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WESTERN EUROPE DIVISION
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

DIVISION WEEKLY

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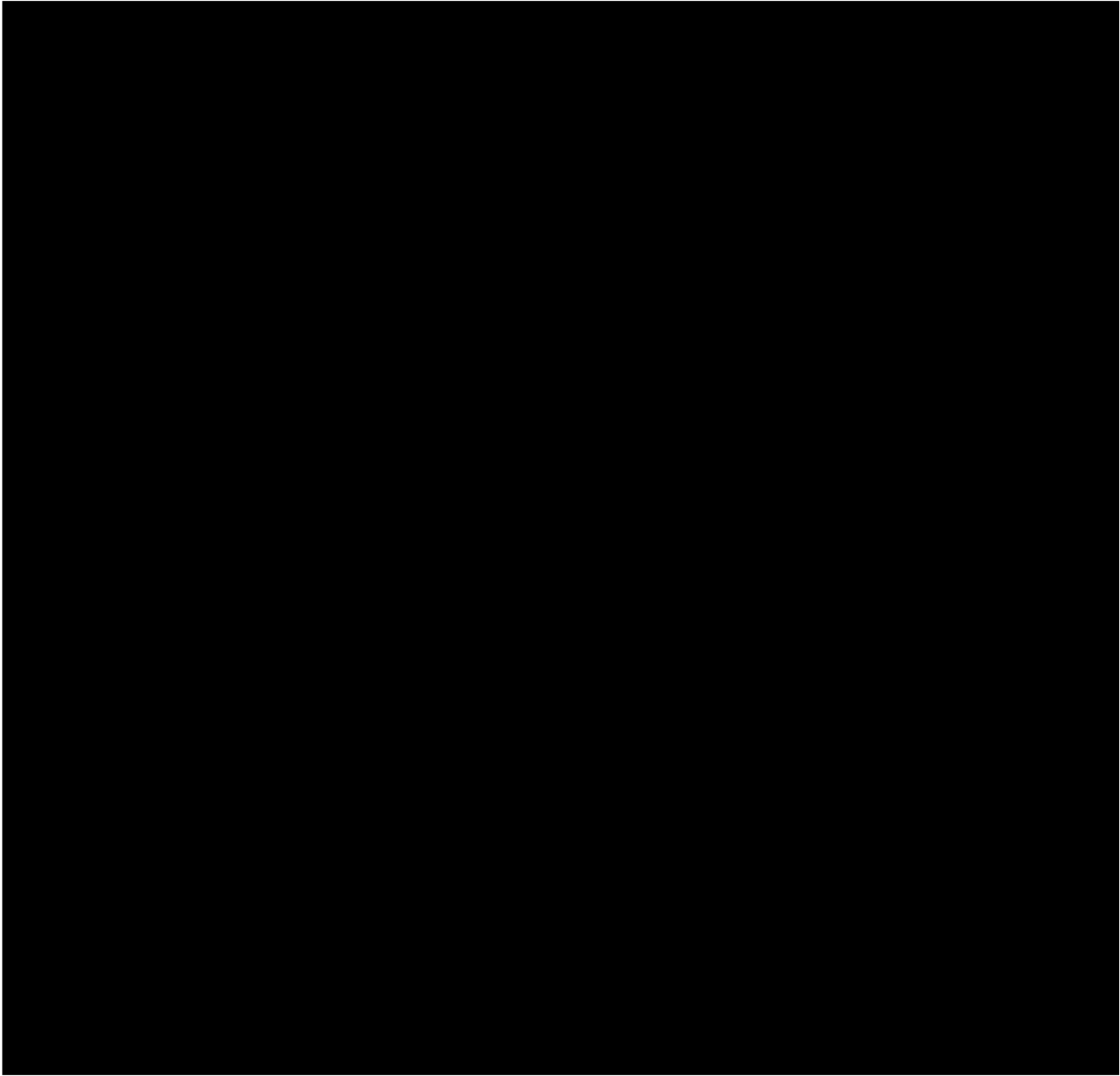
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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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For week ending
17 January 1950

