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WESTERN EUROPE DIVISION
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER
DIVISION WEEKLY

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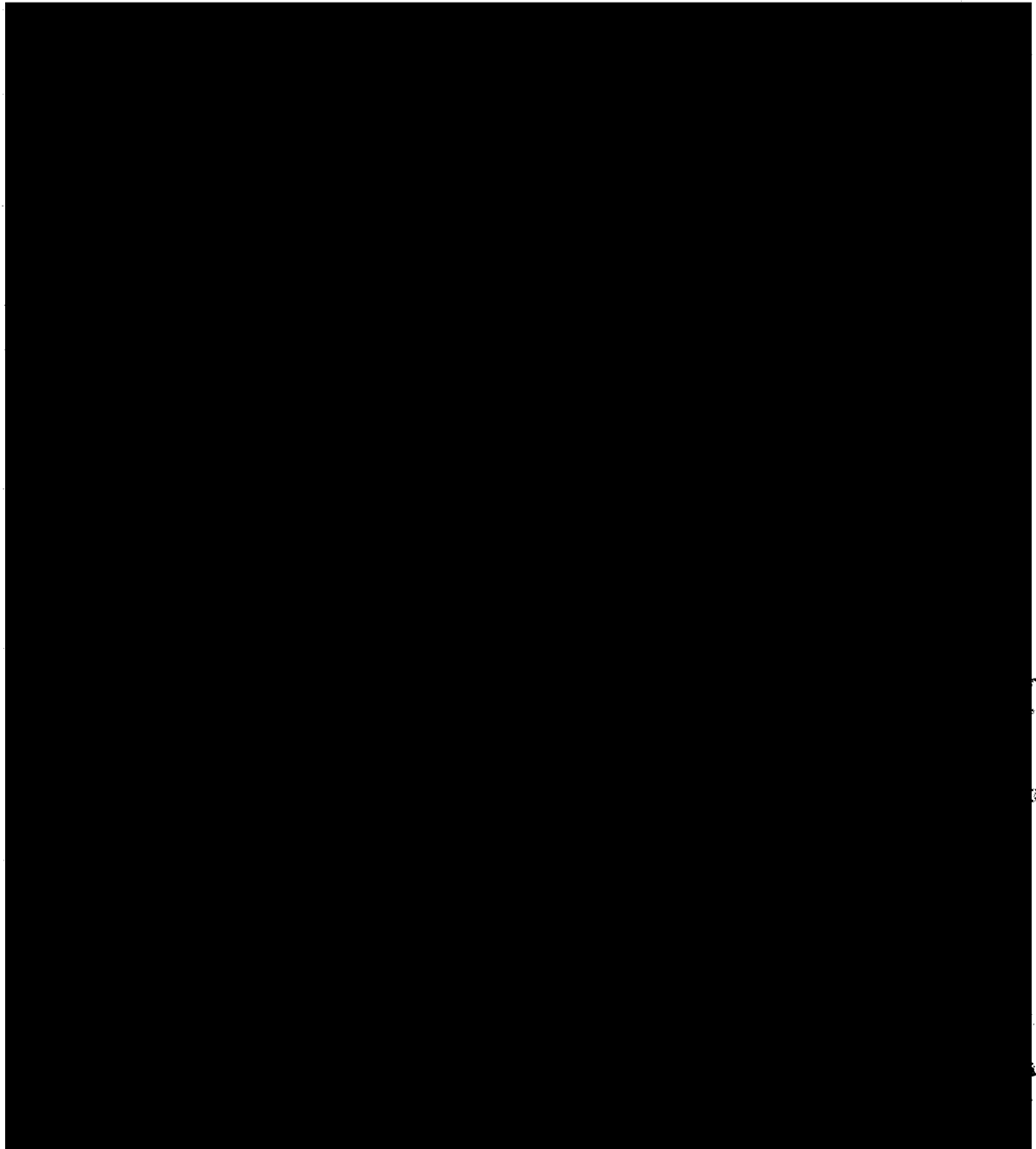
WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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For week ending
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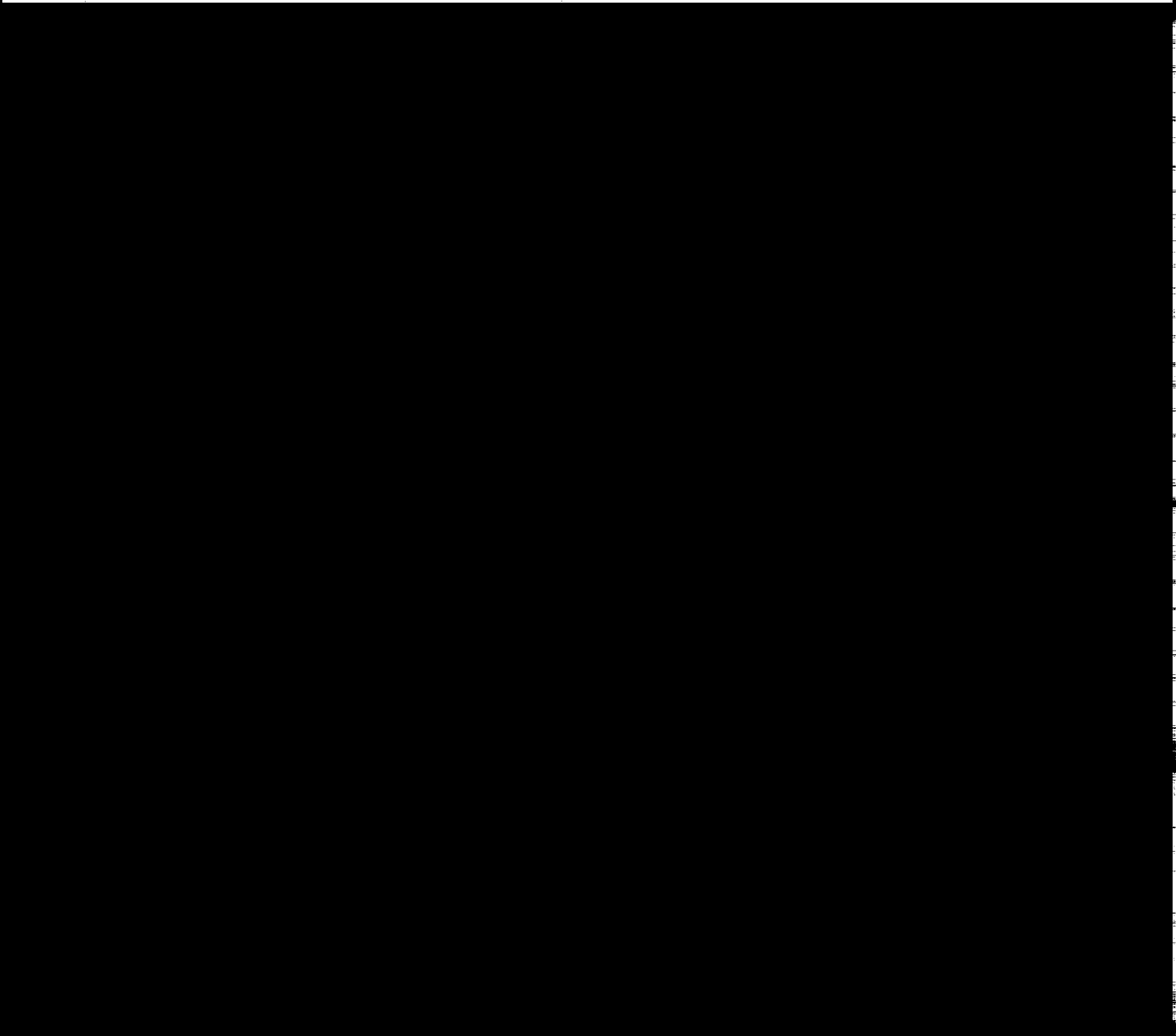
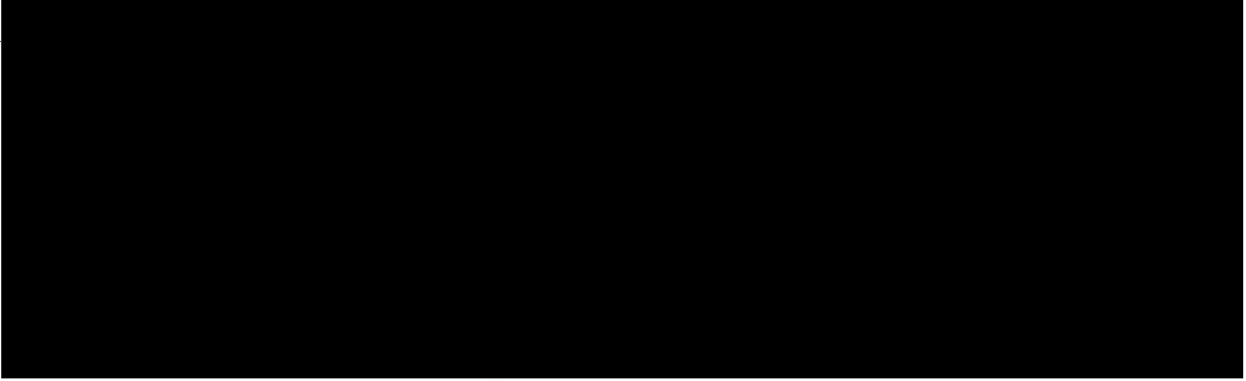


