

~~SECRET~~

13 January 1966

CLASSIFIED BY: [unclear]
DATE: [unclear]
REASON: [unclear]

EXEMPT
FROM AUTOMATIC
DOWNGRADING AND
DECLASSIFICATION

13 JAN 1966

cy # 3 to Boston

1

NATIONAL INTELLIGENCE ESTIMATE

NUMBER 12.4-66

The Outlook for East Germany

Submitted by

M. A. Rubin

DIRECTOR OF CENTRAL INTELLIGENCE

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

as indicated overleaf
13 JANUARY 1966

Authenticated:

James A. Layton, Jr.
EXECUTIVE SECRETARY, USIB

~~SECRET~~

NP

11

APPROVED FOR RELEASE

JULY 1994

~~SECRET~~

The following intelligence organizations participated in the preparation of this estimate:

The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and the NSA.

Concurring:

Mr. Richard Helms, Deputy Director of Central Intelligence

Mr. Thomas L. Hughes, The Director of Intelligence and Research, Department of State

Lieutenant Colonel Joseph E. Carroll, USAF, Director, Defense Intelligence Agency
and Colonel Arthur H. S. Carter, USAF, Director of the FBI

Dr. Charles H. Reichardt for the Assistant General Manager for Administration, Atomic Energy Commission and Mr. William O. Cregar for the Assistant to the Director, Federal Bureau of Investigation, the subject being outside of their jurisdiction.

WARNING

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited.

GROUP 1
Excluded from automatic
downgrading and
declassification

~~SECRET~~

THE OUTLOOK FOR EAST GERMANY

THE PROBLEM

To estimate the long-term outlook for East Germany and to examine major trends in internal and external policies over the next several years.

CONCLUSIONS

A. The East German regime is more stable, and the leadership more confident, than at any other time in its history. Popular support is still minimal, but a resigned acceptance of the regime has become general. Improvement in the economy will be slow and uneven, but major reversals are unlikely.

B. The regime will remain heavily dependent upon Soviet support, and the Soviet voice will remain decisive in foreign affairs. Within a framework of close cooperation with the USSR, the East German leadership may make limited moves toward greater independence from Moscow and a less repressive internal order. The departure of Ulbricht could lead to crises within the party, but is unlikely to endanger the survival of Communist authority.

C. The regime's slow, gradual accretion of acceptance at home and abroad will probably continue. This will make it increasingly difficult for the West, and particularly for West Germany, to deny the existence of the East German regime as a fact of life.

~~SECRET~~

~~SECRET~~

DISCUSSION

1. In August 1961, before the Wall was erected across Berlin, the East German regime was in deep trouble. The enormous number of people fleeing to the West was symptomatic of the regime's economic and political crisis. The situation was in great part the result of overconfidence. Ulbricht had fully expected that Khrushchev's Berlin campaign would lead to a decisive political breakthrough in favor of East Germany. His overconfidence had also been reflected in ambitious and totally unrealistic economic plans to overtake West Germany, and in his willingness to run the risks of forced-draft collectivization of agriculture. By the summer of 1961 the East German government faced a near panic among the people, an economic crisis, a decline in morale and in its own authority, and a rise in passive resistance in the countryside. The situation demanded drastic measures.

2. The Wall was, in effect, the prerequisite for dealing with the crisis. The East German regime then began, with Soviet encouragement, to move gradually in a new direction. The abortive Seven Year Plan was quietly buried, and in 1963 the "new economic system" was adopted in an effort to revitalize and rationalize the economy. Simultaneously, the Ulbricht regime began to take some carefully controlled measures to ease internal tension. Crucial to these developments was the fact that Khrushchev's challenge to West Berlin had been decisively defeated as a result of the Cuban missile crisis in 1962.

I. THE INTERNAL SITUATION

3. In the past four years there has been an obvious increase in the stability of the regime and the self-confidence of its leadership. For the first time since the war, the labor force is not being drawn off by flights of refugees, and the economic planners can assume that it will remain stable.¹ An economic recovery has been evident since 1963. The population, though basically anti-Communist, has had to come to terms with the regime. And in its relations with the USSR, especially since the overthrow of Khrushchev, the Ulbricht leadership has skillfully exploited East Germany's position in Central Europe to enhance the USSR's interest in the regime's long-term survival.

