

# GERMANY EMERGES AS A EUROPEAN POWER

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**T**HIS IS A PROGRESS REPORT on Germany: progress since the spring of 1951 when *Engineering and Science* printed my "Report on Germany." The purpose is to attempt to convey the significance of the forces that are operating, and to project one man's prophecy of the role Western Germany may play in the months to come.

The conclusion of the earlier report was as follows:

"Western Germany has made a remarkable economic recovery, aided in an important way by Marshall Plan funds. She has also made good progress with the establishment of democratic government. With peace and access to world markets there is a strong basis for believing that Germany will be able to support herself well as a friendly member of the community of nations."

Then, as now, the immediate problem was the defense against possible Russian aggression.

The conclusion of *this* progress report is that Germany's national stature has improved significantly. Her occupied status has not been officially ended, but for many practical purposes she has been encouraged to behave as a sovereign state. Under Chancellor Adenauer's pro-western leadership, not only is Western Germany emerging as an equal member of the Western European community of nations, but she is demonstrating the ability to take care of her own national interests and even to return to her historic position as a bulwark against the east.

For the United States, I regard this development as entirely favorable; for Russia, I believe it means the defeat of immediate Communist objectives in Western Europe.

## Continued economic recovery

The fact of continuing economic recovery is one of the most notable factors in Western Germany's emerging

position of national strength and influence. From a distressingly low beginning in the summer of 1948, the index of industrial production has risen to equal the best record in Western Europe. This statistical index, furthermore, does not reflect adequately the favorable economic tempo: labor is working hard, business men are active as enterprisers, people are saving, and consumers are demanding the essentials of a better standard of living—especially housing. The problem of unemployment, created principally by the great influx of ethnic German expellees from the east, has been declining, and is not of alarming proportion.

In addition to the internal evidences of economic recovery, Western Germany has attained a favorable position with respect to her international economic position. She has been running a surplus for many months in the European Payments Union, consisting of the former Marshall Plan countries, and more recently she has been building up a surplus in relation to dollar countries. In these respects she is the envy of many Western European countries. France, in particular, has been unable to stop deficits in the Payments Union and in dollars.

It is clearly premature, however, to say that Western Germany has solved her economic problem in so far as exports and imports are concerned. The plain fact is that the world is upset because of the East-West conflict, and there is no normal flow in international trade.

After World War I Germany made a courageous effort to reestablish her economic viability, and for a short period in the later twenties a good showing was made. The wave of economic nationalism that swept over the world in connection with the great depression destroyed Germany's hopes.

World thinking on this point today is better than when the U. S. passed the Smoot-Hawley tariff and Britain adopted its Empire Preference program. But it is too early to say that Western Germany can assuredly make a comeback in world markets. The need for such a

comeback is even greater today than before World War II because of the impaired structure of the German national economy resulting from the loss of the eastern areas.

It is possible to project a good guess as to Western Germany's probable competitive position in Western European and world markets. It appears clear that German costs in many industries are low, that her products are good, and that her selling methods will become increasingly effective. Her labor costs are rising, as they should in order to have workers share in their favorable productivity. The opportunities for cost reduction on account of modernization of many industrial operations, however, are great. In the steel industry, it must be remembered, the best plants were carefully selected for dismantlement. The task of modernizing German industry is a slow and expensive one, but it is inevitable that it will be done, and the results can be most favorable to her competitive position.

A good deal has been said about the emphasis placed on free enterprise by Chancellor Adenauer's government. Dr. Erhard, Minister of Economics, is a man of conviction on this point. There is little doubt but that the favorable environment created by this policy has been well-suited to the particular problem of economic recovery in postwar Germany. It has encouraged the release of maximum energies by business men and industrialists. The success of this policy has caused other Western European countries to take note, especially those inclined to rely upon socialistic methods.

### Toward national sovereignty

Even before Korea the Allies had sketched a timetable leading to the eventual goal of a peace treaty and the restoration of German sovereignty. Korea added an element of urgency to this plan. The obvious steps were taken: agreement among the occupying powers on the details of the treaty, negotiating with Chancellor Adenauer's government, initialing of the draft by representatives of the occupying powers and the Federal Republic of Germany, and ratification by Parliament, the Chamber of Deputies, the Bundestag, and our Senate.

All of these steps were accomplished, beginning in 1951, except for ratification by the French. Western Germany, today, therefore, is officially still under the Occupation Statute of 1949. In many practical matters, however, the U. S. and Britain are dealing with Dr. Adenauer as if he were Chancellor of a near-sovereign state. We have changed the designation of Dr. Conant, for example, from High Commissioner to Ambassador.

During 1951, while the new status for Western Germany was being worked out, the form in which she was to contribute to the military defense of Western Europe presented a special problem. The German government agreed to the principle, and to a tentative amount. Various proposals for the detailed integration of German manpower and economic support were considered; the one that was eventually adopted was essentially the

Pleven Plan, which had been suggested by France.

Because German participation in Western defense was quite separate from the formulation of a peace treaty closing World War II, it was decided to take care of the matter in a separate document, called the European Defense Community Treaty. This has been ratified by the British, German, and U. S. governments, but not by France. The EDC contemplates the pooling of the military efforts of six countries: Benelux, France, Italy, and Western Germany. It supplements the older and larger North Atlantic Treaty Organization, and offers a convenient, strictly continental grouping with which to work for the defense of Western Europe.

### Occupation problems

The prolongation of the official occupation because of the failure of France to go along with Britain and the United States presents a serious problem. From the military viewpoint it is preventing the full participation by Germany in the defense of Western Europe, especially the raising of German divisions. It has not prevented, however, the carrying on of important mobilization planning by an officer in Chancellor Adenauer's administration (Dr. Blank), who, in effect, is a defense minister. This activity will save much time when a way out of the present stalemate is found.

