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OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

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VOL. VI - No. 25

For week ending 27 June 1950

28 June 1950

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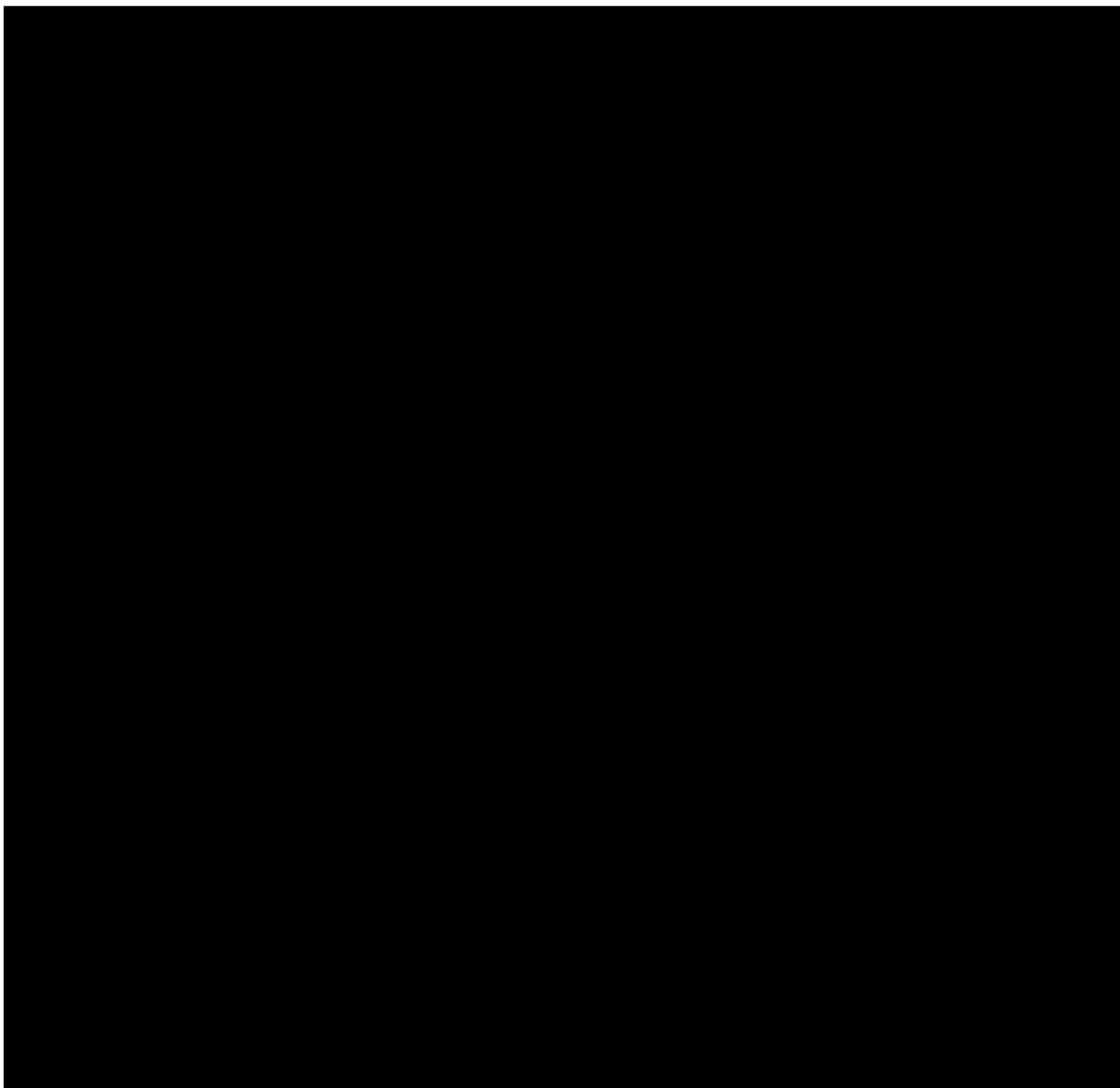
WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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AUSTRIA

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Despite the present serious impasse in the Austrian treaty negotiations, there are no signs of an impending change in the Soviet position in the quadripartite occupation of Austria. The USSR has not undertaken any unusual interference in Austrian affairs, and Soviet conduct in the Allied Control Commission has not suggested any deterioration of the present four-power interpretations of the Control Agreement for Austria. Soviet military movements, though varying somewhat from previous annual spring training schedules, appear to be concentrated in the usual Doellersheim and Apelton training areas and no abnormal increase in Soviet forces has been noted. There is no evidence that the Austrian Communist Party has been strengthened either by paramilitary training, receipt of arms, or by fresh overt support from the Soviet element.

