INTERDEPARTMENTAL COORDINATING GROUP

ON

GERMANY AND BERLIN

Documents Prepared in Response

to

NSC Action Memorandum No. 59 of July 14, 1961

July 18, 1961

TOP SECRET

DOCUMENTS PREPARED IN RESPONSE

TO

NSC ACTION MEMORANDUM NO. 59 OF JULY 14, 1961

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MEMORANDUM FOR THE PRESIDENT

Subject: Supplementary Studies Regarding Berlin Prepared in Response to National Security Council Action Memorandum No. 59 of July 14, 1961.

The Interdepartmental Coordinating Group on Germany and Berlin submits the following annexes in response to National Security Council Action Memorandum No. 59 of July 14, 1961:

ANNEX A - Report evaluating two alternative courses of action.

ANNEX B -- Report on economic sanctions.

ANNEX C -- Department of Defense submission. This Annex includes the military components of responses to paragraphs 1 and 3 of the NSC Memorandum. It also includes Department of State Evaluation of the Likelihood of Allied Military Contributions of Magnitude Indicated by Department of Defense.

ANNEX D - Political timetables for three alternative courses of action.

TOP SECRET

MEMORANDUM TO THE PRESIDENT

FROM: THE SECRETARY OF DEFENSE

SUBJECT: The Defense Department Recommended Program Force Increases and Related Actions

It is recommended that a budget supplement for additional FY 1962 obligational authority in the sum of $4.343 billion be provided the Department of Defense for the purposes summarized in the attached schedules. In the event it is decided to exclude support for the cost of mobilizing 4 Army and 1 Marine reserve divisions and 60,000 naval reservists, totaling 254,000 personnel (Items 8, 18 and 22 in Attachment 1), the budget supplement would be reduced to $3.384 billion.

* * * *

The principal objective of this program is to make possible a significant increase in our military strength by 1 January 1962 and to further increase it in the months immediately following. With the exception of selected measures for our nuclear forces, this program focuses on building up our non-nuclear military power. The following types of actions are included:

1. Accelerating production of non-nuclear equipment, ammunition and stocks.
2. Bringing active units to a higher manpower level.
3. Increasing our sea and air lift capability.
4. Calling up ground, tactical air, and anti-submarine reserve units to active duty and intensively training them.
5. Provision for deploying additional ground and air units to Europe.

The program would permit the addition of approximately 480,000 military personnel to our Armed Forces. The additional

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new obligation authority required for FY 1962 would be approximately $4.3 billion.

At present we have a total of 17 Army and Marine divisions, of which approximately 14 can be considered combat-ready. By the addition of 4 Army and 1 Marine reserve divisions, and the re-organization of the 3 Army STRAF divisions, the new program would provide a total of 22 combat-ready divisions by approximately January 1.

The major air strength increases are provided by the calling to active duty of 21 fighter, 8 reconnaissance, and 6 transport Air National Guard Squadrons. These squadrons would be available for deployment before January 1.

Such a partial mobilization would require either a Presidential declaration of a limited National Emergency or Congressional action. Such action should be taken by September 1 if the recommended build-up and deployment of forces is to be completed by January 1, 1962 or shortly thereafter.

The recommended procurement actions are limited to those items that can be delivered in FY 1962 and therefore bear most directly on the prospective crisis. These procurement actions do not depend on the declaration of a national emergency; it is most important that immediate budgetary action be taken on them. There is a lead time of many months in obtaining a significant increase in production; stocks of some important categories of non-nuclear materiel are in extremely short supply.

The Joint Chiefs of Staff consider "that the posture resulting from this partial mobilization[a/], the deployments considered, and the anticipated contributions of NATO allies will:

"a. Provide to USCINCEUR/SACEUR the capability to initiate measures to reopen access to Berlin.

a/ Preliminary plans of the Joint Staff provided for the addition of 559,000 military personnel and an increase of $6.9 billion in FY 1962 NOA. These have been scaled down in this proposal to actions more directly related to the Berlin crisis.

"b. Provide sufficient forces to wage non-nuclear warfare on a scale which will indicate our determination and provide for some additional time to begin negotiation before resorting to nuclear warfare.

"c. Provide increased readiness for the use of nuclear weapons should escalation to this level become necessary."

The scale and character of many of the recommended actions yield long term as well as short term benefits. $1.8 billion, about 40% of the total, is for procurement of items that should be bought in any case. About $.2 billion additional will be devoted largely to rehabilitating ships and aircraft whose utility will extend well beyond an immediate crisis. As for the remaining $2.3 billion, if used, it will have been a contribution to an important political objective and it will provide our military forces with useful large scale training in mobilization and deployment.

Attachment I is a summary of the actions called for in the full program. Attachment II is a Financial Summary. There are, in addition, two enclosures: The first is Recommended Allied Force Contributions, the second, an assessment of the Improved Position Anticipated from U.S. and Allied Military Build-up.

ATTACHMENT 1

Action	Date Decision Required	Increase in Personnel Strength [a]	Increase in FY 62 NOA [b] (in millions)
General			
1. Obtain authority to call up selected reserve forces; declare a National Emergency	9/1	--	--
2. Extend terms of service of active duty personnel; extend tours of duty abroad (except for hardship areas)	9/1	--	--
3. Increase the draft call beginning in September	8/1	--	--
4. Modify policy on dependents abroad			
a. Stop movement abroad	11/1	--	--
b. Return Army dependents in Europe	11/1	--	20
Army			
5. Make 3 STRAF divisions combat ready	9/1	--	--
a. Add to army training base to relieve STRAF of training function		18,200	84
b. Fill out STRAF units to full T0&E strength		13,000	53
c. Add support units to STRAF		35,000	143
6. Strengthen Army forces in Europe	9/1	--	--
a. Bring 7th Army to full T0&E		7,000	32
b. Bring other Army units in Europe to full T0&E		7,000	32
c. Add support units		50,000	191

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a. This program assumes that units in Europe will be at full combat readiness and that 2 additional U. S. divisions will be deployed by 1-1-62; 2 more by 2-1-62; and 2 more by 3-1-62. 2 airborne, 2 National Guard, and 3 Marine Divisions remain in U. S. on 3-1-62.

b. Includes personnel and O&M costs.

	Date Decision Required	Increase in Personnel Strength	Increase in FY 62 NOA (in millions)
7. Expand the training base capacity	9/1(start)	3,300	11
8. Mobilize 4 National Guard divisions	9/1	152,000	592
9. Preparation of Army logistical base	8/1	--	137
10. Deploy forces to Europe			
a. Transport divisions to Europe	10/1	--	174
b. Reactivate 15 transports	10/10	--	15
c. Provide facilities in Europe	9/1	--	99
Total Army personnel and O&M increase		285,500	1618
11. Rebuild tanks and other equipment	7/15		35
12. Army Procurement	7/15	--	552
Total Army			2170

Navy	Date Decision Required	Increase in Personnel Strength	Increase in FY 62 NOA (in millions)
13. Increase amphibious lift to 2 division capability (reactivate 22 ships)	7/15	7,300	71
14. Increase administrative lift			
a. Schedule 17 MSTS active transports to arrive Europe by 15 December (54,000 men)	10/20	--	--
b. Schedule 15 preallocated MSTS transports to arrive Europe 15 December (79,000 men)	10/10	600	3
c. Transport cargo for a and b	10/10	--	--
15. Retain ships planned for deactivation; provide ASW aircraft			
a. Retain 1 CVA	7/15	3,700	20
b. Retain 1 CVS	7/15	2,800	12
c. 18 VP/VS squadrons	9/1	3,800	21
d. Retain 10 DD, DER and APA	9/1	1,800	11
16. Active 40 DD/DEs for anti-submarine patrols	11/1	6,200	19
17. Activate 11 fleet support ships	9/1	2,800	36
18. Raise active fleet from 82% to 91% strength	start 9/1	60,000	223
19. Naval aircraft reworks (1188 aircraft)	8/1	--	49
Total Navy Personnel and O&M		89,000	475
20. Kits for missile control	7/15	--	10
21. Navy Procurement	7/15		733
Total Navy			1208
22. Call up 4th Marine Div.	10/1	42,000	144
23. Marine Corps Procurement		--	67
Total Marine Corps			211
Total Navy and Marine Corps		131,000	1419

Air Force	Date Decision Required	Increase in Personnel Strength	(in millions) Increase in FY 62 NOA
24. Retain 5 B/RB 66 squadrons	10/1	62	8
25. Retain 3 F-100 squadrons	10/1	114	6
26. Call up 29 Air Nat'l Guard squadrons (21 Ftr & 8 Recon) and 2 Control Gps	start 9/1	25,886	154
27. Retain 4 C-118 squadrons	7/15	2,517	16
28. Call up 6 ANG C-97 squadrons	9/1	4,524	33
29. Call up 5 C-124 squadrons and assign to MATS	9/1	4,207	23
30. Divert the Civil Reserve Air Fleet (250 aircraft)	54 days notice	0	0
31. Start negotiation for European bases	7/15	--	--
32. Emphasize nuclear power option			
a. Request nuclear rights at French bases	7/15		
b. Accelerate B-52 and B-47 ground alert	7/15	0	24
c. Delay deactivation of 6 B-47/tanker wings	7/15	22,072	45
33. Misc. USAFE Pers. (MSQ)	10/1	556	3
34. Provide Pers. for Manual Control of Interceptors at US Radar Sites	10/1	3,389	17
Total Air Force Personnel and O & M			329
35. Air Force Procurement			425
Total Air Force		63,327	754

Attachment II

Financial Summary

	Increase in Strength	Increase in FY 62 NOA (in millions)
Army		
Personnel and O&M	285,000	1618
Procurement		552
Total		2170
Navy and Marine Corps		
Personnel and O&M	131,000	619
Procurement		800
Total		1419
Air Force		
Personnel and O&M	63,327	329
Procurement		425
Total		754
TOTAL		
Personnel and O&M		2566
Procurement		1777
Total	479,327	4343

ANNEX A-I

SUPPLEMENTARY NOTE TO "EFFECTS OF ALTERNATIVE COURSES OF U.S. ACTION ON SOVIET INTENTIONS AND ALLIED UNITY"

After the attached paper was reproduced, it was learned that the Department of Defense had indicated that a figure of $3.0 billion would be preferable to the lower figure of $1.0 to $1.5 billion for a program not involving a massive and early mobilization of reserves. It is not clear what, if any, percentage of the larger total would relate to measures constituting a permanent increase in the strength of the U.S. defense establishment.

It is believed that the comments in the attached paper on Course B would, in general, be applicable to the $3 billion program.

ANNEX A-I

EFFECTS OF ALTERNATIVE COURSES OF U.S. ACTION ON SOVIET INTENTIONS AND ALLIED UNITY

PURPOSE

The purpose of this paper is to estimate the effects on Soviet intentions and Allied unity of:

A. a request, about 2-3 weeks hence, for $4-5 billion, with necessary taxes, stand-by controls, other legislation, and Declaration of National Emergency; and

B. an immediate request for $1-1.5 billion, without controls, taxes, etc., and a further request later, if necessary.

A discussion is also included of a third possible course of action, as well as the tactics vis-a-vis our Allies that would be appropriate to each of these courses.

SUMMARY

Soviet Intentions

Without convincing the Soviets of the existence of a genuine danger of general war, Course A might make their negotiating position more rigid and arouse hope of further eroding Western cohesion. It would make the U.S. more vulnerable to charges of stepping up the arms race and thus -- in the opinion of some -- increasing the danger of general war.

Course B would also convey to the Soviets at an early stage concrete evidence of U.S. intention to resort to force if need be. But, in addition, it would better enable the West to bring political pressures to bear against the Soviets and would leave the door open for a possible defusing of the Soviet threat.

Allied Unity

The effects of the alternative courses of U.S. action on Allied unity would be of the same basic quality --either would produce strains -- but the degree of strain would vary directly with the scale of the U.S. program and the corresponding buildup expected from our Allies.

Thus Course B would maximize the strengthening of NATO's cohesion in the face of an impending crisis and produce the comforting sense that the U.S. had taken the lead without shocking our Allies to the point of public disunity and an early, precipitate dash toward negotiations and appeasement.

A Third Possible Course

A third possible course involving an early request for a sizeable increase in expenditures directed toward a permanent increase in the size of the U.S. defense establishment rather than a rapid, massive manpower buildup would have the essential advantages of Course B, as well as provide both structural benefits for the defense establishment and the basis for a strong additional deterrent against Soviet unilateral action on Berlin. It would serve as both a demonstration of will and a warning of worse to come if Soviet provocation increased.

Tactics vis-a-vis Our Allies

The effects produced by any of the courses can be greatly affected by the tactics used with our Allies. Here the essential elements are a clear U.S. view of what it wants to accomplish and a rational plan of how it intends to go about it plus the earliest and fullest possible consultation with our Allies.

SOVIET INTENTIONS

In attempting to assess the impact on Soviet intentions toward Berlin of various courses of U.S. action, it is important to remember that so far several factors have probably deterred the Soviets from taking decisive unilateral action against Berlin. These include Moscow's belief that it would stand to gain more by a series of phased negotiated agreements on Berlin and Germany than by attempting to force the West to accommodate itself to unilateral action; Moscow's concern that the military situation might get out of hand following the transfer of access controls to the East Germans; and the Soviets' belief that a crisis approach to a Berlin "solution" might incur political liabilities for the USSR by galvanizing the West and undercutting the Soviet "peace posture" in the neutralist countries. The military deterrent will increase in importance as the Berlin situation assumes crisis proportions. It would become virtually all-important in the case of a showdown. However, in the recent past, it seems to have been a factor of declining importance. Nevertheless, it is necessary to evaluate courses designed to enhance the credibility of our military pledges for their total effect on the deterrents we can bring to bear -- both military and political.

It is evident that, if we are to deter the Soviets from taking action, we must lend credibility to our pledges to defend our rights by some concrete preparatory moves undertaken prior to the decisive occasions, i.e. prior to negotiations, or prior to the turnover of access controls.

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At the same time, military preparations should be undertaken on a scale, and at a time, appropriate to the occasion, and the pledge to resort to force should be related to an appropriately direct challenge by the other side. Moving too fast and being too rigid could destroy the credibility we seek by causing Western disunity and even possibly a Western backdown.

Finally, Khrushchev has considerable leeway in deciding what would be an acceptable (from the Soviet point of view) negotiated settlement and in deciding how to play his cards following the possible conclusion of a "separate peace treaty." Also, it is likely that a fair amount of time would elapse between the USSR's initial steps toward a treaty and the actual implementation of the treaty.

Course A

The "A" course of action, the later, greater request, would not cause the Soviets to call off their Berlin campaign. They would be confident of obtaining the goal of renewed negotiations, and, if negotiations failed, Moscow would feel it had considerable room for maneuver in the timing and in the manner of executing a "separate peace treaty." The Soviets would probably still be convinced that the West would not resort to nuclear war in response to "GDR" control of Allied access. They would also not be inclined to form definitive judgments on the basis of this early move, undertaken at a time of preliminary diplomatic maneuvering; they would want to wait and see how the Allies behaved under greater pressure.

At the other extreme, this action would not impel the Soviet Union to launch a preemptive nuclear attack.

A move of this magnitude would probably impress the Soviet leaders, more than ever before, that the U.S. was determined to go to considerable lengths to resist a major transgression on its rights regarding Berlin. If this impression were the only result of this action, the Soviets would probably be inclined to accept considerably less in an agreement or to act with considerably greater circumspection in executing a "separate peace treaty" than would otherwise have been the case.

In reality, however, this course of action might have other consequences, such as promoting greater Allied disunity, tending to offset the positive effects of this demonstration of U.S. determination.

In assessing a reaction of this sort, the Soviet leaders would probably not believe that the resulting NATO discord was sufficient to constitute fresh incentive to press harder on the Berlin issue. However, the Soviet leaders would probably consider it additional evidence to support the judgment

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that most NATO governments would be reluctant, in a showdown, to support extreme military measures, and hence all the more anxious to get the U.S. and the USSR into negotiations.

Moscow would undoubtedly also draw some encouragement from the effects of this action on the Soviet posture before the world. By presenting their "peace treaty" proposal as a peaceful move designed to lessen international tensions and eliminate "hotbeds" of war, the Soviets have taken great pains to attempt to obscure the fact that they are the ones disturbing the peace by threatening the status quo in Berlin. They would probably try to exploit the U.S. action to obscure this fact further, particularly in the eyes of neutralist governments.

In addition, because of its timing, magnitude, and overt nature, this action would be likely to circumscribe Khrushchev's maneuverability in future negotiations. There is probably considerable flexibility in the Soviet negotiating position at the present time. In the face of an open challenge from the U.S. which had a "war or capitulate" ring to it, it would be extremely difficult for the USSR to agree to a relatively innocuous settlement without suffering a severe blow to its prestige.

Another obvious disadvantage is the ability of the Soviets to counter any early U.S. military moves by similar, and probably more impressive, Soviet moves with possibly serious effects on public opinion.

Course B

The "B" course of action, the immediate, lesser request, would have a less dramatic initial impact than Course A as a demonstration of U.S. determination to honor its pledges on Berlin; in particular, it would lack the element of psychological preparation of the U.S. public for a possible war.

At the same time, the Soviets would probably not conclude that the U.S. was responding weakly to the possibility of a showdown over Berlin. Given the timing and circumstances of the move, the Soviets would probably believe that this was the sort of initial action the U.S. would be likely to take if it were seriously preparing to face a possible showdown following a separate treaty. This action would thus carry weight with the Soviets. But, as in the czse of Course A, they would attach more importance to U.S./Allied actions taken at a later, more critical stage of the Berlin crisis.

This course would have fewer adverse consequences than Course A. There would be more support among NATO Governments and less criticism in the West European press; it is doubtful that this reaction would affect the Soviet judgment of NATO solidarity, one way or another. The West would be

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in a better position to muster free world opposition to the Soviet demands. And, it would not have the effect of making the Soviet position more rigid by boxing Khrushchev in.

Conclusions

From the standpoint of Soviet intentions, Course B, the immediate, lesser request, would probably be the better approach. (It is assumed that this initial action would be followed by additional preparatory steps as the crisis deepened.) It would have the advantage of conveying to the Soviets at an early stage concrete evidence of U.S. intention to resort to force if need be; it would better enable the West to bring political pressures to bear against the Soviets; and it would leave the door open for a possible defusing of the Soviet threat.

The message implicit in an early, limited, but real move which bore the potential of additional steps at a later date would be clear. It would convey the impression of a progressively deepening crisis atmosphere in which the U.S. would be likely to make further significant budgetary shifts, and in which its European Allies might make some shifts in the same direction.

A relatively modest beginning of this sort would, moreover, avoid two dangers which might be involved in the more ambitious or flamboyant approach. First, it would avoid that open and direct challenge to the Soviet leaders which might increase the political compulsion upon them to persist in their announced determination to get the West to abandon the rights in Berlin. Secondly, a modest beginning would keep the U.S. relatively immune to charges that it was the one stepping up the arms race and thus, according to some ways of thinking, increasing the danger of general war.

The greatest drawback of Course A, the later, greater request, would be its effect of prematurely forcing Khrushchev's hand. Under optimum conditions, this course would be the most effective. But it is doubtful that these optimum conditions would prevail. Indeed, the adverse consequences of this course of action might outweigh the potential gains.

Large-scale U.S. preparations at this time are not likely to convince the Soviets that a genuine danger of general war exists. They would more likely make the Soviet negotiating position more rigid and arouse Soviet hopes of further eroding Western cohesion. From the standpoint of their effect on Soviet intentions, measures of this sort might be more useful at a later stage in the crisis when they could be of basic importance in implanting in the Soviets minds the necessary "reasonable doubt" that they would be safe in carrying out their announced intentions with regard to Berlin.

In discussing

In discussing Course A and Course B, no particular differentiation has been made between the impact on Soviet intentions of U.S. actions that offer an increase in immediate military strength and steps that signal shifts in our long-range military, diplomatic, and economic effort but which would not affect actual military capabilities until some time in the future well beyond the immediately critical period. However, the Soviet leaders would also pay attention to concrete steps in the latter category, and even to credible possibilities of such shifts, and would have to do so from the outset of the program.

ALLIED UNITY

Despite an atmosphere of some foreboding and considerable uneasiness in Europe, particularly among the various Foreign Offices, there seems little doubt that the present atmosphere of concern and intensive activity over Berlin which prevails in Washington is considerably ahead of anything to be found in the other NATO countries. The Germans are in the midst of an electoral campaign, and the European vacation season is in full swing. As a matter of fact, there have been certain murmurings among both French and German officials that the U.S. seems to be working itself up into a lather somewhat prematurely, and generating its own crisis atmosphere in the process. However, Khrushchev's fusilade of almost daily statements on the subject may be having some counteracting effect.

In any event, it seems likely that disclosure to the European countries of even a minimal program will come as a considerable jolt. The Embassies in Washington will, of course, have reported press leaks about certain aspects of the alleged Acheson recommendations, but this is something different from being presented with an actual coherent program involving real, rather than speculative, action. If the scale of the action proposed by the U.S. should be in the higher range, accompanied by a request to our Allies for proportional military and other contributions, the degree of shock will be correspondingly greater, but the basic quality of the reaction will probably be much the same to any kind of program involving substantial U.S. and NATO preparations beginning in the near future.

Although there would probably be a strengthening of NATO's cohesion in the face of an impending crisis and a sense of relief that the U.S. was exercising leadership, there would be an undercurrent of misgiving from the start, and if Western measures failed to produce a visibly sobering effect on the USSR, this feeling would grow. At this point, demands for an exhaustive attempt at negotiations would rapidly pick up strength. The chances are good that the NATO members would cooperate in joint planning for contingency actions, but if tensions continued to increase, indications would probably arise that some of the members would be unwilling, in the final analysis, to resort to military action.

The reactions

The reactions of the individual NAYO countries will vary considerably from country to country. A few like Turkey, Portugal, and perhaps Greece can be counted on to applaud without qualification. Certain other such as Norway, Denmark, and -- in a more sophisticated sense -- the U.K. can be expected to have grave doubts about the advisability of such a program. The other NATO countries are likely to fall somewhere in between.

Much will depend on the reactions of the Federal Republic, France, and the U.K.

Federal Republic

The Federal Government would be quick to support in principle and cooperate in a NATO-wide comprehensive program of preparation. They will be in much better position to act after their elections on September 17. The German authorities would feel committed to follow the U.S. lead on military preparations fearing that their failure to accept the same risks as the U.S. would discredit the Federal Republic within the Alliance and have far-reaching adverse effects on German interests in Berlin. The Germans are keenly aware of the existence of reservations concerning Berlin in the U.K. and other NATO countries, and they would react to various proposals with an eye to strengthening the hand of those in NATO who are urging a more militant policy on Berlin.

The West German public would probably, by and large, follow the lead of the Government. The political opposition and a sizeable segment of the press would probably accept measures of preparedness but would urge, with increasing vigor as the crisis deepened, that another round of negotiations be tried and that political and economic measures be employed before military moves were undertaken.

France

As long as General de Gaulle remains in office, France will almost certainly maintain a posture of unequivocal firmness on the Berlin question. De Gaulle's long historical perspective and his personal experiences in international diplomacy have convinced him that resoluteness is the best weapon in dealing with an opponent. He is already emphasizing the primary importance of France's European obligations; he has announced the withdrawal of one division from Algeria and has indicated that additional forces, including some air units, will be on the way shortly. As the crisis sharpened he would probably be under growing public pressure to soften the French position on Berlin, but his views would probably continue to dominate French foreign policy. And he could be expected to continue to lend his support to a set of comprehensive preparatory measures.

United

United Kingdom

While the U.K. has recently shown itself relatively content to follow U.S. initiative in contingency planning for the Berlin problem, current British firmness in the face of Soviet bluster may be designed mainly to prepare the way for a new attempt at negotiation. The major considerations guiding British policy will be: the credibility of the U.S. deterrent; the U.K.'s vulnerability; the adequacy of NATO's conventional capabilities; and the sensitivity of the British public to any moves that might bring on a hot war.

Public apprehension over the possibility that the U.K. might become engaged in a nuclear war would rise sharply as U.S. preparatory actions gave unmistakable evidence of the seriousness of U.S. determination. Further, British officials would almost certainly judge that there was insufficient time to strengthen their conventional forces on the Continent to the point where those forces could provide a high threshold before the introduction of tactical nuclear weapons. The British field commanders already regard NATO capabilities to fight without nuclear weapons as extremely low. Accordingly, the U.K. would seek to insure against a situation arising in which it lost to the U.S. all initiative in the determination of strategy. With this end in view, it would almost certainly demand an opening of negotiations with the Soviets before agreeing to participate fully in the proposed measures, and would actively solicit the support of other NATO members in this endeavor. At the same time, the U.K. will continue to give support to U.S. contingency planning. However, formal U.K. support for an Allied policy of firmness in Berlin would probably be undercut by evidences of a British desire to negotiate so strong as to diminish the credibility of the U.K.'s resoluteness in Soviet eyes.

Canada

The Canadian Government would almost certainly be more favorably inclined toward Course B than Course A. In his latest public statements, Prime Minister Diefenbaker reiterated what he told the President privately on May 17, 1961, that is, that the West could not afford a setback on Berlin. The USSR must not be permitted to underestimate the determination of the West to preserve the freedom of the people of West Berlin or to lull itself into the belief that the West is divided, decadent, and lacking in common purpose. At the same time, he asserted that the West should avoid unreasonable rigidity and maintain calm judgment so that no avenues which might contribute to peace would be overlooked. Hence, action at this time (Course B) allowing for further measures later would be more acceptable to the Canadian Government, since it carries a greater implication that a way open to ultimate negotiations would be maintained. Anything that might be construed as an irrevocable step or rigid position (which Course A might indicate) would arouse anxiety in the Canadian Government.

