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September 15, 1951

MEMORANDUM FOR: The Director of Central Intelligence, Chairman, Psychological Strategy Board

FROM: Allen W. Dulles, Deputy Director

SUBJECT: Analysis of the power of the Communist Parties of France and Italy and of measures to counter them.

I. BACKGROUND.

On July 9, 1951, representatives of the Department of State, of Defense, ECA, and CIA met with Mr. Averell Harriman and with Mr. Gordon Gray in Mr. Harriman's office. The purpose of the meeting was to consider the implications for the defense of Western Europe, of the continuing power of the Communist parties in France and Italy, as evidenced by their popular vote in the 1951 Italian municipal elections and the French elections for the Chamber of Deputies.

At this meeting consideration was given to memoranda prepared in the Department of State and by Mr. Sam Berger of Mr. Harriman's office, analyzing these recent elections. It was generally agreed that the results of these elections had been disappointing. While the electoral mechanisms had been manipulated so as greatly to reduce Communist representation in the French Chamber and in Italian municipalities, nonetheless the Communist parties in 1951 had shown a voting strength, roughly equal, in the case of Italy, to that of the previous elections of 1948 and, in the case of France, reduced only by about 9 per cent over the elections of 1946. It was conceded that despite the economic improvements which had been realized in France and Italy as a result of American aid and the ECA program -- which may well have saved these countries from Communist control -- economic aid alone and even improvement in the standard of living was

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by no means an adequate answer to the internal threat. It was felt therefore that consideration should be given to new techniques to deprive the French and Italian Communists of their power, recognizing that these parties constituted a continuing threat to democratic government and even to the security of the NATO forces in Western Europe.

The general conclusions reached at this meeting were summarized by the Department of State in cables sent to the Embassies in Paris and Rome on 12 July 1951, substantially as follows:

1. Both the Italian and the French governments have evidenced over-reluctance to proceed forthrightly against their local Communist parties.

2. The results of the recent elections have shown that further efforts are urgently needed to reduce substantially the communist appeal to these countries.

3. This result can only be realized if determined action is taken by the respective governments against the material sources of communist power while continuing the efforts to alleviate distress on which communist appeal is based.

4. The United States Government should give consideration to taking steps with these governments so that they would adopt a more aggressive role in the matter.

5. United States agencies, including the ECA and CIA, might appropriately assist in a manner to be determined in developing this program. The undersigned, who was about to proceed abroad for a general review of CIA work in Western Europe, was requested to confer with the Ambassadors in

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Paris and Rome, with Ambassador Katz and other ECA representatives in Paris and Rome, and to consider with them: (a) Specific actions which the French and Italian governments might take administratively or through legislation to deprive the communist parties of their material resources and reduce their power, particularly in the labor movements; (b) How the United States can best proceed in bringing the respective governments to initiate such action, and (c) How the various United States agencies, once such steps are initiated by the governments, could best lend support to such policies of the governments and to their day by day action in carrying out anti-communist measures.

II. ACTION TAKEN.

During the period July 14 to August 7, the undersigned conferred in Paris with Ambassador Bruce and members of his staff and Ambassador Katz, and in Rome with Ambassador Dunn and his staff, Mr. Dayton and Mr. Lane of ECA. Without disclosing the precise purposes of the interviews, conferences were held with key French and Italians.

Both of our Ambassadors and their staffs, and all ECA personnel, extended every possible assistance to the undersigned. In general they were in agreement with the conclusions which had been reached at the Washington conference on July 9, and felt that the time had come to develop a concrete program against the local communist parties. As an aid in the development of this program the undersigned was given certain reports which are appended hereto:

1. Memoranda dated July 16 and July 18, respectively, prepared for Ambassador Bruce by Mr. William A. Crawford of his staff, entitled

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(A) "Anti-Communist Action of the French Government," (B) Actions which the French Government might take to deprive the Communist Government of its material resources and reduce its power. Exhibit 1.

2. Memoranda by Mr. Richard Eldridge dealing particularly with a labor program for France. Exhibit 2.

3. A memorandum dated July 26, 1951, from Ambassador Dunn, entitled "Program to Reduce Soviet Activities in Italy." Exhibit 3.

4. Memorandum summarizing conferences in Rome with Ambassador Dunn, his staff and ECA representatives on specific measures to undermine communist influence. Exhibit 4.

III. ANALYSIS OF THE FRENCH AND ITALIAN COMMUNIST PARTIES AND SOURCES OF THEIR STRENGTH.

The relative Communist voting strength in France as shown by the last elections for the Chamber of Deputies was approximately 25%, and in the recent Italian elections (which covered roughly two-thirds of the country) approximately 34% (including the Nenni Socialists who generally presented no separate ticket). In other free countries of Western Europe the Communists, in the most recent general elections, have shown only the following voting strengths: Western Germany 3.5%, Holland 6.5%, Belgium 8%, Austria, less than 5%.

These figures show clearly that the French and Italian Communist Parties occupy a special position in Western Europe and in considering any course of action directed against these parties it is important to consider the factors which have contributed to build up this strength.

