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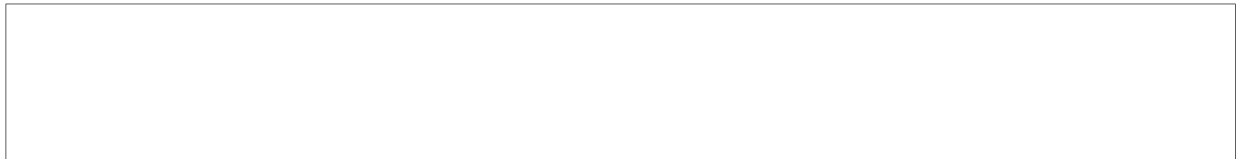
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**FAR EAST**

**1. Comment on Japanese criticism of American policy:**



Hayato Ikeda, new secretary general of Prime Minister Yoshida's Liberal Party, stated publicly on 9 August that the party's policy must be revised because of the failure of American foreign policy on Indochina and Communist China. His statement indicates an effort to gain political benefit from growing popular sentiment for closer relations with the Communist bloc.

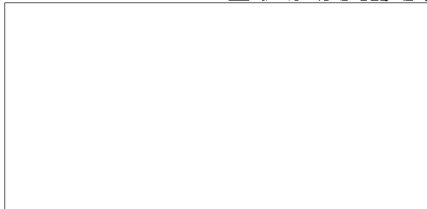
Ikeda's emphasis that Japan must follow the British line in the Far East will appeal to the strong neutralist sentiment in Japan. It also may blunt opposition criticism that Yoshida's attitude toward Peiping is only "lukewarm."

While Japan's dependence on the United States precludes any early radical change in its orientation, Ikeda's statement points up a trend in the government to pursue a more independent foreign policy particularly in relations with Communist China and the USSR



**SOUTHEAST ASIA**

**2. Partition of Laos seen result of Geneva agreements:**



at Geneva has confirmed the view that Laos will in effect be partitioned by the regroupment of "Pathet Lao" militia in the two northern provinces of Phong Saly and Sam Neua. Redeployment of these forces will mean the early consolidation of Communist control over these two provinces.

Comment: The Laotian cease-fire agreement makes no reference to partition. The fiction of the kingdom's integrity is maintained in the Laotian government's declaration that it will provide special representatives in the provinces set aside

for the regroupment of "Pathet Lao" forces. The entry into these provinces of Laotian and French military forces, however, is banned by the agreement.

The Communists' position in the north, with access both to China and to Viet Minh-controlled Tonkin, gives them a firm base from which to expand their influence southward.

3. British official questions Cambodian inclusion in SEATO:



British and French representatives in Phnom Penh have expressed differing views regarding the desirability of Cambodian participation in a Southeast Asian defense pact, the American consul there reports. The British chargé admitted that the cease-fire agreement gives Cambodia this right, but believes his government maintains that Chou En-lai received unwritten assurances that both Laos and Cambodia would be "neutralized." Thus, he believes, Secretary Eden opposes such participation as unnecessarily provocative to Communist China.

The French acting high commissioner, on the other hand, believes Cambodia is entirely free to join such a pact and that this would be desirable. He said, however, that Cambodian membership should be delayed until Viet Minh troops had withdrawn from south Vietnam, in order to avoid having the Viet Minh slip troops across the border into Cambodia.

Comment: Last-minute concessions won by the Cambodians at Geneva appear clearly to establish Cambodia's right to join in a regional defense organization.

**SOUTH ASIA**

4. Ambassador Allen believes Nehru "sold" on Peiping's peaceful intentions:



Following a conversation with Prime Minister Nehru on 9 August, Ambassador Allen reported his belief that Nehru has been "sold" on the

proposition that Communist China has no aggressive designs, at least for the next decade. Nehru reiterated his opposition to any collective security pact involving South Asia, even if it were confined to some or all of the Colombo powers.

Nehru said he did not believe there was any danger that South Asian nations would fall to the Communists one by one if each adopted his policy of no military commitments, as China desired peace to work out its own problems. He was confident, however, that outright Chinese aggression against Burma would lead to a world war without any specific commitment on the part of others to aid that country. He believed Peiping shared this view.

Comment: Nehru's statements to Allen are in essence those he has frequently made in the past when speaking for public or foreign diplomatic consumption. Actual measures taken and plans reported made by the Indian army, presumably with Nehru's approval, indicate a much greater suspicion of Peiping's intentions.

#### NEAR EAST - AFRICA

5. Henderson warns Iran will require additional assistance:



Ambassador Henderson is optimistic that Tudeh efforts to block Majlis approval of the oil agreement will be unsuccessful. He warns, however, that the agreement will not solve Iran's problems, and that the country will continue to need American aid and guidance.

Income from oil, he states, will not cover urgent Iranian budget requirements during the next three years. There is also a pressing need for modest economic development, and certain military requirements can be satisfied only by additional American assistance.