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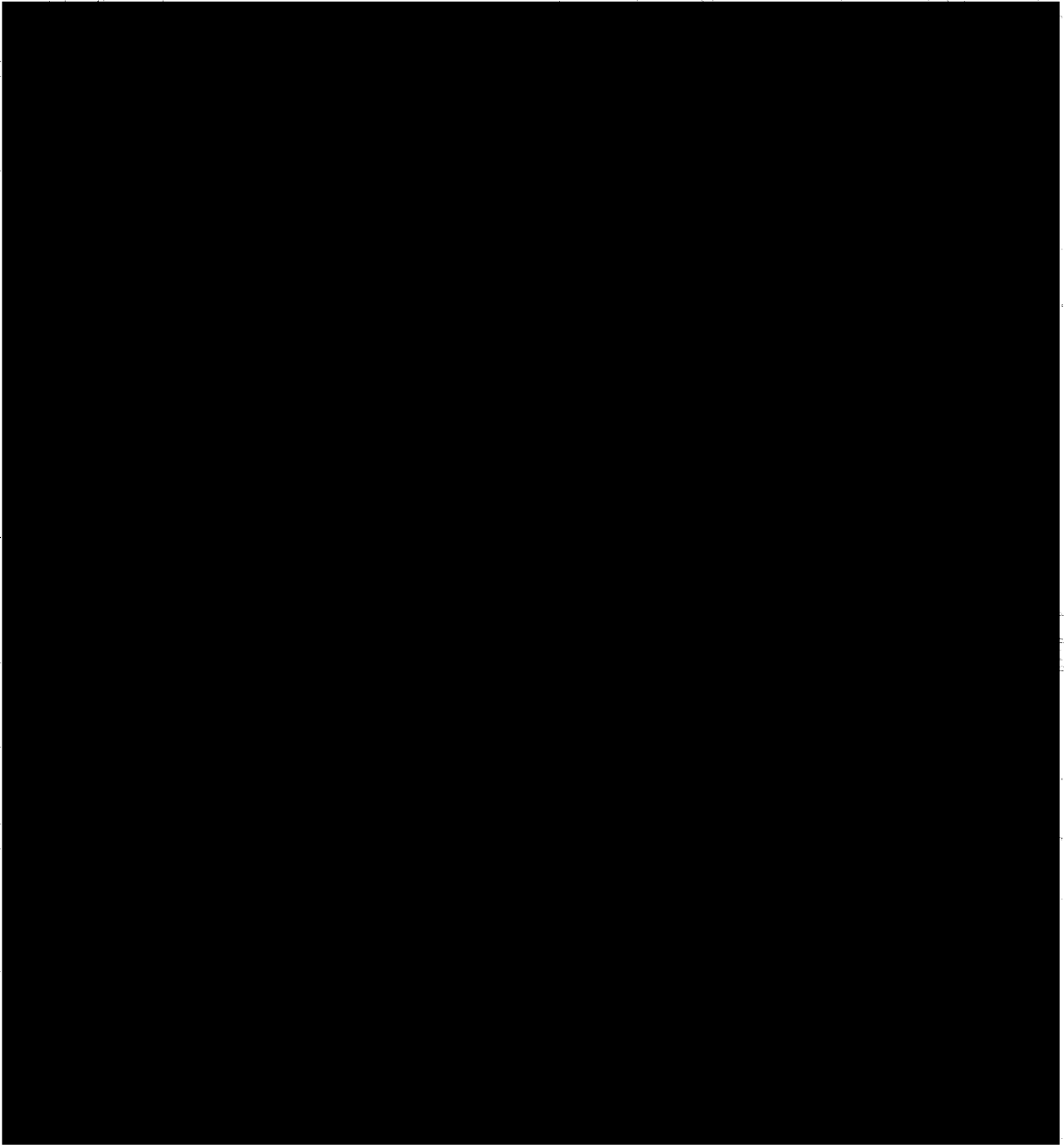
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AUSTRIA