From the political point of view, German public opinion is becoming restive at the prolongation of the occupation status, and the fact that France alone is to blame makes the situation especially delicate. The astonishing fact is that the irritation is not greater.

Part of the explanation probably is the fact that both Britain and the U.S. have been treating Western Germany much as if the treaties were in effect. A good deal of the credit belongs, however, to Chancellor Adenauer's sympathetic handling of French problems. His relations with some of France's most important political leaders are good. He appears to be treating the Saar problem with great tact. It is most encouraging that there is so little popular criticism of France in the West German press. But it is generally realized that a way to end the present situation must be found.

Public opinion within Western Germany is not strongly nationalistic. The overwhelming popular vote on September 6 for Chancellor Adenauer's pro-western policies reflected the desire to emphasize cooperation, not national pride. In fact, there appears still to be no enthusiasm in Western Germany for rearmament along old-fashioned lines. German youth groups have been explicit in calling for armed forces only under some plan of European union which carries assurance that the horror of World War II shall not be repeated. There is widespread popular acceptance of, and even demand for, continuing presence of United States and British forces. So long as the East-West tension is critical, the formal ending of the occupation is largely an academic matter.

Back of German attitudes regarding the reestablishment of national sovereignty is the realization expressed

in the following statement which a statesmanlike German industrialist made to me in 1950: "The Dutch hate us; they have reason to hate us. They need us. We shall show them by our conduct that we can be trusted, and we shall prosper together."

### Democracy in government

After Hitler's totalitarian dictatorship, many people feared lest postwar Germany would have difficulty returning to democratic processes. During both the military and civilian occupations, the Western Allies were preoccupied about this danger, and specific programs were undertaken to "reorient" the German people, and to "educate" them for democracy. By hindsight some of these activities have come to look increasingly ridiculous, but they probably did no harm.

Democratic ideas have prevailed in the reestablishment of city, state and federal governments. Aided by the explicit directive of the Allied Powers that former Nazis be disqualified from holding government positions, a selective process began which gradually brought forward new leaders. These people quite generally represented the true democratic tradition in German history, only temporarily eclipsed by Hitler.

Some of the new leaders I met impressed me as being more sophisticated with regard to the real meaning of democracy in the European setting, than were those on the High Commission staff who were conducting the re-orientation programs. Many of us Americans have come by our "democracy" too easily to know what it really is.

At all government levels, city, state, and federal, the "Nazi" problem was handled successfully. The Occupying Powers tried to be literal in disqualifying all former Nazis. The Germans favored realism, and were firm only when the record was black. There is no serious threat of resurgent Nazism today. Germany's present leaders know better than anyone the tragedy it brought their country, and there is an active will to oppose it, whether by Chancellor Adenauer or by a village burgermeister.

The Communist threat within Germany is scarcely a threat at all. The Party is very small, and has lost support in recent elections. The German people are some of the best informed in the world regarding Soviet Communism; they know its police state methods. Many have seen the poverty of the exploited Russian people. Every fifth person in Western Germany is an expellee, and bears personal resentment toward Soviet Communism.

Politically, Western Germany has approached a two-party status: the coalition of conservative parties led by Dr. Adenauer, which corresponds to our Republican Party; and the Social Democratic Party, which resembles the British Labor Party, except that the German labor unions organizationally are not a part of it. The victory of the Adenauer group in both the 1949 and 1953 Federal elections is significant in that it indicates the pro-western leanings of the German people. It does not necessarily mean that the traditionally strong Social Democratic Party is becoming weak; as a matter of fact,

in many of the states and cities this party is in power.

The essential thought I wish to convey is that the right forces, both political and economic, are still working strongly in Western Germany today. It appears that they will continue to work, so far as internal considerations are concerned.

The problem becomes, then, one of judging the international scene to determine whether a favorable environment will exist in which Germany can make a successful comeback. The basic needs are access to raw materials and to export markets, and reunification of Western Germany and the Soviet Zone.

Thus far in the postwar period, the balance of thinking in the western world has favored increased trade. This was a principal objective of the Marshall Plan, and the beneficiary countries, through their own Organization for European Economic Cooperation, have been carrying on a moderately successful program to reduce tariffs. France, in the Schuman Plan, initiated her own idea of how the total economy of Western Europe could be benefited; it is now operating. But the fears of international economic competition still exist, and German industry is most feared.

Fortunately, the crisis is still in the future, for world markets are still absorbing the output of the industrial nations in a reasonably satisfactory way. What is needed is an expanding world economy, which will benefit raw material and food producing countries at the same time that the industrial workshops are kept busy.

### Prospects for the future

The obvious problem in the international political field is the division of Germany and the loss of eastern territories to Poland. The long-range pressures for unification are tremendous. But it is generally recognized that reunification must wait on free elections in the Soviet Zone. Western Germany does not want reunification if it means inclusion in the Federal Republic of a Communist satellite.

With the emergence of a strong, near-sovereign Western Germany, it can be hoped that a new approach to resolving the East-West conflict, at least with regard to Western Europe, will be tried. Chancellor Adenauer is in a position to negotiate directly with Soviet Russia and her satellites. Western Germany is not a member of the United Nations, so something along the line of a non-aggression pact, in return for the reunification of Germany, would be in order. This is at least a fresh approach.

Germany has had a long experience in dealing with Russia. It is possible that the United States represents so much of what Soviet leaders have successfully represented to the Russian people as irreconcilable, that direct negotiations by the United States are no longer useful. It might please the incomprehensible Russian mind to deal directly with Western Germany. My own opinion is that the interests of the free world are in safe hands, if Chancellor Adenauer attempts such negotiations.