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WESTERN EUROPE DIVISION
OFFICE OF RESEARCH AND REPORTS
CENTRAL INTELLIGENCE AGENCY

DIVISION WEEKLY

For week ending 5 December 1950

6 December 1950

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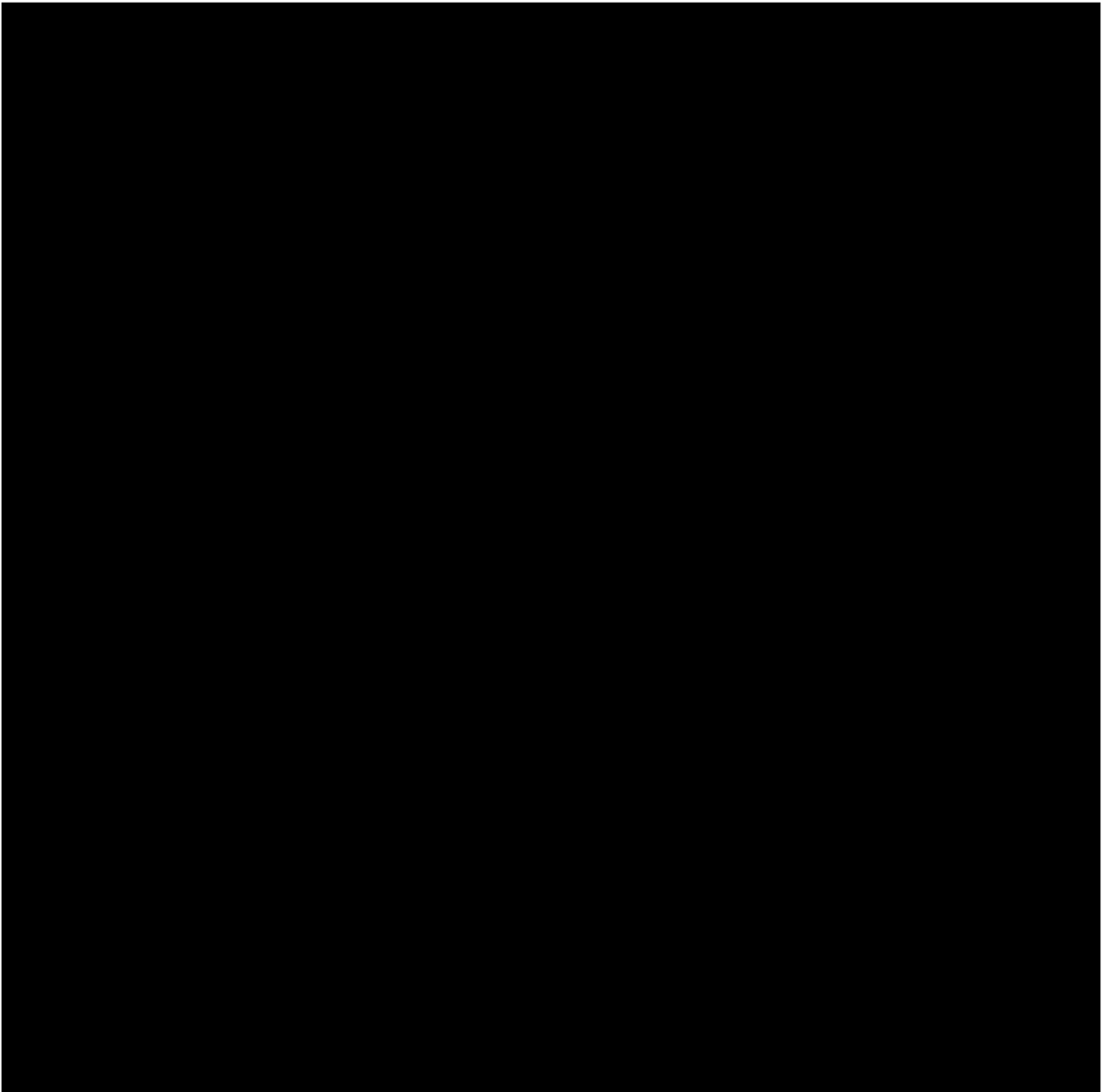
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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

