declining profit margins. Employer resistance to what they call "immoderate" union wage demands may therefore grow during 1963. Consequently, labor may find itself forced to pursue a more vigorous policy with concomitant risks of strikes in the more prosperous industries if an unfavorable settlement in these areas prejudices negotiations in less prosperous industries.

In spite of these developments, prospects for future cooperation between the top organizations of labor and management, the DGB and the IBA, appear to have improved. Both sides obviously wish to avoid government intervention in collective bargaining disputes--the unions because they are apprehensive that this will eventually lead to compulsory arbitration and government control over wage policy, while the employers fear that government activity in this sphere may very well be at their expense.

Employment

The employment situation remained favorable during 1962, in spite of a "readjustment" or "normalization" of business developments in certain sectors, the collapse of a major combine in the shipbuilding industry, and shut-downs of plants in the coal and hosiery industries. Although the discrepancies between manpower supplies and demands eased slightly by the end of 1962, full employment and manpower shortages were still the predominant features in the labor market at the end of the year--a situation which will probably carry over into 1963. Since the influx of refugees from the Soviet Zone virtually came to an end after August 13, 1961, the importation of alien workers has increased substantially. Aliens accounted for more than 40% of the employment growth between September 1961 and September 1962 (160,000 out of a total 367,000); there are now over 700,000 foreign nationals (3.3% of the total number of employed wage and salary earners) employed in the Federal Republic, with further increase expected.

One of the by-products of the virtual cessation of the East Zone refugee influx into the labor market has been that Communist activities in West German unions has declined substantially. These were concentrated largely in the field of industrial espionage and West German unions cooperated with intelligence agencies to substantially reduce East Zone subversive activities.

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II. Foreign Relations

A. Relations with the United States *

The maintenance and strengthening of close relations with the United States remains of paramount importance to the Federal Republic. Despite current interest in simultaneously forging a stronger role for Germany in Western European political and economic life, primarily in a Franco-German context, all quarters here generally understand that American support (if not at times real direction) are essential both to present German security and the future fulfillment of a wide array of German policy aims. This was why any sign, no matter how slight, that the Federal Republic and the United States did not see particular problems in the same light produced an immediate uneasiness here. At the same time, a general increase in German self-confidence, based on knowledge of the substantial contribution and increased influence of the Federal Republic in the Western Alliance, helped to offset in part the more unstable aspects of Germany's built-in inferiority complex. This does not mean that there were not stresses and strains in US-German relations--quite the contrary--but simply that they were taken more matter-of-factly for the most part, although, as in the past, the Chancellor and other high German officials felt it necessary to visit Washington to talk over mutual problems directly.

There was evidence that the careful efforts of the new Government in Washington in its first year in office to establish rapport with Bonn were paying off, and most officials here appeared to have genuine confidence in Washington's words and deeds. Chronic doubts nevertheless remained that Washington might somehow be tempted into some arrangement with the Soviet Union at German expense. Berlin and disarmament were the major German worries in this respect, along with the never ending sensitiveness to any suggestions of a change in emphasis in Western strategy. The Germans sent an observer to the Geneva disarmament negotiations to seek to ensure proper representation of their position on such delicate issues as demilitarized zones, and were zealous in the defense of their long-standing opposition to partial disarmament measures.

The worst strain occurred in the spring, after a news-leak (the source of which was never identified), which produced a spate of misleading reports about the contents of the discussions of the Washington Ambassadorial group on Berlin. Efforts were made to link the German representative, Ambassador Grewe, with critical allegations about the direction of American policies on Berlin. Rightly or wrongly, Grewe was identified with unduly conservative views which would have been a hindrance to any progress in the Berlin negotiations.

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Whatever the merits of this particular case, the fact was that the circumstances ended the usefulness of Ambassador Grewe in Washington, and the Chancellor transferred him to Paris as Ambassador to NATO. German comment was restrained, but suspicions were rearoused that perhaps something incompatible with German interests might have been under consideration. Reports of anti-German influence of theoreticians and professors in Washington reappeared here, but faded fairly quickly.

It was not until the visit of Secretary of State Rusk in late June that German suspicions were completely smoothed over, and German-American associations returned to friendly normality.

Continued smooth relations the remainder of the year were abetted by fairly clearcut indications that the Soviet Union had no interest in resuming discussions on Berlin other than on its own terms, though there were some manifestations of the perennial German anxiety during the time the Secretary was meeting Soviet Foreign Minister Gromyko in New York. Since the United States took pains throughout this period to make unmistakably clear to various German representatives that any such discussions were out of the question, uneasiness gave way to general watchfulness and to repeated German pronouncements about the futility of dealing with the Soviets in present circumstances, although, unlike the French, they conceded the need to keep the channel of communication open. Moreover, U.S. handling of the Cuban crisis was widely regarded, in official quarters as well as in public media, as firm evidence of U.S. determination to deal effectively with the USSR.

Throughout the year there were steady bilateral contacts on a variety of economic matters, ranging from the follow-up to the Strauss-Gilpatric understandings on German arms purchases in the United States and the development of a cooperative logistics system, to efforts to coordinate economic and military assistance in the developing countries. Discussions on the desirability and need to assure continued access to the German market for a variety of American agricultural products also took place but with only limited success.

The Cuban incident brought respect for American leadership and the personal prestige of the President to a high point. Results of a recent poll of the German affiliate of the Gallup organization were as follows:

In answer to the question: "In the present crisis, which political leader in the world has your highest confidence in the sense of maintaining world peace?"

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	<u>Sept. 1962</u>	<u>Nov. 1962</u>
Kennedy	14%	45%
Adenauer	23	9
Brandt	7	2
de Gaulle	4	2
Macmillan	0	1
Erhard	5	0
Nehru	1	0
Other German	5	1
Other non-German	1	4
No confidence in any political leader	12	8
Other answers	1	1
No clear answer	<u>27</u>	<u>27</u>
	100%	100%

In answer to the question: "Does Kennedy . . . represent the American interests better than his predecessor, does he represent them worse, or is there no great difference in your opinion?"

	<u>Sept. 1962</u>	<u>Nov. 1962</u>
Better	24%	50%
Worse	8	3
No great difference	46	30
No clear answer	<u>22</u>	<u>17</u>
	100%	100%

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B. Relations with Other NATO Allies *

Again this year the Federal Republic's relations with the European members of NATO were dominated by the Franco-German association which became markedly closer as the result of visits by President Luebke and Chancellor Adenauer to France, and President de Gaulle to Germany. There were no serious problems with the other Western Europeans, with whom the Federal Republic continued to have good relations, although some suspicions existed that France and Germany were perhaps seeking to assume a dominant position in European affairs which would permit them to impose their views on other European states.

Despite the positive developments within the EEC, discussed elsewhere, all movement towards even the loosest form of European political union among the Six ceased in April. At that time it became clear that French objections to even primitive steps toward genuine political integration could not be overcome except at a price certain other members were unwilling to pay. The Netherlands, strongly supported by Belgium and to a considerably lesser extent by Italy, decided that in these circumstances the issue of British admission to the EEC should first be settled. This group assumed that British participation in future negotiations on European political union would be one way to counter French efforts to mold Europe along the conservative lines favored by de Gaulle, and to ensure a future political pattern in Europe of a more clearly federal character. At an April meeting in Luxembourg negotiations came to a complete deadlock, and, although informal soundings were taken at various times later in the year, especially by the Italians, to see whether further discussion might move matters forward, no action was taken. A draft treaty does exist, which the Germans continue to feel is likely to become the basis for a European political union once present obstacles are removed.

The Germans, with the possible exception of the Chancellor, clearly regret that a loose kind of political union has not yet been achieved among the Six. They are disappointed in what they consider to be unreasonably rigid Belgian and Dutch attitudes. The Germans made no secret of their preference to proceed with a loose and only partially satisfactory political arrangement among the Six that would have corresponded to French views rather than to have the whole process of political integration grind to a halt. They were optimistic that in this way, through a process of gradual evolution, French views would slowly be liberalized, and the political integration envisaged in the Rome Treaties achieved.

