

The Economic Club of New York

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The Capacity and Capability of the Federal Republic in Nato

I want to begin my talk to you this evening by thanking you for this invitation to address you here. This is my first trip to the United States in 1961. There have been a number of occasions in the past few years for me to come here and also to welcome American visitors to Bonn. I have toured your defense installations and your people have seen ours. Elements of our military units have been working very closely with yours in both countries and at all levels in the North Atlantic Treaty Organization. The ties between us have perhaps never been quite so close.

I should like to discuss this evening some of our common aims as already realized in NATO and, in addition, some of the hopes we all have for the expansion of the objectives of this alliance.

The NATO alliance is faced with new tasks not only directed against something, I am thinking of World Communism and its militant representatives, but with other tasks which must be fulfilled in order to attain positive objectives.

One of these tasks is the coordination of the policies of the NATO nations. During the last ministerial meeting of NATO held, as you know, last month in Paris, this question was dealt with

even more concretely than in the past. At that meeting we asked ourselves some searching questions. To what extent is it possible for NATO nations to hold difference or opposing views in the United Nations and to what extent should they harmonize their policies? To what extents can nations be military allies in Europe and political opponents in Africa? The system of consultation within the NATO Council has been continuously improved during the last few years, but it has been an instrument for the coordination of isolated individual matters rather than for agreement on basic policy questions. First of all it is necessary to arrive at a common policy in those matters which are of vital importance. When all conferences are held “in a friendly atmosphere”, when a “fruitful exchange of opinions” takes place, and when there is complete agreement little is actually achieved except the usual communiqué, as long as grave divergences in basic questions keep coming up or can be traced like a continuous thread through the discussions. All these problems require thorough clarification.

Another task is an ever closer systematic cooperation in the economic field with the object of arriving at a common area in the sense of a common market. In this connection, I should like to point to two important items: the bridging of the gap between EEC and EFTA, and the problem of a joint economic policy vis-à-vis the Soviet Bloc. I shall confine myself to these two examples; however, I should like to add in a critical vein that a free trade zone or a customs union by itself is not yet a political solution but at most a preliminary stage.

The next task lies in finding out how far the defense problem can, in view of the enemy's strength, still be solved by the formula of a military coalition or to what extent, in view of the consequences of the technical revolution and the objectives of the enemy, it requires a military integration. In considering this problem, there must be no doubt that the term "defense" is first of all to be understood to mean the task of preventing war.

Moreover, we have to see to it that, in the field of defense technology and armaments industry, we come to a cooperation in which the work is split up in accordance with the respective technical potentials to stop duplication and triplication of effort. Furthermore, we must make NATO a community which will be able to win the cold war. And we must expect the cold war to continue as long as there is World Communism, represented by the Soviet Union and Red China with expansive dynamism and revolutionary strength.

Last, but not least, we must confront the continuously reiterated and fanatically professed belief of the protagonists of World Communism in their ultimate victory with an Atlantic consciousness which finds its expression in a common policy and which will also be fled palpable in the uncommitted world. The basis of this common policy can only be the political

economic, military and moral power of the Alliance. This power depends on the contributions made by its members.

In this connection I should like to cite the achievements and the potential of the Federal Republic. First, however, I want to clear up a misunderstanding:

The political scene of the past few years has been haunted by a term which is dangerous and misleading, which creates ill-feeling or uneasiness and that is the so-called “German economic miracle”. This term is linked with the erroneous idea that the Federal Republic is a country of inexhaustible wealth. Even though some of my compatriots may have contributed to this dangerous legend by their behavior or by their statements, this concept is a fallacy. In order to give you a more realistic picture, I should like to quote some figures.

In 1960, for example, the gross national product of the Federal Republic of Germany expressed in United States dollars per capita amounted to \$1,047 compared with a gross national product per capita in the United States of \$2,527.

Private consumption per capita was \$705 in the Federal Republic of Germany and \$1,773 in the United States.

The figure for all other comparable countries such as Canada, Belgium the United Kingdom and France ranges between the United States and the Federal Republic.

My government inherited the physical and economic shambles left by the National Socialists.

This is also reflected in the financial burden carried by the Federal Republic today, and will be so reflected for decades to come. Another aspect of the obligations assumed by the Federal Republic in the field of restitution must be considered. The total sum of restitution payments to be made to the victims of Nazi injustice, and I should like to emphasize that these payments can by no means make the world forget the crimes committed by the Nazi regime, but can only express the German desire to help the victims of the “Third Reich”, amount at present to 7.8 billion dollars, half of which has already been paid out. The importance my government attaches to this obligation is reflected in the fact that at this very moment our Consul General in New York is on his way to Munich to attend a high level conference on restitution.

For the incorporation of 13.09 million expellees and refugees from Communist-ruled Eastern German, and they comprise almost 25% of the total population of the Federal Republic, 14.3 billion dollars have been spent so far.

