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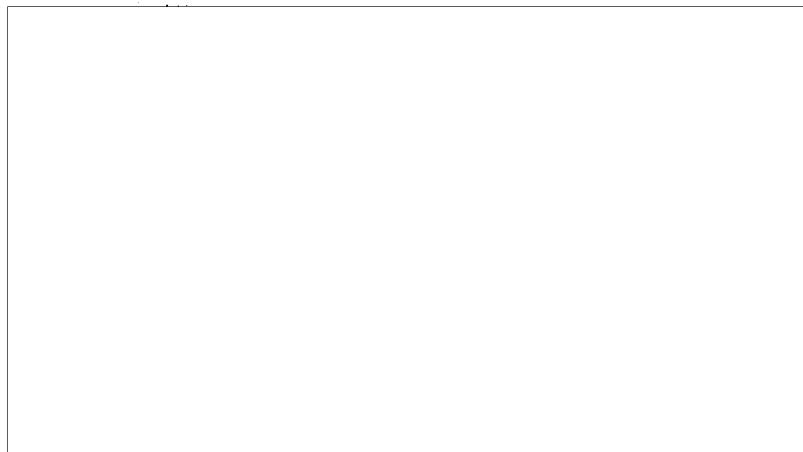
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**OFFICE OF CURRENT INTELLIGENCE**  
**CENTRAL INTELLIGENCE AGENCY**

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**1. CHANGE OF EMPHASIS IN FRENCH ALGERIAN POLICY  
SEEN PROBABLE**

A change of emphasis in the French government's Algerian policy is probable "now that pacification has reached an advanced stage."

The source thinks the government will soon undertake discussions, possibly including the offer of a federation status to Algeria, followed by elections. Popular Republican support for such a change, as well as Marshal Juin's speech on 27 August calling for a federative solution.

it is unlikely that ailing Robert Lacoste, French minister residing in Algeria, will be replaced, despite his advocacy of "pacification first!"

**Comment** Juin's speech was the first open indication that the hitherto adamant rightist position on Algeria might be modified, and thus enable Mollet to consider a policy change.

the premier in mid-August as being extremely concerned over the economic drain on France and as expressing interest in a meeting in Belgium between some of his trusted advisers and Algerian labor union leaders to explore the possibilities of a truce. Furthermore, the French military effort apparently has not been progressing according to schedule and the degree of success which the government hoped to secure by October--when the National Assembly reconvenes--is probably beyond reach.

Lacoste will probably continue to insist, when the premier confers with him this week, that the real key to the maintenance of France's position in Algeria lies in dealing a damaging blow to Egyptian premier Nasr's prestige.

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## 2. HATOYAMA CABINET FACES CRISIS OVER POLICY ON JAPAN-USSR TREATY

Foreign Minister Shigemitsu's return to Tokyo to report on the Moscow peace treaty negotiations has initiated a political storm which gives every indication

[redacted] of becoming a "full-scale crisis" for the Hatoyama cabinet.

[redacted] debate over the policy to be followed has aroused deep-seated rivalries among the various conservative factions, and has caused a bitter struggle for leadership. While the possibility of a split in the Liberal-Democratic Party cannot be ruled out,

[redacted] a cabinet reshuffle is more likely.

[redacted] a decision will be made whether to send Prime Minister Hatoyama to Moscow in an attempt to reach a compromise with the Russians. Such a trip would necessitate the selection of an acting prime minister and probably new cabinet appointments--the prospect of which has brought political maneuvering to a fever pitch.