Other

Other NATO Members

The other European NATO countries, including Italy, would generally tend to take their cues from the U.S., U.K., France, and Germany, as long as the four were acting in unison. By and large, they regard the Alliance as their best guarantee of national survival and would accept the implementation of a specific program of preparatory measures, designed to stiffen the resolve of the Alliance as a whole. However, some member Governments, notably the Scandinavians, are faced with strong public attitudes on nuclear warfare and would probably advise against steps which they felt might lead to nuclear war. Nevertheless, in the end, they would probably accept NATO decisions, although they would try to minimize their own direct participation in the proposed measures.

Conclusions

The effects of the alternative courses of U.S. action on Allied unity would be of the same basic quality -- either would produce strains -- but the degree of strain would vary directly with the scale of the U.S. program.

Therefore, from the point of view of maintaining the greatest possible Allied unity, Course B, the immediate, lesser request, would be more desirable. It would maximize the strengthening of NATO's cohesion in the face of an impending crisis and produce the comforting sense that the U.S. had taken the lead without shocking our Allies to the point of public disunity and an early, precipitate dash toward negotiations and appeasement.

It goes almost without saying that the effects produced can be greatly affected by the tactics used with our Allies (see discussion below).

A THIRD POSSIBLE COURSE

A third possible course of action not set forth in paragraph 1 of National Security Action Memorandum No. 59 would also involve an early request for a sizeable increase in U.S. defense expenditures amounting to approximately the same total as in paragraph 1(a) of the Directive. This would be directed, however, not at a rapid and massive manpower buildup to be obtained by calling up reserves after a declaration of limited national emergency, but at a permanent increase in the size of the U.S. defense establishment. (Paragraph 2 of the NSC Memorandum No. 58 called for "recommendations as to the magnitude and character of a permanent increase in the size of the U.S. defense establishment which might be executed in the event Soviet actions regarding Berlin appeared to foreshadow a long period of greatly heightened tensions", but the Department of Defense has not yet submitted its report on the subject.)

The course

The course of action suggested would permit the additional expenditures called for in paragraph 1(b) and those military preparatory measures which can be executed without a massive mobilization of reserve units. It would call for a pause, however, in the same sense as paragraph 1(b) before commitment is made to a course of action directed specifically at maximizing the capability of the United States to mount a large-scale military action on the ground on the main road access route to Berlin.

Given the probable Allied attitudes noted above, such a course of action would have the essential advantages of the program contemplated in paragraph 1(b) and, at the same time, provide both structural benefits for the U.S. defense establishment and the basis for a strong additional deterrent against Soviet unilateral action on Berlin. The argument on this latter point is essentially this:

a. The Soviets may be deterred from a series of Koreas less by fear of direct U.S. attack than by the probability that in response to such crises the U.S. and its Allies will greatly increase both their military strength and their resolve.

b. The United States has a known capability for increasing its strength very rapidly whenever the other side provokes it. Thus the Korean War led to a quadrupling of the U.S. defense budget.

c. The Soviets have a smaller capability for rapid expansion and, given the state of their economic development and commitment of resources to programs of economic expansion, might be reluctant to enter into a competition of this type.

d. An increase of U.S. defense expenditures of the scale indicated would, therefore, serve both as an indication of will and a warning of worse to come if Soviet provocation increases.

e. This warning might be made explicit and pointed by informing the Soviets at an appropriate time and level that continuation of their threat to Berlin will inevitably bring the kind of massive mobilization of American resources for defense of which they know we are capable, but which neither we nor they basically desire.

TACTICS VIS-A-VIS OUR ALLIES

As to tactics, the essential elements are a clear U.S. view of what it wants to accomplish and a rational plan of how it intends to go about it, plus the earliest and fullest possible consultation with our Allies.

From the

From the above discussion, it is quite clear that since all the NATO countries will tend to follow the U.S., U.K., France, and Germany as long as the four are acting together, and since no real problems of principle in this early stage are likely to develop with France and Germany, our primary attention should be directed toward the U.K.

Once the U.S. has reached its decisions, there will be a natural haste to push ahead with consultations and to obtain complementary Allied decisions without delay. This sense of urgency will be both realistic and appropriate. Consultation with our Allies must, however, follow a certain rhythmical progression, allowing enough time for governmental decisions along the way, if we are to avoid giving the impression that we are jettisoning established patterns of consultation in an effort to stampede them into hasty acceptance of programs which they will consider to be of fundamental importance.

If the decision is for Course B, the immediate, lesser request, the Secretary of State might call in the British, French, and German Ambassadors to explain in general terms what the U.S. has in mind and to ask the full support of their Governments. This might be followed as soon as possible by an intensive session of the Four Power Working Group on Germany and Berlin with experts attending from the various Foreign Offices. (During the visit to Washington some weeks ago of Sir Evelyn Shuckburgh, Deputy Under Secretary of State in the U.K. Foreign Office, and Jean Laloy, Director of European Political Affairs in the French Foreign Office, there was general agreement that such an intensive session might appropriately take place in late July or early August.) In addition to providing a mechanism for fuller exposition of U.S. views, the Working Group could also discuss Allied diplomatic, political, economic, and propaganda tactics for the months to follow. If, as the U.S. hopes, British and French agreement can be obtained to full German participation in Allied contingency planning for Berlin, such a Working Group session might also be used to launch discussion of any changes in existing contingency plans which the U.S. might wish to propose as a result of the present NSC revision of Berlin policy. As in the past, the Working Group would be expected to make a report to the North Atlantic Council. This could serve to initiate NATO consultation on the U.S. proposed program. If it were decided that a meeting of the Four Foreign Ministers should take place early in August, the Working Group could convene at an agreed capital a week earlier to prepare for such a Ministerial Meeting, which could be followed by a Ministerial report directly to the North Atlantic Council.

If the decision were to be for Course A, the later, greater request, somewhat the same timetable could be maintained. The Ministerial Meeting

in Paris,

in Paris, followed by the appearance of the Four Ministers before the North Atlantic Council, should, if possible, precede the declaration of a Limited National Emergency.

The third course of action discussed above could be handled in much the same way as Course B.

Although all of this should partake of the nature of consultation, it would be essential for the U.S. to convey the impression that after careful, sober consideration it had definitely decided that it was essential that it launch the U.S. program chosen, but that it would need the full support and cooperation of all of its NATO Allies to maximize the possibilities of success.

It would be essential to convince the NATO Governments -- especially the U.K. -- that the course chosen was the one best designed to protect the interests of the Alliance and the entire free world without resort to war, while also insuring the best possible posture should war be the only alternative to surrender.

ANNEX A-II

RELATION OF BERLIN PROPOSAL TO FOREIGN AID BILL

Timing: The aid authorization bill will probably move as follows:

Week of July 17: Complete Foreign Relations Committee mark-up.
24: Complete Foreign Affairs Committee mark-up.
Senate Floor action commence and could finish.
31: House Floor action commence and could finish.
August 7: Conference action probably completed.

The aid appropriations hearings have been put off by Chm. Passman until the authorization bill is completed "unless I change my mind." He says he wants 4-5 weeks of hearings. Completed action on the appropriations bill (in the absence of some unusual impetus) therefore does not seem likely before the week after Labor Day.

Effect of the Proposal on the Aid bill. We do not believe the effect of submitting the proposal before final action on the authorizing bill can be predicted with assurance. It will depend on the balance of two major opposing factors:

(1) The automatic reaction will, of course, be for economy. Its proponents will argue that we cannot afford so much for foreign aid when we must pay so much for defense. A more specific argument will be directed at the long-term authorization: if we are in an emergency situation, then why try to plan ahead, why not just authorize appropriations for one year.

(2) On the other side, dramatic action will generate strong emotions of patriotism, unity, and for support of national security. The new proposals and the Aid proposal can be presented together as two equally vital parts -- short-term and long-term, defensive and offensive -- of a single plan for national defense and for preservation of the free world from Communist domination by either military aggression or economic penetration. This approach is factual, and it is quite possible that, determinedly pursued, it could offset the more obvious reactions of economy and even provide support for the Aid bill.

From the standpoint of the Aid bill alone, we conclude it might be wiser to wait until the authorization is completed. This conclusion would be weakened or washed out if, as generally happens, the planning for the new proposal leaks to any considerable degree. The Congress will then anticipate some new expense and an uncertain future, and the Aid bill will suffer all the disadvantages of (1) above without the advantages of (2).

Our

Our general conclusion is, therefore, that if any material national advantage would be gained by moving earlier with the new proposal, we cannot say the danger to the Aid authorization would be great enough to require delay -- if the new proposal is put forward in relation to the Aid authorization in a dramatic fashion and in the context suggested in (2) above.

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THE USE OF ECONOMIC COUNTERMEASURES IN THE BERLIN CRISIS

Recommendation

(1) That, as an integral part of the U.S. Berlin proposals to our Allies along with the various elements of the political, military and psychological program, the Secretary of State seek agreement from the United Kingdom, France and West Germany, and thereafter the entire NATO group, to a severance of economic relations with the Sino-Soviet Bloc if access to Berlin is blocked. The specific sanctions to be imposed in such event are set forth on page 2 of Annex B.

(2) That the Secretary of State concurrently seek Allied agreement to expedite the work of the Four-Power Working Group to develop specific economic sanctions on the lines of and in coordination with military, political and psychological measures in the event of harassment or interference with access to Berlin prior to blockage.

(3) That the U.S. press its Allies immediately to take the necessary legislative and administrative dispositions required to enable them to act promptly on the measures foreseen in paragraphs (1) and (2) above.

(4) That the Secretary of State, in cooperation with appropriate U.S. agencies, institute studies of the problems involved in the sharing of burdens which might arise in connection with economic countermeasures.

SECRET

ANNEX B

THE USE OF ECONOMIC COUNTER-MEASURES IN THE BERLIN CRISIS

Summary

1. The Soviet Union and its Eastern European satellites are relatively self-sufficient. Essentially trade and shipping embargoes would only somewhat slow down current rates of growth particularly as relates to the chemical and petro-chemical industry and to the installation of pipelines. The principal vulnerabilities in the bloc are in the GDR on one edge and Communist China on the other. In the case of the East German regime, marked economic dislocation would result from a trade embargo requiring revamping of current economic plans and readjustments which would seriuosly injure East German production for a period of some months. In the case of Communist China the main vulnerability is in food, particularly supplies of wheat contracted with Canada and Australia. Embargoes on these two might indirectly create some serious problems for Moscow (see CIA report for details).

2. To be effective economic counter-measures will require closely coordinated action by all members of NATO, and probably agreement to parallel action by certain others such as Sweden, Austria, Switzerland and Japan.

3. If used as a primary weapon, economic counter-measures will be regarded by the USSR not as a convincing expression of will to resist Soviet designs with respect to Germany and Berlin, but as evasive action, indicating unwillingness to face the prospect of defending our interests by force; Khrushchev has made this clear to FRG Ambassador Kroll. It is accordingly essential that planning for the use of economic counter-measures be developed in close and appropriate relationship with measures in the military, diplomatic and psychological fields.

4. Economic counter-measures will be hard to sell to our Allies (and others). It will be argued that such steps penalize Western countries more than the Soviets, especially in view of possibilities of evasion of controls and of Soviet development of alternate sources of supply. Even more important, the burden of economic sanctions against the Soviet bloc will fall very unevenly. The effect on the United States would be negligible, for example, while the UK, already in precarious circumstances, would be hard hit, as would the Italians. Iceland would present a special problem; so would Hong Kong and Japan, if the economic counter-measures included Communist China. Agreement to counter-measures is therefore unlikely to be obtained, short of actual or imminent military conflict, unless accompanied at a minimum by an arrangement for effective burden-sharing among NATO members. No estimates have been made but the cost of such arrangements to the United States would probably run to some hundreds of millions of dollars per annum, at least initially.

Economic Sanctions the US should ask its Allies to be ready to apply of access to Berlin is blocked.

Blockage of access would create a situation in which the outbreak of hostilities would be imminent and the economic embargo to be imposed would be total, including among other things:

(a) The prohibition of the use of all financial facilities of the NATO countries to carry on current transactions with the USSR, East Germany, the other Sino-Soviet Bloc members and their Nationals.

(b) The expulsion of all Sino-Soviet Bloc technical experts and foreign trade officials without diplomatic immunity from the NATO countries.

((c) The freezing of all assets of the members of the Sino-Soviet Bloc under jurisdiction of the NATO powers.

(d) Termination of trade agreements involving Sino-Soviet Bloc countries.

to

(e) The denials of all exports/Sino-Soviet countries.

(f) The stoppage of all imports from Sino-Soviet countries to NATO countries.

(g) The closure of NATO ports to Sino-Soviet shipping and planes and Bloc chartership.

(h) The prohibition of calling at Sino-Soviet Bloc ports of vessels and planes of the NATO countries.

Other Economic Countermeasures which may be warranted

In the event of situations which in varying degree fall short of blockage of access, we and our allies should be prepared to apply appropriate countermeasures, e.g.:

1. Harassment of or interference with military traffic to Berlin.

(a) Close Soviet bloc trade missions, including Amtorg offices.

(b) Refuse to enter into new contracts to charter shipping to Soviet bloc countries and suspend existing contracts.

(c) Expand export control measures against the Soviet bloc, including selective embargo.

(d) Refuse ship's servicing (bunkering, lightering, provisioning, naval stores) to Soviet bloc shipping.

(e) Initiate measures to prevent Soviet bloc aircraft from landing or exercising commercial rights at Western airports and from making transit overflights and technical stops.

2. Harassment of or interference with civilian traffic to Berlin.

(a) Regulate movement of Soviet bloc vessels in Allied ports.

(b) Initiate harassments concerning documentation, inspections, delay, or technical requirements of Soviet bloc shipping at Allied ports.

(c) Delay ship's servicing (bunkering, lightering, provisioning, naval stores) to Soviet bloc shipping.

3. Signing of a Soviet-GDR Treaty.

(a) Cut off selected types of industrial and technical exchanges in which Soviets are most interested and ban export of published and unpublished technical and scientific information.

(b) Arrange for slowdown in issuance of export licenses for shipments to Soviet bloc.

(c) Cancel arrangements for Soviet participation in exhibitions, trade fairs, scientific conferences, and other international meetings scheduled in Western countries (NATO).

(d) Cancel arrangements for Western (NATO) participation in exhibitions, trade fairs, scientific conferences, and other international meetings scheduled in Soviet bloc countries.

4. Prior to signing of a Soviet-GDR Treaty.

(a) Prepare and implement countermeasures against USSR and "GDR" in form of tripartite controls over transport on basis equivalent to any Soviet or GDR harassments.

(b) Restrict economic negotiations with USSR to essential matters.

Tactics in seeking Allied agreement

Quadripartite studies (UK, France, Fed. Rep. and US) in Bonn on possible countermeasures against the East German regime have been in process for almost a year. A tripartite working group (UK, France and US) meeting in Washington for over a year has been examining possible non-military countermeasures against the USSR and its satellites, excluding Communist China. These basic studies should now be considered first by the UK, France and Fed. Rep. and then within NATO, looking to agreement on:

1. Countermeasures which, in the absence of legal or administrative problems, could be implemented promptly, provided necessary preliminary preparations are now made on a stand-by basis; and

2. Countermeasures on which existing legal and administrative obstacles to implementation should now be removed.

The order of consultation could be as follows:

1. Notify the British, French and German Ambassadors of the US objectives on countermeasures;

2. Convene the Four Power Working Group on Germany and Berlin and their experts for intensive discussion of Allied contingency planning;

3. Meeting of the Four Foreign Ministers and (a) Ministerial report to North Atlantic Council or (b) presentation to the Council by the Secretary of State;

4. Consultation within NATO;

5. Consultation with Japan and European neutral countries.

Likelihood and conditions of Acceptance by other countries.

Short of actual or imminent military conflict, our Allies are not likely to agree to a total embargo of the Sino-Soviet bloc in the event that our access to Berlin is blocked. Efforts to reach early agreement on equitable burden sharing arrangements among the NATO (and other) countries participating in such an embargo may reduce their reluctance in part. But even then, their sense of urgency at any given stage of the crisis may be expected to lag behind ours.

The work of the tripartite working group on non-military countermeasures demonstrates this. The British in particular have envisaged an escalation of non-military countermeasures which are as nearly as possible the equivalent in kind and severity of the original harassment. Basic to this attitude is the conviction 1) that countermeasures not closely related to the Soviet or GDR misconduct will inflict greater injury on the Allies (at least in terms of world opinion) than on the Soviets; and 2) that the cohesion of the Soviet bloc will be strengthened if the satellites are equated with the USSR at too early a stage in the application of sanctions. From this follows the conception of a progressive application of non-military sanctions against the GDR, the GDR and the USSR, and finally the Soviet bloc. The British have not accepted as a premise the imposition of sanctions against the entire Sino-Soviet bloc. In this context, resort to a total trade embargo against the Soviet bloc is, in the British view, an extreme retaliatory measuresto be invoked at an advanced state of the crisis (e.g. after the Allied decision to use force to restore freedom of passage has been reached, but before the decision has been implemented.) The French too have in general favored the retention of maximum flexibility but have recently stressed the need to apply all possible types of economic sanctions before any use of force is contemplated in the Berlin situation.

It may be anticipated that Allied receptivity to our approach will be enhanced once the first real stresses of crisis are upon us. In his recent Washington discussion, German Defense Minister Strauss spoke of the Berlin crisis, beginning with the blocking of access, in therms of Phase I -- a period of diplomatic activity (notes, protests, possible reference of the issue to the UN) as well as of the early activation of an airlift; Phase II -- a period devoted to measures of "economic warfare'; and Phase III -- resort to a graduated system of military measures. Minister Strauss urged a vigorous resort to non-military countermeasures during Phase II because, in his view, these measures would not inexorably set into motion (as he believes resort to Phase III military measures will) a course of events which is no longer susceptible to Allied control. Our other Allies undoubtedly share this conviction that resort to Phase III military measures must be considered as in extremis measures. Accordingly, as the crisis develops, they (including the British) will increasingly come to see in non-military countermeasures of great severity and widespread application the major hope for the avoidance of thermonuclear war.

Burden sharing.

Allied acceptance of increasingly severe countermeasures may be hastened by considering promptly cooperative Allied measures to spread more equitably the incidence of the burden involved in the imposition of sanctions. Inevitably, certain of the Allies will be harder hit than others. This will be readily apparent where the Allied (and other)

participation in applying sanctions is less than complete and the sacrifices of the participants represent opportunities for gain to the non-participants -- not to mention the frustration of the objectives of the sanctions imposed. But it will be no less true if full participation and complete success is achieved in imposing sanctions.

The detailed country-by-country studies of trade dependence (attachment) assuming an embargo of exports and imports, summarize the total and commodity impact of an interdiction on trade under the three situations: embargo against 1) East Germany, 2) the USSR and European satellites, and 3) the Sino-Soviet bloc.

An analysis of this information suggests that two levels of impact may be identified. The first is of major significance and includes the situation of Iceland which "would be faced with economic disaster as a result of an embargo on trade with the European Soviet bloc", and the case of Hong Kong which would be placed in a highly vulnerable position as a result of an embargo on trade with the Sino-Soviet bloc. A secondary level of impact involves particular areas of the economy within additional countries which would be adversely affected by a loss of trade. In the latter category would fall Canadian exports of wheat to Communist China, the shipbuilding industry in Denmark and Italy, Norwegian exports of fish, exports of citrus, bauxite and raw cotton from Greece, and Turkish exports of tobacco. For a number of countries some adjustment would be necessary in compensating for losses of Soviet-supplied oil and timber products and of Soviet bloc markets for iron and steel products.

In dealing with the problem of compensatory measures to minimize the impact of a trade embargo, certain principles are suggested which should underlie a multilateral approach to these problems, e.g.: 1. Whatever burden is imposed as a result of a trade embargo should fall equitably on the countries participating in the action. 2. To the extent such burdens fall inequitably, it should be recognized as a group responsibility to provide such relief as is possible through multilateral action. 3. The country-by-country analysis suggests that on a prima facie basis and with the exception of Iceland and the special problem of Hong Kong, countries which accept the responsibility for joining in common embargo action should be willing to accept the loss in trade which would inevitably result. However, it is unlikely that the UK and Italy, to cite important examples, would willingly accept the disproportionate losses this would involve for them.

The problems of adjustment which would warrant multilateral attention would concern means of supplying particular countries with essential imports normally available from the Soviet bloc. As a general rule, the compensation for loss of export markets to Western countries would not seem to warrant joint action.

The problem of Iceland could be dealt with through excluding Iceland from participation in the embargo action. Iceland is not now, for example, a member of the COCOM multilateral group which normally collaborates on trade control matters. Any alternative measures to compensate for losses of Soviet bloc suppliers for essential Icelandic imports would unquestionably be very complex to work out within the NATO framework.

The special problem of Hong Kong would become critical only at the time when the embargo action is extended to Communist China. The same observation would apply to the special problem of Japanese trade relations with Communist China. If it should be decided to take action only with respect to the European Soviet bloc, obviously these special problems could be avoided.

ATTACHMENT TO
ANNEX B

ECONOMIC CONSEQUENCES FOR THE EMBARGOING COUNTRIES OF A TOTAL TRADE EMBARGO IMPOSED AGAINST 1) EAST GERMANY; or 2) THE SOVIET BLOC; or 3) THE SINO-SOVIET BLOC

This paper undertakes to estimate the economic significance for the embargoing countries of a total trade embargo imposed against East Germany alone, against the Soviet Bloc or against the Sino-Soviet Bloc. This paper is concerned only with a stoppage of the flow of goods, not with financial or other restrictions that might be imposed.

The main body of the paper is divided into the following sections: assumptions; general conclusions; and summary of country breakdowns.

Assumptions

It is assumed that the political and economic setting in which any one of these degrees of embargo might be imposed would be much as at present -- that is, no radical changes in political attitudes would have occurred to cause dramatic shifts by leading nations towards or away from their present international alignments or neutral positions.

It is also assumed that any trade embargo imposed, if it were to be effective, would have to be announced as being of indefinite duration or as lasting until the area embargoed met specified conditions.

It is further assumed that the United States, as the initiator of any of the three degrees of embargo, would be able to induce its major allies to cooperate in the venture.

General conclusions

The conclusions to be reached from the preliminary country by country examination (see below) of economic consequences to embargoing countries of an embargo imposed against 1) East Germany 2) the Soviet Bloc (USSR and European satellites) or 3) the entire Sino-Soviet Bloc are:

1) An embargo of East Germany would have relatively few economic consequences. Exceptions would be West Germany's exports; Iceland's exports and imports; Norway's exports of fish and pyrites.

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* This paper is classified SECRET because of the nature of the overall subject. The published statistical data used are in themselves UNCLASSIFIED though in most cases the discussion in connection with them is classified.

2) An embargo which included Communist China would have relatively few economic consequences for most embargoing countries in terms of their trade with Communist China. Exceptions would be West German copper exports; Danish pharmaceutical and chemical exports; Canadian grains; Belgian (Bleu) exports; Pakistan raw jute and raw cotton exports; Australian wheat and wool exports.

3) An embargo of the Soviet Bloc (USSR and all European satellites including East German) would by and large have fairly limited to negligible effects in terms of imports from the Bloc except where the embargoing country imports from the Bloc in order to find an outlet for its own exports as, for example, Iceland.

4) Certain countries would find an embargo of the Soviet Bloc (USSR and all European satellites including East Germany) would have considerable to very serious repercussions for their exports. Iceland is the prime example. A stoppage of Iceland's exports to the Bloc would cause economic chaos (unless extensive, enormous and anticipatory steps to prevent such chaos were taken by Western countries). Certain UK industries such as those exporting nonferrous metals, nonelectrical machinery, iron and steel, and chemicals would be hurt to a noticeable degree. The situation for numerous branches of West German export industry would be further aggravated if an embargo were extended from East Germany to the Soviet Bloc. Italy's steel and shipbuilding industries would suffer. Danish exports (shipbuilding) would suffer as would Norwegian fisheries. Pakistan's exports of raw jute would suffer. Northern Iran's exporting sectors (wool, raw cotton, lead ore) would have difficulties. Greece's citrus exports to the Bloc and other raw product exports would face problems.

5) Even though the UK and Portugal might cooperate fully in the imposition of an embargo against the sino-Soviet Bloc, they would risk the loss of or starvation of Hong Kong and Macao if no exception were made for these two dependencies.

6) While no overall "final" figure can be given as to total dislocation of trade for embargoing countries, it is indicative of the size of the problem to note that in 1959 NATO countries (excluding the US) exported $1.7 billion to the Sino-Soviet Bloc and imported $1.8 billion worth of goods. These figures do not take into account the exports and imports of Pakistan and Far Eastern countries which might conceivably participate in an embargo.

Summary for Major Countries

There follows a summary for the major countries. It should be noted that there is no comment on South and Central American countries as it is assumed that they would not be willing (for both political and in some cases economic reasons) to participate in any of the three types of blockade. Fullest treatment is accorded the NATO countries since the degree of trade involved is larger and the significance for the US consequently greater. Discussion of the African area is brief because of the relative insignificance of African trade with the Bloc and lack of available reliable data. It is also assumed that the more important new African nations would not cooperate in imposing an embargo.

