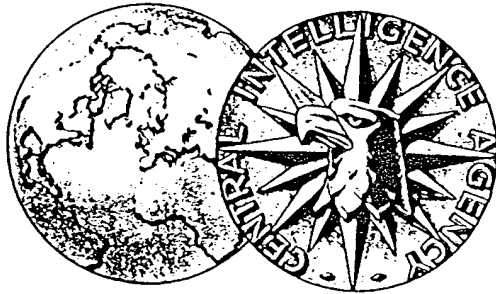


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OPPOSITION TO ECA IN PARTICIPATING COUNTRIES



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OPPOSITION TO ECA IN PARTICIPATING COUNTRIES

SUMMARY

This study undertakes primarily to analyze the character and importance of the organized opposition to the work of the foreign aid program in the countries participating in it, and, where significant forces of opposition exist, to estimate the capabilities of the government concerned to contain them. The study also undertakes to point out other obstacles with which the administrators of the foreign aid program may have to contend.

The defeat of the European recovery program is admittedly an immediate and priority objective of Soviet policy in Western Europe. In pursuit of this objective the USSR is utilizing all means at its disposal short of war—propaganda, industrial strife furthered by local Communist parties and Communist-dominated trade unions, and the exploitation of Western European reluctance to abide by US directives on East-West trade. The machinery of the Cominform appears to be an important means through which this program of obstruction is being coordinated and controlled. In Greece and China, the USSR is counting on the local Communist armed forces, currently engaged in war against the National Governments, as the primary instrument in undermining the US aid program.

An analysis of the situation in the individual countries receiving US aid indicates that they may be grouped in several broad categories with respect to the difficulties facing the US aid program:

a. Those in which Communist capabilities for obstruction are of no more than a nuisance value and in which such opposition as may develop will stem primarily from national sensibilities. These countries are the UK, the Scandinavian and the Benelux countries, Portugal, and Turkey.

b. Those in which the Communists, largely through their influence in the trade unions, have the capability for considerable, though probably diminishing, economic disruption. These are France and Italy, and, to a lesser extent, Iceland and possibly Korea.

c. Those in which the recognized government is actually at war with local Communist military forces. These are China and Greece. The situations in these two countries differ widely, however. The Communist forces in China may shortly succeed in accomplishing their primary objective of bringing about the overthrow of the Chiang Kai-shek Government, which would raise serious political, as well as tangible, obstacles to the operation of the US aid program. In Greece the Communist guerrilla forces are not presently able to overthrow the National Government; they will, however, persist

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. The information herein is as of 15 January 1949.

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toward that end. In their effort they have caused destruction to industry, communications, and agriculture, seriously impeding the US aid program. There are no indications that their capability will diminish in the near future. In China and to a lesser degree in Greece, the corruption, inefficiency, and selfish interests of the political and business leaders likewise seriously impede the operations of the US aid program.

d. Defeated enemy countries which are subject to occupation forces and the military government of the victorious powers. These countries are western Germany and Austria. The situation with respect to these two countries likewise differs sharply. Western Germany has no government of its own and is subject only to the control of the Western Powers, while Austria has a regularly constituted government, subject to a quadripartite Control Council in which the USSR is represented. In western Germany, therefore, Communist capabilities for disruption are limited largely to the extent to which the small Communist Party can capitalize upon the legitimate economic grievances of the people: the major obstacles to the ECA in this area derive primarily from possibly jurisdictional disputes with the military government and the divergence of interests among the three Western Powers. In Austria, on the other hand, Soviet occupation of the eastern part of the country gives the USSR the ability either to prevent the application of the aid program to the eastern zone or to divert the benefits flowing into the eastern zone to its own use. Within the western zones of Austria the position of the Communist Party is so weak, both politically and in the trade unions, that it can offer no effective opposition.

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OPPOSITION TO ECA IN PARTICIPATING COUNTRIES

UNITED KINGDOM

1. GENERAL.

Organized opposition and obstruction will not seriously threaten the work of the Economic Cooperation Administration in the United Kingdom at any time in the foreseeable future. Communists constitute the sole organized opposition. Their capabilities are and will continue to be insufficient to achieve any obstruction beyond the nuisance level because: (a) the United Kingdom is politically stable; (b) all important components of the British polity, including the labor movement, are overwhelmingly anti-Communist; and (c) the Communists will not resort to serious physical sabotage in time of peace. Principal Communist strength is within organized labor, at various levels of certain important trade unions. This strength is sufficient only to cause minor disruptions of the industrial process by manipulation of local dissatisfactions with various governmental economic policies which are unpopular with, or misunderstood by, the labor rank-and-file.

2. VULNERABILITY OF THE PROGRAM.

The British need to maximize industrial production and exports while reducing imports to a minimum has kept the standard of living at a level of "austerity." Some of Labor's aspirations for a better life have been disappointed, and this disappointment provides the most vulnerable target for Communist tactics. Communists will therefore continue attempts to undermine and discredit Britain's domestic economic program. To this end, they will exert their greatest pressure through the local branches or at higher policy levels of some few important trade unions where their influence is appreciable, will try to foment dissatisfaction among the labor rank-and-file, and will otherwise disrupt the industrial process. They will encourage slow-downs and strikes and will agitate for higher wages, shorter hours, more amenities, and an increased housing program; in short, they will work for the breakdown of every unpopular though vitally necessary measure of the government's stringent economic policy. They will probably not, however, resort to important physical sabotage.

Communist propaganda will also continue to attack the motives of the United States and distort the aims of the European recovery program, and, in connection with the recently initiated moderate rearmament program, will exhort the British worker to demand demobilization and to refuse to produce armaments. The success of this agitation and propaganda, however, is expected to be almost negligible; the political maturity of British labor is proof against widely successful Communist exploitation. As elsewhere in the UK, the Communists have been steadily losing prestige and power in their strongest quarter, the trade unions.

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3. OPPOSITION FORCES PRESENT.

The highest estimate of current British Communist Party membership is 43,000 (its actual strength is probably 8,000 to 10,000 less), with a "hard core" of dues-paying members of less than half that number, and a greater number of non-party sympathizers and fellow-travelers.

The organization of the UKCP is along orthodox lines. The National Congress acts as the constituent body of the party and elects the working unit, an Executive Committee, which meets monthly. This committee includes about 40 persons who run the party and have served as its parliamentary candidates. The inner core of the Executive, which is believed to include only about 8 members, meets weekly as a Political Bureau to formulate policy. One hundred percent Moscow-controlled, the party has not proved strong enough to warrant its direct affiliation with the Cominform, but has openly endorsed the Cominform and has followed policies identical with those of that agency. Moscow direction is maintained through overt Soviet propaganda; control is operative through the usual Soviet and Communist agents, and through Soviet cultural and informational agencies.

Approximately three-fourths of party members are industrial workers; the remaining are among white-collar, professional, and intellectual groups. There is no militant organized force. The number in the underground is not known, but recently party leaders have directed members to work more underground than heretofore. The party exercises control over no substantial segment of the British press, but is to a limited extent active in the publishing and propaganda fields.

The UKCP is politically isolated. No party members hold high-ranking positions in the Labor Government, and a moderate purge of Communists in "sensitive" civil service posts is under way. Two of the 640 members of the House of Commons are overt party members. A few others are at least fellow-travelers. None of this group, however, has any influence in Parliament. The party will almost certainly continue to be permitted to be a legally recognized political organization.

For political purposes, the party has gained influence in some student, "cultural," scientific, and "peace" groups. The most significant recent change in the Communist approach in the UK is that advertised by the party itself in September 1948, prescribing more direct methods of industrial agitation and intensifying its propaganda campaign against government policies affecting wages and taxation, the Malayan campaign, defense, and the Marshall Plan.

The Communists and their sympathizers constitute the only organized opposition to the European recovery program. A few extreme Conservatives disapproved of the principles of the program in respect to the UK only, but their opposition is very unlikely to result in any serious obstruction. Attempts by US officials to influence Britain's domestic policies, however, would lay the basis for more serious organized opposition to the program, particularly from the doctrinaire wing of the Labor Party.

4. RESISTANT FORCES PRESENT.

In the unlikely event of serious disruptions by Communists and their few fellow-travelers, resistant forces are capable of fully maintaining order. Within the govern-

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ment, the labor movement, and the country at large, anti-Communist sentiment is overwhelmingly preponderant.

IRELAND

There is no organized opposition or obstruction to the work of ECA in Ireland and no likelihood of any.

The primarily agricultural Irish economy, while sensitive to such influences as world price-levels and the availability of certain imports, is not appreciably vulnerable to tangible, minority-group obstruction from within; nor are the strongly anti-Communist Irish vulnerable to propaganda directed against the aims of the ERP. Disappointment exists that Ireland is receiving loans rather than grants (in contrast to Northern Ireland which, as an integral part of the UK, theoretically enjoys the more generous terms of the UK-ECA combined grant and loan agreement), but this disappointment is not exploitable against the interests of the program. So strong would the resistant forces be that effective organized opposition and obstruction within Ireland are inconceivable. Most powerful of the forces of resistance is the tremendously influential Church, but also significant are the army and the highly efficient police force.

NORWAY

1. GENERAL.

The ECA program is unlikely to suffer obstruction in Norway because a friendly Labor Government has an absolute majority in the Parliament, and because the economic situation is stable. The Norwegian Communist Party, 11.5 percent of the electorate, is the only organized opposition force. Communist influence has never been a dominant factor and has declined sharply from its postwar peak because of the government's anti-Communist campaign and the general distaste in Norway for recent Soviet expansionist moves. The Communists can become an irritant factor, however, by causing work stoppages and possibly by perpetrating minor acts of sabotage in industries contributing to the ECA program, particularly Norsk Hydro and the fishing, whaling, and shipping industry. Even so they are unable seriously to hamper Norway's participation.

No significant changes are expected after 1 July 1949 or in the foreseeable future which would jeopardize the ECA program. The Labor Government is practically assured of continuing in power until the national elections in October 1949. At that time the Labor Party may lose its absolute majority in Parliament, but it will continue to be the largest single party. The present decline of Communist strength will be registered in the 1949 elections, and the Communists will lose several of the 11 seats which they now hold in Parliament.

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2. VULNERABILITY OF THE PROGRAM.

Norway's major contributions to the ECA program come from the nitrogenous fertilizer plants of the Norsk Hydro combine and the shipping industry. These, therefore, are the points most vulnerable to anti-ECA programs. Communist infiltration in both industries, however, is minor.

An example of the obstructive tactics which might be used is a recent work stoppage engineered by Communist union leaders at one of the Norsk Hydro plants. A shut-down resulted when the management refused to permit an arbitrary reduction of working hours by the union leaders. The work stoppage was declared illegal by the Labor Court, but Communist union leaders rejected the decision, and, by their obstruction, hindered production in affiliated Norsk Hydro plants.

