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USSR opens drive to bring leftwing Western labor into WFTU.  
In an apparent effort to encourage the entrance of leftwing Western workers into the industry-wide WFTU "trade departments" now being organized, the USSR has broadcast an appeal to "workers whose organizations have left the Federation," urging them to form "committees of cooperation and liaison with the WFTU." The USSR suggests that they press their national labor organizations to permit affiliation of component industrial unions with the world federation and reiterates that the WFTU is still ready to "cooperate" with the veteran craft internationals. Simultaneously, the Soviet press emphasizes that two seats on the new WFTU Executive Committee have been left vacant for the US and the UK. These moves indicate that the Sovietized WFTU leadership intends to accelerate its drive to assimilate leftwing unions in the West but that it will attempt, wherever possible, to accomplish this without forcing the leftwing unions to leave their national organizations.

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WFTU to demand UN inquiry into colonial labor conditions.  
In response to Soviet prompting, the WFTU will shortly propose that the UN Economic and Social Council undertake an extensive inquiry into labor conditions in colonial areas. At the WFTU Milan Congress, the Soviet delegate urged that the Council hear complaints from colonial trade unions and send out commissions to "study" conditions in India, Iran, South Africa, Brazil, Chile and Venezuela. This proposal suggests that the USSR would like another forum in which to air its attacks upon "imperialist repression" in dependent areas and that, by so doing, it hopes to offset the effect of approaching UN inquiries into forced labor and human rights violations inside the Soviet orbit. The selection of six countries where labor organization has proceeded only under close governmental tutelage is apparently calculated to embarrass Western UN delegations defending the concept of "free trade unionism".

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Point Four counter-attack. The USSR is evidently preparing a two-pronged attack on the US Point Four program of technical assistance to underdeveloped countries. First, Soviet propaganda media are plugging the line that Point Four is intended to wrest control of colonial possessions from the "Marshall" countries and to extract super-profits for US monopolists. The second aspect of the Soviet attack is as yet less clearly developed, but there are already indications of competing Soviet or Satellite technical assistance offers to Asiatic countries. Czechoslovakia has reportedly made commitments to give aid to certain industries in Pakistan and to have offered similar aid to Ceylon. Furthermore, Embassy Karachi estimates that a Soviet trade mission may also offer Pakistan technical assistance. These Soviet moves, however meager their substantive results may be, indicate that the USSR recognizes the great long-range potentialities of Point Four in combatting the spread of Communism in the underdeveloped areas of the world.

~~SECRET~~  
G/IO NOTES

Austrians to withdraw from WFTU. The Socialist-led Austrian Trade Union Federation reportedly plans to quit the WFTU before November. The Austrian Federation's president stated that he would have preferred to withdraw at the end of the occupation but that international labor developments forced Austria to take a stand meanwhile. This pledge leaves the Finnish and Israeli organizations as the only important non-Communist national labor groups still inside the WFTU.

Adding insult..... In its latest slap at the UN, the Union of South Africa has notified the UN Secretary-General that it will submit no further reports on South West Africa. This development, a logical step in the Union's policy of absorbing its former League of Nations mandate, will serve only to intensify the bitter attacks on South Africa which will occur during the current session of the UN Trusteeship Council. Soviet protagonists could hardly ask for a juicier morsel of anti-colonial propoganda.

UNSCOB to invite Soviet and Polish participation. The UN Balkan Committee plans to re-invite the USSR and Poland to fill their Committee seats. This plan, although motivated by recent indications of Soviet interest in the Greek problem, is unlikely to meet with success since the USSR has repeatedly denounced UNSCOB as illegal and would, if it desired to participate in a Greek settlement, probably prefer to bypass the Committee completely.

### LIKELY EFFECTS OF THE DOLLAR SHORTAGE

The continuing European dollar shortage, likely to be further accentuated should the US recession lead to additional cuts both in the ERP and European dollar export possibilities, may well force significant changes in European recovery programs. The ERP countries are now well aware that their dollar export targets for 1952 and thus their prospects for eliminating their extraordinary dollar deficit are grossly over-optimistic. Consequently, they are being forced to shift still further toward even greater reductions of dollar imports, while seeking to fill ever more of their needs from non-dollar sources despite higher costs. In short, they must seek to balance their dollar trade at lower levels than hitherto aimed at. An example of this trend is the revised Swedish long term program, which, recognizing the declining dollar market for Sweden's key pulp exports, calls for a shift to greater trade with the ERP countries at the expense of dollar imports and exports.

Acceleration of such policies will encourage still greater Western European efforts to expand East-West trade and, since the Soviet bloc will want many items on the 1-A and 1-B lists, this will increase the pressure against Western export controls. Another significant effect may be to strengthen the existing tendency toward making the ERP area, as well as the sterling bloc, more of a closed discriminatory trading area, probably under UK leadership, within which trade could be expanded while being insulated from low-cost dollar competition. Although such a trend toward self-sufficiency might contribute toward the ERP objective of reducing the abnormal European dollar deficit, it would run counter to the US policy of seeking freer world trade and to the undertakings which the Marshall Plan countries have made to this end. It would tend to perpetuate uneconomic high cost production to the extent that it removed the threat of US competition. However, the British, for example, point out that freer multilateral trade and convertible currencies, while desirable for a normal economic situation and for countries which, like the US, have adequate foreign exchange reserves and are efficient low cost producers, is hardly possible at present for nations which must conserve inadequate dollar resources and prepare against the day when US underwriting of their deficits will end.

In the financial field, there is likely to be further strong pressure for devaluation of several European currencies, a measure probably inevitable in the long run in order to restore competitive European export prices. Since any general devaluation hinges upon British willingness to devalue sterling, the UK will be increasingly prodded by the continent and by its customers. France and some other countries are probably only waiting for the UK to act. To cushion any such devaluation, the Marshall Plan countries

may well revive their 1947 proposal that the US create a huge stabilization fund (\$3 billion were asked for in 1947) to do on a grand scale what the International Monetary Fund resources are totally inadequate to do.