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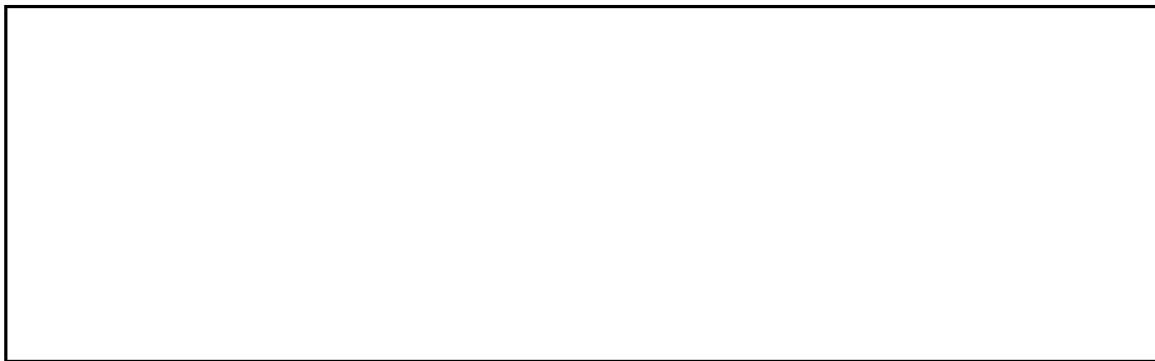
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3. KHRUSHCHEV COMMENTS ON EUROPEAN INTEGRATION

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Soviet party boss Khrushchev told Chester Bowles on 20 February that the USSR did not like the idea of a "European federation" since Germany was certain eventually to control such a grouping. Britain and France, Khrushchev said, could only be losers. He said that if the federation were only a loose agreement on "economic and similar problems," the USSR had no objections. Khrushchev stressed, however, that Germany could not be permitted to dominate Europe and that in order to prevent such a development, a disarmament agreement including arms control by the principal powers was needed.

Comment Khrushchev's opposition to European integration is in line with Moscow's long-standing claim that it would pave the way for German aggression. The USSR proposed at the meeting of the Economic Commission for Europe last April that there should be an all-European agreement on economic co-operation and that the peaceful uses of atomic energy should be explored within the framework of ECE.

In commenting on the six-nation agreement on EURATOM and the common market, reached on 20 February, Moscow radio has emphasized the differences among the participants, and has played on French fears of Germany. Pointing out that West Germany already produces more iron and steel than France and Great Britain, Moscow predicted that the new plan will allow West German industry to manufacture atomic bombs with French uranium and that French markets will be flooded with West German goods.

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4. THE SPANISH CABINET SHAKE-UP

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Franco's present cabinet shake-up, like the last major reshuffle in mid-1951, follows a period of growing criticism of his regime and extensive transportation boycotts in Spain's major cities. The working populace has used the boycott, one of the few legal means by which it can protest, to express its dissatisfaction with the deteriorating economic condition of Spain.

In naming a new cabinet, Franco seems to have used the device of choosing "technicians" to head a number of ministries as a way of avoiding a showdown between the Falange and its opponents --the monarchists and army, church and business groups.

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Lodge, however, feels that the replacement of Foreign Minister Artajo by Fernando Maria Castiella "would not seem encouraging."

Castiella, Spanish ambassador to the Vatican since 1951, has been described as a former Falangist and former member of Spain's World War II Blue Division, but now a monarchist. The reported replacement of Commerce Minister Arburua suggests that the austerity measures he has favored for combatting Spain's growing inflation will be brushed aside in favor of deficit spending for public works and other construction projects as recommended by other members of the government.