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WORKING PAPER

BRANCH WEEKLY

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WESTERN EUROPE BRANCH

WEEKLY SUMMARY

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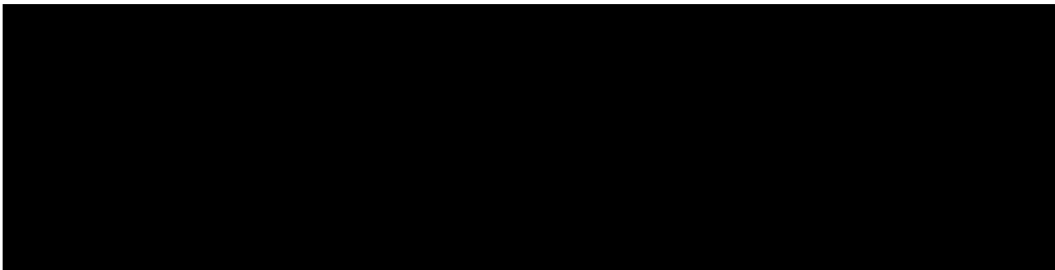
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S E C R E T

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B The composition of the east German government, announced on 12 October, indicates that there will be little change in the Soviet Zone status quo. All ministerial posts are filled by members either of the Socialist Unity Party (SED) or of the puppet non-Communist parties that have long-standing records of subservience to the Soviet occupation authorities. The various components of the former German Economic Commission (DWK), the German Administration of the Interior (GAI), and the lesser administrations have reappeared intact as ministries of the new Government. Wilhelm Pieck, co-chairman of the SED, was selected as president, and Otto Grotewohl, the other co-chairman, was chosen minister-president or premier. Deputy minister-presidents are Nuschke (CDU), Kastner (LDP), and Ulbricht (SED). It is probable that Ulbricht will retain actual power, while the others will be figureheads to preserve the fiction of all-party representation in the key positions.

In the key ministries, the completeness of SED domination is even more apparent. The Ministries of Economic Planning, Industry, and the Interior are all staffed by veteran Communists, who have long been performing virtually the same functions as administrative officials. In the Ministry for Foreign Affairs, operations will be directed by deputy-minister Anton Ackermann, another veteran Communist, although a non-Communist holds the portfolio. SED control follows a similar pattern in the remaining ministries, although slightly more lip-service is paid to the concept of all-party representation because of the lesser importance of these departments.

The actual administration of the Soviet Zone will change very little as the result of the formation of the new Government. Available information indicates that Soviet policy instructions will continue to be transmitted through the SED Politburo and party channels, and it is doubtful if the administrative shift has interfered appreciably with normal operating procedure. The population can expect little improvement in its everyday life, and will continue to attribute its misfortunes to the USSR and German collaborators.

S E C R E T

A Establishment of closer political ties between western Berlin and the Federal Republic would bolster the falling morale of west Berliners in the face of the economic crisis and unemployment. Although a tighter political bond would not guarantee an improvement in economic conditions, Berliners would be heartened by a feeling of "belonging" to a larger, more effective, political entity. The French, however, put forth the argument that inclusion of Berlin into the Republic would disturb the legal status quo, constitute a serious breach of the four-power agreements on Berlin, heighten east-west tension, and possibly lead to an outbreak of war.

Although Soviet authorities have not formally incorporated east Berlin into the east German state, they have already in effect abrogated quadripartite agreements on Berlin by locating the east German capital in Berlin's east sector and by allowing Berlin representatives to participate in the selection of the Volkskammer, or east German legislature. East Berlin, therefore, may be regarded as a de facto appendage of the new Soviet Zone "Democratic Republic". Although the USSR has thus attempted to forestall the inclusion of west Berlin as the twelfth Land of west Germany, the possibility of Soviet military action if Berlin is annexed to the western Republic appears to be negligible. Harassing tactics by the government of the "Democratic Republic", aimed at weakening the western position in Berlin, cannot, however, be precluded.

AUSTRIA

B Formation of the new Government of Austria will probably be delayed until the end of October. People's Party-Socialist negotiations have commenced satisfactorily, but a new Cabinet appears unlikely before the Socialist convention of 28 October. Both major parties have reiterated their opposition to including the rightist Union of Independents in a coalition, the formation of which is not expected to be difficult. With almost 97% of the electorate casting ballots, and with around 83% of the total votes going to the two major parties, these parties will command 144 seats out of the total of 165 in parliament. The Union, with 16 seats, and the Communist bloc with 5, will control the remainder.