NATO Area -- General

As a point of departure it is useful to consider the degree of trade that takes place between the blockading country and East Germany, the Soviet Bloc and the Sino-Soviet Bloc. Total figures for a given country give a fair indication of the maximum effect that the imposition of an embargo might have upon the country in question. In 1959 European NATO imported 0.8% of total imports from East Germany, 3.9% from the Soviet Bloc (including East Germany) and 0.6% from Communist China -- a total of 4.5%. Exports in 1959 were nearly the same with 0.9% to East Germany, 3.6% to the Soviet Bloc (including East Germany) and 0.9% to Communist China -- also a total of 4.5%.

While these totals are small, individual countries may have a far greater degree of trade as e.g., Iceland with total imports and exports for the Sino-Soviet Bloc of 30.7% and 33.7% respectively. The situation may be particularly difficult if the embargoing country is highly dependent upon Bloc purchases of a single type of export such as Iceland's fish.

Although the overall economic consequences for an embargoing country may be relatively small, economic consequences for individual industries and firms may be considerable, e.g., Norway's fish industry.

In situations where the Bloc has been paying for imports from a potential embargoing country in convertible currencies, there could be some balance of payments implications, e.g., the United Kingdom. These would generally not be of major significance, however.

United Kingdom

UK imports from the whole Sino-Soviet Bloc in 1960 accounted for 3.6% of all British imports; UK exports to the Bloc, 3.1% of all British exports. UK trade with East Germany alone played a very minor role

in overall UK trade. British trade with the European Soviet Bloc as a whole was considerably more important, comprising 3.1% of all UK imports and 3.5% of all exports and re-exports. UK trade with Communist China, while somewhat greater than that with East Germany, amounted to only 0.5% of all British imports, 0.9% of exports and re-exports.

The principal UK imports from the various Communist areas were: from East Germany, chemicals; from the Soviet Bloc, wood and wood manufactures, fur skins, meat and dairy products, pulp and waste paper, and chemicals; and from Communist China, bristles and silver, platinum, and jewelry. Of these commodities, only the deprivation of wood and wood manufactures, of which the Soviet Bloc furnished about 17% of all British imports of that commodity, would have a serious effect on the UK economy.

The chief UK exports from the Communist areas were: to East Germany, nonferrous metals and iron and steel; to Soviet Bloc, nonferrous metals, iron and steel, nonelectrical machinery, and chemicals; and to Communist China, nonferrous metals, iron and steel, and wool and animal hair. The loss of its Sino-Soviet Bloc markets for nonferrous metals, iron and steel, and nonelectrical machinery would have a serious effect on the UK economy. Over 17% of all UK exports of nonferrous metals, 7.6% of all iron and steel exports, 4.4% of all chemical exports, and 4.3% of all non-electrical machinery exports went to the Sino-Soviet Bloc in 1960. Moreover, 67.5% of all UK re-exports of raw rubber went to the Bloc.

Consequently, although the imposition of an embargo on trade with the Soviet Bloc, or the Sino-Soviet Bloc, would not pose insuperable problems for the UK, it would create severe hardships for certain industries.

West Germany

West Germany's exports in 1959 to the Sino-Soviet Bloc amounted to 7% of total German exports; imports to 6.9%. West German exports to East Germany of iron and steel products especially, as well as machinery and transportation equipment industries would suffer. Embargo of West German exports to the European Soviet Bloc would add to the problem and an embargo on Communist China as well would hit the copper industry particularly. On the import side West Germany relies on Sino-Soviet sources for manganese ore, certain fuels and chemicals, wood, platinum tin and antimony. Cessation of imports from East Germany would not be serious and could have some stimulating effect upon native industries. No insuperable problems for West Germany.

Italy

Italy's exports to the Sino-Soviet Bloc in 1959 amounted to 5.3% of total exports; imports to 5%. An embargo in East Germany would

have practically no adverse effect on Italy because the degree of trade is so small. An embargo on the European Soviet Bloc would adversely affect certain exporting industries such as the steel industry and the shipbuilding industry. Trade with Communist China is small but Italy has sought to expand it. Imports from the Sino-Soviet Bloc consist largely of crude petroleum, fuel oil, lumber and pig iron and could easily be replaced by sources outside the Bloc. Imposition of an embargo upon the European Soviet Bloc would be disruptive to certain branches of Italian industry exporting to the Bloc but would not pose an insuperable problem for Italy.

France

For France, trade with the Sino-Soviet Bloc does not bulk large in total trade with exports to the Sino-Soviet Bloc 4% of total exports and with imports from the bloc 2.7% of total imports. French trade with the Sino-Soviet Bloc is important mainly because of its exports, which have been growing rapidly and produce a substantial contribution to France's balance of payments surplus. Trade with East Germany forms a very minor part of France's total trade with the Sino-Soviet Bloc. Trade with Communist China is about 20% of total Sino-Soviet Bloc trade on the export side; 14% on the import side. The character of French trade with the Sino-Soviet Bloc is such that its suspension might well have some effect on the overall French economic situation.

Iceland

Iceland's exports to the Bloc in 1959 totalled $21.8 million or 33.7% of global Icelandic exports; imports from the bloc in 1959 totalled $29 million or 31% of Iceland's global imports. Iceland's trade with Communist China is negligible. An embargo on trade with East Germany, however, would have serious impact and outside assistance would be necessary. Icelandic exports to East Germany in 1959 amounted to 5% of Iceland's total exports ($5.1 million), and 7% of total imports ($6.6 million). Alternate markets for Icelandic fish would be hard to find quickly while important imports from East Germany of motor ships, metal and electrical machinery would have to be made from western sources, thus placing a serious strain on an already precarious balance of payments position.

Iceland would be faced with economic disaster as a result of an embargo on trade with the European Soviet Bloc which supplies essential raw materials for its industrialization and livelihood in return for fish for which Iceland has been unable to find sufficient markets in the West. Mounting blance of payments problems prevent Iceland from replacing present Soviet Bloc imports by imports from the West. The Soviet Bloc buys about 50% of Iceland's fish exports (Iceland's total fish exports constitute 40% of Iceland's GNP). Fisheries and fish processing industries account for 13% of Iceland's GNP, and are major sources of employment. Over two-thirds of all fuels (including mineral) imported into Iceland

come from the Bloc, which also provides 49% of all iron and steel bar, sheets, wire, pipes, tubes, etc. The Soviet Bloc shares of Icelandic imports of industrial machinery range from 49 to 67%.

In sum, a disaster for Iceland.

Denmark

Denmark's exports to the Sino-Soviet Bloc in 1959 amounted to 4.6% of total exports; imports to 5.6%. An embargo on trade with East Germany would not have any serious economic consequences since Denmark's trade with East Germany is minimal. An embargo on the European Soviet Bloc would have serious repercussions for the shipbuilding sector and possibly for the agricultural sector (if the latter's problems vis-a-vis EEC are not satisfactorily settled). On the import side Denmark takes 12% (by value) of its mineral fuels from the Soviet Bloc (Poland and the USSR). Trade with Communist China is very small but even so the Danish chemical and pharmaceutical export industries would suffer to some degree if an embargo were imposed on Communist China. Some difficulties, especially on the exporting side, for Denmark.

Canada

Canada's export trade with the Sino-Soviet Bloc in 1959 amounted to 0.7% of total exports; imports to 0.3%. An embargo on trade with East Germany would have virtually no effect on the Canadian economy. Imposition of an embargo on the European Soviet Bloc would affect certain industries, in particular those exporting barley and wheat, synthetic rubber, nickel and aluminum. During 1961 Canada hopes to export $61 million, mostly wheat, to the European Soviet Bloc (over 1% of total Canadian exports). Vis-a-vis Communist China barley and wheat exports would be even more hurt by an embargo. Canadian imports from the Sino-Soviet Bloc are of small importance. In sum, certain exports would suffer very considerably, especially grains, from an embargo on the European or Sino-Soviet Blocs but even so this would not impose an insuperable problem for the economy as a whole.

Norway

Norwegian exports to the Sino-Soviet Bloc in 1960 amounted to 4.8% of her total exports; imports to 3.4%. An embargo on trade with East Germany would have economic consequences since Norway's exports to East Germany cover products difficult to market elsewhere, such as pyrites and fish. In return, Norway imports sugar, textiles and cereals from East Germany, which is Norway's largest Communist trading partner, next to the USSR.

An embargo on trade with the Soviet Bloc (USSR plus European satellites) would have serious repercussions on Norway's large fisheries. The Soviet Bloc's imports of 10% of Norway's exports of fish and fish products are important because the present trade split in Western Europe causes difficulties for Norway's fish exports to traditional markets

now within the EEC. About 5% of the active population is engaged in fishing. Exports of this industry account for 12.6% of all Norwegian exports. Furthermore, the effects would be felt in Norway's most sensitive areas of less developed Northern Norway. The government has for political and economic reasons concentrated on industrialization of that area since World War II, with particular emphasis on fisheries and fish processing plants. Norwegian construction of an industrial Soviet plant across the North Norwegian border at Boris Gleb would also be affected.

The larger portion of commodities involved in Norwegian Soviet Bloc trade go on Norwegian ships which also carry goods from other nations trading with the Soviet Bloc. This may have some effect on the Norwegian shipping industry which contributes 14% of Norway's GNP. Other important Norwegian industries would not be seriously affected by an embargo since only minor percentages of base metals, paper and pulp products, and chemicals go to Soviet Bloc countries.

It is not believed that embargo on imports of such products as petroleum (9% of total requirements) from the European Soviet Bloc countries would cause unmanageable problems.

Cessation of trade with Communist China would have little impact on Norwegian economy.

Some difficulties in already troubled sectors such as fisheries and shipping, for Norway.

Belgium-Luxembourg (BLEU)

BLEU imports from the whole Sino-Soviet Bloc in 1960 accounted for 2.2% of all BLEU imports; BLEU exports to the Bloc 3.7% of all BLEU exports. BLEU trade with East Germany alone played a very minor role in overall BLEU trade. BLEU trade with the European Soviet Bloc as a whole was more important, comprising 2% of all BLEU imports and 2.5% of all exports. In terms of value, Communist China was the leading Communist Bloc customer for BLEU exports, followed by Czechoslovakia and the USSR.

The principal BLEU imports included base metals, metal ores, and food products from all countries; wood and wood products from Poland and the USSR; gas oil and diesel oil from Rumania and the USSR; and machinery from Czechoslovakia and East Germany. BLEU exports to the Sino-Soviet Bloc were primarily iron and steel products and artificial fertilizer.

In the face of the loss of many of its markets in Africa and the Arab world, Belgium has actively sought to enlarge its exports to the

Sino-Soviet Bloc and it will increasingly feel the need to do so. The loss of its Sino-Soviet market would not constitute a serious blow to the economies of BLEU, but it would have an undesirable effect on certain industries, particularly iron and steel products; exports of some of these items make up a significant percentage of total BLEU exports in this field.

The Netherlands

Netherlands imports from the whole Sino-Soviet Bloc in 1959 accounted for 3.4% of all Dutch imports; the Netherlands exports to the Bloc only 1.9% of all its exports. Netherlands trade with East Germany alone played a very minor role in overall Dutch trade, although trade with the GDR increased by 27% in 1960. Dutch trade with the European Soviet Bloc as a whole was somewhat more important, comprising 2.9% of all Dutch imports, and 1.6% of all Dutch exports. Netherlands trade with Communist China was minimal and at the same level as its trade with East Germany.

The principal Dutch imports include wheat, tin, and semi-finished lumber from the USSR and unfinished cotton cloth from Communist China. The principal Dutch exports include textiles and ships, installations for road construction, chemical products, machinery, glass, and iron pipes.

The imposition of a trade embargo with the Sino-Soviet Bloc would probably have little effect on the Dutch economy. It should be noted that the main Dutch problem in trading with the Sino-Soviet Bloc, and particularly with the USSR, has been the preponderance of imports over exports of Dutch industry would be adversely affected by an embargo, and a tight labor market precludes the problem of unemployment.

Greece

Greek trade with East Germany is of minor importance; with Communist China, insignificant; but with the Soviet Bloc (USSR and European satellites), of considerable importance, especially in certain fields. In the first 11 months of 1960, Greece's imports from the Soviet Bloc amounted to 7.7% of total Greek imports; exports, to nearly 21%.

With respect to certain imports and exports, significant quantities are involved in Greek-Soviet Bloc trade. In 1959, Greece imported from the Bloc about 50% of its imports of refined petroleum products, 50% of its coal, and 40% of its wood. It exported to the Bloc about 89% of its exports of lemons, 45% of its oranges, 49% of its bauxite, 27% of its raw cotton and 22% of its hides and skins. While the commodities that Greece now imports from the Bloc could in most cases probably be replaced from Free World sources without excessive difficulty,, the effects of a cessation of trade would inflict severe hardships on the producers of the exports noted above.

Other Areas

Pakistan

In 1959-60 Pakistan imports from the Sino-Soviet Bloc were 2.4% of total imports; 6.4% of total exports. Pakistan's trade with East Germany is negligible. Export trade with the European Soviet Bloc would suffer with regard to jute. The addition of Communist China to an embargo would cause difficulties forPakistan's raw cotton exports. In the latter half of 1960 Communist China took 44% of Pakistan's raw cotton exports. (Raw cotton in 1959 accounted for nearly 16% of Pakistan's total exports). Loss of trade with the Sino-Soviet Bloc would cause no real problem with imports. In sum, a problem for exports of raw jute and raw cotton.

Iran

In the first nine months of 1960, Iranian exports to the Sino-Soviet Bloc accounted for 31.3% of total exports; imports for 5.8%. Trade with East Germany and Communist China is insignificant. The Soviet Union is the most convenient source of some Iranian imports and the best market for some of Iran's exports. Exports to the bloc in order of value were wool, raw cotton, lead ore, goat and sheep skins, fish and fish products. Imports were iron and steel, cotton textiles, timber, weaving and mining machinery, and paper and paper products. In sum, a problem with exports, especially for Northern Iran.

Turkey

Turkey in 1960 exported 12.2% of total exports to the Sino-Soviet bloc; imported 9.1% of total imports from the Bloc. East Germany accounted for less than 2% of Turkey's total trade and there is no recorded trade with Communist China. Exports to the European Soviet Bloc (USSR plus European satellites) accounted for 24% of Turkey's tobacco exports in 1959, Turkey's principal export commodity. Fruits, nuts, vegetables and cotton are also significant exports to the Bloc. In sum, a problem for Turkish tobacco exports.

Japan

Japan's imports in 1959 from the Soviet Bloc were 1.4% of total imports and exports to the Bloc 1.2% of total exports. Japanese trade with East Germany and Communist China is negligible. The principal effect of an embargo on trade with the Sino-Soviet Bloc would be to close to Japan avenues of potential increases in her international trade. No significant problems for Japan.

Australia

Australia's imports from the Sino-Soviet Bloc were in 1959-60 less than 1% of total imports and exports to the Bloc 5.2% of total exports. Communist China has been assuming a more important role recently in purchases of Australian wheat and wool.

Estimated Impact of Western Economic Sanctions Against the Sino-Soviet Bloc

The Problem

The problem is to estimate the likely impact of a total embargo imposed, alternatively, by the United States, or the Western Allies (NATO plus Japan), against:

a. The Sino-Soviet Bloc countries as a whole, or
b. The USSR and its European Satellites, or
c. East Germany

Strategic Aspects of the Bloc Economics

The Sino-Soviet Bloc countries as a whole comprise a formidable and largely self-sufficient economic unit. Their combined population is nearly one billion and gross annual output is now over $350 billion. The primary objectives of economic activity are the development and maintenance of military strength, and rapid industrial growth, which has been averaging about 10 per cent a year.

The countries of the Bloc have consistently pursued a policy of attaining maximum economic independence from the West. This policy has been tempered by the desire to draw on the Western nations for advanced technology embodied in industrial equipment, and on the raw material resources of the Free World for those few commodities which either are not present in the Bloc at all or else are in insufficient quantities -- natural rubber, copper and certain agricultural products.

Total Sino-Soviet Bloc imports in 1960 amounted to nearly $15 billions, of which less than $5 billions or one-third was from the Free World, reflecting the policy of avoiding dependence on non-Communist powers. Of Free World trade, 50 percent was with the NATO countries and Japan. Since the death of Stalin, there has been a trend of increasing imports from the West, particularly in the case of the USSR, which is now importing roughly up to the limit of its ability to pay.

Because of the highly diversified resource base of the Sino-Soviet Bloc economies, considered in the aggregate, and their generally advanced state of industrialization, the economic effects of a trade and transport embargo would be minimal in the long run. However, the short-run disruption would be significant, particularly to the attainment of some key industry goals of the USSR's current Seven-Year Plan (1959-65). Additionally, the chronic food deficit of the European Satellites is currently compounded by the food shortage of Communist China, so that the loss of planned imports of Free World grain would have some additional disruptive effects within the Bloc.

Estimated Impact of a Unilateral Embargo by the United States

The United States already maintains a complete embargo on trade with Communist China, and also a higher level of restrictions on exports to the European Bloc than do the Western European countries. Other U.S. measures which restrict trade with the USSR are the denial of Most-Favored-Nation tariff treatment and the provisions of the Johnson and Battle Acts which prohibit governmental and private loans. For these reasons, the volume of U.S. trade with the Communist world is small and non-strategic in nature.

Total exports of the United States to the Communist Bloc amounted to only $193.4 millions in 1960. Of this total, $143.1 millions, consisting primarily of grain and raw cotton, went to Poland. The comparatively large volume of shipments to Poland is a reflection of our policy to assist that nation in maintaining the measures of freedom and independence from Soviet domination thus far achieved. An embargo on either the Sino-Soviet Bloc or the USSR and its European Satellites would, of course, cut off these agricultural products to Poland. This would decrease Poland's freedom of negotiation with the USSR, but would not impose any serious problems on the Bloc as a whole as long as other Free World suppliers remain available.

U.S. exports to East Germany amounted to $3.9 millions in 1960, of which almost two thirds were steel, largely sheet. This is less than one per cent of East Germany's steel consumption, and apart from some administrative inconvenience in adjusting suppliers, no economic effects could be expected from embargo.

U.S. exports to the USSR amounted to about $39 millions in 1960, and were composed largely of textile machinery and steel products. The denial of textile and other civilian machinery in such limited quantities would have little economic effect on the USSR because virtually identical equipment is available in Western Europe. The steel products going to the USSR are, it is believed, not for strategic purposes but for the production of civilian goods. U.S. steel accounts for about 5 per cent of such Soviet imports from NATO countries, and is not a significant addition to total USSR availabilities.

Estimated Impact of a NATO (plus Japan) Embargo on the Sino-Soviet Bloc Countries

The Bloc Wide Case

Under generous assumptions of impact, the economic loss which the NATO countries (including Japan) could impose on the Sino-Soviet Bloc through embargo would be about $4 billions. The denial of the $700 million of imports currently moving to the USSR, the $1.2 billion flowing into the European Satellites and the $500 million currently being imported by China would cause an immediate decline in output in the Bloc as a whole and most of the loss of $4 billions, or about 2 months growth, would be felt in the first six months following the imposition of the embargo. Recognizing the alternatives which actually would be open to the Bloc, the fact that, in part, denied imports of steel, machinery, etc., could be obtained in non-NATO countries such as Sweden, Austria, and Switzerland, and recognizing the possibilities for substitutions from Bloc sources, the actual loss expected would be smaller than this. The major burden would be felt by the European Bloc.

At present levels the seaborne foreign trade of the Sino-Soviet Bloc is nearly 100 million tons annually, of which almost 65 percent moves on Western, primarily NATO shipping. The imposition of economic sanctions would reduce this volume nearly by half allowing the Bloc to carry, on its own vessels, over 60 percent of the reduced total. To carry the remainder would require about 2 million deadweight tons of shipping which the Bloc would have to charter from non-NATO sources. The most readily available non-NATO shipping is represented by the tramp fleets of Panama, Liberia, Honduras, Sweden, Finland, and Yugoslavia. These fleets total over 20 million DWT and the Bloc should have little trouble chartering the 2 million DWT which it would need.

The Chinese Case

There are no strategic or vital industrial imports from NATO countries into Communist China that cannot be replaced by imports from the Soviet Bloc or other Free World countries. Two Chinese imports, grain and chemical fertilizers, would be seriously affected by an embargo by the NATO powers participated in by Australia and Japan. In order partially to overcome the effects of two successive bad harvests, China has contracted to buy more than 5.5 million tons of grain (primarily wheat) from Canada and Australia during 1961. In recent years, Chinese import of chemical fertilizer from NATO countries has been nearly one million tons annually, or about one-fourth of total domestic supplies.

If Chinese trade with NATO, Australia, and Japan were terminated, it is unlikely that either the grain or chemical fertilizer imports could be replaced by imports from the Soviet Bloc. It would not be possible for China to replace the bulk of these grain and fertilizer imports directly from other countries in the Free World, and any attempts to obtain these imports through an intermediary would be extremely difficult. The only major wheat exporter not participating in the embargo would be Argentina. Exports of wheat from Argentina have declined sharply in recent years, and on 1 June 1961 the total supply of wheat in Argentina available for export and carryover was only one million tons. China could substitute rice imports from Burma and other countries for perhaps a quarter of the planned imports of wheat from Canada and Australia, although it would be more difficult for China to obtain the same favorable credit terms for rice that now apply to its purchase of wheat.

The loss of grain imports and fertilizers would compound already critical food shortages, although probably the regime would impose severe rationing which would provide adequately for the party, the military establishment and the industrial labor force.

The Soviet Bloc Case

If economic sanctions are levied only against the USSR and the European Satellites leaving China free to carry on foreign commerce, the aggregate impact estimated above is obviously lessened by the amount of damage estimated for the Chinese economy. As for the impact of the sanctions against the USSR and the European Satellites, it would remain about the same as in the case of sanctions against the entire Bloc. It is not likely that the availability of Western markets to the Chinese alone would be any more than a fairly long-run advantage to the USSR and the European Satellites.

The impact of an embargo would fall unevenly on individual sectors of the Soviet economy. In spite of the general validity of Khrushchev's repeated assertions that "in our economic development we rely wholly on the internal forces of our country, on our resources and possibilities . . . Irrespective of whether or not we shall trade with western countries . . . the implementation of our economic plans . . . will not in the least be impeded," it is clear that it will be difficult for the Soviet economy to fulfill certain key investment plans without recourse to imports from NATO countries.

Pursuant to the requirements of the Seven-Year Plan, Soviet imports during 1961-65 will continue to focus on machinery and equipment particularly for the chemical industry, for rail and water transport, and for light and food processing industries. Other Soviet import priorities include metallurgical equipment, metalcutting machine tools, equipment for the

electronics industries, and oil field equipment, particularly large diameter pipe for oil and gas transmission. The priority expansion of the chemical and petrochemical industries postulates substantial imports of chemical equipment, particularly for plastics and synthetic fiber production, to compensate for lagging technology and inadequate manufacturing capacity in the domestic machine building industry.

Plans for modernizing and improving Soviet transport capabilities -- an essential element of the over-all Plan -- call for sizeable imports of merchant shipping and railway equipment to effect a saving in domestic plant expenditures. Similarly, the more rapid growth in consumer goods production, only recently reiterated by Khrushchev as a priority objective of the current Plan, is based in part on substantial imports of textile and food processing equipment to obviate the need for extensive domestic investments in research and development by providing up-to-date plants and installations.

Most of the import requirements generated by the Seven-Year Plan will be satisfied, as in the past, in trade with the Sino-Soviet Bloc. For the fulfillment of plans for certain industrial sectors, however, imports from NATO countries are significant. For example, without imports of chemical equipment and technology from NATO countries (such imports have increased more than tenfold between 1956 and 1959) prospects for fulfillment of planned output in fertilizers, plastics, synthetic fibers and synthetic rubber, are doubtful. Khrushchev himself has admitted that imports from capitalist countries, primarily from the U.S., the U.K. and West Germany, would provide the USSR with "quicker fulfillment of its program for the construction of new chemical enterprises without wasting time on creation of plans and mastering of the production of new types of equipment." In sum, NATO denial of certain kinds of chemical equipment to the Soviet Bloc (and in spite of the diversion of such imports to other sources of supply) would impede production of the required product mix of equipment for the Bloc chemical industry, principally because of the technical problems involved in developing new chemical equipment, plant and technology.

Similarly, while imports of rolled steel from NATO countries have supplemented domestic production, such imports in 1960 have accounted for little more than 2 per cent of total Soviet supply (a larger share of Satellite supply) and overall Soviet plan goals for crude and rolled steel are not contingent on imports from NATO. For specific steel shapes, however, imports are a considerably larger share of Soviet supply. Completion of the ambitious Soviet pipeline program with its requirements for large diameter pipe have imposed a heavy burden on Soviet Bloc steel producers. It is likely that the Bloc will face deficits in the production of large diameter pipe at least through 1963 and possibly through 1965 and beyond -- shortfalls for which the Bloc will have to compensate by imports of pipe from NATO countries if it is not to suffer delay in its pipeline program.

