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WESTERN EUROPE DIVISION
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

DIVISION WEEKLY

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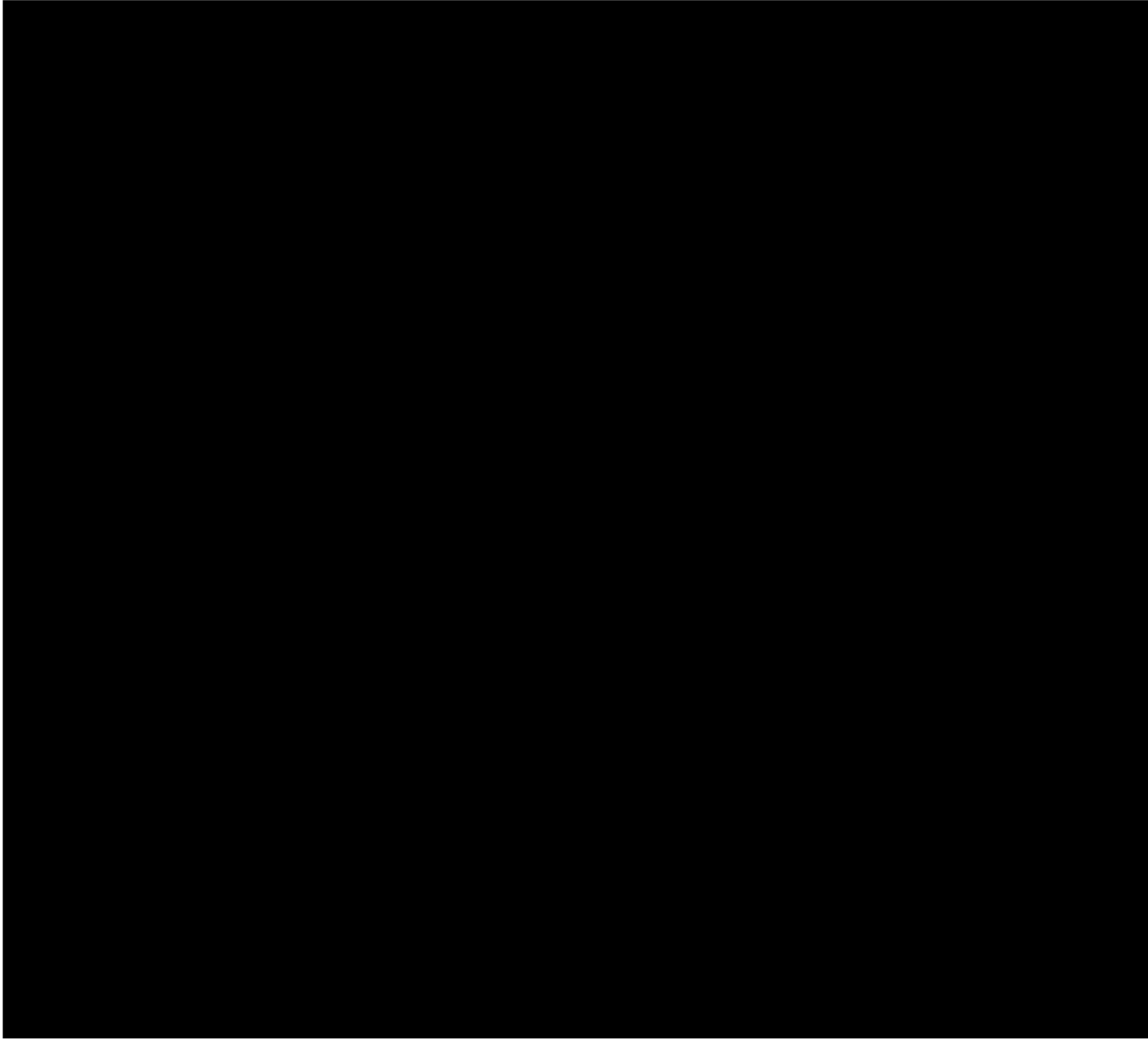
WESTERN EUROPE DIVISION