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Despite the opportunity which exists for the People's Party (with a plurality of 77 seats) to align itself with another rightist group and thereby hold an absolute majority without the Socialists, such an alignment is not being considered. With Austria still lacking a treaty and vitally dependent on effective use of ECA imports, People's Party-Socialist cooperation is still recognized as essential by both parties. Furthermore, the People's Party recognizes Socialist domination of labor; Socialist leaders, in turn, are willing to continue the coalition as long as the People's Party does not turn too far to the right.

In the formation of new provincial governments, which were elected concurrently with the national Government, local People's Party leaders in two western provinces have showed some inclination to form governments with Union representatives to the exclusion of the Socialists. To date, national People's Party leaders have rejected this policy. In only one provincial diet, that of Vorarlberg, will Union representation outnumber that of the Socialists, but the Socialists will be ahead of the Union by only four seats in three other diets. Although it appears probable that the People's Party will coalesce only with the Socialists, western provincial politics are a potential strain to national People's Party-Socialist harmony.

SWITZERLAND

B Switzerland's political picture shows a continuing trend to the right, an increasing aversion to Communism, and a growing belief that an easing of the cold war is a distinct possibility. Such attitudes will not alter Switzerland's technical detachment from the east-west struggle. They will more probably result in increased Swiss determination to maintain the country's policy of armed neutrality.

The trend toward the right has been evidenced in Swiss elections during the past year and a half. The heavy Communist losses were not surprising, but the Socialists have suffered unexpected setbacks. For instance, they recently lost control of the city government of Zurich after a control of 20 years. Swiss apathy toward the Labor Party (Communist) has

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resulted in public admission by Swiss Communist leaders of their failure to convince the Swiss of the peaceful intentions of the USSR. Moreover, in recent weeks the Congress of the Swiss textile union has voted to bar Communists from certain union offices. The Swiss have increasingly followed the policy of excluding Communists from important political and administrative positions since the Labor Party endorsed the Thorez statement on refusal to fight the Soviet Union.

The thinking of responsible Swiss on the cold war has probably been accurately expressed by the Swiss Undersecretary of State. Believing that the USSR does not desire to precipitate a war, he feels that progress may soon be made in adjusting east-west difficulties, thereby easing the cold war. He has inferred that western European nations could be made to understand that US efforts to seek solutions on a bilateral basis with the USSR were in the general interest. Apparently advocating that the US take advantage of any softening in the Soviet attitude, the Undersecretary also pointed out the dangers of a serious deterioration in US-Soviet relations. Despite its policy of armed neutrality, Switzerland actually looks upon the checking of Soviet influence along with a slackening of the cold war as its first line of defense.

FRANCE

A Premier Jules Moch's failure on 17 October to form a new Cabinet, although not likely to preclude the eventual establishment of another Third Force coalition Government essentially similar to Queuille's, will abet the political objectives of the Right by reviving serious talk of Assembly dissolution and new elections. Meanwhile, there is no indication that either the Socialists or the moderates (Right of Center), whose sharp disagreement over wage concessions led directly to the resignation of former Premier Queuille and clouded Moch's chances of success, are now more disposed toward accommodation of their differences. The Right, indeed, in its discussions with Moch introduced the new issues of regulating the right to strike, reductions in taxes, and reform of the electoral law--all opposed by the Socialists. Moch himself was unable to bring forward any formula likely to promote a satisfactory compromise between the disputants. The outlook is for an intensification of the discord between them, as a result of the continuing price rise and the prospective difficulties in balancing both the 1949 and 1950 budgets.

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B French labor has failed recently to make appreciable progress toward unity of action--a delay which somewhat reduces the gravity of the present political crisis and will facilitate the formulation of a realistic economic program by the next Government. The Christian Labor Confederation (CFTC), has attempted to reach a common understanding on objectives, methods, and timing of strike action through a committee of 16, composed of representatives from all the major national labor organizations. This attempt was promptly rebuffed by the Force Ouvriere (FO), the technicians union (CGC), and the Communist-led General Labor Confederation (CGT). The FO continues to reject proposals of collaboration with the CGT because of the practical difficulty of enforcing CGT observance of whatever terms--including objectives and safeguards--are decided upon by joint agreement prior to strike action. In addition, the Socialist-oriented FO is traditionally critical of the policies and clerical connections of the CFTC. The CGC has refused offers of joint action because of its conviction that other labor organizations remain indifferent to, and are frequently hostile to, the interests of its higher-wage supervisory workers.