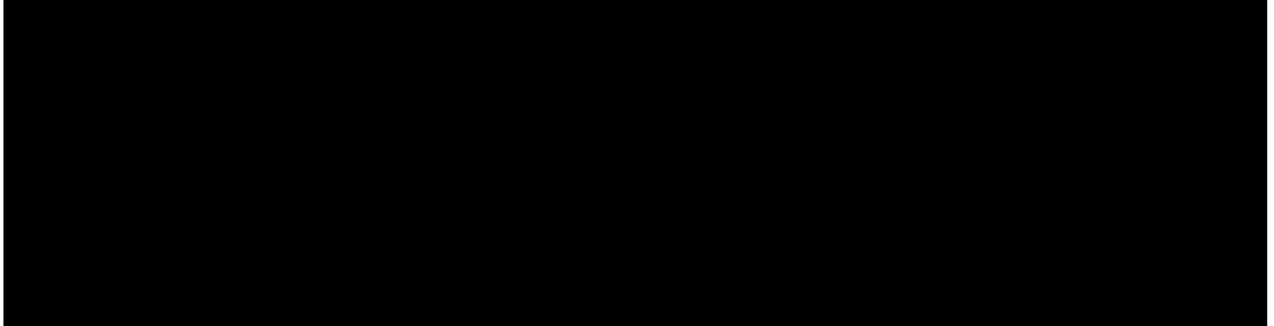


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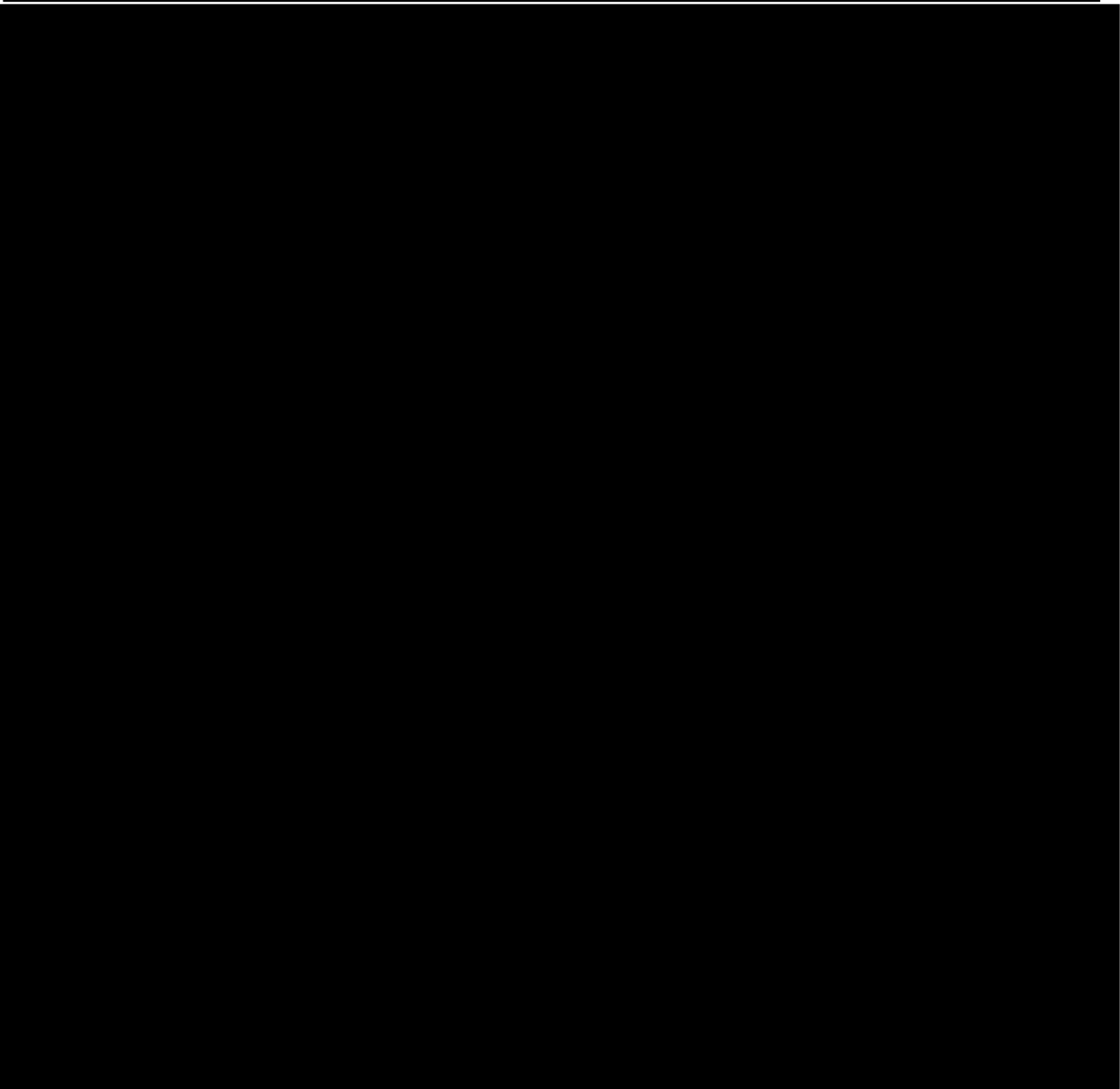
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AUSTRIA

