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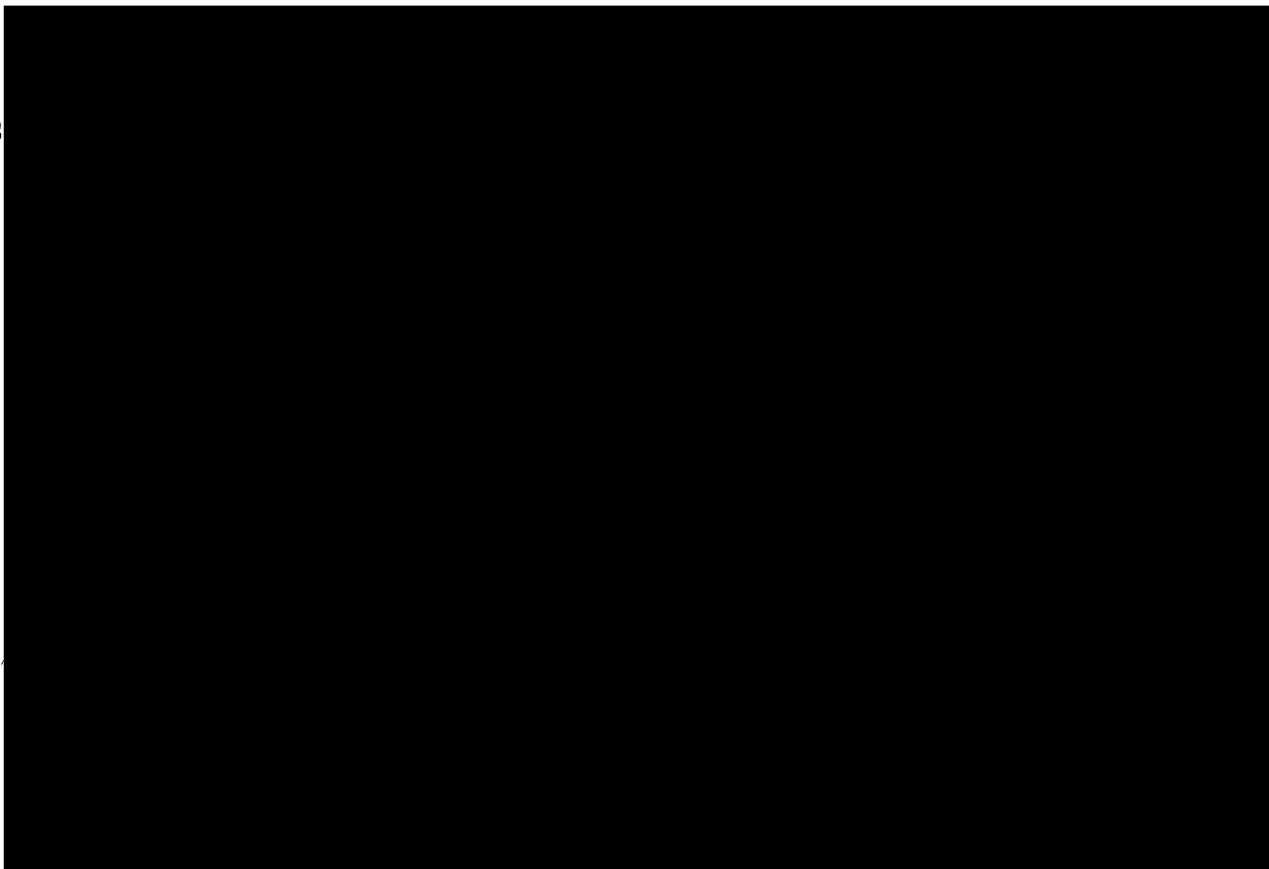
WEEKLY SUMMARY

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AUSTRIA

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The issue in Austria of nationalization of industries is still very real, although it is seldom visible on the surface. Because the extension of nationalization in Austria is improbable in the near future, an active behind-the-scenes struggle between the Socialist and People's Parties for the policy control of industries already nationalized is now taking place. Two incidents have recently highlighted this strife. First of all, the Socialists have attempted to undermine the Austrian Fuel Import Co. (OBIG) monopoly, which is



under People's Party influence, by proposing that, to achieve economies in purchasing, the nationalized industries should deal directly with foreign distributors and pool their coal imports. Considering that over 90% of the inland coal mines are under public management (and under Socialist influence) and that 60% of Austrian coal requirements are imported, such a step would appreciably enlarge the scope of Socialist control of the total coal supply. Secondly, the expansion of the nationalized United Iron and Steel Works into the wholesale building materials trade in all of the principal cities of Austria has been assailed by the People's Party as a Socialist attempt to extend the scope of nationalization through indirect methods.

