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WESTERN EUROPE DIVISION
OFFICE OF RESEARCH AND REPORTS
CENTRAL INTELLIGENCE AGENCY

DIVISION WEEKLY

For week ending 19 December 1950


20 December 1950

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"Due to organizational changes within CIA, this publication will be discontinued after this issue."

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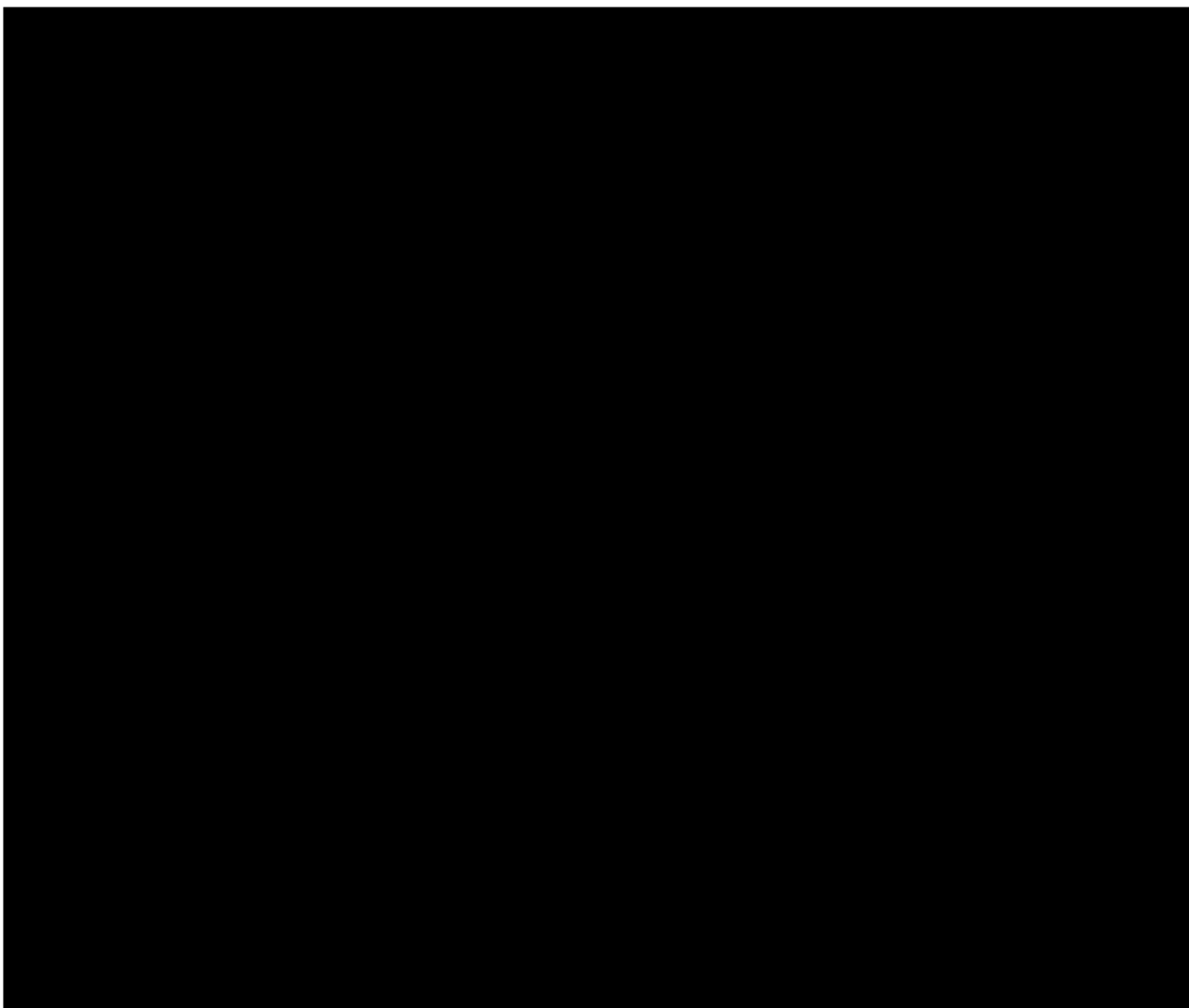
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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