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The end of the extraordinarily peaceful postwar relations between labor and management in Austria is heralded by the apparent abandonment of wage settlements on a national basis. The rejection by the Chamber of Commerce (a semi-official organization representing industry) of the demand by the Trade Union Federation (TUF) for one general cost-of-living bonus payment, binding on all industry, has

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been the first step toward the decentralization of wage settlements. Furthermore, the Socialist Party appears to be headed toward a change in its wage policy from general agreements to that of wage negotiations by individual unions under central TUF guidance. If this comes about, it will emphasize an increasing return to strikes as a regular feature of Austrian economic life.

To date, the decision of the Chamber of Commerce to negotiate on the bonus in each industry with individual unions (including white collar workers) has contributed to widespread strikes, which, although short, represent considerably underlying labor dissatisfaction. The Communists succeeded in fanning this discontent into scattered violence in at least four cities, all in the western zones. Furthermore, these disturbances have taken place in the face of the admonitions of Socialist leaders to workers to conduct themselves legally. Although successful decentralized negotiations should be possible, the fact that they are conducted on a local level will improve the Communist position to foment labor unrest.

The People's Party opinion that stability in the price-wage relationship has been restored by the general stop-gap payments, limited governmental success in rolling prices back, and reduction of taxes, is purely optimism. The wholesale price index (1937 equals 100) rose from 425 in October to 451 in November, and the retail price index increased from 431 to 463. The continued wage-price disparity reinforces the Socialist stand that measures of more lasting effect must be undertaken. The change in the Socialist Party wage policy is probably an effort to minimize what it considers to be inevitable wage raises, and thus to reduce pressures on the budget and minimize increases in the general price level. In addition, there is strong sentiment within the unions and management for a return to bilateral bargaining.

FRANCE

A Any proposals of participation by foreign powers in formulating policy regarding Vietnam would be unacceptable to the French Government. In particular, it would probably reject suggestions: (1) to establish a timetable for steps toward the independence of Vietnam; or (2) for an international commission to supervise steps leading to Vietnamese independence, as means of encouraging Vietnamese support

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for the Bao Dai regime. The French claim that they are making reasonable progress under present political circumstances in implementing their program for Vietnamese independence, although they realize that the arrival of Chinese Communist forces at the Sino-Tonkin border will appreciably strengthen the Ho Chi Minh resistance in Vietnam. The French consider that the concessions specified in the Auriol-Bao Dai Agreements of 8 March 1949, supplemented by the conventions presently being negotiated in Saigon, are a sufficient indication of their good intention regarding Vietnam. The French Government expected that the 8 March Agreements would be ratified by the end of 1949, when administrative functions are scheduled to be transferred to Vietnamese authorities. They anticipate, moreover, that such limitations on independence within the French Union as may exist at that time can be gradually removed when peace has been restored and a non-Communist government gains control throughout Vietnam.