The only organized opposition force is the Communist Party, representing less than one percent of the population. It is organized as an orthodox political party, has 11 out of 150 seats in the Parliament, none in the cabinet, and is not capable of attracting sufficient votes from other parties to enact legislation unfavorable to the ECA program. The Labor Party government is carrying on an active anti-Communist campaign, which, together with the general distaste felt in Norway for recent Soviet expansionist moves, has successfully counteracted the goodwill which the Communists enjoyed as a result of their resistance activities during the German occupation.

Communist influence in the labor movement is slight and is being effectively reduced through aggressive action by the Labor Party-dominated Federation of Trade Unions. In recent elections, Communists were eliminated from responsible positions in several locals of the metal trades and the seamen's unions which have formerly been Communist strongholds. Strongest centers of Communist influence are presently in the Kirkenes unions, the Oslo building workers and the Bergen transport workers.

There is simmering discontent among several labor groups in Norway which is the result of a scarcity of consumer goods and of opposition to the government controls over wages. By skillfully exploiting these groups, the Communists can reduce Norway's contribution to other ECA countries and increase Norwegian import requirements.

Communist influence in agrarian groups is insignificant, and, in professional groups, is confined to a few individuals. The Communist press, which faithfully follows the party line, has had insignificant success in arousing public feeling against ECA.

It has been reported that the Communists have made plans to sabotage iron ore shipments from Narvik by interfering with the Luleå-Narvik rail line, but no evidence of carrying out these plans has been noted.

3. RESISTANT FORCES PRESENT.

Government controls have successfully prevented serious inflation and are adequate to forestall any major economic dislocation that might obstruct the ECA program. There is a small percentage of Communist infiltration in the lower ranks of the police and armed forces, but the great majority are loyal to the government. In the extremely unlikely event that the Communists should attempt active sabotage, Norwegian security forces are capable of maintaining internal order. Anti-Communist

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sentiment within the government and in the country at large is strong, and popular support for the ECA program will increase rather than decrease if Communist obstruction continues.

SWEDEN

1. GENERAL.

The Communist Party represents the only organized opposition to the work of ECA. Communist influence in labor and politics is insignificant, and Communist propaganda directed against ECA has been, and will continue to be, unsuccessful. The small but efficient police force, which would have the support of the army in the event of a major difficulty, is capable of controlling any attempts at physical obstruction of the ECA program.

2. VULNERABILITY OF THE PROGRAM.

The primary weaknesses in Sweden's economy are the lack of solid and liquid fuels and the vulnerability to acts of sabotage of the centralized hydroelectric system, which is the only other source of industrial power. The USSR can cut off Sweden's largest source of solid fuel (Polish coal) which would reduce the industrial production level in a short time.

Acts of sabotage on the railroad running from the Lapland iron mines through Norway to the port of Narvik would seriously hamper export and production of ore, particularly during the winter months when the only other outlet, the port at Luleå on the Baltic, is icebound.

3. OPPOSITION FORCES PRESENT.

The only organized opposition group is the Communist Party, which is a legal political party with a membership of approximately 48,000 (6.4 percent of the electorate). Of this number roughly 3,000 are considered fanatic Communists. The Communists have never had a controlling influence in Swedish politics and their strength is now declining. The general election of September 1948 resulted in a loss of 7 Communist seats in the lower chamber of Parliament so that they now hold only 8 seats out of a total of 230. The Communists continue to hold 3 seats (out of 150) in the Upper Chamber, which was not affected by the election. There are no Communists in the Cabinet.

There are no Communists in the Central Council of the Swedish Confederation of Trade Unions. Whatever influence Communists have had in certain union locals is decreasing, even in the metal trades unions which had formerly been a Communist stronghold.

Aside from Communists, the ECA program might encounter opposition in Sweden if the Social Democratic government felt that Sweden was being forced into commitments under ECA which might compromise Swedish neutrality. Any appearance of

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US "dictation" to Sweden would likewise be strongly resisted, not only by the government but by the mass of the people. The Communist press has attempted to arouse fears that Swedish sovereignty and traditional neutrality are threatened by participation in ECA. This propaganda has been largely ineffective, but the government, particularly the left wing of the Social Democratic Party, and the people as a whole are extremely sensitive on the subject of Swedish neutrality.

4. RESISTANT FORCES PRESENT.

General government controls over the economy, expected to be augmented to control the mild inflation, make disruption of the economy highly unlikely.

The police force, while small, is considered sufficient and capable of controlling any potential disturbance. The military would cooperate with the police if called upon.

Anti-Communist sentiment is increasingly strong, partly because of a public awakening after the coup in Czechoslovakia and also to a planned anti-Communist campaign by the government.

DENMARK

1. GENERAL.

ECA in Denmark is unlikely to be endangered by organized obstruction or sabotage. The Communist Party, the only organized opposition force, has a membership of about 6.7 percent of the electorate. While at the end of 1947 about 10 percent of organized labor was Communist, their influence has recently been substantially reduced to about 6 percent. With no representation in the Social Democratic cabinet, Communist influence in politics is negligible. The small but effective police force, which is practically free from Communist infiltration, would have the support of the army if necessary. Anti-Communist sentiment in the country, especially in organized labor and within the government, is pronounced and is increasing.

2. VULNERABILITY OF THE PROGRAM.

The primary weakness in Denmark's economy is the total lack of solid and liquid fuel resources. Since Denmark has no appreciable stock-piles of solid fuel, the curtailment or stoppage of Polish coal and coke imports would soon seriously reduce industrial production and transportation.

The effect of Communist propaganda is negligible because of the overwhelming public approval of ECA.

There has been no evidence of obstruction or sabotage of ECA. Vigilance of the Danish authorities and the measures taken to forestall Communist violence have reduced to a minimum the possibility of major aggressive acts against the program. Moreover, the popular acclaim with which Danish participation in ERP has been accepted, coupled with the anti-Communist sentiment prevailing throughout the country, will act as a deterrent to any contemplated overt Communist action against the program.

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3. OPPOSITION FORCES PRESENT.

The Communist Party numbers approximately 40,000; although there is no known Communist military organization, it is estimated that about 3,000 Communists possess small arms, having acquired them through membership in the Home Guard or through participation in the resistance against the German occupation. Some months ago the government attempted to check this potential source of violence by requiring the registration of all firearms.

The labor movement is predominantly Social Democratic; Communist membership is presently about 6 percent of the 614,000 members of the Confederation of Trade Unions which comprises 95 percent of organized labor. The Communists are concentrated almost exclusively in Copenhagen and are strong in Copenhagen locals of the unions of shipyard workers, blacksmiths, machinists, typographers, ships' stokers, transport and commercial carriers (particularly dock workers) and excavation and construction workers. Immediately after the Czech coup, the Confederation instituted a policy of isolating known Communists and instructions were issued to Social Democratic members to oppose election or re-election of Communists to key labor positions. The Confederation maintains files on Communist members and, in cooperation with the military authorities, is attempting to keep Communists in the labor movement under surveillance. These measures have effectively reduced Communist influence.

There are few Communists in influential government posts and the present government has been lessening this influence. In the last general election in October 1947, the Communist Party lost 50 percent of its previous votes, and its parliamentary representation is now one seat (out of 76) in the Upper Chamber and 9 seats (out of 151) in the Lower Chamber.

4. RESISTANT FORCES PRESENT.

Denmark's economy is relatively stable, with agricultural and industrial production approaching prewar levels and with virtually no unemployment. Government controls have effectively counteracted inflation and have brought about a near-maximum of Denmark's major export product—food.

The Danish police force is well organized, intelligent, and highly respected. The loyalty of the majority of the police is beyond question; but a very small degree of Communist infiltration (less than 1 percent) has been accomplished. There is some Communist infiltration in the lower ranks of the army and the Home Guard, but the great majority is loyal to the government and would support the police in case of major civil disturbances.

SWITZERLAND

1. GENERAL.

Switzerland is not receiving aid from the ECA program, although it is a member of the OEEC. Despite the strong ideological sympathies of the Swiss with the West,

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and their aversion to Communism, and despite a recognition of Swiss dependence upon economic recovery in Western Europe, a majority of the Swiss have strong reservations on wholehearted participation in the ECA program. Many business, labor, and other groups feel that participation in OEEC conflicts with Switzerland's traditional neutrality. All groups are strongly opposed to any suggestion of interference in the Swiss economy.

Business interests are actively promoting trade with Eastern Europe and feel that, aside from the monetary gain, the exceptional importance of foreign trade to Switzerland's economy requires wide diversion of business interests as a precautionary measure. There will, therefore, be considerable resistance to OEEC efforts to prevent the flow of vital goods to Eastern Europe. The danger of becoming too closely involved with unstable Western Europe economies is frequently expressed.

Although the Communist Party is attempting to capitalize on the reservations of the majority of the Swiss in regard to ERP, its influence constitutes a very minor factor. The party has about 18,000 members, with 4,000 militants. It controls only 7 of the 194 seats in the National Council, and has no representation in the government offices. Its control in organized labor is negligible, and its influence in agrarian groups, the police, and the army is nil. It may be concluded that, apart from the reluctances noted above, there will be no serious opposition to the ECA program in Switzerland, and no subversive obstruction whatsoever.

BELGIUM

1. GENERAL.

In Belgium the potential organized opposition to the work of ECA is negligible. The Communist Party is numerically and financially weak and is mediocre in leadership. It does not enjoy the support of key labor groups, nor can it mobilize any important opinion in its favor. Though it can probably foment some strikes and disturbances, these should be no more than would be expected in any country undergoing postwar economic dislocations.

All important groups in and out of the government support ERP. Police and armed forces are loyal and are quite capable of controlling situations detrimental to ECA.

2. VULNERABILITY OF PROGRAM.

Communist propaganda has only a limited appeal despite high prices and considerable unemployment. The same can be said for strike agitation. If unemployment continues at a high rate, however, the effectiveness of Communist propaganda, pointing out the ECA as the cause of unemployment, may be expected to increase. Steel, coal, and transportation industries and the port of Antwerp will be primary targets because of their importance to the Belgian economy. The lack of popular support, however, will prevent the Communists from causing widespread disorder. No change in governmental and popular support of ERP is foreseen.

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3. OPPOSITION FORCES PRESENT.

The leadership of the Communist Party is mediocre and funds are extremely short. The party is not a member of the Cominform; directions are usually received from the French Communists or through occasional personal visits of Communist leaders to Eastern Europe. The Belgian party members are concentrated in industrial and urban areas, especially Brussels and the French-speaking industrial areas around Liège and Charleroi. It is estimated that the party has 50,000 members of whom 15,000 are militants. There are two Communist newspapers, *Drapeau Rouge* (circulation about 30,000) and *De Roode Vaan* (15,000).

