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WESTERN EUROPE DIVISION
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

DIVISION WEEKLY

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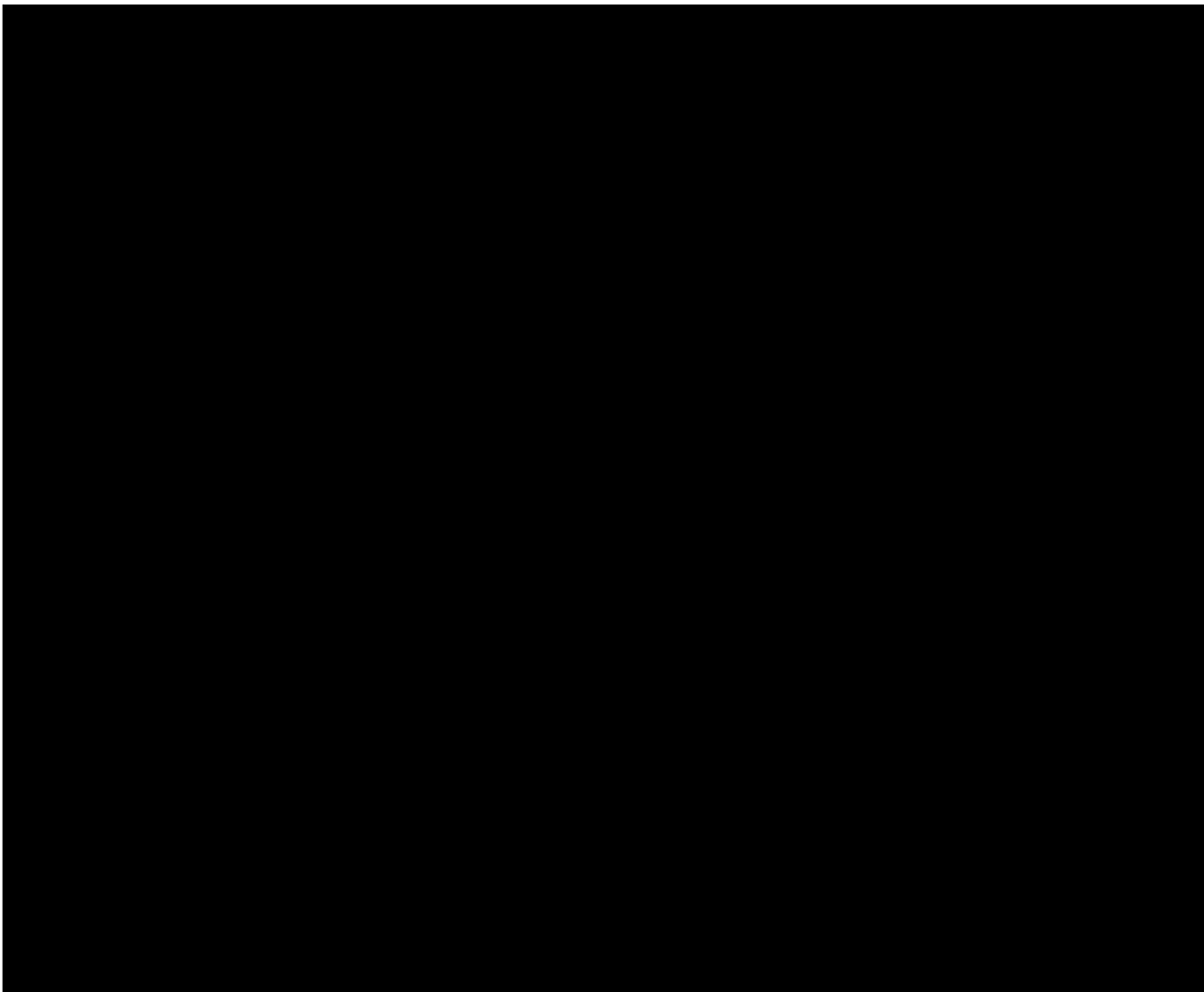
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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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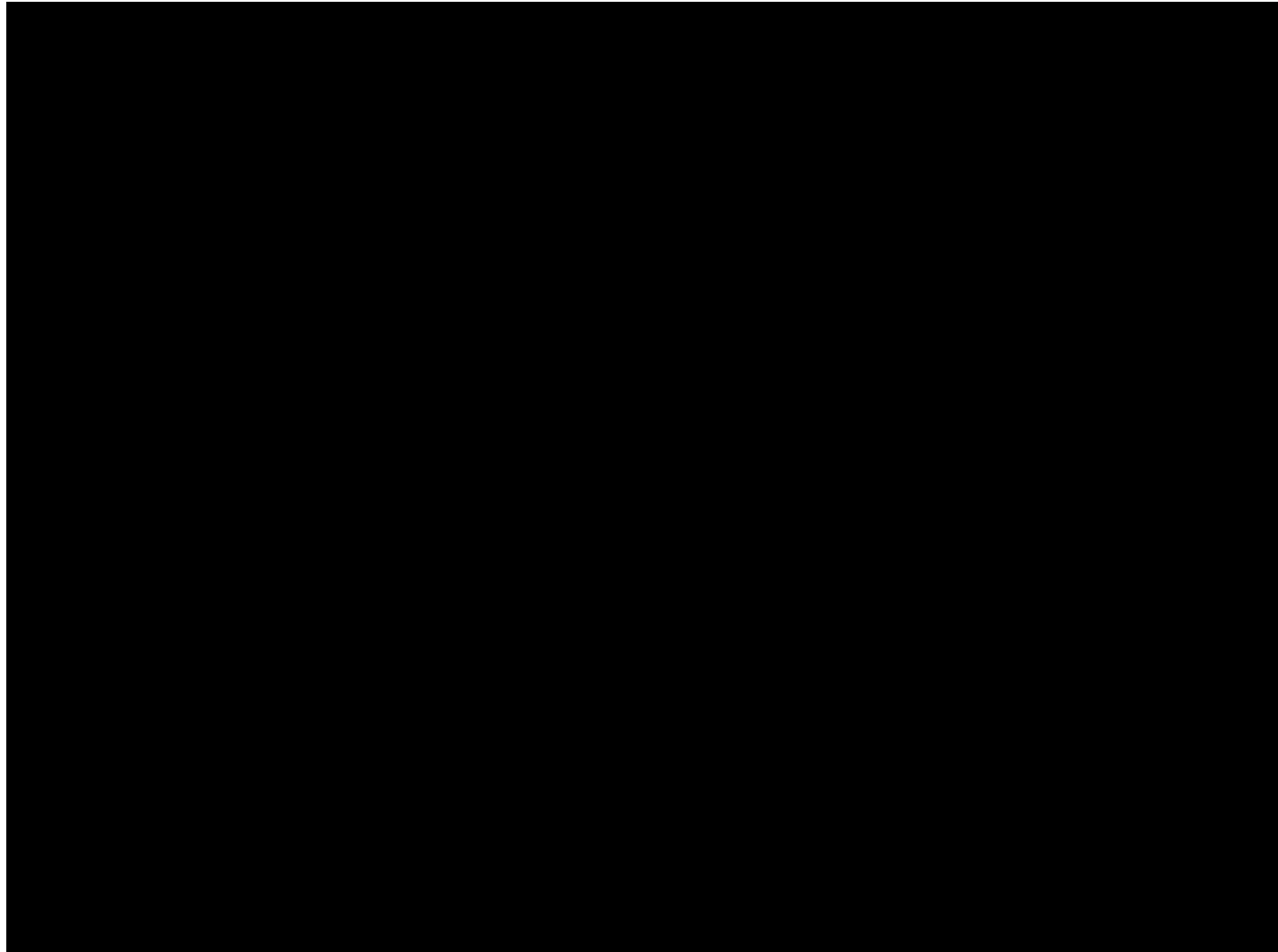
For week ending
28 February 1950



