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WESTERN EUROPE BRANCH
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

BRANCH WEEKLY

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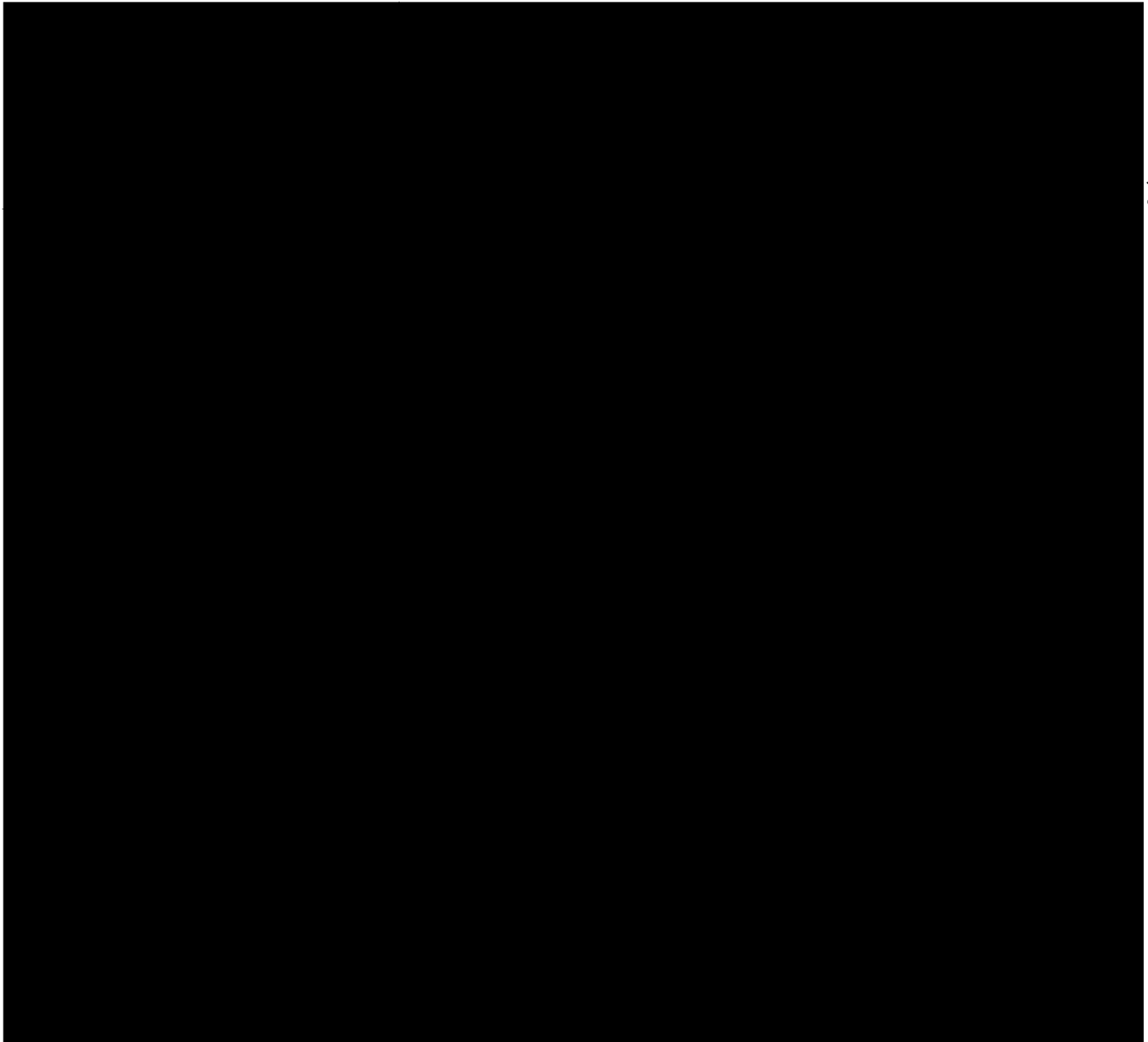
WEEKLY SUMMARY

