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NORTHERN DIVISION  
OFFICE OF REPORTS AND ESTIMATES  
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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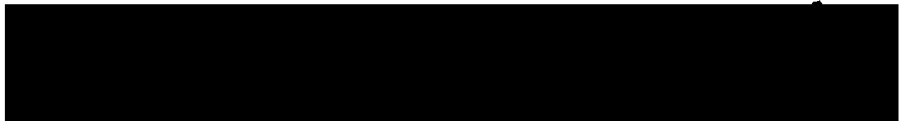
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CONTENTS

25X1X7



NORWAY.....	7
SWEDEN.....	8
ICELAND.....	9

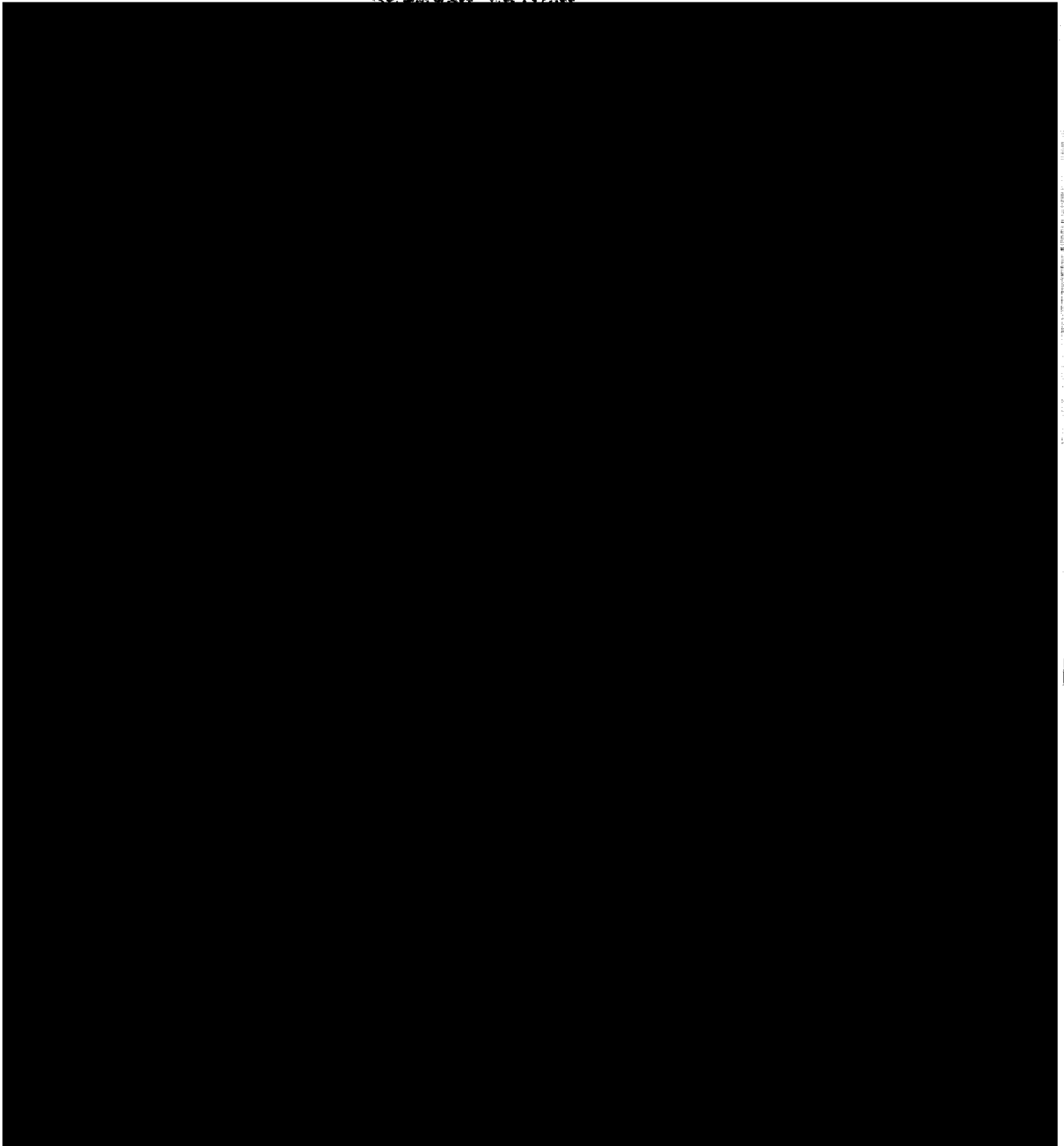
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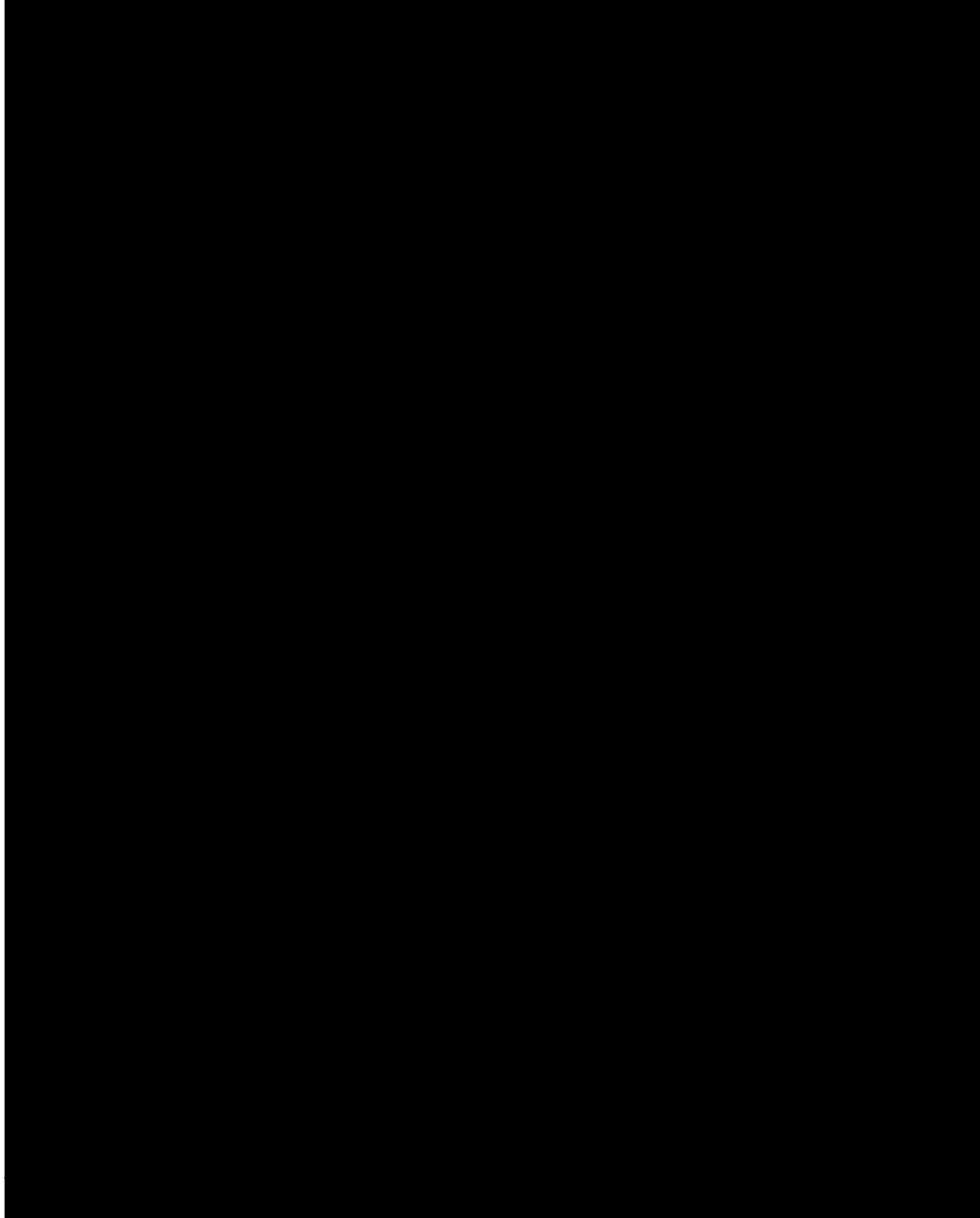
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-2-

