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WESTERN EUROPE DIVISION  
OFFICE OF REPORTS AND ESTIMATES  
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

DIVISION WEEKLY

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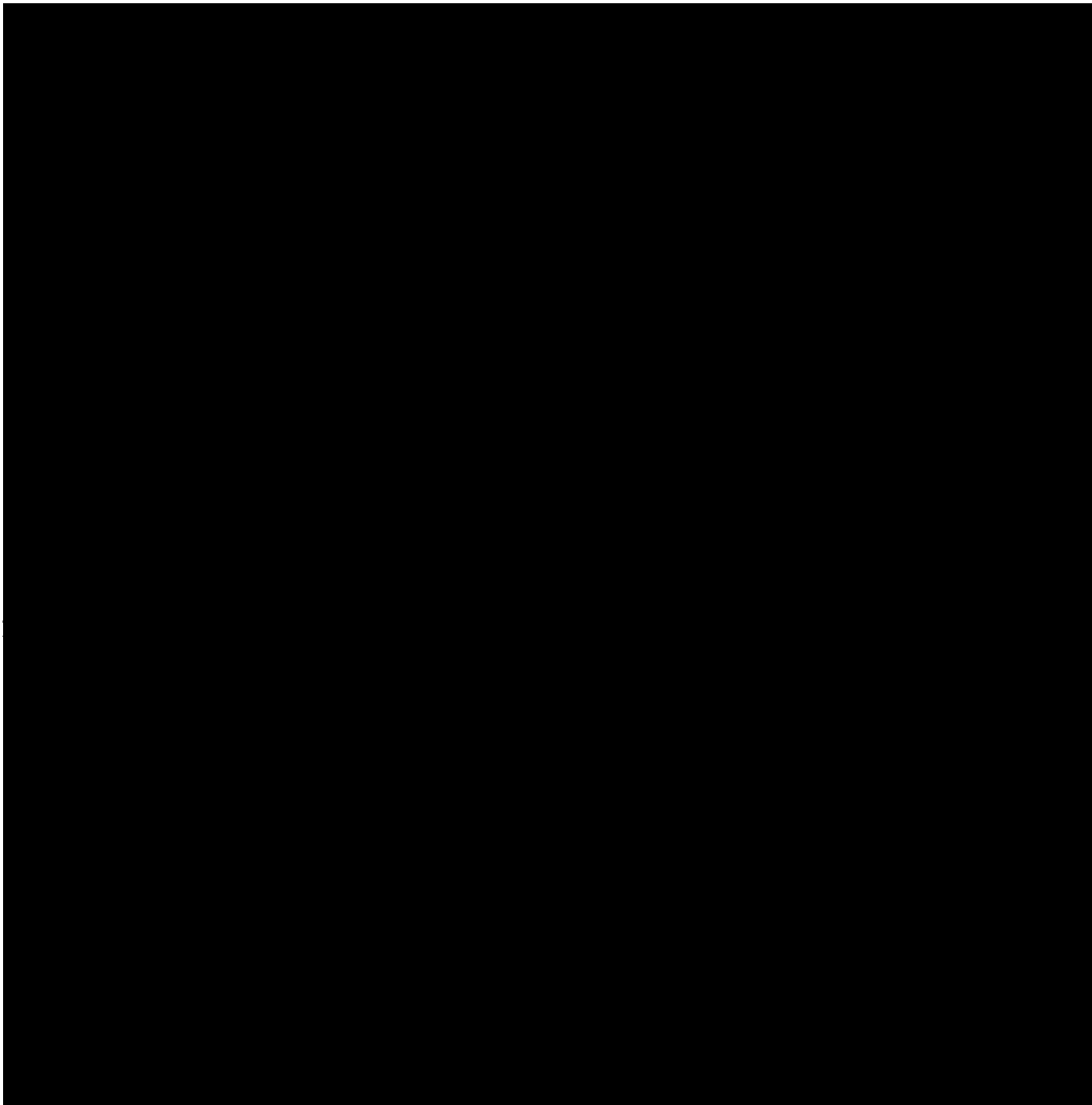
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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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For week ending  
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FRANCE