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The emergence of the new Austrian political association, the National League, may presage a Soviet attempt to extract whatever advantages may inhere in an Austrian rightist party sympathetic to the USSR. Because the appeal of the strictly leftist and international Communist Party has been extremely slight in Austria, a more nationalistic and rightist appeal is seemingly being made through the device of the National League. This interpretation is supported by unconfirmed reports that indicate a relation of the League to west German elements-- such as the Nauheim Circle--susceptible to Soviet influence. The League also bears a strong resemblance to the east German National Democratic Party.

A suggestion of the future role of the National League can be had by considering its known personnel. Official spokesmen of the League are two former officers of the von Paulus army, both of whom have been in Soviet indoctrination camps for POWs. One of these, Franz Heger, was a leading member of the Austrian Association of Independents (a party organized in mid-1949) until he was expelled, apparently for suspected Soviet penetration work. Other League followers are believed to be largely former German army officers, Hitler youth leaders, and Nazi party functionaries. Their participation in this new association suggests that they are dissatisfied with the Association of Independents, which received a large share of the ex-Nazi vote in the October 1949 elections. An extremely small radical element from the People's Party may also form a part of the League.

Several reports also connect Josef Dobretsberger, founder of the unsuccessful Democratic Union, with the National League. Although Dobretsberger has been anti-Nazi in the past, his record with respect to the USSR is less clear. It is not believed that he has ever consciously worked for Communism, but his program for the Democratic Union stressed opposition to ERP, increased trade with the Soviet satellites, and friendly relations with the USSR.

The current following of the National League is small, being estimated at 300-400. The League constitutes no present political threat in Austria, and its prospects appear to be extremely poor. Its emergence, however, is indicative of continuing Soviet interest in Austrian political life, and may also represent a realistic appraisal by the USSR of the present and future prospects of the Austrian Communist Party.

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FRANCE

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Early French ratification of the 8 March Accords, granting autonomy within the French Union to Vietnam, seems to be assured. This step will remove one of the obstacles to international recognition of the Bao Dai government. The major obstacles to ratification has now been removed, as the Socialists have recently committed themselves in favor of this step, leaving the Communists the only major group in opposition. Since conclusion of the agreements with Bao Dai early in 1949, the French Government has hesitated to press for quick approval, mainly because of strong Socialist opposition. The measure will probably come up for debate in the National Assembly during the last week in January.

Although the Socialists now support ratification, they maintain that they will not thereby acknowledge Bao Dai as the exclusive representative of the Vietnamese people. They regard him merely as a necessary go-between, until the cessation of fighting permits the Vietnamese an opportunity to choose their regime. Long-standing Socialist pressure for a military truce in Indochina is therefore likely to increase. The Socialists may also attempt to use their promised support of ratification as a lever to get the Government's approval of the second "patience bonus", now urgently demanded by labor. The political parties of the Right will not raise their objectives to some aspects of the 8 March Accords because they realize the political advantages of French ratification prior to any diplomatic move by the Chinese Communists on behalf of Ho Chi Minh. The large political group of the Center, the Popular Republican Movement (MRP), has long favored early ratification.

B

The current demands of French labor leaders for a cost-of-living (3,000 franc) bonus will probably not be backed by strong rank-and-file pressure, or by a Socialist threat to withdraw from the Bidault Government. These leaders will be intent upon the restoration of collective bargaining, which might be prejudiced should the Government fall in the near future.