In France and Italy the Communist Parties occupy a position of respectability which they do not enjoy elsewhere in Western Europe. There are no social or economic disadvantages to being a member of these Communist Parties. In fact, for labor there may be certain advantages in being a member of the party and of the communist controlled unions which largely dominate labor in the two countries.

While the French and Italian governments claim that in some instances they are beginning to discriminate against admitting communists to government positions these steps are feeble and is largely because the communists have not recently participated in French or Italian governments and hence are not entitled to political patronage.

One of the reasons for communist strength and relative respectability in these countries is the important role which the communists played in the French and Italian wartime underground resistance movements. As a result, immediately upon liberation they seized strategic positions, took over building sites and appropriated other prerogatives, particularly in the field of the press and of labor. They have never been dislodged from many of these positions.

Another reason for Communist Party strength in these countries lies in the fact that they have become the parties of protest against somewhat feeble governments of the center. In this respect they assume the role that in other Western European countries is being played by the Socialists. The Socialist Party in France in recent years has lost caste in leftist circles because it has been forced to join in "middle of the road" governments as otherwise any liberal government would have been impossible. In Italy the Socialist Party is badly

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split, one section openly joining the communists and the other section splintered and unable to exercise a vigorous role. This situation is illustrated by the remark made to me in France by an eminent Frenchman of Socialist inclination who had held high official positions and who was vigorously anti-Soviet, that if he were a young man today he thought it quite likely that he would be a member of the Communist Party as the Socialist Party offered no strong leadership.

The single most important element of strength of these two Communist Parties is the fact that in France the communists absolutely control the CGT which is the dominant trade union organization, while in Italy they likewise dominate the powerful CGIL. In addition, the communists in both countries have made deep inroads in agricultural circles and their agricultural journal, "La Terre," is the most widely read farm paper in France. In general their press is effective (though one of the most encouraging signs over recent years has been the sharp drop -- almost 50% -- in the circulation of "L'Humanite," their chief Paris organ). They have advantages, acquiesced in by the government, in acquiring newsprint and in the use of buildings which they hold under government favor. The parties have a trained leadership, clever direction, and plenty of money and ruthlessness. They have effectively built up their positions as national parties and their leaders have largely succeeded in deluding many of their followers regarding their real position as stooges of Moscow. Undoubtedly the great majority of the French and Italians who join the Communist Party or who vote the ticket are not militants and do not consider that they are aiding a foreign power.

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The Communist Parties in France and Italy, in addition to their appeal to those in economic distress, have thus become the home for the protesters and for neutralists, (in addition to the hard core of Moscow followers) for many of those who are jealous of American power in the world and view Moscow and Washington with equal distrust, for those who are anti-Atlantic Pact, anti-rearmament, and even for misguided people who think the Communist Party is a party of peace. Added to all these are the timid who are "occupation conscious" and view communist allegiance as cheap insurance against possible Soviet aggression. Together they form a dangerous fifth column behind the lines of our Atlantic defense forces.

IV. GENERAL CONCLUSIONS.

I conclude that it should be a major point of American and of NATO policy to cripple these Communist Parties, to uncover their true intentions, to sow discord in their ranks and promote defection, to deprive them of privilege and respectability, and to drive them underground.

The time is now relatively favorable for action. The reorganization of the French and Italian governments -- weak as they are -- and the buildup of military strength in Europe which holds out hope of an eventual defense, gives us a basis for starting action to undermine the Communist parties. There are some signs that the Communist leadership in France (and to a lesser extent in Italy) is today less powerful and less assured than it was a few years ago and should be vulnerable to attack. They have lost prestige by their losses of seats in the French Chamber and mayors in the Italian provinces. The heads of

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the present French and Italian governments will be with us in principle even though reluctant in practice. In France failure to act would give the deGaullist Party their strongest argument against any government of the parties of the center. In Italy de Gasperi had already indicated a disposition to move against the Communists. We would be deluding ourselves, however, if we expected decisive action by either government. Hence we must not rely solely on government action; we must encourage action by individual groups of patriotic citizens, by the press and other media of public opinion.

V. METHODS OF PROCEDURE.

1. Action against the French and Italian Communist Parties must develop and be presented to the people as independent French and Italian moves. It should not appear to come under U.S.A. pressure and our support should be covert not overt. In general we must induce the French and Italians themselves to initiate the measures both to deprive the Communist Parties of certain privileges they enjoy and to show them up as what they are -- tools of Moscow.
2. The specific types of action which we should press the French and Italian governments to take should initially be relatively modest and we should not disclose our full hand by presenting an over-all program at the outset. If the initial steps are taken the scope and pace of the program can be accelerated.
3. There should be substantial increase in the covert support given to measures to be carried out by individual groups and organizations of patriotic citizens, by the press, radio, motion pictures and like media, with financial and other aid from us. (An outline of the type of such covert measures now being carried out or programmed is given in Exhibit 6.)

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4. An intensive study should be made of measures to break the strength of the Communist labor unions and to support and develop the non-communist labor unions. Existing measures in this field should be intensified. The continuing aid of American labor should be sought and their ability to aid effectively in this field should be strengthened.