For week ending
5 December 1950

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AUSTRIA

The municipal elections in the Soviet-occupied province of Burgenland on 27 November represent (1) a drastic reduction of Communist municipal representation to its proper proportions; (2) a further indication of a lull in Soviet interference with Austrian domestic affairs; and (3) the continued refusal of the Austrians in the Soviet zone to vote Communist. Before the elections the Communists occupied a much greater number of municipal offices than their electoral strength warranted, because in 1945 these offices were distributed among the Socialist, People's and Communist parties on the basis of inter-party agreements and not free elections. The elections, however, do not represent any recent decline in Communist strength in the province, because the party polled approximately the same proportion of total votes cast (3%) as in the Burgenland returns of the national elections in 1949. Nevertheless, the elections do represent the failure of a Soviet-sponsored Communist-front group (The Small Farmers' Party) to gain favor with the politically-wise Austrian populace. Another notable feature of the elections was the total absence of Soviet interference as contrasted to the Soviet attempts to prevent the holding of Burgenland municipal elections in the spring of 1950, interference which delayed the elections until November.

A developing food shortage in Austria, primarily of grains, may cause social unrest and political disturbances within the next few months. Anticipated domestic and foreign

- 4 -

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S E C R E T

deliveries of breadgrains are at least 20% less than 1950-51 requirements. Along with the considerable labor dissatisfaction over last October's wage-price agreement, a food shortage would be an additional issue which the Communists might exploit to spark labor disorders. The current grain shortage is largely due to the farmers' reluctance to sell grain on the domestic market, which, in spite of a recent increase in the controlled prices, is still below world price levels. Lacking sufficient coarse grains for their livestock, the farmers have fed their stock breadgrains, which they have also been selling to the Soviet economic agencies in Austria. These in turn sell the grain abroad at substantial profits.

Another factor leading to the grain shortage is insufficient imports, presumably because deliveries hoped for or expected from Eastern Europe are not materializing. Even if the Government receives sufficient US assistance to prevent a serious economic crisis, it will continue to be faced periodically with similar problems, which are symptomatic of the artificial and distorted subsidy-price-wage structure.

FRANCE

Although the recently announced French military budget for 1951 falls considerably below US expectations, the French Government is prepared to begin implementing its plans both for placing 10 divisions in active status in Europe in 1951 and for stepping up defense measures in Indochina. The draft military budget amounts to 740 billion francs (including 15 billion which are being transferred from the civil budget), compared to about 500 billion of actual military expenditures in 1950.

The US, however, is expected to contribute the equivalent of 140 billion francs of this sum in military aid, and hence the French are proposing to increase their share of the budget only about 16% over actual military expenditures for 1950. At Washington in September, Defense Minister Moch declared that a military budget of at least 850 billion francs would be necessary, including US military aid to the amount of 270 billions, if his plans for the 10 divisions were to be realized. The US subsequently indicated, however, that only 140 billions in aid should be expected, and the present draft budget reflects a similar cut below Moch's estimate of the required military budget.

- 5 -

S E C R E T

The assertion by the US that it had considered granting any military aid only on the assumption of a military budget approximating 850 billion francs, has been met by strong assurances from Premier Pleven and Finance Minister Petscho that France will fulfill its commitments to activate 10 divisions and intensify the defense effort in Indochina. For this purpose, French Government officials have increased the budgetary figures for Metropolitan France at the expense of Indochina, apparently expecting that in the course of the year the perennial resort to extraordinary financing of the Indochinese budgetary deficit would permit the greater defense effort in that area which is presently contemplated. Furthermore, for political reasons French officials may have found it expedient to gamble that the rapid march of world events might permit a major recasting of their financial needs by late 1951.