Actually, France's sensitivity to foreign "meddling" in the affairs of the French Union has already been increased by the manner in which the UN has dealt with the Italian colonies problem, with its implications for French African interests. In the long run, moreover, considerations of prestige and tenacious opposition to concessions beyond the 8 March Agreements from the moderate and conservative political parties would render unacceptable any proposals of "interference" by foreign nations. As long as the French can claim that the presence in Vietnam of French military and administrative personnel--in addition to financial and economic support--is indispensable to prevent the spread of Communism in that country, they will use this argument to reject foreign proposals of a timetable for attainment of Vietnamese independence within the French Union.

A

The French Communist Party (PCF) is about to intensify its efforts to liquidate Titoists, "petty bourgeois" elements, and all members suspected of disloyalty to the Kremlin. This policy results both from the Kremlin's dissatisfaction with the PCF's failure to aggravate social unrest in France, and from recent indications of Titoist tendencies within the Party's ranks. During the past year, many nationally-minded French Communists and prominent fellow-travelers have been alienated by Moscow's growing emphasis on the Stalinist doctrine that all national Communist parties must be subservient to the Soviet Union.

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PCF cadres are already being reorganized in the provinces by the replacement of local secretaries of "bourgeois origin" with members of the working class. Because the Party is relying increasingly on hard-core Stalinists, who are stressing the quality rather than the size of membership, the current decline in membership is likely to be accelerated somewhat in the near future.

The PCF's numerical strength and political influence in France is likely to be weakened during the coming months. Should Parliament be dissolved and elections be held in the coming year, the GPF under any foreseeable circumstances would lose strength in the Assembly. There is, however, no prospect of a disintegration of the Party. Rather, the purging of members lukewarm to Moscow's leadership, and the increased reliance on the Party's hard-core, indicate that the leaders will become more vigilant for all opportunities to pursue their political objectives. Although the PCF has been relatively ineffective in promoting crippling strike action in recent months, it will remain on the alert to take advantage of the growing labor unrest arising from the current increase of prices.

B

The efforts of the French Government to reduce in 1950 the chronic deficit of the national railroads (SNCF) are likely to fall considerably short of their goal and arouse widespread criticism which will further jeopardize the political position of the Government. The Cabinet proposes to hold the SNCF's deficit to 57 billion francs (about one-fifth of the total prospective budgetary deficit), compared to an estimated 1949 deficit of about 133 billion francs (more than one-third of the estimated national deficit for 1949). This objective is to be attained by: (1) economies; (2) fare increases; (3) reduction of competition from highway transport; and (4) prohibition of any special advance to the SNCF from the Treasury beyond the budgeted deficit. (Such an advance, amounting to 66 billion francs, was made in 1949.)

The SNCF's administration estimates that the Government's goal could be reached only by an increase of 30-40% in passenger fares and a rise of 8-10% in freight rates. Actually, increases in rates are likely to be much smaller, as economic and political considerations force the Government to take stronger measures against the steady rise in general price levels. Economies so far planned by the SNCF amount to only 11 billion francs.

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The Government is severely limited by political considerations in its efforts to reduce the SNCF's deficit. Strong opposition from the railroad workers' unions has already been induced by the dismissal of 5,000 employees and the raising of the retirement age. Such economies would, if carried much further, be effectively blocked by widespread demonstrations in the nationalized industries. No extensive abandonment of lines, moreover, is likely, despite a recent Cabinet decree providing for the coordination of rail and highway transport. A Government proposal to levy a tax of 10,000 francs a ton each year on commercial trucks, in order to reduce their competitive advantage as the SNCF's rates are raised, is meeting firm resistance from transport operators. Provided, therefore, that the Third Force coalition remains in power, the SNCF's deficit for 1950 is likely to reach almost twice the size presently planned by the Government, or close to 100 billion francs.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B Fearing prolonged strikes in the public utilities services, in agriculture, and in the mines, the French Residency General in Tunisia may shortly take action to raise wages. Labor's demands for increased wages, which are substantially below rising living costs, are spearheaded by the nationalist labor organization (UGTT). This union, long-sponsored by the principal nationalist organization in Tunisia, the Neo Destour, has shown a growing tendency to shun politics and confine its attention to labor problems. Moreover, it has proved to be a more efficient and powerful organization than its sponsor, and has succeeded in displacing the Communist-directed USIT labor union.