5. Consideration should be given to ways and means whereby the power inherent in the placing of foreign contracts under the military aid program and ECA, in the handling of shipping and crews and the selection of ports for unloading our supplies, can be directed toward aiding the non-communist unions and breaking the power of the communist unions. (This is an extremely complex problem to which I have found no clear answer although it was generally felt in Paris and Rome that something along these lines could be done.)

6. A general over-all program to accomplish the foregoing, to coordinate what is now being done, and to provide a stepped up program of action might well be considered by the Psychological Strategy Board in consultation with State, Defense, ECA and CIA, and then coordinated with our Embassies in Paris and Rome. The existence of such a program should initially be kept secret in order to minimize the effects of Communist counter-measures, to cover our own participation and not to disclose the points where we propose to strike.

7. We cannot expect the rather complacent and somewhat feeble French and Italian governments to buy a whole program at once. They may be prepared, however, with some backing from us and if persuaded by our seriousness, to take on, one by one, a series of measures to cripple the Communist Party. This would be more likely to happen if the governments were convinced that their present

complacency regarding local communism would adversely influence the American attitude toward continuing economic and military aid. Then once we get the two governments started on a practical course against their Communist parties, we can expect them to be more forthright in their public attitude and declarations against Communism.

8. Certain specific steps which might be taken are set forth in the various enclosures to this report. These might furnish a basis for preliminary consideration of a course of action.

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EXHIBIT 1

Memoranda dated July 16 - 18, 1951, prepared for the American Ambassador to France, Mr. Bruce, by William A. Crawford of his Staff.

A. ANTI-COMMUNIST ACTION OF THE FRENCH GOVERNMENT

Before considering what further action the French Government might take administratively or through legislation to combat Communist activities here, it would be well to take stock of what action it has already taken in this field. Such action may be generally summarized under the following headings:

- (1) Reorganization of the Internal Security System;
- (2) Elimination of Communists from Posts of Responsibility in Public Administration and the National Economy;
- (3) Outlawing of International and Foreign Communist Organizations and Fronts;
- (4) Prohibition of Soviet and Cominform Periodicals;
- (5) Prohibition of French Communist and Communist Front Demonstrations;
- (6) Encouragement of National Deviationism within the CPF and the CGT;
- (7) Anti- Communist Propaganda.

A brief statement is attached of the action so far taken by the Government under each heading, together with recommendations for further action wherever it would seem desirable.

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(1) Reorganization of the Internal Security System:

The Government decree of September 30, 1950, called for the reorganization of the French internal security system, including the creation of a territorial guard. The decree was designed to provide the means for dealing with the Communist fifth column in the event of a national emergency. The Government is understood to have done little so far to implement the decree.

STATUS: Unsatisfactory.

RECOMMENDATION: The Government might be encouraged to expedite action.

(2) Elimination of Communists from Posts of Responsibility in Public Administration and the National Economy:

In public statements before the National Assembly on July 23, 1950, and January 4, 1951, Defense Minister Moch declared that it is the policy of the Government to remove Communists from "posts of command", although not from lesser positions, in public administration and the national economy.

In pursuing this policy, the Government has taken various steps, some of which have been publicized. On November 6, 1950, it removed four Communist mayors and twenty-nine Communist deputy mayors of Paris communes who had transformed their "mairies" into Communist propaganda centers. On January 10, 1951, it purged the Commissariat for Atomic Energy of all remaining Communists. Also on January 10, 1951, it ordered the removal from office of all public servants who stopped work on the

preceding day to participate in the Communist demonstrations against General Eisenhower; and the French military authorities suspended twenty-one workers from national defense plants for the same offense.

In addition to these public acts, the Ministry of the Interior has informed the Embassy that numerous Communists or fellow-traveling directors in key posts in public administration and the national economy have been removed from their positions.

STATUS: Relatively satisfactory.

RECOMMENDATION: A status report might be solicited.

(3) Outlawing of International and Foreign Communist Organizations and Fronts:

Over the past year the Government has outlawed the leading international and foreign Communist fronts with headquarters in Paris. These include, in the sphere of trade union activities, the World Federation of Trade Unions; in the sphere of pacifist activities, the Committee of the World Congress of Peace Partisans (subsequently renamed World Peace Council); in the sphere of women's activities, the International Democratic Federation of Women; and in the sphere of youth activities, the World Federation of Democratic Youth. It is noteworthy, however, that it has so far taken no action against the French affiliates of these international Communist fronts, i.e., the Confederation Generale du Travail, the Combattants de la Paix et de la Liberte and the Conseil National du Mouvement de la Paix, the Union des Femmes Francaises, and the Union de la Jeunesse Republicaine de France. Nor has it taken steps to outlaw three international

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Communist fronts of somewhat lesser importance: in the sphere of the intelligentsia, the Bureau de Liaison des Intellectuels pour la Defense de la Paix (product of the Wroclaw Congress); in the sphere of political prisoners, the Federation Internationale des Anciens Prisonniers Politiques; and in the sphere of law, the Federation Internationale des Juristes Democrates.