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Disagreement among the Rightists and Leftists within the French Cabinet and Parliament over such basic issues as wage-price and budget policies will probably be intensified in the next few weeks. In spite of the advantages of strong parliamentary support at investiture and a more capable Cabinet, Bidault, whose recent remarks indicate that he remains a Left-of-Center leader closer to the Socialists than to the Radical Socialists, will have considerable difficulty in solving the same problems which confronted the last Third Force coalition. The Government has already agreed to grant an immediate one-time bonus to workers who are earning 15,000 francs or less, but this concession is not satisfactory to labor.

Moreover, cleavage between political groups, especially the Socialists and Radical-Socialists, will be increased by disagreements over such controversial issues as the return to collective bargaining, partial shifting of investment from national to private industry, and a tight balancing of the 1949-50 budget. At present, discussion among political parties and in the press for reform of the electoral law and dissolution of Parliament is becoming more widespread throughout France, and increases the likelihood of critical disagreement in the coming sessions of the National Assembly.

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The Socialist-oriented Force Ouvriere (FO) is probably not in a position to go far with its latest threat to promote large-scale strike action to force greater concessions from the Government than the planned lump-sum cost-of-living bonus and an early return to collective bargaining. A "wait and see" policy had been followed by the FO, but it now feels it must choose between leading a general strike or losing its followers to the Communist-led General Confederation of Labor (CGT). The FO prefers a revival of the non-Communist labor cartel to decide on and direct a general strike, rather than joining a strike under CGT leadership. Hence it has sounded out Christian Federation of Labor (CFTC), technicians (CGC), and autonomous unions (FNSA) with a view to agreement on joint demands. At the same time, however, the FO is aware of a need to coordinate activities with the CGT during a general strike. Bothereau, Secretary General of the FO, has already informed the new Minister of Labor, Segelle, that unless the Government agrees to greater concessions--presumably

- 3 -

~~SECRET~~

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an increase in basic wages--coordinated strike action will be necessary. The FO, nevertheless, does not have sufficient financial backing or the worker confidence needed to carry out its plans, and is probably trying to use its influence on the Socialist Party to pressure the Government into greater concessions.

Further difficult adjustments in the French dollar import program for 1949-50--already sharply reduced in September and October on the basis of a cut in ECA direct aid from \$880 to \$673 millions--will probably be made as a result of continuing US-French studies of prospective animal feed supplies. The French are likely to plan close to \$75 million worth of additional dollar feed imports, with the result that some further cuts in equipment and raw material imports from the dollar area must be made. The ECA mission believes, moreover, that at least half the estimated extra imports should be provided for in the near future, especially to forestall a stronger trend toward slaughtering and extensive feeding of wheat to livestock.

The adverse economic and political consequences facing the French Government, if it does not take early measures to cover the prospective feed deficit, may now also be estimated more clearly. There would be a reduction in supplies of milk and meat that would not be evenly distributed throughout the population; it would hit hardest the laboring population in the cities. As potential Communist voters or sympathizers, these elements are a continuing threat to the Third Force from without, or as supporters of the Socialist or Popular Republican Parties, they force periodic crises of the coalition from within.

In the long run, important Four-Year Program goals would be seriously impaired should France not import substantial feed supplies in 1949-50. The 1952-53 target of a rise in meat and milk production to 106% of 1938 would require a 50% increase above this year's production--a rate of progress more than twice that achieved by US farmers under highly favorable conditions during the war period. Also, the French expectation that agricultural exports will bring in 25% of foreign exchange earnings in 1952-53 would be severely disappointed. In view of the doubtful outlook for attainment of even present goals for exports of manufactured goods, any decrease in planned agricultural exports would make necessary a more serious curtailment of the program of equipment and raw materials imports. Such a cut-back would retard improvement in the standard of living and in the military establishment.