ITALY

B The ECA goal of a stabilized budget, toward which substantial progress has been made in Italy during the past two years, will probably suffer a set-back in 1950-51. Preliminary estimates of the 1950-51 budgetary requirements just submitted by the Government ministries total 1,793 billion lire (about 2.9 billion dollars)--a 17% increase over the 1949-50 budget. Most of the increase is represented in the proposed appropriations for public works and the armed forces. It is estimated that revenues for 1950-51 will be

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2,080 billion lire--18% less than 1949-50. Most of this decrease, however, is due to the absence of counterpart funds, which totaled 201 billion lire in the 1949-50 budget. Counterpart funds for 1950-51 cannot yet be estimated. Leaving them out of consideration, the resultant deficit for 1950-51 would be 713 billion lire, more than three times as great as the estimated 1949-50 deficit. Although some pruning in these first estimates may be expected, the Italian General Comptroller's Office has warned that it will be very difficult to reduce the 1950-51 deficits to the 1949-50 levels.

B

The non-Communist Italian labor organizations may gradually divorce themselves from political party ties. Progress in this direction would materially improve prospects for the formation of a unified anti-Communist labor front in Italy. Leaders of both non-Communist labor federations, the Christian Democrat-sponsored Free Confederation of Workers (CGIL) and the moderate Leftist Federation of Labor (FIL), have expressed growing dissatisfaction with the subservience of labor unions to political groups. The CGIL leaders have strongly opposed the Christian Democratic Party national council's support of the restrictive Fanfani labor union bill. Their stand has caused a Christian Democratic official to express regret that the Government did not have "a tamed and domesticated unionism" on which to rely. The FIL executive committee, irked at what it regards as unwarranted interference with its affairs on the part of the Republican Party, has decided (subject to ratification by the FIL directorate) that henceforth no one may hold both party and union offices. In addition, it has declared that any one seeking to impose the wishes of a political party on the FIL will be expelled from the federation.

Non-Communist trade unionists recognize that the elimination of political party influence in trade unions is a prerequisite to the creation of a single non-Communist labor organization. Efforts on the part of those desiring labor unification to make trade unions apolitical in character should now be stimulated. Progress in this direction, however, will be slow because of the traditional concept of Italian trade unions as adjuncts of the parties by which they have been sired and reared.

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THE VATICAN

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The Vatican will launch a well-organized offensive against Soviet Communist imperialism during Holy Year, which officially begins on Christmas Eve. Since the close of World War II, the Vatican has fought Communism with increasing militance leading up to the Papal decree excommunicating Catholic Communists. Because no important gains for Catholicism are discernible as the result of the decree, whereas the political successes of the Catholic parties over the Communists are demonstrable, the Vatican can be expected to encourage increased Catholic participation in local politics. At the same time, the new Vatican radio will beam anti-Communist propaganda to the world. Particular emphasis will be laid on eastern Europe, where the Holy See will intensify its fight to impress the Roman Catholic clergy with the need for standing fast against Government pressure. The Vatican will also seek to increase its missionary activity in the Near and Far East. In addition it will combat anticlericalism, which is becoming more noticeable.

Measures taken in the struggle against Communism will be aimed also at another old adversary, the Eastern Orthodox Church. Now that relations between the USSR and the Orthodox Church have become closer, and Soviet influence in the Near and Far East is increasing, Vatican leaders undoubtedly do not overlook the possibility of a new kind of Byzantine empire under the leadership of the Soviet Union. Such a powerful military bloc, containing dynamic economic and religious elements, could become a fearful adversary for the Vatican. Furthermore, the creation of strong national Catholic Churches not owing allegiance to Rome would threaten the Vatican's international structure.

While the Vatican is attacking these external problems during the coming year, Vatican leaders will be concerned also with the difficulty of reconciling the growing influence of the conservative Jesuit order on Vatican policy with the recognized necessity of encouraging the Catholic parties to develop a liberal socio-economic program which can compete with Communism.