All other parties refuse to cooperate with the Communists and deny them cabinet or important government posts. The Communist Party has 23 out of 202 seats in the Lower Chamber and 17 out of 167 seats in the Senate.

About ten percent of organized labor is Communist-controlled. This includes the 50,000 members affiliated with FGTB (Socialist-Communist Trade Union Federation). Communist control is evident principally in public service unions (15,000), mines (12,000), and clothing and metal industries. Communist influence in other groups is negligible with the exception of some influence in university circles, especially the University of Brussels. Because of its weakness, the Communist Party may attempt to reorganize itself into a smaller, compact unit, with emphasis on action committees and clandestine activities. This would not substantially increase its effectiveness.

There is little non-Communist opposition to the program.

4. RESISTANT FORCES PRESENT.

The postwar policy of relaxation of economic controls has left the government with little power to regulate the economy, and prevent such unfavorable factors as rising prices and unemployment upon which the Communists can capitalize. Re-enactment of extensive controls would meet with considerable resistance, and enforcement would be very difficult.

The national gendarmerie consists of 10,600 members. The organization is under the control of the Minister of National Defense for its administration, and the Ministers of Justice and Interior for its operations. The local police force is under the supervision of the Communes. Communist penetration into the police forces is negligible, and the ability of the police to control any situation is unquestioned.

There are 35,000 troops in Belgium and 6,276 air force personnel. The armed forces are loyal and capable of substantially aiding the police in maintaining internal order and keeping communications channels open.

The anti-Communist sentiment in the country is strong and is growing even stronger. The support of the Communist labor unions is based largely on economic benefits derived from membership, and does not represent support for the Communist program.

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THE NETHERLANDS

1. GENERAL.

ECA aid to the Netherlands will meet with little obstruction. The need is clearly recognized by the Dutch; opposition forces are negligible, and the internal economy is stable.

2. VULNERABILITY OF THE PROGRAM.

Although the economy of the Netherlands has numerous weak points, such as its unfavorable balance of foreign trade, the financial drain caused by unsettled conditions in Indonesia, and the insufficiency of Dutch industrial development to support the growing population, the Communist Party is not in a position to exploit these weaknesses. Furthermore, the government has extensive economic controls with which to hold to a minimum those economic dislocations by which the Communists might otherwise profit. Communist propaganda against the ECA program has a very limited popular appeal in the Netherlands. General support for the program by the Government and by non-Communist elements is expected to continue.

3. OPPOSITION FORCES PRESENT.

The Communists received 7.7 percent of the total votes in the July 1948 elections. There are approximately 50,000 party members; about 12,000 of these are dependable militants. Their greatest strength is in industrial and urban areas, particularly Amsterdam. Party leadership is mediocre. The Communists have no control of any press organs with the exception of *De Waarheid* (circulation 120,000) and a few minor publications. The Dutch CP is not a member of the Cominform; orders are received from Paris or CP leaders who have visited Eastern Europe.

The Communists hold no cabinet or key government posts and all other parties refuse to cooperate with them. In the legislature the Communists occupy 8 out of 100 seats in the Second Chamber; 4 out of 50 seats in the First Chamber. Communists are excluded from the Foreign Affairs Committee in the Second Chamber. A bill was recently passed permitting dismissal of Communists from municipal and provincial legislatures.

The influence of the CP in labor unions is limited. The Communist-controlled union (EVC) claims a membership of 169,700, but probably has only about 100,000 or 10 percent of organized labor. Its efforts to instigate political strikes have been decidedly unsuccessful. The main concentration of CP strength is in the building, metal, and transport industries.

4. RESISTANT FORCES PRESENT.

Extensive and effective government controls in most areas of the economy minimize economic dislocation on which the Communists could capitalize. The policy of the present government calls for a gradual relaxation of economic controls in imple-

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menting the Benelux Customs Union. The municipal police force of 13,000 is under control of the Minister of Interior; the state police force of 7,000 is under the Minister of Justice. During the wave of anti-Communist sentiment following the Czech coup, measures were initiated to double municipal police force with volunteers and create a volunteer reserve of 10,000 for the state police. Volunteer battalions are also being formed in the universities. The police are efficient, loyal, and strongly anti-Communist.

In Holland, while there are only some 59,000 troops, mostly administrative, they include small operational elements which together with the police force are adequate to maintain order, minimize sabotage, and keep communications open. Communist penetration is negligible and the morale is good.

In the country at large and within the government there is a strong and determined hostility toward Communists, intensified by the Czech coup. This anti-Communist sentiment has resulted in a marked decline in Communist strength during the last year and has led to a number of government measures to neutralize the influence of the Communist Party. With the exception of the Communist-controlled EVC union, organized labor is strongly opposed to Communism, and the EVC itself doubtless derives a good part of its support from considerations other than ideological sympathy with the Communist cause.

LUXEMBOURG

1. GENERAL.

The report on Belgium applies generally to Luxembourg. The opposition forces are perhaps even weaker in Luxembourg than they are in Belgium. Some dissatisfaction has been expressed over the share of Belgian-Luxembourg ECA aid allotted to Luxembourg, and might make itself felt in the form of political pressure.

2. OPPOSITION FORCES PRESENT.

There is a small Communist Party composed of a nucleus of 5,000 Communists and a remainder of malcontents, whose support has greatly declined. The Communist Party controls 5 of the 51 seats in the Chamber of Deputies, but is not included in the government and controls no government posts. Its influence on labor, agrarian, and other groups is very small.

3. RESISTANT FORCES PRESENT.

The police force and gendarmerie number 600. These, with the aid of an army of 1,500 troops are fully capable of maintaining order.

PORTUGAL

1. GENERAL.

The ECA program for Portugal is confined to general assistance in facilitating the sale of Portuguese products to other participating countries and in obtaining allo-

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cations of scarce essential commodities, machinery, and equipment needed to carry on an industrialization plan. Because of the continuing unfavorable balance in foreign trade, Portugal has requested direct ECA financial aid for 1949. Portugal is under a closely controlled dictatorship. So long as Salazar or any other government placed in power by the army retains control, there will be no significant opposition to ECA.

2. VULNERABILITY OF PROGRAM.

Industrially the factor of greatest vulnerability is the limited scope and capacity of Portuguese manufacturing, which materially restrict Portugal's contribution to European rehabilitation. Even slight interruptions to production would therefore have considerable effect. Since industry is more or less concentrated near the two principal seaports, internal transport problems are not of major importance. Implementation of the program could be hindered by a slowdown among stevedores and other dock and warehouse labor, but effective interference in this way is most unlikely as Portuguese law forbids strikes, lockouts, and slowdowns. Efforts to interfere with the economy by these means have in the past been put down ruthlessly and summarily by the Government. Labor is organized into syndical corporations, which are an integral part of the governmental structure. Activities are directed through the governmental ministries and labor as a body has no influence.

Government offices important in the administration of the program are staffed by employees generally loyal to the regime, as a continuous effort is made to weed out political dissidents, particularly Communists or sympathizers. Underpaid Portuguese civil servants, however, are highly susceptible to bribery. The import-export program is administered by one council, vulnerable to pressure through bribery of employees.

As long as the government supports ECA, there will be no adverse propaganda or political pressure. All media of expression are subject to government censorship, and all political activity is illegal except for that of the government-sponsored party. Sabotage is unlikely; few, if any, Portuguese are versed in the technique or have the means to carry it out.

3. OPPOSITION FORCES PRESENT.

The Communist Party is outlawed in Portugal. It is estimated that membership may total about 4,000. Control from Moscow probably channels through Communist centers in France, but it is believed that little attention is given by the USSR to the problems of Portuguese Communists. The Portuguese party organization apparently receives no financial support from Moscow. The party has no underground forces organized for direct action. It has little economic influence. In the event of a continued deterioration of the economy which would further depress the low living standards of the Portuguese masses, the Communist Party could probably extend its influence to provoke minor internal disorders.

4. RESISTANT FORCES PRESENT.

All phases of the economy are closely controlled by the government, a situation inherent in the corporative structure of the Portuguese State.

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In addition to the regular police forces, there are a very efficient secret police and a quasi-military Republican Guard. Police forces are adequate to control domestic disturbances as long as the army remains loyal to the regime. The armed forces will support the regime until such a time as it may appear to them that government economic policies are detrimental to the country in general.

The people and the government are strongly anti-Communist as a result of years of official propaganda, and because of the strong influence of the Roman Catholic Church.

TURKEY

1. GENERAL.

There is no organized opposition to the work of ECA in Turkey, and no dangerous obstruction is likely to occur. A small section of the political opposition and of the opposition press, which are generally interested more in opposing the government than in frustrating ECA, have to some extent echoed Soviet propaganda to the effect that Turkey is surrendering its sovereignty and becoming a mere vassal of the US. Such allegations, which are likely to continue, are denied by the government, and are not accepted as true by either government or people.

Sabotage is not a serious factor menacing the success of ECA programs in Turkey. The overwhelming majority of the Turkish people are strongly anti-Communist for a variety of reasons, which include a strong sense of nationalism and devotion to the present republican form of government, as well as a profound mistrust of their powerful neighbor and traditional enemy. Furthermore, not only does the law greatly circumscribe the freedom of subversive organizations of any kind; but in addition, the efficient police, and security organizations generally, maintain very thorough control.

Weaknesses in the Turkish economy, which is controlled by the state and in which most large enterprises are state-owned, might postpone or lessen Turkey's contribution to European recovery. Shortcomings in Turkey's economic structure (e.g., in industry, agriculture, mining, and transport and communications) are currently being overcome. How soon and how effectively success will be reached in such efforts depends largely upon the effectiveness with which current rehabilitation and recovery programs are applied, with the aid of US and other sources of financial support, including ECA itself.

2. VULNERABILITY OF PROGRAM.

There are definite weaknesses in the economic structure, but because of resistant forces outlined below, these do not constitute dangerous points of possible tangible obstruction or for the application of sabotage on a serious scale. One of the most serious economic weaknesses is the inelasticity of the economy as a whole. The Turkish economy is étatist, or largely state-owned and controlled, and therefore tends to develop and maintain costly and uneconomic ventures for strategic, military, or other

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reasons. Thus the structure is top-heavy, with highly modern industries superimposed upon a generally primitive and primarily agricultural economy, with insufficient intermediate light industry. Other weaknesses are inadequate transportation and means of storage for perishable crops, and, to some extent, the concentration of power and wealth in the hands of a comparatively small percentage of the population. To this must be added the economic dislocation resulting from the high cost of maintaining large forces under arms in the face of threatened foreign aggression.