The disruptive effects of a NATO embargo on food exports to the Soviet Bloc could be minimal, were it not for the large requirements of Communist China. The USSR continues to be a large overall net exporter of grain, with the chronically food-deficit Satellites accounting for about three-quarters of the principal agricultural commodities exported by the USSR. With the exclusion of China, a NATO denial of grain exports to Eastern Europe (NATO exports of grain to the USSR, almost exclusively from Canada, are relatively small and destined largely for its more remote far-east regions) could be compensated by a diversion of Soviet grain shipments from NATO countries to Eastern Europe. In the two-year period 1959-60, the Soviet net export position in grain to the NATO area was approximately equal to the Satellite net deficit position with the same area. Again excluding Chinese requirements, the diversion of Soviet grain shipments to Eastern Europe, and Satellite food exports from Western to Bloc recipients, coupled with increased purchases of sugar, rice, tropical fruits and vegetables and other foodstuffs from underdeveloped areas, could do much to mitigate the disruptive effects of NATO sanctions.

The impact of the denial of NATO shipping to the USSR and the European Satellites in similar to that estimated for the entire Sino-Soviet Bloc except that the amount of shipping which the Bloc would have to charger from non-NATO countries would only be about 1.5 million DWT. This amount would be readily available among the tramp fleets of non-NATO countries.

The embargo would be expected to have no impact on the Soviet military program. Some redirection of investment activity would be expected in order to compensate for the loss of capital goods imports from the NATO countries. The effect would probably be focused mainly in the Soviet consumer goods industries, and perhaps housing as resources were diverted to maintain the Soviet military program and to supply the industrial material needs of the Satellites. Depending upon the degree of dislocation that stems from the readjustment process and the extent to which the USSR fills Satellite needs, the overall impact upon Soviet economic growth would range from negligible to a very small decline. It is probable that the Soviet consumer would bear the brunt of any such decline.

The East German Case

Despite East German official announcements suggesting the contrary, only a very marginal reduction in current dependence on imports from NATO countries as a whole has been affected by means of changes in East German economic plans and foreign trade arrangements since the latter part of 1960. The East German regime apparently has been forced to adopt a policy of only gradual reduction in the range of commodities for which the East German economy is entirely or mainly

dependent on NATO countries. In order to reduce greatly its current dependence on imports of key commodities -- particularly steel -- East Germany and other Soviet Bloc countries would have had to make economic adjustments, incurring costs equivalent to a substantial portion of the loss from an embargo.

Shipments from NATO countries continue to represent approximately one-sixth of total East German imports. As before, a significant portion of these imports consists of commodities which are of special importance to the East German economy and are in short supply within the Soviet Bloc. East German dependence on NATO also remains significant for imports of new technology. Although West Germany continues to provide by far the major portion of East German imports from Western Europe, the relative importance of trade with other NATO countries has increased significantly. These countries currently are providing a substantially larger share of the most important commodities imported by East Germany from NATO -- steel, particularly high quality steels, chemicals, and machinery (including equipment for whole chemical and metallurgical plants).

It is doubtful that other industrialized Western countries (Austria, Sweden, and Switzerland) would be able to provide these goods in the amounts and types adequate to the fulfillment of East German needs now covered by supplies from NATO countries. The necessity to concentrate purchases in a few markets would add significantly to East Germany's marketing problems.

East Germany, therefore, would probably suffer significant economic losses in the event of a NATO embargo. In December 1960 it was estimated that the total loss to the East German economy during the first six months following a general NATO embargo would perhaps approximate $250 million or, at an annual rate of $500 million, approximately two-thirds of one year's increment to total industrial output (or one-half of one year's increase in gross national product). Failure to receive current imports from NATO of metallurgical products and materials could result in a decline of approximately 10 percent in East German supplies of finished steel. A cut of 10 percent in steel supplies could result in a proportionate cut in the output of the engineering industries, a cost of about $250 million on an annual basis. The cost resulting from the loss of other bottleneck items might increase this amount to $400 million. The denial of the remainder of East German imports might create an additional loss in the value of output on the order of $100 million.

These estimates represent only a general order of magnitude and, as such, are a reasonable measure of current East German vulnerability. However, as a result of improved contingency planning, which is presumed to be more comprehensive and specific than before, and assuming broad support from the rest of the Bloc, the duration of the period of substantial economic disruption has probably been reduced somewhat from 6 months to perhaps 4 or 5 months. Economic losses would then decline steadily until a new structure of priorities, permitting supplies of commodities once again to be in balance with requirements for them, had been achieved.

CIA/ORR
16 July 1961

TOP SECRET

Memorandum for All Holders of
Documents Prepared in Response to
NSC Action Memorandum No. 59 of July 14, 1961

The attached table entitled "NATO (including Japan) Exports to Sino-Soviet Bloc - January-September 1960" should replace the table with the same title in "Documents Prepared in Response to NSC Action Memorandum No. 59 of July 14, 1961", located at the third from last page of the documents contained under Annex B.

T. C. Achilles

TOP SECRET

NATO (Including Japan) Exports to Sino-Soviet Bloc - January-September 1960 1/
(Millions of U.S. dollars)

	Bloc	Per-cent	European Bloc	Per-cent	European Satellites	Per-cent	USSR	Per-cent	Communist Far East	Per-cent
Total	1,697.4	100.0	1,414.3	100.0	867.5	100.0	546.8	100.0	283.1	100.0
Food, Beverages, Tobacco, Fats & Oils	209.9	12	209.3	15	171.1	20	38.2	7	0.6	0.2
Crude Materials, inedible, including Fuels	194.4	11	170.4	12	99.9	12	70.5	13	24.0	9
Chemicals	191.6	11	133.7	9	96.5	11	37.2	7	57.9	20
Manufactured Goods	695.7	41	529.0	37	315.3	36	213.7	39	166.6	59
Of Which - Iron and Steel	(423.1)	(25)	(337.5)	(24)	(181.4)	(21)	(156.0)	(28)	(85.7)	(30)
Machinery and Transport Equipment	386.7	23	354.4	25	171.3	20	183.1	33	32.4	11
Other & Miscellaneous Transactions	19.1	1	17.6	1	13.4	1	4.2	1	1.5	0.5

1/ Data for Japan are for year 1960.

NOTE: Figures may not add to totals because of rounding.

SOURCE: OEEC Statistical Bulletin, Series C. January-September 1960. Foreign Trade of Japan 1960.

NATO (Including Japan) Exports to Sino-Soviet Bloc - January-September 1960 1/
(Millions of U.S. dollars)

	Bloc	Per-cent	European Bloc	Per-cent	European Satellites	Per-cent	USSR	Per-cent	Communist Far East	Per-cent
Total	2,218.5	100.0	1,935.4	100.0	1,388.7	100.0	546.8	100.0	283.1	100.0
Food, Beverages, Tobacco, Fats & Oils	264.1	12	263.5	14	225.3	16	38.2	7	64.1	2
Crude Materials, inedible, including Fuels	228.1	1	204.1	10	133.6	10	70.5	13	24.0	9
Chemicals	266.2	12	208.2	11	171.1	12	37.2	7	57.9	20
Manufactured Goods	946.4	43	779.8	40	566.1	41	213.7	39	166.6	59
Of Which - Iron and Steel	(375.1)	(17)	(289.5)	(15)	(133.4)	(10)	(156.0)	(28)	(85.7)	(30)
Machinery and Transport Equipment	492.1	22	459.7	24	276.7	20	183.1	33	32.4	11
Other & Miscellaneous Transactions	21.7	1	20.1	1	15.9	1	4.2	1	1.5	5

1/ Data for Japan and for year 1960.

NOTE: Figures may not add to toals because of rounding.

SOURCE: OEEC Statistical Bulletin, Series C. January-September 1960. Foreign Trade of Japan 1960.

NATO (Including Japan) Trade with Sino-Soviet Bloc, 1959

(Millions of U.S. dollars)

	NATO Exports							
	Bloc	Per-cent	European Bloc	Per-cent	European Satellites	Per-cent	USSR	Per-cent
Total	1,874.0	100.0	1,527.0	100.0	1,080.0	100.0	447.0	100.0
Food, Beverages, Tobacco, Fats and Oils	250.7	13.4	250.0	16.4	198.0	18.3	51.9	11.6
Crude Materials, inedible except Fuels	197.5	10.5	177.8	11.6	134.0	12.4	43.9	9.8
Mineral Fuels, Lubricants and Related Materials	30.4	1.6	30.1	2.0	30.1	2.8	--	--
Chemicals	243.1	13.0	142.6	9.3	119.8	11.1	22.8	5.1
Manufactured Goods	739.6	39.5	543.5	35.6	359.4	33.3	184.1	41.2
Of Which - Iron and Steel	(393.9)	(21.0)	(306.8)	(20.1)	(190.0)	(17.6)	(116.9)	(26.1)
Machinery and Transport Equipment	393.0	21.0	366.2	24.0	226.1	20.9	140.1	31.3
Other Merchandise and Miscellaneous Transactions	19.7	1.1	16.9	1.1	12.7	1.2	4.2	0.9

NATO (Including Japan) Trade with Sino-Soviet Bloc, 1959 (continued)

(Millions of U.S. dollars)

	NATO Imports							
	Bloc	Per-cent	European Bloc	Per-cent	European Satellites	Per-cent	USSR	Per-cent
Total	1,981.0	100.0	1,735.4	100.0	1,023.7	100.0	711.6	100.0
Food, Beverages, Tobacco, Fats and Oils	494.7	25.0	432.9	24.9	316.9	31.0	116.0	16.3
Of Which - Wheat	(81.4)	(4.1)	(81.4)	(4.7)	(26.7)	(2.6)	(54.7)	(7.7)
Crude Materials, inedible except Fuels	518.1	26.2	402.4	23.2	121.8	11.9	280.6	39.4
Mineral Fuels, Lubricants and Related Materials	355.5	17.9	344.6	19.9	180.6	17.6	164.1	23.1
Of Which - Coal	(149.4)	(7.5)	(139.0)	(8.0)	(97.6)	(9.5)	(41.4)	(5.8)
Petroleum	(204.9)	(10.3)	(204.5)	(11.8)	(81.8)	(8.0)	(122.7)	(17.2)
Chemicals	118.5	6.0	110.5	6.4	78.5	7.7	31.9	4.5
Manufactured Goods	375.6	19.0	333.7	19.2	226.3	22.1	107.4	15.1
Machinery and Transport Equipment	98.1	4.9	98.0	5.6	88.1	8.6	9.9	1.4
Other Merchandise and Miscellaneous Transactions	20.7	1.0	13.2	0.8	11.5	1.1	1.8	0.2

NOTE: Figures may not add to totals because of rounding.
SOURCE: U.S. Department of Commerce, country by commodity series 1959.

RECOMMENDED ALLIED FORCE CONTRIBUTIONS

It lies within the capability of the NATO powers to bring about a large increase in their non-nuclear military strength. Some increases in strength could be managed within several weeks; within six months a major improvement in the basic military situation in Central Europe could take place. The key to the potential change lies in the ground forces.

At the present time there are 19 2/3 active NATO divisions (including 5 U.S. Divisions) on the central front in Europe. Many of the 14 2/3 non-U.S. Divisions are far below strength, poorly equipped and with inadequate stocks. The opposing Soviet ground strength amounts to 20 divisions. Most importantly, the ability of the Soviet Union to mobilize additional forces and move them into Central Europe far exceeds that of the NATO forces. At M/30 days, the Soviet Union would have 55 well-equipped divisions in the central area with others in reserve against a total of perhaps 30 to 33 mostly poorly equipped divisions on the NATO side. In any case, the NATO stock levels would probably not be adequate for much more than 3 or 4 weeks of intensive combat.

It is this disparity in ground strength that has both dictated - and in turn been influenced by - NATO's basic strategy; to plan on resorting to nuclear war, general war, at the outset of a war with the Soviet Union. The policy has been almost exclusively deterrence oriented, with relatively little regard for the political or military objectives of any conflict that might, nevertheless, occur.

The program of action the U.S. proposes for its NATO Allies has two parts: First, the U.S. would call upon its Allies to bring their ground forces in Central Europe up to the level called for in the MC-70, the agreed NATO force posture. Second, additional divisions would be in reserve available for call-up. (The extra divisions would be approximztely those now in 1st Echelon status: equipped reserve forces available in 30 days.) The following table summarizes the forces now in place and those desired in the build-up:

NATO Forces on Central Front

(See next page)

NATO Forces on Central Front*

	Present	Minimum Additional Recommended	Total With Minimum Increase	Additional Forces Desired	Total Desired Forces
U. S.	5	+2	7	+4	11
France	2	+2	4	+4	8
Germany	6	+3	9	+3	12
Belgium	2		2		2
Netherlands	2		2		2
U. K.	7/3	+1	3 1/3-	2/3	4
Canada	1/3	+2/3	1		1
	19 2/3	8 2/3	28 1/3	11 2/3	40

* In addition, Italy would be asked to have two divisions available for call-up. Countries on the Northern and Southern flanks would be encouraged to increase their state of readiness to the maximum extent without increased U.S. aid.

All NATO Central Region Countries plus Canada

1. Raise training and equipment levels in existing active units.
2. Prepare to bring to combat readiness the forces needed to complete their 1st echelon units.
3. Extend terms of service to minimum of 18 months.
4. Retain technical specialists in service.
5. Improve their logistical support and accelerate procurement of stocks for non-nuclear action.
6. At an appropriate time transfer operational command of selected forces to NATO commanders.

Germany

1. Put 12 divisions in combat ready condition.
2. Increase German procurement in the U.K.
3. Prepare to block the Baltic exits.
4. Accelerate actions leading to joint U.S.-German use of logistic facilities.

France

1. As shown in table, deploy in Central Europe 2 additional M-Day divisions for a total of 4.
2. Allow storage of U.S. nuclear warheads in France.
3. Make available additional bases and training areas, especially to FRG and U.S.

United Kingdom

1. Suspend reduction in British armed forces
2. Have assured rapid ability to fill BAOR units on short notice.
3. Improve logistical support and communications capabilities.
4. Prepare to block the Baltic exits and assist in manning the Greenland-Iceland-U.K. barrier.

Belgium-Netherlands

1. Fill up existing two divisions of each country.
2. Netherlands, at an appropriate time, deploy forces forward into Germany.

From a military viewpoint, the full cooperation of all NATO members is highly desirable but only that of West Germany is vital. The ready troop strength of the FRG as well as geography make the application of military force, air or ground, toward Berlin infeasible without full German cooperation. France's cooperation is almost as necessary; without it any military action would be severely hampered; U.S. air operations and logistical support would be severely dislocated. British cooperation is less essential. However, lack of British cooperation would reduce the available ground and especially air strength, and it would significantly interfere with the U.S. air capability. On the other hand, all the Allied forces that could be called into effective being in the time available could be well used. Each increment of added force would widen the range of military options.

IMPROVED POSITION ANTICIPATED FROM U.S. AND ALLIED MILITARY BUILD-UP

What deterrent and related political effects and what opportunities for action not available from present strengths can be anticipated as a consequence of the U.S. build-up provided in "The Defense Department Recommended Program" and the allied build-up outlined in "Recommended Allied Force Contributions."

Present strength does not appear likely, in itself, to deter the signing of a unilateral Soviet-GDR peace treaty, or to deter subsequent harassing or blockading actions sufficient to jeopardize the continued freedom of Berlin.

The only military action which present strengths make possible is a gradual series of probes culminating in a reinforced battalion sized effort which, if thrown back, would require us either to accept humiliation or to initiate nuclear action. In the meantime the NATO front remains vulnerable to sudden penetration by Soviet forces such as might present us with a fait accompli.

The proposed U.S. and allied build-up would have important deterrent effects upon the Soviet Union and important political effects upon our allies.

Today Europe feels weak and relatively defenseless. The Europeans picture an overwhelming number of Soviet divisions and planes confronting NATO forces which they know to be less than NATO plans have called for and which they believe to be understrength, badly trained and equipped and indifferently integrated into a common force. They believe the only effective military action available to NATO forces is nuclear action and they have little stomach for a nuclear war over Berlin.

The Soviet Union believes it can exploit this sense of weakness either by securing allied agreement to a defacto recognition of the Ulbricht regime and an eventual surrender of Berlin through negotiation, or by unilateral actions in pursuit of its objectives.

The proposed program of U.S. and allied build-up would open wider options for military action, and would thereby create a basis for a reversal of the present sense of allied weakness, and for a substantial increase in the credibility of Western capacity to take actions which would render the situation uncontrollable by the Soviet Union and dangerous to its basic interests.

Carried to completion the U.S. and allied program would make possible the deployment of 37 allied divisions (1,500,000 men) including a substantial force held in reserve, along the crucial central front prior to the sending of a probe along the autobahn. These divisions would be supported by substantial allied air power and by nuclear power generally superior to that of the Soviet Union. Even if the Soviet Union were to mobilize and deploy the maximum number of divisions which it is believed the terrain and Soviet logistics could support on the central front, 50 to 55 Soviet divisions (1,500,000 men), the Soviet Union would not have the margins necessary for assurance of rapid offensive success with non-nuclear weapons.

From such a posture a large number of options are opened to the West. A probe launched from such a position carries conviction of serious intent. If the Soviets were to throw it back, they could not be certain of our response. We might initiate expanded ground action with the assurance that allied forces could not quickly be driven back. They must consider the possibility that we would take the initiative in striking with surprise all East German airfields, or even air and missile installations in a deeper arc. They must reckon with the various alternatives of nuclear attack which would be open to us, including a surprise attack against Soviet air bases and missile installations in the USSR.

The important point, however, is that the West would have the option of initiating large scale ground action which the Soviets could not throw back rapidly with conventional means. They could hardly believe that they could pursue large scale and continued ground action to a conclusion favorable to themselves without certain escalation to nuclear war.

The most important results of a U.S. and allied build-up are, however, to be sought in the phase prior to a ground probe. In view of the fact that military actions subsequent to a ground probe become inherently uncontrollable by either side short of general war, a ground probe should be delayed until all other courses have failed. A number of these other courses cannot be indefinitely sustained. It therefore makes a great deal of difference to their probable effectiveness whether they are undertaken against a background of continued non-nuclear military weakness or against a background of growing military strength.

Economic counter-measures which in themselves may be as harmful to the West as to the East gain added weight when they presage military action should they, in themselves, not accomplish the desired results.

An airlift becomes more meaningful and enemy counter-measures less likely, against a background of increasing military strength. Furthermore the contemplated build-up would give us substantially increased fighter cover for such an airlift, an increased bomber attack threat against counter-measures, and an increased capacity for interdiction of Soviet troop movements.

Naval harassments and even naval blockading actions are more likely to be accommodated to in a situation of growing strength than against a background of European weakness.

In view of the stockpiled supplies in Berlin, immediate military response to harassments or blockade of the access routes may not be necessary. It therefore may be possible to delay actual deployment of U.S. divisions to Europe until such harassment or blockade has begun. It should also be possible to delay mobilization of European 1st echelon divisions until deployment of U.S. divisions to Europe has begun. In the meantime there would be a continuous improvement in the training, filling up, and equipping of the NATO forces in being, an improvement in their deployment and in their air support. All such U.S. and allied actions would contribute to a long-run improvement of allied forces as well as to increased readiness for the current crisis.

ANNEX C
Appendix I

Evaluation of the Likelihood of Allied Military Contributions and Preparations of the Magnitude Indicated by the Department of Defense

The Department of Defense operations plan for use in the event that our access to Berlin is blocked envisages an increased Allied military effort of considerable dimensions. It may be assumed that this could not be justified to the satisfaction of our Allies purely in terms of a general need to strengthen NATO because of the deteriorating world situation but would have to be related to the Berlin contingency.

Any assessment of possible Allied reaction within the Berlin context to an American request for military contributions and preparations on the scale indicated by the Department of Defense should begin with two assumptions:

1. Our Allies will insist on full equality both in discussion of courses of action and in the making of decisions;

2. Our Allies will prefer that military ground action be put at the end of any timetable of proposed Allied actions after ground access to Berlin is blocked.

Apart from these two points, reactions will vary from country to country. The prevailing psychological climate at the time such a request were made would be an important factor. Unless our Allies are impressed with the same sense of urgency about Berlin and share a common analysis with us as to how best to deal with the problem, they are unlikely to be willing to consider expenditures of the magnitude which would be required. There does not seem to be such a shared analysis at the present time. Our NATO Allies generally feel that they have not been adequately consulted on Berlin contingency planning and are pressing for a greater role, making the point that they cannot be expected to make the necessary sacrifices unless they participate fully in the discussions. This does not mean that our European Allies do not appreciate the potential gravity of the Soviet threat, or the disastrous effects to NATO which could result from the loss of Berlin. During the period since November 1958, they have steadfastly supported strong reaffirmations of the Western position on Berlin and of our determination to resist Soviet threats against that position. Whether out of wishful thinking or out of a natural reluctance to take politically painful decisions, they are presently not likely to consider that a defense buildup of the magnitude indicated would be required to counter the Soviet threat. It seems unlikely that our NATO Allies will accept the rationale for such an effort without a great deal of debate. In any case, we must be prepared to consult with NATO very fully if there is to be any chance of success.

The

The foregoing political and psychological considerations are the primary factors. An additional element would be the view which each Allied Government would have of its own political, demographic, and economic capacity to make an additional military contribution on the scale suggested. It is not beyond the capacity of the European countries, in an all-out effort, to make such contributions, but there is little to suggest that, within the immediate future, the countries principally affected would be prepared to consider anything of this sort without some new and dramatic development in the confrontation between the East and West. Substantial amounts of MAP may also be necessary.

At a later stage, under situations of developing crisis, it might be possible to achieve a great deal more than at the present time. In fact, this is quite likely. NATO has experienced its periods of maximum expansion under conditions of relative duress. Our judgment is, however, that a request to the European countries of the scale indicated in the month of August, barring the dramatic new development indicated above, would not produce Allied willingness to make military contributions and preparations of a magnitude anywhere near that suggested by the Department of Defense.

France

France is currently returning one division from Algeria and has indicated it is returning a second about mid-August. The receptivity of the French toward making the remaining three divisions available to NATO would, of course, depend to a considerable extent on French evaluation of the urgency of the NATO requirement vis-a-vis the Algerian requirements. The divisions are available although probably poorly equipped for service on the continent.

Germany

Although Germany has 11 active divisions, only seven can be considered to have any immediate operational capability, and even these are inadequately manned, trained and equipped (and, therefore, are listed as the equivalent of six by Defense). We believe that the likelihood of the additional German contribution of three divisions is good, although the effectiveness of this addition would leave something to be desired.

Italy

Considering the divisions Italy maintains above MC 70 requirements, an increase of two assigned to NATO appears feasible and the likelihood of their assignment is believed good given a suitable psychological climate. As with the German troops, these additional troops would not be fully effective for some time.

U.K.

U.K.

In our judgment, the prospects of obtaining the additional 2 2/3 British divisions or even a substantial part thereof are not good, in the absence of a period of considerably heightened tension and resultant reversal of the trend of current U.K. defense policy. Balance of payments difficulties would be an inhibiting factor of considerable importance.

Canada

Canadian plans call for the remainder of the division of which the Canadian Army Brigade in Europe is a part, to be deployed to Europe after M-day whenever lift becomes available. Despite these plans, we believe the Canadians would be most reluctant to make the transfer without "some new and dramatic developments."

Other NATO Countries

We agree with Defense that it would not be practicable to expect substantially increased contributions from any other NATO countries except the United States. The Benelux countries and Greece and Turkey will be generally receptive to taking military actions called for by the Berlin crisis. Norway and Denmark, on the other hand, will be difficult to convince, given their cautious approach to East-West issues.

ANNEX D

POLITICAL TIMETABLE

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ANNEX D

POLITICAL TIMETABLE

Introduction

1. NSC action Memorandum No. 59 of July 14 requested (paragraph 4) that a political timetable be prepared showing measures to be taken in the following three periods:

(a) Prior to the signing of a Soviet-GDR peace treaty;

(b) After the signing of the treaty but prior to the blocking of Allied access through introduction of unacceptable control measures; and

(c) After blocking of Allied access.

2. In addition, the Action Memorandum requested (paragraph 1) consideration of two alternative courses of action, as follows:

(a) An early request for $4-5 billion, Declaration of National Emergency, necessary taxes, stand-by controls, etc.; and

(b) An immediate request for $1-1.5 billion, without the other measures mentioned in (a), with a further request later if necessary.

A third alternative has been developed in the process of considering these two:

(c) An early request for $4-5 billion for measures of long-term military preparedness, but without, at this time, a Declaration of National Emergency or the other measures listed in (a).

3. Since each of these three courses of action would result in a different timetable, at least in the early stages, this paper has been prepared in three sections each of which is, in effect, a separate timetable:

Tab 1 - Timetable for Course (a)

Tab 2 - Timetable for Course (b)

Tab 3 - Timetable for Course (c)

4. Timetable (a) carries the course of action through all the stages mentioned in the Action Memorandum. Timetables (b) and (c) cover only the first period since it is principally at that time that the courses of action are likely to differ substantially.

The question is then discussed in each of these two Timetables whether and, if so, when the further courses of action set forth in Timetable (a) would be entered into.

TIMETABLE (a)

Course of Action (Paragraph 1(a) of NSC Memorandum 59)

"A request, about 2-3 weeks hence, for $4-5 billion, with the necessary taxes, stand-by controls other legislation and declaration of National Emergency."

First Period - prior to the signing of the peace treaty.

Duration - For planning purposes, from the present until the end of November.

Goal for Period - To convince the Soviet leadership, through a program of rapid military buildup, that their course of action involving the signing of a separate peace treaty is unwise, and to offer an alternative course of action.