With these examples in mind, I should now like to try to show what these financial burdens have in the lights of the post-war situation of Germany.

Our main concern in the post-war years was the problem of fighting the threatening specter of a tremendous unemployment in a state whose economic ties were cut by the Iron Curtain, whose large agricultural surplus areas were sliced off and handed over to Poland and whose territory was divided into four hermetically sealed occupation zones. All this happened in a Germany whose production potential and transport system were almost completely destroyed and whose Western zones experienced a steady influx of refugees and expellees. We were, so to speak, riding a tiger, for even the bayonets of the occupation powers could not have held at bay desperate and revolutionary masses. But how could shelter and food be provided in a destroyed country whose population was increased by one quarter within a very short time?

Please try to imagine what it would mean if your country, an economically strong and undivided country, were to receive within a few years, approximately 55 million refugees without goods or chattels, who had to be incorporated into your economy and provided with housing. For this figure, applied to the situation in the United States, is a proportionate one in terms of your present population. Even further we must not forget that the influx of 700,000 people per year into the United States.

This picture would become even more crucial if one assumed that the present integral United States economic area was split up as follows:

Two-ninths of the area evacuated and handed over to the Soviet Union, for example:

Washington, Oregon, California, Arizona, Nevada, Idaho, Montana and Utah.

Another two-ninths of the area made a satellite state under Communist domination, for example: the states of New Mexico, Colorado, Wyoming, South Dakota, Nebraska, Kansas, Oklahoma and Texas.

The remaining five-ninths, separated by an Iron Curtain from the cut-off areas, must now receive 40 million people who had to leave all their property behind, and absorb them. I think you will agree that it would be quite a task.

In the Federal Republic we can perhaps be forgiven some pride in the fact that we have succeeded in blunting the edge of this problem through the application of the courageous policies of Chancellor Adenauer and his cabinet, and by the industriousness of the German people. This was the first great victory in a battle fought against Bolshevism with non-military means for as



we all know, where there are misery and chaos, the professional revolutionaries have their greatest opportunity.

From 1949 to 1960 we created 6.5 million new jobs; from 1950 to 1960 we built 5.5 million new homes and every year we spend 12.5% of our national product for social welfare.

We recognize gratefully that the generous post-war United States aid and the change in the Western occupation policy were of great help for us in this respect. That is the truth which should not be called an “economic miracle”, but rather a victory gained in the contest with radicalism. Nevertheless, the economic foundation is not yet as strong in Germany as we hope to make it because there is essentially less national property per capita than in other Western countries.

It is correct that the Federal Republic hold gold and foreign exchange reserves amounting to approximately 7.1 billion dollars. But, in contrast to a wide-spread erroneous idea, this sum does not constitute assets or property of the Federal Republic, but can serve only to cover the Deutschmark banknotes issued. The Federal Government cannot utilize these funds as budgetary resources.

Ours is by no means a wealthy country, but it is a country whose people work hard and which has achieved full employment.

For us, restitution for what happened in the past does not merely consist in compensation paid for injustice inflicted and in repairing the damage caused by the war, but also in a constructive policy directed towards the future, part of which of course, is our contribution to the common defense. From 1950 to 1960 the Federal Republic spent a total of 19.223 billions dollars for defense purposes, including support costs for Allied forces stationed in Germany. If you add to this sum the aid program for Berlin, which in view of the situation of this city in the cold war must also be considered a part of the defense expenditures, its total rises to 21.823 billion dollars.

If I may risk boring you with a few more figures, let me give you now a rough breakdown of the Federal budgets in 1951 and 1961:

In 1951 the Federal budget amounted to 4.9 billion dollars, of which 2.0 billion dollars were spent for social welfare and 1.9 billion dollars for defense purposes (occupation costs and civil defense).

According to present estimates, the Federal budget for 1961 will amount to 11 to 11.5 billion dollars, of which more than 4 billion dollars will be spent for social welfare and approximately 3 billion dollars for defense purposes. If you add up all the public budgets of the Laender, the communities, the social insurance, etc., more than 40% of the gross national product is spent by Federal, State and Local Governments. This means that the private consumer does not benefit from these expenditures.

Now, I should like briefly to mention the payments made by the Federal Republic to the United States.

About two-thirds of the total of 17 billion dollars paid as support costs for United States Forces stationed in Germany and resultant payments were paid to the United States alone. American industry has up to now received armament orders amounting to 1.31 billion dollars and deliveries for 600 million dollars are still outstanding. This sum has been deposited with an armaments account in the United States. Right now our two governments are drafting detailed plans to help solve the problem of the outflow of gold from the United States. We have initiated these negotiations with your present government and we are looking forward to complete them with your new incoming administration. My government has pledged a six point program of specific steps to help improve the United States balance of payments. These measures are:

1. Early repayment of post-war debts;
2. Additional advance payments for purchases of military equipment;
3. Taking over of United States aid to NATO partners by the Federal Republic. This applies also to an increased German Share to the mutual contributions to the NATO infrastructure and there the United States – German relation is 3:2;
4. A more favorable mutual use of existing technical and logistic facilities with the aims of achieving savings for the United States;
5. In the framework of trade policy, further liberalization measures, in particular in those fields in which the United States has a special interest;
6. Financial participation of the Federal Republic in United States projects for development aid.