After the ceremonial visits of President Luebke and Chancellor Adenauer to France in the summer, the main development of the year occurred with the triumphal tour of Germany in the first week of September by President de Gaulle. In a series of moving, ceremonial-type speeches, often delivered in German and dedicated to the broad and appealing themes of France-German reconciliation and friendship, President de Gaulle completely captured the enthusiastic support of virtually all elements in Germany.

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Although the point was never made openly, the keynote of the French President's visit seemed to be that Franco-German friendship would provide the best basis to ensure sound future political developments in Western Europe. One possible reason why this theme remained implicit was that, unlike President de Gaulle, the Germans insisted that their relations must continue to take into account the paramount position of NATO and the continuing close relationship between the Federal Republic and the United States, although they also agreed that close Franco-German friendship was essential for European stability. Even so, the apparent sympathy with which the Germans received de Gaulle's pronouncements gave rise to some concern that a Bonn-Paris Axis might seek to direct the future development of European integration along lines that could prove detrimental to wider interests, be it of other European states, the United States or NATO. This concern was heightened by repeated statements from both German and French quarters that agreement had been reached during the de Gaulle visit on broad plans for increased and intensified Franco-German cooperation.

Shortly after de Gaulle's visit, the French Government submitted a written memorandum proposing special areas, including defense, cultural and political matters, in which intensified Franco-German cooperation might take place. The memorandum was never made public. In late November the German reply went to Paris. Reportedly, most of the French suggestions were accepted, but the Federal Republic was also said to have repeated its injunction that such cooperation must take due account of the broader obligations of both countries.

At that time Foreign Office sources stated that the German proposals corresponded with the prospective areas for cooperation laid down in the draft political union treaty, and added that others of the Six would be welcome to join. Some concrete steps were immediately taken, mainly by stepping up already existing Franco-German programs (cultural exchanges, scientific exchanges, joint defense activities). The Germans tend to regard these Franco-German plans for cooperation as at least partial compensation for the as yet unattainable European political union.

In mid-December Foreign Minister Schroeder reached agreement with his French colleague, Couve de Murville, in Paris on the ways in which to proceed and the areas for cooperation. Both governments have set up internal working groups in the Federal Republic in the form of an inter-ministerial committee under Foreign Office chairmanship--to develop detailed programs and to coordinate arrangements among various Ministries and with the Laender here.

On January 20 Chancellor Adenauer went to Paris to meet President de Gaulle and together put the finishing touches on the program for Franco-German cooperation. Reportedly, in an eleventh-hour decision, the two

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Heads of Government decided that such a significant and historic act should take the solemn form of a treaty rather than just a signed Protocol which would not be binding upon their successors. The treaty was duly signed on January 22, and Chancellor Adenauer has announced the intention of the Government to submit it to the Bundestag and Bundesrat for approval. The treaty does not differ in content from the known plans of the two countries, but its terms, particularly with respect to military matters and political consultation, are so broad as to permit development of an exclusive-type Franco-German relationship. Publicly, Chancellor Adenauer defends the treaty on the grounds that Franco-German cooperation is the essential foundation for broader European integration and denies any intent to delay the achievement of this agreed German objective.

Next year (1963) it should be possible to reach some initial conclusions about the impact of these arrangements in Western Europe. At the moment, the signature of the treaty coincidentally with the French attack on British entry to the Common Market poses a practical test as to the precedence to be assigned to Franco-German relations in German policy. What happens in this connection and Adenauer's intended retirement could alter German attitudes; on the other hand, as indicated last year, any serious German disillusionment regarding the intentions of its other Western allies could work in the opposite direction, i.e., to make the Federal Republic more susceptible to de Gaulle's concepts.

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C. Eastern Policy of the Federal Republic *

1. FRG - USSR Relations

During the first two months of 1962, an extensive public debate occurred as to whether the FRG should give a "positive answer" to the Soviet memorandum of December 27, 1961, which proposed a "step-by-step" improvement of German-Soviet relations along the lines of the historical Rapallo rapprochement. The FDP took the lead in stimulating a diversified public endorsement for such a course, which, although it represented a minority opinion, succeeded in placing the Government under perceptible pressure. Foreign Minister Schroeder disarmed criticism by a soft answer in his reply of February 21, 1962. In effect, he endorsed the idea of good relations as an abstraction, but withheld promise of practical steps requested by the USSR. The Soviet proposals closely conformed to private predilections of the German Ambassador to Moscow, Kroll, and the latter incautiously injected himself into the open debate in opposition to the general line of the Government. The affair terminated in Kroll's recall, which was, however, postponed until autumn.

The significance of the Soviet offer was first, that it represented the most compelling specific Soviet offer for bilateral dealings made since 1939, and second, that the appeal was made to national German as opposed to merely class or "left" sentiment. Its particular attraction lay in the unstated implication that the West Germans, by direct contact with the USSR, and at no loss of their allegiance to NATO, could themselves achieve not only some Berlin arrangement but also possibly the replacement of Ulbricht in the Zone. The Government's rejection of this hypothetical offer was based on an assessment that West Germany was too weak to affect Soviet Central European policy on its own, and on the fear that any German exploration of the possibilities could lead to weakening of Allied, particularly American, commitments in the area.

Except for Soviet activities in Berlin, German-Soviet relations remained almost motionless up to the end of the year. The FRG in the summer finally exchanged ratifications of the bilateral Trade Treaty of December 31, 1960, by handing the Russians West German documents containing a "Berlin clause". Although the Soviets orally protested, they did not reject the papers themselves, under pointed German threats that such action would terminate the Treaty. The West Germans have maintained a tight freeze on cultural exchange. No new exchange agreement has been signed, and Soviet artists attempting to appear in West Germany have been denied visas. On December 19, 1962, the Federal Republic promulgated what amounts to a ban on export to the USSR of large diameter pipe. The Soviets have begun intensive representations to rescind this, claiming (accurately) that the ban violates the terms of the Trade Treaty.

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On December 26, Khrushchev sent Adenauer an abusive letter, blaming the FRG and him personally for sharpening tensions in Cuba and in Berlin. It is the sharpest Soviet attack ever made on the Chancellor. The impact of the letter will mainly be felt in 1963; it suggests that German-Soviet relations will remain poor so long as Adenauer is Chancellor.

2. The Status of the GDR in Soviet Eyes

In 1962 as in 1961, the GDR continued to suffer from widespread and intensifying economic breakdown, and the regime has had to face almost universal popular disapproval. Disaffection with the tough "Ulbricht line" is apparently even widespread within the SED party apparatus. Indications continually appear that the Soviet Union is disgruntled with Ulbricht because of his inefficiency, his personal "Stalinist" style of rule, and his incorrigible extremism on Berlin. There is even evidence that the USSR has intervened directly to coerce him towards moderation at least in the two last named areas. As of this writing, however, Ulbricht seems to be conforming to the Soviet line with considerable skill.

The two Soviet messages to West Germany of December 1961 and December 1962 are pertinent to an assessment of Ulbricht's status. In its bid of December 1961 to the FRG, the USSR ignored Ulbricht, and this was widely interpreted as an implied offer to replace him. It was then, and continues to be, the judgment of the West German Government that such an interpretation was wrong. It is important to keep in mind, however, that the negative German reply was rather a recognition of the unlikelihood that this would happen, than a refusal to discuss a quid pro quo in return for his replacement. From the Soviet viewpoint, it is likely that the greatest success of the memo of 1961 was that it demonstrated an important West German susceptibility which might later be manipulated to Moscow's advantage. The December 1962 letter, on the contrary, serves as an indirect endorsement of Ulbricht and of the GDR in opposition to Adenauer and to the FRG, and in this respect seems to be preparatory for the forthcoming SED Party Congress. Taken together with other indicators it may mean that Ulbricht's time is not yet up.

None of the foregoing intends to imply that the replacement of Ulbricht will be determined merely with reference to the impact on West Germany, since there are many internal GDR considerations which are more decisive, although outside the scope of these comments.

3. Relations with East Europe

Foreign Minister Schroeder has made several brave pronouncements that he intends to pursue a "more active Eastern policy" (by which he means vis-à-vis East Europe minus the USSR), but these have not yet been translated

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into policy. This continued absence of movement was due less to lack of governmental initiative because of pressures from certain right-wing CDU circles (infra), than to external limitations connected with introduction of a common agricultural policy (CAP) for the EEC, and with non-reciprocity to German efforts on the part of the Eastern Satellites.

