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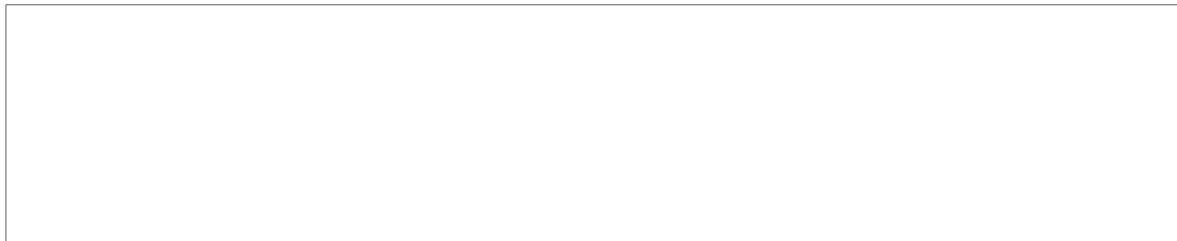
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~~TOP SECRET~~**SOUTHEAST ASIA****1. Ely willing to give Vietnamese premier Diem "another chance":**

French commissioner general Ely told Ambassador Heath on 26 August that his plan for the Vietnam government calls for Tran Van Huu as premier and Nguyen Van Tam as minister of interior. Ely said he would be willing, however, despite Paris' instructions, to "give Diem another chance," but only if Diem will accept former premier Tam as his interior minister.

Ely made this concession in response to Heath's statement that he did not see how ex-premier Huu could satisfy nationalist anti-Communist sentiment in view of his earlier maladministration and dishonesty, his more recent flirtation with the Viet Minh, and his unpopularity with the Cochinchina war lords.

Comment: Though the French have the capability for removing Diem at any time, much of the tough talk currently heard from opponents of the Diem government is probably designed to dissuade the United States from supporting him and thus prepare the way for his ouster. On 21 August, General Ely's civilian deputy advanced a program which is contrary to Ely's. The deputy doubted that Tam and Huu would be of any use, asserting that the war lords held the key to political power in the south. Actually, none of the contenders for Diem's position has the nationwide prestige essential to an effective anti-Viet Minh effort.

2. Cambodians suspect French and British plan to forestall direct US aid:

The Cambodian foreign minister told the American chargé in Phnom Penh that his government was puzzled by the secrecy surrounding Australia's offer via the British chargé to sponsor Cambodian UN membership and the French high commissioner's admonitions of "greatest secrecy" in connection with a proposed French-British-American aid program. The foreign minister speculated that these French and British approaches appeared


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designed to forestall direct American aid relations with Cambodia, and is worried by concurrent indications that essential French military support may not be forthcoming.

Comment: British officials have interpreted the spirit of the Geneva agreements as assuring Peiping that Cambodia would be neutralized. French and British Commonwealth approaches to Cambodia shortly before the opening of the SEAP conference are probably designed to promote their view that Cambodia's interests will be best served by remaining outside the umbrella of any security arrangement for the area.

3. Cambodia protests Viet Minh failure to disarm local dissidents:

 The Cambodian government has presented to Indian General Singh, chief of the truce commission in Cambodia, a documented protest against Viet Minh failure to disarm the "Khmer Issarak" by 23 August. The prime minister told the American chargé that he realizes the Communists will try to take every advantage of the truce terms, and his government is letting nothing pass without protest.

Although there is no great security problem in Cambodia at present, the government is increasingly concerned over a possible Communist takeover in free Vietnam and the long-range threat to Cambodia.

Comment: The Cambodian cease-fire agreement went into effect on 23 July, and provided that "Khmer resistance forces" would be demobilized on the spot within 30 days. This is the first official protest of a Viet Minh violation.

