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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

VOL. VII - No. 2

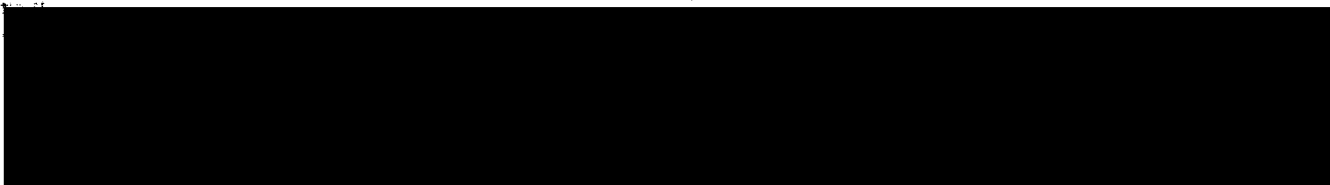
For week ending
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GERMANY

A The Soviet Zone paramilitary Alert Police (Bereitschaften) are presently insufficiently trained, armed, and indoctrinated to be effective in an attack on west Germany, and it is considered unlikely that the USSR would seek to use this force for that purpose. The Alert Police could now be effectively employed only for limited security operations within the Soviet Zone and for petty harassing incidents against west Germany and west Berlin. The Alert Police will, however, be maintained and expanded, and constitute a future but increasing threat to an unarmed west Germany.

As presently conceived, the Alert Police are essentially a training group, organized in part along military lines up to a battalion level, and in part as a school command. The Alert Police can develop, however, either into an effective, highly mobile internal security force or into the cadre for an east German Army. The latter development would require broad-scale reorganization and general conscription. Training in the Alert Police is primarily military, and, under the close supervision of Soviet Army officers, emphasis is placed on the creation of cadres for possible future development. There have been appreciable increases of strength and equipment during the past year and the force now comprises around 51,000 officers and men. During 1950 the organization is not expected to exceed the estimated T/O strength of 55,000, although the completion of training for approximately 15,000 men in the Alert Schools will increase tactical capabilities. Coastal patrol units have recently been activated, and the establishment of air units is probable, but not yet definitely confirmed.

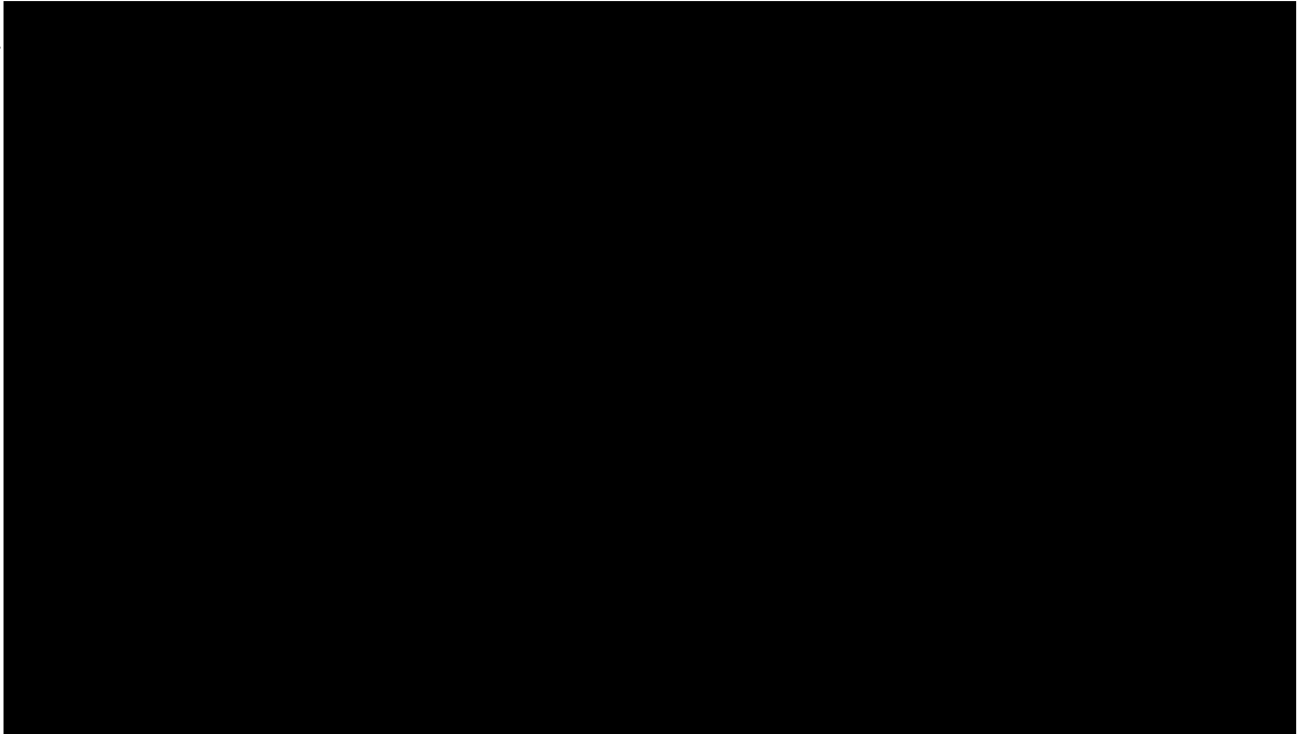
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AUSTRIA