The case of Poland illustrates both of these limitations, since the FRG has made a particular effort to improve its relations with this country. In the spring of 1962, the FRG restored the Hermes credit of DM 50 million to Poland, which had been withheld because of Polish approval of the erection of the Berlin Wall. The Government and such agencies as the Government Radio have encouraged Polish cultural appearances in West Germany. Finally, the FRG has laid out the foundation for a long-term trade agreement with Poland, and within the EEC has actively lobbied for exceptions on behalf of Poland with reference to CAP. Although details of the goods lists were long undetermined and presumably are still far from final, the FRG has now received an exceptional EEC permission to go ahead and sign the agreement with Poland. Foreign Office officials, although determined to go ahead on the agreement, are, however, annoyed at Poland's refusal to encourage appearances of West German artists, its lack of interest in student exchanges, and its particularly harsh line on Berlin expressed by Gomulka on his latest visit to the GDR. The barriers to a further improvement of relations, they assert, are Polish.

Except in Poland, the FRG has made its most important Eastern European move of the year vis-à-vis Hungary, by exploring a Hungarian proposal that a West German trade mission be established in Budapest. Talks on this are still underway, but the Hungarians have admitted to the Foreign Office that their original proposal occasioned a Soviet intervention. The Foreign Office also believes that Poland has intervened with Budapest to prevent establishment of the Mission without first obtaining political concessions from West Germany.

The FRG has taken a harsher line with Yugoslavia, probably mainly because it considers that the regime has lobbied among neutrals for recognition of the GDR. So long as this assessment stands, prospects are not good for German accommodation of several Yugoslav economic requests, including credits, an increase in trade, payment restitution claims, and a formalized contact with the EEC. The Government has, however, taken prompt action to settle the consequences of a bombing attack of November 1962 on the Yugoslav Mission in Bonn.

The main political determinants of German policy towards East Europe continue to be the Hallstein doctrine and non-recognition of the Oder-Neisse line. German economic policy towards the area could be described as that of maintaining long-standing "traditional" trade. The proliferation of EEC

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agricultural quotas, however, will seriously affect the substance and mode of German Eastern trade, and may lead to its overall decline. United States policy is of considerable interest to the Germans in this entire area, but they are more likely to be influenced by what we do rather than what we say. They have not, for instance, failed to observe some discrepancies between generalized American urging of better relations with Poland and Yugoslavia, and specific U.S. actions, which in the case of Poland have amounted to urging limitation of its agricultural trade with the RRC, and in the case of Yugoslavia consist of potential or actual lessening of U.S. economic aid as a result of Congressional legislation and the American "buyers' boycott".

4. Internal German Attitudes

One of the complications of German Eastern policy is that periodic official attempts to achieve some movement frequently evoke a simultaneous opposition which overmasters the original stimulus. This negative, often effective and almost automatic sanction proceeds from a complex of causes and pressures and of public as well as organized political attitudes. Basic to the situation is the absence, at the level of public opinion, of any widespread popular enthusiasm for the idea of improving relations with the Bloc. In part, this is indifference to an area with which the German population has been out of contact for 17 years, in part it is an accumulation of resentments against Soviet, Polish and Czech mistreatment of resident Germans at the end of the war. The latter sentiments, if not universal, are still typical among the almost one-fifth of the West German citizenry who suffered the maltreatment. The Landsmannschaften of the various expelled and refugee groups remain highly vocal and organized, but the trend of internal events is slowly removing them from direct influence on policy formation. The most effective group in sometimes limiting the scope of FRG dealings with the East, remains a sizeable portion of CDU-CSU members, for whom Brentano and Guttenberg often serve as spokesman. The interventions of this group on governmental Eastern policy are pervasive and continuous, and not all of them come into the open. Three typical examples which came to light during 1962 were a) an active effort to avoid a "positive" German answer to the Soviet Memo of December 27, 1961; b) perhaps the "leak" of April, 1962 of purported U.S.-Berlin negotiating positions, with the aim of discrediting them; and c) opposition to the idea of opening an FRG trade mission in Budapest, on the grounds that it would lead to creeping dismantlement of the Hallstein Doctrine.

5. The Next Government and Eastern Policy

It is hard to foresee what effect the departure later in the year of Chancellor Adenauer will have upon German Eastern policy. Externally it could set the stage for various possible Soviet maneuvers. Some of these, such as the replacement of Ulbricht or concessions on Berlin, could very substantially alter the attitudes and circumstances which currently govern Eastern policy. Although a description of such a course of events would be impossible, it is obvious that because of its situation in Central Europe the USSR enjoys a

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built-in potential for interfering internally in the FRG which is far from negligible.

Even a mechanical description of the likely post-Adenauer decision-making process is difficult, and any attempt would depend upon what kind of coalition emerges and upon distinctions as to what specific aspects of Eastern policy are involved. The Chancellor's own position on relations with the USSR and the Satellites has been generally conservative and skeptical, but this has been tempered by a realistic political instinct and above all, by a self-confidence to do what he thinks best. Such recent FRG moves as the 1961 (post-Beitz) attempt to re-establish broader contacts with Poland, and the current exploration of chances for opening a Trade Mission in Budapest, possible under his fiat, may no longer be so easy since his authority is gone. Thus his departure, if followed by a precarious collegiality, could have the effect of enhancing the veto power of the right wing CDU to the point of blocking any new initiatives no matter how modest. Under Erhard as Chancellor, however, German policy might well simultaneously freeze at some political and cultural levels, but still generate an expansion of trade. Erhard's few public utterances on the subject reveal him as conventionally conservative and "against sin" in Eastern relations. His actions, nevertheless, have demonstrated an almost apolitical indifference to the effects of trade with the East. Within the past two years, for instance, he has within the Cabinet opposed using interzonal trade for political leverage on the Zone, and in December 1962 he opposed supporting a NATO embargo on large diameter pipe to the Soviet Union. He has also apparently been less zealous than the Foreign Office in insisting on acceptance of "Berlin clauses" in trade agreements. The translation into policy of some of these attitudes would obviously complicate many traditional German positions vis-a-vis the East, and an extensive sorting out process might then be necessary.

FDP influence on Eastern policy within the Government will continue to be minimal, but the party's greatest internal strength lies at precisely that point where its policy intersects and supports the proclivity toward trade with the East characteristic of Erhard and many major CDU industrialists. The main role of the FDP in this arena seems to lie outside the Government, in stimulating discussion and diverse if limited public enthusiasms for "a more active Eastern policy", as in January 1962.

Although such a coalition is hardly just around the corner, prospects for future SPD inclusion in the Government are better than they have been in the past. SPD positions on Berlin, All-Germany, and Eastern policy by now very closely approximate those of the CDU, and no reorientations would soon ensue. The presumed major effects of SPD participation in Government

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in these fields would be: 1) more active pursuit of Berlin planning, such of which now remains "pigeon-holed" for long periods; 2) a tendency to go further than the present Government in permitting and formulating All-German contacts; and 3) a more active pursuit of relations with Eastern Europe below the diplomatic level. In general, the changes would affect details and tempo rather than fundamentals, and they would proceed less from specifically "different" SPD attitudes than the circumstance that such a coalition would relieve the CDU of the onus of being solely responsible for facing up to potentially unpopular decisions.

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D. Middle East *

Foreign Office officials concerned with Middle Eastern affairs continue to feel that the Federal Republic is in an advantageous position in the Arab world and therefore that Germany's active participation in that area can be of great assistance to the Western Alliance. The Germans do not suffer from such a colonial past as the French and British, nor do they have the oil interest which frequently plagues other Western countries in their relations with the Arab world. German exports to this area are marginal, amounting to only three percent of total exports. By maintaining strict neutrality in internal Middle East quarrels, by capitalizing on Germany's historic ties with the Arabs, by maintaining the developing countries' hopes for continued economic aid, and by not recognizing--though maintaining good relations with--Israel, the Federal Republic continues to enjoy the respect of virtually all countries in the Middle East.