The weaknesses in the economy are particularly evident in industry, transportation, and communications. Strenuous efforts are now being made, with US aid, to remedy those shortcomings. There is very little danger of wide-scale obstruction to US aid, whether military or economic, because of the wholehearted support of the aid programs by both government and people. Similarly, the danger of serious sabotage may be disregarded. Turkey's contribution to the recovery of Western Europe will depend largely upon the success of rehabilitation and development programs in Turkey with the aid of various US and other agencies, including ECA itself.

The government in recent years has sponsored labor legislation designed to improve working conditions. Labor groups have been formed but continue to be under very strict government control. The right to strike, for example, is denied Turkish labor groups. Occasionally, small labor "syndicates" are formed in urban, industrial, and mining areas, and these include communistically inclined individuals. They have little strength, however, and are very carefully observed and controlled by the police and security services. No strong anti-government labor group has ever existed in the Turkish Republic. The danger of obstruction to ECA programs from labor groups, therefore, is very small indeed.

The Turks are not susceptible to propaganda emanating from the USSR or its satellites. Within Turkey, members of a newly formed anti-government political group and a section of the opposition press has expressed alarm concerning the US-Turkish ECA agreement, and have even echoed Soviet propaganda to the effect that an infringement of Turkish sovereignty is involved. Such allegations, which are sometimes due to a misunderstanding of the agreement, are denied by responsible government officials, and are not accepted as true by the overwhelming majority of the people.

Because the Turks are not susceptible to Soviet propaganda, government organizations are most unlikely to become targets for obstruction and sabotage to the extent of dangerously impeding the ECA program. Such sabotage as may occur, however, is likely to be directed at government-owned and operated enterprises in, for example, industry, mining, transport and communications. Among these are the Zonguldak coal mines, the Guleman chromite mines, and the Erganimaden copper mines all administered by the Etibank. A number of industries operated by the Sumerbank, such as the Kayseri textile mills, could also be targets for sabotage, as could the railroads and merchant marine, under direct control of the Ministry of Communications.

Obstruction has been limited principally to members of the above-mentioned anti-government group and to a small section of the opposition press, both of which are interested more in opposing the government than in obstructing ECA. Further ob-

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struction may be expected from both sources, but it is unlikely to be any more successful than hitherto. There was some dissatisfaction during 1948 in Turkey because arrangements were apparently not being made under ECA auspices for the restoration of Turkey's lost prewar tobacco export trade with Germany. This situation has now been alleviated by a decision which will start Turkish tobacco moving toward western Germany. Interruption of that flow at some future date would, of course, revive the expression of discontent, accompanied by reiterated charges that US growers were being favored at the expense of Turkey. Infrequent attempted acts of sabotage are possible, but are highly unlikely to have seriously damaging effects upon the program.

3. OPPOSITION FORCES PRESENT.

There is no Communist Party in Turkey, and the few subversive elements which do exist are subjected to rigid laws and speedy punishment. The government and its law-enforcing agencies are in more than adequate control. There are no non-Communist forces of opposition to ECA of sufficient strength inside Turkey or with sufficient determination even to attempt sabotage of ECA programs.

4. RESISTANT FORCES PRESENT.

There are three "police" organizations. The uniformed police are under control of the Ministry of Interior, usually through municipal authorities. Their duties (which have recently been subjected to re-definition) are generally confined to urban areas. In those areas not under supervision of the police, the *Gendarmerie* is responsible for public order and security. The gendarmerie is paid, uniformed, armed, trained, and supplied by the military organizations, but is responsible to the Ministry of the Interior for any duties assigned to it concerning public order and security. The Directorate-General of Security, responsible directly to the Prime Minister, is charged with the customary duties of *secret police*, including surveillance over subversive organizations and individuals. It works in close cooperation with all other security organizations and the Turkish General Staff. The three "police" organizations are in effective control over public order and security.

Large armed forces are maintained in face of threatened Soviet pressure. These are currently in process of re-equipment and modernization under the US aid program. Both morale and prestige are high, probably more so than present capabilities of the armed forces warrant. In the highly unlikely possibility that their services might be needed to augment the existing law-enforcement bodies in maintaining internal order, they would be entirely capable of doing so. Their loyalty to the present republican regime, like that of the general public, is unquestioned. Except for a cadre of regulars in each of the three military services, as well as the gendarmerie, the armed services consist of conscripts, in peace or in war.

For a number of reasons, anti-Communist sentiment in Turkey is very strong indeed. Communism, for example, is inseparably associated with the USSR, and every Turk knows how long Tsarist Russia wanted to subjugate the Ottoman Empire and control the Straits, and how often he or his ancestors had to fight to protect Turkish

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territory. Thus there is an almost innate mistrust of anything emanating from the USSR. Recent Soviet demands for special rights in the Straits and for the acquisition of Turkish territory have accentuated this mistrust. Furthermore, the Turk is naturally conservative and nationalistic, and he is sincerely devoted to the republican regime founded by his great idol, the late Mustafa Kamal Atatürk. The Turks are, in addition, Moslems (though many of them are less devout than Moslems elsewhere), and Islamic beliefs are only with great difficulty reconciled with Marxist dogma. The strong popular anti-Communist sentiment is fully reflected in the government, and prevails for similar reasons.

There is no labor "movement" in Turkey, other than the slow advance being made by the government in drawing up and applying progressive labor legislation in a manner calculated to avoid relaxation of the present stringent controls. Anti-Communist sentiment in the laboring classes is very strong, as it is throughout all classes, although most of the few Communists in Turkey, other than those engaged in academic pursuits, are found in mines and factories. They are easily detected and observed, if not by planted security agents, then by their fellow workers, who consider it a patriotic duty to denounce Communists and any other subversive individual of that character. Efforts to organize "classes" or to incite one class against another, are illegal in Turkey, and the regulations are strictly enforced. It is likewise illegal to form political organizations with foreign affiliations. In short, the labor "movements" are effectively circumscribed in Turkey. Subversive movements are even more thoroughly checked.

FRANCE

1. GENERAL.

Because France is a key to the economic recovery and the military defense of Western Europe, the USSR considers it the natural theater for an effective assault on the European recovery program. Under the circumstances, the substantial strength of Communist forces in France renders ECA operations in that country signally vulnerable to organized opposition and obstruction. Until such time as militant Communism will have been defeated in France, this vulnerability will persist.

2. VULNERABILITY OF THE PROGRAM.

Any blow at the flow of supplies in France promptly increases the inflationary pressures which have sapped French financial health since Liberation, and thus disrupts afresh an economy which has never consolidated its recovery.

The Communist-controlled CGT (General Confederation of Labor) is dominant among underground miners, metal workers, laborers in the building trades, and is also strong among dockworkers. Thus, the Communist forces have ample opportunity to deliver damaging blows to production and imports through strikes and slow-downs. The power to engage in major physical sabotage is patent but has not been exercised on any large scale as a matter of policy.

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Since the inception of the Marshall Plan in the summer of 1947, Communist forces have incited the great strikes of November-December 1947 and October-November 1948 with a view to crippling French production and reducing French supplies. The preferred strike technique of Communist forces in France appears to be a major stoppage in the vital coal industry combined with rotating and relatively short-lived strikes in other key industries. By short-term strikes, though the economy is damaged, there is no excessive loss of pay to workers nor such widespread resentment on the part of the general public as there is to nation-wide generalized strikes.

It is a consistent Communist course to capitalize on legitimate worker grievances and use strikes initiated in the interest of higher wages or better working conditions for avowed political ends. By the ensuing damage to the economy, Communist forces hope they will discourage the US from supplying further assistance and persuade the US that in case of war France would not prove a reliable ally. The US is to be induced to leave a hopeless France to its own fate and thereby allow the Kremlin to take charge.

3. OPPOSITION FORCES.

At the time of the elections of 1946, the CP reportedly comprised about 1,000,000 party members, with another 4,500,000 French men and women voting the Communist ticket. Communist voters polled 28 percent of the national vote and thereby controlled the biggest single bloc of votes in the Assembly. At present, however, CP membership is estimated at below 800,000. As elsewhere, the hard Communist core owes complete obedience to the Kremlin. A militant press and a para-military underground organization are at the party's disposal. Although the Communist Party has not participated in French Cabinets since May 1947, representation in earlier post-liberation governments allowed considerable infiltration into government at the level of agencies and bureaus. However, continuing elimination of this infiltration has been in progress since the departure of the Communists from the government. Currently the political goal of the French Communist Party is to re-enter the French Government to allow the party more effectively to sabotage European recovery or alternately to force De Gaulle's return to power, preferably illegally, in the belief that De Gaulle would prove a more vulnerable enemy than the present "Third Force."

The Communist Party exercises significant influence over a number of strategic labor groups. The great strike of November-December 1947, however, resulted in a split in the French Trade Union movement. The non-Communist FO (Worker's Force) and Christian Unions have since vied with the Communist CGT for control of labor. The increasingly unfavorable wage-price ratio has forced non-Communist unions on occasion to ally themselves with the CGT by presenting similar wage demands and engaging in simultaneous strikes, but refraining from "strong arm" tactics. The Communist Party engages in a demagogic appeal to the peasants, suggesting moderate land redistribution, short however of collectivization and prescribing high prices for farm crops. At the same time, the Communist Party calls for a reduction in the cost of living when addressing factory workers in the cities. The grip of the Communists on French peasant groups, however, remains insecure and it is on militant workers' groups that the Communist Party must rely in the last resort.

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Through propaganda appeals to non-Communist elements in France, Communist forces have mustered and may perhaps continue to muster direct and indirect opposition to US assistance. Suspicion of the US is not a Communist monopoly in France. Many Frenchmen are opposed to the reconstruction without proper safeguards of a powerful German industry and to the elimination of further substantial reparations. Many Frenchmen also are unprepared to play the role of a pawn expendable in a war and are unhappy at the thought of France becoming a bloody battlefield in the struggle between the US and the USSR. The suspicion is fairly widespread that the ECA is intended to create markets for surplus US goods. Communist forces will continue to capitalize on these French suspicions and misgivings through skillful propaganda and thereby they may attract as temporary allies sizable groups of non-Communist Frenchmen who will view US aid dubiously.

4. RESISTANT FORCES.

The French Armed Forces are generally loyal to the regime, and Communists infiltration has been rendered largely ineffective. Communists have been purged from key positions in the officer corps, and while there are numerous sympathizers in the rank and file, they are apparently not organized and do not constitute a serious menace. The gendarmerie of 60,000 is thoroughly reliable and has repeatedly demonstrated its efficiency in suppressing Communist-led riots, aided where necessary by army elements. At this time, Communist forces seem bent on a moderate studied sabotage of the general economy designed primarily to destroy the benefits of ECA and thus wear out US patience. In its battle with the enemies of the US aid program the Third Force must rely chiefly on the basic anti-Communism of the French population. At some later date, particularly when and if De Gaulle comes to power, the Communist line may harden, and a new attempt be made to sabotage French economy.

