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3 June 1959

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director (Plans)

SUBJECT: Federal-German Republic Minister of Economics
Ludwig Erhard - Possible Contact with DCI During
Upcoming U. S. Visit

1. This memorandum is for information only.

2. Federal German Republic Minister of Economics Ludwig Erhard is scheduled to arrive in the United States ⁹ June for a visit lasting until ⁹ June. He expects to proceed first to Wabash College, Indiana, to receive an honorary degree from Georgetown University. He will probably pay courtesy visits to U. S. political leaders. Since a casual contact between the DCI and Erhard may take place at some social occasion, this memorandum sketches possible topics of conversation aside from such obviously topical and important issues as the Geneva Conference, the Berlin issue and who will succeed Adenauer. Selected biographic information is contained in Annex A.

3. U. S. Appraisal of Internal Economic Situation in USSR. During recent Bonn Embassy discussions with Minister Erhard he noted his interest in learning during his Washington talks the U. S. appraisal of the internal economic situation in the USSR, with particular reference to the seven-year plan.

4. Coordination of Aid to Underdeveloped Countries. These Bonn Embassy discussions also showed Minister Erhard's preoccupation with

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the necessity of vastly improved coordination among the Western creditor nations of aid to underdeveloped countries. He believes the present situation is chaotic, but has been vague on how to achieve better coordination. He tentatively suggested a conference of key creditor nations in the autumn of this year. Minister Erhard also stresses the responsibility of aid-receiving countries to use their own and borrowed resources for essential rather than prestige projects. His views on such aid are based partly on a trip he made through South-east Asia and the Far East in October and November 1958. More recently he visited Iran and Turkey.

5. Common Market vs Free Trade Area. Minister Erhard supports European union and German participation in the Coal-Steel Community (CSC). His firm commitment to "free market economy" principles, however, leads him to feel that such projects can achieve only limited objectives. He thus opposes the Common Market, based on fear that it would evolve into a high-tariff, protectionist customs union. He favors rather the Free Trade Area proposal, including Great Britain and the Scandinavian countries. He has indicated that he may discuss American protectionist trends during his visit.

6. Concentration in Industry. Minister Erhard's successful efforts to secure passage of an anti-cartel law have involved him in rancorous disputes with German industrialists. He is known to be concerned with the current trends toward industrial concentration (as in the coal-oil industries, which recently formed a cartel) and is watching developments carefully to determine the advisability of

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strengthening the anti-cartel law. He may thus be interested in the recent establishment of a Senate committee to study the state of concentration in American industry.

7. Hein Defection. Minister Erhard is undoubtedly interested in the operations mounted against the Christian Democratic Union/Christian Social Union (CDU/CSU) by the East German Ministry of State Security, (MFS), which were recently revealed through the defection to West German authorities of the MFS officer, Max Hein. You may wish to ask Minister Erhard for his views on the implications of these Eastern penetrations for the future of the CDU/CSU.

8. Tri-Partisan Foreign Policy. The lack of a bi-partisan or tri-partisan West German foreign policy vis-a-vis the USSR has constituted a past weakness in West German defenses against Soviet diplomacy. The Soviet Embassy in Bonn has taken the initiative in establishing contacts with opposition politicians in both the Socialist Democratic Party (SPD) and Free Democratic Party (FDP). These contacts have perhaps not always been coordinated with the Federal Republic Foreign Office. In view of Minister Erhard's reputed lack of background and interest in foreign affairs as opposed to economic affairs, you may wish to ask his views on the value of an "above party" foreign policy.

9. Possibility of Influencing USSR ^{to} Withdraw Troops from East Germany through Western Propaganda Aimed at Uncommitted Countries. Minister Erhard's interest is well known in demonstrating to the uncommitted countries of the world that free-enterprise is a better way to raise the living standard than totalitarian methods. You may find it convenient to ask his views regarding the possibility of exerting pressure on the USSR by establishing a keen awareness in the

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neutral lands of the colonial nature of the Russian occupation of East Germany and East Europe. This idea was suggested by W. W. Schuetz, a spokesman for the organization "Divided Germany," a conservative, Federal Republic supported propaganda organization, during a recent trip to Washington, D. C.

10. Erhard/Gehlen Meeting. Minister Erhard has not shown great interest in intelligence work in the past. Recently, however, he visited General Reinhard Gehlen, chief of the Federal Republic Intelligence Service, for the first time. Minister Erhard appeared eager to learn more of intelligence matters and will probably visit General Gehlen again for a full briefing.

JAMES H. CRITCHFIELD
Chief
Eastern Europe Division

Attachment:
Annex A

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Annex A

Biographic Sketch of Ludwig Erhard

Ludwig Erhard is a professional economist, born in 1897. After schooling in his native Bavarian city of Fuerth, he entered the German Army during World War I and was severely wounded. He recovered to continue his studies and received a doctorate in economics in 1924. After working for various private firms, he joined the official "Institute for Economic Observation" in Muenberg in 1928, serving as director after 1933 until Nazi pressure forced his resignation in 1942. He was never a Nazi party member and is reputed to have been in frequent touch with Karl Goerdeler, a leading figure in the July 1944 plot against Hitler. After 1945 he was an economic advisor to American Military Government and a Bizonal official. He entered political life in 1949 through election to the Bundestag as a CDU deputy. He has been economics minister since 1949. A firm believer in German alignment with the West, Erhard is warmly pro-American.

Personally, Erhard is an extrovert radiating an atmosphere of energy, well-being, optimism, and vigor. He is sure of his convictions and speaks well, sometimes becoming forthright and impatient. He is said to be a poor administrator but productive of ideas in himself and others. He smokes cigars and drinks liberally with no visible effect. Married since 1923, he has no children. He is a Protestant. He has never been connected with intelligence work. Additional biographic information is available in KE Division.

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