

F-10-4 (2)

WESTERN EUROPE BRANCH
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

BRANCH WEEKLY

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DATE: 2 August 1949

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DOCUMENT NO. 8
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE:
AUTH: HR 30-2
DATE 10-29-79 REVIEWER: 372044

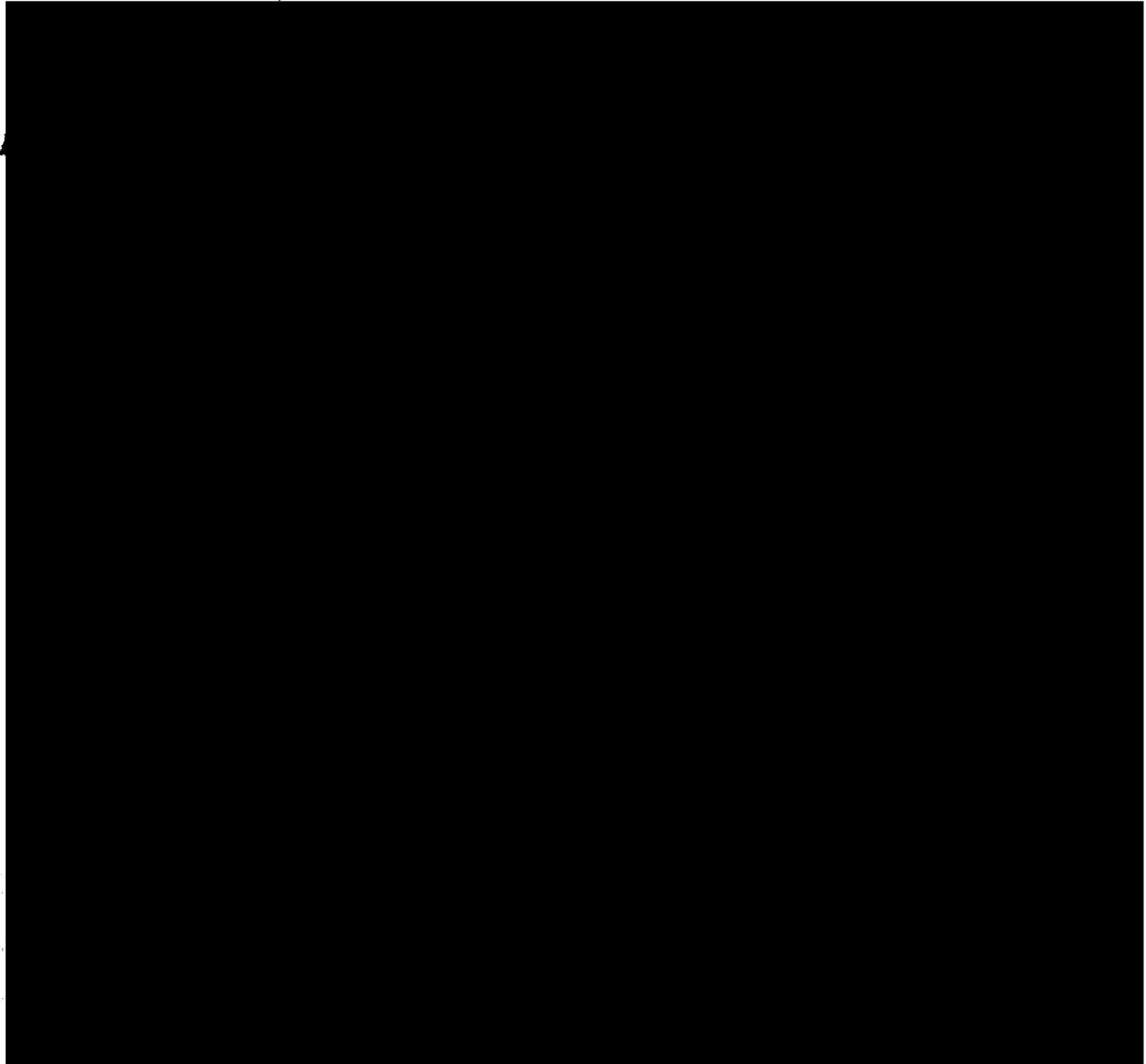
WESTERN EUROPE BRANCH

WEEKLY SUMMARY

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VOL. V - No. 3

For week ending
2 August 1949

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Approved For Release 1999/09/02 : CIA-RDP79-01090A000400010008-9

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Approved For Release 1999/09/02 : CIA-RDP79-01090A000400010008-9

AUSTRIA

C The Catholic Church's recent edict against Communism will have no immediate appreciable effect in Austria. Before the Vatican announcement, it had appeared improbable that in the forthcoming elections the Austrian Communists would poll even the 5.4% of the total vote which they obtained in 1945. With the Austrian Communist Party probably already down to what can be considered a hard core, the Church's warnings against Communism will have little effect in cutting Communist strength.