Though Soviet propaganda continues to belabor the theme that Austria's Government is meekly submitting to Western schemes to exploit the country as a colony for capitalist profits and aggressive moves, this propaganda does not appear to be taken too seriously by the USSR. Such charges against the Western Powers are not new and appear to be calculated more to discredit and confuse the Austrian Government than to precipitate a crisis with the Western Powers. The Soviet version of the present treaty impasse continues to emphasize the unwillingness of the West to demonstrate its desire for a treaty by withdrawing troops from Trieste.

SWITZERLAND

B

The rejection by the Swiss electorate of the federal financial reform bill again delays a solution to the most difficult postwar problem in Switzerland--that of assuring the Federal Government dependable and adequate revenues. The defeated measure would have provided a constitutional basis for the sources of federal revenues, much of which is now collected under emergency powers scheduled to expire by the end of 1950. Should these emergency powers end, and should no alternative method of raising funds be found, federal revenues could well be reduced by an estimated 60% at the end of this year.

A parliamentary extension of the present temporary powers was defeated by the Swiss voters last September, and the

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recent measure was an effort at a permanent solution acceptable to the population. In providing, however, for taxation by both the cantonal governments and the central government, the new measure proved to be complicated and confusing to the voters. Its defeat may also be attributed to public apathy and to the perennial Swiss issue of cantonal as opposed to federal power. Perhaps the greatest factor contributing to the bill's defeat, however, was strong opposition by the Socialists, who normally seek to strengthen the central government. The Socialists opposed the bill on the grounds that it would put a disproportionate burden upon the small wage earners.

The Government must now redouble its efforts to find a solution to its revenue problem. During this summer, the Confederation will have to choose one of the following courses of action: (1) seek again an extension of the present temporary taxing powers; (2) propose another temporary taxing regime; or (3) attempt to make the cantons assume the obligation of supplying the federal Government with supplementary revenues every year.

FRANCE

A

A prolonged political crisis growing from President Vincent Auriol's prospective difficulties in finding a successor to former Premier Georges Bidault, whose middle-of-the-road coalition was unexpectedly overthrown on 24 June, would weaken France's position among western European nations. Bidault's Government collapsed on a vote of confidence of 352 to 230. Considering the Schuman Plan negotiations, the interstate conference in France of the Indochinese states, and the invasion of South Korea, the Government's collapse occurred at a most inopportune time especially as France has been recently emerging as the leader of the western European nations. These factors will, however, probably spur French efforts to form a Government coalition, probably including the Socialists, as quickly as possible.

One of the most urgent needs is a working agreement between the Popular Republicans (MRP), the Socialists, and the Radical Socialists, for though they may not all participate in the next coalition, they must all support the Government in the National Assembly. The split between these three parties on domestic issues, especially the question of increased wages to

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workers, renders more difficult an agreement on the policy of a new Government.

The situation is further complicated by the fact that a second defeat on a vote of confidence will require dissolution of the Assembly and new elections. The Gaullists immediately took up the cry for elections in the near future as a result of the recent crisis. The first issue on which the views of the three parties must be reconciled prior to formation of a new Government is that of budgetary expenditures, the issue on which the Bidault coalition collapsed.

A Through their apparent decision not to expand the scope of the conference with the three Indochinese states by an over-all review of French-Indochinese relations under the 8 March Agreements, the French will further weaken the already unpopular Huu Government in Vietnam. The conference was called, as provided in the Agreements, to work out the technical details of matters of common interest to the three states, such as control of customs, finance, immigration, and communications. One of Bao Dai's major complaints has been that close French control of finances makes it impossible for his government to function. Although the French will probably be willing to relinquish overt controls to the native governments, the fact that the piastre is ultimately supported by the French Treasury stringently limits the freedom of action which the French are likely to allow a joint Indochinese bank of issue. Until there has been appreciable Indochinese economic recovery, the French will insist on supervisory controls.