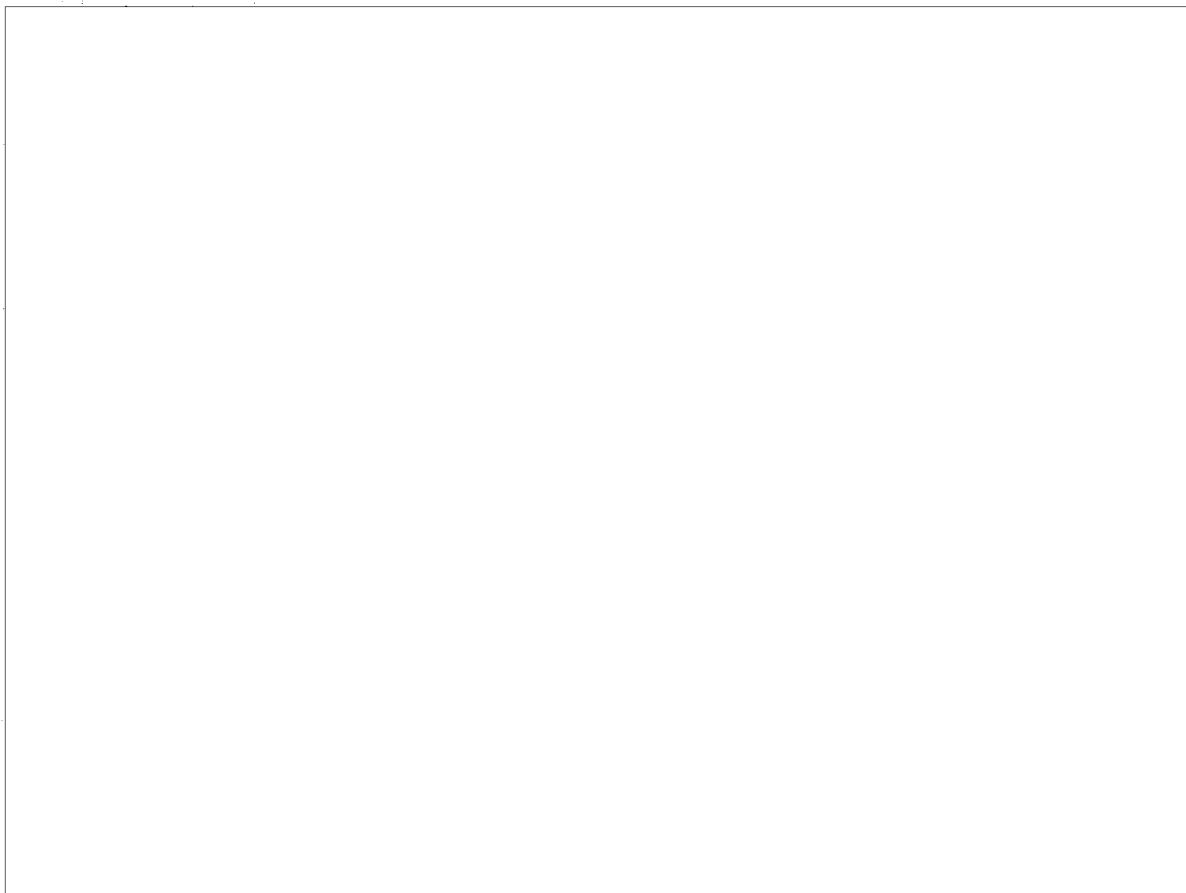
While Viet Minh policy in Vietnam apparently is to avoid obvious violations of the cease-fire agreement, the weakness of the Viet Minh's position in Cambodia has impelled it to adopt other tactics.

