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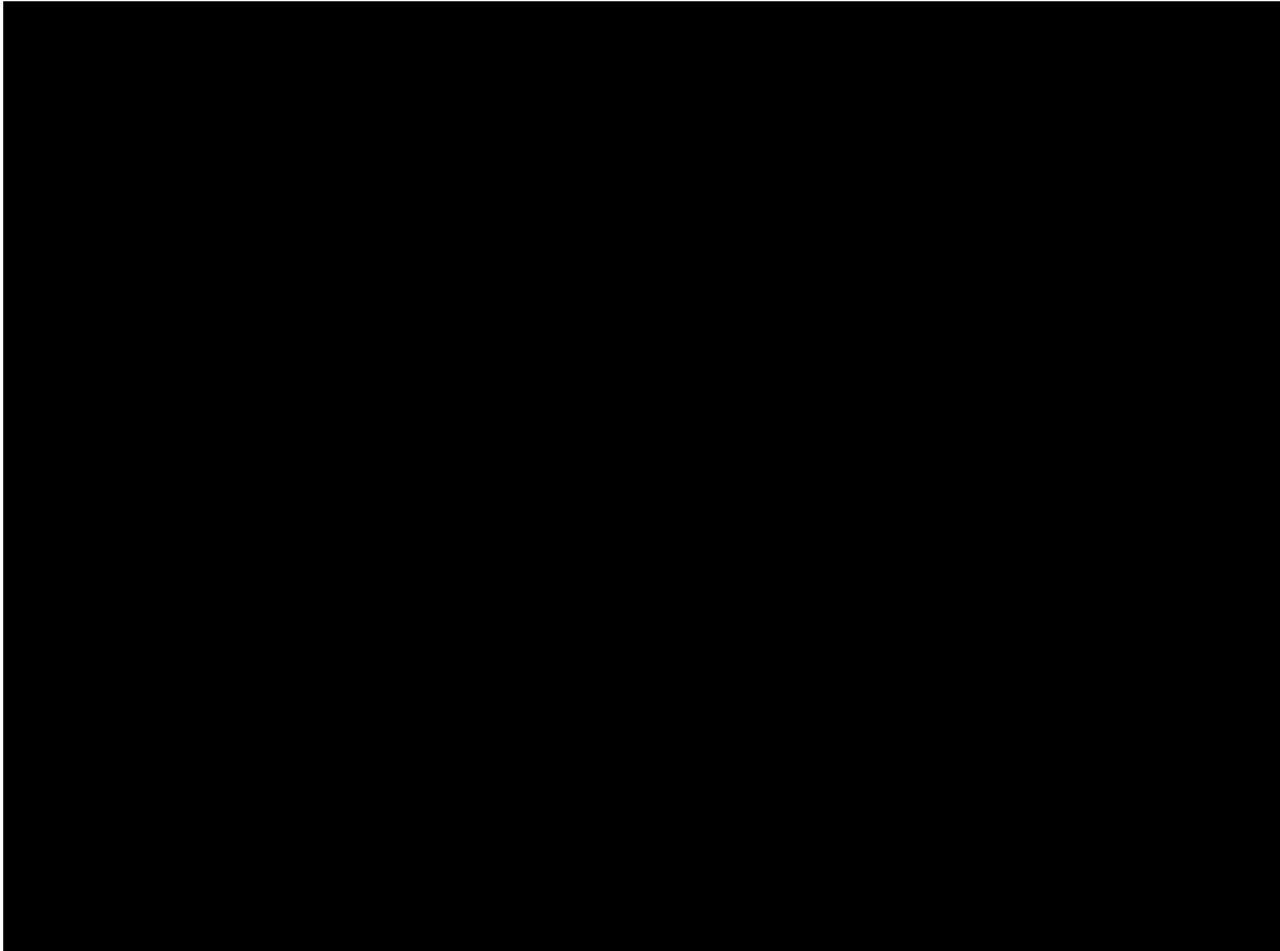
WEEKLY SUMMARY

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FRANCE

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Some high French officials are considering a new approach to France's critical dollar problem, whereby that country would gradually shift attention from the promotion of exports to the US to the promotion of exports to Point IV areas, on the assumption of

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a large-scale expansion of the US Point IV program. Even if this program does not grow, the French will try to find ways of earning dollars other than by direct sales to the US, where they dislike the stiff competition, particularly because of the high tariffs. Further, the French will attempt to reduce their dollar requirements, by buying in non-dollar areas some of the essential imports now purchased in the dollar zone.

In France, industrial and commercial interests would react more favorably to this independent French program for developing markets in "backward" areas than to the present US-promoted campaign for exports to the US. Furthermore, these business interests would welcome the considerably brighter prospects for export expansion without revolutionary changes in traditional French production methods.

The disadvantage, in terms of US objectives, of the contemplated French approach to the dollar problem is that it would remove the maximum incentive for the French to increase their industrial productivity, a necessary improvement if France were to compete intensively with US goods. On the other hand, the new approach would mean progress toward the US objective of greater multilateral world trade.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B The French Government, in applying for \$525,000 from the ECA Special Reserve Fund for Overseas Territories Development to purchase soil conservation equipment for French North Africa (FNA), hopes to step up food production in that area to care for the growing population. Although living standards in FNA, particularly sanitary conditions, are bad in comparison with those in Europe and the US, the improvements accomplished by the French have so greatly extended the life expectancy of the natives (now about 35 years) that the net population gain is almost two percent annually.