One of the main threats to this state of affairs in 1962 was the September revolt against the Imamate of Yemen, with which Bonn had been on cordial terms. As it turned out, the Federal Republic was the first member of the Western Alliance to recognize the new Yemeni Arab Republic, largely out of fear that the latter might recognize East Germany. It took this step, however, only after four weeks of consultations with the major Western countries concerned, Italy, France, the UK and the US, and after informing the Arab nations involved. In fact, having told President Sallal that it intended to recognize him, the Federal Republic waited ten extra days to calm the British fears that it was moving too precipitately.

By this early act of recognition, the Federal Republic has gained praise throughout the Arab world, not just from supporters of the UAR and of Yemeni republicanism, but from the most diverse areas of the Middle East, for the act is regarded not so much as support for progressivism as proof of the Federal Government's independence from its Western allies. The Foreign Office believes that even with Saudi Arabia good relations have not been materially impaired.

The recognition of Yemen had a markedly good effect in Iraq, where earlier in the year diplomatic relations were threatened by the Iraqis' decision to accredit an East German consular office. Again the Foreign Office walked on egg shells for an extended period of time. After waiting in vain for the German Ambassador to be received by Kassem or Jawad, the Foreign Office sent two officials to Baghdad to explain that for the Iraqi Government to issue a consular exequator to an East German representative--unless accompanied by an explicit statement that this did not constitute recognition--would be regarded by Bonn as grounds for a break in relations. After almost two weeks had passed without any responsible Iraqi official giving them an appointment, the two Germans returned to Bonn, their

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mission a failure. But Kassem apparently decided Bonn had suffered enough loss of face; he quietly let it be known shortly thereafter that the East Germans would have a consular office but no exequator.

Because of its demonstration of patience and sang froid in this and similar cases, the Federal Republic has been able to maintain good relations with all the Middle East countries, and to keep its Hallstein doctrine intact. The interesting aspect of the Iraq case is that money apparently did not play a role, for Iraq is not in any sense economically beholden to West Germany.

Bonn officials believe this is proof of the good will Germany enjoys in the Arab world. They admit that the Federal Republic is also subject to reverse blackmail by the Arabs concerning recognition of Israel. Bonn could not afford to take this step since all the Arab League states could be expected to retaliate by recognizing East Germany, setting off a chain reaction among the Afro-Asian countries which would quickly destroy the Hallstein doctrine. The doctrine would become meaningless if literally dozens of non-bloc countries, acting in concert or in quick succession, established diplomatic relations with East Berlin.

This subject of Israeli relations can be expected to reappear frequently in the next twelve months, for at the end of that period direct payments by the Federal Government to Israel under the 1953 compensation agreement will cease. (The agreement itself runs until March 1963 but for the last fourteen months Bonn will be reimbursing the banks which have in the meanwhile advanced the money to Israel.) Bonn-Tel Aviv relations are now handled primarily through the Israeli Mission in Cologne, established under the terms of the compensation agreement; with the termination of direct payments under the agreement, there will have to be a reappraisal of the status of this mission and at least a negative decision on whether to change the basis of relations.

That there should be no change was the recommendation of the Foreign Office's Middle East Chiefs of Mission conference held during 1962 in Rhodes. This conference gave Minister Schroeder his first direct contact with most of the German envoys in this part of the world; Middle East policy was reviewed but no significant new departures were decided upon. It was the consensus of Foreign Office opinion that the Middle East is of major military-strategic importance for Western Europe and that a Soviet foothold in that area would be a direct threat to German security. Therefore the conference called for a continuation of Bonn's close ties with all Middle Eastern countries, for instance through economic aid and high-level visits. By the end of 1962, the Foreign Office, however, had done nothing significant in Middle East policy either through aid or through visits. This year the only top Middle Eastern leaders visiting Bonn officially were Prime Minister Ali Amini of Iran and President Abboud of Sudan.

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The two major economic aid problems left over from the end of 1961 still remain to be solved--with Egypt and Syria. In mid-1961, when these countries were still united and Bonn was still enthusiastic about making major aid commitments, the Federal Republic agreed to a DM 650 million long-term development loan; of this DM 500 million was specifically earmarked for the Euphrates Dam in Syria, and the remainder for unspecified projects in Egypt. Immediately after the UAR broke up Bonn reaffirmed its pledges, but during 1962 it undertook negotiations with each side designed to reduce its commitments as much as possible. Germany's purpose in entering these negotiations is perhaps understandable, but they are straining her traditional ties to these key Arab lands, and the central difficulty in each case is the Federal Government's own lack of a clear-cut and realistic policy. In the case of the Syrian problem it is known that draft decisions have been submitted to the cabinet on at least three or four separate occasions (buttressed by sheaves of memoranda from Minister Schroeder to his principal colleagues) but agreement has never been reached. *

The Assistant Secretary of State for Near Eastern and South Asian Affairs visited Bonn in 1962 for consultations with the Foreign Office, an experiment which proved useful for both sides and might lead to a further exchange of visits in the future.

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- * In January 1963 Aid Minister Scheel visited Damascus for negotiations at the end of which it was made known that the Federal Republic would cover foreign exchange costs up to DM 350 million for the construction of a "medium size" Euphrates Dam.

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E. Africa*

In 1962 the Federal Republic slackened its pace in Africa; this was to be expected after its intensive activity in each new country which became independent during the previous two years. The Foreign Office maintained its interest in every one of these countries, but it had more time for reflection and for planning.

At a Fall meeting of German Chiefs of Mission in Africa, held at Entebbe, Uganda, Foreign Minister Gerhard Schroeder reviewed the Federal Republic's African policy, much of which had been pieced together on a de facto basis in the period since the previous such meeting three years earlier. In general this year's conference was notable for its lack of initiatives and its confirmation of previous attitudes. Although these attitudes are largely identical with those of the United States, some of them represent remarkable departures from the policies of Bonn's European allies. This conclusion also evolved from the useful consultations held with the Foreign Office by the Assistant Secretary of State for African Affairs, which took place in 1962 following earlier consultations at lower levels.

Bonn's opposition to Portugal's policies in its African possessions is especially striking. Similarly, the Foreign Office is worried about long-range stability in the Governments of the former French territories, with their continued dependence on the metropole, and their shallow popular support. It is also concerned about the more immediate danger of instability in the Central African Federation and in Kenya. The Federal Republic's basic position is that all African people have the right of self-determination, and that a similar right should be acknowledged for the German people now living under Communism.

German activity designed to press this message home to the African leaders, exemplified by the State visits to Bonn of the President of Mali and Malagasy and the Prime Minister of Somalia, will be continued, but apparently at a slower pace. The previous fears that some African leader might be less than 100% enthusiastic about supporting Bonn's position on the questions of Berlin, and Germany, have given way to a more self-confident attitude. Behind this new course was the realization that in the UN General Assembly debate this year even the countries which had previously been so antagonistic on the German question such as Ghana, Guinea and Mali, were no longer attacking the Federal Republic.

Federal President Luebke, who had visited Liberia, Guinea and Senegal in January, decided against a second visit to Africa in 1962 on the grounds that it would be overemphasizing one continent to the exclusion of others.

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There has been a slowing down in aid, which had in previous years been committed on the basis of what Aid Minister Walter Scheel calls the "watering-can principle" (a liberal sprinkling all over, regardless of the terrain). After the conference at Entebbe there is some risk that the "eyedropper principle" may be introduced. In the economic discussions there, the German participants concluded that the Israeli model of giving little aid but giving it with great care, and with emphasis on human contacts, was preferable to the American method of setting up large aid missions which, it was felt, raised expectations and often produced disillusionment. Furthermore, there was great emphasis at Entebbe on the possibility of "aid through trade" and on the economic advantages of EEC association. All of this sounded as though the Federal Republic were adapting itself to the prospect of lower availabilities of development aid. The total amount committed in 1962 was about 40% of the DM 582 million commitment in 1961 but the proportionate relationship of African commitments to overall commitments remains about the same; the major items were DM 40 million for the Cameroon and a similar amount for Morocco, both of which represent a completion of negotiations started in 1961. There remain only a few countries which have not gotten their allocations, but the prospect of many countries getting an increase in the foreseeable future is minimal. Algeria is one country with which the Federal Republic still expects to establish an aid program, although negotiations have not yet begun; Bonn is predisposed in favor of aiding Algeria but will certainly proceed slowly in these negotiations, coordinating them carefully with France.

