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OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER
BRANCH WEEKLY

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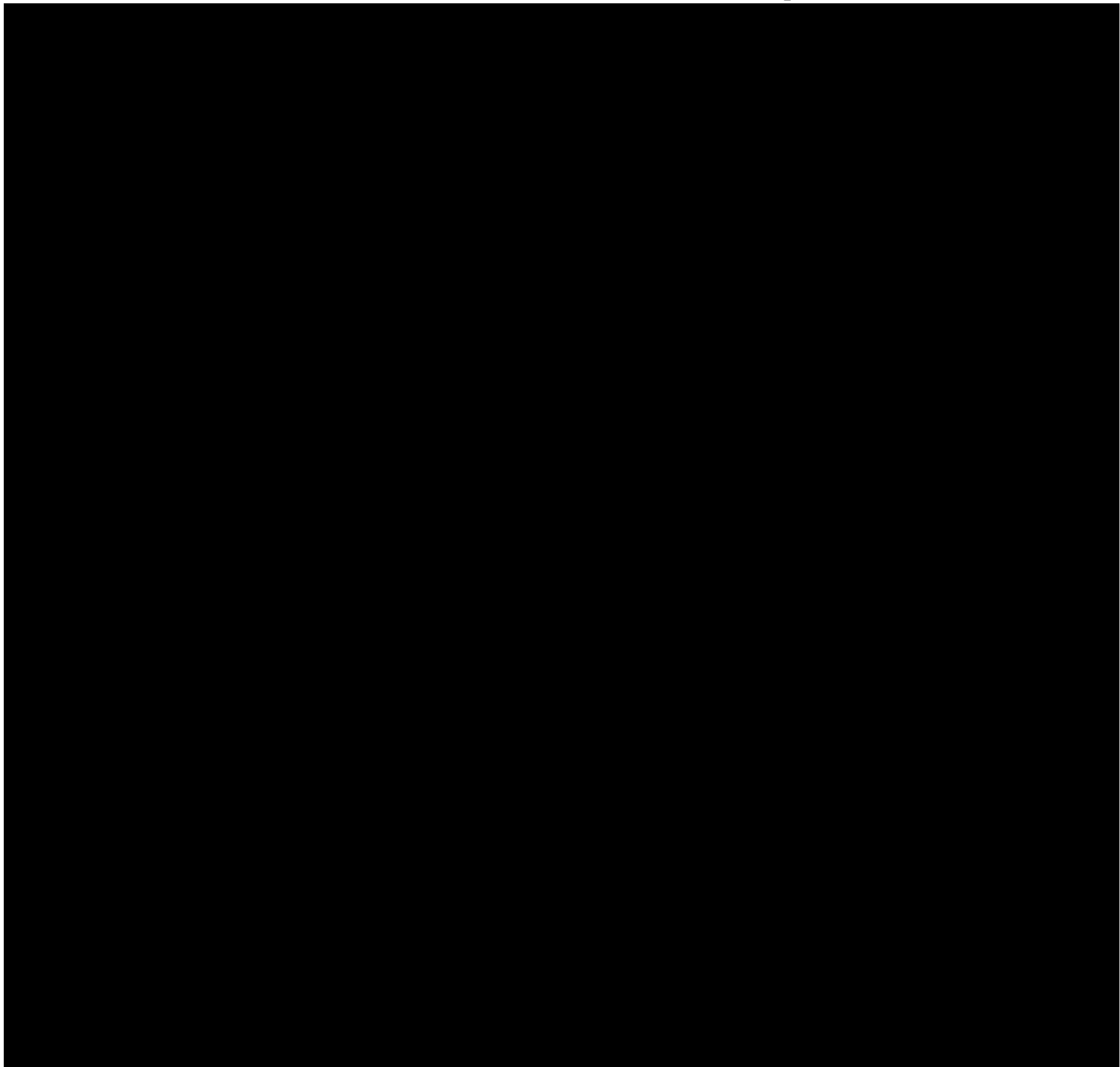
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WESTERN EUROPE BRANCH

WEEKLY SUMMARY

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For week ending
16 August 1949



FRANCE

B The failure of the French Communist Party to develop a mass protest demonstration against the Military Assistance Program on the occasion of the visit of the Joint Chiefs of Staff to Paris will convince the French Communist leaders that the only effective appeal to labor is one based on economic rather than political grounds. Police precautions, aided by vacation apathy, summer heat, and the unquestioned popularity of the main target, General Bradley, proved more than adequate to prevent disturbances in the area surrounding the U.S. Embassy, despite little doubt that the demonstration was ordered by the Kremlin.