The Government has dissolved those foreign Communist groups which were closely associated with the para-military apparatus of the French Communist Party. In this connection, on September 7, 1950, it abolished the Spanish Communist Party here, together with its organ Mundo Obrero, and on the same date rounded up for expulsion from France two hundred eighty-eight foreign Communists, the majority of whom were Spanish. On December 26, 1950, it dissolved the Union des Garibaldiens et Volontaires Italiens dans l'Armee Francaise, a Communist front for para-military action composed of Italian nationals.

STATUS: Relatively satisfactory.

RECOMMENDATION: The Government might be encouraged to take further action with respect to the remaining international Communist fronts, and possibly initial action with respect to their French affiliates.

(4) Prohibition of Soviet and Cominform Periodicals:

On December 27, 1950, the Government ordered the prohibition of the sale and distribution in France of five leading Soviet periodicals published in the French language. On January 6, 1951, it issued a similar order with

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respect to the weekly Cominform organ, Pour une Paix Durable, Pour une Democratie Populaire, published in Bucharest. It should be noted however that this organ was subsequently published here in almost identical form and content under the title Paix et Democratie. In its new format, it has been edited by the Communist Deputy Auguste Touchard.

STATUS: Relatively satisfactory.

RECOMMENDATION: As the Government has taken no steps to prohibit the Cominform organ in its new format, it might be encouraged to do so, particularly as Touchard was defeated for re-election on June 17, and therefore no longer enjoys parliamentary immunity.

(5) Prohibition of French Communist and Communist Front Demonstrations:

Since the beginning of the year the Government has prohibited the holding of three Communist-organized public demonstrations. The first was the anti-Eisenhower demonstration scheduled to take place on January 24 in front of SHAPE Headquarters. The second was that scheduled for February 15 by the Communist front Federation Nationale des Deportes Internes et Resistants Patriotes to protest against the arrival in Paris of German military representatives to participate in the discussions on a European Army. The third was the mass "peace" rally sponsored by the Conseil National du Mouvement de la Paix, the French affiliate of the World Peace Council, which was to have been held in Paris on July 15.

STATUS: Satisfactory.

RECOMMENDATION: None.

(6) Encouragement of National Deviationism within the CPF and the CGT:

For the past several years, the Government has given discreet assistance to the national deviationist movement led by Darius LeCorre within the CPF and the CGT, and to its organ La Lutte. This movement publicly emerged some weeks before the recent national elections as the Mouvement Communist Francais Independant and polled some twenty-three thousand votes at the elections themselves. Although it constitutes no serious threat to the Party as yet, it presents a rallying-ground for dissidents. The numerous attacks which the Communist press has made upon it are an indication of its nuisance value.

STATUS: Satisfactory.

RECOMMENDATION: None.

(7) Anti-Communist Propaganda:

On September 8, 1950, the Government established an anti-Communist propaganda organization, "Paix et Liberte", which has done an impressive job in countering Communist propaganda, particularly with posters. It now proposes to expand its propaganda activities through other media.

STATUS: Satisfactory.

RECOMMENDATION: None.

B. ACTIONS WHICH THE FRENCH GOVERNMENT MIGHT TAKE TO
DEPRIVE THE FRENCH COMMUNIST PARTY OF ITS MATERIAL
RESOURCES AND REDUCE ITS POWER.

Short of outlawing the Communist Party itself, the French Government might resort to a number of measures calculated to reduce somewhat its power and material resources. In the first place it might take steps to implement further the program of anti-Communist action which it has already been pursuing and which is outlined in my memorandum of June 16. In addition to these measures, there are others necessitating governmental action which might be considered. Some of these may be briefly summarized as follows:

1. Allocation of Newsprint:

A governmental agency, the Societe Professionnelle des Papiers de Presse, which is under the joint direction of the Federation Nationale de la Presse Francaise and the Ministry of Information, is the only authorized importer and distributor of newsprint in France. It allocates a percentage of newsprint to the Communist press and publications, in accordance with their circulation, at prices below those of the world market. In addition to the newsprint thus made available, the Communists may also import newsprint directly from abroad at world market prices.

The Government might consider administratively reducing the allocation of newsprint to the Communist press and periodicals and limiting the amount of newsprint which the Communists might import from abroad on the free market.

2. Availability of Press Equipment:

The Societe Nationale des Entreprises de Presse (SNEP) is a governmental agency charged with the responsibility for administering the press equipment and properties of those publications which appeared during the Occupation and were confiscated at the time of the Liberation as collaborationist. The properties in question were taken over at that time by the Communists, Socialists and MRP, roughly on a tripartite basis of distribution. The SNEP subsequently formalized the de facto distribution which had thus been effected and has since administered the properties. The Communists are understood to be in heavy debt to SNEP, despite the fact that a recent effort of theirs to organize a so-called "National Subscription in Defense of the Democratic Press" was designed to alleviate the situation.

The Communists are by no means the only group heavily indebted to SNEP. However, the possibility of requiring the Communists to pay up their indebtedness or abandon the properties in question might well merit consideration.

3. A New Definition of Representivity:

The Communist-controlled CGT could perhaps be dealt a blow by legislative action amending the Law of February 11, 1950 on Collective Bargaining. This law sets forth several qualifications for so-called trade union "representivity", one of which is that of "independence" and another that of the "patriotic attitude under the Occupation" of the trade-union in

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question. The latter qualification plays clearly into the hands of the Communists, whose so-called "patriotic attitude" was coterminous with the Occupation.