Following the elections of last fall, the nationalized industries were placed under a Socialist Minister, and People's Party sensitivity on nationalization has increased since that time. The tactics of the People's Party now appear to be directed toward: (1) maintaining the nationalization of the Austrian economy within present limits; (2) preventing nationalized industries from branching out into other fields of activity; and (3) gaining control of nationalized industry policy. This last point will continue to furnish ample ground for contention between the Socialists and the People's Party (coalition partners), and will be particularly troublesome in the post-treaty period, when the Soviet-held industries are returned to Austria.

FRANCE

A The formation of an Atlantic High Council, a tripartite agreement on anti-Communist policy in southeast Asia, and the German problem, will be the matters of primary interest to the French when the Foreign Ministers of France, the US, and the UK meet in London early in May. The French will endeavor to gain support for the formation of an Atlantic High Council, as recently outlined by Premier Bidault. Bidault's proposal for the establishment of an organization which would integrate the economic, military, and political policies of the Atlantic community on the basis of a common global conception is a manifestation of the growing European uncertainty as to the efficacy of the North Atlantic Treaty Organization and of fears that too much emphasis is being placed on the military aspects of the treaty, while other factors are neglected.

- 2 -

SECRET

S E C R E T

Serious doubts exist as to the reliance which can be placed on the US to continue in its present international role. French leaders believe that growing unemployment in the US would increase isolationist sentiment, which might be reflected in Government policy. The French Government, therefore, strongly desires a development of the present Atlantic Pact and Marshall Plan which would tie the US more firmly to western Europe, believing that if the US were to take the lead, the UK would also be less hesitant regarding Continental commitments.

In regard to Indochina, the French for the past several months have been emphasizing the importance of that area as an outpost against the spread of Communism in southeast Asia, and the resultant need for a joint defense policy. An effort will probably be made to obtain a commitment from the US and the UK for support in the event of a Chinese Communist invasion.

Although the French Government is favorably disposed in principle toward increasing German participation in European affairs, its willingness to approve specific moves in that direction is still conditioned by the traditional fear of German dominance. The French will undoubtedly attempt to obtain assurances from the US and the UK that there will be no rearmament of Germany until French military strength has grown adequate to safeguard France against its northeastern neighbor.

B The strength of the Communist-controlled General Confederation of Labor (CGT) is likely to decline further as a result of decisions taken at the CGT's national committee meeting on 13-14 April. Although the CGT has made some slight gains since the failure of the February-March strikes, the committee's decision to stress political action by the workers will in the long run make the workers question the value of the CGT as the primary defender of their economic rights.

At the meeting, resolutions denouncing the atom bomb, the Atlantic Pact, the importation and production of national defense equipment, and the operations in Vietnam took precedence over the issue of immediate wage relief (the principal concern of French workers). Croizat, secretary general of the metalworkers' union, particularly stressed the CGT's struggle for a government pursuing "a policy of peace and national independence". Such statements tend to alienate even some lesser CGT officials, who are acutely aware of the workers' real needs.

In giving secondary attention to economic problems, the committee demanded a minimum hourly wage of 115 francs (the present minimum is under 60 francs), a 40-hour week with pay for 48 hours, and a 6,000 franc vacation bonus. These demands were probably

- 3 -

S E C R E T

intended to encourage labor unity of action at the lowest levels. Unity of action at higher levels will be increasingly difficult as a result of the CGT's denunciation (for the first time) of all non-Communist union leadership. (The non-Communist National Committee of the Christian Labor Confederation (CFTC) has, however, recently insisted on CGT participation in wage negotiations.)

Violent incidents of the type which occurred at Brest on 17 April will continue to be provoked by the CGT's Communist leaders. During this disturbance, police fired on 4,000 rowdy demonstrators, killing one and injuring 20, whereupon 15,000 workers of all unions struck to protest the police oppression. This Communist method of gaining support, by playing on the sympathies of the workers after having instigated police violence, may have limited success. The workers, however, who have participated in such demonstrations, will, when they realize that these are inspired by predominantly political motives, tend to drop out of the CGT.

B The increasing precariousness of the French Treasury's operating position may well undermine the shaky Bidault coalition in June, before the anticipated effects of France's steady economic progress can be realized. French officials hope that this progress will soon have advanced to a point where tax returns and increased confidence in government bond issues will make extensive recourse to short-term, inflationary borrowing from the Bank of France unnecessary. The Treasury itself seems convinced that it can hold out without having to ask Parliament for relief. The first long-term (non-inflationary) loan of 1950, however--floated by the Government in March--was poorly received, and it does not now appear that new issues will be counted upon by the Government to bring in important sums before the close of the second quarter.