B

Austria's housing problem, presently a major political issue between the two partners in the Government coalition, is expected to be tackled by a working compromise without endangering the coalition. Public statements by members of the People's Party to the effect that political differences on housing constitute a threat to the coalition are probably only attempts to improve the position of its behind-the-scenes negotiators now attempting to work out a housing program. Furthermore, it is unlikely that either the People's Party or the Socialist Party actually wishes to assume unilateral responsibility for the implementation of a program that cannot please all sectors of the public. Hence, the coalition parties--particularly the People's Party--are also stressing the necessity for continuing the coalition.

The development of a housing program is fundamental to Austrian recovery, but presents a considerable problem. The need for a program is emphasized by the fact that present housing shortages prevent the redistribution of labor to more efficient industries, as required for the achievement of ECA goals in readjusting Austrian industry; at the same time, poor housing facilities are one of the main reasons for the drift of needed labor away from

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agriculture. In addition, by lowering worker morale, poor housing contributes to low productivity. ECA has estimated that it would take at least 20 years for Austria to recapture even its modest prewar housing standard, and that to do so would require the building of at least 200,000 new units and the annual replacement of some 15,000 others. It is unlikely that the prewar standard could be regained in less than 20 years, especially as there is a dearth of private capital, and present low rentals nullify prospects for increased private capital available for housing purposes. An absence of statistical information on numbers and sizes, and rents of Austrian housing units further complicates the development of an effective analysis and program to meet the situation.

In approaching the housing problem, the People's Party, representing business interests, has taken no firm affirmative stand, but has talked vaguely of desiring increased rentals sufficient to encourage private capital; on the other hand, the Socialists have been more definite, realizing the urgency of new construction acceptable to the public wants and pocketbook. Moreover, the Austrians are aware that little, if any, ECA assistance will be forthcoming for housing. It now appears that both parties will probably compromise on a plan which embodies the main features of the Socialist proposal: an increase in some taxes to provide housing funds, part to be used to subsidize private building and the remainder to be used in public housing projects.

FRANCE

A Reaction to the Korean war has varied between the top leaders and the rank and file militants of the French Communist Party (PCF). Although official comment was initially restrained, the Party is now following the Moscow line by condemning the US and South Korea as the aggressors.

There are recent evidences that the regular members, although faithfully following the official interpretation, were both surprised and apprehensive at the outbreak of hostilities. At a mass meeting in Paris, Secretary General Maurice Thorez remarked that there should have been no reason for such surprise at the developments in Korea, and reminded them of the warnings expressed at the National Congress in April that "peace hangs by

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a thread." Thorez censored members for inattentive reading of Party literature. Furthermore, there is also apprehension among the rank-and-file that the US will use the atomic bomb.

On the other hand, top Party leaders have been calm and confident. Jacques Duclos has expressed the opinion that he is highly satisfied with the situation. High Party officials have given the impression that they "know more than they are telling"---that they were forewarned of the action in Korea, and have foreknowledge of future international developments. There is no evidence, however, that such is the case. Nevertheless, there are reports that the French Communist Party has alerted militant groups charged with direct action, while probably awaiting more precise orders from the Cominform.

B

Support in France for the Schuman Plan has been increased by a recent reversal in the attitude of the steel interests, originally the most formidable opponents. This group was at first considerably annoyed at not having been consulted before the Plan was introduced, and was also strongly opposed to renewed controls on production, prices, and efficiency standards.