ITALY

1. GENERAL.

The almost complete dependence of Italy on industrial raw materials, the partial dependence on foodstuffs from abroad, and the high level of unemployment would make obstruction of the ERP particularly damaging to the Italian economy. Because certain basic reorganizations of the domestic economy are prerequisite to the success of the ERP in Italy, thwarting these will amount to obstructing the ERP itself. Direct interference with the working of ERP is to be expected. Such direct obstructionist activities, on an organized basis, will originate chiefly with the Communists. The firmness and reliability of the Ministry of Interior's forces will permit the government to act with vigor when necessary to restrain the more violent efforts. The Army is organized and deployed primarily as an internal security force and can again, as it has in the past, effectively support the *Carabinieri* in this task. Despite the large Communist Party enrollment, the great majority of Italians are anti-Communist.

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2. VULNERABILITY OF THE PROGRAM.

Because the Communist-dominated General Confederation of Labor (CGIL) still controls the great majority of industrial workers, the Communists are in a position to provoke strikes or slowdowns which reduce ERP's industrial and foreign trade advantages to Italy. The Communist workers either represent the majority or hold the key positions in the unions in the sensitive fields of domestic transportation and communications. There is no prospect of any major change in Communist influence in these fields. Italian shipping, however, remains free of Communist control and is not likely, therefore, to be sensitive to efforts at anti-ERP obstruction.

The present Italian Cabinet includes no Communists or philo-Communist Socialists. Consequently, no positive anti-ERP policy suggestions by the Cabinet need be feared. In the Parliament, Communist-Left Socialist criticism and discussion can delay the approval of government proposals regarding ERP and of other important legislation. The absolute majority enjoyed by the Christian Democrats in the Chamber and their near majority in the Senate, however, assures the ultimate approval of most Cabinet proposals. (Only the presentation of extremist legislation is likely to split the requisite block of pro-government votes, now, or during the 4½-year life of the present Parliament.)

Class and regional differences can easily be exploited to slow up economic progress under the ERP. The fact that the ERP program will have little effect on the standard of living of the majority of workers for at least a year will be a sensitive point. The necessity of dismissing excess industrial workers and of ultimately closing down certain uneconomical plants will drive some workers into the arms of anti-ERP propagandists. Moreover, the owners of uneconomical industrial plants will, in some instances, seek subterfuges that will permit their sharing in ERP help. The lack of agreement, even among the well-intentioned, about the most appropriate distribution of ERP benefits between northern industry and southern agriculture will continue to divide Italy's efforts to achieve the aims of ERP.

When the European recovery program was first proposed, the Communists and their allies sought to block Italian participation in the plan, especially because, not being in the government, they would not share with the Christian Democrats the prestige accruing from the success of the program. Gradually, the opposition has shifted to a modified public acceptance of the ERP program accompanied by accusations that the US, through the ERP, dominates Italian political and economic life. Being unable to interfere in any important way with the delivery of ERP raw materials and foodstuffs, the Communists have sought to interfere, wherever possible, with the full utilization of ERP and by opposing government economic legislation and by indiscriminately encouraging labor demands and promoting work stoppages. For example, the Communists support the poorly paid civil servants in their demands for improved wages in the hope that the great increase in government expenditures will start a new inflationary cycle with the attendant setback to the ERP goals.

It can be expected that the Communists will continue to provoke labor unrest intended to interfere directly or indirectly with Italian economic recovery. They will

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probably avoid direct interference with the distribution of foodstuffs out of fear of alienating considerable groups of workers and in the belief that industrial obstructions alone would suffice. The possibilities of success in these efforts have been reduced by the weakening Communist hold on labor and the presence in the government economic ministries of respected Socialist leaders. Alert recognition by the government of the most pressing and reasonable complaints of the workers and, within its financial limitations, quick remedial action, could forestall the chief weapon of Communist anti-ERP propaganda and activity.

3. OPPOSITION TO ECA.

The Italian Communist Party polled some eight million votes (31 percent) in the national elections last spring, has an estimated membership of some one and one-half million (it claims 2,250,000), and is excellently organized. The party is strongest in north Italy, and its militarized organization, the *Apparato* (membership about 85,000), has training centers along the principal northern communications routes. The party press, with newsprint and paper subsidized by Moscow, is extensive, and is made more powerful by the Communist control of the printer's union. Through a "democratic pact" the Communist Party is linked closely with the Italian Socialist Party, the left branch of Italian socialism; and together these groups, which ran on a single ticket as the Popular Democratic Front in the last national elections, control about 36 percent of the seats in the Senate and about 32 percent in the Chamber of Deputies.

Out of some 18 million employed, the Communists through the CGIL control about 4,000,000 workers now that the Christian Democrats have withdrawn to form the Free Italian General Confederation of Workers (LCGIL). It is anticipated that, in the period prior to July 1949, the Communist leaders will attempt to convert the party membership to more militant Marxism (a more aggressive leader may be substituted for the conciliatory Togliatti) and will intensify their strikes and propaganda. If economic conditions in Italy have not improved appreciably by the fall of 1949, the Communists will seek to force their participation in the formulation of governmental economic policy.

To attain the fullest advantage of ERP aid, the Italian Government will be obliged to introduce certain basic economic and social reforms. Some of these will arouse the opposition of interest groups, such as landowners and industrialists (especially those who own uneconomical plants), because of real or fancied personal losses involved in the reforms. In some instances, the conservative forces of opposition will seek to elicit the sympathy of the Vatican and its cooperation in seeking to restrain the government's efforts in the field of reform legislation.

4. RESISTANT FORCES PRESENT.

The national police (*Carabinieri*), about 75,000 strong and controlled administratively from Rome, are organized into legions, mainly deployed in north Italy, with several mobile units. They are assisted by about 70,000 Public Security Guards in towns and villages and by some 35,000 Finance (frontier) Guards (although there is a very limited

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Communist infiltration among the latter). The army, of 127,000 troops (1 January 1949), is also concentrated in the North, and could be given limited assistance by the 28,000 naval forces. The air force, with 22,000 men, operates poorly equipped and obsolescent planes.

Anti-Communist sentiment is vigorous in a chiefly agricultural country of individualists, who are strongly influenced by the anti-Communist teaching of the Catholic Church. Currently the Vatican is pursuing an increasingly militant anti-Communist campaign through the medium of Catholic Action, a lay organization devoted to promoting Vatican policy, and through the LCGIL, recently formed non-Communist labor organization. Furthermore, within the CGIL the moderate-Left remains a discomfited minority, anxious to break Communist domination over labor by modifying CGIL directives, or failing that, by quitting the Labor Confederation. The Left Socialists, although they work closely with the Communists on most issues, have followed an independent course of non-opposition regarding support of the ERP. Such neo-Fascist groups as the Italian Social Movement, represented in Parliament by a Senator and six Deputies, are violently anti-Communist, although the capabilities of their forces are currently very slight.

ICELAND

1. GENERAL.

The ECA program is not likely to be obstructed by organized opposition in Iceland because such obstruction would too seriously interfere with the Icelanders' livelihood. Iceland's contribution to ECA is limited to the sale of products from its fishing industry, and any reduction would result in a corresponding decrease in the activities which constitute approximately 90 percent of Iceland's foreign-exchange earning power. The Communists dominated the Federation of Trade Unions prior to the November 1948 trade union election and still control Iceland's largest single union, and have demonstrated their power to instigate a strike in the fishing industry. During their most recent attempt, however, the fishermen gradually drifted back to work when the herring run started and thereby forced the leaders to accept a hurried and unsatisfactory compromise settlement. This unsuccessful attempt to maintain strike discipline has made the Communist leaders hesitant to jeopardize their influence further.

Iceland's acute foreign exchange shortage would force a rapid reduction in essential imports if the fishing industry became inactive as a result of a strike or other causes. The consequent shortage of daily necessities, coupled with the fishermen's urge to fish as soon as the herring start to run (because the duration of the run is so unpredictable) make it unlikely that the Communists could maintain strike discipline for long.

2. VULNERABILITY OF PROGRAM.

Obstruction to the program would be most damaging if aimed at the fishing industry, over which the Communists exercise substantial control, or the dock and transport

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workers which the Communists dominate. Work stoppages in one or the other activity could effectively eliminate Iceland's contribution and create subsequent increased demands for ECA aid to provide Iceland with imports without which the population could barely exist.

3. OPPOSITION FORCES PRESENT.

The principal organized opposition to the ECA program is the Communist Party—an orthodox political party holding ten of the 52 seats in parliament but having no representation in the present cabinet. There is, in addition, an opposition inherent in the character of the average Icelander, who is extremely nationalist and isolationist and who resents any foreign activity which runs contrary to those views. Iceland's official attitude toward ECA originally was one of indifference coupled with a feeling that it was good for Europe but of little significance to Iceland. The Communist press faithfully and vigorously attacked the program while the government did little to counteract the unfavorable and unrealistic impression thus created.

Communist influence in the fishing industry was demonstrated by the Communist-engineered strike in 1947. Strike discipline was not maintained, however, and a hurried compromise had to be accepted when the fishermen gradually drifted back to their work. The Communists completely dominate the dock and transport workers in Reykjavik and could thereby restrict much of the export shipping and prevent the unloading of almost all of Iceland's imports. Since, however, such stoppage would generally paralyze Iceland's economy in a short time it is doubtful if strike discipline could be maintained for long.

4. RESISTANT FORCES PRESENT.

The present coalition government adopted an anti-Communist platform as a basis for cooperation and has opposed Communist attempts to disrupt US-Icelandic relations. The anti-Communist press belatedly stepped up its efforts to inform its readers about the ECA program, and when the government decided to seek ECA aid, the official attitude finally crystallized in favor of active participation in the ECA program. Iceland's acute foreign exchange shortage has forced the government to request ECA assistance, so with rigid control of foreign-trade licenses and the present subsidy program the government should be able to avert a serious economic crisis until the beneficial effects of ECA aid have time to exert a stabilizing influence.

SOUTH KOREA

1. GENERAL.

In any consideration of the US aid program for the Republic of Korea, it should be emphasized that the USSR firmly controls the territory north of the 38th parallel and hopes for eventual control of the entire country. At present, however, North Korea bears on the problem only to the extent that it serves as a base for Communist activities in the southern zone and to the extent that barter trade with the north may

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provide critical supplies of power and raw materials to the Republic. The American aid program would be completely upset by an armed invasion by North Korean troops, or by the formation of a Communist-controlled "coalition" government. "Coalition" will not be accepted by South Korean leaders if they receive US economic and military aid; but North Korean troops may attack after US troops are withdrawn.