The chances are growing therefore, that the Government soon will be forced to ask Parliament either: (1) to approve modifications of the 1950 budget; or (2) to raise the ceiling on advances by the Bank of France to the Treasury. The first of these requests would reopen the bitter struggle over economies and higher taxes; the second would be a blow to the growing stability of the franc and of general price levels. Either request would produce a serious clash between the Radical Socialists and the Socialists; the support of both parties is equally essential for the survival of the Bidault Government.

The Treasury itself now estimates that its deficit for the second quarter will amount to more than 200 billion francs, almost one-half of the deficit originally anticipated for the entire year. Even this latest estimate is probably optimistic. Franc counterpart funds

(derived from the sale of ECA goods) available for public investment expenditures are likely to be smaller during the quarter than expected. Serious operating deficits are developing in the nationalized railroad and gas industries. Also, as the French balance of payments position improves, some nations, particularly Argentina, are drawing heavily upon their franc holdings and hence are causing a greater drain on the Treasury's resources than was foreseen.

The Treasury expects to manage its operating deficit for the quarter with the help of a number of improvised borrowing devices. Its chief source of credit, however—the (central) Bank of France—is all but closed to it, as the volume of advances received from the Bank reached 171 billion francs early in April, or only 4 billion under the legal ceiling.

B Surpluses of some French agricultural products are becoming an additional hindrance to the large-scale expansion of farm production which ECA considers essential to the attainment by France of a sound balance of payments position in 1952-53. Of principal immediate concern to the Government are present surpluses of milk, with output in 1950 expected to rise at least 30% above 1949, and meat. The uncertain marketing prospects created by surpluses strongly influence French producers to cut back output.

Total annual agricultural production has not yet surpassed the prewar average (whereas, industrial output in 1949 was 22% above 1938), and the French have already reduced their goal for 1952-53 from 25% to 16% above the prewar level. Attainment of even this modest objective has for some time been seriously threatened by a large number of handicaps, such as: (1) the steady downward trend of the total acreage of arable land; (2) the growing disparity between farm and industrial prices; and (3) the Government's postponement of an aggressive policy to boost farm production, while industrial modernization is being emphasized.

The Government is taking various steps to assure French farmers of adequate markets and hence minimize their tendency to curtail production in the face of the current surpluses. A sizeable part of public expenditures for agricultural purposes is being devoted to Government purchases of surplus commodities at fixed prices. British and German markets for meat and dairy products, as well as wheat and vegetables, are being sought, especially on the basis of long-term contracts. A bill is pending in the French Parliament, which would provide for the establishment of a foreign agricultural service, with ten agricultural attaches to study long-range marketing possibilities. These measures reflect the Government's understanding that massive exports of farm products are essential if France is to maintain even present living standards after 1952 without extraordinary aid.

FRENCH AND SPANISH NORTH AND WEST AFRICA

A The basic friendliness of Moroccan nationalist (Istiqlal Party) leaders toward the US has worn so thin as a result of repeated disappointments and long unfulfilled hopes that it has ceased to be a factor which would favorably affect US capabilities in Morocco. Formerly there was every indication that in another war the first consideration of the nationalists would be to offer cooperation with the US in exchange for support of Moroccan independence at a definite date. Now, however, Istiqlal leaders are saying that their confidence in the US has evaporated and that US mediation with the French can no longer be trusted.

Disillusioned in their expectation that the US would take some concrete steps to assist the Moroccan people toward self-government, Istiqlal leaders admit that the wall they have tried to maintain against Communist influence is weakening. The Secretary-General of the Istiqlal Party, Ahmed Balafrej, recently sent a message to the US Consulate to the effect that the party was seriously worried at the US policy of supporting French colonialism in Indochina and North Africa. According to him, this policy was playing into the hands of the Communists, giving them additional arguments with which to win converts away from the nationalists in North Africa.

Despair of US support has led to a vogue among Moroccans of criticizing the US on many counts, from the recognition of Bao Dai to an alleged "new" policy of supporting Franco. The Istiqlal Executive Committee has labeled the Voice of America Arabic-language broadcasts "uninformative propaganda" in the same category as French and Soviet broadcasts, and the Sultan is said to be displeased because construction of the Voice station on Moroccan territory was undertaken when he had not been consulted.