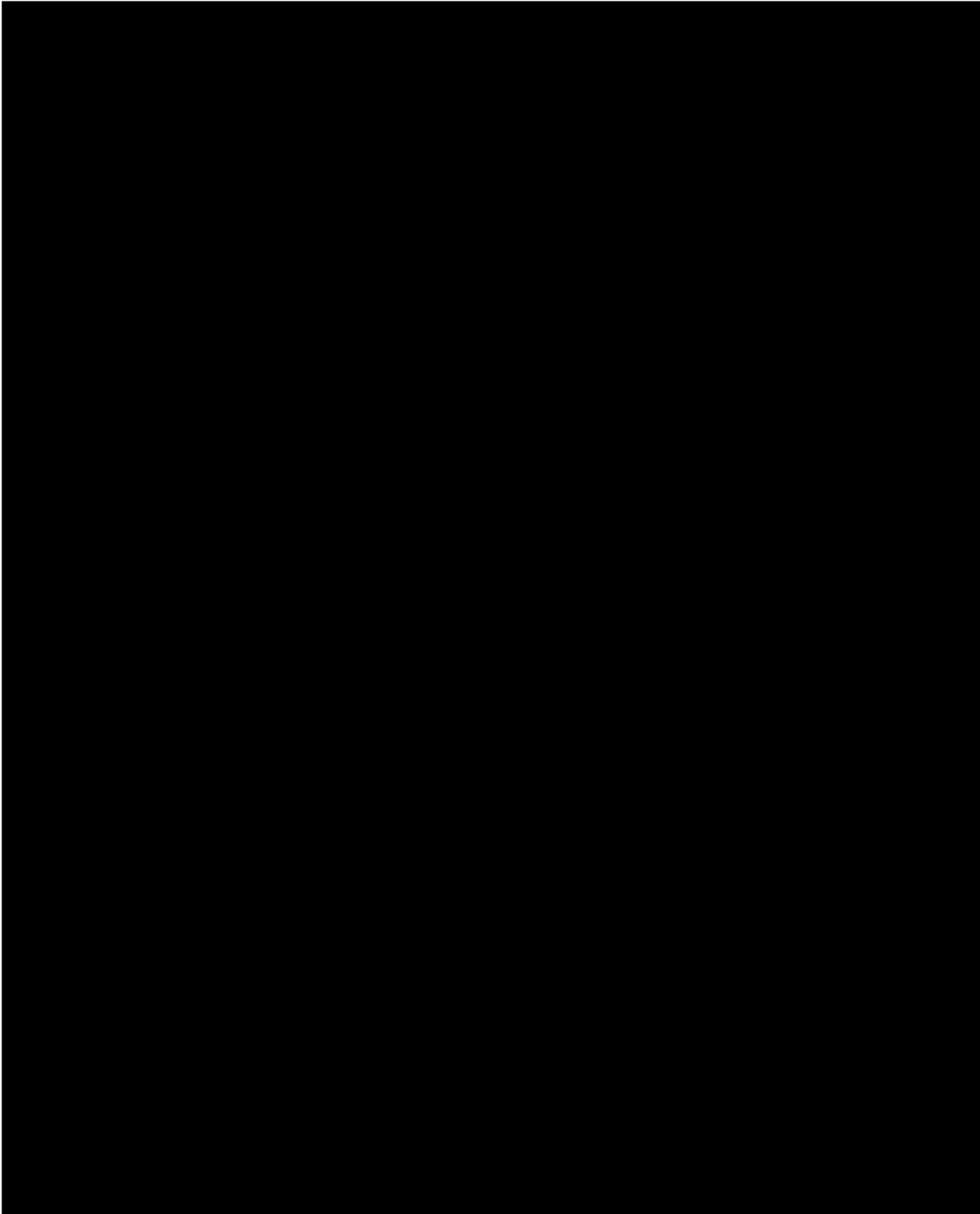


\* See NB Weekly No 74, 25 July

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