### Comment

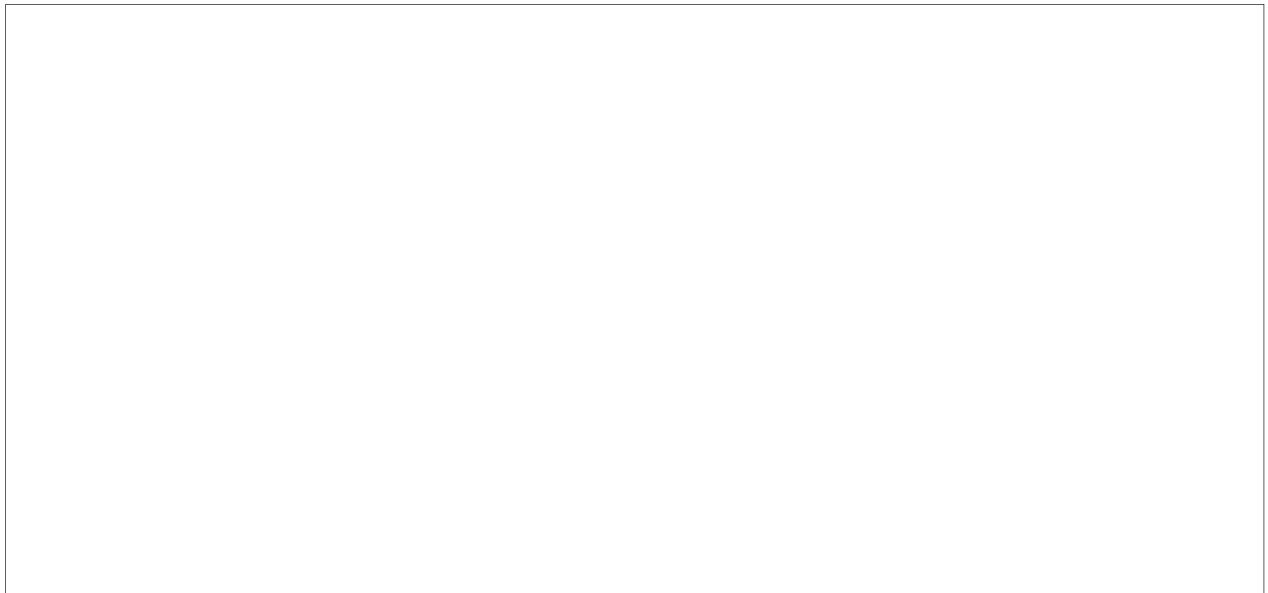
Conservative leaders for several months have acknowledged that Hatoyama's weak and inept leadership has become a political liability, but they have been unable to agree on a successor. Hatoyama has often asserted that the restoration of relations with the USSR would crown his career, after which he would be willing to retire.

There is increasing speculation in Tokyo that Foreign Minister Shigemitsu will be among those dropped in any cabinet reshuffle.

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3. CYPRIOT OFFICIAL TERMS GRIVAS DIARY  
"COMPLETELY AUTHENTIC"



Comment                    Grivas' diary and other captured EOKA documents also allegedly implicate other Cypriot and Greek officials in the widespread terrorist campaign on Cyprus. Included among these is the highest ranking Greek Orthodox Church official on Cyprus who became the clerical and political successor to Archbishop Makarios after his exile.

Disclosure of these documents has strengthened the British case against Makarios and the Greek government. Makarios is open to charges of treason and Greek government officials to charges of inciting rebellion in the territory of another sovereign country. The British may use these themes if the Cyprus issue reaches open debate in the North Atlantic Council or the UN General Assembly.

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~~SECRET~~**4. PATHET LAO STALLING FINAL SETTLEMENT IN LAOS**

The Pathet Lao has not yet sent representatives to the mixed civilian and military commissions to work out a detailed settlement implementing the agreements in principle reached be-

between Premier Souvanna Phouma and Prince Souphanouvong earlier this month. Moreover, the Pathets have frequently violated the cease-fire agreement in the two disputed northern provinces of Sam Neua and Phong Saly, Souvanna reportedly told the French chargé on 31 August.

Souvanna Phouma said he was "most disturbed" by this turn in government-Pathet relations. He was, however, determined to have the mixed commissions begin their work, and has "summoned" Souphanouvong to come at once to Vientiane with his negotiating teams.

**Comment**

Souvanna, who has returned generally pleased with the success of his trip to Peiping and Hanoi, has gone to great lengths to reach a settlement with the Pathet Lao and bring about the reunification of Laos. A final settlement, however, is dependent on the negotiations of the mixed commissions.