For week ending
19 December 1950

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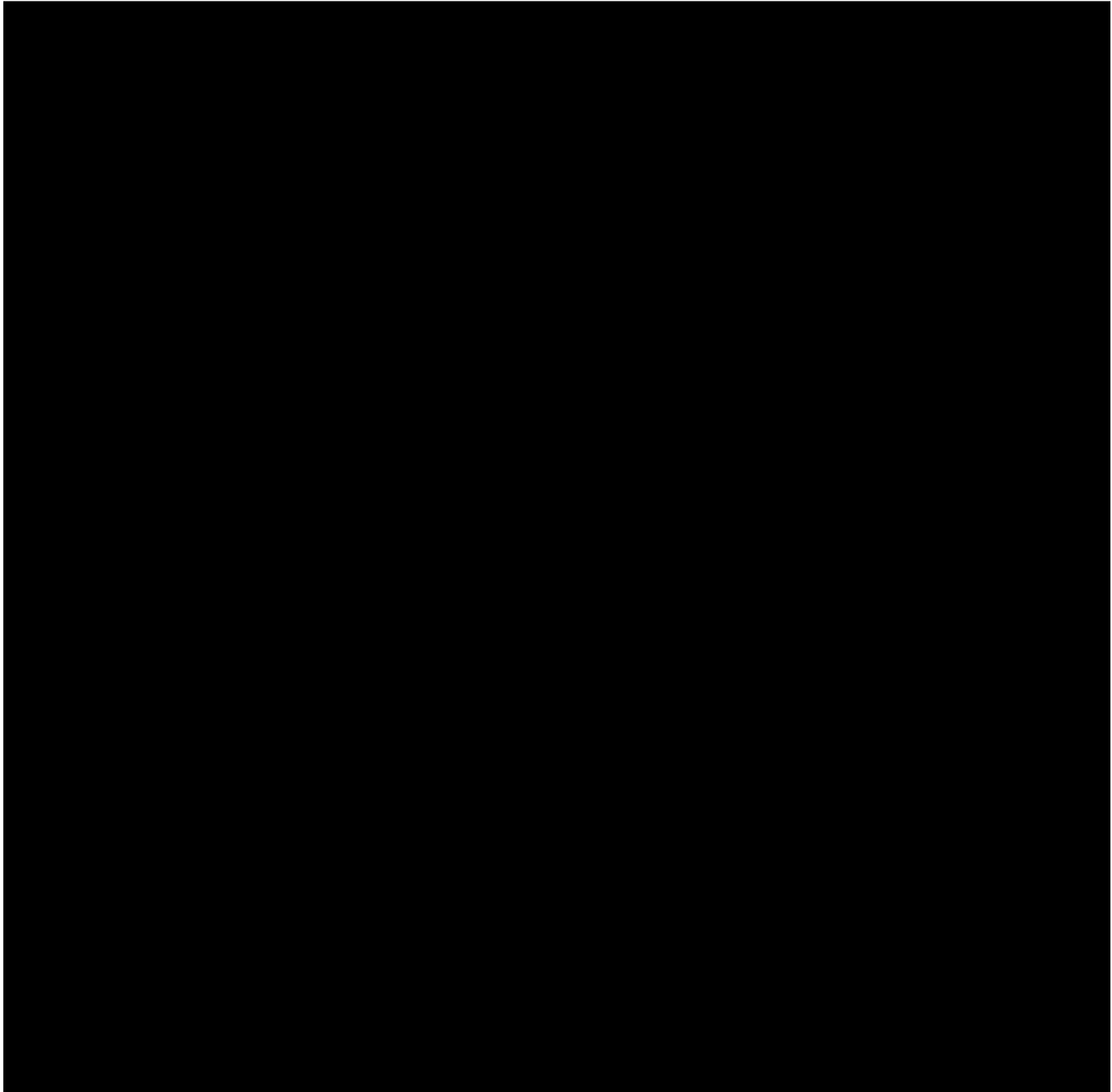


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S E C R E T



AUSTRIA

The failure of the Austrian Communists to bring about a general strike in October apparently has had little effect on the Party's plans for further labor disturbances.

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In the wake of large-scale dismissals of Communist labor union officials (following the October general strike), the Communists are now using strong-arm tactics in an effort to disrupt the normal functioning of the trade unions. To date, such efforts have been concentrated in the Soviet occupation zone, where the trade unions have been reluctant to undertake counteraction against the Communists. These Communist attempts appear to be part of the Soviet-Communist recurring pattern of intimidation of the population in the Soviet zone of Austria. In addition, renewed Communist inspired disturbances at Austrian labor union meetings may be the beginning of a long-rumored Communist campaign to exploit Austrian economic difficulties, which are expected to reach a peak during January-February 1951. Although no numerical gain will accrue to the Communists and it is unlikely that they will be able to intimidate seriously the Austrian population, it is quite probable that they may successfully create local disturbances. The occurrence of large-scale disorders during this period is largely contingent upon the amount of Soviet support the Communists receive.

