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WESTERN EUROPE BRANCH
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

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WORKING PAPER

BRANCH WEEKLY

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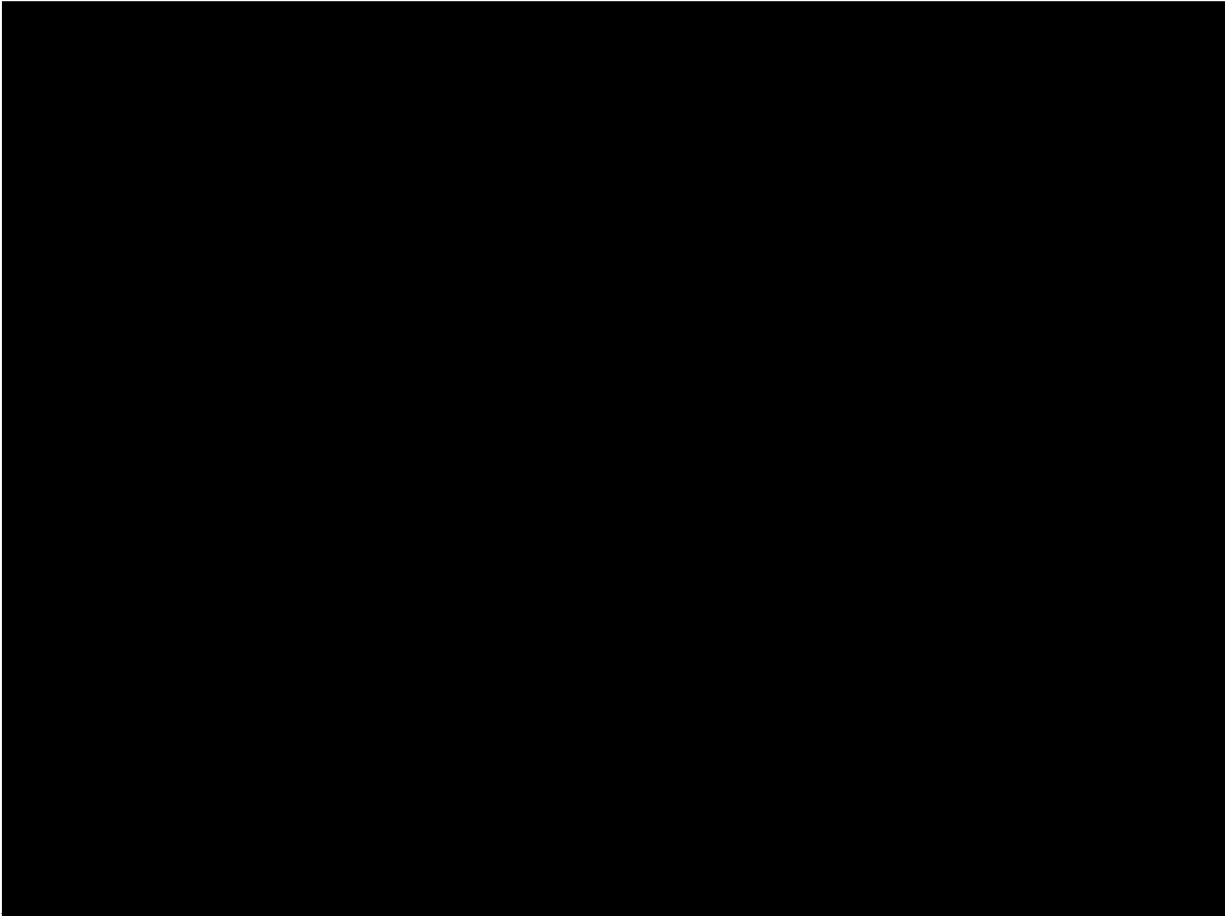
WESTERN EUROPE BRANCH

WEEKLY SUMMARY

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For week ending
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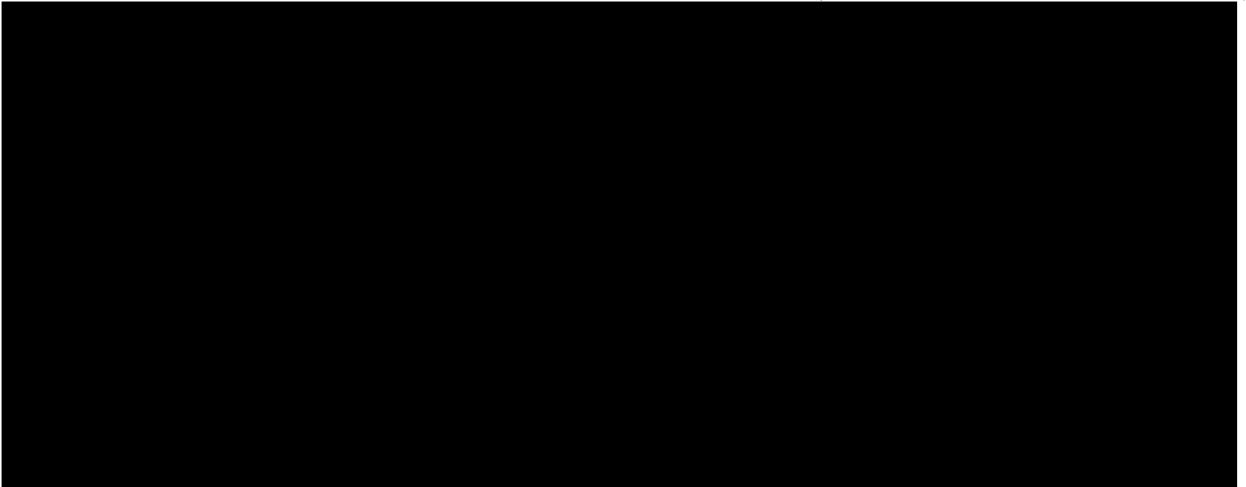
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AUSTRIA