The French Communist leaders will probably concentrate their principal future efforts on a renewal of the strike offensive in the fall, and on the question of mounting food costs (due to the prolonged summer drought), as well as on social security issues. The strike offensive will be founded on the essentially economic appeals of the General Confederation of Labor, and may have an appreciable degree of success.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B If the Moslem nationalist Tunisian General Union of Labor (UGTT) continues its new pro-Communist policies, it may well become the most important instrument in North Africa for extending Communist influence. At the very least, the recent UGTT affiliation

with the World Federation of Trade Unions (WFTU) may do much harm to France's interests and position in North Africa. This affiliation with the WFTU is possibly the result of a remarkable change in the character of the UGTT's membership. For the past few years the rival Communist-led Syndical Union of Tunisian Workers (USTT) has been making determined but unsuccessful efforts to effect the organic union of the two labor organizations in the hope of gaining sufficient influence to direct the policies of the native Moslem union. Success in this endeavor would give the USTT complete control of labor throughout Tunisia, as well as an important political following. In 1946-7 the two big Tunisian labor unions were about equal in membership, each having approximately 40, - 50,000 dues-paying adherents.

Today a transformation has taken place. The UGTT boasts of between 70, - 80,000 members as opposed to the dwindling forces of the USTT, recently estimated at 12, - 15,000. Many of the USTT deserters are believed to have joined the UGTT, which, as a result, has apparently undergone a change of political thought. It should also be observed that the active and able leader of the UGTT, Farhat Hached, had years of experience in the former Tunisian branch of the Communist-dominated French General Confederation of Labor.

C

U.S. prestige among the natives of French North and West Africa will profit from the anticipated establishment of an ECA mission in FNA/FWA. Grossly misleading Communist anti-U.S. propaganda will be counteracted, and the handling of ECA aid will be improved. The office will be set up as result of complaints by U.S. Consular officials that the French have been prone to abuse the sub-allocation to Africa of ECA grants. Furthermore, the French have successfully concealed the U.S. origin of the economic assistance rendered by ECA. The projected new office will closely scrutinize such things as: (1) the disposition of ECA funds and their effect on the local economies; (2) the soundness of projects financed by ECA; and (3) the recommendations of FNA/FWA officials for the re-allocation of funds from Paris.

BELGIUM

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The difficulty with which the new Catholic-Liberal Government was formed may prevent its early fall, although its reason for existence will vanish if the question of Leopold's status should happen to be settled. In addition, the Cabinet is afflicted with internal differences on social and economic policy. The Cabinet, with conservative members in the majority and composed of nine Catholics and eight Liberals headed by Catholic leader Eyskens, contains ex-

trème pro- and anti-Leopoldists, clericals and anti-clericals, and ministers of divergent economic beliefs which may prevent its stable functioning. Many Liberals have indicated their disapproval of a coalition with the Catholics; left-wing Catholics view the new combination critically; and the Socialist Party may be expected to oppose strongly in Parliament the Government's measures implementing economic and financial policy. Some points of the Government's program already presented by Eyskens -- e.g. a proposed 16% reduction in direct taxes (the Liberals originally demanded a 30% reduction) -- indicate a desire to return to a greater degree of economic laissez-faire. A status quo is to be maintained on the school question, but no mention is made of a possible decision on the return of King Leopold, although a change in his status is possible, either through a referendum or through parliamentary action in the fall.