WEEKLY SUMMARY

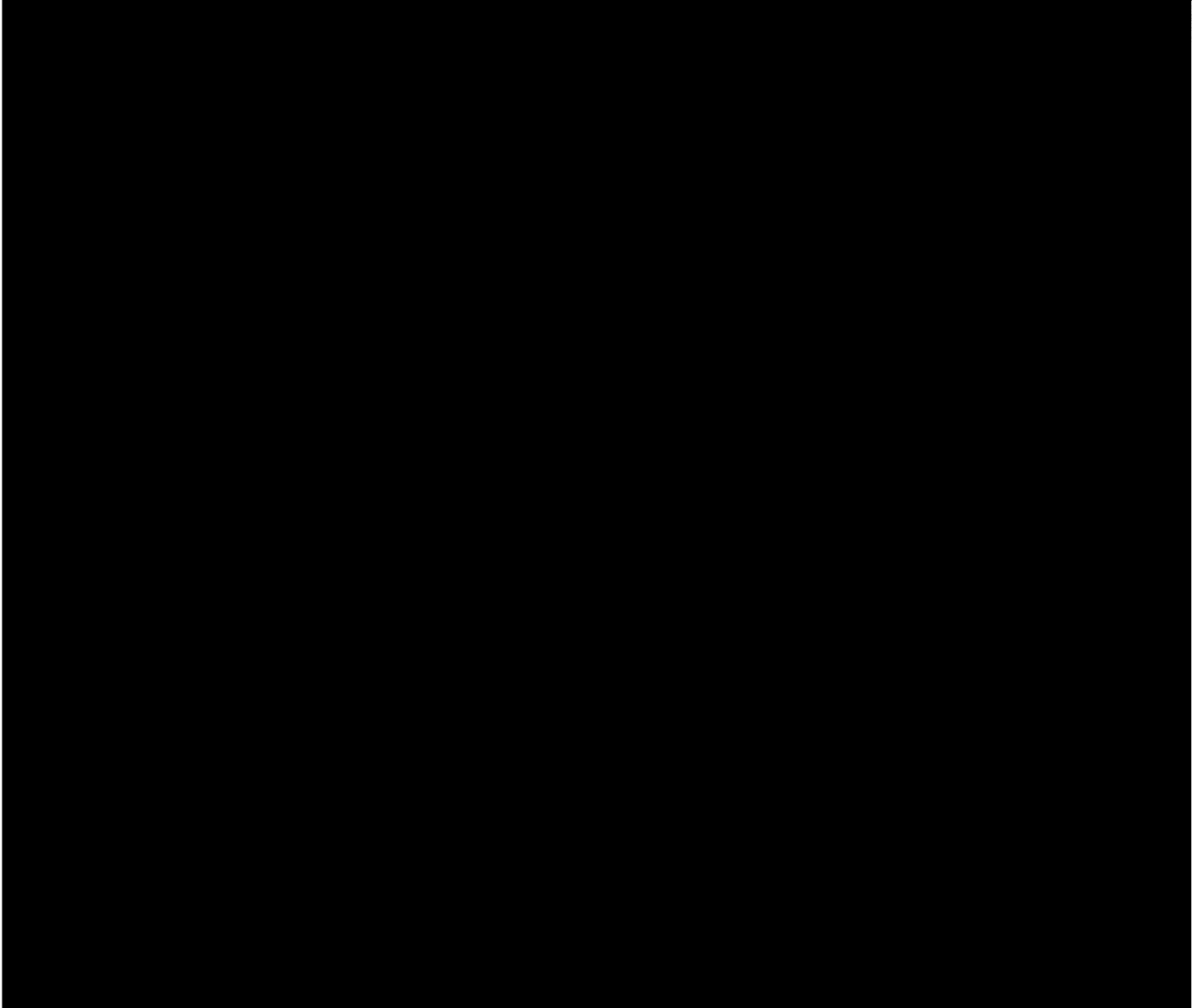
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AUSTRIA

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The current Austro-Soviet financial negotiations in Vienna are a transparent pretext for delaying the Austrian treaty negotiations; they appear, furthermore, to afford ample opportunity for protracted bilateral discussion. The amounts involved in the Soviet claims for supplies and services rendered the Austrians since 1945 are comparatively small, and the Austrians have made a reasonable offer as a basis of settlement. The USSR may well object to the Austrian offer,

- 2 -

~~SECRET~~

S E C R E T

however, because it is calculated to realize some of Austria's counterclaims.