The principal opposition to the CFTC proposals, however, stems from the CGT's present willingness to negotiate with non-Communist labor leaders, whom the CGT considers the "docile tools" of the Socialists and Popular Republicans. To the CFTC's proposed establishment of a central committee representing union officials, the CGT has recommended the convocation of a national congress of local "unity of action" groups, the congress to have the authority to decide details of strike action without reference to union leadership. The effectiveness, however, of this CGT appeal will be weakened by renewed suspicions among non-Communist labor of the CGT's political motives, as a result of: (1) simultaneous CP proposals for the establishment of a "Constitutional Government of Democratic Union" with Communist participation; and (2) sporadic CGT strikes against Moch, who as Minister of the Interior used troops against the CGT in the 1948 coal strike. The CGT's leaders, moreover, are not convinced that the time is ripe for general strike action, and there are indications that they regard as overly-precipitous their recent one-day local strikes in the coal industry. The possibility of broader unity of action at this time is further reduced by the fear of workers of losing pay in the face of rising food costs, and their continued distrust of national labor leadership.

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This continuing disunity within organized labor will prevent it from compelling the next Government to grant major wage concessions which might well make irreconcilable the present differences among the Third Force coalition parties.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B Tunisia's current political calm will be disturbed by the resumption of activities of the nationalists, comparatively quiescent for some months, now that the notorious Neo-Destour (Constitution) party leader, Habib Bourghiba, has returned from his 4-year self-imposed exile. As the principal Tunisian nationalist representative to the moribund North African Committee of Liberation in Cairo, Bourghiba failed completely in his efforts to mold the Committee into an effective organization. In his absence his party was guided by the ambitious, but inept, Salah ben Youssef, whose intransigent attitude and demands for outright and absolute Tunisian independence have proved equally unsuccessful.

Technically unable to deny Bourghiba's return, French authorities are faced with unpleasant prospects. Either Bourghiba, capitalizing on his former prestige and his rival's present ineffectiveness, will recapture his old popularity and provide more vigorous leadership of the Neo-Destour Party, or ben Youssef's derogatory campaign will thwart Bourghiba's ability to stage a comeback. In either case, the ferment that is bound to ensue within the ranks of this leading nationalist group will be detrimental to the status quo. French Protectorate officials, however, are hoping that a prolonged rift within the party will develop and weaken it indefinitely.

BELGIUM

B The critical Belgian coal surplus is expected to continue as a result of high prices and reduced foreign demand, and may bring a decrease in economic activity and an increase in unemployment. A rise in the Government-fixed export price of coal from an average of 686 francs to 700 francs per ton accompanied by reduced subsidies, and Belgium's decision to devalue the franc less than the currencies of its best coal consumers (the Netherlands and France), will tend to curtail coal

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exports further and to raise costs and export prices in other segments of the economy dependent upon Belgian coal--notably steel. The Government's action in raising the coal price is intended both to relieve profitable mines of the burden of subsidizing unprofitable ones and to reduce the budgetary load of Government subsidies. Half of the mines will be reorganized, and some may eventually be abandoned. As a result, however, of the reorganization plan and the expected reduction in coal export demand, unemployment probably will increase, adding to the political difficulties of the already weak and unstable coalition Cabinet.

ITALY

A The deterioration of Italo-UK relations will, if continued, jeopardize Italy's political and economic cooperation with the West in general. Purported British opposition to restoring to Italy any part of its former colonies has greatly injured Italian national feelings. The inspection by Marshall Montgomery, Chief of Staff of the Western defense organization, of fortifications on the Franco-Italian border has created an unfavorable impression on the Italian public, and has alarmed Italian military leaders who believe that the British favor the elimination of Italy from the area of western Europe to be defended in case of war with the USSR. More recently, the exclusiveness of US-UK negotiations leading to devaluation of the pound sterling, and the extent of devaluation, have antagonized Italian public and governmental opinion. In general there is a strong feeling among Italians that the British are pursuing a selfish policy, designed to achieve maximum military protection and economic benefits for themselves with little regard for the continental countries of western Europe. Although Italian irritation over these and other issues might have been directed also against the US, two factors--the extensive anti-British sentiment which has accumulated in Italy since the end of the war, and the direct dependence of Italy on the US--have led the Italians so far to use the UK as the scapegoat for their resentment over various international developments unfavorable to them. But the leadership of the US in matters of military defense and economic affairs involving western Europe, and its policy of close cooperation with the UK on issues affecting Italy may, if the Italians remain dissatisfied, cause a distinct shift in the present strongly pro-US attitude of the Italians to one less cooperative with the West and more conciliatory toward the USSR.

C State control over the exploration and development of the methane gas and petroleum resources of the Po Valley seems virtually assured; private enterprise, both native and foreign, will probably be relegated to the marginal areas outside of the Po Valley.