ITALY

A

More vigorous efforts can be expected of the Liberals, Republicans, and moderate Socialists -- the Cabinet minority parties -- to form a working agreement in order to prevent their own atrophy and to act as an effective opposition to the majority Christian Democratic Party. Following earlier statements in a similar vein, Premier De Gasperi's recent affirmation that the Christian Democrats might be forced to govern alone has given the minority groups real cause for concern. The Liberals and moderate Socialists have already expressed disapproval of the Premier's conception of the loyalty required of participants in the Government -- the conception that all participants assume responsibility "without reservations" for Cabinet action. The charge of certain Liberals that direction of Italian affairs is gradually becoming an absolute monopoly of the Christian Democrats expresses the fears of the other two minority groups as well. The Republicans assert that they do not envisage "immediate" contacts with the Liberals and moderate Socialists for the purpose of forming a coalition, thus suggesting that they are considering such action at a later date.

Concrete action to form a Cabinet opposition group will be delayed primarily by the weakness of the minor parties and the difficult position of the moderate Socialist members. The Socialist Ministers now derive their limited prestige only by the acquiescence of the Christian Democrats, and their reiterated theme has been that the Socialist Party's influence is extended by its participation in the Government. The mildness of Socialist Vice-Premier Saragat's protest against De Gasperi's threat of a single-party Government suggests that the protest was intended more as a sop to the Socialists than an attack on the Premier. De Gasperi, for his part, will probably avoid further statements which would antagonize the moderate

Socialists before they have held their September congress to discuss reunification with other Socialist groups who urge that Saragat and his colleagues should leave the Government.

Despite these delays in the formation of an opposition grouping, the passage of time will bring increased impetus toward concrete action. The tendency toward an alignment of Cabinet minority parties will be encouraged by the growing resentment of clerical influence in political affairs, always a latent issue of disagreement between the minor parties of the Government and the Vatican-oriented Christian Democrats, and now brought into prominence by the Papal decree against Catholic support of Communism.

B

Discrimination against the Slovene minority in northeast Italy on the part of the Italian authorities will, if continued, jeopardize the achievement of closer relations between Italy and Yugoslavia. Not only have the Italians, as under Fascism, refused to grant administrative autonomy and linguistic, cultural, and religious rights to this minority, but the local press frequently goes out of its way to criticize the Slovenes and urge their removal from Italian territory. Italy is desirous of concluding with Yugoslavia a broad political agreement (embracing Trieste), but, according to Premier De Gasperi, negotiations for such an agreement cannot be begun until Yugoslavia guarantees fair treatment of Italians in territory under its control. A continuation of the present Italian treatment of the Slovene minority would weaken Italy's position in requesting such guarantees from Yugoslavia.

Should Italy take the initiative in approaching Yugoslavia with a pledge to treat the Slovenes fairly in exchange for reciprocity with regard to Italians in Yugoslav territory, the atmosphere would be cleared for negotiating an over-all political agreement. The emotional and nationalist factors involved in the minority problem are typical of the serious obstacles which will make a political rapprochement between Italy and Yugoslavia much harder to achieve than the recent trade agreement arising from the economic needs of both countries.

SPAIN

B

Spain's difficulties in securing sufficient wheat imports make it likely that the entire \$25 million Chase National Bank loan will be used to purchase U.S. wheat. The Spanish crop this year will not be more than 75% of last year's inadequate yield and, although Argentine shipments continue, they are insufficient to make up the deficit in the domestic production and no reserve has been

accumulated. Import requirements for the year 1949-50 are now believed to be a minimum of about 600,000 tons. Of this, Argentina will probably be able to supply no more than about 375,000 tons. The only certain source for the remainder is the U.S. Although efforts will be made to obtain wheat from non-dollar sources, little success is expected.

Apparently current Spanish stocks are not even sufficient to meet requirements until completion of the August-September harvest. The Government, therefore, last month withdrew \$4 million of the Chase loan to purchase wheat in the U.S. Although it is believed that one of the principal reasons for obtaining this loan, which was made last February and is secured with 105% gold collateral, was to provide a dollar fund in case of an emergency such as the current wheat crisis, the use of the loan for this purpose will prevent allocation of these funds for the purchase of basic equipment and raw materials needed to further Spain's economic rehabilitation.