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SECURITY INFORMATION

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SOVIET UNION

1. Comment on ouster of Beria:

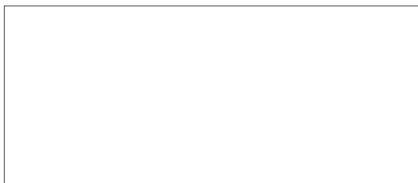
Beria's ouster appears to have resulted more from a power struggle than a need to provide a scapegoat for Orbit unrest. His arrest and coming trial emphasize the struggle that has existed in the top levels of the new Soviet government despite an outward appearance of unity. Judging by the nature of the accusations, the other Soviet leaders probably suspected that Beria was wielding his power as police chief too arbitrarily with an eye to enlarging his authority. They probably seized upon the recent riots in East Germany as an opportunity to remove him.

Beria's removal increases the power of Malenkov, who was generally considered to be sharing the leadership with at least Beria and Molotov. It seems likely, however, that Malenkov needed the support of Defense Minister Bulganin and Party Secretary Khrushchev to effect this arrest.

This move against Beria comes when it would seem that the new Soviet leaders should have been making the strongest efforts to appear united. The risk of taking such action at this time highlights the intensity of the struggle.

The desire of the governing faction to consolidate its power should provide motivation for a continuation of its attempts to reduce international and internal tension. However, there were some indications in the Pravda editorial accompanying the announcement of Beria's removal that the number of internal concessions will be limited and that this policy may even be under review.

SOUTHEAST ASIA

2. Paris reportedly feels independence for Associated States "impractical":

The counselor of the French embassy in London told an American embassy official there on 9 July that negotiations with the

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Associated States cannot go beyond the framework of the French Union. On the basis of guidance received from Paris, he stated that complete independence for any of the Associated States is "entirely impractical." He added that the talk of giving Cambodia a status similar to that of Pakistan within the Commonwealth is a contradiction in terms.

Comment: These views represent the position of Foreign Minister Bidault, whose opposition to Deputy Premier Reynaud's more liberal approach was responsible for the ambiguous wording in the 3 July French notes to the Associated States.

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3. French official lists possible concessions to Associated States:



The French adviser to the Vietnamese government, who is currently in Paris, informed the American embassy there that he expects France to take several steps to prove that its 3 July policy statement is not "just a piece of paper."

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These steps, he believes, will include the return to the Vietnamese of the palace in Saigon, which has been a symbol of French control; an increase in the number of local military sectors in Cochinchina under Vietnamese army command; authority for the Vietnamese to issue their own currency; appointment of a new team of French officials; and revision of certain judicial arrangements. Further steps, he asserted, would depend on the forthcoming discussions with the Associated States.

Comment: All of these steps have been under discussion for several months, some of them for several years. They would have little impact in Indochina now that the Cambodians have demanded complete independence and the Vietnam government has taken the position that the 3 July note promised independence.



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EASTERN EUROPE

4. Hungarian Communist leaders confused over new economic policy:

Open confusion and even fear shown by low-level party officials since the government reorganization on 4 July have damaged the party's authority and prestige with industrial workers and peasants, in the opinion of the American legation in Budapest.

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 near panic among the Communist rank and file over the past week end. Party officials fled from some villages in anticipation of trouble, but returned when nothing developed. According to their own admission, they lacked directives on the implementation of the new economic policy announced by Premier Nagy.

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The legation notes that similar developments in East Germany were an important factor in the ultimate appearance of open defiance there.

Comment: East Germany and Hungary are the only two countries in Eastern Europe where a conciliatory policy has been announced.

WESTERN EUROPE

5. Adenauer reverses stand on four-power conference:

Chancellor Adenauer has decided to ask the West to seize the initiative in the propaganda battle over German unity by inviting the Soviet Union to an early four-power conference. He believes that such action would undercut anticipated Soviet unity overtures designed to weaken his government's election prospects.

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Comment: Adenauer's expressed opposition to four-power talks has been steadily worn down in the last three weeks by repeated press attacks on the dilatoriness of the Bonn government on the matter of unity.



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