Bidault has refused payment at this time of a bonus similar to that granted in November, but has promised to work for Parliamentary approval of the collective bargaining bill by 1 February, and has authorized payment of a 3,000-franc bonus to lowest-paid categories of civil servants and agricultural workers, groups not included in the November

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bonus. The Socialists are likely to adopt an attitude of compromise and postpone any decisive action until February. Should final passage of the collective bargaining bill be delayed beyond 1 February, however, the Socialists will probably renew their threats to withdraw from the Government.

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Persistent pressure from economic groups will continue for some time to impede the French Government's cooperation in ECA's far-reaching objectives concerning the advancement of western European economic integration. The opposition stems mainly from industrial, agricultural, and labor organizations, which, though professing support of the principle of trade liberalization, strongly oppose any "premature" plans for regional integration that would result in a major increase of competitive imports harmful to the French economy.

French industry is wary of the initial impact of accelerated liberalization of trade. French businessmen fear that competition with foreign countries will be made all the more difficult by wage increases granted to labor, because these are likely to be largely reflected in increased prices of manufactured goods. There are indications that the formation of cartels is envisaged by industrialists. The employers' bloc (CNPF) favors the establishment of international agreements to soften the impact of liberalization, and eventually to achieve specialization in industry through coordinated production. This organization, moreover, recently announced that some contacts had already been made by several French industries for the purpose of forming cartels with German firms.

Agriculture and labor will also continue to protest against further lifting of import quotas, the former fearing disadvantageous competition and the latter increased unemployment. The farm bloc (CGA) and the Communist-led General Confederation of Labor (COT) argue that trade barriers should not be lowered until France has further modernized production in order better to meet foreign competition.

In view of the opposition from these groups, and the unstable political position of the Government, it will probably resist: (1) early tangible steps toward interconvertibility of European currencies; (2) substantial concessions to trade liberalization under the proposed Pritalux agreements; (3) admitting Germany into any arrangements without the UK; and (4) reversing its recent policy of applying tariffs as import quotas were removed. Although the Government's decisions to

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lift quotas on: 54% of manufactured goods, 52% of agricultural products, and 58% of raw materials indicate that some progress toward western European economic integration has been made by France, it will not satisfy the present objectives of ECA.

FRENCH AND SPANISH NORTH AND WEST AFRICA

A

Glaring defects are apparent in the implementation of French plans to strengthen appreciably the military defenses of the west African areas. Maneuvers near Bobo Dioulasso in Upper Volta revealed that very little, if any, progress had been achieved in the unification and development of the French military forces in West Africa. Despite inspired accounts in the French press of the "magnificent" display of French armed power, the French commander of the joint armed forces was so unfavorably impressed that he left the scene before the maneuvers terminated.

Aside from the paucity and obsolescence of the materiel employed, high-ranking officers apparently lacked an understanding of the tactical problems involved. A mentality reminiscent of 1914 guided the operations, and was accompanied by a spirit of defeatism harking back to French military opinion and behavior in 1940, and an absence of interest in the potential and strategic importance of the area. Although probably provoked by the French delay in providing the funds, personnel, and materiel required to build up an adequate defense system, this atmosphere of discouragement does not augur well for the maintenance of internal security.

French West Africa is the largest area under French control, and contains a population almost half that of France. It is the most backward politically, economically, and socially of the French-dominated overseas territories, and includes a large and growing Communist-slanted political party, the African Democratic Rally (RDA). Continued military weakness and ineptitude would inspire Communist interference, should Soviet interest shift from Asia to Africa.

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BELGIUM

B There will be increasing strain on the somewhat unstable Belgian Catholic-Liberal Government as a result of the controversy over the status of King Leopold and a securities scandal involving some prominent Catholic leaders, but these pressures probably will not cause the fall of the Government in the near future. Reports on the recent visit of Foreign Minister van Zeeland to King Leopold indicate that the King recommended repeal of the law of 1945 (which declares the King ineligible to rule), instead of continuing debates for a "popular consultation". The bill providing for a "popular consultation", representing the Catholic Party's official policy, has already passed in the Senate and probably will be adopted by the Chamber of Deputies; it is doubtful whether any proposals to abrogate the law of 1945 prior to the "popular consultation" will receive serious consideration. In any event, various opposition members would like to have the responsibility for a "popular consultation", or any other solution to the royal question, fall upon the present weak and partly discredited Government.