A bill which would have liberalized the mining laws to protect private investment in the petroleum field has bogged down in parliamentary procedure and has little or no chance of emerging. On the other hand a new draft bill is being prepared, which, according to Finance Minister Vanoni, "will eliminate the grave consequences of private monopoly". He expects the methane gas and the petroleum deposits of the Po to afford the State "an economic rent which may well be exceptional". Furthermore, according to Vanoni, State control of these resources would assure the just distribution of the deposits to Italian industry. For these reasons, the new draft bill will reserve explorations in the Po Valley to the State and will restrict private companies to exploration "in the rest of the national territory". (A US oil company has indicated that it does not consider any of the territory outside of the Po as promising enough to warrant exploration expenditures.)

These views of Vanoni, who is also a spokesman for AGIP (the Italian Government petroleum administration), are believed to represent the attitude of the Christian Democratic Party, and his draft proposals are very likely, therefore, to be adopted by Parliament.

VATICAN

B Disappointing results in Italy of the decree against Catholic Communists will probably compel the Vatican to continue a policy of flexible interpretation of the decree. Issuance of the decree is said to have been urged by Jesuit leaders but opposed by many Dominicans. The latter presumably considered it impolitic to force a choice between religious and economic beliefs, especially in areas of extreme poverty. Catholic peasants have come to regard the Communist program as the most attractive solution offered for their economic ills, and many agricultural workers in Italy can be expected to cling to this platform. Apprehension in Vatican circles lest Catholics turn to the civil marriage rite rather than

abandon affiliations with Communists -- an apprehension probably supported by reports from the local clergy -- may have precipitated the publication of a liberal interpretation of the decree with reference to religious marriages.

It is impossible at this time to measure the effect of the decree on the strength of the Communist Party. Italian Communist prestige, however, was well on the wane before issuance of the decree; and there is no clear evidence to indicate that the decree has been the cause of important additional losses to the Party, except in Sicily, where the conservative and religious tradition is strong. Communist expressions of alarm over the decree may have been uttered mainly to solidify Communist following. Like the Vatican itself, the Communist Party has been anxious to avoid a showdown, and Communist propaganda attacks have been carefully pointed at the Church organization rather than against the Catholic religion itself. The Communists have been vigorously seeking to exploit the extensive anticlerical sentiment in Italy by pointing to the Papal decree as an example of Vatican efforts to dominate non-religious affairs.

PORTUGAL

B General Franco's visit to Portugal, scheduled for 22 October, is regarded with little enthusiasm by the Portuguese Government. The Spanish Caudillo will be a self-invited guest whose previous effort to make the visit, just a year ago, was forestalled by Portugal through diplomatic exchanges. Now that Portugal is definitely aligned with the west through the Atlantic Pact, it has more self-assurance in receiving Franco, but has nothing other than vague promises to offer him. Spanish officials had reason to hope that the Portuguese Minister of War, Santos Costa, would support Spain's inclusion in the Atlantic Pact at the current defense committee meetings in Washington, because the Minister stated during his recent visit to Spain that while he was in the US he would defend Spanish interests. At the last minute, however, Santos Costa did not attend the meetings. It was explained that he remained in Portugal because of concern over the security of Macao, and to prepare for Franco's forthcoming visit. Both reasons appear superficial. It is quite likely that the Portuguese Government did not wish to be represented in Washington by anyone who had taken such a definite stand on the Spanish question.

Portugal, attached to Spain by geography and by mutual cultural and political ties, has been careful not to enter into negotiations with other countries which would endanger its cordial relations with Spain. At the same time, Portugal has declined to enter into any commitments with Spain which would preclude freedom of action with other countries. The Portuguese can be expected to continue a policy of friendship toward Spain as far as is consistent with maintaining the best possible relations with the larger powers in the Atlantic Pact.

SPAIN

B Franco's probable purpose in planning the visit to Portugal is to show that in spite of the repeated failure of his cause in the UN, he in fact possesses international prestige, as claimed for him by the controlled Spanish press. The demonstration may be intended to impress primarily the Spanish army, whose morale deteriorated considerably during the summer, as well as other doubters at home. In foreign relations the journey may give ammunition to the political elements in various countries that are pressing their governments for action favorable to Franco. Arrangements for the visit, which is in return for a state call paid 20 years ago by President Carmona to King Alfonso XIII, apparently were made by Franco personally through his brother, who is Spanish Ambassador to Lisbon, with little or no consultation with the Cabinet.

The diplomatic isolation of the Franco Government, despite the benefits of commercial agreements with other countries, has been one of the regime's weaknesses at home. In the past Franco sought to compensate for this by exploitation of close relations with Argentina. Now that Argentina is no longer an aggressive friend of Spain in international affairs, it is perhaps hoped that Portugal, whose international prestige has been raised by its participation in the Atlantic Pact and ERP, will fill this gap. In any case, a demonstration of Iberian solidarity at this time may improve the morale of the Spanish Army officers, by renewing hope of benefits to Spain through defense plans under the Atlantic Pact.