Also symptomatic of Istiqlal feeling toward the US today is the sharp increase in anti-US editorials in Al Alam, the party newspaper. Balafrej says he is determined to check such editorials because they merely abet the Communist cause. It is not certain, however, that he will be able to make his views prevail, for the line taken in the newspaper must have had the approval of the Istiqlal Executive Committee.

Some younger members of the Istiqlal are openly saying that Soviet satellite status is no worse than that of Morocco under foreign occupation. The possibility exists, therefore, that the Istiqlal, despite its apparently sincere opposition to the Soviet Union, may eventually consider itself forced into cooperation with the Moroccan Communist Party to prevent the complete extinction of

Moroccan sovereignty. As a small straw in the wind, a prominent nationalist recently granted an interview to the Communist-controlled paper, Le Petit Marocain, as that was the best way of getting his message to the people without censorship.

Both Abd-el-Krim, exiled Moroccan hero, and Abd-el-Khalik Torres, nationalist (Islah Party) leader in the Spanish Zone of Morocco, have recently made statements to the effect that it might be necessary to accept Soviet support to attain their objectives. Though these statements met with the disapproval of the Sultan and principal Istiqlal leaders, they were given widespread publicity and may be indicative of a spreading mood.

BELGIUM

A The formation in Belgium of a representative Catholic-Liberal Government, possibly including one or two Socialists, seems likely as a result of the acceptance by the three major parties of King Leopold's proposal to transfer his royal powers "temporarily" to his son, Prince Baudouin. Although some major points of difference still exist on the conditions to be attached to solution of the royal question, particularly in regard to where the King shall reside during Baudouin's reign and when the temporary transfer of power shall end, a compromise agreement, including provisions for the parliamentary program, probably will be reached. If agreement, however, on every step is not achieved, or if the King fails to concur in the arrangements, it is likely that the former Eyskens Cabinet will be called upon to handle pressing domestic problems, until a satisfactory compromise is agreed upon.

ITALY

B The reemergence of the Dossetti "left-wing" group into active participation in the direction of Italy's Christian Democratic Party may be another step toward single-party Government by the Christian Democrats. At the party Congress in June 1949, the reformist group led by Dossetti, although it controlled about one-third of the party votes, was excluded from the party Directorate, which was taken over by the conservative wing. The Dossetti group made another bid for power at the time of the last Government reorganization, in

January 1950, but was refused Cabinet posts and has since appeared to be maintaining an attitude of watchful waiting for an opportunity to reenter the arena.

The inclusion of four members of the Dossetti group in the 12-man party Directorate elected in April now suggests that the dominant Christian Democratic conservatives might have to rely on the collaboration of the "left-wingers" in any attempt at a one-party Government. The reintegration of the two groups makes such a Government increasingly possible, not only by strengthening the party, but by giving it more reason to claim that it is sufficiently representative of popular political currents to make up a broadly based Cabinet without the inclusion of the moderate Left.

- B The failure of the Communists to arouse public support for their anti-MDAP campaign is to be regarded as one indication of the widespread Italian apathy to the MDAP. Consequently, the Communists may be expected to exploit basic socio-economic issues increasingly in order to sabotage effective Italian utilization of US military aid. They will ascribe the continued existence of the country's social ills to the imposition on Italy of the economic and military objectives of US "imperialists", who will be charged with sacrificing Italian national interests to buttress the US in relation to the USSR. In this approach, the Communists will intensify their accusations that the Italian Government, as a willing "stooge" of the US, is diverting its energies from long-standing domestic problems to develop the nation's potential for a war of aggression by the West against the USSR. By such strategy, the Communists hope to generate sufficient popular dissatisfaction with the Italian Government's pro-US policy to win widespread support for agitation and strikes, which they will conduct in order to obstruct the transshipment of MDAP cargoes and the production of war materiel in north Italian industrial centers.

VATICAN

- B Vatican ties with the Italian Christian Democratic Party will be closer as a result of the election of Guido Gonella as Political Secretary of the Party. Gonella was formerly an editor of the semi-official Vatican newspaper, Osservatore Romano. He is Minister of Public Instruction in the present Cabinet, and has had long association with Italian Catholic universities, both as a teacher and as director of university publications. His election is undoubtedly gratifying to the Holy See.

Some Vatican leaders probably welcome, too, the acquisition by the Dossetti "left wing" of the Christian Democratic Party of one-third membership in the Party directorate. Dossetti and his followers are dedicated to the furtherance of the goals of the Church, and at one time asked, without success, to be recognized as a religious order. Presumably their close connection with Italian politics was a deterrent to such official recognition.

The Italian Communists will attack the new leadership of the Christian Democrats as proof of increasing clerical influence in the Italian Government.