This clause might well be modified to extend "representivity" only to those trade unions whose "patriotic attitude" is expressed in the principle of unqualified adherence to the national defense under all conditions and at all times. This would confront the CGT with the dilemma either of having to renounce its numerous defeatist pledges, such as that of never fighting the Soviet Union, or its legal claim to "representivity".

4. Permanent Trade Union Employees:

Numerous permanent trade-union employees, both CGT and non-CGT, are paid by the State in the sphere of nationalized industry or by management in the sphere of private industry, rather than by the trade-unions themselves.

The Government might consider whether it would be feasible to remove the CGT permanent employees from its payroll.

5. Social Welfare Benefits:

Social welfare benefits in nationalized industries are subsidized in part by the State. Moreover, in view of the predominance of the CGT within the trade-unions themselves, they are administered in large part by the Communists. The result is that the Government thus frequently makes indirect contributions to the maintenance of the CGT, and that the Communists may use this means for exerting political pressure on the workers.

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Measures might be considered for modifying this situation.

The foregoing are merely suggestions for anti-Communist governmental action. The French may well have some of these, as well as others, in mind. Each would require more detailed technical study before deciding whether it is feasible or desirable and any relating to labor would presumably require informal consultation with our union representatives on the ICFTU.

There are other possible measures which might well merit attention, such as regulation of the right to strike in public services, which is now unlimited, and the strengthening of legislation on military indiscipline and sabotage, on the law on the press with regard to defamation, and on parliamentary immunity to prevent the latter's serving as a cloak for Communist deputies to disobey the law.

Probably none of these acts would be particularly effective or popularly acceptable in itself unless it formed a part of a broad, methodical governmental program for anti-Communist action. If, for example, all non-Communist parties in the Assembly united to pass a general piece of legislation on intelligence with the enemy, a specific sanction, such as depriving the Communists of newsprint, would be fitting and proper retaliation for their treasonable propaganda and agitation against the action of French troops in Vietnam and Korea.

Although it would seem a desirable principle, therefore, that sanctions be generally carried out in support of specific legislation directed against

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the Communists, they might equally well be called into force in retaliation against flagrant anti-national acts of the Communists, even where no such legislation existed at the moment. Thus, when the Communists lay themselves wide open on anti-national grounds, such as when in 1949 Thorez publicly condoned Soviet occupation of France by asserting that the French people would come to the aid of Soviet troops pursuing an invader on to French soil, the Government would have been in a justifiable position to take vigorous measures against the Communist Party then and there. It might well be encouraged not to let a future occasion of that kind go unheeded.

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EXHIBIT 2

Memorandum prepared by Richard Eldridge

The attached memorandum was originally prepared as annotated agenda of certain considerations which might justify critical review. They may be resumed in these propositions:

1. It was Soviet Russian policy and the conservative reaction of the majority of individual French working families that sharply reduced Communist strength in France during 1947-50. To attribute the weakening of communism to other lesser factors could lead to a dangerous underestimate of potential communist recovery. In other words, a reversal of Soviet tactics permitting the French Communist Party once more to adopt the formula of "national patriotism" and perhaps "European neutrality" might, within a short period, restore Communist prestige, lead to another Popular Front government and the collapse of American policy in France.
2. American policy has in effect preserved the traditionally instable French social structure by restoring the production levels prerequisite to political and social stability. At a critical moment, intelligent American action was instrumental in preventing the destruction of the non-communist center (Jouhaux group) of the French CGT and facilitated the survival of other small groups. American initiative probably saved France from a major social revolution during the period 1947-48. But American policy has not and doubtless could not of itself alter the unhealthy French

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- structure of national income distribution; it could not break down restraints upon output, trade and prices that have been accentuated since the Liberation. It was this unhealthy but long established social structure that fostered the phenomenal growth of Christian and Marxist Socialism and Stalinist Communism during the period 1919-50, a period in which French industry stagnated because of its policies of restricted output, wide profit margins and low wages. The attached annex of official production indices indicate that French industrial production in 1949 was less than in 1930 and not one third more than in 1913.
3. It seems clear from Socialist and leftwing MRP statements, regarding the conditions of their participation in cabinets, that no democratic French government can successfully undertake a genuine, large-scale, effort for national defense without maintaining and possibly increasing the presently compressed real wages of the lowest wage groups. It is equally clear that the Socialist Party would commit suicide if it did not thus take account of worker discontent and Communist competition. It does not appear probable that the general elections of 1951 will alter this situation.
 4. American aid to some organizations in the French labor movement and to some groups in the Socialist Party may have saved these vitally important elements from virtual elimination. However, aid was mainly restricted to non-productive forms, namely,

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guaranteeing the budget of the governing bodies and Headquarters of FO (and lesser groups) and meeting the inevitable deficits of the incompetent management of the Paris Region Socialist Party organ, the Populaire. One half of the non-communist labor movement, namely the CFTC (Christian labor unions), received no American aid worth mentioning. Productive stimulation of the healthier regional and lower-rank FO labor unions and Socialist Party agencies has been wholly inadequate.