A new element in German relations with Africa is its military aid program. This has created certain complications for the U.S. because, in contrast to the economic aid program, it has been difficult to obtain a clear picture of precisely what the Germans have been doing. This difficulty has been compounded by the fact that the Foreign Office does not seem always to have been fully informed about the military aid program, which is closely guarded within the Defense Ministry. The U.S. began to receive an increased amount of information toward the end of the year and it appears that this trend will continue, to the benefit of both countries. In addition to the Sudan, the African countries with which the Federal Republic now has or is planning military aid programs are Guinea, Somalia, possibly Algeria, and, apparently for police training only, Tanganyika. The German authorities generally responsible for this program also surveyed the situation in Madagascar but decided against initiating a program, probably due to pressure from the French Government which heard about this operation long before the Foreign Office.

Problems involving the recognition of East Germany were fewer this year, with the exception of Ghana, which the Federal Republic considers its only real antagonist in Africa. However, out of the Entebbe Conference came

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a new extension of the Hallstein Doctrine, according to which the Federal Republic would oppose association with the Common Market for any country which recognized East Germany, and in case the country was already associated, would cut off further EEC economic aid. This new policy was not welcomed either by Germany's EEC partners or by the African associated states, but at the year's end there was no indication that Bonn was prepared to give up on this or any other aspect of the Hallstein Doctrine.

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F. South Asia and the Far East

1. India and Pakistan*

In the early part of 1962, there was an uneasy feeling in the Federal Republic, stemming from ambiguities on the Indian scene rather than from any specific word or deed, that India might recognize the East German regime. These uncertainties were much diminished after the Chinese attacks on India. The German response to India's plight was immediate and positive. The Federal Government furnished substantial quantities of winter clothing for Indian troops and has under consideration other forms of military assistance. This aid is entirely separate from the extensive program of economic assistance already under way, which is the second largest contribution to the third Indian five-year development program. The visit of the Federal President to India in November was well timed, coming as it did when India needed moral support almost as much as material assistance. President Luebke apparently provided a needed lift while putting the Federal Republic's best foot forward. The visit also gave the German delegation the opportunity to win understanding for the Federal Government's position on Berlin and the German question.

Economic aid questions are bound to arise again once the current phase of Indo-German relations passes. The Germans, apparently with cause, feel that Indian performance on some projects has been well below par. Officials in Bonn stated earlier, for example, that there would be slower disbursement and more rigid utilization of funds in the future. U.S. efforts to obtain a larger German contribution to the Indian Consortium were unsuccessful because of the German belief that they were already doing their share. Nonetheless, there are indications that the German attitude towards economic relations may become more flexible when viewed against the background of a more favorable Indian position on Berlin and the Soviet Zone regime, balanced by the German support for India against the Chinese.

The Federal Republic has had few political problems with Pakistan. President Luebke visited both West and East Pakistan on his recent tour; his talks with Ayub reportedly went very well, except when Luebke suggested, as a personal view, that Pakistan should come to a standstill agreement for the present with India over Kashmir.

Germany's economic relations with Pakistan are of considerable importance, but are complicated by an exceptionally large imbalance between German exports and imports: the Federal Republic sold (in 1961) approximately seven times what it bought from Pakistan (approximately DM 30 million in imports against approximately DM 200 million exports). During 1962 the Federal Republic increased its commitments for development aid to Pakistan by DM 140 million, bringing the total commitments to DM 390 million.

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2. Southeast Asia*

The Federal Republic's main political problem in Southeast Asia is to uphold the Hallstein Doctrine. The problem presented itself in its most acute form during 1962 in Laos and Cambodia, but other soft spots were Ceylon, Burma and Indonesia. In all these countries, the Federal Republic relies heavily on development aid for direct political buttressing; this was reflected in the additional development-aid commitments in 1962: DM 20 million for Laos; DM 20 million for Cambodia; DM 35 million for Burma; DM 21 million for Malaya; and the Federal Government is increasingly frank in making support of the Hallstein Doctrine a condition for the receipt of development aid.

As regards Indonesia, the Foreign Office has taken a fairly relaxed view of Sukarno's aberrations; for example, renewed Indonesian endorsement of the bloc position on two-Germanies, at the time of the visit of Rumanian Communist Party First Secretary Gheorghiu-Dej in October, brought no particular German reaction. The Foreign Office believes that U.S. policy toward Indonesia, including the U.S.-West New Guinea policy, is sound, and that if Sukarno is to be weaned toward the West, it has to be done gradually, by patient efforts. Consistent with this view, the Federal Republic is following up the commitment of DM 100 million in December 1961 by working out an agreement for spending more than half of this amount on a project to modernize the Indonesian railways.

Similarly, in Burma and Ceylon, it is felt that the development aid program is being used effectively to help shore up the Hallstein Doctrine. The problem generally has been eased in these areas as a result of the India-China developments.

The problem of holding the line on recognition of the "GDR" has had to be faced in more acute form in Cambodia and Laos. The basic Foreign Office view is that the West, under U.S. leadership, has embarked on a course in Laos whose chances for success have to be judged pessimistically, both in terms of Laos itself, and also of Cambodia and Vietnam. The strong-minded head of the Southeast Asia Referat in the Foreign Office, Bassler, is a blunt exponent of these views. Bassler was in Cambodia twice during the year, in April and again in November, to deal with the problem posed by the opening of an East German Consulate General in Cambodia. In April he obtained a written statement from Cambodia specifying that assent to an East German Consulate General did not mean recognition. This was supplemented in November by an agreement specifying that a Federal Republic "diplomatic representation" in Cambodia which did not imply "diplomatic status" would be acceptable, provided the "GDR" would not be given equal status. The warning was given that awarding equal status to the "GDR" would result in cancellation of Federal Republic aid to Cambodia.

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In Laos, the Federal Republic has had difficulty obtaining an arrangement which is consistent with the policy (supported by the U.S.) of promoting maximum representation at Vientiane while at the same time (as the Germans insist) denying equal status to the "GDR". Negotiations on this problem were actively pursued through the second half of 1962. At the end of the year the Federal Republic was considering a "two Consuls-General" solution provided the "GDR" were not given an Exequator and no diplomatic relations with the "GDR" were foreshadowed.

3. Japan*

The existing cordiality between the Federal Republic and Japan was demonstrated anew during the visit of the Japanese Prime Minister in November. Proceedings went smoothly and there was genuine warmth displayed towards Mr. Ikeda and his family. Members of the Japanese delegation described the purpose of the visit as twofold: 1) economic--to expand trade relations and to determine Germany's attitude towards EEC commercial policy and 2) political--to strengthen Japanese ties with Western Europe including the Federal Republic. The Japanese were apparently pleased by the positive German attitude towards future Japanese relations with the EEC, and the Japanese Prime Minister joined in a communique which stressed the importance of self-determination.

Earlier in the fall a high-ranking German Parliamentary delegation had visited Japan (Bundestag President Gerstenmaier, FDP leader Mende, SPD whip Mommer and influential CDU deputy Heck). They found Japan fascinating, but came away with some disquietude about the Japanese Socialist Party's (JSP) radicalism and inclination towards neutralism. The JSP has long worried the West German Social Democratic Party (SPD) which still hopes that it can be diverted from its present course. The action of the JSP in refusing to approve the new "Declaration of Principles" of the Socialist International last summer was a bitter pill for the SPD. SPD leaders had hoped that positive action by the JSP delegation would remove the stigma attached to the party by the January 1962 statement about the dangers of "American imperialism" issued after the return of a JSP delegation from Communist China.

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G. Latin America*

Because of the supposed link between the Cuban crisis and the Berlin crisis, Cuba occupied a unique place in German-Latin American relations during 1962. There was virtually unanimous Governmental and private support for U.S. policy following the President's speech of October 22. Such nervousness as arose over the possibility of nuclear war was largely submerged by a renewed confidence in U.S. determination to defend its and other Western interests when directly threatened by the Soviet Union. German cooperation on countermeasures was as forthcoming as German moral support. In spite of his ties to the Bloc, Castro did not recognize the "GDR" until the eve of the SED party conference attended by Khrushchev on January 14. On January 11 the Foreign Office was warned of the Cuban intentions, which were reported from Havana as at Soviet instigation, and immediately issued instructions to break the Federal Republic's relations (and to inform the U.S.) as soon as Cuban recognition of the GDR became official. The break in relations was announced January 14. This was the second formal application of the Hallstein Doctrine (the break with Yugoslavia in 1957 having been the first).