4. *The Party and the Leadership.* The Socialist Unity Party (SED) has evolved into a surprisingly disciplined political instrument. Under Ulbricht's leadership it has proved capable of surviving repeated political and economic crises. The party now numbers 1.8 million members and candidates—about 10

¹The population of about 17 million includes a labor force of over 8 million. From 1950 until August 1961, the net loss of population by emigration was more than 2,100,000, including a great many members of the most productive elements of the population. The excess of live births over deaths has consistently averaged less than one-half of one percent, lowest in Eastern Europe. In 1963, the population increased for the first time since 1948. It has very slowly begun to approach a normal distribution by age and sex, but a considerable imbalance will remain for at least a generation, of old over young and of females over males. For about the next 10 years the number of workers will change little, while the number of dependents too young or too old to work will increase slowly.

~~SECRET~~

~~SECRET~~

percent of the population and the highest number since 1950. It continues to be a mass rather than an elite party. The fact that membership has risen by 130,000 since the Wall suggests that many East Germans are resigned to making their careers in the German Democratic Republic and believe that party membership will help.

5. Perhaps the most important challenge to the party and to internal stability will be the question of the succession to Ulbricht. For 20 years he has dominated East German politics. He has been skillful and resourceful, not only in coping with internal problems but in adjusting to the modulations in Soviet policy. But he is now 72, and his era is drawing to a close. Most of his contemporaries in the German Communist movement have disappeared or are politically inactive. He might be removed with Soviet connivance, or he could gradually withdraw from active rule, but it seems likely that he will die in office. In any event, within the next several years the future of East Germany will almost certainly pass to the hands of a different leadership.

6. At present it appears that the strongest figure is Erich Honecker, age 53. His power position includes membership on the Politburo, the party Secretariat, and the National Defense Council. He is active in almost every phase of party affairs. The Premier, Willi Stoph, age 51, is also a contender. The party has not had to contend with a succession issue before and there is no established process for the transfer of power. Old animosities and rivalries are bound to revive, and any new leadership will lack Ulbricht's prestige, authority, and experience.

7. For these reasons, the immediate succession phase will probably take the form of a "collective leadership." The Soviet role is a special, stabilizing factor, and it can be assumed that the Soviets have made their own views clear. If the need should arise the Soviets would almost certainly exert the strongest possible political influence on the East German party. But the Soviets could misjudge the situation and their intervention might only aggravate it. Despite these possibilities, it is likely that the succession will be accomplished without a major crisis, and almost certainly without a breakdown in Communist authority.

8. The character of a new leadership, however, is an open question. The next generation of leaders, as represented in the present 19-member Politburo, is of different background and environment from Ulbricht. Most of the full members are in their early fifties. As a group they reflect the diversity common to present-day Communist elites. Some are technicians, some ideologues, some party bureaucrats. Eight of them joined the old German Communist Party in the late 1920s and early 1930s. The others came into the party after the war, or during their sojourn in the USSR. Most of them achieved stature in the party after the death of Stalin.

9. Thus, the new leadership is not likely to be a carbon copy of the Ulbricht regime, either in style or in approach. The problems it will face will be more complex in many respects. One trend already apparent is the increased

~~SECRET~~

~~SECRET~~

importance of technocrats. As economic policy moves over the untested ground of experimentation and reform, these specialists may carry more weight in party counsels. As demonstrated by the recent policy disputes which apparently led to the suicide of Erich Apel, the East German planning chief, there is a high potential for clashes between the economists and politicians. Under a new leadership, especially a "collective," such clashes might grow increasingly difficult to resolve.

10. *The regime and the People.* The general atmosphere in East Germany has long been more restrictive than in other Communist countries of Europe. The regime has always had to maneuver carefully between tightening and relaxing its controls. Since 1956 this disparity from East Europe has become more pronounced. But in the last two years the East German regime has taken a number of limited measures to produce a more relaxed atmosphere—pensioners' visits to the West, the Berlin pass agreements, and an increase in other travel and contacts with the non-Communist world.

11. At the same time, the regime remains extremely sensitive to outside influence from both East and West. It fights an ideological war on two fronts. It has to contend with pressures for liberalization generated by the example of other East European states and with the impact of the vast complex of Western influences to which its people are exposed. They have easy access to Western radio and television, and are aware of the developments in the West and the world at large. Consequently the regime must spend a vast amount of money, time, and effort in combating the effects both of Western influence and of "revisionism" from within the Communist world.

12. Popular support is still minimal. The population has become more resigned and submissive since 1961, however, and this trend seems likely to continue. The regime will permit only that degree of relaxation which, in its view, is necessary to win greater cooperation from the people, especially in the effort to achieve certain economic goals. Such relaxation, if accompanied by the kind of limited economic gains that appear likely, would serve to reduce some important causes of present popular discontent. Over the long term, however, there is the possibility that concessions by the regime will generate popular pressures for a liberalization well beyond what the regime considers safe.