5. Various measures should be taken to provide repetitive tests of the efficacy of aid or other actions taken in France: The tests should be made by a source independent of the agency or agent initiating the action. Too often in the past, glowing but inaccurate reports have been sent to Washington regarding the efficacy of (propaganda) actions undertaken.
6. American aid and other projects should not be considered practicable, at least in principle, unless initiation and implementation of specific projects by French organizations is assured. In general actions undertaken should be initiated by French organizations with American support appearing only subsequently, if at all. If a given American proposal is such that no influential French organization or pressure group can be found to initiate and promote it, the proposal should be abandoned or revised.

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LABOR PROGRAM IN FRANCE

In any examination of the French labor situation, consideration must be given to those major factors that really dominate the labor situation.

The principal factor in the absolute, but not relative, decline of communist strength in organized labor has been the tactics imposed upon CGT by Soviet Russia, namely, anti-nationalist actions ranging from support of independence movements in the overseas territories to opposition against all national and international efforts for the recovery of French economy and French national defense.

A second major factor has been the passive resistance of the French workers to anti-patriotic policies of CGT; massive withdrawals from the communist-controlled CGT took place in the period 1946-48, while in the rank and file and among the lower union officials much open and considerably more covert discontent has been manifested against CGT anti-nationalist political actions.

Whereas the above two factors have materially weakened communist strength, both in the CGT and in the country as a whole, other major factors have been predominant in preventing non-communist labor organizations from acquiring strength:

The so-called "anti-labor" policies of the French government simply reflect, in the best parliamentary tradition the necessity for parties in power to favor their respective supporters. Farmers, tradesmen, artisans and small enterprise, as well as large scale industry, have materially benefited from government policy or lack of policy in many fields. On the other hand, comparable solicitude for the working class would have necessitated direct action on price, profit,

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low wage and fiscal problems which the government parties have been politically incapable of undertaking without sacrificing group interests of their own supporters.

These considerations indicate the difficulty of utilizing American aid in the solution of French national economy problems such as the highly organized control of prices and profit margins of the postwar period which has so materially promoted price inflation.

French labor problems may be divided into:

Problems of general state legislation and regulation, including abusive trade practices, fiscal evasion, large scale clandestine capital exports, and advanced social legislation. (Nationalization and other legislative measures, adopted in a period of Communist Party cooperation with the government, have had for effect the state delegation of authority to the communist-dominated CGT which controls the bulk of consultative plant committees, shop delegates, the hiring and firing of longshoremen as well as the maintenance of continued if reduced numbers of communists or fellow-travelers in key-positions of various ministries, such as National Education, Information, Labor and Industrial Production, etc.).

In this group might also be classified state and municipal aid to the CGT. An estimated one billion francs annually of state and municipal aid to CGT has been consistently rendered during the 1947-50 period during which the CGT made every effort to disrupt French economy and to undermine the French government. This aid takes such forms as the Free CGT use of municipal labor "bourse" buildings

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in the principal cities of France and, in some cases, of municipal payments of wages to full-time regional CGT officials. In nationalized enterprise such as Coal, Gas and Electricity, Railways, etc., it has long been an established practice that trade unionists elected to full-time trade union posts should continue to receive their wages and normal promotions from the nationalized enterprise in question. Incidentally this practice is also maintained by a substantial number of large private enterprises.

Many other communist "front" organizations receive subsidies from the French government in the form of free use of requisitioned buildings, free or reduced transport rates, etc.

An analysis is being made of the national and municipal budgets, so as to determine an approximate figure of state aid to the CGT. One estimate made a year ago calculated such support at more than one billion francs.

State aid to Force Ouvriere and CFTC is given in a lesser degree; the unconditional elimination of such aid to all groups would therefore be violently opposed by FO and CFTC, not to mention the Socialist Party and the MRP, both of which also receive certain forms of state aid either directly or through intermediary "front" organizations.

Most significant aspect of state influence upon the labor situation has been the adverse effect of state policies upon real wages. The "government parties" have been generous in subsidies to group interests representing their own constituencies; direct subsidies have been given to agricultural and some other groups, and indirect subsidies in the form of subsidized low prices to large consumers of the products and services of nationalized enterprises, such

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as Coal and Transport. Subsidies have been a heavy burden upon the national budget and have been largely transferred to the principal tax paying and consumer group, namely the wage earning class. In addition to indirect subsidies benefiting "private" enterprise, the state has in a number of cases, by decree, delegated governmental regulatory powers to representative industrial groups for the strict control of price, marketing and other trade practices. What may be considered one of the most harmful subsidies to agriculture, industry and trade has been the deliberate postponement of fiscal reform and the failure to collect taxes.

In many industries, the discipline imposed by strong trade associations is now far beyond anything known in France before the war. Whether in marketing or in labor policy, trade associations in key industries now largely dictate the policies of their members and possess strength to impose penalties which in important cases has been fortified by state delegation of authority. Surveys of the notable extension of state delegated authority since the prewar period and of other cartel forms of trade association control should summarize the documentation available in French government agencies. Since low real wages are a fundamental obstacle to economic expansion and social stability, intelligent long term action in the field of trade practices probably would be the most effective, if the most difficult, method of bringing relief to that third of the French working class which is underpaid even by low prewar standards.