The Germans have a special interest in Argentina because of large-scale emigration there and a long-standing affinity between the two countries, so that it was with considerable worry that the Federal Republic witnessed the downfall of Frondizi and his replacement by Guido supported by the military. At the same time the Germans could see little merit in our initial refusal to recognize the new government, an attitude they also took with respect to recognition of the military junta in Peru. The Foreign Office, at heart, does not agree with a policy of withholding recognition as a means of exerting pressure or displaying disapproval in this type of situation.

The Federal Republic has an almost equal interest in Brazil. The Germans have watched with dismay developments there, particularly the galloping inflation. Their promise of substantial aid to Brazil makes the inflation especially worrisome for them. The Germans also have the problem of the return of assets and the regulation of shipping companies to complicate further their relations with Brazil. The Interparliamentary Meeting in Brazil in late October and November gave a number of leading German deputies the opportunity to view these problems at first hand.

A possible complication in German-American cooperation to improve matters in Latin America involves military assistance to Latin American countries by the Federal Republic. Small arms for Peru is a case in point. The Germans have also begun a limited program of training Latin American officers in German military schools. The German Defense Ministry would presumably like to have German military attaches in all important Latin American countries, but has acted with restraint to date because of our sensitivity on this point. If we should object officially, the Germans will probably hold off in specific instances, at least for the time being.

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On the economic side, there is considerable awareness in the Federal Republic of the critical importance of Latin American social and economic problems, but no great drive to participate in development programs. For example, German development aid to India is approximately five times that to all of Latin America. The development aid allocations for Latin America are limited to our countries: Brazil--DM 200 million; Chile--DM 117 million; Bolivia--DM 28 million; and Paraguay--DM 12 million. Of these, only the allocation for Paraguay was made in 1962; the others were made in 1961. The Alliance for Progress is not widely known in Germany, and although there is general sympathy (among those who interest themselves in developing countries) for applying the principle of "self help" in aid programs, the practical possibility of carrying through such plans is viewed with skepticism.

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III. Internal Stability

A. The New Government and the Coalition Parties (CDU/CSU and FDP)*

1. A Year of Change

1962 was a year of change in German internal politics, marked by turning points of much significance for the futures both of politicians and political parties. The history of the Federal Republic up to the latter part of 1961 was dominated by Konrad Adenauer and characterized by firm, authoritative government. It was an era in which the Chancellor's strong leadership gave clear directions to German policy in both domestic and foreign affairs, and in which the political alternatives were left to be expressed by a doctrinaire and generally ineffective Opposition. The constellation of political leaders around Adenauer -- Erhard, Strauss, Krone, Gerstenmaier, von Hassel -- remained fairly constant during these years, and whenever there was speculation about a successor to the aging Chancellor the talk settled on the same few names.

Political changes which had been gradually taking shape beneath the surface found clear expression during the year 1962. These changes made the year a rather barren one in terms of legislative or executive accomplishment, but at the same time they permitted progress to be made on other fronts. The transformation of the SPD from a hide-bound socialist class-party into a pragmatic mass-party with wider popular appeal was confirmed in 1962 and brought with it broad agreement between Government and Opposition on basic issues such as defense and foreign policy. Thus the SPD voted in favor of a measure extending the period of compulsory military service from 12 to 18 months, approved in principle the necessity for conferring specific powers upon the government to enable it to deal with emergency situations, voted with the Government parties for measures designed to aid small business, and with notable consistency has supported the basic outlines of German foreign policy based on the NATO alliance and close friendship with the United States.

At the same time as relations between Government and Opposition were improving, due in large measure to the responsible opposition of the SPD with its "New Look", the coalition partners were engaged in arguments over various issues, which became increasingly acrimonious. The Fourth Adenauer Government, founded in the fall of 1961 on the basis of an uneasy parliamentary alliance between the CDU/CSU and the FDP, was essentially a weak government, and German internal politics in the year 1962 were dominated by disputes within the coalition which steadily undermined the prestige and authority of the Chancellor. The firm guidance customarily expected from the Palais Schaumburg was all too often missing, or ineffective and, in some cases, misdirected.

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The Chancellor's own party, the CDU, began to demonstrate an independence from the Chancellor which would, in previous years, have been unthinkable. New leaders in the CDU began to make their influence felt -- Josef Hermann Dufhues, who was named CDU Executive Secretary in the spring of 1962, and Gerhard Schroeder in the Foreign Ministry, who demonstrated a kind of political skill of which he was not thought capable when he was Interior Minister in the Third Adenauer Government. Schroeder's prestige and influence, even from the Opposition's viewpoint, rose steadily throughout the year. It became generally accepted in Bonn that the "Adenauer Era" was approaching its end.

With the end now in sight, Erhard remains the most likely candidate to succeed the Chancellor, but two new names have been added to the list of possible future Chancellors, Dufhues and Schroeder. One previous candidate, Franz Josef Strauss, who was at the center of the crisis which brought down the Fourth Adenauer Government at the close of the year, has for the time being been eliminated and his successor, Kai-Uwe von Hassel, has moved back into the front rank of the contenders.

2. Coalition Crises and the Fall of the Government

Negotiations between the CDU/CSU and the FDP in the fall of 1961 for the formation of the Fourth Adenauer Government had been lengthy and at times acrimonious. As a result, relations between the coalition partners were strained from the beginning. At the first of the year the already delicate balance was upset when the FDP supported Ambassador Kroll in advocating new directions and independent "initiatives" in policy toward the Soviet Union. The sharp dispute over the issue had hardly subsided when it was reopened by the "Dehler controversy," begun when FDP leader Thomas Dehler outspokenly criticized the Chancellor's foreign policies on a television program. In the spring, differences arose over economic and fiscal issues, culminating, at the height of the political campaign in North Rhine-Westphalia, in a minor Cabinet crisis over the question of pay raises for government employees. FDP Finance Minister Starke, supported by his party, had been advocating a hold-the-line policy but was undercut by the Chancellor, who promised a pay raise in talks with union leaders. The issue was settled, but not before Starke had threatened to resign and additional bitterness was added to relations within the Cabinet.

Coalition stability was also impaired by important state election campaigns in Schleswig-Holstein, North Rhine-Westphalia, Hesse, and Bavaria. In each of the four elections the FDP was faced with the problem of campaigning against its coalition partner, and at times the campaign debate became extremely heated. This was particularly true of the election in North Rhine-Westphalia, which coincided with the first of the two major coalition disputes in Bonn, the FIBAG affair.

The weekly news magazine Der Spiegel had attacked Defense Minister Strauss in 1961 for his alleged attempt to influence the

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award of a public contract to a firm in which an intimate friend had an interest. At the beginning of the year Spiegel renewed the attack in sharper form, and on SPD initiative the Bundestag established an investigating committee (for the first time in postwar history) to look into the matter. Committee proceedings dragged on for nearly three months before the CDU/CSU-FDP majority submitted a report (written by the FDP member of the Committee) to the Bundestag just before the summer recess. It was at this point that the FDP joined the Opposition in voting against its coalition partner to refer the FIBAG report (which cleared Strauss of any wrongdoing) back to the investigating committee. The FDP's action helped to reopen the investigation and thus to prolong the embarrassment of Defense Minister Strauss.

The FIBAG affair marks the emergence of the strains which finally, in November, brought about the fall of the Fourth Adenauer Government. The FDP in the end voted for a committee report which cleared Strauss of wrongdoing, but not until October, after the investigation had continued sporadically for almost four additional months.

The crisis was not long in coming. In mid-October, Spiegel again attacked the Defense Minister in a long feature article alleging major faults in the state of the Bundeswehr's preparedness. On October 25 the Bundestag approved the FIBAG report clearing Strauss. Two days later Federal authorities began the now famous police action against Spiegel on charges of treason.