C

Current reports of liquidation activities in Soviet-held firms in Austria emphasize that the Austrian treaty fails to clarify the condition in which these firms should be returned to Austrian control. Despite Soviet agreement to relinquish equipment in "war industrial enterprises", the degree of actual Soviet concession will not be clear until treaty negotiators have defined that term, clarified other Soviet claims to "war booty", and agreed on the disposition of equipment in other Soviet-held firms. There is little doubt, however, that the Soviet element will attempt to reap whatever economic benefits can be obtained while the firms remain in Soviet possession, and there is little reason to suppose that protests would deter the USSR.

At present, there is fairly substantial evidence that the USSR is making inventories of equipment and materials available for immediate sale from at least three major USIA (Soviet Administration of German Assets in Austria) plants; such lists apparently comprise machinery and materials not needed to fill present Soviet orders. Unsubstantiated reports indicate that in other firms lists are being drawn up of equipment and materials to be sold, shipped to the USSR, or scrapped. Rumors of the conversion of USIA stocks into cash are also prevalent. Although current information on the Soviet transportation agency in Austria suggests a substantial increase in shipments to the USSR, the flow of dismantled equipment (construction steel and rail track) appears to be normal. 25X1X6r

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The Austrian Government, [redacted] has revealed that Austrian investigation of these reports so far indicates only that raw material stocks and production inventories are being reduced. While

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this may be true, the possibility cannot be overlooked that the Austrian Government may not desire to protest to the western authorities any large-scale Soviet stripping of plants. At present, the Austrians are too anxious to obtain a reasonable treaty to risk serious discord which might stall the negotiations.

FRANCE

B

The existence of the present French Government has been prolonged by the decision of the Socialists (SFIO) at their Party Congress to remain in the Queuille Cabinet. The Socialist resolution has avoided a resurgence of the Communist and Gaullist threats, and the resultant danger of parliamentary dissolution. For the time being, at least, the Socialists have chosen to forego the advantages of being in the opposition, in which position they could have recouped their losses in membership and reassumed their character of a workers' party.

The Party Congress adopted a general motion favoring continued participation in the Government, on the conditions that the coalition preserve nationalizations and social security and effect a more equitable distribution of national income. The SFIO also called for a decrease in industrial prices, a return to free collective wage bargaining, and an economic reorganization of Europe. A motion was passed strongly favoring a prompt end of the Indochinese war, with a resort to international mediation under UN control, if need be.

Socialist criticism of the Government's Indochinese policy and its trend toward a free economy will strain coalition harmony, but will not cause a political crisis during the summer. Although the Socialist ministers may be forced into a more doctrinaire attitude when Parliament returns from its summer recess, they appear more likely to maintain a practical outlook, since the motions of the Party Congress have on some past occasions been treated more as propaganda than as strict directives to SFIO Cabinet members. Moreover, SFIO leaders recognize the value of Premier Queuille's continued willingness to reach a compromise with the Socialist Party, and therefore will probably persist in their determination not to go into the opposition.

B

Recent developments assure relative labor peace in France during the summer. In the past few weeks, the Communist General Confederation of Labor (CGT) has been unable to increase the scope of its "unity of action" with the

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other trade unions. The workers still display apathy to strikes and demonstrations. Moreover, the Christian Labor Confederation (CFTC) has on occasion shown resistance to utilization of the unity of action committee for political ends. This tendency on the part of the CFTC may increase.

The CGT, however, will continue its campaign for joint action, on the local union level, during the paid-vacation period of July and August. There will probably be protests against personnel cuts, imports of US products (which are time-saving and thereby reduce the length of the work week), and production of military weapons instead of consumer goods. On the positive side, joint advocacy is likely for special vacation pay supplements, wage increases, and collective wage conventions.

Despite the current lack of progress toward further labor unity, serious labor unrest may still occur in the fall, based not only on joint action but also on the CGT's increased internal strength and its dominance of the consultative plant committees.

B

The French CP is increasingly concerned about its progressive political isolation, but its remedial attempts will probably not alter materially this adverse two-year trend. For some time French Communists have failed to establish common cause with Socialist and Centrist leaders. Recently the Communists have recognized that even their domination of various independent Leftist ("front") groups is endangered, as they demonstrate growing resentment of strict Stalinist discipline. The French CP has decided to try to prevent their defection to the "American camp" by approving their adoption of a policy especially designed to attract popular support in France -- a policy of "Western European neutrality" in the east-west struggle -- even though this is opposed to the general CP line.