At a meeting, however, with Government officials on 27 June, leaders of the French steel industry generally accepted the Plan, and some steel spokesmen even gave it their substantial endorsement. All had some reservations, stemming in part from a feeling that industries of a public utility character should have been used first to further the cause of European unity, but now that the step had been taken, they were willing to go along.

The steel industry now accepts the fact that inefficient plants will have to be closed--an exceptional attitude in French big business circles. The steel leaders were anxious only to cushion the shocks of these shut-downs, especially by conversion funds to create new industries. They assumed also that their previous restrictive practices would be eliminated.

The most apparent reasons for this change of attitude are: (1) the political inexpediency of opposing such a popular plan; (2) the fact that the Plan probably removes any threat of French steel nationalization; (3) a lessening of the fear that the German steel industry would eventually be preponderant in any private arrangements; and (4) the advantages to French steel makers of access to expanded markets.

The criticism which the French steel industry now levels at the Schuman Plan is constructive--to find solutions for such problems as equalizing wages and production costs, and defining "steel" as it will be embraced by the Plan on an international basis. The industry's new approach may well lead to a

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more economically practicable plan than was at first thought possible by the skeptics, a plan which could promote the attainment of Schuman's basic political objectives of a French-German rapprochement and western European unity.

B The French will probably be increasingly averse to making greater military efforts than they have undertaken under present NAT plans. There are growing indications that the sacrifices and efforts toward self-help they have already made to augment the MDAP are the total of what they are willing to do at this time. Although France stands only in sixth place among the Atlantic Pact powers on the basis of the percentage of the budget devoted to defense expenditures, tentative estimates for next year's military budget are approximately the same as for this year. These estimates have been set despite the fact that funds for this year's additional military production projects had to be obtained through economies in other defense operations and that the nationalized aircraft industry is on the point of collapse because of lack of orders. There would, nonetheless, be considerable political opposition on the part of the Socialists and labor groups, as well as the Communists, to any move to increase military expenditures, because such a diversion of finances would necessarily cut into the funds available for other Government activities. Economic recovery still continues in the French view to have a higher priority than the rebuilding of the armed forces.

FRENCH AND SPANISH NORTH AND WEST AFRICA

A It is probable that the reaction of Arab nationalists throughout French North Africa will be generally unfavorable to the US action in Korea.

Members of the Executive Committee of the Istiqlal (nationalist) Party in French Morocco have expressed sympathy with the Egyptian attitude and have indicated their belief that the US has fallen into the same error in Korea as it did in supporting Chiang Kai-shek and Bao Dai. The Committee members explain their indifference to the danger of a general war--which in the nationalist view would be an opportunity to strike a blow at the French--by an Arabian proverb: "A drowning man is not afraid to get wet."

It appears that only severe and public pressure on the French to effect drastic political and social reforms would persuade the Arab population to support the US position.

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There is no reason to suppose, however, that French-led native troops (mainly Berbers) will not remain loyal, nor is nationalist antipathy to the US action likely to result in anything more than verbal protest.

ITALY

B

Efforts of the Italian Government to arouse Italian nationalist sentiment over Libya would not only adversely affect Italo-UK relations but would conflict with US interests in that area and in Eritrea.

The Italian Government is seeking tangible gains in Libya in order to offset the unfavorable effect on Italian public opinion caused by the current Trieste impasse. The Italians are making every effort to achieve participation in the constitutional development of Tripolitania, hoping thereby to extend their political as well as economic influence in Libya. To attain this objective, they have enlisted the support of Egypt and Pakistan, both of which are represented on the UN Advisory Council for Libya. Recently, there have been reports of an agreement between Italy and Egypt, whereby Egypt pledges support of Italian aspirations in Libya in return for Italy's commitment to persuade the Latin American nations to support Egypt should the latter raise the matter of its relations with the UK at the next session of the UNGA.

Egypt and Pakistan would be disposed to support Italy, because they are intent on undermining US, UK, and French influence in the Advisory Council. Furthermore, the positions taken by these two Moslem countries are bound to have a wide appeal among the people of Libya. An understanding between Italy, Egypt, and Pakistan could seriously obstruct the efforts of the Advisory Council to implement the UN resolution providing for a unified, independent Libya by 1952.

Should Italian nationalist elements take advantage of the current discussions on Libya to create such popular furor as was recently displayed over Trieste, Ethiopia's long-standing suspicions of Italian designs in Eritrea would be greatly intensified. This situation would militate against the achievement of an Italo-Ethiopian compromise agreement on Eritrea and might result in a UN decision on the Eritrea problem unfavorable to US interests.