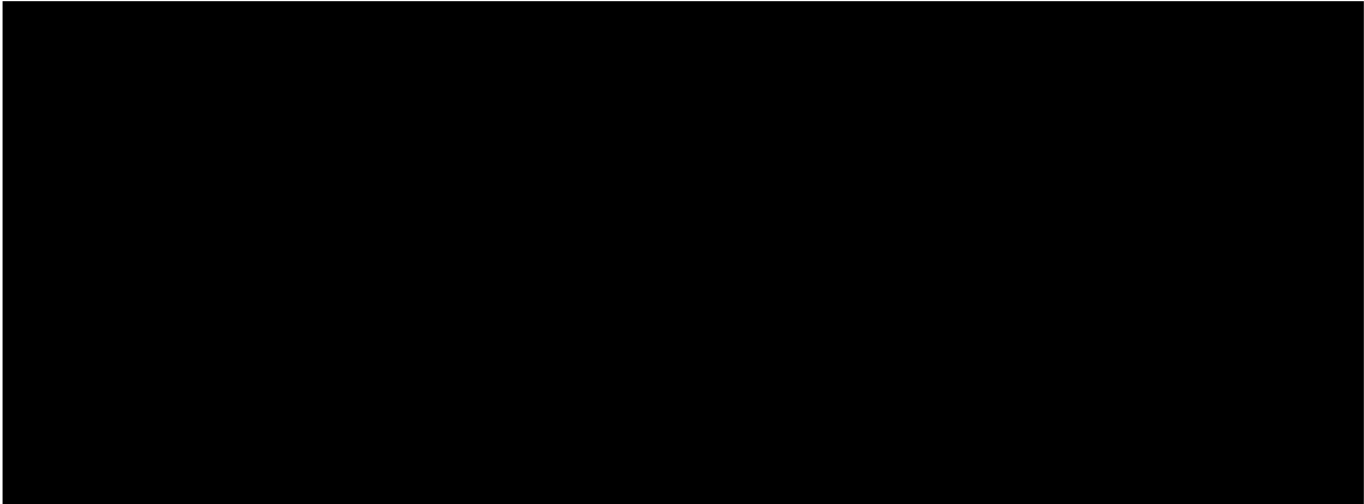
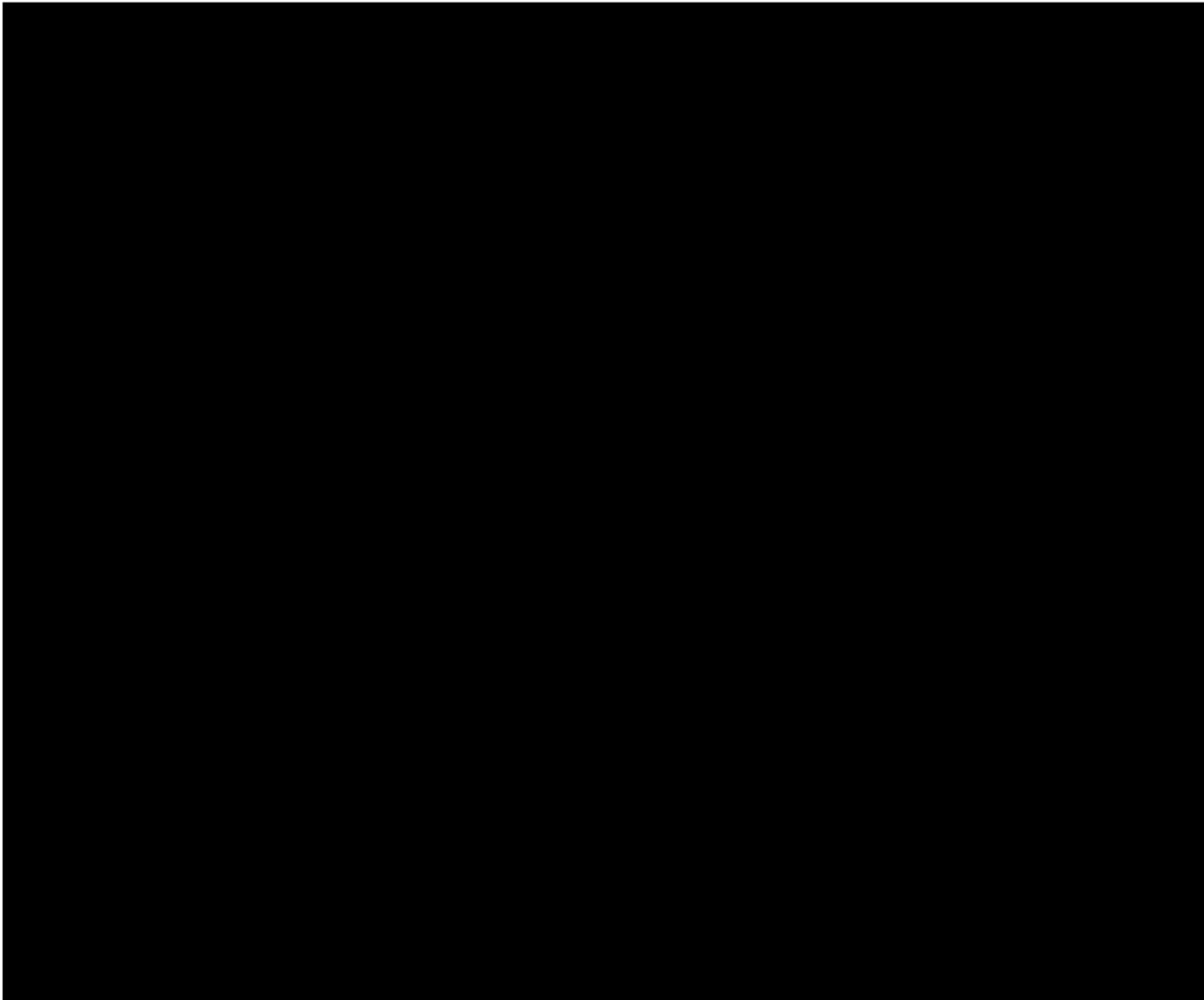