13. *Intellectuals.* The regime's policy toward intellectuals has fluctuated between periods of some relaxation of controls and harsh crackdowns. Even during the more relaxed period, however, the Ulbricht leadership has lagged well behind most of East Europe and the USSR in permitting greater freedom of expression. Partly because of the relatively high level of control, it is difficult to judge the extent of intellectual dissidence and its political content. We think that as in other Communist countries of Europe there is considerable questioning of the regime's policies among East German intellectuals, and this will be a continuing problem. Yet whatever intellectual dissidence may exist is not organized or cohesive. The regime will probably be able to keep the problem under control and intellectual dissidence in itself will probably not produce any important political change.

~~SECRET~~

~~SECRET~~

14. *National Consciousness.* The problems of the East German leaders might be considerably eased if they could invoke the spirit of nationalism, as has been done in Poland, Rumania, and even Czechoslovakia. But nationalism in Germany is inherently bound up in the question of unification. As long as Soviet and East German policy is directed toward perpetuating the division of Germany, national feeling must embody a sense of separateness from the majority of Germans.

15. The effort to develop a distinct East German national feeling has met with some success. The long separation has led to some acceptance in East Germany of the two-state concept. Despite the general dislike of the regime, the population displays some sense of pride that whatever has been achieved in social and economic progress has been accomplished despite formidable obstacles. Conversely, West Germany's "economic miracle" provokes some resentment of Bonn. Finally, whatever lingering hope there may have been for early reunification was destroyed by the Berlin Wall.

16. The regime's dilemma over nationalism, however, is bound to persist. It will gradually be heightened by the fact that the current of nationalism is running strong throughout Eastern Europe and in West Germany. Invoking all-German sentiment will tend to keep alive ties with the Federal Republic, which the regime is anxious to destroy. There is also the danger that an effort to exploit nationalist feelings could easily take an anti-Soviet turn. The regime cannot afford to ignore national feeling and will continue to try to use it. It will also remain extremely sensitive to the dangers involved and will proceed only with great caution. A successor regime to Ulbricht is likely to be less sure of itself in dealing with this dilemma.

17. *The Military.* The East German military establishment has no independent voice in the formulation of policy nor does it exert much influence on policy. We foresee no change in this situation. It is doubtful that the military will play an active role in the succession period; if it did, it would be a conservative force, backing the Soviet-sponsored line and a continuation of the Ulbricht tradition.²

II. THE ECONOMY

18. The economic situation has improved markedly since 1961. At that time Ulbricht's efforts to force the pace of economic growth had led to serious trouble. Inflationary pressures had built up, large resources were tied up in unfinished investment projects, and "production for production's sake" had filled the warehouses with unsalable goods. The regime has brought these problems under control. In 1961-1963 inflationary pressures were eased by holding the line on wages, raising consumer goods prices, and informally rationing butter and meat. Most of the major investment projects started in the late 1950s have been

² East Germany's military role in the Warsaw Pact is considered in NIE 12-65, "East Europe and the Warsaw Pact," 26 August 1965, Secret.

~~SECRET~~

~~SECRET~~

finished. The new economic system of planning and management, adopted in 1963, tended to discourage production as an end in itself, and emphasize salability and profitability as the criteria for economic decisions.

19. *Short-term Outlook.* The outlook for the economy in the short term is for continued improvement but at a moderate pace. For a few years the rate of economic growth will be at about present levels, 2-3 percent, but below the higher rates of the late 1950s. There will be some modernization of industrial technology, a particularly important problem. Agricultural output will probably increase at a slow rate, though large imports of grain, meats, and dairy products will still be necessary. The economic reform program will probably continue to evolve somewhat unevenly, but in the main it will probably be beneficial to the economy.

20. *Living Conditions.* The populace naturally hopes for a better standard of living, and the regime continues to promise it. The present outlook is for a gradual improvement, chiefly in the availability of more consumer goods and some increase in quality. However, these improvements will fall far short of satisfying popular demands. By East European standards the average East German will be well off, but most of the people will remain highly conscious of being much less well off than the West Germans. As far as these comparisons can be made, the gap between living conditions in East and West Germany has even widened in the early 1960s. If present trends continue, it will probably increase in the late 1960s.

