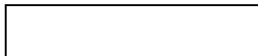


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6 September 1966

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SPECIAL MEMORANDUM NO. 13-66

SUBJECT: Prospects for Change in West German Foreign Policy*

SUMMARY

The political authority of West German Chancellor Ludwig Erhard has been weakened in recent months. He has suffered an important electoral reverse, ambitious claimants to his mantle have grown bolder, and the view that he lacks the qualities of a national leader seems more widely held in Germany. He will be severely tried by the problems of defense policy now at issue in German-American relations, in particular the matter of offset payments. If German opinion concludes that he has not effectively upheld German interests, the forces which favor some alternative to the hitherto close dependence on the US in foreign and defense policy are likely to gain in strength.

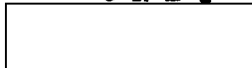
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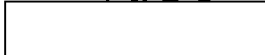
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1. The Post-Adenauer Christian Union. Unlike the Social Democratic Party (SPD) with its 700,000 tightly disciplined, dues-paying members, the Christian Union is an aggregate of diverse political elements which have found refuge within its ill-defined ideological borders. For many years, the often conflicting viewpoints of these elements coalesced into a workable consensus around the person of Konrad Adenauer. His departure from the Chancellery in 1963 left an unfillable gap, and there has been no successor in view capable as he was of capping the deep well of intra-party dissent. Erhard, who came to office over the objections of his predecessor and has had to suffer sporadic harassment from him ever since, is widely regarded as an interim leader. He presides over an increasingly fractious party which now appears more preoccupied with searching for his successor than with affording him the political backing he needs. Its inability to find a new leader capable of commanding the full support of the party and the nation tends more than any other factor to preserve Erhard in his position.

2. For a brief period after Erhard's personal victory in the 1965 national elections, it was thought by some that he might manage to transform himself into the strong man everyone





was looking for, the portly Siegfried of invincible cigar and "new style administration" who could lead the party and the nation into battle against Germany's manifold problems. But this amiable prospect did not last long; the bickering which surrounded the prolonged negotiations for a new cabinet destroyed any illusion that Erhard's resolution had been stiffened by his popular mandate. Now that mandate itself has been weakened by the CDU's defeat in the recent North Rhine-Westphalian state elections.

3. The North Rhine-Westphalia Defeat and Erhard's New Vulnerability. CDU losses in North Rhine-Westphalia seem to have been due primarily to the failure of the governments in Bonn and Duesseldorf to solve the state's painful economic problems, problems for which the SPD -- in opposition in both governments -- could not be held accountable by the voter. For Erhard, whose reputation as Germany's strongest vote-getter rests almost exclusively on his role as architect of Germany's postwar economic miracle, it was particularly damaging that he should be defeated precisely because he had failed to solve the economic problems of Germany's most populous state.



Erhard has managed to keep his ambitious and



disputatious princelings in line for the past three years primarily because he was reputed to be the most popular figure in Germany. That reputation was sadly tarnished in North Rhine-Westphalia, and it is unlikely that coming state elections will afford him much opportunity to refurbish it.*

4. Erhard's loss of personal and political prestige renders him far more vulnerable than before to attack by restive elements in the Christian Union. If he is to govern effectively, he must seek broader support, must attempt to be more things to more men. He will face pressures to "strengthen" his cabinet by offering representation to dissidents, to seek an accommodation with the French, to "stand up" to American demands for full offset payments and improvement in Germany's defense posture, to bail out the inefficient and non-competitive coal and steel industries, to end inflation without slowing growth still more, to broaden

* The most important of these state elections are those in Hesse and Bavaria. Hesse, like Berlin, is a traditional SPD stronghold, and it is unlikely that any meaningful shift toward the CDU will occur there. Bavaria, the home territory of Franz Josef Strauss' CSU, presents Erhard with something of a heads-you-win, tails-I-lose situation: should the SPD pick up strength (which is likely), Erhard will take much of the blame; should the CSU make gains, Strauss will take most of the credit.

social legislation, and to find new and more productive initiatives in Ostpolitik. Much as Erhard might wish to resist movement on at least some of these matters, it is likely that events in the Bundestag this fall will amply demonstrate to him that his choice lies between accommodation and a further corrosion of his leadership.

5. There is already some talk of replacing Erhard in the Chancellery, and while his involuntary removal is highly unlikely,* a series of policy failures in coming months could bring harassment intended to precipitate his resignation. At this juncture, however, it appears more likely that Erhard will survive as Chancellor until at least 1968, when his party will meet to choose its 1969 standard bearer. What might be in danger, however, are a number of foreign, defense, and domestic policies which he has managed to follow heretofore with a fair degree of consistency.

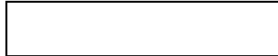
* While the removal of a German Chancellor against his will is constitutionally permissible, it has yet to occur in the short political tradition of postwar Germany and is generally held to be virtually impossible in practice. It would require a "constructive vote of no confidence," i.e., the prearranged agreement of a majority of all members of the Bundestag on a successor.

6. Some Changes in the View Eastward. The Erhard-Schroeder Ostpolitik has been cautious and undramatic, though it has been described as a "policy of movement." Aimed at the isolation of East Germany, it emphasizes the development of economic relations with the East European nations, and these have in fact been growing. The political returns, if any, of such a policy would inevitably be slow in coming. Consequently, the Erhard government's approach to the problem of reunification and a European settlement is widely held to be at the least un-spectacular.

7. The SPD, on the other hand, has advocated a series of well-publicized "little steps" designed to bring Germans from east and west together. It is doubtful that these "little steps" (Berlin pass agreements, the abortive but politically lucrative speakers exchange negotiations, the visits of retired people, and so forth) make any contribution to the eventual solution of the reunification problem. Nevertheless, the psychological effect on the German voter has probably been of significant help to the SPD, and many members of the Christian Union are likely to demand similar new initiatives from their own leadership.