\* See NB Weekly, No 79, 29 August

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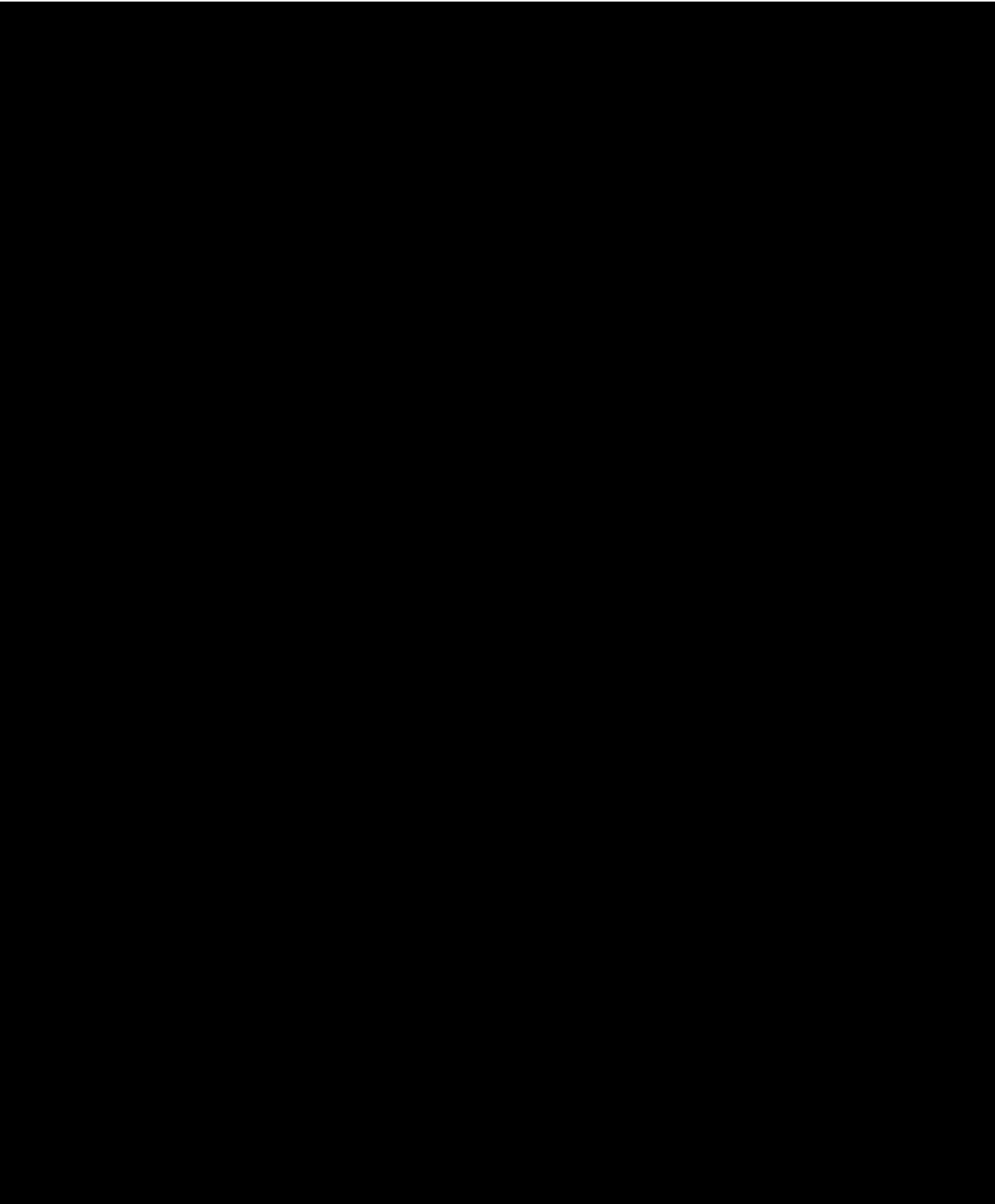
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-5-

