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SECURITY INFORMATION~~

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GENERAL

1. Spanish interests reportedly negotiating oil contract with Iran:

A Liechtenstein firm, the Tracosa Trading Company, Ltd., reportedly is acting as a go-between and "Huguenin," described as a watchmaker, has made an initial deposit of \$175,000.

Comment: This is the first indication that Spanish interests are trying to buy Iranian oil. The contract may already be in the process of implementation, [redacted]
 [redacted] a tanker had just left Italy for Abadan [redacted]

3.3(h)(2)

As more tankers are now available and as the preliminary Italian and Japanese court decisions have been favorable, more oil may leave Iran.

SOVIET UNION

2. Moscow embassy reports rumor of Beria disgrace:

[redacted] Ambassador Bohlen reports that a rumor has been circulating in Moscow to the effect that L. P. Beria is in difficulty if not in disgrace because of the recent security breakdown in East Germany.

3.3(h)(2)

Bohlen was informed of this rumor by a "very reliable diplomat who still has occasional Soviet contacts," but comments that it may have arisen solely from Beria's absence on 27 June when all other top Soviet officials attended the opera.

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Comment: The absence of a top Soviet leader on even an occasion of state has not in the past been unusual. As chief of intelligence and security, Beria might be blamed for the riots in East Germany.

NEAR EAST - AFRICA

3.

3.3(h)(2)

4. Britain reportedly considering five-year agreement with Egypt:



The British Foreign Office is reportedly considering limiting the proposed Anglo-Egyptian defense agreement to five years. This limitation would be proposed in the hope that after five years Egypt would feel able to join a regional defense arrangement which would secure Western defense needs at the Suez base.

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The American embassy in London believes that such a limitation might also pave the way for agreement over the maintenance of British technicians at the base. Prime Minister Churchill and Acting Foreign Secretary Salisbury are understood to feel strongly that the number of technicians must remain constant for the duration of the agreement, rather than be progressively reduced as Egypt desires.

3.3(h)(2)

WESTERN EUROPE

5. Revival of UN commission on German elections seen likely to weaken Allied position:



High Commissioner Conant believes that any^{3.3(h)(2)} Allied attempt to revive the UN commission for investigating election conditions in Germany would be a "political mistake." A mere repetition of past moves on the German unity question would fail to retain the confidence of the West German populace and would be seized on by West German opposition parties as "proof" of the bankruptcy of Allied policies and of Western opposition to unification.

Comment: The UN commission was formed in December 1951 at Chancellor Adenauer's instigation to demonstrate the insincerity of East German unity proposals advanced several months earlier. Soviet refusal to admit the commission to East Germany was cited by the Allies as one of the reasons for not participating in a four-power conference.

A French Foreign Ministry official last week declared that the French populace would interpret the restoration of the commission as a Western "subterfuge."

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SECURITY INFORMATION**6. Reynaud presses for far-reaching changes in Indochina policy:**

[redacted]

While the latest French policy declaration on Indochina was an adjustment between the views of Deputy Premier Reynaud and Foreign Minister Bidault, the American embassy reports that Reynaud was the moving force behind the position taken. Reynaud told the press that the entire basis of French-Associated States relations will be discussed if the Associated States so wish. He had earlier told a representative of the US embassy in the presence of Premier Laniel that each state would have the choice of remaining in or withdrawing from the French Union.

3.3(h)(2)

The embassy sees the forward-looking approach of Reynaud and the appointment of Dejean as commissioner general for the Associated States as presaging a new French attitude in future discussions.

Comment: The cabinet split over Indochina policy and Reynaud's political stature make it difficult for Bidault to command the support he had under the Mayer government for keeping all discussion within the 1949 accords. Reynaud's position is further strengthened by the apparent support of Laniel, and in the appointment of Dejean as high commissioner he has someone he can depend on.

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