To date, there are no other indications that the Church intends to participate in Austrian politics to any greater extent than it has in the past four years-- i.e. moderately encourage support for the Catholic and conservative People's Party. Such limited encouragement is not likely to arouse the violent antagonism of the other coalition party - the Socialists.

FRANCE

A A financial crisis, because of an unexpected lack of operating funds for the French Treasury, appears likely to be averted by a special additional release of counterpart funds. The government needs some 25 or 30 billion francs to meet obligations until October. The present shortage results from the fact that revenues have been lower than anticipated because of lower sales of tobacco and gasoline, the failure of small savings to increase rapidly, lagging receipts from direct taxes, as well as the great deficit of the nationalized railroads. If the special counterpart release is not made, a financial crisis could occur, leading to the resignation of Finance Minister Petsche and the fall of the Queuille Government. ECA Paris has recommended that the US advance the required sum, with the understanding that the French Government will repay this November, when Parliament has reconvened. As ECA cannot release counterpart funds for normal governmental expenditures, the advance would be utilized for investment and reconstruction while the French could employ tax receipts, now reserved for reconstruction, to cover the gap in Treasury funds.

To gain US agreement the French will have to promise to furnish the public an explanation of the reason for such a special release. In addition, if the anticipated receipts do not come in, Petsche would have to adhere to French law, and ask Parliament, when it returns, to take corrective action. Moreover, according to the ECA proposal, the French Government would be expected to issue a written statement of its economic and financial program for the coming months. This statement would stress the desirability of having other OEEC countries cooperate with France in attempts to liberalize European trade, ease restrictions on intra-European payments, seek adjustment of exchange rates, and would indicate that France will continue to carry out its internal program to reduce prices and costs, and take further decisive action to improve the state of its public finances.

FRENCH AND SPANISH NORTH AND WEST AFRICA

C The appointment of General Carpentier, CG of French troops in Morocco and highly-regarded by General Juin, to replace General Blaizot as CIC, Indochina, may be indication of General Juin's own eventual replacement. General Juin has the dual assignment of Resident General for France in Morocco and CIC of all French Armed Forces in North Africa. Pressure is recurrently brought to bear in Paris to have a new Resident General appointed in Morocco, preferably a civilian, more progressive than Juin. Juin's mission, the restoration of stability in Morocco following the deterioration that accompanied the regime of his predecessor, has now been accomplished. Top level government circles feel that Juin should relinquish France's most coveted colonial post, provided another post can be found or created commensurate with the General's outstanding ability and elevated rank.

ITALY

C A recently-completed survey of family incomes in Italy emphasizes the urgent need for tax reforms. Three-quarters of the national tax receipts now come from "indirect" sources. Such taxation places the burden upon the poorer classes and contributes to economic maladjustment and social unrest.

The survey, designed to give a reasonably accurate distribution curve of family incomes, includes studies of 10,000 families selected by scientific sampling methods. The income distribution curve is shown by the survey to be similar to the US family income distribution curve. One-fifth of the families in both countries receive one-half of the national income. However, the income tax and other direct taxes based upon ability to pay, which in the US constitute a large proportion of revenues and fall most heavily upon the upper fifth income group, are not only comparatively lower in Italy, but are flagrantly evaded. The reluctance of the Italian government to effect reforms, the wide-spread evasion, and the over-all low income level indicated by the survey will handicap the effectiveness of any revision of the tax system.

THE VATICAN

A A statement in the Vatican daily newspaper interpreting the recent anti-Communist decree makes its scope clearer and permits the Church considerable flexibility in its implementation. The statement, rendered semi-official by publication in the Osservatore Romano, explains that excommunication is applicable to borderline cases such as: (1) Catholic members of "really Communist" trade unions and (2) those Socialists who make "an absolutely common cause" with the Communists. In conflict with reports that the Church had recently arrived at a modus vivendi with the Tito Government is the specific statement that Communist followers of Tito are included in the excommunication decree.

The papal decree does not excommunicate but denies the sacraments to those Catholics who, without embracing its atheism, "show favor to the Communist Party." The editorial in Osservatore Romano indicates that among such persons are those who have been "fooled" into supporting the socio-economic aspects of Communism. The editorial does not provide a further explanation of the manner and extent of support of the Communist socio-economic program that will bring a denial of the sacraments, so that the Church retains the freedom to treat "sympathizers" more or less severely, as circumstances recommend. By not demanding that Catholics summarily abandon the entire socio-economic program of the Communists before they have found a substitute doctrine, the Vatican may avoid alienating many who wish to remain in the Church.

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