Algerians now have more than the world average of arable hectares per person, but they will have considerably less if the destruction of soils and the increase of population continue at the present rate. The French intend, therefore, to increase the productivity of the arable land, and to bring unproductive land into profitable cultivation.

In 1941, the French Government declared the Algerian watersheds to be areas of public interest and authorized the imposition of measures to control erosion. Legislation passed at that time not only provides for initial efforts to arrest soil

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destruction, but establishes farming practices which must be followed to assure the success of these efforts. Although ownership and title to land remain with the individual, property rights are altered to the extent deemed necessary in the public interest. The law authorizes this reclamation work at public expense, but in actual practice the owner is required to contribute to the costs to the maximum extent possible.

A soil conservation service has been created to carry out this work, which consists primarily of contour terracing, where such an investment is economically justifiable. From 1942 to 1946 only 2,449 hectares were redeveloped. The program was stepped up after the war, and at the end of 1949 work had been completed on 17,970 hectares of land. With the funds from ECA, the French Government in 1950 hopes to carry out its program for the development of 18,000 hectares.

ITALY

A Italy will probably accept the general French invitation to join the Schuman plan for the pooling of coal and steel industries, and will seek to have the pool directed primarily by governmental representatives rather than by private interests.

Italy's insistence that the agreement be in the nature of a "political cartel" stems directly from Italy's relatively high steel and coal costs. Italy must import a high percentage of its coal and iron ore. On coal in particular a dual pricing system is operative in Europe, the exporting country charging a higher price to the importing country than to its internal users. This system raises the costs to Italy not only of steel production (which is now roughly 40% more costly than in France and Germany) but also of all consumer products using steel or coal. Furthermore such consumer goods are in an unfavorable competitive position relative to similar products of the country exporting the coal and iron ore. This is a major factor depressing especially the Italian mechanical industry (now operating at only about 60% of capacity).

Italy may fear that, if the proposed pool were controlled by private interests, not only might dual pricing be continued in one form or another, but Italy might be placed at a further competitive disadvantage by the elimination of competition between German and French coal and steel producers.

Italy may also fear that its grave unemployment situation would be further aggravated. These considerations have induced private Italian mechanical and metallurgical interests immediately to oppose the Schuman proposal.

On the other hand, if, under this plan, production and prices are governmentally determined, Italy hopes to be able to eliminate dual pricing, particularly if it is an equal member of the governing group determining the price and production structure and, possibly, the allocation of markets.

If Italy can arrange a coal and steel pool to its liking, it would then seek to extend such integration into other economic fields, particularly those that would facilitate the movement of excess Italian labor across national boundaries, thereby relieving unemployment.

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Because of Communist gains in southern Italy since 1946, the Italian Government will probably press for Point IV aid for that area. The great gap between the comparatively high standard of living of north Italians and the very low standards of south Italians has widened further since the prewar years, according to a recent Italian survey. This survey found that the percentage of active employed population in relation to total population has increased in the north and has decreased in the south. As a consequence, the standard of living has risen slightly in the north since 1936, while it has fallen appreciably in the south.

The appeal of Communism in the two geographical areas has changed accordingly. Although the north is still the primary locale of Communist strength in Italy, such strength has declined somewhat since 1946 in this area. It has, however, gained in the south, where these gains have been reflected in increased land seizures and unemployment riots. This is a matter of particular political concern to the Christian Democrats, as a large percentage of their vote in the national elections of April 1948 came from southern Italy.

Factional conflicts in the Christian Democratic party have prevented the passage to date of a sorely-needed national agrarian reform program. A \$2 billion investment program, (\$200 million per year for ten years) for the rehabilitation of south Italy has been passed, and the government has evidenced its intention of aggressively implementing it. Substantial though this program is, however, it is small compared to the total sum needed for a program which would appreciably raise the standard

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of living of southern Italians. Furthermore, Italy lacks the technical staffs necessary for a large-scale improvement program. The Government may be expected therefore to seek loans or grants from the US, and increased technical assistance under Point IV to alleviate the situation in southern Italy.

THE VATICAN

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The Vatican will reject attempts by the Communists to secure the support of various Church organizations for the Soviet-sponsored peace campaign. The Vatican line toward the Communist "peace" drive in Europe is suggested by recent statements from the Austrian hierarchy and the Italian Catholic Action, lay organization of the Vatican. In Austria, Cardinal Innitzer's office has issued a statement warning that the Catholic clergy has nothing in common with the Communist-sponsored "Peace Council", in spite of the fact that previously the Austrian bishops issued an appeal for prayers and sacrifice for peace. The Cardinal's statement urges Catholics to promote peace through the "inherent forces of the Church." In Italy, where the Communist "Partisans of Peace" invited Catholic Action to join them in signing their recent Stockholm "peace" pledge, Catholic Action responded with the statement: "Catholicism is linked to a message of peace which is perennial but suffers no criss-cross tactics and strategic changes with the switches of contingencies." This statement is clearly intended to resolve any confusion on the part of several groups--those Roman Catholics whose neutral-mindedness has recently been expressed in the French press, members of pseudo-Catholic groups, such as those in Romania, who recently passed a resolution in support of the Stockholm peace proposal, and Catholics in Poland and Slovakia who support the "peace" campaign.

the Pope himself believes war before 1952 to be a strong possibility. If international events reinforce this belief, the Vatican will be increasingly anxious to combat Communist attempts to weaken the anti-Soviet forces through a "peace" campaign.

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