2. VULNERABILITY OF THE PROGRAM.

There are several vulnerable points in the South Korean economy. The disruption of the economic controls instituted by American Military Government would result in a politically and economically disastrous increase in the present inflation. Continued collection, rationing, and price control of rice by the government, at least through 1949, is necessary to prevent a complete economic collapse. In addition to the basic shortage of food, low levels of production of consumer goods and exports are root causes of inflation requiring continued economic controls. The government's failure to maintain a balanced budget, collect taxes, establish a proper central bank, or limit the issuance of currency would aggravate the inflationary pressures. Any of these points might be exploited for the defeat of the aid program.

The economic structure is also vulnerable in that practically all manufacturing and mining operations are dependent on limited and easily sabotaged electric power and rail transport. To overcome serious production bottlenecks, South Korea must develop power plants to fill normal needs formerly supplied by the north, increase the import of bituminous coal, raw materials, and factory equipment; and further rehabilitate the rail transport system.

Even assuming that power and raw materials are made available, the lack of skilled administrators on all government levels, and the lack of expert technicians, will complicate the execution of government controls and industrial rehabilitation.

Except in the event of a complete economic collapse and disintegration of the government's authority, it is very improbable that widespread strikes will occur to disrupt the aid program. The only effective organized labor group in South Korea is controlled by businessmen and the police. It is strongly anti-Communist in policy and action. Communist attempts to organize the small number of industrial laborers has not been successful, although a Communist-controlled union has a few members in key industries.

3. OPPOSITION FORCES PRESENT.

Overt obstruction and sabotage will emanate from two groups. The first consists of rightist political elements that support both the Republic and the aid program but consider essential economic controls detrimental to their personal profits. They have worked with some success in the legislature, in the executive, and in local areas to abolish or subvert such controls. Their efforts will be more successful as the government loses its backbone of American supervision and control.

The second group, the Communists, will direct their efforts at creating and maintaining a state of political and economic disorder until such time as Moscow feels

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it expedient to attempt the merger of the South with their puppet Democratic Peoples Republic of Korea.

The future strength of Communist opposition in South Korea depends primarily on the administration and policies of the government. If the government insures adequate food distribution, continued land reform, and effective police service, the Communists will be unable to develop either popular support or large underground forces. At present, the Communists exercise little influence in South Korea. Their efforts will depend primarily on propaganda, underground guerrilla forces, and sabotage. There are some 7,000 party members distributed throughout the South with concentration of underground units in several mountain areas. Control is exercised from Moscow via Soviet and Korean organizations in the northern zone. The underground forces are receiving limited supplies of arms and equipment from the north, and their leaders are being trained in guerrilla and sabotage techniques by the Russians. For the present, the underground units and the front organizations lack sufficient numbers, equipment, and peasant support to disrupt the economy of South Korea seriously. Communist front organizations are isolated from moderate and rightist political parties, and known party line adherents are absent from all sections of the government. Communists have been unsuccessful in controlling labor unions, and their influence on agrarian groups is restricted to local areas, principally in Cholla Pukto, Cholla Namdo, and Kyongsong Pukto. Their major efforts in 1946 and 1948 to paralyze South Korea by coordinated general strikes, sabotage, and terrorism were failures and resulted in considerable loss of strength and sympathy.

4. RESISTANT FORCES PRESENT.

Within its limited administrative ability, the Republic of Korea will do its best to insure the success of the US aid program. No change in government leadership is possible, short of Communist control through invasion or "federation" with the north, that would alter the basic desire to expedite the aid program, but the problem of ineptness and corruption on all government levels remains.

The police are a loyal instrument of the government. With the use of Asiatic police methods plus adopted American techniques, they have been effective in maintaining order, breaking strikes, and restricting Communist activity. The armed forces, consisting of the Constabulary and the Coast Guard, require additional training and the screening of infiltrated Communists. The US Army is assisting in this program, and the armed forces should be capable of maintaining internal security after the withdrawal of major US Army units. The South Koreans might not, however, be able to cope with a concerted Communist-instigated insurrection using guerrilla methods and receiving supplies and other aid from North Korea.

Communism does not exercise mass appeal in Korea. Anti-Communist sentiment is especially strong among the police and leading government officials. The peasantry is generally susceptible to propaganda, but their strong native nationalism has made them distrust a group which has openly sacrificed Korean national interest to the interests of international Communism.

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CHINA

1. GENERAL.

The single most important aspect of the China aid program from the point of view of this discussion is that the National Government, the recipient of US aid, is not faced with a *potential* Communist threat, but has, for the past two years, been waging a losing battle with strong Communist armies, and is now faced with almost certain military and political defeat. Any discussion of the China aid program must recognize that the National Government, within the next few months will lose all its significant holdings north of the Yangtze River, and will be displaced, in most of China, by a Communist-dominated regime.

2. VULNERABILITY OF THE PROGRAM.

The China aid program, *per se*, is a secondary target for tangible obstruction by the Chinese Communists; the National Government is the primary target. Thus any physical destruction of US aid projects is likely to be a result of military action rather than of underground sabotage. Actually, the Chinese Communists, as a matter of policy, have spared mines, plants, and power installations, with the intention of taking them over intact and would thus directly profit from aid funds expended for reconstruction.

The plight of the National Government, despite previous US assistance and the present aid program, makes impossible the successful implementation of the ECA program as an anti-Communist measure. The China aid program cannot turn the tide of battle in favor of the National Government.

Aside from the Communist threat to Nationalist territory, the success of the aid program is jeopardized by the economic chaos currently rife in Nationalist China. The hyperinflation, momentarily checked by an "Economic Reform Program" and the issuance of new currency, has proceeded afresh: prices are rising rapidly, note issue has again been resorted to as the primary instrument of public financing, and a flight from the new currency is now evident throughout China. The financial situation in Nationalist China is completely out of Government control.

Chinese administrators and bureaucrats, who in the last analysis must be depended on for many of the administrative details and the execution of the aid program, have typically been weak and not above speculation. This group has been completely demoralized as a result of the pressures and temptations of inflation and will look to the aid program as another opportunity for personal profit.

Although the Chinese Communists will subordinate the physical obstruction of the aid program to the conduct of its war against the National Government, they have given high priority in their propaganda to ECA activities in China. To a considerable extent the Chinese Communists have taken the "Party Line" on the ECA Program

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emphasizing that China is being made a vassal state, that Chiang is a tool of American imperialism.

But more effective than this general line of invective has been the unique propaganda opportunities the Chinese situation offers the Communists as a result of the war-weariness widespread in Nationalist China. There has long been a growing conviction among many groups—students, intellectuals, peasants, and even some businessmen and government officials—that life under the Communists would be no worse than their present existence under the National Government. The desire for peace at any price is so strong that, even without any encouragement from Communist propaganda organs, the US aid program has been criticized in many quarters as merely prolonging the life of the Chiang government, without settling the war.

Another aspect of the intangible opposition to the aid program is the latent feeling of nationalism in China which the Communists and other elements have channeled into an anti-US sentiment among student groups in particular. These groups are particularly susceptible to the charge that the US aid program is a device which will abet US imperialism in China.

3. OPPOSITION FORCES PRESENT.

Offering the strongest opposition to American aid are the Chinese Communists who are now at the threshold of success. Military and political control under the Chinese Communist Party is rapidly expanding over wide areas. Among other opposition forces to US aid are the Communist and pro-Communist organizations now operating from Hong Kong.

These opposition forces will express themselves principally through the medium of propaganda. However, the unrest in Nationalist China constantly gives rise to demonstrations and riots, many of which are anti-US in character and have anti-US ramifications. Although many such civil disorders develop spontaneously and may not be Communist instigated, the Communists are quick to turn these to their advantage.

In addition, the National Government has almost no popular support; this fact, itself, constitutes an unorganized force of opposition to any aid for that government.

4. RESISTANT FORCES PRESENT.

The National Government recently promulgated an Economic Reform Program in a last ditch gamble to bring the inflation under control. The provisions of the program have virtually all been rescinded and prospects for economic stability are practically non-existent. The aid program will undoubtedly have to be implemented against a backdrop of continuing and accelerating inflation.

In many cases the police are physically incapable of handling civil disorders. Much the same is true of the garrison troops in the major cities and the ineffectiveness of the troops in the field is painfully evident.

There is in China a small force favoring US aid. This group is composed of those individuals whose fate hinges directly on the destiny of the National Government or who will personally profit from the aid. Most of the top government officials will sup-

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port the aid program wholeheartedly, and some regional leaders may continue to support the National Government in the hope of receiving aid for their own areas. The lack of support from the general populace, however, will militate seriously against the program's effectiveness.

GREECE

1. GENERAL.

The Greek Communist Party (KKE) and the guerrillas are seriously obstructing the ECA program in Greece. Communist-guerrilla pressure is most directly and effectively applied on the peasants, some 700,000 of whom have been driven from their land, with the resulting agrarian dislocation. Sabotage is also directed against all communications facilities and against those industries which are not located in the cities and are therefore exposed to the work of saboteurs. Sabotage and guerrilla raids will continue.

Key government officers are not subject to pressure from Communist opposition forces, and Greek labor is on the whole sympathetic to AMAG and ERP. The general feeling of insecurity pervading Greece and the consequent reluctance of businessmen to invest in reconstruction projects constitute the chief indirect obstructions to Greek recovery.

The Greek Communist Party (numbering possibly 200,000) was declared illegal 27 December 1947. Guerrilla strength is now about 25,000, with probable reserves of 5,000 to 7,000 in the countries to the north. Although the Greek police have arrested most of the leaders of underground movements in the cities, sub-organizations continue to operate, but necessarily with the greatest caution.

The Communists have no significant influence in organized labor or in any agrarian or professional group of legal standing. If, however, the refugee problem is not alleviated and general recovery is not forthcoming soon, many peasants and workers may turn to communism in desperation, although anti-Communist, anti-Soviet, and pro-Anglo-American sentiment is strong throughout the country and in the government.

2. VULNERABILITY OF THE PROGRAM.

Because of the nature of the Greek economy, agrarian interests have been most susceptible to Communist-guerrilla pressure. Sixty percent of the population lives from the land and seventy percent of Greek exports are agricultural. Sharp agrarian dislocation has accompanied guerrilla operations. The result is that much land is not in production, and crops, livestock, and machinery have been confiscated or destroyed. Little improvement can be expected in this situation, at least until late summer of 1949.

Most industries are concentrated in the cities and are therefore more protected than agriculture from sabotage. The following, however, are mostly located near or on the outskirts of towns and are subject to sabotage: flour mills, mines (mostly lignite and chrome mines in Macedonia), power plants, water-supply systems, dredging equipment

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on drainage projects, and road-building machinery. During the dry season (late summer) sabotage has been directed particularly against water supplies. Emphasis will be shifted from time to time. This situation can be expected to continue until the spring of 1949 and possibly improve thereafter.