Comment - The period will contain two highly significant Soviet actions which will influence the timing of Western activity; the Soviet call for a peace conference and the actual convening of the conference. These events are included in the timetable to show their relationship to certain Western moves. Each of these steps should probably bring about a stepping up of Western deterrent efforts.

SCHEDULE OF ACTIONS AND EVENTS

Relevant Events and Developments	July	U.S. and Allied Actions
		a. Decide in favor of Alternative 1(a) in National Security Action Memorandum No. 59 of July 14, 1961, as a basic course of action.
		b. Consult urgently with UK, France and Germany, initially with Presidential letters to Macmillan, de Gaulle and Adenauer.
		c. Intensify detailed planning in the U.S. Government on all aspects of the course of action, in particular, reaching decisions on the following:
		1. Early Negotiations - On the assumption that we may be required, by pressures which we would find it impossible to resist, to negotiate at some stage before the Soviets are likely to have been affected by our deterrent efforts, what should be our policy toward a forum, a negotiating position, etc. A discussion of the approaches we might consider is in Appendix A of this paper. They might include an all-German or all-Berlin plebiscite, a modification of the 1959 Peace Plan, etc.
		2. Later Negotiations - At what point might we ourselves want to propose negotiations either of the sort that could be expected to have some chance of reaching agreements or of a delaying or propaganda nature. What should be the forum and the negotiating position. Appendix B to this paper considers various possibilities. One approach to be considered would be the calling of a Big-Four Foreign Ministers meeting in October to consider a German peace treaty.
		3. Contingency Planning - At what point should the degree of GDR control over our access be considered unacceptable. The two alternatives under consideration are: the "peel-off" procedure, by which copies of allied military orders would be handed to the GDR personnel without the latter stamping or otherwise controlling them; and the procedure now in effect, whereby control personnel (at present Soviet personnel) place a date-time stamp on the orders.
		d. Press planning and initiate Congressional Consultation on declaration of limited emergency, stand-by controls, taxes, etc.

Relevant Events and Developments		U.S. and Allied Actions
	July	
		a. Put into effect certain early steps of military preparation possible prior to declaration of limited emergency. (Military measures 3, 6, 7, 9, 10, and 11 in the July 12 Integrated Timetable).
		b. Initiate intensive civil defense, effort, particularly in construction of fallout shelters.
		c. Initiate covert measures listed in Phase I in the July 12 Integrated Timetable.
		d. Initiate the information program described in the July 12 Integrated Timetable. (Items 2-11).
		e. (July 24-31) Bring into NATO reports on economic countermeasures and non-military countermeasures for consideration by NATO members. Simultaneously instruct our Ambassadors to NATO governments to stress at a high level the importance of these measures.
		f. Hold, in the last week of July, an intensive Four-Power Working Group session of one week's duration to consider the subjects mentioned above for U.S. Government decision.
		g. Initiate steps to increase the Berlin stockpile in categories where supplies are substantially below one year's requirements.
		h. Reassess Allied capabilities for civilian (QBAL) and garrison airlift for Berlin. Remedy any possible inadequacies.
	August	
		i. Hold a Western Four-Power Foreign Ministers Conference to review and make decisions on the report of the Four-Power Working Group session.
		j. Consult with NATO on the general lines of our program.
		k. Presuming consultation with our allies is satisfactorily concluded, issue declaration of limited emergency*. In announcing it, emphasis

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* If this is done at a later time, the military preparedness measures listed from this point on will be delayed accordingly.

Relevant Events and Developments	August	U.S. and Allied Actions
		should be put on need for long term improvement of our military position in view of Soviet world-wide intentions, and on training of troops for improved readiness rather than on mobilization for this crisis.
		a. The President should address the people, possibly at a joint session of Congress, putting our actions in perspective as discussed above in the item on emergency declaration.
		b. Extend terms of military service and increase draft calls.
At some point in early August it is to be expected we shall receive a reply or other reaction to our note to the Soviets.		c. When response to our note to the Soviet Union occurs, consultation with our Allies concerning it will be necessary.
		d. Bring 3 STRAF divisions to full readiness.
		e. Bring forces in Europe up to numerical and support strength.
		f. Begin mobilizing 4 ANG divisions.
		g. Begin calling up 21 Air National Guard fighter squadrons and 6 ANG transport squadrons.
		h. Retain naval vessels planned for deactivation.
		i. Increase SAC ground alert to 50 percent.
		j. At this point, with our early negotiating position agreed upon, we should consider with our Allies whether to make public, prior to any negotiations a positive proposal, along the lines of that position, to appeal to public opinion. It would probably be well to have such a positive proposal before the public as a focus for our information program, but other factors would have to be taken into account at the time. It might be the subject of a major speech by the Secretary, moving our deterrent effort into a positive phase to capitalize on the negative deterrent effect of other measures taken earlier in the month. Depending on the nature of the proposals, we may wish to wait until after the German elections.

Relevant Events and Developments		U.S. and Allied Actions
	August	a. By the end of August we should have determined, at lease preliminarily, whether we should take the Berlin issue into the Security Council-General Assembly in order to retain control of it, given the likelihood that some other country may do so in any case, in the forthcoming General Assembly session.
	Sept.	
September 3 - German Expellees Association meets in West Berlin (This will be treated by the Communists as a "provocation").		
		b. Step up Civil Defense preparedness exercises.
		c. Increase amphibious and administrative sea lift.
		d. In view of the imminent covening of the UN General Assembly, we should consider having our Ambassadors approach governments at a high level to restate our aims and policies in the most positive light. This approach would be affected by our decision on taking the Berlin issue into the United Nations ourselves.
September 17 - German Elections.		
		e. Following the German elections, determine whether we should propose negotiations in the form of a Foreign Ministers Conference to prepare for a peace conference or to consider the issues itself.
September 19 - UNGA convenes.		
	Oct.	
		f. Beyond this point, we must expect that the Soviet Union might at any time issue a call for a peace conference. We should therefore determine in early October whether we wish to propose negotiations prior to this action by the Soviets.
Sometime in October the question will arise of holding in West Berlin the first meeting of the new Bundestag. This has been traditionally held in Berlin, but will almost certainly be denounced by the Communists as a "provocation".		

Relevant Events and Developments	Oct.	U.S. and Allied Actions
Communist Party Congress begins October 17. The Soviets might at about this time issue a call for a peace conference. This would probably occur, if it occurred at all at this time, in connection with the Communist Party Congress. This event would change the situation appreciably. On the one hand it would be evidence that the Soviet Union continued to believe it could pursue successfully its policy regarding Berlin. On the other, it would provide opportunity for more vigorous maneuver by the West, consisting both of stepped-up military preparation and of exploitation of the positive elements of the Western public position. (The fact that the UNGA was in session might prove helpful in this regard.) If the subject were not yet before the UN, the chances would be particularly good that some country would introduce it at this stage.		a. Carry out with our Allies the steps which have been agreed upon as response to the call for a peace conference. At the present time, these consist of representations along agreed lines to the countries invited, representations along agreed lines to the Soviet Union and publishing of our notes to the Soviet Union b. Mobilize the Fourth Marine Division. c. Retain TAC air squadrons planned for deactivation. d. If the post-election situation in Germany warrants, commence coordinated covert and semi-covert action designed to cause instability in East Germany and other Eastern European countries (when peace conference announced). e. If the Communist Party Congress ends without the Soviet Union calling a peace conference, and we have made no move to propose negotiations, we should consider with our Allies whether the time may not now be propitious for serious East-West negotiations if there are other indications that the Soviet Union would be receptive to such negotiations.

Relevant Events and Developments	Nov.	U.S. and Allied Actions
If a peace conference had been announced in October, it would likely convene sometime in November.		a. Activate additional naval vessels. b. Raise active fleet strength. c. Stop movement of dependents abroad and return dependents from Europe.
If a peace conference had been convened earlier in the month the treaty would likely be signed toward the end of the month.		

Second Period - After the signing of a treaty and before any blocking of our access

Duration - This might very well be a protracted period. The Soviets probably would turn over control of access to the GDR shortly after the treaty was signed, although there might be an interim period of some duration. Following turnover, however, the GDR might well permit our traffic to pass for months before blocking it. For planning purposes, though, we should be in a position to deal with blockage as soon as the turnover occurs.

Goal for Period - After the signing of the treaty and the turnover to the GDR of control of access, our goal will be to establish the degree of control we believe acceptable and to convince the Soviet and East German leadership that it should not attempt to impose a greater degree of control. If the Soviets do not immediately relinquish control, we should endeavor to persuade them to continue to refrain from doing so.

Comment - This will be a complex and difficult period. The fact that affairs have moved so far will indicate that the Soviet Union has not been appreciably moved by our deterrent efforts. Pressures upon us to make greater concessions than we believe acceptable will grow. If negotiations have not as yet occurred, and take place in this period, we shall likely be at a considerable disadvantage in conducting them. It will be more difficult to reach any sort of modus vivendi with the USSR after turnover of access control to the GDR, since the USSR will claim and to some extent will be obligated by its own logic to insist that this can be worked out only with the GDR at that time. Thus the time between the signing of the treaty and the actual turnover will be the most fruitful part of the second period for attempts to resolve the problem in an acceptable way.

Relevant Events and Developments	Dec.	U.S. and Allied Actions
		a. Presuming the peace treaty had been signed, we should put into effect the course of action agreed upon to deal with it. Present plans call for a Western Four-Power statement, possibly a notice to the USSR on maintenance of Allied rights and Soviet obligations (Para 2 of April 4, 1959 paper on Contingency planning), and endorsement of the Four-Power position by NATO.
		b. In the unlikely event that negotiations had not taken place as yet, urgent consideration would have to be given to the question whether they should not now be initiated. The negotiating position to be adopted would presumably be along the lines described in Appendix B, although many factors now unforeseeable would have to be taken into account at this time.
		c. Deploy 2 division forces and appropriate air elements to Europe.
		d. Utilize all CIA-controlled and West German propaganda outlets, plus British and French if possible, to dramatize the paramilitary buildup and capability to cause uprisings in Eastern Europe.
		e. Carry out sabotage of a more serious nature in Eastern Germany.
		f. Reveal to Soviet intelligence U.S. training of para-military forces for infiltration into East Germany and other Eastern European countries.
		g. Decisions would have to be made on the possible employment at this stage of global counter-measures -- outside Central Europe -- to bring additional pressure on the Soviet Union to proceed no further (such measures as naval blockade and harassments, air harassments, etc.). Various possible measures are listed in Annex B of the July 12 study.
the Soviets were determined to continue their course of action, turnover of access control to the GDR would likely occur shortly after signature of the treaty.		h. Upon turnover of access control to the GDR, the allies would implement the agreed plan for establishing a degree of control acceptable to them.

Third Period - After blocking of our access (i.e., introduction of unacceptable measures of control).

Duration - Until the unacceptable control measures are removed or until general war occurs.

Goal for Period - Our objectives will be to demonstrate conclusively our intention to fight rather than submit to unacceptable controls, with the end that negotiation will be initiated under conditions as favorable to the west as possible.

Relevant Events and Developments		U.S. and Allied Actions
At some point following the turnover of access to the GDR it is to be expected that the latter will introduce measures of control unacceptable to us. This will likely affect only Allied access at this stage.	Jan.	a. Upon the introduction of unacceptable measures of control, the decision will have to be made whether our reaction will be to proceed with an airlift or attempt to open access on the ground (it is probable that this decision will have been reached earlier on a contingency basis). b. Institute airlift (if that is the decision). c. Presuming our initial reaction is to be an airlift (as is likely), a determination will have to be made as to the manner in which we should utilize the period of the airlift to move the question into some form of negotiation under conditions as favorable to the West as possible. d. Deploy 2 more division forces to Europe. e. Continue global countermeasures. f. Introduce a trade embargo against the Soviet or Sino-Soviet bloc.
	Feb.	g. Complete deployment of 6-division force to Europe.

TIMETABLE (b)

Course of Action (Paragraph 1(b) of NSC Memorandum 59).

"An immediate request for $1-1.5 billion, without controls, taxes, etc., and a further request later, if necessary."

First Period - Prior to the signing of the peace treaty.

Duration - For planning purposes, from the present until the end of November.

Goal for Period. 1) To convince the Soviet leadership, through a combination of gradual military preparedness measures and direct informal talks; (a) that a continuation of their present policies will lead to a long-run buildup of U.S. military strength; and (b) that the West will defend its position in Berlin even at the cost of war. 2) To offer them an alternative course of action.

Comment. The detailed items in this timetable are limited in the main to the period up through the possible initial exploratory talks with the Soviet leadership. Following this period, negotiations would presumably be considered along the lines spelled out in Timetable (a). At some point after the talks, also, the more intensive measures of military preparedness might be considered, depending upon developments in the political sphere. Presumably these measures, too would follow the general lines laid down in Timetable (a), although they would be occurring at a considerably later point in the development of the crisis and might well proceed, therefore, at a different pace. This is not sufficiently predictable now to make an attempt at detailed scheduling fruitful.

SCHEDULE OF ACTIONS AND EVENTS

Relevant Events and Developments	July	U.S. and Allied Actions
		a. Decide to adopt the course of action described in paragraph 1(b) of NSC Memorandum No. 59.
		b. Request of Congress an additional $1-1.5 billion for military preparedness measures.
		c. Put into effect military preparedness measures which do not require a declaration of limited national emergency (military measures 1-15 of Phase I of the July 12 Integrated Timetable). A conclusion should be reached, in addition, as to whether further measures are not legally possible on the basis of the existing state of emergency stemming from the Korean war.
		d. Initiate intensive civil defense effort, particularly in construction of fallout shelters.
		e. Initiate covert measures listed for Phase I in the July 12 Integrated Timetable.
		f. Initiate the information program described in the July 12 Integrated Timetable. (Items 2-11)
		g. (July 24-31) Bring into NATO reports on economic countermeasures and non-military countermeasures for consideration by NATO members. Simultaneously, instruct our Ambassadors to NATO governments to stress at a high level the importance of these measures.
		h. Initiate steps to increase the Berlin stockpile in categories where supplies are substantially below one year's requirements.
		i. Reassess Allied capabilities for civilian (QBAL) and garrison airlift for Berlin. Remedy any possible inadequacies.
		j. Reach a decision in the U.S. Government concerning:
		1. The manner and extent of military preparedness to be carried out during the next few months as a deterrent to Soviet action.
		2. The desirability of undertaking informal talks (not negotiations) with the Soviet leadership prior to undertaking extensive mobilization of men and resources;

Relevant Events and Developments		U.S. and Allied Actions
	July	
		3. The tactics and position to be taken in discussions with the Soviet Union, if such discussions are decided upon. One possibility to be considered is suggesting to the Soviet leaders in the course of the talks, or in negotiations following them, a solution along the lines of "Solution C" (Appendix C).
		4. Early Negotiations - On the assumption that we may be required, by pressures which we would find it impossible to resist, to negotiate at some stage before the Soviets are likely to have been affected by our deterrent efforts, what should be our policy toward a forum, a negotiating position, etc. A discussion of the approaches we might consider is in Appendix A of this paper. They might include an all-German or all-Berlin plebiscite, a modification of the 1959 Peace Plan, etc.
		5. Later Negotiations - At what point might we ourselves want to propose negotiations either of the sort that could be expected to have some chance of reaching agreements or of a delaying or propaganda nature. What should be the forum and the negotiating position. Appendix A to this paper considers various possibilities. One approach to be considered would be the calling of a Big-Four Foreign Ministers meeting in October to consider an all-German peace treaty.
		6. Contingency Planning - At what point should the degree of GDR control over our access be considered unacceptable. The two alternatives under consideration are: the "peel-off" procedure, by which copies of Allied military orders would be handed to the GDR personnel without the latter stamping or otherwise controlling them; and the procedure now in effect, whereby control personnel (at present Soviet personnel) place a date-time stamp on the orders.
		a. Hold, in the last week of July, an intensive Four-Power Working Group session of one week's duration to consider the subjects mentioned above for U.S. Government decision.
	August	
		b. Hold a Western Four-Power Foreign Ministers Conference to review and make decisions on the report of the Four-Power Working Group session.
		c. Consult with NATO on broad nature of our proposed course of action.

Relevant Events and Developments	August	U.S. and Allied Actions
		a. If it is decided upon by the four powers to do so, initiate informal talks through Ambassador Thompson with Khrushchev. It would presumably be made clear to Khrushchev that we intend to undertake a fundamental long-range strengthening of our military position if he pursues his announced course of action. Effort would be made to determine his expectations, and if the tenor of the talks seemed to warrant it suggestions could be discussed for resolution of the problem.
At some point in early August it is to be expected we shall recieve a reply or other reaction to our note to the Soviets.		b. When response to our note to the Soviet Union occurs, consultation with our Allies concerning it will be necessary.
	Sept. - Oct.	c. Further action would depend somewhat upon the assessment of Soviet intentions growing out of the talks with Khrushchev. Following these talks we would determine, in consultation with our allies, how to proceed. There would be two principal questions: 1. Negotiations - Presumably some form of negotiation would be desirable at some point almost regardless of the nature of the informal talks. The alternative possibilities in type and timing of negotiations would remain roughly the same as those described in Timetable (a); 2. Military Preparedness Measures - The decision would have to be made, in part on the basis of our evaluation of Soviet policy stemming from the talks, whether to take the step of declaring a limited national emergency and proceeding with more exetnsive preparedness measures, and, if so, when. If negotiations were to be held, we would have the alternative of initiating such measures prior to our proposal for negotiations, after the proposal but prior to the negotiations, during the negotiations or following the negotiations (presuming the latter had failed). In any case, once begun the series of measures would probably proceed in the general manner described in Timetable (a) following the declaration of a national emergency.

TIMETABLE (c)

Courses of Action

A request in the near future for $4-5 billion for 1) long-range measures of military preparedness without, at this time, a Declaration of Limited National Emergency, taxes, stand-by controls or other similar measures; and 2) initial measures of a more immediate nature to make possible if necessary a rapid buildup of military strength later this year to deal with the Berlin situation.

First Period - prior to the signing of a peace treaty.

Duration - For planning purposes, from the present until the end of November.

Goal for Period - 1) to convince the Soviet leadership, through the initiation of a substantial program of increased general military preparedness coupled with intensive diplomatic activity: a) that a continuation of their present policies will lead to a long-run buildup of U.S. military strength; and b) that the West will defend its position in Berlin even at the cost of war. 2) To offer the Soviet leadership an alternative course of action.

Comment - This course of action will resemble that described in timetable (b) except that there will be taken in the first period initial steps in the direction of a long-range increase of U.S. military strength. This will significantly affect the substance of public statements and of our contacts with our Allies and with the Soviets. It may also affect our decision as to the precise nature and time of our diplomatic moves, since it can be presumed that action of this sort will be likely to have a greater deterrent effect upon the Soviet Union. For purposes of the timetable, however, the course of political action will not differ substantially from Timetable (b). For this reason, and since the Defense Department has not yet completed its program of actions for a general military buildup, no separate schedule of actions and events has been prepared.

APPENDIX A
(To Political Timetable)

EARLY NEGOTIATIONS

1. Any negotiations which might take place within the next few months are unlikely to lead to conclusive results barring some early shift in the basic Soviet assessment of the situation. We might wish to get into such negotiations either because of the pressures of world opinion, the pressures of our Allies, or because we ourselves felt that entering into discussions constituted a necessary part of our public propaganda posture. We might also wish to use them to gain time, to stretch out the progression from stage to stage of the Western program, and to define our objectives more clearly. Under such conditions, we might envisage a conference of the kind through which the Four Foreign Ministers went in the spring and summer of 1959 at Geneva. In such a conference the Western Powers would attempt to achieve as wide a public understanding and support of our position throughout the world as possible. They could also use the occasion to try to ascertain more clearly what the basic Soviet objectives might be and what might eventually be the outline of some acceptable arrangement, but such an arrangement would probably not emerge as a basis for negotiations during the conference itself.

2. An important consideration at such a conference would be the propaganda effect of Western proposals. The Western position would, therefore, ideally display some imagination and initiative, yet at the same time not expose for premature rejection by the Soviets proposals which, at a later stage, the West might wish seriously to consider as a basis for an arrangement with the Soviets. Here would be the occasion for presentation of a revised Western Peace Plan, an all-Berlin proposal, an all-German or all-Berlin plebiscite proposal, and other proposals with some appeal to world public opinion but unlikely to be negotiable with the Soviets (drafts of these exist or, in the case of the Peace Plan, the German Foreign Office is preparing a streamlined version).

3. A major difficulty in the staging of such a conference would be to have it break up under such conditions as would not accelerate the onset of the crisis. If the Western deterrent had not yet reached a point where the Soviets would at least hesitate about pushing ahead with their threat to sign a peace treaty with the GDR, they would then presumably take action to call such a peace conference.

4. An additional problem would be the inevitable wave of hopefulness which any conference or meeting will engender throughout the world. The counsels of relaxation will be strong, and the Soviets may do their best to conjure up some new "spirit" such as that of Geneva (1955) or Camp David (1959) to keep the West off-balance. But this sort of thing has never yet created pressures on Western leaders to grant unwise concessions which they would otherwise have been able to resist.

APPENDIX B
(To Political Timetable)

LATER NEGOTIATIONS

1. A necessary starting point for any formulation of Western negotiating positions which might ultimately be negotiable with the Soviets, given some degree of effectiveness of our deterrent, must be some assessment of Soviet intentions in the Berlin crisis. There are two competing theories as to Soviet objectives: (a) that they are using Berlin essentially as a lever to achieve a wider purpose of obtaining recognition of the GDR and consolidation of the Satellite Bloc: and (b) that West Berlin is a primary object in itself because its continuance in its present form is so harmful to the East that it must be eliminated. The truth probably lies in some combination of the two and the West must prudently base its calculations on such an assessment. Berlin is indeed a useful lever with which to attempt to gain a broader objective, whether it be the holding of a summit meeting, a greater measure of recognition for the GDR, or a stabilization of the status quo in Eastern Europe. At the same time, West Berlin's role as a channel for the flow of refugees, as a center of Western propaganda and intelligence activities and as a show-window which dramatically and daily highlights the relative lack of success in the East is such that the Soviets may feel that they cannot tolerate it for the indefinite future.

2. If this analysis is correct, the Western negotiating position should presumably contain two major components: (a) some all-German features; and (b) the elements of a satisfactory Berlin arrangement.

3. If, through actions taken in the forthcoming months, the Western Powers can convince the Soviet Union that to proceed with their announced course will involve a grave risk of thermonuclear war, the Soviets may be amenable to some sort of face-saving formula which would allow the status quo to remain substantially unchanged while at the same time permitting them to claim that they had been able to carry out at least some important features of their program. This contingency is probably an unrealistic one, and the most that can prudently be looked for is the kind of Soviet uncertainty the implications of which are discussed later.

4. In the assumed optimum type of situation now being considered, however, it might be possible to achieve a tacit understanding with the Soviets so that the claimed effects of their signing a separate peace treaty with the GDR would be mitigated to the extent of preserving the essentials of the Western position in Berlin without an explicit new agreement. Assuming the Soviets' commitment to a peace treaty with the GDR to be an important one for them in prestige terms, we might take the line with them privately that we cannot, of course, stop them physically from signing a

peace treaty

peace treaty with the GDR, although we could not approve or underwrite a treaty confirming the division of Germany and would have to oppose it publicly. On the other hand, we could point out that a major practical interest to us would be the effect which such a peace treaty would have on our position in Berlin. Provided that arrangements similar to those under the Bolz-Zorin exchange of letters[1/] were still continued in effect, the signing of the peace treaty need not necessarily precipitate a crisis involving our position in Berlin. We on our part could try to make the necessary adjustments.

5. Another conceivable type of face-saving formula for the Soviets under the most optimistic assumptions regarding the effectiveness of the Western deterrent might be simply an agreement that the four occupying powers meet regularly at such levels as may be agreed to consider the German problem as a whole as well as the extension and development of contacts between the two parts of Germany. West and East German advisers

might participate

1/ In a letter from the Foreign Minister of the German Democratic Republic (Bolz) to Deputy Foreign Minister of the Soviet Union (Zorin) September 20, 1955, it was stipulated that:

> "The control of traffic of troops and material of the garrisons of France, England, and the United States stationed in West Berlin passing between the German Federal Republic and West Berlin, will temporarily be exercised by the command of Soviet troops in Germany, pending the conclusion of an appropriate agreement. To this end, the transportation of military personnel or of garrison material of the troops of the three Western Powers in West Berlin will be permitted on the basis of existing Four Power decisions:
>
> (A) On the Autobahn Berlin-Marienborn,
>
> (B) On the Railway Line Berlin-Helmstedt, with empty rolling stock being routed back on the Berlin-Oebisfelde Railway Lines,
>
> (C) In the air corridors Berlin Hasborg, Berlin-Bueckenburg, and Berlin-Frankfurt-Main."

might participate in line with the formula developed for the 1959 Geneva conference of Foreign Ministers. This might enable the Soviets to parade their virtue, stressing how in the interests of world peace they were willing to sacrifice just claims in order to have another attempt at settlement of the German question by negotiations, the real intent being merely to talk the subject to death in protracted discussions which both sides recognized from the outset could lead nowhere, while the status quo in Berlin continued unchanged.

