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WESTERN EUROPE DIVISION  
OFFICE OF REPORTS AND ESTIMATES  
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

DIVISION WEEKLY

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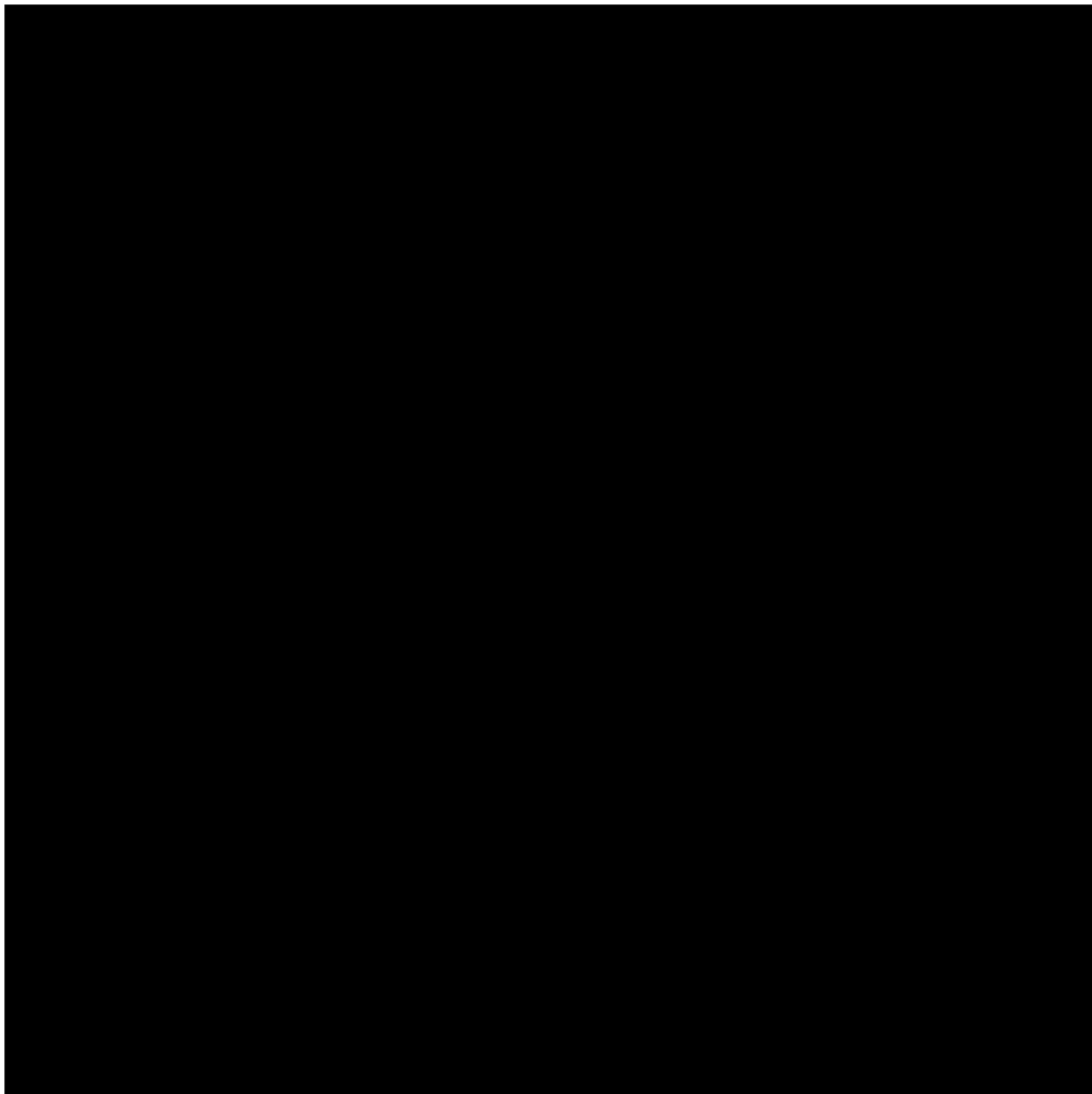


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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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For week ending  
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### AUSTRIA

B The new Austrian Cabinet promises to be a more efficient governing body for Austria than its predecessor. Four former Ministries have been abolished and their functions absorbed within existing Ministries, thus effecting a beneficial amalgamation of previously overlapping responsibilities. Within the economic Ministries there has been an increase in Socialist participation, which improves the prospects for a more efficient management of the nationalized industries. Finally, the new Cabinet does not include some of the former Ministers who had shown themselves politically inadequate for their posts.