21. *The Long Term.* The longer-run outlook for the East German economy is more uncertain. While the continuation of present policies will assure modest gains, these advances may be at the cost of storing up serious troubles by the end of the 1960s. There are a number of basic disadvantages to be overcome. Demographic problems remain severe; total employment declined slightly during the past five years and will probably decline somewhat more during the next five. East German industrial technology is in large part obsolescent by Western standards, and resources must be shifted from new investment to replacement and modernization of the existing industrial plant. Productivity is still increasing, but not at a rate sufficient to stimulate economic growth beyond the present modest level. Thus East Germany must make a major effort to modernize its industrial plant and raise efficiency.

22. But the East Germans are caught in a vicious circle. The prospects for modernizing their technology depend to a great extent on acquiring new plant and equipment from the West. To do this, unless they obtain Western credits or investment, they must increase the salability of their goods in Western markets. But outdated technology makes many of their goods unacceptable in the West and thereby limits the chances for expanding trade. In sum, the long-term economic outlook will depend on whether the East Germans succeed in the effort to compete for foreign markets. Our estimate is that their chances are not very good.

~~SECRET~~

~~SECRET~~

23. Coping with these longer term problems involves politics as well as economics. In order to push exports and raise efficiency, it would probably be necessary to accept a temporary decline in growth and output—a most unwelcome prospect for any political leadership. If these decisions are deferred, as seems likely, then it may be that the new difficulties will confront Ulbricht's successors. An additional uncertainty is the level of Soviet support. Recent indications are that the Soviets have not met the East German desires in their new five-year trade agreement; since East Germany is vitally dependent on Soviet supplies of raw materials, new adjustments in East German economic planning will be called for. Finally, there is the question of trade with Bonn. The East Germans would like to shift the pattern to include more imports of complete plants and major items of equipment, preferably on credit. But this is primarily a political decision, which might call for East German concessions in other areas. And this problem, too, might be faced by a new leadership, rather than by Ulbricht.

24. On balance we think these problems, though important, will not menace the survival of the East German regime. But they may begin to undermine its confidence and stability by the 1970s.

III. FOREIGN POLICY

25. *The USSR.* East Germany's foreign policy is determined almost exclusively by its dependence on the USSR. The Ulbricht regime or any likely successor probably could not maintain itself without some significant degree of Soviet support. The possibility for independent East German action on important issues is, therefore, largely theoretical. While the SED has achieved considerable autonomy in internal policies, the Soviet voice is still decisive in foreign affairs.

26. We believe the prospects are for continuing close cooperation in Soviet-GDR relations, though East Germany's position is likely to become less obsequious and subservient. The period since 1963, and especially since the fall of Khrushchev, has already been marked by an East German assertiveness in relations with Moscow. East German remonstrances, for example, probably contributed to Soviet refusal to sign new trade or cultural agreements with Bonn that would again recognize West Berlin's ties to the Federal Republic. Moreover, the Soviets also apparently intervened on Ulbricht's behalf in Prague over the same issue.

27. Maintenance of a Communist regime in the GDR will almost certainly continue to be a crucial element in Soviet policy. Differences and frictions will arise from time to time, but mutual interest in the status quo will probably keep any divergencies within bounds. If polycentric tendencies in international communism grow, as it seems likely, East Germany will probably assume greater importance to the USSR. The large Soviet military establishment stationed in the GDR will continue to be Moscow's decisive means of influence;

~~SECRET~~

~~SECRET~~

for its part the East German regime will continue to feel the need for these forces.

28. *Relations with Bonn and Berlin.* In tactics toward Bonn and Berlin the Soviets also seem to have relinquished some limited authority to the GDR. The Ulbricht regime apparently had considerable freedom in negotiating the Berlin pass agreements. The harassments last April, when the West German Bundestag met in Berlin, were evidently prompted by an East German initiative. In the absence of major Soviet moves on the Berlin question, however, the East Germans are likely to be restricted to marginal challenges to the Western position in Berlin. The GDR's moves will nevertheless tend to keep tensions in Berlin relatively high. On balance, however, the issues are too sensitive and Soviet interests too immediate for the East Germans to be permitted an independent policy in this area.

29. Soviet and East German interests dictate an attitude of basic hostility toward the Federal Republic. Nevertheless, the regime's greater self-confidence and hopes of influencing Bonn's policy have led to an increase in contacts. The volume of interzonal trade has increased, there are more travelers in both directions, and cultural exchanges have risen. There have been "technical" agreements clearing away some old issues and an interest on both sides in negotiating over new issues—East Berlin passes, prisoner exchange. We expect this trend toward more contacts to develop, but East Germany's relative position is growing somewhat stronger. Bonn's political leverage in interzonal trade is declining and the continuation of contacts and negotiations gives increasing plausibility to East Germany's claim to be a sovereign power.