6. Another and perhaps more likely possibility than maximum effectiveness of our deterrent would be the development of a situation where the Soviets are left in a state of doubt about the credibility of our deterrent. Under these circumstances, they might be hesitant to move decisively without the possibility of calling a halt, but they might also be unwilling to retreat openly or to accept any arrangement which could not be represented as a considerable achievement of their objectives. Such a state of mind on their part could, of course, involve a greater or lesser degree of doubt, and this would affect the specifics of what they might accept. Under such circumstances, the possibility might exist of working out an arrangement which would be tolerable for both sides while avoiding the kind of direct confrontation of force which would strain the Western Alliance to the breaking point or constrain the Soviets to test the seriousness of our intentions by counteracting forcefully our attempt to reopen access. Such an arrangement would tacitly concede that the Soviets can, whenever they wish, turn over their controls to the GDR, while conceding also that the Western Powers intend to hang on to the essentials of their position in Berlin. The most refined approach of this kind is the old Solution C of the April 1959 London Working Group Report. (A summary of this proposal is attached as Appendix C). In essence it involves a series of interlocking but unilateral declarations on Berlin access aimed at achieving a freezing of existing procedures, with ultimate Soviet responsibility being maintained, although implementation might be by the East German authorities. Although it is possible to vary the complexity and specific content of this approach, for example, by adding similar unilateral declarations on propaganda activities and by introducing a UN role, the crucial access problem remains its focal point.

7. Mr. Acheson has suggested that certain additional facesaving elements might be added to Solution C, such as declarations on espionage and subversive activities, no nuclear weapons in Berlin, no increase of Western forces in Berlin, stationing of UN observers in Berlin and along the access routes and possibly some all-German features such as recognition of the Oder-Neisse boundary.

8. The

8. The advantage of Solution C is that it might also be introduced during the course of emergency negotiations with the Soviets just prior to their threatened signing of a peace treaty and turn-over of responsibilities to the GDR authorities, or even conceivably after the actual signing of a peace treaty.

9. Under the circumstances envisaged of Soviet doubt about our ultimate intentions but heavy involvement of prestige on their part, such an arrangement might prove the best available for cooling off the situation. As with any other arrangement on Berlin, no matter how favorable or unfavorable to the Western position, its basic viability in the long run would depend upon the maintenance of Western world power and firmness of will, given the presumed Soviet objective of eliminating once and for all the Western presence in Berlin and eventual absorption of the city into the Soviet bloc.

10. In addition to the foregoing, a number of proposals for possible negotiating packages have been suggested as conceivable bases for arrangements on Berlin which might be acceptable to the West. Ambassador Thompson, for example, has suggested combining an extention of the time period in the West Peace Plan to seven years with an Allied declaration reassuring the Soviets on the frontier question, a NATO-Warsaw Pact non-aggression agreement and an interim Berlin solution somewhat along the lines of the Western interim proposals at Geneva. Various additions or permutations can, of course, be made in such packages. A more radical approach has been suggested to include trading recognition of the GDR for a Berlin corridor, or trading termination of the occupation in Berlin for such a corridor. While these deserve further study, the dual problem of acceptability to our Allies and negotiability with the Soviets serves as a distinct limiting factor under present conditions.

APPENDIX C
(To Political Timetable)

SOLUTION "C": LONDON WORKING GROUP REPORT

1. Solution "C" was devised to cover a situation in which the Soviets were attempting to give up all their responsibilities regarding Western access to Berlin. Under their contingency plans, the Occupying Powers are prepared to consider the possibility of a solution in which the Soviets would expressly authorize GDR personnel to function as Soviet agents in performing Soviet functions with relation to the access of the Three Powers to Berlin. Solution "C" assumes that the Soviets are not prepared explicitly to nominate the East German authorities as their agents. In effect it is an attempt to consider what would be the absolute minimum Soviet commitment with regard to access which the West would, in the last resort, be prepared to accept. Solution "C" may be summarized as follows:

2. The Western Powers would inform the Soviets and subsequently make a formal declaration to the effect that:

a) they consider that they have absolute and unqualified rights, until Berlin is once more the capital of a reunified Germany, and that these rights include the right to have their troops remain in West Berlin and to have freedom of communications maintained between West Berlin and the Federal Republic in the same general conditions as hitherto;

b) they continue to hold the Soviet Government responsible for the fulfillment of its obligations to the Three Powers in relation to their presence in Berlin and freedom of access thereto.

3. The Western Powers would then state that they would be prepared to take cognizance of a declaration of the Soviet Government guaranteeing that free and unrestricted access to West Berlin by land, by water and by air would be maintained for all persons, goods and communications, including those of Western forces stationed in Berlin, in accord with the procedures in effect in April, 1959 and would not object if the East German authorities made a parallel statement to the same effect. The Western Powers would make it clear that the access procedures could thereafter be carried out by German personnel. (As a less satisfactory alternative, the Western Powers would be prepared to accept a Soviet declaration associating the Soviet Government with an East German declaration in accordance with the terms set forth above, previously made either to the Soviet Government or "to whom it may concern".)

4. The Western

4. The Western Powers would state that all disputes which might arise with respect to the above-mentioned declaration would be raised and settled between the four governments. (If the Soviet Government refused to accept this the Western Powers should say that, in order to have some check on the activities of the East German authorities, the Four Powers should request the Secretary General of the United Nations to provide a representative, supported by adequate staff, to be established in both West and East Berlin, and at the access check-points, for the purpose of reporting to the Four Powers concerning any activities which appeared to be in conflict with the above-mentioned declarations).

5. The above are the only essential elements of Solution "C". Tentative language for the declarations involved has been considered by the Working Group and texts could be produced at short notice once the principles had been agreed.

6. (In connection with Solution "C", it would be possible to introduce certain elements along the lines of the Geneva proposal of July 28, e.g., undertakings regarding force limitations and abstention from "questionable activities" on a reciprocal basis. But these are not essential elements of Solution "C").

CONFIDENTIAL

TO: RECIPIENTS OF ICG STUDY REGARDING BERLIN, DATED JULY 12, 1961

FROM: M. J. HILLENBRAND

Information contained in the enclosed memorandum by Mr. Murrow, Director of USIA, addressed to the Secretary of State is pertinent to the ICG study. Recipients are requested to combine the enclosure with their copy of the ICG study.

CONFIDENTIAL

MEMORANDUM FOR: The Honorable Dean Rusk
Secretary of State

SUBJECT: USIA Planning and Action on Berlin

Anticipating a new Berlin crisis in the coming months we began in April to prepare for an intensive worldwide information and propaganda campaign seeking to align world public opinion in support of the U.S. position and to generate public pressure in order to influence the Soviet - East German position.

Three phases of activity were agreed on:

1. Beginning immediately, USIA's "fast media" -- Voice of America, press service, newsreels, and television -- were directed to intensify their exploitation of opportunities provided by events, such as statements by the President, Secretary of State and other leading U.S. and Free World spokesmen, useful foreign and domestic editorial comment, and Communist statements or actions exposing their aggressive intent. A Berlin information policy guidance was issued June 16.

2. Simultaneously, preparation was ordered on a priority basis of a list of source materials covering all important aspects of the Berlin situation from its inception to the present. The resulting nine-page document was distributed May 18 to all USIA media. Our media were instructed to produce and have ready by August 21 the following:

A thirty-minute

A thirty-minute documentary film exposing the weakness of the Russian position and emphasizing Western determination to preserve Berlin's freedom;

A thirty-minute television feature relating Soviet pressure on Berlin with Communist expansionism in Laos, Vietnam, and other critical areas;

A special press packet of fifteen features and by-liners (Chronology of Events, 1945 - 1961, Legal basis of Allied rights in Berlin, Contrast between East and West Berlin, etc.) and selected news photos;

A seven-part radio documentary series including interviews with West Berliners, in both scripts and tapes, a one-hour documentary, and other scripts documenting Western legal and moral rights in the city and the need to resolve the Berlin situation in the context of German reunification through the free vote of the people;

A shelf of some twenty of the best books, U.S. and foreign, on Berlin, with a photo exhibit to be displayed with this collection in USIS libraries around the world.

This complete background "package" of materials is being distributed to USIS posts around the world, with an embargo on the use of any of it until concerted release and placement is telegraphically authorized by the Agency. (The release date will come whenever the critical phase is clearly at hand, tension mounting, and public interest at a height which will ensure maximum audience receptivity of this entire "Berlin package." Hopefully, a major impact will be achieved around the world, setting up constructive responses in the mass communications media -- press and radio particularly -- of other nations.)

3. To build up the momentum thus generated (and the resulting pressure of world public opinion on the Soviet Union),

all USIA

all USIA media will, on a day to day basis, document Western solidarity on the defense of West Berlin and the preservation of the rights involved, and the need to do this in the interest of the security of all free peoples.

The highly successful tactic, used before in 1958, of flying leading correspondents of other nations into Berlin for "on the sport" reporting will again be utilized. The Agency cabled USIS-Bonn requesting it to inform the German Federal Republic of our willingness to assist in arranging the visits of large numbers of correspondents. The Post and the Embassy on June 26 replied jointly by cable that this offer had been welcomed by the GER, that the latter plans major attention to this project, and meanwhile is already distributing effective pamphlets and books via its missions in other countries. The GER offered to keep in touch with us on planning.

We have also taken similar steps with the British and are prepared to do the same with the French when a basic policy decision is reached.

Edward R. Murrow
Director

cc: Area & Media Chiefs

IOP/EDBrooke:IOP/TCSorenson:das:7/10/61

SECRET

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

COPY

July 18, 1961

MEMORANDUM FOR HONORABLE THEODORE C. SORENSEN

Subject: Economic Stabilization Policies for a Berlin Build-up

Attached is a memorandum on this subject by the CEA, concurred in by the Treasury and Budget Bureau. The memorandum examines domestic economic policies to accompany a Berlin build-up in terms of:

1. The present economic setting and probable budgetary and economic impact of Berlin programs. (Part I: Economic and Budgetary Impact of Proposed Programs)

2. Proposed stand-by authority for direct controls over prices, wages, etc. (Part II: Stand-by Economic Controls)

3. Proposed stand-by authority for income tax increases (and decreases). (Part III: Tax Policy)

/s/
Walter W. Heller

Attachment

Copies to:
Secretary Douglas Dillon
Director David E. Bell

SECRET

ECONOMIC STABILIZATION POLICIES FOR A BERLIN BUILD-UP

I. Economic and Budgetary Impact of Proposed Programs

1. The increase in defense outlays contemplated for fiscal 1962 will not in itself give rise to inflationary pressures. However, a danger of inflation does exist from possible psychological reactions to a declaration of national emergency or other events which dramatize for the public the seriousness of the Berlin crisis.

2. Table 1 shows projections of GNP under four alternative assumptions:

   a. No change.

   b. Program A, adding $2 billion to Federal outlays in fiscal 1962.

   c. Program B, adding $3.5 billion to Federal outlays in fiscal 1962.

   d. Program A or B plus a surge of consumer spending in the last four months of 1961. (Since outlays under the two programs do not differ until the first quarter of 1962, the impact of scare buying is the same under both programs.)

3. Currently GNP in the second quarter of 1962 is expected to be $28 billion below estimated potential at "full" employment. Even under Program B, the gap would be $12 billion. Program B would be consistent with price stability and would simply accelerate recovery, provided that consumers and businesses behave normally.

Table 1

Quarterly Projections of Gross National Product
(Annual rates in constant prices of 1961-II)

(Billions)

	1961			1962	
	II	III	IV	I	II
Potential (at 4% unemployment).....	$559	$564	$569	$574	$579
a. Projected GNP with current budget outlook.....	515	524	533	542	551
b. Program A, with normal responses by private sector					
Additional defense outlays ($2 billion in FY 1962)....	--	0	2	3	3
GNP.....	515	524	537	549	558
c. Program B, with normal responses by private sector					
Additional defense outlays ($3.5 billion in FY 1962)..	--	0	2	5	7
GNP.....	515	524	537	552	567
d. Program A or Program B* with consumer scare buying					
Reduction in saving ratio...	--	0.5%	2.5%	--	--
GNP.....	515	527	555		

* The impact of scare buying is the same in both programs in 1961-III and 1961-IV, since outlays under the two programs do not differ before 1962-I.

4. If consumers and firms respond to the crisis with a surge of scare buying and inventory accumulation, inflation could be touched off. This is what happened in 1950, upon the outbreak of the Korean conflict. Consumers reduced their saving from 5.9 percent of disposable income in the second quarter of 1950 to 2.8 percent in the third. The possibility of similar behavior in 1961 must be faced.

5. Consumer reaction of that magnitude seems much less likely in 1961, for the following reasons:

a. We are not now at war.

b. The Nation was psychologically unprepared for the Korean crisis, whereas the Berlin crisis has built up gradually.

c. Even Program B is a modest one compared to 1950-51.

d. The existence of excess capacity today is widely known, while the economy was much closer to full utilization of resources in June 1950.

e. Consumer stocks of durables and housing are now more ample.

f. Recollections of shortages and rationing during the second World War are by now dimmer, and shortages did not actually develop during the Korean period.

g. General monetary policy is free now, as it was not in 1950, to answer an inflationary surge with a quick and drastic tightening of credit conditions.

Despite the more favorable prospects of restrained consumer demand at present, the possibility of a wave of scare buying cannot be ruled out.

6. If a buying spree results from the Berlin crisis, it would most probably follow a declaration of national emergency in the fall. It would start suddenly and might pass quickly if the sense of crisis ebbed. For illustrative purposes it has been assumed that the psychological response might take the form of a reduction in the personal saving rate by 0.5 percentage points in the current quarter and 2.5 points in the next. A buying wave of this magnitude would result in $3 billion of extra purchases.

As shown in Table 1, when this hypothetical spurt of consumer buying is added to the impact of Program B and the projected cyclical increase, GNP rises more than 5 percent in the fourth quarter. So rapid a rise, even without pressing against potential, might threaten the stability of prices. The speed with which output can adjust to demand is limited, even when idle resources remain. No peacetime expansion during the 1950's raised real GNP by more than 3.3 percent in one quarter.

The possibility of a crisis-induced surge of private spending is the major inflationary threat associated with the acceleration of the defense program. Prudence requires advance planning against this contingency.

7. Table 2 shows the Budgetary impact of Program A and Program B. As a result of the feedback of revenues from higher GNP, the Budget deficit is increased by only about half the amount of added Federal outlays. Because the income-and-product account shows revenues as soon as the liabilities accrue and because it covers all economic transactions, it shows a smaller added deficit.

Table 2

Budgetary Impact of Added Defense Programs in Fiscal Year 1962

(Billions)

	Extra expenditures	Added revenues from economic impact of program	Resulting increase in deficit
Program A			
Administrative budget (FY 1962)....	$2.0	$0.6	$1.4
Income-and-product budget (FY 1962).	2.0	1.1	0.9
Income-and product budget by quarters at annual rates:			
1961: III.....	.0	.0	.0
IV.....	2.0	1.0	1.0
1962: I.....	3.0	1.7	1.3
II.....	3.0	1.8	1.2
Program B			
Administrative budget (FY 1962)....	3.5	1.0	2.5
Income-and-product budget (FY 1962).	3.5	1.9	1.6
Income-and-product budget by quarters at annual rates:			
1961: III.....	.0	.0	.0
IV.....	2.0	1.0	1.0
1962: I.....	5.0	2.5	2.5
II.....	7.0	4.0	3.0

II. STAND-BY ECONOMIC CONTROLS

1. Additional defense expenditures within the range now contemplated do not per se require new economic controls. Expenditures of this magnitude are well within the capacity of the economy. They do not impose any inflationary strains on the economy that cannot be contained by monetary controls without new taxes or direct controls.

2. The inflationary danger of the Berlin program arises from its possible effect on public psychology, resulting in "scare buying" by consumers and business firms and anticipatory price increases. These are not likely to be triggered by announcement of the modest increase in defense spending envisaged. But they might be set off by a subsequent declaration of national emergency or by other events which signal a worsening of the crisis. To deal with this contingency, the President should be armed with new powers on a stand-by basis.

3. A request for stand-by powers should be made in two stages:

a. Stage I. Powers to be requested at the same time as new defense appropriations:

(1) Discretionary authority to change tax rates, as described in Section III.

(2) Authority for the President to order a temporary freeze of prices, wages, salaries, and rents:

(a) The freeze would expire, unless the power is renewed by Congress, at the end of sixty

days, not counting days when Congress is out of session.

(b) Not less than thirty days before the end of the freeze, the President will submit to Congress a request for legislation authorizing the detailed controls of Stage II.

(3) Discretionary authority for the President to sell excess materials from strategic stockpiles for counter-speculative purposes.

b. Stage II. Comprehensive authority for detailed direct control to be requested only after the imposition of a temporary freeze.

(1) Controls over prices, wages, salaries, and rents.

(2) Controls over selected forms of credit: for purchases of consumer goods, houses, and for nonessential business borrowing.

(3) Emergency powers for settlement of labor disputes.

(4) Requisitioning.

4. The controls requested in Stage I would be invoked only upon the appearance of inflationary symptoms. Tax increase and stockpile-selling should be tried first, followed by the freeze if evidence of inflationary pressure mounts.

5. The proposal to ask for stand-by powers before Congress adjourns runs the risk that the request itself makes an inflationary psychological response more likely, as well as the risk of conservative criticism of a

"controlled economy." It seems worthwhile to accept these risks, for the following reasons:

a. It the request for the Stage I powers is postponed until scare buying and anticipatory price increases actually occur, there will inevitably be a delay in obtaining the authority even if Congress is in session. Price movements during this delay could greatly complicate the subsequent task of control.

b. The need might arise when Congress is not in session.

c. If some surge of spending is the inevitable result of asking for control powers, its impact will be less if it occurs earlier, when the economy is still fairly slack.

d. The probability of a psychological reaction is smaller if the request is made when there is no clear and immediate need for the use of the powers.

6. To minimize the psychological response, the request should be made in low key, emphasizing the following points:

a. These are powers which should always be available to the President so long as the cold war continues, and they should not have been allowed to lapse in 1953.

b. The outlook is for a continuation of price stability; the economy has ample capacity to meet the new military needs; the controls are unlikely to be exercised, but it is only

prudent to have them on hand.

III Tax Policy

1. The emergency tax program should have the following characteristics:

a. Since tax requirements will vary with (1) the amount of additional defense spending, which is subject to quick revision, (2) the level of output and employment, and (3) the hard-to-predict reactions of consumers and businessmen to announcements of military and economic measures, the program should provide for not only a substantial amount of additional taxation but also for a method of adjusting taxes quickly to changing needs.

b. Given the need for flexibility and speed if the occasion for tax increases arises, the program should provide for temporary tax changes that can be imposed on short notice and terminated when they are no longer necessary.

c. The program should be consistent with objectives outlined in the President's tax message of April 20. But it should not become the occasion for time-consuming changes in the structure of the Federal tax system on a permanent basis. (For the time being, it is assumed that the present tax bill and the tax revisions planned for the next session will be unaffected. Legislation to curtail unnecessary business expenditures and to close loop-holes would be particularly appropriate in a defense emergency.)

2. To meet these conditions, it is suggested that the Congress be requested to grant to the President stand-by authority to make uniform adjustments in the personal income tax rates. This authority should be subject to the following limitations and safeguards:

a. The authority should be exerciseable only when the President has declared a state of national emergency or if, in his judgment, a tax adjustment is necessary to avert inflation or recession that threatens to impair the effectiveness of the national economy.

b. The range of permissible adjustment should be limited to 5 percentage points upward or downward in all existing brackets of the personal income tax. (A corresponding adjustment would be made in the maximum effective rate limitations -- now 87 percent). The tax yield amounts to $1.8 billion per point, or a maximum of $9 billion for the 5 points, at this year's income level.

c. The duration of the tax change would be limited to six months, subject to renewal for an additional six months by the same process -- unless Congress acts sooner to extend, alter, or rescind it.

d. The President's decision to invoke a temporary tax change would go into effect through withholding within 10 days after his announcement, but Congress would have power to revoke the tax change within 60 days by the adoption of a concurrent resolution of disapproval (or, if Congress is not in session, within 30 days after it convenes). If Congress adopts such a resolution, the additional amounts withheld under the President's

authority would be automatically refunded or credited to taxpayers after final returns are filed on April 15 of the following year.

3. For political reasons, during a national emergency, it may be difficult to increase tax rates on individuals without increasing corporate taxes. However, an excess profits tax would probably not be justified under the moderate defense build-up assumed earlier. A change in the corporate income tax rate would be more appropriate -- preferably also on a stand-by basis -- but it will be resisted on the ground that the corporate tax rate is still at peak Korean levels. Excise tax rate changes can hardly be incorporated in the discretionary authority to be delegated to the President, but they should not be ruled out as a possible source of revenue at a later stage.

4. Associated with any request for discretionary tax authority should be (a) an urgent request for action on the postal rate increase; and (b) a firm pledge of cutbacks of less essential civilian programs side-by-side with any tax increases. Actual reductions in Federal spending should be made in accordance with long-run national priorities, and should be concentrated on programs that can contract and expand without substantial loss of efficiency, e.g., highway programs, housing, home improvement and slum clearance, and the construction of post office and other government buildings. A request of State and local authorities to cut back expenditures under their jurisdiction would also be appropriate. Expenditures under the transfer programs of all government -- e.g., unemployment compensation, old age insurance, welfare payments -- would shrink automatically.

CONFIDENTIAL

DEPARTMENT OF STATE
ASSISTANT SECRETARY

MEMORANDUM

DATE: JUL 19 1961

TO : The Secretary

THROUGH: S/S

FROM : EUR - Foy D. Kohler

SUBJECT: Berlin Stockpile

IN SHORT, IN QUITE GOOD SHAPE

The status of the Berlin stockpile by commodity sectors is as follows, in terms of estimated duration:

Commodity	Estimated Duration (in months)
Solid Fuel Stocks	14
Foodstuffs	6 - 12
Cereals, grain and flour, coffee substitutes, and salt	12 months
Fat, meat, dry whole milk	6 months
Dehygrated potatoes	5 months
Egg powder	4 months
Medical Supplies	4 1/
Liquid Fuels	2 - 3 (based on 1960 consumption; rationing would materially extend duration capacity) 2/
Industrial Materials	7
Building Materials	9

1/ Funding authorized in May to increase medical supplies stockpile by about one month, which will create 5 - 5 1/2 months supply in the stockpile.

2/ Shortage of fuel storage capacities in Berlin is now being studied by Quadripartite Stockpile Committee.

CONFIDENTIAL

Approximately $400 million has been expended in the development of the Berlin stockpile, of which the United States has provided about $110 million and the Federal Republic and Berlin the remainder.

The United States Air Force has primary responsibility for Berlin airlift planning; however, the Federal Republic will finance civilian airlift requirements and is in active consultation with the allied embassies in Bonn on details of that aspect of airlift planning.

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7/19/61

This document consists of 2 pages.
Number 1 of 9 copies, Series A.

SECRET

DEPARTMENT OF STATE

ASSISTANT SECRETARY

TO : The Secretary

JUL 19 1961

THROUGH: S/S

FROM : EUR - Foy D. Kohler FDK

SUBJECT: Discontent in East Germany

Background

Recent reports of unrest in East Germany and the increased refugee flow to West Berlin have led Ambassador Dowling to raise the question of what the United States would do if the "East German population should rise again." He went on to express the view that "for us to remain on the sidelines in the event of another June 17 would mean an end of our prestige and influence in Germany, even were the Federal Republic and population in the West to follow our precept."

Reports from our mission and the CIA station in Berlin indicate that there has been an increase in discontent in East Germany. This is evidently due to the unsatisfactory economic conditions, particularly food shortages. There has also recently been a marked increase in the refugee flow to West Berlin. This appears to be partially due to the tough Soviet line on Berlin, which has led to the fear that the West Berlin "escape hatch" will be slammed shut. A contributing factor has been the end of the school year in East Germany, which has provided a good time for people planning to leave to make good their escape.

While there is no sign at present that an explosion is imminent, either of two contingencies could arise. First, and in our view the more likely, the East Germans could take measures designed to halt the refugee flow. Second, if they eliminated the West Berlin "escape valve" and if the economic crisis seriously deepens, unrest could turn into violence.

While the situation in East Germany is undoubtedly conditioning Soviet policy on Germany, it is difficult to say what effect it will have on Soviet decisions. For the moment at least, Soviet policy is to encourage the East German regime to get its economic house in order and to tolerate the refugee flow, while at the same time pressing toward a decision on Berlin. Ulbricht would, however, apparently like to end the refugee flow, and the present flood --if continued-- could induce the Soviets to give him the green light. If Khrushchev became seriously concerned about the situation in East Germany, he could either call for a showdown on Berlin or slacken the pressure in order to give the regime time to get its economy in order.

Implications

Implications for US Policy

We are at present discussing within the Department and with other interested agencies the implications of these developments for US policy. The consensus thus far is that, although it is in the United States interest for unrest in East Germany to cause the Soviets to slacken their pressure on Berlin, we would not like to see the outbreak of serious disturbances. Nor would we like to see the East German regime take measures to halt the refugee flow, particularly if this involved --as it could-- the division of Berlin.

On balance, we believe that the Soviets are creating enough difficulties for themselves in East Germany, without the United States taking a hand. We believe, therefore, that the United States should not do anything at this time to exacerbate the situation.

In the meantime, we are examining how the United States can best exploit the Soviet's difficulties, by helping to advertise them to the world and by reminding the Soviets quietly that the United States is watching events in East Germany with interest and --perhaps temporary-- forbearance.