There are no particular bottlenecks in industry, but all land transportation and communication facilities are subject to sabotage. Bridges, culverts, and tunnels are subject to destruction and mining on both the roads and rail lines. Trains and motor vehicles are subject to mining or to direct attack from ambush. The effect of these tactics can be understood when it is realized that even normally about half of Greece's production of vegetables, fruit, and fish spoils for lack of adequate refrigeration and transportation. Telegraph poles are subject to destruction, and wire and cables to removal. This situation will probably continue until spring of 1949 and possibly thereafter.

The General Confederation of Trade Unions (GSEE), only national labor organization in Greece, has pledged its support for the Marshall Plan and has cooperated closely with AMAG and the Greek Government in solving periodic wage issues. Although GSEE has called a few token strikes during the past year for wage increases to equal price increases since the November 1947 national wage agreement, both rank-and-file and most of its leadership have been ready to negotiate and compromise. The Civil Servants Union (ADEDY), an independent union, has sponsored several strikes for higher wages, but, like the GSEE, has acted with moderation. Periodic strikes for wage-price adjustments can be expected, but there is little danger of widespread crippling strikes, in view of the current attitude of organized labor and of a government emergency law for mobilization of striking workers in key industries.

Although key government offices are not subject to propaganda or pressure from Communist opposition forces, inefficiency, nepotism, and the evils of political patronage inherent in the Greek system will weaken a recovery program. Selfish financial interests resist restrictive laws and taxation necessary to a recovery program. For example, individual Greeks refused to register their foreign assets in accordance with ECA terms. Such resistance can be expected to continue.

The recovery program will not be subject to adverse propaganda to any serious extent, but there can be adverse political pressure arising from special interests. When and how the pressures will be applied cannot be anticipated. The most serious vulnerability to intangible pressures will arise from a general lack of confidence in security and the reluctance to invest capital in order to reconstruct destroyed industries or to create new ones.

There has been constant resistance by special interests to restrictions imposed by the AMAG program. For example, there was strong resistance to the attempt to reduce an overstuffed civil service. The technique of resistance was simply inaction or noncompliance. This can be expected to continue. Sabotage and raiding by the guerrillas have taken a large toll in agriculture, small industry, and all land communications. Sabotage and raids will continue; towns may be safe after the spring of 1949, but communications will continue to suffer.

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3. OPPOSITION FORCES PRESENT.

The best available estimate puts the strength of the KKE (Communist Party in Greece) at about 200,000. Guerrilla strength is now about 25,000 with possible reserves of about 5,000 to 7,000 in the countries to the north. So far as is known, the Communist Party is organized along standard lines; it is under Moscow-trained leadership. It is not known to what extent the formation of the "Free" Greek Government has modified the organization, and the exact relationship between the Markos junta and the KKE is not known. The party is controlled by Moscow through the Cominform. A certain weakness in Moscow's control lies in the conflicting nationalistic aspirations for control of Macedonia on the part of Yugoslavia, Bulgaria, and Greece. The Communists are distributed throughout the country but are strongest in the north. The armed guerrillas have their strongest concentrations along the northern border.

Within the cities, the Greek police have been generally successful in arresting the leaders of underground movements. Sub-organizations, however, continue to exist—such as the "People's Avengers", the EPON (youth movement), and the EA (mutual aid)—but they are forced to operate with the utmost caution. Of the city organizations, that in Salonika is probably the strongest. Clandestinely printed Communist literature appears from time to time in the cities; in the parts of the country controlled by the guerrillas various Communist papers and pamphlets are printed and distributed. There is no Communist influence in the legal press.

The Communist Party has been illegal in Greece since 27 December 1947. The political parties which once served as fronts for the Communists have for the most part denounced the armed revolt of the Communists or disappeared. The exception is the Socialist Party ELD-SKE, which has never denounced Markos. This party is against the Marshall Plan but has little influence. From time to time it is reported to be acting as a medium for compromise suggestions from the Communists to the government. The Communist Party has no position in the government or in the legislature.

Communist influence in organized labor has dropped sharply in the last two years. In general labor elections, the Communists could possibly muster a vote equal to 13 percent of the total. In some local unions perhaps a vote of 20 percent could be obtained. Government arrests and the guerrilla warfare have eliminated key Communist leaders and lowered Communist prestige in the unions. While Communists continue to have considerable influence in some local unions, in most unions their influence is negligible, and on a national scale they have no representation or power in the GSEE Executive. They can be expected to use their present limited power to provoke rightist excesses in the unions and to spread propaganda.

The Communist Party has no significant direct influence in any agrarian or professional group of legal standing. Indirect influence would be to send sentiment in these groups towards the right. The appeal which the Communist dreams might have for certain depressed economic groups is more or less cancelled by a revulsion against their methods. However, if security is not re-established so as to allow the 700,000 refugees to return to their homes, and if the lot of the peasant still on his land is not bettered by the recovery program and a reformed government, many of the refugees

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and peasants may turn to Communism in desperation. If the winter is severe or if relief machinery breaks down, this trend may become apparent by the summer of 1949.

It is not anticipated that any change in the strength or methods of the opposition forces will take place before the spring of 1949. Changes after that time will depend on whether or not the Kremlin and the Satellites will increase or decrease the aid to the guerrillas. It is not believed that any political solution or government compromise with the Communist opposition can take place.

There are no important or consistent non-Communist forces of opposition.

4. RESISTANT FORCES PRESENT.

Through the Foreign Trade Administration, headed by an American, the Greek Government controls all imports; the FTA is able to control the amount of exports by adjusting the value of foreign exchange certificates. Although there is virtually no price control, in the past year a number of measures have been enacted giving the Greek Government (and AMAG) control of major sources of inflation: budget and credit controls, increased taxes, an improved import procedure, a wage freeze, the installation of collective bargaining machinery, and a joint US-UK-Greek Currency Committee which controls the amount of currency issued. To counteract speculation in drachmas, the Greek Government has continued its earlier policy of selling gold sovereigns. The Greek Government has continued price support for the wheat, tobacco, and olive crops, but on such a modified scale as to give it little control over their price or distribution. Many recent control measures have gone against Greek tradition and aroused intense political pressures; however, so long as AMAG (ECA/G) stands firmly behind the Greek Government, the necessary but unpopular policies can continue to be relatively effective.

The armed resistant forces (land) in Greece consist of 25,000 gendarmerie, 147,000 army, and 50,000 National Defense Corps. The gendarmerie and the home guard are for the most part static and defensive. The army is deployed to resist or eliminate the guerrillas as the situation demands. To date the land forces have been unable to prevent guerrilla destruction of communications, small industries, homes, etc., or to eliminate substantial numbers of guerrillas. The army may be able to restrict the movement of the guerrillas by the summer or autumn of 1949, but sabotage raids will continue until then and after.

Anti-Communist, anti-Soviet, and pro-Anglo-American sentiment is strong throughout the country and in the government. If the military situation continues as at present, however, open criticism of the US and ECA failure to produce more spectacular results in the Greek economy will increase by the middle of 1949. This will not, however, mean a pro-Soviet, pro-Communist trend. Labor union elections during 1947 and early 1948 indicated that the Communists had lost nearly all influence in the GSEE and its affiliates. Union rightists have shown some tendency, when expedient, to team up with the small Communist faction against the moderate center in local labor struggles; this tendency may be expected to continue. However, both rightists and the moderate center, who form the vast majority of organized labor, are firmly opposed to Communism and would not be influenced by it on any important issue.

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GERMANY

1. GENERAL.

The general weaknesses in postwar European economies are aggravated in the case of Germany by several facts arising from its being a defeated and occupied state. Not only is there a significant lack of unity in occupation policies for the whole of Germany, but even in the western zones, jurisdictional disputes and bureaucracy under military administration interpose unusual obstacles to the implementation of the ECA program.

2. VULNERABILITY OF THE PROGRAM.

The points at which the program is particularly vulnerable to sabotage or subversive obstructionism are the transportation facilities, particularly the railroads, which still show evidences of lack of maintenance and replacement, despite marked improvement in the past year; coal production, which is absolutely vital to recovery, and which, in spite of considerable gains, remains one of the most sensitive points in the whole economy; and the production of electric power, upon which much of German industry depends, and which adds to the usual vulnerability of electrical installations and the deterioration of machinery and equipment. Shortages in building materials may greatly delay reconstruction, producing widespread discontent which would offset some of the national support the program will receive.

Communist party (KPD) strength in the western German trade unions is relatively slight, but the KPD has gained more influence than is indicated by union elections. Emphasis has been on the infiltration of strategic trade unions and the control of individual works councils. KPD strength is particularly great in the metal workers union; in the harbor, transport, and public workers union; and in the chemical, paper, and ceramics union. In the Ruhr-Aachen area 60,000 to 80,000 of the 450,000 Miners Union members were KPD in 1947. In recent union elections the KPD suffered heavy losses and has no representatives in the UK Zone Miners Union Executive Committee.

Majority control of the western German trade-union movement is in the hands of the Social Democratic Party (SPD). This party will continue to endorse ECA unless severe inflation develops; unless, possibly, the Berlin SPD is liquidated as the result of a Western Power withdrawal from Berlin; or unless the Western Powers initiate very unpopular occupation policies. This SPD control means that (1) Communist penetration of the labor movement will be vigorously combatted; and (2) labor unrest will be diverted into channels least injurious to industrial production.

The extent of Communist penetration in key government offices is unknown. The Executive Committee of the Bizonal Economic Council (the Council itself has four Communist members), the Bi-Partite Control Office at Frankfurt a/Main, and Military Government units at *Land* or *Kreis* level are primary targets for penetration by the German Communist Party or by the Communist parties of the US, the UK, and France.

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Laender governments and administrative offices are vulnerable to Communist penetration, and administrative offices at the *Kreis* level are highly vulnerable.

The people of western Germany are only slightly susceptible to propaganda attacks against the ECA program.

The KPD has been a hindrance to economic recovery. With the possible exception of the I.G. Farben plant in Ludwigshafen, sabotage has been on a very minor scale. KPD obstruction has taken the form of aggressive exploitation of labor unrest. Industrial management in sequestered enterprises, such as coal, has also obstructed industrial production to a limited degree. Continuation of KPD exploitation of labor dissatisfaction will be the primary source of future obstruction. Depending on international developments, the KPD may also carry out industrial sabotage to a considerable extent.

3. OPPOSITION FORCES PRESENT.

The KPD is the most significant of the forces opposed to the ECA. In *Land* diet elections (1947-1948) the KPD won 8.3 percent of the total vote in the US Zone, 7 percent in the French Zone, and 10.4 percent in the UK Zone. The overt KPD is organized on a tri-zonal basis under the leadership of Max Reimann, chairman of the tri-zonal secretariat. Below this are three zonal secretaries, controlling *Laender* and *Kreis* party organizations. Leadership is in the hands of able and reliable Communists, most of whom have been party members for several decades.