30. *Eastern Europe.* In terms of atmosphere, mood of the people, and ideological tone, East Germany compares unfavorably with most of Eastern Europe. Moreover, in other East European capitals Ulbricht has personified the worst aspects of Stalinism and the regime suffers because of a general antipathy to Germans. Events in Eastern Europe, particularly nationalist trends and desire for greater freedom of action vis-a-vis Moscow and the West, have further tended to isolate East Germany from its Communist neighbors.

31. Future relations between the GDR and Eastern Europe are likely to be inconsistent and contradictory. Both the East Germans and the Soviets have a great interest in retaining unqualified support for their German policy; to this end, the Ulbricht regime and its successor will make some effort to adapt policies to coincide with the more liberal national currents in the Bloc. On the other hand, the East Germans will resist any development of normal relations or understandings between Eastern Europeans and Bonn. The rise of the Federal Republic's activity in Eastern Europe already confronts the East German regime with a serious competition for markets and influence. East German influence in Hungary, Rumania, and Bulgaria is likely to suffer as a result of Bonn's growing economic involvement. But Eastern Europe is likely to remain committed to East Germany if only because Czechoslovakia and Poland will feel the need for a separate German state as a buffer against Bonn

~~SECRET~~

~~SECRET~~

and will regard the presence of Soviet forces in East Germany as essential, pending any European security agreement.

32. *The Non-Communist World.* East Germany's prime objective in this area is international recognition. At considerable economic cost (\$350 million in aid) the regime has made perceptible, though limited, gains. In 1955, East Germany had trade and/or consular representation of various kinds in 16 non-Communist countries; the number was 34 by 1960, and 37 by 1965. In the wake of hostile Arab reaction to the publication of West Germany's arms deal with Israel, the East Germans made a determined effort to gain recognition in the Arab world. As a result, the UAR and Syria now have the same level of consular relations with the Federal Republic and the GDR. Yemen has broken relations with Bonn and established a consulate general in East Berlin. We doubt that East Germany will gain recognition *de jure* from any important non-Communist countries in the next few years. But we do expect that in more countries the Federal Republic and the GDR will be placed on roughly similar levels of representation, as in the case of the UAR. If so, the effect will be to erode Bonn's declared policy of breaking relations with those non-Communist countries which recognize the GDR (the Hallstein doctrine).

33. East Germany's long-term chances of improving its international status are basically conditioned by Bonn's ability to use the Hallstein doctrine as a deterrent. Thus far only four countries (Yugoslavia, the UAR, Yemen, and Syria) have opted for higher-level ties with East Berlin in the face of a break with Bonn. The trend toward greater contacts, trade, and formal agreements between East and West Germany may eventually erode the latter's claim to sole representation in the eyes of third parties. This is a dilemma for Bonn, not for East Berlin, which gains from even the slightest increment in recognition. Compared with ten years ago, the chances of international acceptance of East Germany have grown considerably.

34. *International Implications.* An important point of debate in West Germany is whether new trends in Eastern Europe and in international communism can be exploited to isolate East Germany, or whether more direct contacts and dealings would contribute to the emergence of a more liberal and national trend in East Germany once Ulbricht departs. Our principal estimate is that over the next several years East Germany will continue to gain in stability and viability. If this is correct, it will become increasingly difficult for the West, and particularly for West Germany, to deny the existence of the East German regime as a fact of life.

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY

DISSEMINATION NOTICE

1. This document was disseminated by the Central Intelligence Agency. This copy is for the information and use of the recipient and of persons under his jurisdiction on a need to know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Director of Intelligence and Research, for the Department of State
- b. Director, Defense Intelligence Agency, for the Office of the Secretary of Defense and the organization of the Joint Chiefs of Staff
- c. Assistant Chief of Staff for Intelligence, Department of the Army, for the Department of the Army
- d. Assistant Chief of Naval Operations (Intelligence), for the Department of the Navy
- e. Assistant Chief of Staff, Intelligence, USAF, for the Department of the Air Force
- f. Director of Intelligence, AEC, for the Atomic Energy Commission
- g. Assistant Director, FBI, for the Federal Bureau of Investigation
- h. Director of NSA, for the National Security Agency
- i. Director of Central Reference, CIA, for any other Department or Agency

2. This document may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Central Reference, CIA.

3. When this document is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the document should either be destroyed, returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this document when used separately from the text should be classified: **FOR OFFICIAL USE ONLY**

DISTRIBUTION:

White House
National Security Council
Department of State
Department of Defense
Atomic Energy Commission
Federal Bureau of Investigation