The most important feature of the Austrian offer is the reciprocal abrogation of Austrian claims against the Soviet element, in exchange for Soviet surrender of certain of its claims. The Austrians would waive their claims for reimbursement of civilian occupation costs in excess of the amount it was agreed Austria should pay to the Soviet element. On 9 December 1949, these claims for reimbursement amounted to 272 million schillings. In addition, the Austrians have offered to postpone the date specified for renunciation of these claims, which would mean a further loss to Austria. The suggested offer does not involve the cost of relief foods supplied by the USSR in 1945 or the costs of returning POWs; these would be paid separately by Austria.

The chief Soviet claim which the Austrians include in the compensation agreement is 111 million schillings for alleged work done by the Soviet army toward the rehabilitation of the Austrian railroads. Compared with the amount which the Austrians are ready to forego, this is entirely in the Soviet favor. Besides, the Soviet claim appears to be inflated in view of the fact that POWs and forced labor did the work, and the Soviet estimate was calculated on the higher 1947 wage levels instead of on those of 1945-46, when the work was actually done. Soviet claims for rental of locomotives and rolling stock, claimed as war booty by the USSR but presently operating in Austria, have not been advanced, but the Austrian proposal seems to be calculated to include any such claims, should the question arise.

FRANCE

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Socialist threats and the postponement of action on the collective bargaining bill will probably force the French government to authorize payment of a 3,000-franc "patience" bonus to workers. In an effort to speed implementation of the collective bargaining bill, the Government has introduced a separate measure providing for immediate employer-employee wage negotiating prior to restoration of complete collective bargaining. Socialist Secretary General Mollet

S E C R E T

says, however, that this measure will not reduce Socialist pressure for the bonus, and has warned Premier Bidault that unless a bonus is granted, the party will withdraw its ministers from the Government. Although the Premier would not then be obliged to resign, and could replace the Socialist ministers, it appears more likely that the Government will compromise to avoid weakening the coalition. Despite the Socialist demand for a bonus for all workers earning less than 18,000 francs a month, the Government will probably restrict the bonus to those earning less than 15,000 francs, as was done in November.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B Nationalists and, to a lesser extent, Communists throughout North Africa will receive encouragement from a petition of the Tunisian nationalist labor union (UGTT) to the UN Economic and Social Council (EcoSoc) for an investigation of North African economic and social conditions, and trade union freedom. This request, coming from a Tunisian nationalist source, will carry more weight than a recent Egyptian suggestion in the UN for an investigation of conditions in Tunisia and Morocco. These efforts were blocked by the exasperated French, who proposed a counter-investigation of the Anglo-Egyptian Sudan.

The Tunisian démarche coincides with proposals of the USSR and the World Federation of Trade Unions (WFTU) to EcoSoc, urging similar action for dependent and colonial areas in Asia and Africa. The initiative shown by the UGTT in sponsoring a measure in line with one of the chief Soviet propaganda themes is symptomatic of the Communist influence exerted upon the UGTT by its affiliation with the WFTU. This initiative, moreover, is at variance with a reported UGTT desire to transfer affiliation to the newly-organized anti-Communist International Confederation of Free Trade Unions (ICFTU), providing that this switch could be effected without losing face.

S E C R E T

ITALY

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The conduct of the Italian police, as shown in recent public disorders, can be expected to bring discredit and embarrassment to the Government. The violence of the police at the time of the Rome riots was reported to have preceded rather than followed violence on the part of the demonstrators. Indiscriminate and ill-timed use of force has been noted before, and can be explained by two facts: (1) most of the police of the Italian republic were trained in the Fascist army and police; and (2) the police were necessarily concerned, until after the Italian national elections of 1948, with developing their strength to meet the threat of Communist revolutionary action.