The Pathets, who are tightly controlled by the Viet Minh, have been reluctant to discuss the details of such vital matters as the restoration of the government's control over the disputed provinces and the integration of Pathet troops into the royal army. With the support of Peiping and Hanoi, they are apparently stalling for terms which would leave them in control of both their troops and their territory.

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## 5. SOVIET PARTY MEETING REPORTED SCHEDULED FOR EARLY SEPTEMBER



Ralph Parker, former London Daily Worker correspondent in Moscow, told an American correspondent there recently that a central committee plenum is scheduled for the first part of September. Parker, who has a number of Soviet contacts and has from time to time accurately reported on party matters, understood the plenum would consider measures to raise the wages of the lowest-paid workers.

### Comment

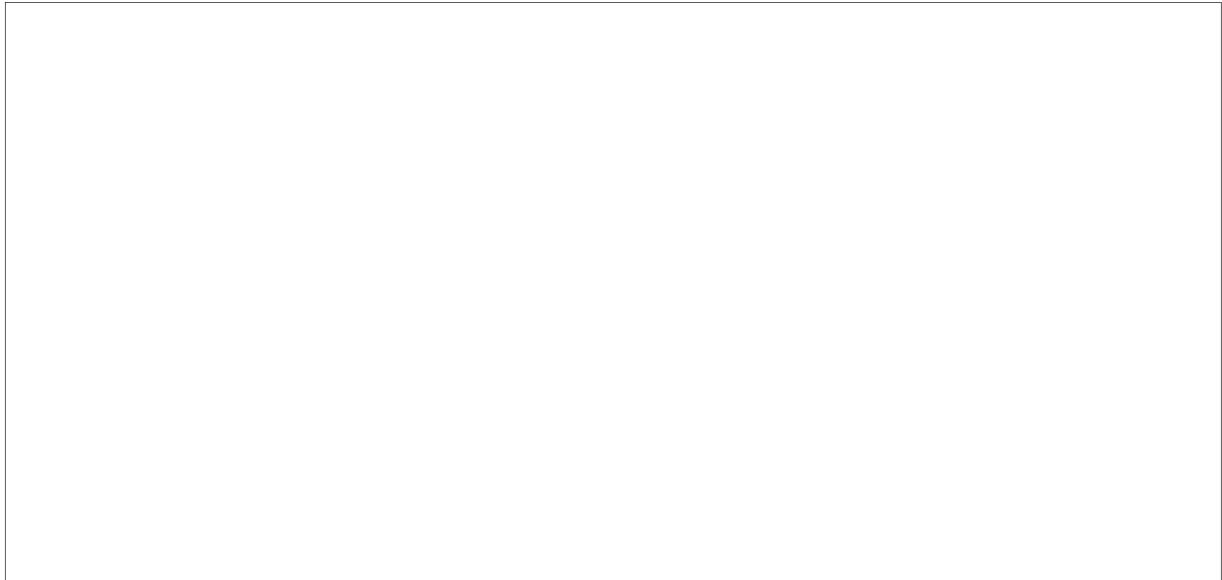
[redacted] a plenum scheduled for "sometime in June" had been postponed. The party's statutes call for at least one plenum every six months and the last known plenum was held on 27 February following the 20th Party Congress.

A discussion of wage matters might relate to the "resignation" of Lazar Kaganovich on 6 June as chairman of the State Committee on Wages and Labor. If so, there may be some clarification of his present position in the top leadership. Khrushchev at the party congress had called for raising the wages of the lowest-paid workers. A month later Mikoyan indicated they would be raised by one third this year. The plenum could also discuss the Suez Canal crisis and harvest difficulties in the New Lands.

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**THE ARAB-ISRAELI SITUATION**  
**(Information as of 1700, 3 September)**



[REDACTED] the UN truce supervisory organization in the Gaza area reports that Israeli forces have resumed close-in patrols of the border by units of platoon strength, according to the American army attaché in Tel Aviv. Increased clashes with Egyptian forces are probable as a result of this type of activity, which in turn is probably the result of some renewal of Egyptian terrorist depredations.

[REDACTED]

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