Within the overt KPD of the western zones, rigid vertical control is exercised by the tri-zonal secretariat. The Central Secretariat of the Socialist Unity Party (SED) of the Soviet Zone controls all Communist activities in western Germany. This Central Secretariat is directly controlled by both Moscow and the Soviet Military Administration. Liaison between the Central Secretariat and the four top secretariats in western Germany is maintained through a courier service.

The KPD is particularly strong in Land Nordrhein-Westfalen and Württemberg-Baden. Mannheim, Mainz, and Frankfurt a/Main are the three key Communist strongholds in western Germany.

The strength of the organized force available to the KPD is unknown, but is believed to be relatively slight. Some subversive party activity such as sabotage, propaganda, intelligence, and counter-intelligence, is carried on under the direction of the Second Party Secretary (*Orgleiter*) at each level of the KPD organization.

The KPD in western Germany has three principal types of printed propaganda: (1) Newspapers, such as the *Tägliche Rundschau*, *Vorwärts*, and *Neues Deutschland*, which are shipped or smuggled from the Soviet Zone; (2) posters, handbills, and brochures which are printed in western Germany; and (3) Communist newspapers printed in western Germany, such as *Freiheit*, *Volksstimme* and the *Westdeutsches Volksecho*. The demand for this propaganda material has been excessively high because of the limited amount of western printed material in circulation. Currency reform, however, has greatly reduced the amount of KPD propaganda material.

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The Communist Party is legal in western Germany. It stands in opposition to all other political parties except certain elements of the SPD. The KPD carries on an intensive campaign to drive a wedge between the trade-union wing of the SPD and the party bureaucracy for the purpose of (1) destroying resistance to Communists within the Marxist-Socialist movement and (2) increasing KPD party strength. Representation in governments and legislatures is slight. If outlawed, the KPD would dissolve itself and form an underground, organizing into cells of ten members under the direction of a cell leader, who in turn would be in contact with the next higher party echelon. This underground would concentrate on propaganda and the penetration of other political parties and sensitive governmental agencies. The subversive elements under the *Orgleiter*, still in process of organization, would assume a far more militant role than at present through sabotage, assassinations, and intelligence activities.

Communist economic influence upon labor is slight except for the ability to create unrest and strikes in certain unions where the Communists have significant strength. They have almost no influence upon agrarian groups except in connection with agitation for land reform as a political program. Beyond certain intellectual and university circles, Communist influence on professional or other economic groups is negligible.

Non-Communist opposition to ECA may develop as a reflection of basic German opposition to such occupation policies as decartelization, control of foreign trade through JEIA, denazification, occupation costs, and industrial dismantling. This opposition would be manifested in lagging production which could seriously affect the recovery effort. With increasing German control and declining occupation costs, these factors of opposition may be assumed to be of rapidly declining importance.

4. RESISTANT FORCES PRESENT.

Government economic controls remain a significant deterrent to interference with the economy by opposition forces, but a continuing relaxation of controls will mean that by June 1949, few controls will remain, except for the basic economic controls in coal, steel, and, to a lesser degree, the chemical industries.

The police are differently organized in the three western zones. Total strengths are: (1) UK Zone, 45,904; (2) US Zone, 36,927; (3) French Zone, 8,238. The police are considered to be competent within their limited jurisdiction and capable of controlling local situations. In the case of the French Zone, a small nucleus of Communists remains in the police, despite purges by the occupying power. Adequate to handle normal situations, the French Zone police would be of slight assistance in a real emergency. In an emergency of wide scope the occupation authorities would assume control in all zones.

Anti-Communist sentiment is strong. The average German fears further Soviet expansion and excessive Communist strength. Strongly nationalistic elements, however, advocate exploiting the East-West struggle for the benefit of German nationalism, hoping to improve Germany's international and internal position. Within the government, anti-Communist sentiment is also strong, Communist personnel having been removed from the upper governmental echelons. In the labor movement, although

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the majority of workers distrust the Communists, personal benefits attributable to Communist efforts might gain their support for short-term goals.

AUSTRIA

1. GENERAL.

The ERP program in Austria is particularly vulnerable to obstruction because the country is subject to quadripartite occupation. The USSR, which occupies approximately one-third of Austria, has denounced Austria's ECA agreement as incompatible with Austrian sovereignty and independence, but has not directly or actively opposed its implementation. Nevertheless, the predominantly anti-Communist convictions of the country, reinforced by the realization of the majority that without the ERP program Austria cannot survive, can be depended on to produce factors generally favorable to the success of the program.

2. VULNERABILITY OF THE PROGRAM.

Soviet occupation creates the points at which most effective obstruction tactics might be applied. As an occupying power, the USSR might refuse to permit the implementation of the plan in eastern Austria. This would include refusal to grant interzonal permits for the transport of essential goods, and, if carried to its ultimate, would result in a *de facto* partition of the country. The USSR might make greater use of USIA (Administration of Soviet Assets in Austria) firms to drain off benefits of ECA imports and to buy up short essential commodities in Austria. Further, the USSR might seize additional firms in eastern Austria as "German assets". Through unilateral occupation policies and the operation of USIA firms on an extraterritorial basis, the USSR has already sought to bring economic pressure to bear upon the Austrian Government, at the same time denouncing Austria's participation in the ECA agreement. Although the Soviet element has not actively opposed implementation of the plan, a continuance of this pressure may be anticipated. Since the Austrian Communist Party is relatively unimportant and the sentiment of the great majority of the population is anti-Soviet, any successful obstruction or sabotage of the program in Austria must be undertaken by the Soviet element with the facilities available to it as an occupying power.

The principal economic bottlenecks, suggestive of points at which the ECA program could be most easily thwarted, are insufficient railroad facilities and obsolete industrial machinery. Key labor groups and government offices cannot be used as agents of obstruction. Some loss of government authority over minor officials in eastern Austria may result from fear of the USSR and from the realization that the Allied Council is largely unable to rectify unilateral Soviet action. These factors may also encourage some Austrian industrialists to increase their business dealings with USIA. Increased wage demands and their possible attendant strikes would of course be exploited by the Communists.

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A clearly evident press campaign has been conducted against the ECA agreement, with predictions of its bad effects, particularly in the fields of finance and employment. This is likely to continue. Any crisis in the economy, such as might arise from a strain on the government's financial position because of the blocked ECA counterpart funds, would be quickly exploited.

3. OPPOSITION FORCES PRESENT.

Aside from the Soviet occupation forces, the Communist Party is virtually the only opposition force in Austria which would threaten the ECA program. The Communist Party (KPOe) is organized in the usual manner. The highest authority is ostensibly the *Parteitag*, but the real authority is the Central Committee which is charged with leadership and administration of the party. The Political Secretariat executes decisions of the Central Committee, and is the highest authority next to the Central Committee. The lower structures of the party closely parallel the structure of the Austrian State except in the smaller units. The *Zelle*, consisting usually of about ten members, is the smallest unit of organization.

The leadership of the KPOe may be under revision. There is substantial evidence that the Kremlin has been highly dissatisfied with the party, and although the same figureheads may remain in office, authority may be passing into new hands. It is possible that real authority is no longer exercised by Austrian nationals. The KPOe is not a member of the Cominform, and Moscow controls the party through Soviet occupation authorities.

March 1948 estimates place the total strength of the KPOe at around 170,000 (though this may now be lower), with the largest concentration in Vienna (42 percent), and the following provincial figures: Lower Austria (23 percent), Styria (13 percent), Carinthia (8 percent), and Upper Austria (7 percent). Of this total number, 13,000 may be considered hard-core armed Communists, with a larger number, possibly 50,000, considered able-bodied militants who would support a Communist coup. The major Communist newspaper has the lowest circulation figure of any major newspaper in Austria.

In spite of being a recognized party within Austria, the KPOe is looked upon as a tool of the USSR, and the coalition parties do not cooperate with it. The Communists polled 5.42 percent of the votes in the 1945 elections, and elected four members to the lower house of Parliament. The four KPOe members in Parliament follow the established Communist line of voting against economic and other measures advocated by the government. They exercise no influence on the government. If the KPOe were outlawed, its policies and capabilities would remain substantially unchanged.

KPOe influence on labor unions is negligible. In the Works Council elections held at the end of 1947, the Communists obtained less than 10 percent of the total seats, while the Socialists obtained 60 percent. Further evidence was given in the failure to achieve nation-wide strikes during the September wage-price negotiations. KPOe influence is likewise negligible with agrarian, professional, and other economic groups.

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In the last analysis, the significance of the Communist Party within Austria is largely dependent on Soviet occupation, and should occupation forces be withdrawn, the presently small influence of the party probably would decline. The USSR undoubtedly desires an improvement in the activities of the KPOe, and a strengthening of party discipline is apparently under way. This probably involves changes in the real leadership.

Other opposition forces include a few left-wing Socialists and a very small group of business leaders who oppose ECA for fear of American competition. Neither represents effective opposition.

4. RESISTANT FORCES PRESENT.

Strict economic controls have been imposed in Austria. These may be presumed to decrease opportunities for obstruction. The government has been successful in avoiding full allocations of raw materials or semi-finished products to USIA firms, but it is realized that some allocations must be made. Some ECA imports can be expected to go to Soviet firms, but careful screening by a joint Austrian-US committee in Vienna will guard against any significant loss of strategic materials.

The Federal Police includes city police, customs police, and prison guards. These number 15,822, with two-thirds of the personnel in Vienna. They are only partly armed with rifles and pistols, but arms and ammunition have been placed within Vienna by the Western Powers for issue in case of an emergency. Although considerable success has been achieved in eliminating Communists from key positions, particularly in the political section, Communist influence in the economic police has not yet been eliminated. The gendarmerie are the rural police. These number 10,800 and are somewhat better armed and trained than the Federal Police. Although as a whole the organization is considered non-political, there may have been some Communist infiltration in the Soviet Zone. The game wardens are a legally armed group of some 5,000 men. They are considered non-political.

In general, the police have the ability to maintain law and order within Austria. Communist infiltration into the entire Austrian police, including gendarmerie, was estimated at 12 percent in March 1948. This has probably been reduced. As presently armed and constituted, Vienna police can be relied upon to control Communist demonstrations, provided demonstrators are unarmed and provided there is no large-scale participation of non-Communists in such demonstrations, but they cannot cope with a Communist *putsch* attempt by armed forces, unless actively supported by Western occupation elements in Vienna. Communist penetration of the Vienna police does not materially affect its capabilities. With Soviet cooperation, the Communists could seize control in the provinces of Lower Austria (except as indicated for Vienna) and Burgenland. In the western zones of occupation, the Communists cannot seize control.

There is no Austrian army, the only military forces being those of the occupying powers.

The overwhelming majority of the population, and about 90 percent of the organized labor movement in Austria are anti-Communist, and the sentiment of the government is overwhelmingly anti-Communist as well.

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