## WESTERN EUROPE

### 6. Portuguese protest American silence on Indian "aggression":



Portuguese foreign minister Cunha, in a talk with Ambassador Guggenheim on 9 August, protested "with great bitterness" Washington's unwillingness to take a public stand condemning Indian aggression against Portuguese territories on the subcontinent.

Pointing out that Britain and several other nations had taken such a stand, Cunha said he was convinced that American reasoning derived from a "mistaken policy of anticolonialism" which is no way applied to Goa.

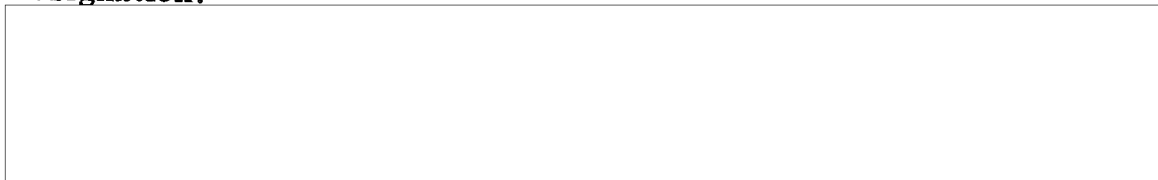
Emphasizing previous Portuguese co-operation with the United States, he said that if the Portuguese territories were taken over without any statement from Washington, there would be changes in Portuguese policies. He mentioned specifically NATO and the American bases in the Azores.

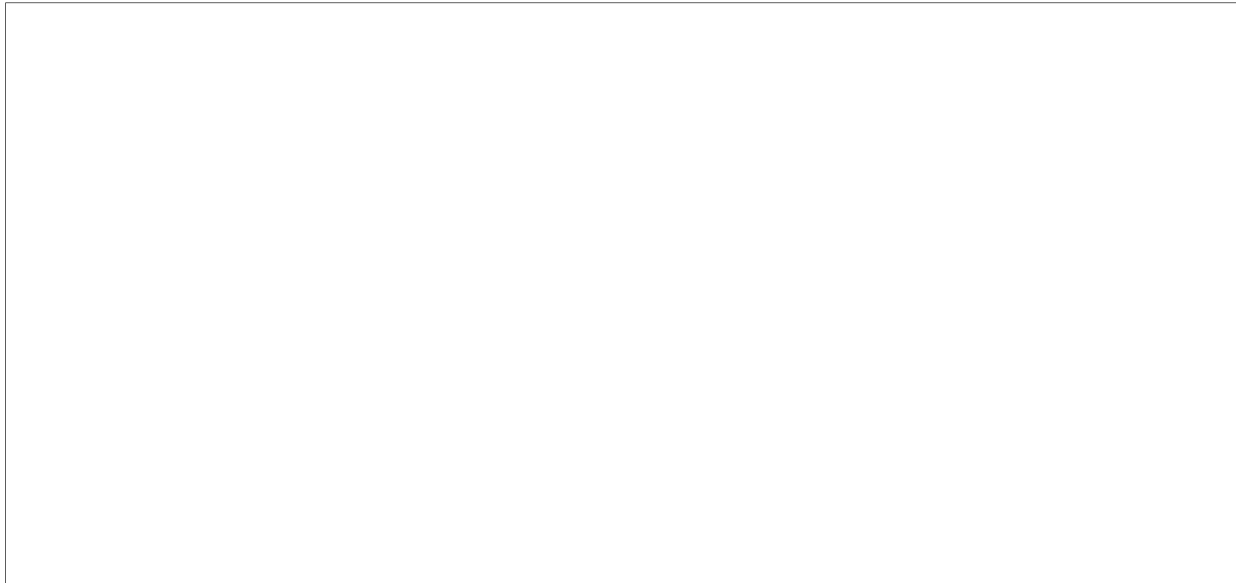
Guggenheim comments that this last statement is a "scarcely veiled threat not to extend the Azores agreement."

Comment: The advantages of good relations with the United States would appear to outweigh the importance of the small territories in India. The Portuguese, however, believe strongly in their constitutional principle that these territories are an integral part of Portugal. Cunha's views are believed to be a faithful reflection of his government's position.

## LATIN AMERICA

### 7. Brazilian military leaders reported planning to force president's resignation:





The American embassy in Rio de Janeiro reported on 10 August that the situation was "extremely fluid." The embassy believes that if the plans to force Vargas' resignation are carried out, energetic measures will probably be taken immediately to prevent Communist exploitation of the political and economic situation.

Comment: The Military Club elections, which are regarded as a test of strength of army factions, showed last May the strength of the victorious anti-Vargas forces. Three months earlier Vargas had been forced to dismiss his labor minister as a result of army protests over deteriorating economic conditions and the growing threat of Communist infiltration in government.

In view of the widespread repercussions of the Lacerda incident, it is possible that the anti-Vargas military groups will try to force Vargas' resignation. Even if Vargas remains in power, the incident will severely handicap the administration in the 3 October congressional elections.