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## FRENCH AND SPANISH NORTH AND WEST AFRICA

B As a result of the shocking waste and inefficiency displayed during the first year's operation of the Marshall Plan in French West Africa (a confused and jumbled story whose pattern could well have originated in "Alice in Wonderland"), ECA has stopped the entire program, and will withhold further procurement authorization. A fresh start will be made with the collaboration of competent American and French officials by a reexamination of the needs and possibilities of this vast area, much of it an immense wilderness.

A bright spot in an otherwise black picture is the project for extending the Abidjan-Niger railroad from Bobo-Dioulasso to Ouagadougou, bringing the rich Niger valley of the interior into contact with Ivory Coast ports. The line will be completed in 1952, at an estimated cost of \$12,000,000. ECA participation consists of supplying funds for the purchase of rolling stock in the US. Politically, this undertaking will facilitate French efforts to promote a stronger bond between the natives and France, and will satisfy the desire of the inhabitants for better communications. From the economic viewpoint, a wealth of varied produce from this rich inland territory will reach new markets. This project might offset the bad impression created by the incompetent application of ECA aid, an unfavorable precedent for future developments under the Point Four Program.

## BELGIUM

B Foreign demand for Belgian steel, already curtailed, is expected to decline more in view of the relatively small Belgian devaluation in comparison with devaluation in other Western European countries. The Belgian franc was reduced only 12.34%, whereas the UK and the Netherlands devalued 30%. A reduction in Belgian steel export prices must be made soon to permit competition with prices of foreign steel. Prices of Belgian steel in markets not controlled by trade agreements are considerably higher than the prices quoted by France and west Germany, now becoming serious Belgian competitors. Norway will probably place steel orders again in Belgium as soon as Norwegian inventories have been reduced. Scandinavian orders for steel at the lower Belgian domestic prices have, for the moment, been stopped because of payment difficulties and the delay in putting into effect the intra-European payments scheme. The continued curtailment of steel exports will slow down production in other segments of the Belgian economy.

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THE NETHERLANDS

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Ratification of the Dutch-Indonesian agreements by the Netherlands Parliament is probable, although the debate will be bitter and criticism from rightist elements strong. With the exception of the Labor Party and the left wing of the Catholic Party, support for the agreements will be given reluctantly, and any serious outbreaks of guerrilla activities in Indonesia would increase the strength of the opposition group and endanger passage of the agreements.

In the Netherlands people will find the readjustment of their attitude toward the new Dutch-Indonesian relationship difficult, but the Government probably will not be seriously hindered by public and parliamentary pressure in proceeding with the transfer of sovereignty to Indonesia. The real difficulty for the Government lies in the attitude of Dutch officials--civil and military--in Indonesia, on whom the interpretation and successful implementation of the agreement depend. The Hague Government probably will make considerable effort to control closely the progress of further discussions in Indonesia and to prevent any overt act of aggression on the part of Dutch forces. While it is extremely unlikely that the Dutch will make any deliberate move that would jeopardize the agreement, Dutch-Indonesian cooperation in the future will be influenced to an important degree by their relations within the next few months. Serious Dutch concern that extremist elements will gain control of Indonesia may make the Dutch relinquish control more slowly than the Indonesians believe necessary.

ITALY

B

Rightist influence in the Italian Government will probably increase as a result of the resignation of the three moderate Socialist (PSLI) Cabinet members and the decision of the PSLI directorate not to attend the Socialist unification congress scheduled for early December. On the other hand, Socialist opposition, outside the camp of the extreme Left, will probably not be correspondingly strengthened.

The real reason for the decision of the right-wing (Saragat) group, which controls the PSLI directorate, not to participate in the congress is its fear that Party control would be captured at the congress by the center and left groups, supported by the Romita autonomists and the Silone (Union of Socialists) faction. To justify their abstention

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publicly, some PSLI right-wingers have recently attacked the Romita group for its uncompromising opposition to collaboration with the Government. They have also accused both the Romita and the Silone factions of intending at the congress to advance proposals on foreign policy and trade union matters contrary to the spirit of Socialist unity.