Since that time, however, the strength of the police vis-a-vis the Communists has greatly increased, the threat of revolution has greatly diminished, and there has consequently been an opportunity to develop a police force capable of promoting law and order in addition to suppressing disorder. Both Interior Minister Scelba and his police chief, d'Antoni, appear to have overlooked this opportunity. D'Antoni, formerly police chief in the largest center of Communist strength when force was the essential weapon against Communist activities, continues to concentrate on the use of combative rather than preventive measures, to the neglect of administrative organization and political intelligence. Minister Scelba tries to direct all phases of police activity personally, instead of dealing through responsible subordinates, and seems to believe that only by physical force can the police inspire the respect of extremist elements.

The net result is that many Italians are finding Scelba's police organization reminiscent of the old Fascist secret police, as it becomes more and more closely identified with one autocratic director, and is primarily devoted to the negative function of repressing demonstrations rather than to the promotion of law and order. Traditionally, and often with good reason, the Italians have been distrustful of their national government for its failure to represent and defend the interests of the population. Continued arbitrary or irresponsible conduct by the police might win them the awe of extremist groups, but it would eventually lose them and the Government the respect and sympathy of most Italians.

- 5 -

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S E C R E T

SPAIN

B The recent US policy statements on the return of Ambassadors to Madrid will be heralded in Spain as a moral victory for Franco, and will be interpreted by the Spanish press and radio as evidence of a US intention to place its relations with the Franco regime on a fully normal diplomatic and political basis. The criticisms of the regime in Secretary Acheson's letter and Representative Kee's statement will be ignored in press reports, except for indirect allusions in editorial attacks on such criticism. The US policy statements thus will be used to sustain Franco's prestige, especially in Army circles where dissatisfaction has reportedly been manifested over prospective cuts in the number of officers on active duty.

- 6 -

~~S E C R E T~~

SECRET

SPECIAL ARTICLE

Disappointing French Agricultural Production

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Over-all expansion of French agricultural production-- essential for the attainment of ECA goals in western Europe-- is not being realized, and total output in 1950 is not likely to be appreciably larger than in 1949. In efforts to avert this outcome, ECA is consulting closely with French officials, while the new French Minister of Agriculture, Gabriel Valay, has begun emphasizing publicly the urgency of the problem, and the OEEC is preparing to reconsider it in February. On the basis of current estimates, French agricultural production in 1949 was not perceptibly above that of 1948, when production reached only 97% of the 1934-38 average.

Under initial long-term ECA plans, the French were expected in 1952-53 to exceed prewar average production by 25% and export 1½ million metric tons of wheat, becoming virtually self-sufficient in regard to food, and the largest exporters of foodstuffs in western Europe. It was considered indispensable for France to achieve these long-term objectives, both to balance its own foreign payments by 1952-53, and to help western Europe as a whole slash dollar imports and thus overcome the general dollar shortage expected to follow the termination of the ERP. In 1950, however, France will have difficulty meeting a commitment to export even 90,000 metric tons of wheat, without jeopardizing domestic supplies.

The anticipated failure of France to expand over-all farm output in 1950 will arise from two general factors: (1) the lack of requisite Government action; and (2) the farmers unwillingness to increase production under existing incentives. At present, the Government's measures to stimulate production are largely in the planning stage. The Government has allocated only one-eighth (about \$140 million) of its total investment budget to agricultural purposes, and has failed to apply any of this fund toward the lowering of production costs or the raising of output.

- 7 -

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S E C R E T

The Government's influence over industrial prices, moreover, is likely to decline during the course of the year, with the result that the disparity between farm and industrial prices will not be reduced. It is this disparity which renders farmers disinclined to expand output. As a result, there arise several specific handicaps to production: (1) the total tillable land will remain more than 10% below the 1934-38 average; (2) the use of fertilizers will fall far short of the planned 50% increase over use in 1948; and (3) farmers will be discouraged from hiring additional laborers. There will be a considerable, but insufficient, increase in the use of tractors, high-yielding seed, and other modern techniques.

France's expected failure in 1950 to move appreciably further toward the long-term agricultural production goal will be a serious blow to ECA's prospects for accomplishing its program in western Europe.