From this you can see that the Federal Republic is prepared to meet the United States' requirements to the greatest possible extent, in addition to its own defense efforts which become more substantial from year to year.

Ladies and gentlemen, we are engaged in a great conflict through which we shall have to live and which we can only face jointly. In view of the strategic situation brought about by the technical revolution, today it is not only Europe which continues to depend on America, but the North-American countries also depend on the European contribution. In the past, America provided the alliance with strategic cover. But is it not self-evident that in the future, Europe must provide

cover for America just as America must provide cover for Europe? The one-way street is becoming, inevitably, a two-way, a mutual relationship.

Unfortunately, the European contribution is not as strong as it could be. As you know, the so-called Lisbon goals of 1952 were never met. For NATO as a whole 90 Army divisions and for the central European command 52 divisions were planned. The Minimum Forces Requirement laid down in NATO Document MC 70 in 1958 calls for at least 30 divisions plus appropriate Air force and Navy formations in Central Europe. So far, only 21 divisions with differing combat effectiveness are available. Of this present total, the Federal Republic of Germany alone has made available 8 Army divisions.

NATO asked for a total contribution from the Federal Republic of Germany of 12 divisions, 28 air force wings and 22 naval squadrons. Of these, we have in the course of five years, assigned to NATO the 8 divisions mentioned before, 6 air force wings and 10 naval squadrons, all of them in an operation status. The activation of the Federal German Forces will practically be completed by 1963. Then, the Federal Republic will be making an appropriate contribution of 350,000 soldiers, sailors and airmen to the common defense.

In addition to that there will be the Territorial Defense, the base organization for logistics, that is to say, for the entire supply system behind the divisions and corps. The Federal Republic of Germany is charged to ensure the freedom of movement of all NATO forces on German soil.

What is perhaps most important, however, more than the statistics, is the fact that without the efforts made by the Federal Republic it would not be possible to carry out the strategy of the graduated deterrent in Europe.

So much for that aspect of the situation.

I have given you a Defense Minister's eye-view, if I may use that phrase, of the military picture with regard to German and NATO. But that is by no means all of the picture.

The policy pursued by Chancellor Adenauer during the last decade made the Federal Republic a member of all major European political, economic and technical organizations. This policy has made the Federal Republic a member of the Atlantic Alliance. It is the endeavor of the Federal Government to bring about closer political relations within Europe and to strengthen the ties between Europe and North America in all fields.

The fate of the coming generation in Germany and Europe, however, hinges on the question whether the political leaders of the Federal Republic will continue to realize their responsibility for Europe and the Free World; and the fate of the future generation will hinge on whether the United States will realize and execute its role as leader of this Free World.

The historical answer to the challenge of Communism must be the unity of the Atlantic West vis-à-vis the Bolshevik-dominated East. This unity must be strong enough to maintain the balance in the world.

This requires the active cooperation of the free part of the German nation. The un-free part of the nation can only hope for the success of this policy, since it is the prerequisite for a reunification in peace and freedom and for safeguarding the freedom of West Berlin.

The year 1961 will bring us a new chapter in the story of the struggle for freedom. We ask ourselves, how long will this struggle continue? I believe the answer is, until the evolution in the Soviet sphere of influence and increasing tensions between the Soviet Union and Red China will have made the Soviets realize that there would be an advantage in having peaceful and unrestrained neighborly relations with the European and American countries, particularly with respect to the ever increasing threat of Red China; a threat not only menacing the Free World but

also the USSR. The Federal Republic is only a cog in the machine of world politics, and one stone of the edifice of Western Defense. We Germans have had to lean, as individual citizens, to assume real political responsibilities, instead of letting others do it for us. Making good for the bad policy of the past does not mean renouncing all politics. We understand very clearly the necessity for contributing to a good policy, and by good policy I understand a policy directed towards Europe and towards the Atlantic area, which, at the same time, does not shake a threatening fist at the East, but which is prepared to look for a reasonable and peaceful solution of the problems stemming from the past.

We often speak of restitution in the material sense of the word. But this does not yet constitute moral restitution. For moral restitution must also include political and historical restitution. A Germany which contributes its modest efforts to the unity of Europe and to the strength of NATO, performs a labor of which one might say, as Stresemann did in 1929 during the Geneva debate on Pan-Europe, quoting a German poet that “in building up eternities, its sets up, grain by grain, its tiers, while, from the ledger of the guilt of times, it cancels minutes, days and years”.

End of Remarks