ITALY

A A serious deterioration of Italian labor-management relations underlies the recent Modena disorders, and if it is unchecked, it may be the cause of further violent demonstrations. Management, heartened by the steady weakening during the past year of the Communist hold on organized labor, is resorting more and more to unilateral action. The Government, conscious of its increased prestige and ability to make effective use of the police arm, makes no serious efforts to discourage strikes, in the belief that they will fail and that their failure will be a victory for Italian democracy.

The entire strike pattern at Modena, including the violence, the most serious since July 1948, evidenced careful planning by the Communists. Their plans were based on a valid economic issue, which the Communists were able to develop to arouse strong worker support in north Italy. Even the Christian Democrat-sponsored Free Labor Confederation has

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condemned what it regards as "unjustifiable" action by the management of the Modena plants in closing the factories to get rid of surplus workers. The Free Confederation has also criticized the Government's local officials for alleged inadequate and tardy attempts to mediate. A continuation of the intransigent attitude of management and the unwillingness of the Government to mediate would probably precipitate other serious outbreaks. Such an eventuality would make it difficult for the non-Communist trade unions to avoid supporting the policy of the Communist-dominated General Labor Confederation (CGIL), and would obstruct the creation of a single, effective non-Communist labor organization. This total situation would materially enhance the prestige of the Italian Communist Party, and would seriously undermine popular support of the Italian Government.

PORTUGAL

B Portugal may be forced to recognize the Chinese Communist regime soon, in view of the recent British recognition of the regime, and the high vulnerability of Macao. Dr. Salazar prefers to be guided by US, French, and other reactions, and has expressed full agreement with the policy of waiting for evidence of international responsibility on the part of the new Chinese Communist regime. Events, however, may force his hand. In keeping with its traditional nationalistic attitude, Portugal will endeavor to maintain a satisfactory relationship with the Chinese Communists out of concern for Macao, even though the colony is of little economic or other use to Portugal. The Portuguese have not discounted the possibility that Macao will be attacked, and are fully aware that in such an event they could not offer effective resistance against the Chinese Communists. It is highly probable that the Communists will not attack the colony, however, before trying to negotiate with Portugal for the return of Macao to Chinese sovereignty.

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SPECIAL ARTICLE

FRENCH HOUSING PROGRAM

B An adequate French housing program, which ECA regards as clearly desirable to insure attainment of its major objectives in France, is not likely even to reach the planning stage in the coming months. This failure of the French Government to act on an important demand of all labor organizations, in a period of intensified pressure for wage increases, will contribute to social and political unrest in France. Moreover, the failure to promote the housing program means the loss of an opportunity to overcome the current widespread indifference of the workers toward the ERP's benefits for France.

In 1947, over a million dwelling units were considered to require replacement urgently, and almost 4 million others were judged unsatisfactory. Yet, only about 80,000 units have been rebuilt since 1946, while an approximately equal number are to be rebuilt in 1950. New housing construction is just beginning to be encouraged. The present rate of new residence building is insufficient even to offset obsolescence, and would have to be expanded roughly ten times in order to give France adequate housing by 1970.

Housing construction at a considerably lower rate than that estimated to be necessary will probably be undertaken in the next few years. Private financing, strongly discouraged by the low rent ceilings, will probably continue to be negligible. The alternative, public financing, is blocked by the Government's investment policy, which existing political and social forces are likely to maintain largely unchanged in 1950. This policy will continue to emphasize heavily the modernization of basic industries, on the premise that export expansion and the balancing of foreign payments accounts are the primary national goals for 1952, when ECA aid is scheduled to be terminated. The chronic budgetary stringency does not permit substantial sums to be invested in both industrial and social programs.

The non-Communist Left has already, however, criticized the Government's investment program, alleging that attainment of "adequate" production and even "over-production" is now in view in many basic industries. In any event, as labor unrest grows during 1950, the existing long-range investment goals of the French Government may be undermined by its failure to embark on a large-scale housing program.

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