FRANCE

The uncertainty of France's contribution to Western defense will be augmented if Communist fellow travelers succeed in combining even a few of the various proponents of "neutrality" with those elements irritated by French "subservience" to the US. Capitalizing on UN reverses in Korea, French reluctance to rearm Germany, and the recent Soviet overtures for the neutralization of Germany, the crypto-Communists are concentrating on the feeling of helplessness with which many Frenchmen consider their exposed position and their present inadequate defense system. The first national convention of the recently organized Progressive Union--a Communist-front organization which groups representatives of several leftist parties and even some Right-of-Center Radical Socialists--has called for a campaign to regain French "independence" from Western as well as Eastern domination. This is, in effect, an anti-US drive whose purpose is to sever French ties with the NATO.

S E C R E T

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Although active leadership of this new "peace" movement has been so far restricted to fellow-traveling elements, German Chancellor Adenauer is convinced that the diverse French elements opposing German rearmament really desire to neutralize Germany -- a situation which he believes can lead only to the neutralization of France. While the necessity of German participation in western defense is generally recognized by the French press, opposition to German rearmament is stressed in a recent article in Le Monde, the independent conservative daily which spear-headed the abortive neutralist drive last spring. Le Monde's editor has intensified his earlier demands for a neutral Europe committed neither to the "Anglo-Saxon" nor to the Soviet camp.

The Progressive Union's "independence" front will begin soon to undermine French support of NATO policies as it concludes some alliances with Socialist and Radical-Socialist dissidents in the Assembly. This danger is not imminent, however, since the non-Communist elements disposed toward neutrality are generally careful to eschew any collaboration in Communist-manipulated moves. Over the long term, the danger may be intensified, inasmuch as the PCF has usually succeeded in forming alliances tending to increase considerably its electoral strength, which has already shown signs of growth during recent months.

Although total expenditures projected in the French Government's draft 1951 budget are only about 9% greater than estimated actual expenditures in 1950, parliamentary opposition to particular provisions of this draft over the coming weeks will probably result in further disunity within the coalition and a weakening of the Government's tax-increase program. These results would make it more difficult for the Government to take financial and economic measures adequate to check the growing inflationary pressures which portend deeper labor unrest and less effective defense efforts. The parties of the majority are not likely, however, to disagree on the proposed military budget of 740 billion francs (16% increase over actual 1950 military expenditures). Nor is the Government likely to fall soon on budgetary issues.

Proposed expenditures for 1951 total 2,715 billion francs (about \$7.8 billion). Ordinary receipts would amount to 1,847 billion francs, leaving a deficit of 868 billion francs (about \$2.5 billion -- over 30% of the total budget), to be financed with US military aid and by borrowing. The

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draft budget amounts to about 42% of France's estimated national income for 1951, and hence is the equivalent of a US Government fiscal effort of about \$92 billion.

Parliamentary disagreement on the 1951 budget will revolve mainly about the means of raising 165-200 billion francs in new taxes. On this issue, the general opposition of the Radical Socialists (representing business interests) to any tax increases poses the greatest problem. The Radicals' preference for economies, especially in the civil service, runs directly counter to the interests of the other two major parties of the coalition - the Socialists and the Popular Republicans (MRP). Furthermore, while these two parties advocate in general the idea of increasing taxes moderately, they seek to impose the additional burden almost entirely on industry and on the more well-to-do classes, by levying excess profits and luxury taxes. They are strongly opposed to increases in indirect taxes -- which are most easily collectible in France -- because these taxes are a disproportionately heavy burden on the working class and would add to current inflationary pressures.

The Plevin Government is likely to have considerable success in averting a critical split within the coalition on the issue of higher taxes, although it will probably be forced to accept major modifications in its tax program. Premier Plevin has announced that he will ask for votes of confidence as often as necessary to insure parliamentary acceptance of the Government's draft budget. The majority parties are not likely at this time to permit the Government to be defeated on such a vote - and thus make immediate elections almost inevitable. These parties are intent upon first achieving electoral reform so that the smallest possible Communist representation may be elected to the next Assembly. On the other hand, the Radicals will probably insist that Plevin keep his promise to introduce an electoral reform bill by the close of 1950, and the Government will probably do so just before Christmas, partly in order to win the Radicals over to its proposals. Inasmuch as the coalition parties are seriously divided on the provisions of electoral reform, however, the Government may then introduce an interim bill merely abrogating the present electoral law. This tactic would appease the Radicals for the moment, without permitting disagreement over the new electoral law to aggravate the Government's political difficulties in obtaining parliamentary approval of its draft budget.

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