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AUSTRIA

B Prospects are favorable for increased Austrian agricultural production during the next two years. The progress achieved in 1949 as a result of unusually favorable weather conditions, receipt of ECA agricultural supplies, and agricultural decontrols which stimulated production will probably be maintained. The agricultural improvements in 1949 represent the turning point in overcoming the devastation wrought upon farming by the War. Agricultural programs can now be directed toward long-term goals, and special emphasis can be given to improved crop production, increased livestock herds, greater productivity, and farmer education.

Although the Austrian agricultural goals were exceeded in 1949, some fundamental problems remain. There is a

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need for some re-distribution of land and greater consolidation of land holdings, but this problem is not acute, and definitive action is unlikely under the occupation. The comparatively few large estates requiring re-distribution, and the agricultural areas not utilized at present lie in the Soviet zone, and many were seized by the USSR as German external assets. Some land re-distribution, however, has been undertaken by landlords who have unloaded holdings at more favorable terms than would be probable under land-reform legislation. Limited consolidation of land holdings is occurring under Federal auspices.

A more pressing problem is the shortage of agricultural workers, for which no immediate solution is foreseen. There has been a steady exodus of workers from the farms. Although the effects of this exodus have been somewhat offset by the availability of approximately 60,000 DP and repatriated POW farm laborers, an acute shortage of some 20,000 to 25,000 farm hands still exists. Governmental efforts to ameliorate this shortage have not been successful.

FRANCE

B The French have virtually no reserves to step up their effort against Ho Chi Minh. Therefore, the presence of the Chinese Communist troops on the Tonkinese frontier, with the consequent possibility that Ho Chi Minh may receive substantial aid, has confronted the French with an urgent need for stronger forces if they are not to be forced out of Indochina. Because even the suggestion of an abandonment of Indochina would cause grave political disturbances in France, the French will heighten their efforts to obtain speedy US military and economic assistance, and continue to urge that the US, UK, and France adopt a common Far East policy.