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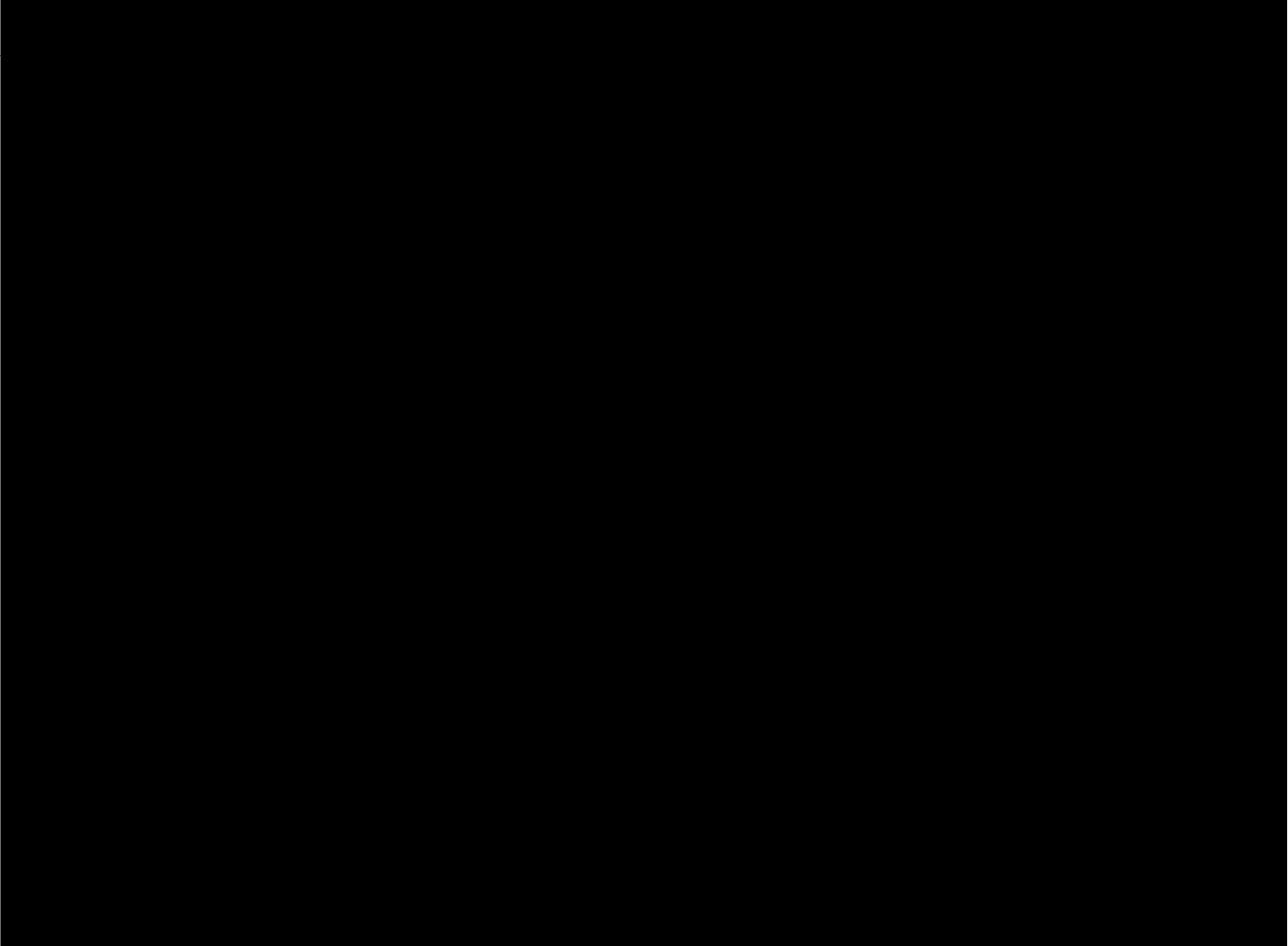
For week ending
30 August 1949

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GERMANY



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FRANCE

- A A drought-induced dilemma will soon force the French Government either to: (a) plan additional agricultural imports which would lead to curtailment of the ambitious economic program for 1949-50; or (b) prepare reluctantly for such measures as feeding breadgrains to livestock, seriously reducing existing herds, sacrificing the long-term meat export program, and finally a reimposition of the politically-dangerous bread ration. This problem is made all the more inescapable because the French share of ECA dollars will probably be cut substantially below the requested sum of \$880 millions (itself about 10% below 1948-1949), and because the vital dollar-earning French exports to the US so far in 1949 are running about one-third below French expectations.