While the substantial vote of confidence which the French Assembly has just granted the Pleven Government gives the Premier initial advantage in the debate on the 1951 budget, coalition solidarity has been seriously weakened as a result of the secret ballot against the Socialist Defense Minister Jules Moch which led to this vote. Premier Pleven demanded, in his declaration prior to the vote, that acceptance of additional tax measures be implicit in the vote of confidence, thus insuring some support for the new budget. The Socialists bitterly charged that the size of the anti-Moch vote was due to the duplicity of those Popular Republican (MRP) members who, influenced partly by their personal animosity towards the Defense Minister, had abetted the Communist scheme to embarrass the Government. The vote against Moch revealed a serious split not only between the dominant parties of the coalition, but also within the ranks of the MRP.

The anti-Moch vote which precipitated this sudden political crisis resulted from Moch's association with the Revers-Mast Scandal, involving a breach of national security. The Government attempted to resign when the opposition polled a large vote against Moch, but President Auriol refused to accept the resignation and prevailed on the Premier to ask for a vote of confidence. Pleven realized that Parliament would be reluctant to face dissolution before electoral reform had been agreed on, and in the face of the critical international situation. He also saw in a vote of confidence the opportunity to exact support for a tax program which the Socialists had been expected to oppose. Although the Assembly cleared the integrity of Defense Minister Moch and approved the general policies of the Cabinet, the hostility engendered during this political crisis may sufficiently weaken the precariously balanced Third-Force regime to hasten the holding of general elections, now scheduled for the fall of 1951.

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NETHERLANDS

To protect Dutch economic interests in Indonesia, the Netherlands probably will find it necessary to accede to some of the Indonesian demands for sovereignty over Netherlands New Guinea (NNG) at the special bilateral Dutch-Indonesian Conference on NNG beginning 4 December. Any retreat from the Dutch Government's publicly announced determination to maintain sovereignty over NNG will be opposed by a substantial and vociferous minority of the people in the Netherlands, but the threat of a non-official boycott of Dutch interests in Indonesia probably will cause the Government to modify its NNG policy. Although both the Netherlands and Indonesia are unwilling to allow the New Guinea question to receive international consideration, a bilateral compromise probably will be exceedingly difficult to achieve. The most likely compromise will follow the lines of the solution proposed by Indonesia's Foreign Affairs Minister Rum. Under this agreement, NNG would be under Indonesian sovereignty and the island would be leased to the Netherlands for a period of years, with the Dutch gradually turning the administration over to the Indonesians. At the same time, the Netherlands would have dominant economic privileges, and defense probably would be under Dutch jurisdiction. If extremists in Indonesia proclaim anything less than complete Indonesian control over NNG as unacceptable and carry out a boycott and sabotage of Dutch holdings, the Netherlands Government will be faced with strong opposition at home to any appeasement of Indonesian demands. The Dutch Government probably will receive sufficient support for a compromise agreement, but then its ability to implement other important policies, such as defense, may be jeopardized.

THE VATICAN

The Vatican can be expected to reassert its opposition to changes in the present UN measure for internationalization of Jerusalem. If such a modification becomes clearly inevitable, however, the Vatican will probably accept

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a suitable compromise. In the spring of 1950, there were indications that some Vatican leaders, including the Pope himself, were becoming aware that the UN's internationalization plan could not be enforced. Just prior to the meeting of the UN Assembly in the fall, however, the Vatican resumed its militancy in favor of internationalization, and reiterations of the Vatican position have been published periodically in such organs as the semi-official newspaper, Osservatore Romano.

A possible compromise, soon to be considered by the UN, would provide for supervision of the Holy Places by a UN Commissioner, leaving Israel and Jordan to administer their respective areas of occupancy in Jerusalem. Such a solution would permit the Vatican to modify its earlier stand in favor of total internationalization of the area without sacrificing its primary aim of protecting the Holy Places. Such a compromise on the part of the Vatican might be encouraged by the current world tension and the increasing necessity for buttressing the authority of the UN.

- 8 -

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