We are also preparing plans to meet either of the two contingencies discussed above: (1) that the East German regime should take measures to halt the flow of refugees, or (2) there should be serious disorders in East Germany.

Recommendations

If the questions of unrest in East Germany or the refugee flow should arise at the NSC Meeting on Wednesday, I recommend that, after reviewing the situation, you say:

1. That these questions are now the subject of discussion between State and the interested agencies, and

2. That you believe that no action should be taken pending the outcome of these discussions.

Approve _____

Disapprove _____

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7-18-61.

SECRET

PRELIMINARY DRAFT II

The Berlin Crisis

July 6,
~~June 27,~~ 1961

SECRET

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I. Foreword

A. The Nature of the Issue

The issue over Berlin, which Khrushchev is now moving toward a crisis to take place, so he says, toward the end of 1961, is far more than an issue over that city. It is broader and deeper than even the German question as a whole. It has become an issue of resolution between the U.S.A. and the U.S.S.R., the outcome of which will go far to determine the confidence of Europe -- indeed, of the world -- in the United States. It is not too much to say that the whole position of the United States is in the balance.

Until this conflict of wills is resolved, an attempt to solve the Berlin issue by negotiation is worse than a waste of time and energy. It is dangerous. This is so because what can be accomplished by negotiation depends on the state of mind of Khrushchev and his colleagues.

At present, Khrushchev has demonstrated that he believes his will will prevail because the United States and its allies will not do what is necessary to stop him. He cannot be persuaded by eloquence or logic, or cajoled by friendliness. As Sir William Hayter has written, "The only way of changing /the Russians'/ purpose is to demonstrate that . . . what they want to do is not possible."

Until that demonstration is made, no negotiation can accomplish more than to cover with face-saving devices submission to Soviet demands.

Once the demonstration has been made, negotiation can resolve the issue in a number of ways, from face-saving for a Soviet retreat to mutual concessions on non-vital matters. Solutions of this nature are outlined in Chapter III, below.

To offer any concessions now, however, will only result in an appearance of weakness and real impairment of future negotiating position.

Ambassador Thompson has stated the principal objectives of the Berlin offensive:

1. To stabilize the regime in East Germany and prepare the way for the eventual recognition of the East German regime;

2. To

2. To legalize the eastern frontiers of Germany;

3. To neutralize Berlin as a first step and prepare for its eventual take-over by the GDR;

4. To weaken if not break up the NATO alliance; and

5. To discredit the United States or at least seriously damage our prestige.

It is plain that, if carried to its conclusion, the Berlin offensive strikes at the power and world position of the United States. Even its more limited purposes are gravely damaging to the United States and the Western Alliance. This is the nature of the crisis which confronts us; not the fate of a city, or of its two and one-half million people, or even the integrity of our pledged word.

So long as issues of the magnitude outlined are sought by the U.S.S.R., and believed by them to be within their grasp, real negotiation is impossible. Only by winning the test of will can we change the Soviets' purpose. Only thus can we demonstrate that what they want to do is not possible.

B. The Nature of the Demonstration

West Berlin has been protected, in the last analysis, by the fear that interference with the city, or with access to it, would result in war between the United States and the Soviet Union. War, as used here, means eventually nuclear war.

If Khrushchev now contemplates embarking on a course of interference, and later does so, it means that his fear of war resulting has declined. He has been quoted as saying as much.

The capability of U.S. nuclear power to devastate the Soviet Union has not declined over the past two years. The decline in the effectiveness of the deterrent, therefore, must lie in a change in Soviet appraisal of U.S. willingness to go to nuclear war over the issue which Khrushchev reiterates his determination to present.

This being so, the problem is how to restore the credibility of the deterrent -- that is, how to cause Khrushchev to revise his apparent appraisal of U.S. willingness to resort to nuclear war, rather than to submit to

Soviet

Soviet demands.

Two methods commonly suggested completely miss the nature of the problem.

The first of these is for the United States to threaten to use its nuclear weapons if the Soviet Union should give control of access to Berlin to the East Germans and if they should attempt to exercise it. But, if Khrushchev's belief in U.S. willingness to use nuclear weapons over this issue is not sufficient to deter him from going forward with the plan, the threat to use them would not deter him either. He would not believe that we would carry it out.

The second suggestion is that, if and when the East Germans take over the control points and attempt to exercise control, a small allied military force, e.g., a few vehicles, should brush aside the control officers and proceed towards Berlin. If this force is not stopped by the East Germans, so the argument runs, the latter would have been deterred from exercising control of Berlin traffic. If the force is stopped and turned back, and if protests, military preparations, economic pressures, and diplomatic moves are not effective, the next resort would be use of force on the order of a battalion or somewhat larger. If this force were turned back, eventual resort would presumably be to nuclear war.

There are several conclusive objections to this suggestion.

The principal one is that it is not addressed to the main point -- Russian disbelief in U.S. willingness to use nuclear weapons. If this disbelief continues, the East Germans would wave the small force, and then the battalions on to Berlin and continue to control traffic on unacceptable terms, or they would stop both the force and the traffic. They would not have been deterred. If the U.S. then resorted to nuclear war, it would be doing so not to deter interference with access to Berlin, but because deterrence had failed. The United States would have failed to convince Khrushchev that it would do what, in the end, it did do -- and failed largely because it would have made no effort to convince him by its conduct prior to final action.

Thus we would have suffered the worst of both worlds. We would have started nuclear war without having had the benefit

benefit of the deterrent effect which our determination to start that war, rather than submit, would -- if known -- have had on Russian decisions.

The lesson of this reasoning is plain. The resort to nuclear war is not a deterrent; nuclear weapons are not the last and most powerful weapons in the hierarchy of violence to be employed to protect Berlin. Their employment would mark their failure as a deterrent, and would be designed to protect the United States and its allies from the consequences of that failure.

Thus we are continually thrown back on the necessity of devising, and starting quickly, a course of conduct which will change the present apparent Russian disbelief that the United States would go to nuclear war over Berlin, rather than submit. This report submits a plan to do this. Before coming to the plan, an early, secret, and vital decision is necessary.

C. The Decision to Resort to Nuclear War, If Necessary

Nothing could be more dangerous than to embark upon a course of action of the sort described in this paper in the absence of a decision to accept nuclear war rather than accede to the demands which Khrushchev is now making, or their substantial equivalent.

To do so would be a policy of bluff, with disaster as the consequence of the bluff being called. The disaster might even take the form of our receiving a nuclear strike if the impression we made was better than our determination.

To think of the bluff as a "calculated" risk is pure self-deception because there can be no quantitative calculation of that risk in the Berlin situation.

All that can be safely said is that Khrushchev probably would not incur the certainty of nuclear war over Berlin if he could see far enough ahead that war was certain. But, given his background and the inherent obscurity of the situation, we cannot be sure that before events had passed beyond control he would see that war was certain.

To sum up the situation: There is a substantial chance, not subject to evaluation, that the preparations for war and negotiation outlined here would convince Khrushchev that what he wants is not possible without war, and cause him

him to change his purpose. There is, also, a substantial possibility that war might result.

It is, therefore, essential to make an early decision on accepting the hazard and preparing for it. The "substantial possibility" of the success of the course of action here depends on the existence of a core of hard decision, understood in all its grimness and cost. Furthermore, the condition of the country in the event of war will also depend on an early and deliberate decision. A hasty and improvised decision in the eleventh hour of approaching panic and hysteria could add vastly to the cost of war.

II. Preparations

II. Preparations

To convince the Soviets that we are in earnest about defending Berlin we must be in earnest about it.

This means that the military, economic, and political power needed for this defense should be made ready for use. Measures to this end should be begun immediately and should be increased over the time available.

It is not necessary that all military preparations have been completed by the time that East German personnel are expected to replace Soviet personnel along the access routes. The use of force might be deferred for some time after this, while final military preparations are being completed. This would enable us to avoid steps which would prematurely raise tensions, at a time when this might divide the alliance and circumscribe Khrushchev's flexibility in negotiations -- thus hindering attainment of our basic purpose. The more drastic of our preparations will be more impressive to Moscow, and perhaps, have a less disturbing effect on our allies if taken later on as the crisis deepens, when they will be more suited to the immediacy of the threat.

The purpose of the preparatory measures will be twofold: (1) to put us in a position, at an appropriate time, to use the power necessary to achieve our purpose; and (2) to convince the Soviets, by the extent of our preparations and of our commitment, that we have determined to go to the use of force, including nuclear war, rather than submit.

If these preparations are to have their full and essential effect, they must be wholly authentic and real. They must not be affected or deflected by alleged psychological considerations designed to impress the Russians. Both to impress the Soviets and, later on, to preserve this nation, the preparations must be as solid and sound as time permits. The phoney is easily recognized and almost surely will be disastrous.

We should neither conceal nor dramatize our preparations. To conceal them would be impossible. To dramatize our preparations would be self-defeating, both in suggesting to the Soviets that these preparations were designed primarily for effect and in frightening our own people, our friends, and neutrals. Announcements should be made in a low key and related to world tensions rather than to Berlin alone, so as to avoid giving the appearance of laying down a direct challenge to Khrushchev on this issue.

Along

Along with these preparations should go constant education as to the real nature of the Berlin issue, assertion of our continued readiness to meet and discuss this issue with the Soviets, and frank elucidation why basic interests are not negotiable.

The preparations, and the subsequent action, suggested here will require the closest consultation and planning with our allies, first with the British and French and then with all our NATO allies. This government should lead the joint planning both in proposals and, more importantly, in action to put them into effect. The British, especially, and perhaps the Germans, too, will be more ready to follow action rather than to accept proposals. The latter can be delayed and frustrated by endless debate and refinement. Our unilateral action should generally be timed so as to spur decision and action by our allies.

We should not argue publicly with our allies if they hesitate to go as far and fast in their preparations as we do; this would only advertise divisions in the Western camp. Nor should we decrease the extent or speed of our preparations, to correspond to theirs.

If it becomes clear that our preparations are causing our allies to defect from the basic Western position regarding Berlin, we should, of course, reconsider the matter. Barring this eventuality, however, we should move forward vigorously and seek to persuade our allies to go as far as possible with us, rather than join those who will be clamoring for a face-saving surrender to Soviet demands.

So far as positive help is concerned, the Germans are probably the most important of our allies and the French, for logistic reasons if nothing else, second. If West Germany should collapse along the way, the Western position would be in bad shape. A "damage control" operation would be in order and should be in the plans. (See Chapter V)

B. The Stages of Preparatory Action

Preparatory action should be taken in three stages, increasing both in seriousness and in being pointed directly at the Berlin crisis.

1. The first stage should be between the Fourth of July and the German elections on September 17th.

2. The second stage should be between September 17th and the signing of a USSR-GDR peace treaty.

3. The third stage should comprise the period between the signing of the peace treaty and the turning over to the GDR of control of access to Berlin.

By the

By the end of the third period the U.S.A. should have its forces in being in improved readiness, with necessary arrangements poised for the final preparations required to be able to use force. It should have completed at home and abroad intensive education on the nature of the issue centering around the Russian demands regarding Berlin. It should have allied economic sanctions in a state of readiness. It should be prepared to conduct political moves and to undertake or resume diplomatic negotiations, should the preparations suggested here have the desired effect on Khrushchev and make negotiations possible (assuming that this has not already occurred).

C. Military

C. Military Preparations

The military preparations should be of three distinct types:

1. Preparation of non-nuclear forces for substantial use on the ground and in the air in Europe and on the high seas. Examples of the actions to be taken to this end, subject to further military judgment and to questions of order and priority, are:

(a) Seek, by measures initially short of partial mobilization, to compress the time needed to bring necessary units of reserve components to a state of battle-readiness, so that they could be called up in the event force had to be used over Berlin. Encourage our allies similarly to increase the readiness of their reserves, and offer to help supply such equipment as we can and as is needed for this purpose.

(b) Bring US forces in Europe up to full strength. Try to persuade our allies similarly to raise the manning levels of their existing forces on the continent.

(c) Move some STRAC and USAF units to Europe, gradually raising the level of forces there and replacing the forces despatched there from the US by calling up Guard and reserve units.

(d) Improve our ability to transport and deploy additional forces to Europe.

(e) Move equipment needed by our forces in Europe to the continent, and build up stocks of combat supplies on the continent.

(f) Increase US stocks of non-nuclear ammunition.

(g) There is one further step of the utmost importance which should be taken in preparing for substantial use of non-nuclear force in Europe: that is to tighten SACEUR's physical custody and control over nuclear warheads in Europe. The whole purpose of a substantial use of non-nuclear force in Europe would be defeated if it should escalate into general nuclear war by Western action, before this was intended. To prevent this, it is necessary to ensure that NATO

nuclear

nuclear weapons in Europe will not be fired by our allies or by subordinate US units without explicit Presidential and SACEUR directive - even in the midst of substantial violence and great uncertainty as to whether nuclear warfare is not about to start. This will be difficult, at best; present physical arrangements may not be ideal in this respect. The President should direct that whatever steps are needed to improve these arrangements, and thus assist SACEUR in controlling the allied and US nuclear capable units committed to his command, should be taken by the Secretary of Defense as a matter of urgency.

2. The second category of military preparations would be designed to increase our ability to mount counter-measures on the high seas. This might mean preparing our naval forces so that they could readily force Bloc shipping in specified areas to return to Bloc ports, and

increasing

increasing the over-all readiness of the Navy to engage in the combat operations which might ensue.

3. The third category would include measures to prepare for the possibility of general nuclear war. This would mean placing SAC in a suitable state of readiness, which could be maintained over the period of a prolonged crisis without degrading SAC capabilities or generating pressures for a pre-emptive strike. It would also mean taking civil defense measures, including possibly construction of fall-out shelters. The world-wide readiness of US armed forces would need to be increased in a variety of ways.

In carrying out these preparations, we should try to avoid actions which are not needed for sound military purposes and which would be considered provocative. Such actions would have a contra-productive effect on the Soviets in two respects - first, in suggesting that the whole operation was for "muscle flexing" and thus degrading the deterrent effect of our other preparations, and second in creating an atmosphere of challenge and counter-challenge which might make it harder for the Soviets to back down, if they should wish to. Such actions would tend to split the alliance, furthermore, by antagonizing our allies.

Allied attitudes also suggest that preparations for a Berlin crisis should not include steps, which would run contrary to Presidentially-approved US policy toward Europe, looking to sharing nuclear weapons capabilities with France or to deployment of land-based MRBM's in Europe. Nuclear sharing with France would trigger German interest in developing a national nuclear capability; preparations for deployment of land-based MRBM's to European (including German) forces would be taken in some quarters to foreshadow de facto creation of such a capability. The British have opposed deployment of land-based MRBM's to Europe, in part, because of their reluctance to see strategic missiles containing powerful warheads placed in German hands. A Berlin crisis would not be

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the time to take steps that would thus, in the view of some Europeans, raise the prospect of a German nuclear capability; this would excite the very fears of Germany which we will need to dampen down if Western firmness and unity over Berlin is to be preserved. For the same reason, stepping up the arming of German forces with nuclear weapons would not be useful preparation for a Berlin crisis from the political standpoint.

D. Other Preparations

Preparations for non-military pressure on the Soviets are of vital importance. They will probably be more credible than preparations for military action; they may well have a substantial effect on Soviet intentions.

1. Political. The President will need to seek funds and authority from the Congress to carry out the military preparations suggested above. The President might relate these preparations to the rising world-wide Communist threat, of which Berlin is one element, and make clear, therefore, that we have in mind two quite separate programs:

(a) Short-term steps to meet the immediate threat to Berlin.

(b) Long-range steps to increase the size of the US defense establishment which will be needed, if a full-blown Berlin crisis develops, to meet the prolonged period of stepped up Bloc pressures which such a crisis presumably portends. These steps should not be launched now, but should be clearly foreshadowed: The President could direct the Secretary of Defense to prepare plans

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for a major increase in US force levels; funds for this increase would be requested of the Congress in the event the international situation deteriorated further. The matter might now be discussed with Congressional leaders. The deterrent effect on the Soviets of such planning would probably be substantial. They must even now bitterly regret the lasting jump in US defense expenditures brought on by the Korean war. It would be useful to convince them that a similar increase might result from a Berlin crisis. But they will only be convinced if we have, in fact, decided to mount these increased expenditures in the event a crisis materializes.
As a nation, we have little capacity for deceiving others. At best, we can hope to convince the Soviets that we will undertake dangerous or expensive actions if that is our real intention.

2.

2. Economic. Preparations for economic counter-measures should also have considerable deterrent effect. Such measures proved surprisingly effective in response to recent East German pressures on civil access to Berlin.

Again, the crux of the matter is a clear allied decision that the measures will be adopted. If such a decision is taken at the highest level of the governments concerned, it would be incongruous not to make specific and detailed preparations to give it effect. Failing the decision, however, the preparations will not carry conviction.

These economic counter-measures would be designed for execution at the time that East Germany blocked ground access to Berlin. They might include some or all of the following:

(a) Cutting off trade between NATO countries and the Bloc.

(b) Denying Bloc ships the right to stop in NATO ports.

(c) Denying Bloc aircraft the right to touch down in NATO countries.

(d) Denying Bloc nationals and goods the right to transit NATO countries or to be transported aboard carriers of NATO countries.

The US should lay specific plans for carrying out such measures, insofar as US territory and facilities are concerned. It should inform its allies of its intention and propose that they make similar plans. Firm agreement should be sought this summer.

3. Eastern Europe. The Soviets might be deterred from a Berlin crisis if they believed that it would result in greater instability -- rather than stability -- in Eastern Europe. The US should try to convince the USSR that it would and could, in event of a Berlin crisis, stir up dissidence in East Germany and Eastern Europe.

The steps to be taken to instill this conviction are matters of expert judgment, which lies beyond the competence of this report. There are two points to be emphasized:

(a) We can only convince the Soviets that this is our intention if that is, in fact, the case. As in the military field, bogus preparations will be of little value.

(b) The scale of civil disorder which we set out to stimulate should correspond, progressively, to the intensity of the crisis. Full-scale revolt should only be triggered, if at all, when the crisis reaches a stage which is but a hair's breath from general war, since such a revolt could well lead directly to such a war.

4. World Opinion

4. World Opinion. Khrushchev has been trying to present his demands regarding Berlin in such a way as to maintain his peace posture with the neutrals and convince them that his object is to eliminate "hotbeds of war." It is important to frustrate this effort; the Soviets are much more dangerous when they believe that their propaganda has put world opinion upon their side: They are apt to believe that they can take greater risks because we will be inhibited by adverse opinion from taking effective counter-action.

Beginning soon, therefore, a well thought-out, intensive, and continuous campaign should be conducted, both domestically and internationally, to bring out the fact that at the present time there is no threat of any sort to the peace in either Eastern or Western Germany; that peace is a condition and does not depend upon formal documents announcing or proclaiming it; and that Khrushchev is engaged in an operation unique in its cynicism: In the very name of peace, and through the instrumentality of negotiating and putting into effect what he calls a peace treaty, he is taking an action of calculated and far-reaching aggression.

This theme should be developed over and over again and with the most homely and understandable analogies. Speeches by the President, the Secretary of State, other members of the Administration, popular pamphlets (along the lines of one recently put out by the State Department entitled "Berlin: A City Between Two Worlds)", messages to Congress, and all the instrumentalities of the U.S.I.A. should drive home this lesson - adapting it to the conditions and understanding of various countries, both allied and neutral.

As suggested above, all of this should be done at the outset in low key, stressing reason and determination, rather than crisis and alarm. As the crisis deepens, a greater note of urgency can be added. As these statements

accompany

accompany and explain preparatory actions of increasing seriousness, they will make clear that these Western actions are intended to preserve the peace against those who use the name of peace and the worldwide desire for peace for their own aggressive purposes.

III. The

III. The Role of Negotiations

As suggested in the Foreword, Khrushchev now appears to view the balance of power as inclining in his favor; in this climate, negotiations would fail or lead to agreement unacceptable to the West. While this situation continues negotiation should be regarded purely from the propaganda point of view.

Primary emphasis should be placed, in our public posture during this period, on the all-German rather than the Berlin issue. The Western position on this issue is better than that of the Soviets and this fact should be vigorously exploited. We should review the Western Peace Plan to see if it can be made still more forthcoming and attractive to world opinion. The basic principle on which our position is based--self-determination--should have great appeal to most non-Communist countries.

If the preparations proposed in the preceding section should change Khrushchev's view of Western firmness, genuine negotiations will be useful. They would be designed to build a bridge on which Khrushchev could retreat to safety. If he wishes to retreat it will be easier for him to do so by means of negotiations launched <u>after</u> our military preparations and <u>before</u> the crisis has advanced very far, i.e., before the signing of a peace treaty. Some proposals suggested for this purpose do not seem promising.

One would be an agreement which united Germany and thus caused Khrushchev to abandon his project of a peace treaty with East Germany. We could not agree to a form of German unification which left East Germany in Communist hands. And there is no evidence to suggest that Khrushchev would agree to any form of German unification which would assure the people of East Germany free choice by a specified date - however distant. The mere signing of such an agreement (whether it was viewed seriously by the Soviets or not) might tend to demoralize the East German regime and undermine its hold on the East German people.

Ambassador Thompson's suggestion of stretching out, e.g., to seven years, the period for agreement between the two German Governments upon a constitution may not be subject to this infirmity, since there would be no commitment to hold elections at the end of this period unless the parties concerned could agree on that constitution. This stretch-out would, however, be highly objectionable to the West Germans; it seems unlikely that we could gain their consent.

Negotiations restricted to Berlin do not seem to be any more promising, unless Khrushchev should mellow considerably under American preparations. The agreements previously suggested have been:

(a) An "interim" agreement which would temporarily defer a peace treaty, or -

(b) An agreement without any time limit, which would define what the consequences of a peace treaty should be for Berlin.

An "interim" agreement could be either:

(a) An agreement such as Khrushchev suggested in his aide-memoire: The two Germanies to talk to each other, and the Berlin status quo to be maintained while they do. Or -

(b) An agreement such as was discussed at Geneva in 1959 - preserving the present situation in Berlin with some limitations on Western forces and subversive-propaganda activities thrown in.

Neither type of agreement would be acceptable to the West Germans, but they would prefer the second to the first since the last thing they want is to have any political dealings with the GDR. The basic trouble with either of these "interim" agreements, however, is that their temporary nature would imply a term on our presence in Berlin. The offsetting advantage, it can be argued, is that they would buy time. This advantage would only be meaningful, however, if the West should decide, at the same time as a temporary agreement was concluded, to mount a crash program to improve its power position. Failing such a decision, a temporary agreement would not seem useful.

This leaves what seems to be the most promising possibility: an agreement whose purpose would be not to defer a peace treaty, but to preserve the Berlin status quo despite a peace treaty. This purpose might be served by what has come to be known as Solution "C." This would not be a formal agreement but an exchange of Western, Soviet, and East German declarations prior to the signing of a treaty:

(a) The Western

(a) The Western powers would declare that their rights and Soviet obligations remained unchanged, that they intended to keep their forces in West Berlin, and that they would deal with East German personnel regarding ground and air access on the same terms as they had previously dealt with Soviet personnel.

(b) The East Germans would declare their intention to respect existing access procedures, except that these would henceforth be performed by German personnel. The Soviets would associate themselves with this East German declaration.

There would not be much in this for the Soviets: Solution "C" would merely give them what they could get anyway by telling the East Germans not to alter existing access procedures after a treaty - plus the slightly heightened status involved in the GDR being permitted to make a declaration. This is probably not enough to make a bare-bones Solution "C" negotiable - even with a chastened Khrushchev.

It may be necessary, therefore, to add on some additional face-saving elements:

(a) A Western declaration that espionage and subversive activities would not be permitted in West Berlin - in return for a comparable East German statement regarding East Berlin. These activities in West Berlin are an irritant and potential liability in terms of world opinion; the damage they do in these respects probably exceeds any direct benefit. If restraints on these activities were stated in a unilateral Western declaration, this would give the Communists less of a pretext for interfering in the internal life of West Berlin than if the restraints were stated in a formal agreement.

(b) A Western declaration that no nuclear weapons would be introduced into West Berlin. (This would be harmless, since the Western powers have no intention of introducing such weapons.)

(c) A Western declaration that Western forces in Berlin would not exceed a level approximating their current combat strength.

(d) Stationing UN observers in Berlin and along the access routes to inspect and report on fulfillment of the reciprocal

declarations

declarations by the Western powers, the GDR, and the USSR indicated above.

An agreement along these lines would still be a major defeat for the Soviets. For it would leave the West Berlin status quo untouched - either physically or conceptually. To call it "face-saving" for the USSR is to use the term loosely.

If our bargaining position is strong enough to save Berlin, but not strong enough to avoid more concessions to save Khrushchev's face, there is one further addition to Solution "C" which might be considered: A declaration by the Western powers recognizing the Oder-Neisse boundary. Such recognition would probably be in the West's interest in any event, as a potential means of eventually weakening Soviet-Polish ties.

This kind of Berlin arrangement would, of course, leave a continuing possibility of trouble, since the access routes would remain in Communist hands. It is sometimes asked whether a more drastic solution is not possible, which would remove these routes from Communist control and thus settle the dispute once and for all.

(a) An all-Berlin non-Communist "Free City" has been proposed. This may have considerable propaganda advantage, but the Soviets would almost not give up Communist control over East Berlin. And any form of Berlin unification which preserved that control would be unacceptable to the West. This proposal thus does not seem negotiable, - let alone a means of prying the access routes loose from Communist control.