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The Government will probably decide upon additional grain imports amounting to about 3 million metric tons. This volume--over $3\frac{1}{2}$ times the earlier French estimate of grain import requirements--would still leave the total of available feedgrains somewhat lower than in 1948-49. Because more than half of the added grain purchases would probably have to be made with dollars, damaging reductions would be required in raw material and equipment imports. Equipment imports from the US, for example, would fall perhaps to less than one-third of the anticipated \$156 million for the period 1949-50. Although this amount would represent only about 10% of all equipment expected to be installed in France during this period, nevertheless it would include such special equipment, as that for thermal power stations, obtainable only in the US. Hence a cut in this type of import would seriously damage vital portions of the investment program and likewise affect industrial production and exports. The additional grain imports would also force a reduction in shipments of raw materials and equipment to the overseas territories, upon whose development France is relying heavily for eventual achievement of equilibrium in its balance of foreign payments. Finally, a prospective lag in exports to non-dollar areas will render difficult the acquisition of the other half of the needed agricultural imports, and could even necessitate still greater grain imports from the US.

The Government can be expected to find that imports of agricultural products are essential chiefly for the attainment of pressing political goals. The imports would produce effects on domestic prices and the bread supply which would facilitate the Government's long-term efforts to overcome labor unrest. At the same time, the unfavorable consequences of these imports, though grave, would nevertheless permit substantial over-all economic progress in 1949-50.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B Little-noticed token strikes maintained during the mid-summer lull at the French North African (FNA) ports of Algiers and Oran may be the prelude not only to a resumption of larger strikes in FNA, but to a widespread work stoppage in the western Mediterranean. These obviously Communist-inspired strikes have been undertaken by Algerian CGT dock workers in protest against the frequent loading of troops and war materiel for the war in Indochina. In view

of the creation in Marseille last month of a new International Union of Longshoremen and Maritime Workers, a WFTU affiliate, and the close cooperation existing between Algerian port workers with those of Marseille, these continuing protest strikes in Algeria could very well be preparation for a larger effort.

THE NETHERLANDS

A The different concepts of the Dutch and Indonesians on the degree of completeness and finality of an Indonesian agreement probably will cause difficulties in all important phases of the negotiations at the Hague Conference. The Netherlands Government has made it clear that the agreement must cover all points of difference, while Republican leaders have stressed the need for a rapid agreement "in principle" on the main issues so that sovereignty may be transferred to an Indonesian Government before the end of the year. The Republicans feel that complicated economic and financial problems can be negotiated after an independent Indonesia is set up, and even hope to begin forming the Federal Government as soon as agreement on its structure is reached, while the Conference turns to consideration of the Netherlands-Indonesian Union and other matters. The Dutch, on the other hand, are emphatic that the Indonesians must commit themselves clearly on their attitude toward Dutch economic interests in Indonesia and on the future economic relationships between the two countries. At present, the Indonesian desire to conclude the Conference within two months seems optimistic, because the Dutch probably will be unwilling to transfer sovereignty until they have specific guarantees that their interests will be protected.

ITALY

B The new Italian Communist Movement, favoring a "nationalistic Marxism" and the Christian religion, cannot be expected to make important inroads into the strength of the Italian Communist Party. The new Movement is led by no outstanding Communists. It is particularly noteworthy that those Communists who have been censured or even temporarily dropped from the Party because of their alleged excessive nationalism are not affiliated with the new Movement. The close relations between this group and the Christian Democrats, who are reportedly giving it financial aid in return for partial supervision of administration, will make the Italian Communist Movement suspect even to

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dissident Communists. They will fear that its pro-reform and pro-religious character will make it easy prey to absorption by the left wing of the Christian Democratic Party. Even certain Christian Democrats are expressing doubts as to the efficacy of subsidizing the Italian Communist Movement as a means of undermining the Italian Communist Party.

A A demand for nationalization of Italy's electric power industry will be presented to Parliament next month by the Communist-dominated General Confederation of Labor and will arouse widespread sympathy. There will, however, be little popular acceptance of the main Communist contention--that the current electric power crisis stems from the failure of private industry to keep pace with demand. The fact is that, despite extensive war damage of electrical plants, by 1947 the production of electric energy had reached the previous all-time annual high of 1941. Moreover, a 50% increase in electric power is envisioned in expansion plans which were drawn up soon after the war and which can now be realized with the help of the ERP.

The present electric power shortage results directly from the cumulative effect of two periods of drought in the last six months. The cost of coal and petroleum for thermal power has caused maximum dependence on hydro-electric power, aggravating the effects of the water shortage. Sentiment for nationalization of public utilities has made headway among other sections of the population than the extreme left. There is a general belief that the cost of telephone service, electricity, and gas is higher and the quality of service poorer than can reasonably be expected. Widespread dissatisfaction with the performance of private companies in these fields will provide a receptive audience for the General Confederation of Labor's demand.