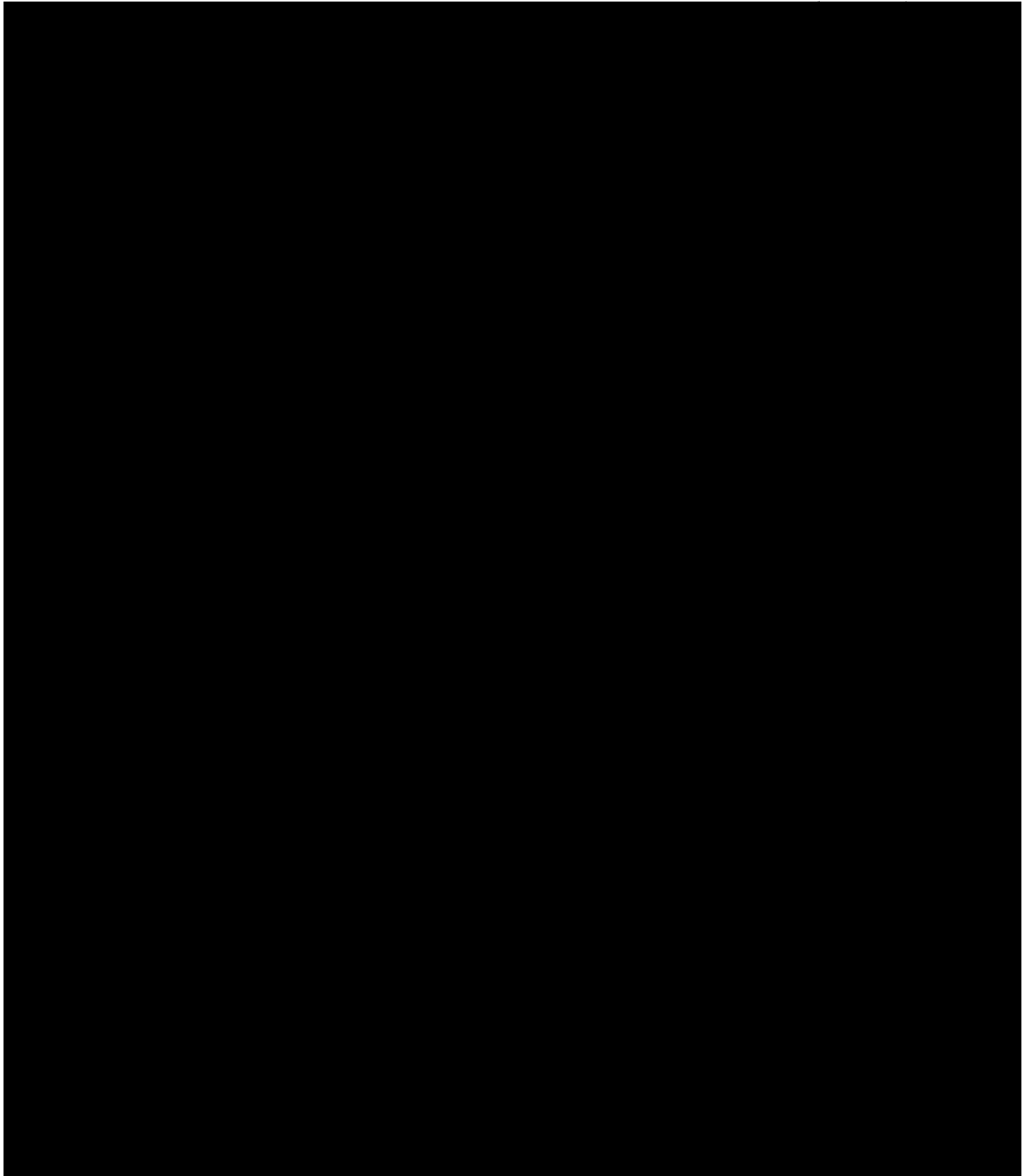


\* See NE Weekly No 64, 16 May

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\* See NB Weekly No 83, 19 Sept