As a general rule it is of course obvious that any American action undertaken to encourage French political and social recovery should be preceded by

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careful review of essential facts of the problem and by consultation with interested French groups. The initiative of important actions in political, economic and social questions should be assumed by coordinated French group action, with subsequent American support. In many cases, ability to observe this procedure constitutes a test of the practicability of the action under consideration. Obviously, all actions should be subject to review and approval in terms of American overall policy in France.

The following recommendations for possible actions exclude questions relating to the 1951 general elections, to the "neutralist movement" and to special Marshall Plan matters, such as pilot plants, housing projects and technical assistance programs.

I. Government

a) Useful changes in legislation, regulations, administration policy, aiming at:

- 1) Labor legislation: revision of definition of "representativity" of labor organizations to penalize those (communist) organizations and individuals with past and current record of sabotage of national defense and of reconstruction; elimination of communist control of hiring halls for longshoremen (result of existing legislation); elimination of communist control of plant committees and shop stewards in key national defense occupations (plants, transport and communications, etc.).

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- 2) Trade practices: revision of decrees, etc., delegating state authority to trade associations for allocation and importation of products and materials, production, price and other controls with a view to imposing minimum standards in price and possibly labor policy.
- 3) Nationalized enterprises: reforms in this field are under way but would benefit from closer American support. (Separate surveys should be made for transport, communications, coal, gas and electricity).
- 4) State and municipal subsidies: This aid is perhaps the single most important source of communist financial strength in maintaining a large scale national organization and, in the case of CGT, represents an estimated one billion francs annually.
- 5) Communist influence in government and autonomous agencies: it remains important in the Ministries of: Information (broadcasting, cinema, allocation of newsprint and paper to communist press - with credit extensions - present communist possession of state-requisitioned or confiscated printing plants); National Education (partial control of hiring and promotion of teachers, especially technical and secondary schools, strong position in some university departments); National Economy, Labor; utilization of municipal resources in communist-dominated municipalities, etc. Surveys of the extent of communist influence in each important government agency should be made and periodically revised.

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II. Political Parties

Consultation and cooperation with the international sections and key committees of political parties and, through them, with Assembly Commissions would be especially helpful in determining and promoting the prospects of contemplated measures. Useful support can be thus developed in those committees where none would otherwise exist.

III. National Economic Council, Trade Associations, etc.

In promoting public and private actions, various (conflicting) interests can be identified and contacted in the CNPF (Employers) and similar organizations, and effective alliances made for the promotion of specific projects. CGA (Agriculture), CGC (Technicians), Jeunes Patrons and other important group interests are in a number of cases prepared to support specific projects listed. (That is, either the entire organization or important subsidiary associations).

IV. Churches

The Catholic Church compares favorably with the Communist Party in the scope and strength of its organization and influence. It has a leading part in the application of social policies and its cooperation in many forms of social action could be obtained.

V. Labor Organizations.

The notorious ineffectiveness of labor unions in the re-establishment of a non-Communist labor movement is the result of political and social factors partly exterior to labor organizations.

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It is however also due to the character of leadership, and the tendency of Americans as well as other interested outside groups to encourage one French non-Communist labor organization to compete with another, rather than to present a common front on a minimum program against the CGT. Large scale aid concentrated at top levels sharply decreases leadership interest in massive increases in membership; it seems certain that not one fourth of American aid has been directly used for membership campaigns.

A curious aspect of American aid has been that it has ignored one half of the non-Communist labor movement in France, namely the (Christian) CFTC. In the June 8, 1950 Social Security elections, the CFTC received substantially more votes than FO, although FO received the bulk of American aid.

A review of past American aid would be difficult to make because various American agencies indulge in separate unreported actions of an uncoordinated character.

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EXHIBIT 3

MEMORANDUM

July 26, 1951

PROGRAM TO REDUCE SOVIET ACTIVITIES IN ITALY

Up to the present time the program and objectives of the United States for the reduction of Communist activities and power in Italy based upon a combination of propaganda and assistance in economic recovery has been effective in preventing the Communists from taking over in Italy. It is now clear, however, after viewing the results of the recent municipal elections in the north of Italy that a new approach is required toward this problem if we are to succeed in actually reducing Communist strength here.

Vast sums of money are being expended in Italy under the authority of the U.S. Government in various ways for propaganda and information with regard to the American assistance toward Italian recovery and also with a view to influencing Italian public opinion toward an attitude more favorable to the United States.

The time has come when it would seem appropriate to approach the Italian Government with a view to inducing it to improve its propaganda and informational services with a view to making a better presentation of what the Italian Government is doing along the lines of improving conditions in Italy. The most effective action in influencing the Italian people away from Communism would be that taken by the Italian Government itself and any part we take in that effort should be along the lines of assisting in an Italian program of action without too much evidence of American participation.

