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WORKING PAPER

BRANCH WEEKLY

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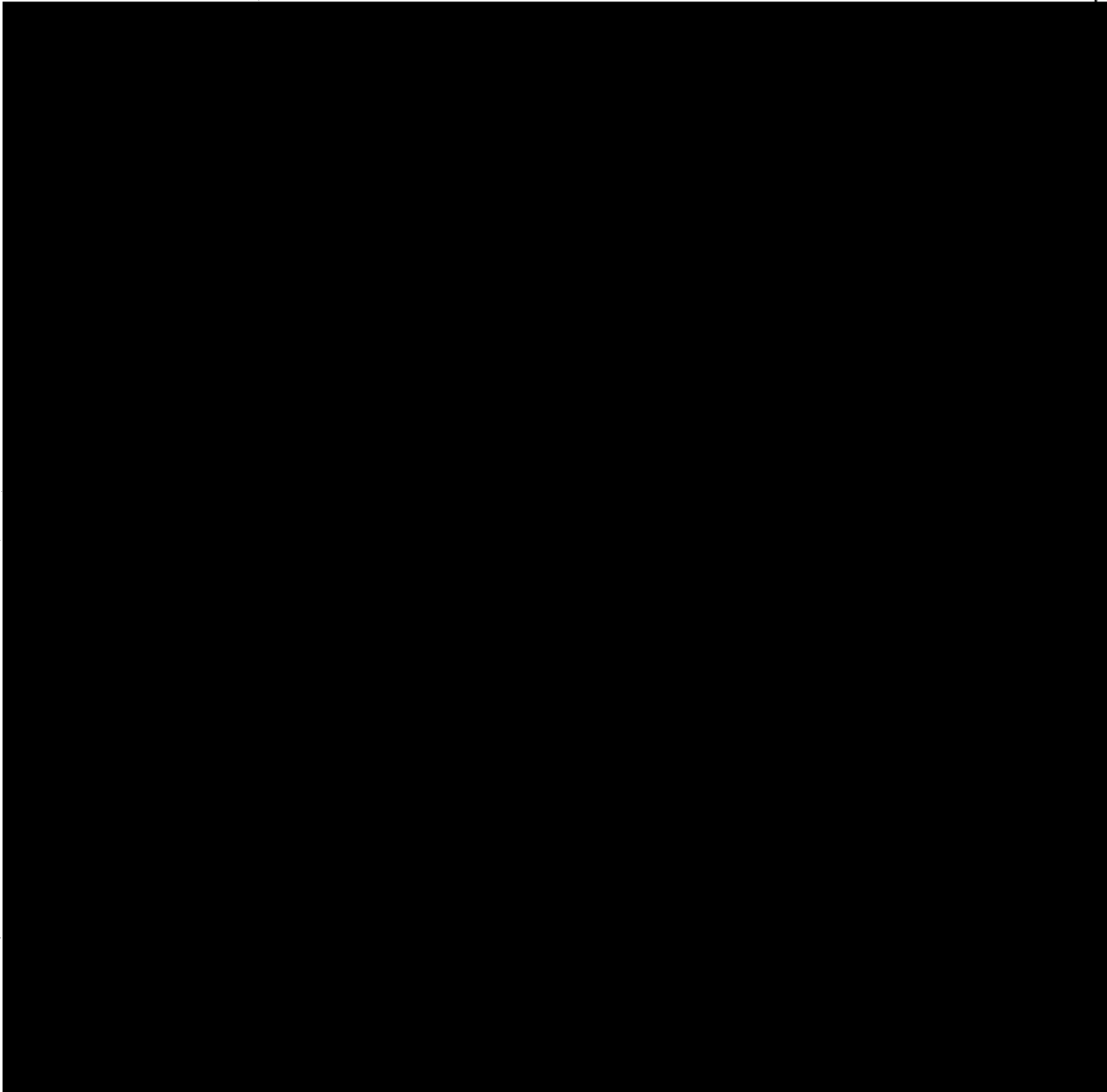
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WESTERN EUROPE BRANCH

WEEKLY SUMMARY

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~~S E C R E T~~

FRANCE

B The apparent determination of the Socialists to remain in the Government will strengthen Premier Queuille's hand as controversial economic issues come before the Assembly for debate. Concessions on these issues are likely to be made by the Socialist Party (SFIO) because of its recent realization that the present governmental coalition is probably the only workable one, given the present composition of the lower house and the will of the center bloc to keep in check the extremes of Left and Right. The SFIO will be influenced by its fear of a Cabinet crisis, which could possibly lead to Assembly dissolution and national elections.