The reorganization of the Cabinet was made with an eye to conclusion of the treaty and the integration into the Austrian economy of the many industrial plants which have been under Soviet control. With these considerations in mind, the Socialists bargained well. The People's Party apparently felt the weight of Socialist labor support, publicity on governmental corruption under People's Party leadership, and the necessity of drawing the Socialists closer to Austria's post-treaty adjustments. Despite the Socialist losses in the recent election, the People's Party's own loss of its absolute majority may have temporarily strengthened the Socialist hand.

### FRANCE

B Discussion of electoral reform and Assembly dissolution within the parties of France's Third Force coalition will be intensified but are not likely to threaten the life of the Bidault Government in the near future. The discussions arose during the recent three-weeks' Cabinet crisis, which brought general acknowledgement that: (1) the Third Force coalition of Socialists, Popular Republicans (MRP), and Radical Socialists (Right of Center) is the only one possible on the basis of the present Assembly; and (2) Assembly support and internal cohesion of this coalition have been diminished. Professing that greater political stability is their aim, the Radical Socialists, together with other Rightist groups (notably the Gaullists), are urging measures leading to dissolution. As a prerequisite, however, they insist on reform of the electoral law to substitute majority voting for proportional representation.

SECRET

S E C R E T

a demand so far firmly opposed by their coalition partners.

The Socialists, hard pressed by labor for higher wages, are undecided whether it is to their best advantage to continue participation in the Bidault Government, or to withdraw. Their withdrawal would hasten dissolution, and they fear that the subsequent elections would probably reduce their strength in the Assembly. This probability would be increased with the electoral reform demanded by the Right. Although the majority of the Executive Committee of the Socialist National Council is hostile to participation, the party will probably remain in the Government until the meeting of the Socialist National Congress which is scheduled to discuss electoral reform on 17 December. Meanwhile, there are indications that the MRP, Bidault's own party and the second largest in the Assembly, will insist on retaining the present system of proportional representation. Bidault has stated that his Cabinet will remain neutral on the question of electoral and constitutional reform.

Most of the Radical Socialists favor dissolution because the national trend has been toward the Right in various elections since 1947. The Radicals are not, however, likely to force the issue as long as the Bidault Government is able to postpone or compromise controversial economic issues such as wage-price policies and the 1950 budget.

B            The Force Ouvriers (FO) is making some progress in re-creating a non-Communist trade union cartel, but will probably not be able to organize large-scale strike action in the near future. Although the FO has gained the cooperation of the Technicians' Confederation and the Federation of Autonomous Unions (FNSA), it will probably find it more difficult to conclude an agreement with the Christian Confederation of Labor (CFTC). Whereas the FO has recently been more critical of Government labor policies and has induced sharper differences of opinion within the Executive Committee of the Socialist Party, the CFTC will now be less inclined toward unity of action until the labor policy of Popular Republican Premier Bidault has been clarified. The CFTC, however, will probably reconsider cooperation with the FO should the Government both oppose an increase in basic wages and delay the return to collective bargaining.

- 4 -

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FRENCH AND SPANISH NORTH AND WEST AFRICA

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US prestige and influence in the administrative affairs of the International Zone of Tangier would be bolstered considerably if Tangier's desperate electric power situation were alleviated by the temporary use of Voice of America generators. Moreover, the hand of the present Administrator of the International Zone would be strengthened in his efforts to improve conditions in the Zone. Tangier is perennially plagued by an inadequate electric supply, which under present concessionary arrangements is obtained from Spanish Morocco. Severe power shortages in the Spanish Zone for many months have intermittently cut off this source of supply, so Tangier has attempted to furnish its own electricity, depending upon obsolete stand-by equipment. With the breakdown on 30 September of the second auxiliary generator, the city was left without light. Installation of the new generators ordered from the US some time ago will not be completed until mid-1950, and offers of power from French Morocco encountered the refusal of Spanish officials to permit power transmission through their Zone.

