

WESTERN EUROPE BRANCH
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CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

BRANCH WEEKLY

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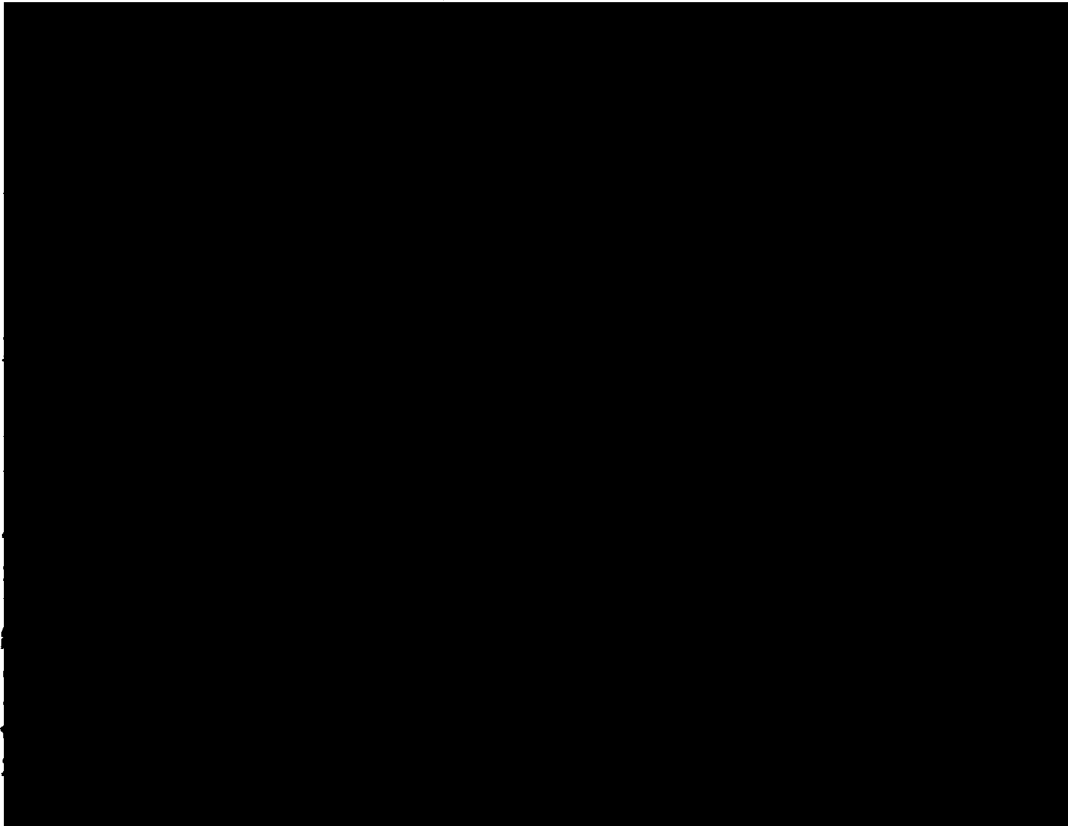
WEEKLY SUMMARY

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For week ending
11 October 1949

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AUSTRIA

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The new Austrian Government will be slightly less stable than its predecessor, despite a probable continuation of the present major party coalition. The Austrian elections of 9 October showed an appreciable gain by the new rightist Union of Independents at the expense of the center, represented by the People's Party and the Socialists. The Union, which captured almost 500,000 votes, is an untried political group largely supported by ex-Nazis who were voting for the first time. The Communist bloc, although small, succeeded in maintaining its past relative position. As a consequence, the moderate parties will be under increased pressure from both extremes. This will be

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particularly true in the case of the People's Party because of its loose internal organization.

The influential and highly conservative wing of the People's Party will be inclined to work with the rightist Union of Independents rather than with the Socialists. The Socialists, who suffered a relative loss of strength, were probably handicapped by some labor dissatisfaction. The gain, though only some 38,000 votes, registered by the bloc of Communists and left-wing Socialists, will contribute to Socialist hesitation in submerging Socialist economic theory to coalition harmony.

As the 1949 Austrian electorate included almost 900,000 new voters, the new political scene is characterized largely by the definite grouping of the ex-Nazis under a separate political banner rather than their submergence within existing parties. Since the Allied Council has not extended recognition to the Union as a political party, the possibility remains that the Council may have to take action before Union members of parliament are fully accredited.

FRANCE

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The bargaining position of French labor has been strengthened as a result of the collapse of the Queuille Government on the issue of labor's demands. Another Third Force Government can be expected to make a prompt concession to labor, probably in the form of a cost-of-living bonus to all workers. Serious labor unrest, however, is likely to be prolonged throughout this fall until basic wage levels are substantially raised and a return to collective bargaining is begun. The workers' extreme distrust of the late Queuille Government will be carried over as an initial handicap of the next Third Force Government. The movement toward "unity of action" initiated by the CGT will be only temporarily slowed by the granting of a bonus and the promise of a gradual return to collective bargaining; whereas the Government's probable refusal of an immediate material increase in basic wages will soon give the unity movement new strength. Although in the past the General Confederation of Labor (CGT) has found it necessary to retard its strike program in view of the firm opposition of leaders of the Force Ouvriers (FO) to "unity of action", the CGT is now on the alert to take full advantage of the increased rank and file pressure for higher wages. The FO, still opposed to "unity of action" with the CGT, has recommended the reconstitution of the labor union "cartel" composed of FO, the Christian Labor Confederation (CFTC) and

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the Technicians Union (CGC) for joint action on the labor problem. The outlook for restoration of political stability is therefore clouded not only by the Third Force's present economic differences and by the imminence of widespread strikes, but also by the better organized demands of non-Communist labor, which is an important segment of the Third Force's support.