The Spiegel affair became an immediate issue between the coalition partners because the details of the police action were concealed from the responsible FDP Ministers, Justice Minister Stammberger in Bonn and the FDP Interior Minister in the State of North Rhine-Westphalia, who has jurisdiction over police forces used in search and seizure of the magazine's offices in Bonn. Stammberger submitted his resignation immediately and was supported by the other four FDP Ministers in the Adenauer Cabinet. Responsibility for conspiring to conceal information from the FDP was at first placed on the CDU State Secretaries in the Defense and Justice Ministries and the immediate crisis was temporarily smoothed over when disciplinary action was taken against the two State Secretaries.

The reconciliation was short-lived. The Chancellor announced that the State Secretary in the Defense Ministry, Volkmar Hopf, had temporarily left his post for health reasons and would soon return. The Chancellor's statement indicated that Hopf was not suspended on request of the FDP, as the FDP had publicly maintained. More important, Defense Minister Strauss, who had begun by stoutly denying any connection with the initiation of proceedings against Spiegel, was gradually drawn closer to the affair until he was forced to admit he

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played an important role and, further, had been responsible for keeping the FDP in the dark. The FDP thereupon tied continuance of the coalition to the removal of Strauss from the Cabinet and all five FDP Ministers submitted their resignations. With that the fate of the Fourth Adenauer Government was determined.

3. Formation of a New Government

For a period of nearly three weeks the political parties and their leaders engaged in almost uninterrupted negotiations as Chancellor Adenauer attempted to put together another coalition government. During this period there was a virtual paralysis in the decision making process in Bonn. Throughout the negotiating period the Chancellor was motivated by a determination to achieve a solution which would ensure his own continuation in office. His task was complicated by the bitter feelings between the previous coalition partners engendered by the Spiegel affair and by the fact that Strauss, whose removal from the Cabinet was a sine qua non of cooperation with the FDP, is Chairman of the CDU's Bavarian partner, the CSU; and the CSU, perforce, loyally closed ranks behind its Chairman.

At one stage in the negotiations Chancellor Adenauer turned to the Social Democrats and the long-discussed "grand coalition" of CDU/CSU and SPD, which previously had been thought of as a possibility for the post-Adenauer era at the earliest, suddenly seemed near realization. Although talks with the SPD soon foundered, the Chancellor had in effect given open approval for the first time to the notion of the SPD as a suitable partner in Government and this, coupled with the fact that the contact taken up between the two big parties removed many of the psychological barriers to the thought of cooperation between them, brought the SPD one big step closer to the goal of sharing governmental responsibility, which SPD Chairman Wehner has long advocated (see separate section below on the SPD).

In the end, the CDU/CSU and the FDP were able to resolve, or at least shelve, their differences, partly because the Chancellor undoubtedly realized that if the situation remained in a state of drift much longer his own position would be seriously jeopardized. In the process, however, the Chancellor was forced for the first time to set a definite limit on his tenure in office (he agreed to retire in the fall of 1963 when the Bundestag reconvenes after the summer recess), and, as it became apparent to all concerned, even the CSU, that the continuance of Franz Josef Strauss in the Cabinet was not feasible, Strauss had to step down. The FDP also had to sacrifice Starke, the Finance Minister, and Stammberger, the Justice Minister who forced the issue with the CDU/CSU because he had not been informed in advance of the impending arrest of the Spiegel personalities.

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3. The Fifth Adenauer Government and its Prospects

On December 14 the fifth Government headed by Konrad Adenauer was sworn into office, ending the crisis which in all had lasted for six weeks. It was another CDU/CSU-FDP coalition, with all the weaknesses inherent in such a combination. The three parties, the CDU, CSU, and FDP, have the same relative strength in the Cabinet as before (11, 4 and 5 respectively) but the CSU had to give up two important Cabinet posts, Defense and Atomic Energy, in favor of two lesser ones, Federal Property and Bundesrat Affairs. Although the influence of the CSU in the Government was thus weakened, the voice of the CSU in the Bundestag may become stronger and sharper, since Strauss is scheduled to take over as head of the CSU parliamentary group (Dollinger, who had this post, was elevated to the Cabinet as Federal Property Minister).

Kai-Uwe von Hassel (CDU) succeeded Strauss as Minister of Defense. He has long been an influential figure in the CDU, has often been mentioned as a possible successor to Adenauer, and promises to be one of the most important figures in the Fifth Adenauer Government.

Other new members of the Cabinet, in addition to Dollinger (CSU) and von Hassel (CDU), are Rainer Barzel (CDU), All-German Affairs; Ewald Bucher (FDP), Justice; Rolf Dahlgren (FDP), Finance; Alois Niederalt (CSU), Bundesrat Affairs; and Bruno Heck (CDU), Family Affairs. Other persons dropped from the Cabinet in addition to Strauss (CSU), Starke (FDP) and Stamberger (FDP), are: Ernst Lemmer (CDU), former Minister for All-German Affairs, Hans-Joachim von Merkatz (CDU), former Minister for Bundesrat Affairs, Franz Josef Wuermeling (CDU), former Minister for Family Affairs, and Siegfried Balke (CSU), former Minister for Atomic Energy. Hans Lenz (FDP), former Minister of Federal Property, is the new Minister for Scientific Research (the renamed Atomic Energy Ministry).

During the end phase of the coalition negotiations, a widely held and freely-expressed view among leading CDU politicians was that any coalition with the FDP in an Adenauer-headed government could not be expected to last more than a few months, possibly only until February or April of 1963. This view was based on the fact that the same basic differences which had led to recurrent crises during the tenure of the previous government are still operative. In fact, so far as personal animosities are concerned, the Spiegel affair has brought new hatreds and reopened old wounds.

At year's end, however, it seemed probable that the Fifth Adenauer Government would endure until the Chancellor retires next autumn. There is undoubtedly a strong desire on both sides to avoid any further flareup and both coalition partners can be expected to try to introduce a "new style" into their relations, to try to thrash

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out in private issues which heretofore had been debated in public. In terms of talent the new Cabinet seems to measure up to its predecessor, but the determining factor will be the ability of the coalition parties to work with one another. The new-found acceptability of the SPD as a coalition partner makes a "grand coalition" an ever-present possibility in the event of a revival of CDU-FDP bickering, and the threat of such an arrangement will operate to keep the present Government going until the Chancellor retires next fall.

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B. The SPD Opposition

During 1962 the SPD steadfastly pursued the aim of entering the Government at the first opportunity, and it exhibited (as dominant characteristics, justifying its claim to share governmental responsibility) internal stability, continuity of leadership, consistent lines of policy deriving from its basic Godesberg Program of 1959. The impression of discipline and absence of factionalism which the SPD succeeded in presenting to the public, not only set it off in contrast to the FDP, but also to some extent to the CDU/CSU as well; for, under the strains of the impending change in Chancellor and of trying to work in tandem with an unruly FDP, and shaken by crises of confidence (Spiegel Affair, etc.), the CDU/CSU seemed to lose a clear sense of direction and was increasingly subject to divisive influences.

The SPD does not have serious hopes of achieving an absolute majority enabling it to form a government of its own before 1969 at the earliest. Consequently, its immediate aim is to enter a coalition on acceptable terms at the first opportunity. Frustrated in its desire to enter a broad based All-Party coalition after the 1961 elections, the SPD sought to exploit all possible opportunities during 1962 to validate its credentials as a non-doctrinaire party with a claim on the favor of middle-of-the-road voters. Consistently with this tactic, the SPD espoused the general principles of the "social market economy" (with its economic expert Diest in the role of a more "social-minded" Professor Erhard) and at its national convention at Cologne in May it competed with the CDU/CSU in heaping praise on the social philosophy of the Catholic Church's Mater et Magistra. It rounded out its "bipartisan" approach to foreign policy by drawing closer to the Government on issues of defense policy (voting for extension of the period of conscription from 12 to 18 months, supporting most sections of the defense budget, and reiterating support for NATO). It advocated further European integration within the framework of the EEC, urged (in contrast to its sister party in Britain) the entry of the United Kingdom into the EEC, and criticized the Chancellor for statements casting doubt on the Government's sincerity about supporting British entry.