The various "front" organizations so far drawn into discussions of the CP proposal have apparently fully appreciated that it was prompted by weakness. Consequently, they have seized the opportunity to bargain for a broader share in formulating national as well as international policies, demanding, for example, that they also be allowed to join the Communists in propagandizing for the increase of nationalizations of industry. The CP's rejection of this demand has brought the leaders of these "front" groups to the conclusion that they cannot cooperate with the Party on international propaganda so long as the Party insists on preserving its predominant influence over French working-class interests. Furthermore, these "front" groups are encouraged in their stand by their doctrinaire conviction that counter forces to Stalinism are necessary for the "progressive"

evolution of world Communism, and by the fact that the newspaper "Franc Tireur" (independent Leftist) has now outstripped "Humanite" (Communist) in circulation.

FRENCH AND SPANISH NORTH AND WEST AFRICA

C The friction between the Sultan of Morocco and his cousin, the Caliph of Tetuan, has increased as a result of a disagreement over royal titles. The Caliph, the Sultan's personal diplomatic representative in Spanish Morocco, had already incurred the Sultan's displeasure by his recent marriage. Now he is refusing to comply with the Sultan's decree limiting the use of imperial titles throughout Morocco in such a way as to down-grade the Caliph from Imperial Highness to mere Highness. For reasons of local prestige, the Spanish Moroccan authorities are encouraging the Caliph in his defiance of the Sultan. The French, too, probably welcome this rivalry, which helps to keep the Sultan more easily under their control, and which is apt to continue, as both the Caliph and his newly-acquired wife are ambitious for the Sultan's throne.

BELGIUM

B The chances of a Belgian Cabinet being formed within the next week have improved considerably with the appointment of a third Catholic, former Finance Minister Eyskens, as Premier-designate. His task will be to attempt to gain Socialist and Liberal approval of financial and economic policies, with a solution of the royal problem postponed for the present. If Liberal agreement cannot be obtained, then Eyskens probably will try for a Catholic-Socialist coalition. Since Eyskens' views are closer to those of the Socialists than to those of the Liberals, if he succeeds in forming a Government, it is more likely to be a Catholic-Socialist coalition than a tripartite Government.

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ITALY

B Italy's disposition to abandon claims to participation in the administration of Tripolitania will be further stimulated by the prevailing sentiment among Italian settlers in this former colony. In contrast with the colonial aspirations of many Italian nationalists in Italy is the belief of probably 65% of the Italian settlers in the Tripolitanian area that their own safety is best served by the absence of any direct governmental control of Tripolitania by Italy. The rioting in May by local Arabs has reminded the Italian colonists of the seriousness of Arab threats to oppose by violence a restoration of Italian political influence in Tripolitania. Some colonists are said to be willing to remain in Tripolitania even under an Arab regime, which they apparently feel would not interfere with their normal activities.

The majority of Italian residents presumably feel that Italy, if it disavowed a share in the administration, could enjoy economic privileges in Tripolitania, long connected with Italy by cultural and commercial ties. The Italian Government, which has been gradually modifying its earlier demands for the return of Tripolitania, will seek to obtain an international guarantee of the rights of Italian residents there. It will continue to press for special immigration privileges in Tripolitania, especially if important outlets for Italy's excess population are not opened up elsewhere.

SPAIN

B The drastic nature of the reforms demanded of Franco by the recent conference of Falange provincial chiefs indicates the great dissatisfaction within the Party over the dwindling influence of the Falange within the present Government. Apparently at the instigation of "old guard" members, the conference passed resolutions advocating: (1) freedom of the press; (2) removal of price controls and better food distribution; (3) more energetic measures to combat malnutrition and unemployment; (4) freedom for deputies in the Cortes to criticize the Government; and (5) a purge of certain "inefficient" and "tired" Cabinet Ministers. This is believed to refer especially to Minister of Commerce and Industry Suances and also to Minister of Justice Fernandez Cuesta, whom Franco last year placed in charge of the Falange as its Secretary-General. Fernandez Cuesta's efforts to dissuade the

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conference from passing these resolutions were unavailing. The demands represent the chief criticisms of the regime found in nearly all elements of Spanish society. In calling for these changes the Falange is apparently seeking to capitalize on the general dissatisfaction and reassert its position as a radical party of reform, as well as to reestablish its influence in government policy and administration. The demands for greater freedom of press and discussion, which are counter to Falange precepts, indicate that the Falange no longer enjoys its former relative freedom from censorship. The Falange action is in effect a condemnation of the policies of the Franco regime and is especially significant in view of the uncritical loyalty to the Caudillo which has been a fetish of the Party leaders up to this time.

Falangist dissatisfaction takes on added weight because Franco's relations with Don Juan and his Monarchist supporters are now reported approaching a crisis in which the Monarchists may make new demands. Although Franco may be forced to make some concessions in order to maintain unity in the Falange Party and retain its support, he is most unlikely to concede any substantial press freedom, or allow criticism in the Cortes.

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