Even if the PSLI ministers return to their posts, the political complexion of the Cabinet will be altered to the extent that their parliamentary and popular following is reduced. Any unification of Socialist forces achieved at the congress, to which the PSLI center and left wings have declared their adherence, will be weakened by the absence of the right wing. The Romita autonomists, largely because they command substantially greater labor support than either the Union of Socialists or the PSLI, will probably dominate the new Socialist party to be created. In view of the autonomists' attitude toward the Government, an opportunity would thereby be afforded to the Communists to court the new party and seek its collaboration on important political and economic issues. Such a development would be facilitated if the current struggle in the Italian Communist Party between the Togliatti and Longo factions should result in the continued ascendancy of the former and a change in the Communist policy from subservience to the Cominform to a nationalist position.

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The dissension over policy among leaders of the Italian Communist Party may be sharpened, and some increase in efforts at sabotage and strike action may occur, as an indirect result of the announced decision of the US to lift partly its ban on the shipment of "war potential" materials to Yugoslavia.

The dominant Togliatti party line (which has been moderate and conciliatory and has emphasized constitutionalism and national interests) has been increasingly opposed by the Longo-Secchia faction. This latter group, to which the support of the Cominform may be shifting, advocates the strengthening of Communist underground forces and their increased use in illegal direct action and violence. It is this faction, together with its parallel "hard" policy wing in the General Confederation of Labor (CGIL), which would be most useful to the Cominform for anti-Tito operations. Therefore, the Longo faction may be expected to increase agitation, strikes, and sabotage in ports and other transportation centers in Italy through which the contemplated semi-military supplies for Tito

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- 7 -

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may move, and in the Italian electrical, aircraft, or other manufacturing plants in which supplies for Tito may be manufactured.

This direct action will probably materialize on only a limited scale and with small success, however, in view of the present strength of the police forces, the doubtful strength of the actionist group in Communist labor and paramilitary forces, and the limited enthusiasm with which members of the Togliatti group would collaborate in such tactics.

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The continuing activity of the Sicilian bandit Giuliano, in spite of intensified police efforts to effect his capture, is embarrassing to the Italian Government for two reasons. In the first place, the existence of such banditry in Sicily is clearly a product of the critical economic situation of the island, where wealth is concentrated in the hands of a few large landowners and where the extreme poverty of the peasants continues to produce desperate young men such as Giuliano. In the second place, the failure of local and Government police to apprehend Giuliano offers the Communists an opportunity to charge the Government with inability to maintain order, and even with collusion with the wealthy Sicilian landowners who allegedly protect Giuliano.

There are several reasons for Giuliano's local popularity. Traditionally, Sicilians are hostile to "the Rome Government", which has tended largely to ignore the problems of Sicily. Sicilians consequently consider Giuliano as their defender against what they regard as an occupation army of federal police. Furthermore, Giuliano's appeal to Sicilian separatist sentiment brings him the support of otherwise heterogeneous political groups which are anxious for Sicilian autonomy. On the extreme Right, the neo-Fascist Italian Social Movement (MSI) is anxious to have free rein to push its program; the Sicilian Monarchists, who are numerous, aspire to establish a Kingdom of Sicily; the large land-owners, many of whom are Christian Democrats, would like to be free to continue their feudal practices without threat of land redistribution by "the Rome Government". Because of Christian Democratic control of the central Government, the Communists favor decentralization of administration, so that Sicily, in particular, could be a strategic center for propaganda or other operations. To this end, even the Communist Party may be supplying Giuliano with funds and material.

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Whether or not federal police apprehend Giuliano, the socio-economic conditions which produced him give the leftist opposition grounds for effective propaganda against the Italian Government.

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