The French could have contributed to stabilizing the political situation in Indochina if they had been willing to have the Conference discuss the 8 March Agreements as a whole, with a view to their liberal revision. The presence of Bao Dai in France during the conference, and the implied threat of his prolonged absence from Vietnam with its consequent serious effects on French policy in Indochina, may influence the French to allow the three states greater control of their finances.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B The recent formation of a Moroccan Socialist Party was sparked by the French Residency in Morocco to nullify the political dominance of the nationalist Istiqlal party and destroy that party's capabilities as a vital force and challenge to

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French hegemony in the area. The infant Socialist organization has drawn attention principally by denouncing imperialism and the reactionary outlook of the French colonists in Morocco--to attain any success it needed to attack some manifestations of the Protectorate--and by indicating that it would support a constitutional monarchy for Morocco. Its recent public statements, however, have evidenced little enthusiasm for the monarchical form of government. Represented on the directorate is a relative of the Sherif el Kettani, leader of a politically active religious brotherhood (See Western Europe Division Weekly - 3 May 1950) and opponent of the reigning Sultan, who is also the nominal head of the Istiqlal party. The new party has attracted only a few Moroccans, who are generally considered to be French stooges. Because of the Residency's role in its creation, it will not attract any great number of Moroccans, and probably will not succeed in weakening the Istiqlal movement.

ITALY

B

Anti-British feeling in Italy has been revived by the publication of Field Marshal Alexander's report on the Italian campaign of World War II. This development will strengthen the appeal of nationalist and extremist groups who claim that Italy's interests are not best served by its present pro-Western foreign policy.

Public reaction against some statements in the report which the Italians feel belittles their participation in the War and particularly the contribution of the Italian partisans, comes at a time when there is resentment over the British position on the Schuman plan. Bitterness toward the UK may in turn rekindle public dissatisfaction over the punitive clauses of the peace treaty, particularly those depriving Italy of its colonies, for the loss of which the Italians hold the British primarily responsible. The conclusions contained in the Alexander report could also revive Italian fears that the British military will again press for the elimination of Italy from the area of western Europe to be defended in case of conflict with the USSR.

A deterioration of Italo-UK relations could have repercussions in Italy's relations with other NATO countries. Such a development would provide support for Italian nationalist and neutrality-minded elements and would also increase the popular appeal of the Italian Communists' "peace" campaign.

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THE VATICAN

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The Vatican may experience some difficulty in convincing Catholics that its general aim of peace is distinct from the current Soviet-sponsored "peace" campaign. Although the Holy See has already indicated its disapproval of the Stockholm Communist resolution outlawing the atomic bomb, there seems to be uncertainty and difference of opinion among Catholics with respect to this resolution.

In Czechoslovakia and Poland, the Communist Governments have accused the local bishops of being enemies of peace because of their refusal to sign the Stockholm resolution. The Polish Government has condemned the Church hierarchy for the absence of the bishop's signatures and has asserted that by their attitude the bishops are in conflict with the most vital interests of the Polish nation and thus have violated the recent Church-State agreement.

In contrast to this stand, the French hierarchy in a recent statement to the press, stated its opposition to the use of atomic energy for war, although it did not specifically endorse the Stockholm resolution.

The Vatican places great importance on the establishment of a just and lasting peace in the world. In view, however, of the success attending the Communist peace campaign because of war weariness and neutrality sentiment in western Europe especially, the Holy See may have considerable difficulty in clarifying its peace mission.

SPAIN

B

Spanish Monarchists who have collaborated with Franco may attempt to persuade the Pretender, Don Juan, to meet again with the Generalissimo. These Monarchists have supported Franco because his regime has protected them in their influential economic and social position, and also because they have hoped that he would eventually restore an absolute monarchy. Although the regime has made inroads on the freedom of action of the oligarchy through its policies of economic control, the oligarchy continues to profit, especially the landed aristocracy, which includes the most prominent and influential Monarchists and which continues to control a large part of Spain's agriculture despite the regime's promises of land reform. As a matter of

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fact, Franco recently stated publicly that breaking up the large estates was not feasible. Nevertheless, Franco has demonstrated that, apart from such occasional concessions to their interests, he has little regard for the reactionary Monarchists except insofar as they are useful to him in retaining power.

Meanwhile, the hopes of these Monarchists that Don Juan, as king, would protect their position by giving Spain a better international standing while still keeping the leftist forces suppressed or in exile have been dashed by the pronounced liberal attitude of the Pretender and the consultations of his agents with the non-Communist Left. The die-hard Monarchists in Spain, faced with a dilemma in which neither Franco nor Don Juan is amenable to their desires, are now attempting to force Don Juan to renounce his commitments to the Socialists. It is doubtful that they will succeed, but in any case, they will probably make a renewed effort to arrange a meeting between the Pretender and Franco and to achieve a definite agreement with regard to the restoration of the king.

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