In its espousal of the above policies the SPD was encouraged by a series of electoral gains in local and Land elections in 1962, climaxed at the end of the year by a major break-through when, at the height of the governmental crisis in early December, the CDU/CSU Bundestag Fraktion authorized (with Chancellor Adensuer's support) the party negotiators to pursue official discussions with the SPD concerning the possibility of a coalition. Although the discussions quickly foundered, they marked a highly significant development in German party history. A taboo, as the CDU Executive Secretary Dufhues

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said (and the thought was echoed by other party leaders) had been broken: The question of coalition between left and right, between the parties representing the German middle class (the so-called bürgerliche elements) and the SPD had ceased (at least for the dominant elements in all parties) to be a matter involving dogma and principle, and had been reduced to the level of expediency and party tactics.

There have been no significant changes in the party leadership since the 1961 elections. Ollenhauer, Brandt, Wehner and Erler, are the most influential men in the SPD. In all major issues of party policy during the year they have presented a solid front. Wehner is the strongest personality in the group, and in some respects the most influential, but the other three are given ample scope and the SPD successfully presents the appearance of being a team operation. Brandt has kept in the public eye, but at this stage his role in Berlin does not automatically increase his authority on the national scene, and he has shown signs of uneasiness that Bonn developments may pass him by. During the recent discussions of coalition with the CDU/CSU, for example, he felt impelled to issue a statement leaving the door open for his coming to Bonn on the grounds that he might be able to protect Berlin's interests better from a ministerial post in Bonn than as Governing Mayor of Berlin. Ollenhauer has held his own as Chairman of the Party remarkably well. He has a feel for the way the rank and file reacts, he is aware of his own limitations and has not sought to stretch his authority to the point where it could endanger his position as moderator. Erler has improved his standing during the year, and stands firmly in the top echelon of the party. Carlo Schmid has been slipping back into the role of elder statesman.

Nonetheless, on at least one major issue, emergency legislation, the SPD leadership found itself obliged to match its pace to accord with the wishes of the rank and file. The party is theoretically committed to emergency legislation in some form and the leadership professes (probably sincerely) to wish satisfactory legislation quickly. The German Trade Union Federation, however, supported by many of the SPD rank and file, has opposed emergency legislation in all the forms in which the Government so far has presented it, and the opposition has been strengthened by the Government's conduct in the Spiegel affair. The problem is still unresolved. There are still substantial elements in the SPD whose emotions are linked with the pre-Godesberg-program SPD and which view the recent tendencies with misgivings. However, the voices of these elements have been muted in 1962 even more than in 1961.

As the gap between the parties on foreign and defense policy has narrowed, there is a tendency toward greater emphasis on economic issues, on how to deal with the problems of an economy which is entering a new phase in terms of growth, competitive position, etc.

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The SPD wants to attack this issue vigorously with the broad interest of achieving a different apportionment of the national income and a shift in the incidence of the tax burden.

Although it is yet very premature to forecast the SPD's chances in the next (possible) Government reorganization after Adenauer's retirement, and in the Government that will be formed after the 1965 elections, it can be said that from this point on the SPD is "available" in case anything goes wrong in the conservative parties holding their coalition together, and it may well have enough strength on its own after the '65 elections to be a serious contender for a place in the coalition.

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C. Other Political Groupings*

1962 witnessed a further decline of the splinter parties. In the Landtag elections in North-Rhine Westphalia, Hesse, Schleswig-Holstein and Bavaria (with one minor exception in Hesse) the small parties willing and able to compete saw their support deteriorate. On the extreme left, the German Peace Union (DFU), preaching disengagement and neutralism, demonstrated repeatedly that it could do little more than hold the vote which went formerly to the Communist Party. Of all the minor parties, however, the DFU was in the best position to compete, because of adequate (strongly suspected of having its origins in the East) financial support. At the opposite pole, the neo-Nazi German Reich Party (DRP) divided into two as the result of a leadership struggle. The group which broke away calls itself the German Freedom Party (DFP), but its basic appeal is the same and its prospects equally poor.

The unnatural marriage between the long-established German Party (DP) and the Refugee Party (BHE) which gave birth to the All-German Party (GDP) had a bad year. The two partners clung to the hope that their party might improve in the Landtag elections over its poor showing in the 1961 Bundestag elections, but except in Land Hesse, disappointment followed disappointment. In Hesse the GDP somewhat unexpectedly surmounted the 5 per cent requirement for Landtag representation and remains in the coalition Government with the SPD in Wiesbaden.

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D. Chancellor Adenauer and the Succession Question*

The Adenauer era moved into a transitional stage more than a year ago when the Chancellor lost his absolute majority in Parliament and entered the coalition with the FDP. Even the very loyal supporters of Adenauer consider 1962 a relatively barren year, devoid of achievements likely to enhance his reputation very much. German observers in Bonn generally assess the intensification of the entente with France as his major accomplishment of the year. Despite discouragements the Chancellor retained his zest for power and his skill as a political tactician, and was able in December to master the serious threat to his regime; but as the price of his remaining in office he made a concession which he had avoided before: he fixed a date (the autumn of 1963 when the Bundestag returns from summer recess) for his departure.

On January 5, 1963, as the Chancellor entered his 88th year, two attitudes were apparent in the public commentary: a) respect for the man and confidence that history would deal generously with him; b) absence of sentimentality in assessing his present role as head of the government. There is widespread feeling that a last great service which he could perform for his countrymen would be to ease the transition to his successor. Whether he will acquiesce in this essentially passive role is not yet clear. His reluctance to see Erhard succeed him is still evident. The drift in the CDU/CSU, however, is strongly toward Erhard. The majority of the Fraktion want Erhard, and the most influential party leaders (besides Adenauer) believe he should be chosen for reasons of party tactics, if for no others. Erhard's popularity among the CDU/CSU electorate has held up remarkably well and is not nearly matched by that of any other contender for the succession. An Erhard government would probably bring the following changes in style and emphasis: less authoritative leadership than under Adenauer; more of a team concept, particularly in the field of foreign affairs; greater weight to domestic economic problems; less accent on the special relationship with France.

At the Foreign Office Schroeder operated with skill, and by gaining the support of the FDP and SPD for his policies he functioned as a unifying force in the government. His prestige in the party and the country increased steadily throughout the year: in the estimation of leading CDU politicians he moved clearly into the No. 2 position behind Erhard.

In the competition for the ultimate succession to Adenauer, Strauss had already fallen well behind Schroeder before the Spiegel affair swept him out of the Cabinet, but he remains a political force to be reckoned with. His immediate problem is to shore up his position as chairman of the CSU which is at present in some

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jeopardy. There is speculation that he may enter enter the Cabinet again when Adenauer goes; in this connection, a recent statement by FDP chairman Mende, leaving the way open for Strauss to come into a future coalition cabinet with the FDP, attracted notice.

During 1962 two CDU politicians who had achieved positions of much influence at the Land level (Dufhues from North Rhine - Westphalia and von Hassel from Schleswig-Holstein) moved on to the national scene and took rank among the possible Chancellors of the future. As Executive Secretary of the CDU (a newly created office), Dufhues is expected to succeed Adenauer as chairman of the party; it is anticipated that eventually the Chancellor will not be simultaneously party chairman. Dufhues has not been bashful about asserting himself, and has suffered rebuffs, but he gives every indication of persisting along the lines he has marked out for himself and the Party. In an Erhard Chancellorship he may reasonably expect a wider scope for his energies and managerial talents. Von Hassel has long been considered a possibility for national office in the Federal Republic, including the Chancellorship. As Minister-President of Schleswig-Holstein and as one of the Vice-Chairman of the CDU he occupied a high position in the party hierarchy. As Minister of Defense he moves into a position where he can become a serious challenger for the ultimate succession. It is conceivable that the Chancellor may look for chances to play him off against both Erhard and Schroeder.

Krone, Brentano and Gerstenmaier remain fairly constant figures in the background. If Krone had ambitions to become Chancellor, he would perhaps have the best chances to out-pace Erhard in the immediate future. He still remains a possibility, particularly if new difficulties beset the CDU/CSU-FDP coalition or a national emergency should revive discussion of a CDU/CSU-SPD coalition.

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