Use of Voice of America facilities for essential power for the next six months, by which time permanent and adequate equipment can be installed, would solve one of the two principal problems facing the Administrator of Tangier, who would then be free to concentrate his efforts on providing an adequate municipal water supply.

BELGIUM

B

Passage in Belgium of the "popular consultation" bill (designed to measure public sentiment on the royal question) is likely when the Chamber of Deputies meets 15 November to discuss and vote on the measure. Adoption of the bill would mean that if 55% or more of the population votes in favor of Leopold, Parliament will consider lifting the ban on his return. Opposition to the bill by Liberals, who are not bound by any party policy, will be more pronounced than in the Senate, and the Socialists and Communists, who are stronger in the Chamber than in the Senate, will again be in opposition. Liberal and Socialist Party leaders confidentially admit, however, that King Leopold's chances are improved, but that the vote in favor

SECRET

of his return probably will be only slightly above 55%. An indication of the Socialist tactics, in the event of a "popular consultation", was given at the Socialist Congress. Former Premier Spaak emphasized that the Socialists did not oppose the monarchy as such, and would be willing to accept Prince Baudouin if King Leopold would abdicate. It is probable that, if Leopold receives only 55-60% of the popular vote, the Socialists will receive strong Liberal support in their demands for Leopold's immediate abdication, after his return, in favor of Baudouin. Leopold himself has said that he would abdicate if he did not get 55%. If Leopold returns, Socialist labor leaders foresee only a few sporadic protest strikes in the Walloon area, despite the threats at the Socialist Party Congress of widespread disorders.

## ITALY

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Doubt will be cast on the sincerity of the De Gasperi administration's efforts to encourage the formation of an effective non-Communist labor organization if the Cabinet decides to support the labor legislation it is now considering. A decision in favor of the legislation would also weaken the effectiveness of the Government in the field of domestic policy by incurring the opposition of the moderate Leftist political parties and the left wing of the Christian Democrats.

Among the various controversial points in Labor Minister Fanfani's proposed law on labor unions, the severe restriction of the right to strike is most bitterly opposed. This right, which is granted by Article 40 of the Constitution, is practically abolished in the proposed law by the imposition of various limitations on the numbers of workers allowed to strike, and by regulations requiring strike notice. Furthermore, the proposed ban on strikes by Government and public services employees is opposed by the Christian Democrat-dominated Free General Labor Confederation (LGGIL), the moderate Leftist Italian Federation of Labor (FIL), the Republicans, moderate Socialists (PSLI) and Christian Democratic left-wing elements. The last three groups go so far as to assert that there should be no distinction between political and economic strikes.

The resolution of the Christian Democratic National Council, generally subscribing to the Fanfani bill,

- 6 -

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has brought expressions of dissatisfaction from LCGIL chief Pastore and Christian Democratic left-wing leaders. LCGIL leaders have declared that their organization will continue to oppose the Christian Democratic Party on the matter of labor legislation.

If the Government presses for Parliamentary passage of the labor union bill in its present form, it will prejudice efforts eventually to bring the LCGIL, FIL, and independent unions together in a strong anti-Communist labor front. Moreover, by accentuating the already-existing cleavage between the left and the center-right wings of the Christian Democratic Party and by alienating the Republicans and PSLI on this issue, Christian Democratic Government leaders will also endanger that unity of action among the coalition parties which is essential for successful implementation of a constructive political and economic program.

