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Martin Hillenbrand interviewed by Richard Rusk  
circa 1985

RICHARD RUSK: Doing some follow-up remarks on the earlier tape of Dean Rusk on the issue of competing agencies and bureaucracies in the creation of foreign affairs. Ambassador Martin Hillenbrand had some observations on the German Prime Minister Erhard and the reaction to his discussions with LBJ on the Offset Issue. If you can pick up the thread where we let off, describe what you can remember of this thing and Johnson's effect on Erhard.

HILLENBRAND: Erhard had had a great electoral victory in the previous year, 1965. He had succeeded [Konrad] Adenauer, I believe, in 1963, as Chancellor of Germany. He was not a particularly clever or forceful politician, although he had an enormous reputation as Minister of Economics, as having been primarily responsible for German economic growth.

RICHARD RUSK: Which was really a boom, very spectacular.

HILLENBRAND: That's right, during the 1950's. One of the issues, as I think your father has already put on tape, was the annual or biannual, renewal of the Offset Agreement between Germany and the United States, which required the Germans to provide an agreed amount of hard currency--foreign exchange in various forms--either by investing in treasury bills, treasury securities or directly paying for the dollar cost of American forces in Germany. These negotiations were always a very painful and long, drawn-out process. And usually they were handled at the U. S. Embassy--German government level in Bonn.

RICHARD RUSK: A very political issue for the Germans, I suppose.

HILLENBRAND: That's right. Because it smacked of something that dated back to the occupation period. It smacked of occupation costs: therefore, it was a politically sensitive issue. But the Germans generally managed, after a great deal of negotiation, to come up with a figure that was more or less acceptable to the United States. Erhard's political position was weakening despite the electoral victory he had won. He was nicknamed the "Electoral Locomotive." But his handling of the German economy and the German political scene at that time--which was very complicated and I won't go into details here--had weakened him very much. It turned out that the Offset Agreements were particularly difficult because the U.S. demands were going up, particularly those by the U.S. Treasury department. So, it could not be resolved at the level of the Embassy--German government. And since Erhard was making a visit to the United States, President Johnson was primed to twist his arm.

Well, the arm twisting process took place mostly in a visit by Erhard, after the formal visit had been concluded in Washington, to the ranch. I was not physically present there and I can't, therefore, give details, but it's quite clear that President Johnson leaned very heavily on the German Chancellor, who returned to Germany in a state of semi-shock. Of course, there were

enough German correspondents with him, traveling with him, to report that the German Chancellor had had an humiliating experience; that he had really been pressured by the President, in what to the Germans was an unacceptable way. Well, Erhard, as I said, had already found himself in a weakened political position. And this had been widely commented on. The Johnson pressure was sort of the straw that broke the camel's back because, shortly thereafter, the Erhard government fell. The government fell in the sense that the Chancellor was forced to resign. There were these other internal problems, of course, that played a role, but he was forced out as Chancellor, Kurt [Georg] Kiesinger became then the new German Chancellor, a member of the same party as Erhard. But Chancellor on the basis of a grand coalition. The SPD [Sozialdemokratische Partei Deutschlands] came into the government for the first time in post-war Germany to form a government which, except for the small liberal party, represented the entire voting strength of the Bundestag.

RICHARD RUSK: You mentioned that Erhard not only probably gave access to what the German people and what political observers felt were excessive concessions on that issue, but that Johnson's treatment as leverage had almost defeated him spiritually. It was quite an experience for him. Is that the way you saw things?

HILLENBRAND: Yes. You know it was common knowledge in Bonn among the more sophisticated observers of the German political scene that Erhard had really gotten the treatment.

RICHARD RUSK: This has never really been written up by either Erhard, the press people--

HILLENBRAND: No. Obviously, Erhard would not have any interest in underlining that. He did write a book, which sort of glossed over that whole episode. It's available to anyone who would go back and read the current German press reports.

RICHARD RUSK: There was a lot of that press report that was probably by influence and information--

HILLENBRAND: Obviously, what actually happened in Texas, the precise language used, the precise pressures applied, have never been adequately described on the German side because the only people who were physically present were a few senior German officials other than the Chancellor and the German Foreign Minister and so on. And they have been very discreet, although they were not so discreet in what they said orally once they returned. So, although the sources were indirect, there is no mystery about the fact that Erhard came back a shaken man, and that this was a major factor in his downfall.

RICHARD RUSK: I wonder if my dad would have been there for the entirety of the transaction?

HILLENBRAND: Well, I don't know. The Germans knew, and the reason I know this is that at this time I was Deputy Chief of Mission in Bonn.

RICHARD RUSK: We're talking here about the tendency of ambassadors to report directly or work directly with the White House and the president, rather than through the Department of State official channels. We're talking about this Ambassador [Wilhelm Georg] Grewe.

HILLENBRAND: He knew, as all observers of the Washington scene knew, that [David] Ormsby-Gore had a personal relationship with the President. His wife and Jacqueline [Bouvier] Kennedy were close friends. Therefore, he was very often in the White House socially, and obviously he didn't neglect to use these opportunities to bring up British interests. The French ambassador, while less frequent a visitor, nevertheless also was very prominent on the social scene, as you might expect the French ambassador to be. And he also had direct access when he wanted it to the White House. The German ambassador, thinking that since he was also the representative of an important European country, should also be able to have access to the White House. He pushed too hard. He made the mistake once, after coming out from the White House, of answering the questions of the press in a way which apparently infuriated President [John Fitzgerald] Kennedy. So, while he was never officially declared persona non grata, the American government let the German government know that they would be mightily pleased if Ambassador Grewe were to be replaced by someone more acceptable in the White House.

RICHARD RUSK: I'll be darned. What year would that have been?

HILLENBRAND: That was around 1963 or 1962. I'm not sure of that. But I think it would be around '62-'63 when this occurred.

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