BENELUX

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Completion of the Benelux Economic Union in 1950 seems more likely than at any time within the last few months in view of the signing of the preliminary Benelux Economic Union agreement on 5 October. Initiation of the preliminary Economic Union, originally scheduled for 1 July 1949, has been delayed by conditions resulting in a chronic Dutch trade deficit with Belgo-Luxembourg. Devaluation of the Dutch guilder in terms of Belgian francs is expected gradually to bring the intra-Benelux trade balance into closer equilibrium, and may even increase the total volume of trade between Belgo-Luxembourg and the Netherlands. Belgian exporters of textiles and metal products, for example, are expected to benefit somewhat from the increased Dutch import quotas and the removal of Dutch license restrictions on 30% of Belgo-Luxembourg exports to the Netherlands. On the other hand, Dutch agricultural products will be exported to Belgium without any restrictions, although minimum price provisions will be maintained by the Belgian Government.

ITALY

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The Italian Government may have increased difficulty in enlisting popular support for close collaboration with the US because of a series of developments emphasized by the news of Soviet atomic power. To date there is no apparent change in the attitude of Italians toward the US and USSR, although there has been a greater demand for atomic energy control agreements and somewhat more pessimism regarding the prospect for peace. The relative calm with which Italians took President Truman's announcement of the Soviet explosion may, however, prove deceptive, for other events coincide inopportunistly to influence the Italian attitude. Italians have been disappointed by the cut in ERP aid. They are worried over the possibility that western military planners have "written off" Italy in the event of war, for they have noted that Marshall Montgomery's field

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inspection of western defenses stopped at the Franco-Italian border. This concern may be magnified by Italy's failure to get representation on a par with the UK and France in the Atlantic Pact organization. Italians are still resentful of the exclusiveness of US-UK deliberations leading to sterling devaluation.

Certain possibilities for the future also loom as irritants. There may be adverse Italian reaction to disposition by the UNGA of the former Italian colonies. Furthermore, western devaluations may result in a deterioration of the Italian export position, precipitating strong pressure for increased trade with eastern Europe.

The net result of these developments may be a weakening of the strongly pro-US attitude which has prevailed in Italy. In the long-range view, unless the Italians are impressed by some compensatory western action, they may soften their attitude toward the USSR, especially if their hope of peace appreciably fades.

SPAIN

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Spanish Monarchists and the non-Communist Left are nearer to taking action against Franco than at any previous time in the past three years, during which they have slowly moved toward a workable coalition of anti-Franco forces. Offsetting factors, however, still throw the scales in favor of the Caudillo. Don Juan's supporters are attempting to close ranks and to lay plans for action in expectation that Franco will soon be compelled to retire from power in favor of the Pretender. Don Juan and his advisors apparently estimate that the economic situation in Spain may reach such an acute stage this fall that the Army will withdraw its support from Franco and restoration of the monarchy can be effected. The new agreement between the Monarchists and non-Communist elements of the leftist opposition to Franco guarantees to Don Juan the support for a four-year period of large sectors of the Socialist Party, the Socialist labor organization (UGT) and the Anarchist labor union (CNT), and removes the last obstacle to full collaboration among the groups favoring the restoration as the only feasible means of ousting Franco by peaceful means.

Meanwhile Monarchist agitation among Army officers and the clergy has been intensified, and it is reported that attempts have been made to sound out the views of the French

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and British Governments. Monarchist propaganda stresses the fact that Franco, despite all his promises, has been unable to secure foreign financial assistance. It is impossible at this time to gauge conclusively the effectiveness of this agitation, but it is significant that the Spanish secret police have issued new orders listing Don Juan Monarchists as dangerous subversive elements, and that the officers of at least one elite regiment have been placed under surveillance.

The Monarchist-Leftist efforts may be aided by the current sharpening of criticism of the regime, already widespread throughout Spain, and by a new "decidedly liberal reaction" reported among university students. Such a climate of opinion historically has been among the important factors in previous changes of regime in Spain.

On the other hand, other developments tend to bolster the Franco Government. Recent international developments (i.e. the visits to Spain of US congressmen and units of the US Navy, pronouncements of US political leaders favoring aid to Spain, and the announcement of the USSR atomic explosion) will undoubtedly revive hopes, especially among the military, that Franco's regime will receive financial aid and will be included in the Atlantic Pact. This belief may reinforce Army loyalty and enable the Caudillo to overcome any measure of disaffection Don Juan is able to produce in the near future.