In the coming weeks, two of the most difficult problems facing Parliament will be the reorganization of nationalized industries and the reform of the costly social security system. In regard to nationalized industries, Socialist leaders confidentially admit that some reorganization must be effected, and thus are not likely to balk unless they believe the principle of nationalization itself is threatened. The Socialists will probably be less pliable on changes in the social security system, holding firmly for short-term illness allocations, but willing to make some concessions on management of funds and absenteeism.

The Socialists, then, appear to be at the present time a more reliable component of the Third Force coalition than they were in the summer of 1948. SFIO leaders respect and trust Premier Queuille, and appreciate the cooperativeness of the MRP; they continue to be apprehensive of De Gaulle, and fear that the Right will attempt to nullify post-Liberation legislation on nationalizations and social security.

B Non-Communist labor's disunity will prevent it from presenting a coordinated resistance to the campaign of the Communist-controlled General Confederation of Labor (CGT) for the "unity of action" of all labor. In their respective recent national meetings, the two principal non-Communist unions, the Force Ouvriere (FO) and the Christian Confederation (CFTC), which are about equal in size, passed sharply divergent resolutions concerning the CGT's appeal, and also engaged in mutual recriminations on this issue. FO's national committee condemned all unity of action with the CGT, while the CFTC's annual congress supported a qualified collaboration, not extending to the highest national level, restricted in duration, and limited to strictly workers' objectives, subject to CFTC headquarters directives. Although the FO and CFTC have cooperated periodically through a non-Communist labor "cartel" in exerting pressure upon the Government, their mediocre leadership and deep doctrinaire differences will preclude their forming a united front against the Communists.

FRENCH AND SPANISH NORTH AND WEST AFRICA

C Nationalists in Tunisia and Morocco are more likely to cooperate with the Communists if French officials continue to make policy statements like that recently delivered by the Minister for Overseas France. M. Coste-Floret described Tunisia and Morocco as associated states of the French Union "by integration." Immediate and vehement protestations were made by two of the leading nationalist revolutionary parties in French North Africa, the Istiqlal (Independence) in Morocco and the Neo-Destour (Constitution) in Tunisia. Spokesmen of both parties charged that the Minister's statement was arbitrary and without Constitutional basis. They asserted that the political transition from protectorates to associated states could occur only through an expression of the free choice of the Moroccan and Tunisian peoples. Coste-Floret's remark, which was apparently timed to coincide with the French creation of an Associated State of Vietnam, was also attacked by the Tunisian and Moroccan Communists, who promptly made unsuccessful efforts to enlist the nationalists in a coordinated program of protest. By such statements as that of Coste-Floret, the French unnecessarily antagonize the nationalists, and provide grounds for further Communist exploitation of a delicately balanced situation in a particularly sensitive area.

BELGIUM

B High prices of Belgian coal and steel, combined with the payments difficulties of Belgium's trading partners, will make it increasingly difficult for Belgium to maintain its high level of exports and will consequently have an adverse effect on domestic production. Of the Belgian coal and coke offered for allocation during the third quarter of 1949 to the countries in the Economic Council for Europe (ECE), only 40 percent has been firmly or provisionally accepted. Belgian coal prices are higher than those of any of the other European producers, mainly because of the expense of working poor seams and the high wages of the miners. Belgium already has lowered coal prices to France, an important prewar purchaser, but the action does not reflect lowered production costs. Plans for modernization of the mines are under way, but with the developing coal surplus it is doubtful that much will be done. High steel prices, dependent partly on the cost of coal, are increasingly hindering sales as other sources of supply become available to Belgium's prospective customers and the demand for steel falls off. The backlog of steel orders is rapidly dwindling, and reports that Belgian exporters are willing to underquote any supplier of steel to India, at a loss, indicates Belgian desperation for new markets.

Belgium is a creditor to most of its "normal" purchasers of coal and steel over and above the large drawing rights of Belgian francs granted them under the auspices of ECA and in spite of their restrictions on Belgian imports. In the face of little progress in multilateral plans to restore free currency exchange in western Europe, Belgium is attempting negotiations with France and Switzerland to allow freer circulation of Belgian francs in the hope that increased purchases of Belgian goods will result. Because of the close economic relationship of Belgium with other European countries, Belgian plans to increase industrial efficiency and break down currency barriers will not of themselves have a decisive effect in preventing a slackening in Belgian economic activity.

ITALY

A Crop losses and a continuation of bread rationing, which has been scheduled to end 1 July, are in prospect if the strike of Italian farm laborers continues. No progress has apparently been made on the key strike issue—a national contract. Both the Italian General Confederation of Labor and the Free Labor Confederation are demanding country-wide uniform wages and working conditions. Except for rice, relatively little crop loss has occurred to date, but harvest time comes in the next six to eight weeks for virtually the entire national wheat crop, which makes up two-thirds of Italy's yearly requirement. (Wheat can remain unharvested for only 7 to 10 days before rotting.) If the present impasse continues, intervention by the Government will be necessary to avoid serious consequences.