B The present extremely low percentage of trained, regular troops on duty with the French Army in Europe will prevent efficient use of the MDAP materiel due to arrive shortly from the US. With the assignment of regular troops to Indochina, where their presence is imperative to face the Communist threat, and after various headquarters, staffs, and schools have drawn allotments, the percentage of regulars to conscripts in troop units has dropped to less than ten percent. The insufficiency of trained personnel is

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further emphasized by the short conscript period of one year, and by the fact that army units consist of an equal number of new recruits and those having served six months. No action has been taken to improve the situation by an extension of the conscript period.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B The decree to raise wages 10 percent in the principal cities of Tunisia and five percent in all other areas, which the French Residency has presented for the Bey's approval, will probably have to be revised upward before it will be accepted by native authorities.

The labor situation in Tunisia has become increasingly tense. It is affording the nationalist Neo Destour Party and its affiliated labor organization (the UGTT) an excellent opportunity to organize grassroots nationalist sentiment among the natives, and further to discomfort the French administration. An increased feeling of solidarity among the native leaders is reflected in the fact that the Bey, under Neo Destour pressure, has refused to sign the decree offered by the French Residency.

Native tempers are short at the present time. Agricultural workers are being paid 180 francs (about 50 cents) a day and the proffered five percent increase for them was obviously inadequate. Moreover, native resentment has been stimulated by a French ban on a meeting to protest the Government's wage action, and by the killing of a worker by the police in the course of an attempt in January to break a month-old agricultural strike.

B Residency authorities in Morocco are formulating plans to ensure that any committee which might be dispatched by the UN to examine social and economic conditions in French North Africa will see only "the right things". These officials are confident, however, that France will be able to stifle in the making any UN move to send out such a committee.

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ITALY

B The pessimism of Italian businessmen regarding the economic outlook in Italy will grow unless countermeasures are effectively undertaken by the Italian Government. The Bank of Rome points out that, despite Government optimism on business conditions, current business behavior is motivated by prospects of a recession.

As evidence of the danger of recession, Italian businessmen note: (1) that the drastic fall in the wholesale prices of agricultural produce (a 20% drop during the first nine months of 1949) while retail prices have held, has resulted in a large contraction in farmer demand for consumer goods; (2) that producers' inventories have been increasing since March 1949, and in January 1950 stood at 30% above normal, while retailers are at the same time reducing stocks to minimum levels in anticipation of further price declines; (3) that since the beginning of December 1949, plants have been cutting down working hours, and that unused industrial capacity is on the increase; (4) that Italy's foreign trade position, already adversely influenced by the foreign currency devaluations of September 1949, will be further injured by the liberalization of intra-European trade unless some solution to Italy's unemployment problem is found.

The Italian Government is seeking to correct these conditions by an expanded investment program for 1950 covering all fields of the Italian economy. In these efforts it will be aided this year by larger releases from the lira counterpart fund, and by the increased tourist receipts of the Holy Year. It is doubtful, however, that the full investment program of the Government can be effectively implemented.

B Italian economic cooperation with the US will be impaired if the Greek Government fails to fulfill the terms of its reparations agreement with Italy. Probably the main appeal to the Italians of this agreement of 31 August 1949 was the promise of the award of contracts for the construction of electric power plants in Greece. One of the few major fields in which Italy may be able to compete with other countries is in the production of electrical equipment. Now the Greek Government has announced its decision to award these contracts to a US concern. The Greek Foreign Minister admits that this decision is an "alteration or violation" of the reparations agreement, and the Italian Foreign Office is taking the attitude that the decision will completely paralyze Italy's implementation of the reparations agreement.

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The Italians are particularly disturbed by the information that the Greek action followed the "request in very definite terms" of the ECA Mission in Athens. This situation may have an adverse affect upon the Italian attitude toward the ECA, and in particular toward the ECA proposals for increased liberalization of trade among the OEEC countries. Italian businessmen and Italian Communists will cite the Greek decision as evidence that the ECA campaign for freer trade is only a blind to promote US business interests.

THE VATICAN

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Vatican collaboration with other religious groups in the fight against Communism is increasingly likely. The Holy See evidently now believes that the world crisis is serious enough to warrant a degree of subordination of the doctrinal differences between Roman Catholicism and other religions in favor of a united front of various religious groups against "atheistic materialism".

To this end a recent Vatican article emphasizes the community of interests among Catholics and Moslems in combating the Communist threat to religion, and points to the possibility of a "united front for God". This subject has already been the topic of discussions between the Holy See and the Egyptian Government.

With regard to Protestantism, too, the Vatican is backing off from its previous intransigence. The Roman Curia is said to be seeking a means whereby more extensive cooperation with Protestants will be possible on both civil and ecclesiastical levels. According to reports, the Vatican's official ecclesiastical bulletin will soon publish a declaration in support of Christian re-union modifying present restrictions upon theological discussions between Roman Catholic and non-Catholic groups.

Even toward the Eastern Orthodox Church, the Vatican is now pursuing a policy of avoiding recrimination or argument. It is unlikely, however, that these two groups can be brought together in the near future, particularly in view of the present association of the Orthodox Church with the USSR and Soviet-dominated governments. The Vatican increasingly fears the development of what the Catholic press calls caesaro-papism in eastern Europe, where the Communist Governments seek to control the Church and to derive prestige therefrom.

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