(b) A special status for West Berlin, alone, has also been suggested: The city to be guarded by UN or other international contingents, and the access routes to come under the city's or the UN's jurisdiction. An international regime for Berlin which would not only deprive the allies of their occupation rights, but also deprive the city of Western forces would be disastrous: No international forces could substitute for the Western forces now in Berlin - in maintaining internal order, in deterring Bloc attack, and in convincing the West Berliners that they remain under Western protection.

This chapter must therefore conclude, as it began, by stressing the limited role which negotiations can play in averting a crisis. If other measures have deterred Khrushchev, negotiations can offer

him

him an "out" in the form of optical change in Berlin and thus somewhat increase the chances of peace., If Khrushchev remains as confident and determined as he seems now, however, negotiations cannot solve the problem; the US will have to face up to his physical challenge. The question of how and when to do this is treated in the following chapter.

IV. THE USE OF FORCE

A. The Casus Belli

If negotiations fail and the Soviets announce their intention of proceeding with a separate peace treaty, we should make clear that we would view the treaty as an exercise in diplomatic ventriloquism - an act without meaning or validity. We should urge non-Communist states not to grace the occasion with their presence and thus seem to ratify the permanent denial to East Germany of the right of self-determination.

At the same time, the Western powers should make clear the post-treaty posture that they would propose to adopt toward East Germans, when they appear along the access routes and claim the right to "control" Western military traffic. (Civil access to and from Berlin is already subject to East German control.) The chances of a physical collision may be minimized if our position regarding East German functions relative to military traffic have been thoroughly defined before they show up.

Present contingency planning contemplates that the Western powers will identify their military traffic to the East Germans, if they take over access functions from the Soviets, but not allow the East Germans to stamp Western papers, as the Soviets now do.

The arguments for thus trying to limit the East Germans' role are impressive:

(a) If the East Germans insist on paper-stamping, the crisis will be brought to a head at a time when the Western powers are fully prepared--physically and psychologically--for counter-action.

(b) If the Germans back away from paper-stamping, the Western position will have been strengthened. For the debate between ourselves and the Soviets as to

whether

whether present procedures constitute merely identification of Western military traffic or "control" of that traffic will have been resolved in our favor.

The argument against this course of action is that it may be politically infeasible.

The British have only agreed to present contingency planning under great duress; in an emergency, they would almost certainly propose that the East Germans be allowed to perform the functions which the Soviets now discharge. There would probably be considerable European press and popular support for the British position; there would be a disinclination for seeming to make paper stamping a casus belli, no matter how much we explained the underlying issue.

The alliance would thus be divided over an essentially procedural question, at the very time when maximum allied unity was needed as a basis for possible armed action in defense of Berlin. The situation would be the more difficult since there might be some questioning in the US press, public and Congress as to whether we had really chosen the most suitable issue on which to fight. There would also be grave difficulty in making our position plausible to the uncommitted countries.

All this would be apparent to the Soviets, and they would be encouraged to press ahead to exploit the Western disarray. In the face of Bloc pressures and allied disunity, it seems likely that the allies would eventually accept the same paper-stamping from the East Germans that they now accept from the Soviets. To avoid such a last minute change in our position under fire, it would be better to straighten out this issue beforehand.

This report suggests, therefore, that the Western powers should announce, before a peace treaty is concluded, that they would allow East German personnel to perform the same functions as the Soviets -- no more. This would mean holding the same line against a variety of ostensibly minor changes in these functions which we have held for many years.

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The difference would be that it would be the East Germans, rather than the Soviets, who would be trying to make the changes. Allied unity could probably be more readily secured on defending this existing line than on trying to improve it at the time of a GDR take-over. And parity of treatment for the GDR would be easier for the USSR to accept as an outcome of the crisis, if it had been deterred and wanted a face-saving "out".

The East Germans' initial reaction to a pre-treaty announcement by the Western powers along the lines suggested above (assuming that negotiations with the USSR had already failed) is predictable: They would say that the procedures to be followed could only be determined in post-treaty negotiations between the Western powers and the sovereign East German regime.

The West could not, of course, allow itself to be placed in the position of negotiating to secure rights which it already possessed -- least of all with a regime which it does not recognize or hold responsible for those rights' fulfillment. At the same time, the West would not want it to appear that it was breaking with the Communists over the issue of dealings with the GDR, rather than over the issue of Berlin's freedom. This would be falling into a Communist propaganda trap.

The Western powers might, therefore, indicate that they remained willing to negotiate with the USSR about post-treaty Berlin and were willing to inform the GDR of the procedures which they would follow if negotiations did not succeed. The manner of this "informing" could be determined at the time -- the main object being to choose a manner which would generate a minimum of divisive doubts and disputes among the Western powers. The proposal for reciprocal declarations contemplated in Solution "C" might be revived for this purpose.

But now suppose that the East Germans reject being "informed" about procedures, and insist that post-treaty procedures be determined through direct inter-governmental negotiation with the GDR. They might announce that, failing such negotiation, they would unilaterally specify the new procedures to be followed, and only allow Western military traffic to pass which conformed to these procedures.

Should

Should these "new" procedures be identical to those hitherto followed by the Soviets, the traffic would continue to move under the policy proposed in this report. Should these procedures differ from present procedures in any respect, however minor, the Western powers could not accede. If these powers should allow the GDR to perform functions which they have hitherto successfully denied to the Soviets, they would be hard put to find a peg on which to arrest their subsequent descent down the slippery slope.

B. Initial Blockage

If the Western powers refused to abide by new procedures which the GDR has proposed, their ground military traffic would be turned back. In this circumstance, we should continue the daily presentation of ground military traffic for movement and, upon refusal, move it by air. At the same time, we should begin to apply some of the economic counter-measures discussed in Chapter III. We should also move toward the further build-up of the permanent US defense establishment projected in that Chapter.

While these pressures were being mounted, the relatively small amount of military traffic now going to Berlin could be taken care of by a slight increase in the number of military flights to Berlin. The Communists would, at this point, have to choose between four courses of action:

(a) Negotiating for resumption of access.

(b) Letting the garrison airlift go on indefinitely. This would not permit them to achieve their basic purpose; West Berlin would remain free and under guard of Western forces.

(c) Shooting down the Western aircraft, since passive interference alone would not prevent the small number of flights required to supply the garrison. In this event, we should fight back in the air, with a scale of non-nuclear violence corresponding to that of

the Communists.

the Communists. The onus for initial use of force would have been clearly placed on them. If they fired on our aircraft, we would fire on theirs. If their ground batteries tried to interdict our airlift, we would attack those batteries from the air. Such an air war would almost certainly end in Western defeat if the Soviets threw in their full strength. If it became clear that this was the Soviet intention, the Western powers should abandon the air effort and prepare for a large scale use of ground force.

(d) The GDR might cut off civil ground access. In this case, we could move the civil traffic initially by aircraft. There would probably be little political support in Europe for large scale use of force to move goods and persons on the ground, until the option of air movement had been exhausted. The French have recently voiced this view, which has probably always been the British position.

In starting the civil airlift, we should also move to the all-out application of economic counter-measures: cutting off trade with the Bloc, and forbidding Bloc ships and planes from using NATO ports or airfields. The full scale US defense build-up discussed in Chapter III would come into action: X billion would be added to the US defense budget, and US force ceilings would be raised appreciably. Our naval vessels would begin shadowing, delaying, and otherwise harassing Bloc shipping, preparatory to a full-scale blockade. All these pressures would be applied in mounting intensity, if the Communists continued to block civil ground access.

A civil airlift could move enough goods to keep the Berlin economy functioning at full blast, unless the Soviets resorted to passive counter-measures. In this event allied naval forces would immediately begin to blockade the Baltic, the Black Sea, and the Soviet Pacific coast. They would require all Soviet vessels

seeking

seeking to depart those areas to return to port. Our purpose would be to show Western determination and to apply immediate military pressure on the USSR, even before the substantial use of ground force could be mounted, in order to influence basic Soviet political decisions.

If the Soviets nonetheless continued passive interference, the airlift could be hobbled. For passive measures could restrict us to visual flight; and visual flight would not be sufficient to move the needed goods and supplies to Berlin in the long run, as the stockpiles there became depleted. If passive interference were continued, therefore, we should then resort to substantial ground force to restore our access.

C. The Use of Force

The use of force to restore access should begin with a sizable probe - say a battalion - to establish the fact that access to Berlin is physically blocked. Then resort should be had to an operation involving substantial non-nuclear force. Whether this operation takes place at once or not would depend on the state of preparations.

The purpose of the operation would not be the <u>military</u> one of defeating all the Soviet forces which might oppose our forces; this would not be feasible.

It would be the <u>political</u> purpose of moving the Soviets to negotiate a resumption of access by giving the most convincing demonstration of which the West was capable that the Western Allies were not prepared to submit to Soviet demands and would use whatever force was necessary, up to an including general war, in resisting them.

The Western force should thus be large enough so that the Soviets would appreciate the great risk that conflict involving this force would, if not terminated by early negotiations, get out of control and escalate into nuclear war. This means, among other things, that:

(a) The force should not be susceptible of being stopped by the GDR. The JCS believe that 7 divisions and 4 air wings would achieve this end.

(b)

(b) The force, together with the other ground forces available for the battle, should be able to defend itself with non-nuclear weapons until it was plain that the political purpose would not be achieved and that nuclear weapons must be used. An opinion of the JCS leads to the belief that such a force is well within US and allied capability.

The way in which such a ground operation might best serve its political purpose requires much further elaboration by the Defense Department.

The initial force to be deployed across the zonal boundary might, for example, be one division - with one in reserve.

This was the course discussed by the Joint Chiefs of Staff in their April 28 memorandum to the Secretary of Defense, which indicated that "the use of substantial non-nuclear ground forces, in the magnitude of two divisions, could facilitate negotiations to restore ground access to Berlin and compel the Soviets to face the imminent possibility of a broadening of the conflict as well as the possibility of general war, should they persist in obstructing access to Berlin." The annex to the JCS April 28 memorandum said: "A division could fight well for several days, long enough to accept reinforcement by another US or Allied division... If an enemy force of not more than 3-4 divisions opposes the allied force...it is quite likely that we could support a two division force indefinitely in East Germany."

The Soviets might conclude, at this point, that the danger of escalation was getting out of hand and move toward a negotiated settlement. Indeed, they might be impelled to this conclusion by preparations for use of this two division force, which could not fail to be evident to them well in advance.

If, on the contrary, the Soviets threw in more force, the allied operation would need to be reinforced. The seven division force mentioned by the JCS might then come into play.

This force could continue the non-nuclear combat in the face of Soviet/GDR reinforcements and thus provide more

time

time for the Soviets to appreciate the risks of the course on which they were embarked and to seek an acceptable negotiated settlement.

After a period of about 1-2 weeks this allied force would need further reinforcement - depending on the Communist strength thrown against it. At some point, either at the end of this 1-2 weeks or later if the seven division force were to be reinforced, a judgment would have to be reached that we had done all that was feasible to convince Khrushchev that the United States would and, indeed, must - in order to preserve its army, its allies and itself - use nuclear weapons. Thus the last stage of deterrence would have been reached, if previous preparations and uses of force had not produced an acceptable settlement of the issue.

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V. THE POSSIBILITIES AND CONSEQUENCES OF FAILURE

It is essential to consider, not only the possibility of success and the risks and danger involved in any proposal, but also the possibilities and consequences of failure. Failure in the course proposed could arise from at least three sources.

First. Even with the most careful handling, our allies, or important ones of them, might become frightened along the way, decide that the risks and dangers exceeded the advantages, and indicate that they were no longer associated with our position.

This could happen, not only because their people might be less stalwart or because their governments came to a different appraisal of the dangers and advantages but also because, to some extent, their interest may be different from ours in one respect: None of them has the prestige or world position which we do; and, therefore, none of them can have that position and prestige at stake.

It is impracticable for the United States to undertake unilateral action in the Berlin area, if for no other reason than that this action would take off from the territory of the Federal Republic and might require, to some extent, air bases, staging areas, assembly areas, and so forth in both France and Great Britain. If these allies, especially the Federal Republic, were to weaken, the plan here developed would fail: While the United States could still launch nuclear warfare, there is very grave doubt that our own Congress and people would support initiation of a general war which arose over Berlin and was disapproved by the Germans themselves.

What could be done to mitigate the danger to our position and to the alliance which this division among the allies would have caused?

The Soviets

The Soviets' reaction to the division among the Western powers would depend, at least in part, on the point at which it had occurred.

If our allies' negative attitude had become manifest when the course of action outlined in this report was first proposed to them, present military contingency planning would presumably not be changed. The Soviets' view of Western intentions would thus remain a skeptical one. They would not expect our allies to go from the planned battalion-or-larger probe (of which they are probably well aware) to general nuclear war. And they would be right.

In this circumstance, there would probably be little chance of reaching agreement with the Soviets on the kind of Berlin Solution "C" discussed in Chapter III. It would be necessary to move toward an agreement more favorable to the Soviets, if a show-down was to be avoided which would result in a humiliating Western retreat:

(a) The West Germans might have to be persuaded to accept the seven year stretch-out proposed by Ambassador Thompson, if this should prove to hold any interest for the Soviets. Or

(b) An "interim" agreement might be sought, even though it might be taken to imply a term on the Western powers' presence in Berlin and to set the stage for greater Soviet pressure at the expiration of that term. Or

(c) A permanent agreement for Berlin might be sought which would create a new juridical status for the city - perhaps placing it under UN or some other form of international protection. The extent of the resulting damage would depend, in part, on whether Western forces could remain in Berlin as part of the UN or international force.

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In the wake of such a settlement, at least one asset would have been preserved: the US posture of firm intent. For it would be clear that this US intent had been hobbled only by allied restraint.

If allied unwillingness to permit the course of action proposed in this report were first masked behind generalized consent, and only unveiled at the height of the crisis, the result would be more disastrous. The terms that could then be negotiated with the Soviets concerning Berlin would be very bad indeed; the alliance would be prey to divisive bitter recriminations about responsibility for this outcome.

The Soviets

Acheson Report

Copy 10
→ Mr. Owen

No Number

TOP SECRET

April 3, 1961

MEMORANDUM FOR THE PRESIDENT

Subject: Berlin

I have started on the problem which the President posed for me, and will report further after my return from Europe about May first. In the meantime, it is essential to establish premises upon which analysis can rest. Those stated below are for study, which has already been requested, in my absence in the Departments of State and Defense.

Tentative Premises for Analysis

1. There is no "solution" for the Berlin problem short of the unification of Germany. All courses of action are dangerous and unpromising. Inaction is even worse. We are faced with a "Hobson's choice." If a crisis is provoked a bold and dangerous course may be the safest.

2. No agreement with the Soviet Union on Berlin is possible which will not weaken the Western position and open the way to early Western elimination from Berlin—except, of course, a wholly unlikely USSR decision to drop the whole issue. A temporary agreement, such as was discussed at Geneva in 1959, by its very time limit would call our basic position in Berlin into question, and merely postpone the crisis to be met under more disadvantageous circumstances. Nor is it probable that the crisis would be long deferred by any concession in the all-German field which we could realistically offer.

3. It seems more likely than not that the USSR will move toward a crisis on Berlin this year.

4. Decisions and preparations to meet this crisis should be made at the earliest possible date.

S. Berlin

TOP SECRET

5. Berlin is of great importance. It is more than probable, and approaches certitude, that if the United States accepted a Communist take-over of Berlin--under whatever face-saving and delaying device--the power status in Europe would be starkly revealed and Germany, and probably France, Italy and Benelux, would make the indicated adjustments. The United Kingdom would hope that something would turn up. It wouldn't.

6. If USSR is not to dominate Europe, and, by doing so, dominate Asia and Africa also, a willingness to fight for Berlin is essential. Economic and political pressures will not be effective; they would degrade the credibility of the United States commitment to NATO. Nor would threatening to initiate general nuclear war be a solution. The threat would not carry conviction; it would invite a preemptive strike; and it would alienate allies and neutrals alike. The fight for Berlin must begin, at any rate, as a local conflict. The problem is how and where will it end. This uncertainty must be accepted.

7. The issue over which the fight is made should be chosen early and carefully. The issue should not be the substitution of East German for Russian personnel, or the stamping, form or style of papers. It should be persistent physical interference with military or civilian traffic to and from Berlin, whether by East Germans or Soviets. Opinion at home and abroad should be fully and carefully informed as to why such interference would constitute aggression. We should not be under any illusion, however, that the neutrals will accept our view. Our interests and theirs are not the same; they will want peace at any price. The United Nations is thus unlikely to be of any more help in a future Berlin crisis than it was in 1948; a problem may arise in keeping it from being a hindrance.

8. We do not have the capability, against determined USSR resistance, to open a ground corridor to Berlin or to maintain an airlift.

a. The former is demonstrable by a comparison of available ground forces.

b. The latter view rests, not on the outcome of an air fight over the corridor, but on the vulnerability of an airlift to

ground-to-air

ground-to-air missiles. If extensive bombing of these ground missile batteries were begun and replied to, the result might be not to make the airlift possible, but to threaten and escalate the warfare.

The issue, therefore, is not our capability to reopen ground or air access to Berlin; it is a test of will. In the face of a determined attempt to reopen access will the USSR make determined resistance? If so, how determined? And how vigorously and long would the USSR resist the efforts of others to stop the fighting on a status quo ante basis, a basis wholly in accord with United States interests?

9. The United States will have the gravest difficulty, as it has had in the past, in getting its allies, including the Germans, to agree in advance to a fight for Berlin. Nevertheless, the United States should proceed with its preparations. These preparations will be apparent to the USSR and will contribute to the deterrent. But they should be consistently played down, e.g., covered as plans for maneuvers. Unless these steps are handled most discreetly, and full consultation on the objective continuously conducted, our allies might become frightened and tempted to make concessions on Berlin, without our agreement, which might amount to its surrender.

10. The United States Government should have ready plans, which should be allowed to become known, for a large increase in the United States military budget, which would be undertaken as soon as the USSR begins an increase of tensions on Berlin. Such an increase would, in fact, become necessary if the attempt to seal off Berlin should be made. It would also confront the USSR with unpleasant problems of the allocation of resources. The prospect of such an increase would thus add to the deterrent.

11. While the United States should make plain by its preparations that it did not intend to initiate the use of nuclear weapons, it should make no such declaration and should constantly indicate its concern at the possibility that events themselves might take command of the situation. The degree to which SAC alert should be increased as the crisis develops is obviously a matter of the greatest importance and utmost sensitivity. It should not be at a lesser rate or to a lesser extent than in prior crises, in order to maintain the credibility of United States determination. It

should

should not be enough greater to drive the USSR to a desperate preemptive strike.

12. The United States should review possibilities of causing disaffection and sabotage in the Eastern European satellites in the event the United States took vigorous action.

13. The United States should review the possibilities of harassing the USSR elsewhere--e.g., closing the Black Sea, or the Baltic in whole or part to USSR traffic.

Questions To Be Resolved

1. Along What Lines Can We Most Forcefully Seek Allied Agreement On the Issue Over Which We Would Fight Soviet Will? The principles are stated in Paragraph 7 above. The methods of making these principles clear require study by the State Department.

2. What Would Be the Immediate and Practical Purpose of a Fight Over Berlin? If the premises stated above are correct--i.e., that neither ground nor air access to Berlin can be maintained against determined Soviet opposition--what is the purpose of the proposed fight?

a. The first purpose is to face the USSR with the hard decision whether to incur what risks there are in a determined opposition; and, if the opposition is not made, to reopen access. To accomplish this result the United States effort must be a determined one.

b. A second purpose, if the Russians do make a determined fight, is to convince them that to prevent the loss of Berlin is more important to the United States than gaining it by force is to the USSR; and that the United States is prepared to run greater risks to achieve its purpose than the Soviets should be to attain theirs. If time is on their side, as they say, why risk everything by being in a hurry? A sustained fight would involve grave risks of escalation, a drain on economic development and on "peaceful coexistence", and chances of trouble in the satellites.

c. A third purpose is to rally our European allies to a unified and determined rearmament program. Since Berlin cannot

be held

be held against determined Soviet use of military power short of nuclear war, it is important--if the decision is against nuclear war--to be able to mitigate a defeat over Berlin. To have put up a really determined fight might permit the United States to turn, in part, a liability into an asset, by rallying the alliance into greater unity and military power. This was done after the Czechoslovakian coup and the Korean attack. The consequences to the West might be serious enough to produce something much better than the unrelated yielding of Berlin. (It should be emphasized that this memorandum does not advise for or against eventual use of nuclear weapons in defense of Berlin, or suggest to what extent the choice will remain ours to make freely. At a later stage in this study, views may be possible on this point.)

d. There is a fourth and more speculative purpose. Might a grave conflict in the heart of Europe lead to widening the frame of diplomatic negotiation, to include steps toward a German settlement and arms control which now seem infeasible?

3. Should the Test of Will Take Place on the Ground or in the Air or Both? These alternatives need more careful study than they seem to have received.

a. Doubts about an air operation arise from lack of any clear idea of what it seeks to or, if successful, will achieve. It cannot achieve an airlift against determined resistance. If the West decides not to oppose determinedly it achieves only an airlift, which, except for garrison supply, may be of ephemeral use. Nor is it clear how a sustained air fight over the corridors would create a severe test of Soviet will, unless the United States were willing to expand the area of combat by ground bombing. This memorandum does not purport to judge the issue; merely to sound a note of inquiry, as a basis for further study. If it should turn out to be the proper choice, preparations should be instituted promptly.

b. A ground operation presents advantages and opportunities. It also presents grave dangers of escalation and of the Western forces being destroyed or cut off--especially if and when the Elbe has been crossed. If undertaken it should be by a considerable force. A battalion is too small. It can be stopped, defeated or captured

or captured without disclosing any of the intentions or achieving any of the results desired. Its only merit seems to be in the fact that this is as far as the British have been willing to plan. This is not an adequate justification. An armored division, with another division in reserve, is a wholly different matter. This is a formidable force. It raises the most difficult questions for the other side. It cannot be stopped without military action. It can take care of itself against East German or token Soviet opposition. It can raise the issue of determined Russian resistance without the certainty of disaster, if it occurs. If it succeeds, a real accomplishment will have been registered. It should begin its operation without tactical nuclear weapons, and without any great air assistance until the latter may be needed.

The preparations for a ground operation would be lengthy, discernible and ominous. They would require the movement of troops on the front, and perhaps additions to them by calling up European reserves to take the place of divisions to be used and perhaps by the movement of a STRAC division to Europe and the federalizing of one or more National Guard Divisions. This would not be without effect.

Both air and land operations are in urgent need of more professional study, which I shall ask to have undertaken.

Dean Acheson

Drafted by
H. Owen
Dear Acheson

THE WHITE HOUSE
WASHINGTON

July 24, 1961

TOP SECRET

NATIONAL SECURITY ACTION MEMORANDUM NO. 62

TO: The Secretary of State
The Secretary of the Treasury
The Secretary of Defense
The Attorney General
Director, Bureau of the Budget
Director of Central Intelligence
Director, U. S. Information Agency

SUBJECT: Berlin

Following the National Security Council meeting on Wednesday, July 19, the President approved the following for further guidance and instructions of the heads of the responsible departments and agencies:

1. Political

The President and the Secretary of State have carefully reviewed together the political situation relating to Berlin, and their position is being stated in Presidential messages to Macmillan, de Gaulle, and Adenauer. The President's views will be further developed in his address to the nation July 25th.

2. Military

The President has authorized a prompt strengthening of the United States' military position, in the light of the general international situation. While the steps immediately authorized are related to improvement of U. S. capabilities in the next twelve months, the President considers these decisions to be steps in a continuing program for strengthening the armed forces. He expects at a later date to review further proposals from the Secretary of Defense relating to the long-time military position of the U.S.

The President intends that all possible steps be taken, without a present call for major ground units of the reserves or the National Guard, to give the U. S. the capability of deploying as many as six additional divisions

and supporting air units to Europe at any time after January 1, 1962, that the international situation may warrant it. In connection with an operating decision to effect such a deployment, further measures will be taken to maintain adequate ground forces in the United States.

In pursuit of this decision, the President has directed the submission to the Congress of proposals for appropriative and other legislative authority necessary for this program, without the present declaration of a National Emergency.

In particular, the President has authorized a request for increases amounting to $3.2 billion in new obligational authority. The measures approved are those listed in Attachment 1 of Annex C of the documents prepared under date of July 18, 1961, by the Interdepartmental Coordinating Group in response to NSC Action Memorandum No. 59 of July 14, 1961, with the exception of Items 8, 18, and 22 of Attachment 1, and one-half of the sum allotted for Items 10A and 10C.

The President directed that negotiations be undertaken immediately with our allies looking toward their parallel participation in such a higher level of military readiness. In these discussions there will be no initial indication of any U.S. willingness to increase military assistance to our allies for these purposes.

3. Economic

The President approved the policy set forth in Annex B of the report of July 18 with regard to economic sanctions in the event of interference with access to West Berlin, and authorized immediate negotiations with our major allies on such a policy.

The President directed the preparation of a tax proposal to be presented first in his radio address of July 25th. He decided that a decision on a request for stop-gap control ~~of~~ legislation should be deferred until the latter part of August.

Correction by phone

4. Information

The President assigned to the Director of the U. S. Information Agency the responsibility for coordinating the information activities