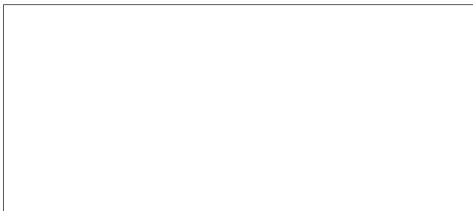


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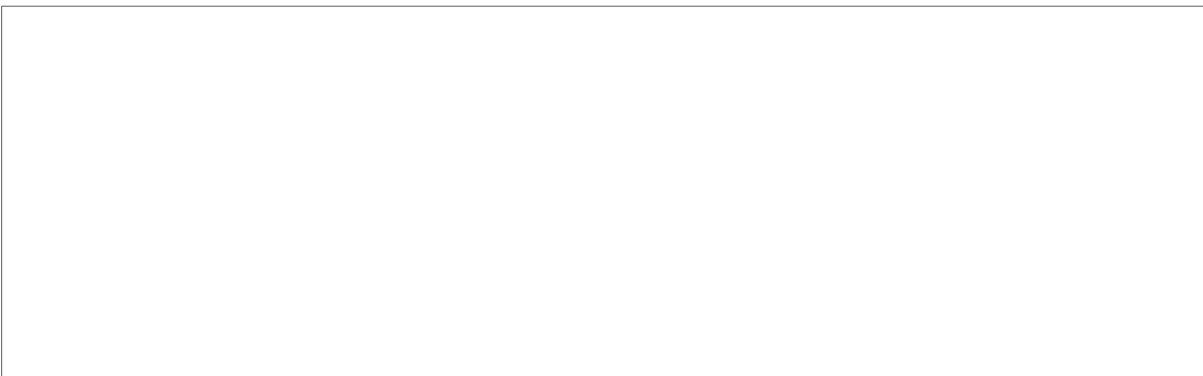
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State Dept. review completed

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GENERAL

1. French businessmen sound out US on promotion of trade with Communist China:

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Jules Julien, a prominent French businessman and member of the National Assembly, told Ambassador Dillon on 16 June that a group of French industrialists were considering a trip to

Communist China to promote trade. French business interests, he said, are aware of China's increased trade with Britain and Germany and are interested in expanding trade in nonstrategic items, but do not want to be put on an "American black list!"

Comment: Pressure is high in the committee for control of strategic trade with Communist China (CHIN-COM) for weakening present restrictions. Current procedures permitting "exceptional" shipments of embargoed goods are being stretched to the fullest, and in mid-May the French requested approval to ship \$700,000 worth of iron and steel items.

West Germany earlier this year also sounded out the American attitude on a proposed trade mission to China, but was temporarily discouraged by American objections. (Concurred in by ORR)

NEAR EAST - AFRICA

2. USSR steps up campaign to improve Greek relations with Orbit:

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Soviet officials in Athens have offered Moscow's good offices to settle Greek financial claims against Bulgaria and Rumania, according to American charge

Thurston. This offer was described as a Soviet contribution toward improving Greek relations with the Orbit, and the Soviet representatives also indicated a desire to expand Greek-Soviet trade.

The Soviet campaign was launched at a dinner given by the Soviet ambassador on 16 June--the first since World War II at which a Greek foreign minister was the guest of honor. The Soviet ambassador complained to Foreign Minister Stephanopoulos of the "cold and inflexible" Greek attitude on relations with the USSR. Stephanopoulos also received the impression that Moscow is prepared to intervene on economic questions to create normal relations between Greece and Soviet Orbit countries. There was no Soviet response, however, when Stephanopoulos alluded to the status of Greek citizens in the Soviet Union and the infiltration of agents across the Bulgarian border.

The American embassy comments that the Soviet Union has achieved an initial success in creating a favorable atmosphere for the development of closer relations with Greece. Successful Soviet elimination of peripheral problems in Greek-Soviet relations, according to the embassy, might encourage the development of domestic political alliances with Communist-front organizations and weaken Greek vigilance vis-a-vis the Soviet threat.

3. Comment on the new resident general in French Morocco:

Gilbert Grandval, 51-year-old French ambassador to the Saar who has just been appointed resident general in Morocco, is a strong-willed and outspoken organizer and administrator. His Gaullist political ties may win more attention in Paris for his recommendations than was accorded to those of his predecessor, Francis Lacoste.

Despite his Gaullist connections and a tendency to rash action, however, Grandval is not expected to attempt a policy of repression, at least initially.

Grandval's appointment at this time emphasizes his government's concern over the serious situation in the protectorate, but does not mean an immediate change of policy, since Premier Faure is at present determined not to jeopardize the chances of National Assembly approval of the Tunisian conventions.

Recent French hints that the dynastic question is a Moroccan problem may indicate that the French are considering the return of former sultan Ben Youssef, deposed in 1953. French settlers would be strongly opposed to this step, but the recent assassination of the owner of the Casablanca Maroc-Presse, a prominent exponent of moderation, has resulted in popular demand in France for an end to violence in the protectorate, even with a loss of face.

The return of Ben Youssef would not completely satisfy the nationalists, however, and Paris probably plans to institute some of the limited reforms recommended by Lacoste. Since the French government does not, however, intend to give Morocco even the restricted autonomy recently granted Tunisia, nationalist agitation is expected to continue.

LATIN AMERICA

4. Comment on the situation in Argentina:

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Argentine minister of the army Lucero continues to control the military situation in Buenos Aires and insists that "tranquility exists throughout the country." No progress has been reported, however, on political negotiations to clarify the status of President Peron, or to end what may be merely an uneasy truce with the naval fleet, whose exact location has not been disclosed.

Various reports indicate continuing high tension and unrest in the army as well as in the navy and among civilians. Acknowledgment of this is seen in Lucero's communiqué of 20 June warning the public again against the increasing rumors of continuing conflict. That these rumors may have some substance is suggested by a report, allegedly based on a police broadcast, indicating that rebel troops and small craft were concentrating in the Rosario-

Constitucion area about 120 miles northwest of Buenos Aires.

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