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A further step which I consider essential would be to review the programs which are now supported either by U.S. dollar funds or through counterpart funds with a view to ascertaining the total sum available for propaganda purposes in Italy as far as the United States Government is concerned. It seems to me that a great portion of this available sum would be more effectively used if it were dedicated to the purpose of assisting the Italian Government in carrying out a vigorous anti-Communist program and in extending the Free Trade Union movement. It seems to me another field which would be appropriate in combating Communism would be to assist the non-Communist cooperatives as they are in most cases very close to the people and operate in close connection with the industrial centers and also in the agricultural field.

A way should be studied in which the new democratic administrations which have just taken over in the important northern cities could be assisted in rendering services to their respective localities in a way which would sharply contrast the benefits obtained from democracy with the lack of consideration for the people's interests as exhibited by the former Communist administration. There may be many ways such as building or improving the public services, instituting housing programs and specific benefits to the communities of a similar nature.

If sufficient funds are available, a most effective way of combating Communism is by word of mouth and organizing the democratic political groups particularly in the industrial centers in such a way that the workers are approached on a personal basis and made to understand what the Communist regime is really

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after and how the interests of the workers and people generally would be completely subordinated under the slave rule of a Communist regime.

Signed, James Clement Dunn

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EXHIBIT 4

To report dated 15 September 1951 entitled: Analysis of the Power of the Communist Parties of France and Italy and of Measures to Counter them.

Memorandum prepared by Allen W. Dulles, covering a meeting held at the American Embassy at Rome on July 25, 1951 attended by the Ambassador and Minister Thompson of his Staff, Minister Dayton and Colonel Lane of ECA, Mr. Dulles, and a representative of CIA, to discuss measures which might be taken in Italy, particularly of an administrative or legislative nature, to reduce the threat which the Communist Party of Italy and the Communist dominated labor union, CGIL, represent for free government and for the defense of Western Europe.

A. GENERAL.

Consideration was given to urging the Italian government to make a strong overt declaration against the Communist Party. There was some difference of opinion whether it was wise to attempt this at the outset both because it might prematurely alert the Communists and because it was doubtful whether strong words, if forthcoming, would be followed by strong action. In general it was the majority view that it would be best to start with specific steps against the Party and the CGIL, and in particular that the government should be urged to move to eliminate Communist Party members who held significant government payroll positions. In this connection it was felt that particular emphasis should be placed on the security factors and that action of this nature should initially be directed against Communists in the Defense Establishment, in communications, transportation, public utilities, government arsenals, navy yards, and strategic industries.

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B. IN THE FIELD OF LABOR.

1. Redistribution of government owned ex-Fascist property now in the hands of the CGIL. (It was generally agreed that every effort should be made to get the full facts as to the precise properties which the CGIL held under government favor and move against those which were of the most strategic importance. It was also felt that if certain of these properties could be diverted from CGIL to the non-communist union, CISL, this would be most desirable.)

2. Removal of communists from labor employment advisory boards.

3. Consideration by the government of new labor legislation covering strikes by government employees. (It was felt that before moving on this point it would be well to appraise the results of current legislation in this field.)

4. Acceleration of the taking by Confindustria of an anti-communist position and a position more favorable to CISL.

5. Promotion of effective government investigation of cases of intimidation of non-Communists by Communists. (The government is already doing something along these lines but more could be done.)

6. Development of a public works program to reduce unemployment. (The difficulty here is the present inability of the government to finance any ambitious program along these lines. It was felt that such a program, when feasible, should be tied in with taking the excess workers off the rolls and putting them into productive activity.)

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7. Improvement of social security and insurance legislation.

(It was felt that this was a long term project in view of the government's financial position, but worthy of study.)

8. Governmental refusal to confirm the election of Communists to important positions in port agencies where the Minister of Merchant Marine has control.

C. IN THE FIELD OF SECURITY.

1. Establishment of a commission to examine the security factors relating to the employment of Communists, particularly in government utilities and strategic industries.

2. Investigation of Communist activist "schools" and preparation for effective legal action against those engaged in the illegal movement and caching of arms.

D. IN THE FIELD OF THE PRESS.

1. Investigation of the possibility of terminating the lease by the Italian government to the Communists of the important UESISA printing plant where the Communist "Unita," "Avanti" and other Communist sheets are published.

2. Action to curb the false and subversive utterances of the Communist press and other Communist information media. (This would require a more effective government information program.)

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E. IN THE FIELD OF GOVERNMENT AND ADMINISTRATION.

1. Establishment of a more equitable and effective tax system.

(It was felt that this recommendation should be viewed in the light of proposed legislation on the subject.)

2. Progressive steps to remove Communists from administrative positions in government ministries, in schools and in universities.

(It was conceded that it would be difficult to get the government to move along these lines, but that it was worth considering.)

3. Curtailment of governmental financial assistance to communes which contribute financially to communist agencies. (Here the grant by the City of Milan to the CGIL was mentioned as an example. This is also a difficult point, but even a threat to take action might make the communes more careful in the support they give to communist organizations.)

F. SOCIAL AND ECONOMIC

1. Consideration of the reorganization of the social security agencies with a view to curtailing and eventually eliminating Communist representation.

2. Examination of the practices of communist controlled cooperatives and communist controlled export-import firms which engage in certain selling practices whereby they acquire funds for Communist and Soviet operations in Italy.

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