8. At the same time, and for quite different reasons, some West German business interests are likely to call for an even greater expansion in East-West trade on a basis which includes East Germany and contemplates the extension of credit to Pankow. Thus, a combination of economic and internal political pressures may bring demands for the replacement of the Schroeder policy of isolating East Germany with a policy of increased cultural and economic intercourse with the East Germans. Along with this there would presumably go on inclination to be less rigid in dealing with Eastern Europe in such matters as the Berlin Clause and the Hallstein Doctrine.

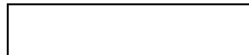
9. Some Changes in the View Westward. The problem posed for the Erhard government by France's defection from NATO is formidable. German defense policy is completely dependent on NATO; tremors in the Council of Ministers meetings have long produced major quakes in Bonn. While "Gaullists" and "Atlanticists" have waged a pitched battle in the German press, Erhard -- if not always his Foreign Minister -- has seemed to embrace Bundestag President Eugen Gerstermeier's theory of an elliptical alliance with two centers, Paris and Washington, insisting (at least in public) that satisfactory defense relations with both powers were



essential to German interests. There can be little doubt, however, that the Erhard government has appreciated the vastly greater importance to German interests of the American commitment, while at the same time being concerned to avoid any expression of choice between the two powers.

10. Now, however, Erhard's ability to ward off demands for a fuller accommodation with France has been weakened. His speedy agreement to the principle of continued French military presence in Germany without prior negotiation of the terms points in this direction. There is widespread feeling in Germany that the US is preoccupied with its balance of payments problem and with Southeast Asia, and consequently is placing a lower priority on European defense. The "Gaullist" ideas of Franz Josef Strauss, Heinrich Krone, and Baron von Guttenberg -- the notion that in the long run Germany must look to herself and to some European association for her defense -- may gather more adherents among Germans who feel they are being unjustly pressured by the Americans to carry more than their fair share of the common defense burden.

11. Frictions over German-American defense arrangements will be heightened by two outstanding problems. The first of



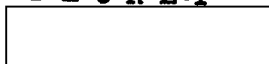
these, the apparent American initiative toward a re-examination of the role of the Bundeswehr in European defense, has not yet been clearly defined. To many Germans, however, it appears that the US is calling for the shift of a major portion of the German F-104 fleet to a conventional rather than a nuclear role. Whatever the military virtues of this idea may be, many Germans will see it as a further repudiation of Germany's claim to an equal role in nuclear defense policy.

12. The second issue likely to strain German-American relations is the offset problem. While it does not appear at present that the Germans will fail in fulfilling their \$1.35 billion obligation under the current agreement (CYs 1965-1966), a number of factors suggest a growing unwillingness to assume a similar obligation for CYs 1967-1968. Among these factors are lagging infrastructure development and personnel shortages which prevent the Bundeswehr's assimilation of hardware procured at the rate of the recent past, a likely freeze -- or even drop -- in the Defense Ministry's procurement budget, and pressure from the growing German armaments industry for a great share (now roughly 50-50) in the \$1 to \$1.5 billion annual procurement pie. The worldwide German balance of payments remains relatively



favorable, and Bonn could find the dollars to make purchases averaging \$675 million per year over and above normal commercial dealings. The difficulty remains of obtaining American agreement to purchases outside the area of military procurement which can be counted as offset. Here again, Erhard's recent loss of power within his own party is likely to force him into a more uncompromising position in negotiations for the CY 1967-1968 offset agreement. He has long been criticized as a creature of the Americans, and he will probably find it politically essential to insist on an agreement more favorable to German interests.

13. One possible solution to the offset problem, of course, is some withdrawal of US troops in Germany. From the German military point of view, the US 90-day stockpile and the extensive support structure necessary to maintain it are wasteful and based on an unrealistic estimate of the probable duration of any land war in Central Europe. However, while German military planners might find a reduction in the numbers of these support troops acceptable, the public would react with alarm to any substantial cutback in the gross number of American military personnel in Germany. Fears that Germany was being abandoned by her principal ally would be manifested in far more acute form than

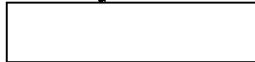


on earlier occasions when minor reductions of US forces occurred. Ambitious politicians would raise demands for a reorientation of German defense policy away from dependency on the US and for an exploration of European alternatives.

14. A strong executive in Germany might do much to diminish these threatening frictions in German-American relations, but

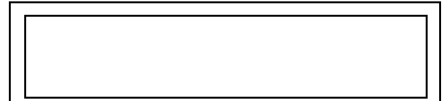
[redacted] At this juncture, any suggestion of worsening relations with the US will serve only to weaken Erhard further and to reduce his ability to seek a continuation of current close German-American cooperation. Should he fail to gain from the Americans some alteration in viewpoint which can be portrayed as a genuine US concession, should the US continue to insist upon 100 percent offset payments for CYs 1967-1968 or, for whatever reason, carry through a substantial reduction in Seventh Army personnel, the blow to Erhard's political prestige would be serious, and he might find himself increasingly beset by those who advocate a European solution to Europe's -- and Germany's -- problems.

15. Despite the many pressures for change in Bonn, it is unlikely that major shifts in policy will come in the next few



months. Over the short range, Erhard will undoubtedly try very hard to preserve the programs and concepts of the past three years of his administration, and it will take time for his opponents to marshal their forces. Altogether, however, the combination of his weakened leadership and the political and economic pressures that will bear on the German-American relationship over the next few years makes it seem likely that a troubled course is in prospect. The result in Germany will probably be a tendency to examine more closely the alternatives to the close dependence on the US which has been at the center of Bonn's foreign and defense policies for nearly two decades.

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