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-7-

SCANDINAVIAN BRANCHNORWAY1. Labor Party wins overwhelming majority

Although no significant change in Labor Party policy is anticipated as a result of its overwhelming election victory, the Government's ability to deal effectively with increased economic difficulties arising from currency devaluation has been materially strengthened. According to election returns which are almost final the Norwegian Labor Party has gained nine seats and with 85 of the 150 seats in the Storting will have an absolute majority which will be secure against the few left-wing members who occasionally bolt the party on important issues. The Communists failed to return candidates to any of the eleven seats formerly held, though their loss of popular votes was only approximately 40% of their total in the 1945 national elections. The strength of the non-labor parties remained relatively the same.

The probable effects of currency devaluation on Norway's cost of living index as calculated by the Government indicate a rise of 7.9 points. A leeway of only 5.9 index points remains before the "red line" of 165.6 (1938=100) is passed, beyond which wage increases are automatically granted. The index has been kept below the "red line" in the past by heavy government subsidies, and additional subsidies appear almost impossible. The new Government will, however, be called upon to adopt definite policies to combat the threatening inflationary spiral. Dire economic difficulties are not likely because Labor Party leaders have already demonstrated their determination to combat inflation by imposing increased taxes or added austerity measures. Such measures can now be taken with relative impunity since the day for political reckoning is four years hence.

2. Reactions to Norwegian elections

Unofficial Government reactions in Sweden and Denmark indicate satisfaction with the size of the Labor Party victory in the Norwegian elections. In Sweden the reaction indicated surprise at the margin of victory. All non-Communist papers

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SECRET

-8-

hailed the Communist set back, and there was some anticipation that the results would encourage labor parties in other European countries. Most papers stressed the outcome as a personal victory for Prime Minister Gerhardsen while only one interpreted the result as a vote of confidence in Norway's foreign policy.

Danish Social Democrats expressed gratification at the Labor Party victory and there is some speculation that they may be encouraged to seek elections. There is a general feeling that the Labor Party's increased representation does not reflect a true balance of power between right and left, but rather that the opposition was weakened by distributing its votes among several parties. The Communists blamed their fellow workers' losses on inequities in the election system which they characterized as an example of western democracy.

SWEDEN3. Finance Minister resigns

Finance Minister David Hall has been forced to resign his position as a result of party censure because of his ill-advised attack on an old political adversary, Albert Lundkvist, Social Democratic Chairman of the Provincial Assembly of Västmanland. Hall accused Lundkvist of financial irregularities in connection with provincial fiscal affairs and attempted to secure his resignation. The controversy between the two men received much publicity and was so ineptly handled by Hall that both the Social Democratic and the non-labor press accused him of stooping to obvious lies to eliminate a political rival. When the Västmanland Provincial Assembly re-elected Lundkvist chairman by acclamation, Hall was publicly discredited and his moral integrity placed in such doubt even within the party that his retention as Finance Minister was politically embarrassing.

Hall's behavior threatened party unity and domestic tranquility and could not be tolerated. On the other hand, Defense Minister Allan Vought, [REDACTED]

[REDACTED] retains his post despite the storm of controversy which invariably is aroused by his public utterances on the subject of Sweden's neutrality and foreign policy. Vought's conduct defames Sweden's reputation abroad and embarrasses, but apparently does not seriously

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-9-

trouble, the parochial Social Democratic Party.

ICELAND

4. Parliamentary elections, 23-25 October

As a result of the parliamentary elections on 23-25 October, the relative strength of the four parties in the Althing (parliament) is not expected to be drastically changed. The Conservative, Social Democrat and Progressive Parties, which comprise the present coalition Government, have 19, 14, and 9 seats respectively in the 52-seat Althing. The Communist Party has 10 seats.

The only real issues in this election are Communism and continued confidence in the Government. It is impossible to say whether the Communist party will benefit by offering the only opportunity for a vote against the Government. It is practically certain that no party will gain an absolute majority. The most likely outcome is that with only slight shifts of seats the Government parties will again form a coalition. No party will form a coalition with the Communists.

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