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Italian cooperation in ECA efforts to reduce trade barriers in western Europe would be weakened, and propaganda against ECA would be stepped up, if the contemplated 50% export subsidy on certain US fruits is put into effect. The proposed exportation of these subsidized fruits to ERP countries would usurp traditional Italian markets for these fruits. These markets are particularly important to the preponderantly agricultural economy of southern Italy. Italy would be the more sensitive in this respect because of the adverse affect upon such exports already exerted by devaluation of the pound sterling. (The UK is normally a large market for Italian fruits and vegetables.)

Passage of this subsidy might have political repercussions far exceeding its actual economic import. Playing upon Italian sensitivity regarding these exports, Italian Communists would seize upon the subsidy as evidence of their claims that ERP is a plan to dump US surpluses on western Europe. Also, coming hard on the heels of the Hoffman plea for trade liberalization in western Europe, it would be cited by interests opposed to such liberalization as evidence of dubious goodwill on the part of the US. Such political reactions might seriously handicap the sincere efforts of the Italian Government to cooperate with ECA trade aims.

- 7 -

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## THE VATICAN

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Increased Vatican support for the emergence of west Germany as an active member of the European community can be expected. Pope Pius himself has long been strongly interested in developments within the German state. Recently, the Vatican established semi-diplomatic relations with Germany through Archbishop Muench (Regent of the Apostolic Nunciature), who reportedly confers often with Germany's Catholic Premier Adenauer. Monsignor Kaas, former right-wing leader of the German Catholic Center Party, and who was instrumental in bringing about its vote for Hitler at the meeting of the Reichstag in March 1933, has remained in Rome, presumably to press the German cause at the Vatican, in spite of reported invitations to return to Germany. Father Reichenberger, one of the most articulate spokesmen for the Sudeten Germans, has also been in Rome, and has now made a tour of Bavaria, which with the Rhineland forms the center of German Catholicism. The Holy See is said to be working to create new centers of Catholic lay activity in this area.

The recent establishment of the Soviet-sponsored German Democratic Republic strengthens the hand of those Vatican leaders who have been stressing the importance of a strong west Germany as an added counterweight to Communist strength in eastern Europe. Furthermore, indications that the three Western powers plan to liberalize their policy toward Germany will encourage those Vatican circles which have long hoped for a softer policy.

The Vatican will probably urge the admission of Germany and the Saar into the Council of Europe, and may subsequently stress the need for a plebiscite in the Saar and eventual return of the region to Germany. Meanwhile, the Vatican would presumably welcome any decision to end the dismantling program in Germany. Vatican leaders may unofficially urge revision of the Polish-German boundary, a matter on which Premier Adenauer has been increasingly vocal. In pushing this point, even unofficially, the Vatican would risk defection of the Catholics in Poland, and would provide the Communist governments of the Satellites with useful propaganda material. In view, however, of the relative potentialities of the two states for developing into strong Catholic and anti-Communist forces, the Holy See may take this risk, in spite of elements in the Vatican which fear the reemergence of a dangerously nationalistic Germany.

- 8 -

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SPAIN

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Although the Franco Government is being progressively weakened because of its inability to halt the decline of the national economy, the anti-Franco coalition movement centering around the Pretender probably will lose rather than gain strength at this point. This trend will be accentuated as a result of Franco's avoidance of a meeting with Don Juan in Lisbon, for the Socialists, seeing that a rapprochement between the two is not in the making, will not feel impelled to make further commitments to the Monarchists. The Monarchists already have been over-confident in claiming full Socialist agreement to support Don Juan as the head of an interim government for a four-year period. Trifon Gomez, head of the Socialist-affiliated General Union of Workers (UGT) in exile, has denied that he signed the agreement. The Leftists have always distrusted Gil Robles, the Pretender's most ambitious adviser, and this feeling has probably been reinforced by Gil Robles recent activities. The Monarchists are still confident that the Interior Committee of Coordination of anti-Franco groups will abide by the four-year agreement, but the Monarchists probably will make little further progress in winning support from exile groups for the present.

Meanwhile, as the Franco regime continues unable to overcome the country's multiplying economic troubles, and particularly as these problems are intensified by the lack of fall rains to break the drought, each group opposed to the Caudillo will tend to stand off by itself, believing that its objectives can be attained by waiting on events.