B A struggle between the Communist-dominated General Confederation of Labor (CGIL) and the Government for control of farm workers is involved in the present farm labor strike, although this fact has not yet been made clear by either side. The CGIL's influence among the farm workers is threatened by a pattern of governmental action in the labor field:

(1) The state-operated Employment Offices, using their control over social security benefits as a lever, have been slowly gaining power over the placement of farm workers. The placement right ("collocamento") previously monopolized by the Communists through the local Chambers of Labor, remains an important source of Communist power among the farm workers.

(2) The Agricultural Ministry is preparing a bill to regulate relations between farm employers and agricultural laborers, and to set minimum wages and standards of working and living conditions. (An unemployment insurance plan, increased benefits to share-croppers, and the Government's agrarian reform program are in the legislative process.)

(3) On 15 May De Gasperi called for legislation to limit labor's right to strike. This, in effect, would facilitate government intervention in critical disputes.

By these means, the Government expects to undermine the Communist control of farm workers. On the other hand, the Communists—even though they may have no expectation of winning their full strike demands—hope to convince the workers that it was CGIL strike pressure which forced local concessions from the landowners and the national minimum wage bill from the Government.

B Recent developments in Cyrenaica suggest that the Italian Government will find it necessary to change its ultra-nationalist line with regard to the former colonies. Following the repudiation of the Bevin-Sforza compromise motion in the UNGA, and subsequent North African native demonstrations against return to Italian control, the recent Cyrenaican move for independence has made it even less likely that neighboring Tripolitania will be returned to Italy.

It is now clear to the Italian Government that the drum-beating of official and press statements served only to inflame the colonial aspirations of the Italian public without improving Italy's case in the eyes of most other nations. Some sectors of the Italian population have increasingly expressed doubt over the wisdom of pressing Italy's claims to former colonies that were a consistent economic liability, without providing a material solution to Italy's overpopulation problem. Italy is already resigned to the loss of Cyrenaica; and there is increasing evidence that the Government could resign itself to the loss of Tripolitania and Eritrea in exchange for special privileges for Italian emigrants to these areas. Foreign Minister Sforza, for instance, in spite of earlier threats to resign if Eritrea were not returned to Italy, recently declared that a ten-year Italian trusteeship over that area would have been less beneficial to Italian interests than the "permanent autonomy" now contemplated for the Eritrean cities of Asmara and Massaua, which are largely inhabited by Italians. Furthermore, a Christian Democratic deputy has suggested that a study be made of the possibility of admitting Italian workers not only to territories under Italian trusteeship, but also to those administered by other states.

After President Truman's inaugural address with its famous Point Four, the Italian Government expressed the hope that it be made the agent for the economic, social, and political development of Tripolitania. It is possible that Italy will now urge a US trusteeship for Tripolitania, with special political and economic privileges for Italians in the area. Should such a solution appear impossible, and should Tripolitania attain self-government the Italian Government will probably seek to obtain similar privileges from the native leadership.

SPAIN

B The continuance this year of Argentine wheat shipments to Spain after July appears uncertain. This possibility stems from: (1) a sharp reduction (42%) in Argentina's 1949 exportable wheat surplus, estimated at 1,292,000 metric tons compared to 2,221,000 metric tons in 1948; (2) a yearly limitation on the credit to be extended to Spain under the terms of the Franco-Peron Protocol; and (3) the deterioration in Argentine-Spanish relations, due in part to Spain's inability to fulfill its commitments under the protocol. The Protocol provides that should the exportable wheat surplus fall below 2,600,000 metric tons, Argentina will still assure the export to Spain of 12% of the current surplus. As some 155,000 tons had been exported to Spain as of April 1949, the promised 12% has already been delivered. In a statement on 3 June the Spanish Ambassador to Argentina said that by the end of July Spain would have exhausted her yearly credit allotment.

Spain must import an estimated 600,000 to 900,000 metric tons of wheat in 1949-50 to supplement domestic production, and should shipments from Argentina cease, the Spanish Government will be faced with a grave problem in endeavoring to secure wheat elsewhere.

Argentina's shipments of wheat in 1948 to Italy, Brazil, and India were almost equal to the current exportable surplus, and under a new trade agreement Brazil has asked for double its last year's quota. Therefore, it appears that if Argentina continues to ship wheat to Spain on credit, it will have to do so at the expense of refusing shipments to countries which have been paying for their wheat. It would thus seem to be economically unwise for Argentina to continue the Spanish shipments, but its past policy toward Spain has not always been dictated by economic considerations.