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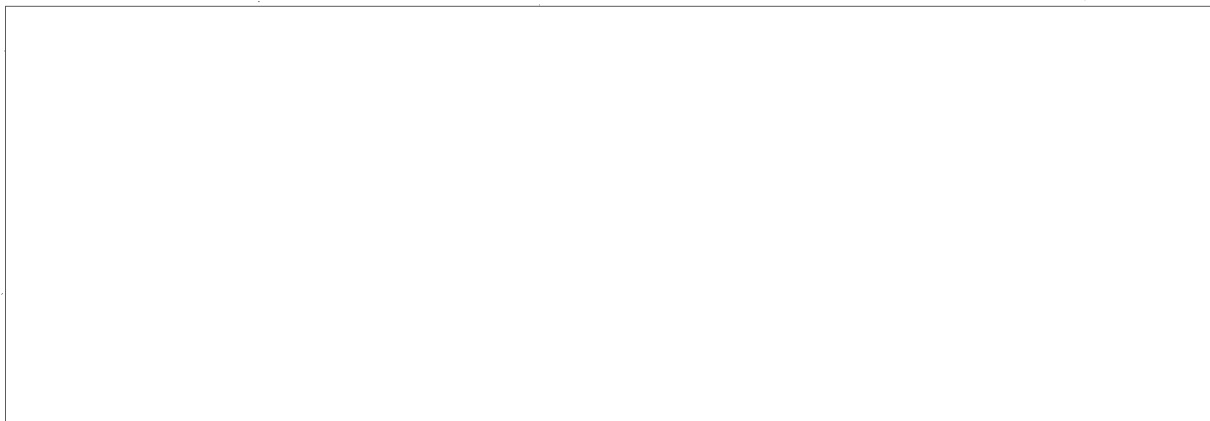
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WESTERN EUROPE

5. West German Socialist support seen for independent national army:



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Comment: Neutralism in Germany is closely associated with sentiment in favor of rapprochement with the USSR. The opposition Social Democrats will for domestic political reasons continue to push for a four-power conference on German unity, but they apparently desire to explore the possibility of a bipartisan foreign policy if EDC fails.

At present, several views are emerging in Bonn on EDC alternatives, such as expansion of the border police, formation of an independent army in NATO, or the establishment of a five-power EDC which France could join at a later date.

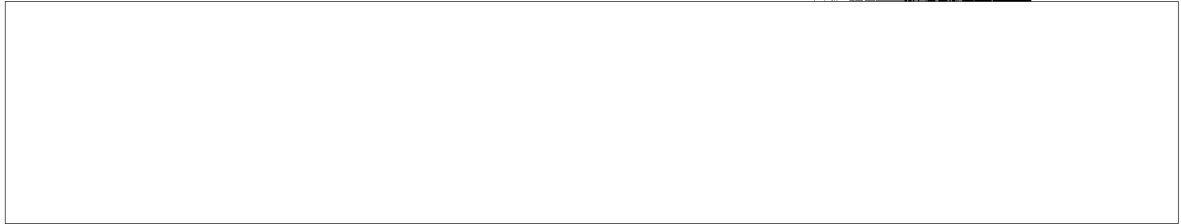
6. Vinogradov's interview with Mendes-France continues Soviet anti-EDC pressure:

French officials have described Soviet ambassador Vinogradov's statements in his interview with Premier Mendes-France on 26 August as vague and meaningless, except for those on disarmament. They believe that Vinogradov wished to give the public impression of an important interview by prolonging the discussion and by stationing his car, flying the Soviet flag, in front of the Foreign Ministry throughout the interview.

On disarmament, Vinogradov said his government now feels there is a large measure of agreement between Soviet views and those presented by French delegate Jules Moch to the UN disarmament subcommission in June. He claimed that the Western powers had not made a single constructive suggestion since the Berlin conference, whereas the USSR had taken many steps to show good will. He mentioned the Geneva conference, the European security plan, and now the willingness to accept the bulk of French disarmament proposals.

Comment: This Soviet overture, an evident anti-EDC gesture, has apparently had no immediate effect on Mendes-France.

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~~TOP SECRET~~**LATIN AMERICA****7. Brazilian Communists reported planning further disturbances:**

The Communists allegedly plan to incite factory strikes and then lead the workers into the streets. They believe that General Estillac Leal, commander of the central military zone, may not oppose their activities.

Comment: The Communists have already provoked several serious riots, including attacks on American installations, since President Vargas' suicide on 24 August. Estillac Leal, whose headquarters is in Sao Paulo, has been accused of Communist sympathies.

The Brazilian Communist Party, though outlawed, is the largest and possibly the wealthiest Communist party in Latin America. It is believed to have increased its membership nearly 50 percent in the past two years to about 110,000. Recruitment priority has been given to industrial workers, centered mainly in Sao Paulo.

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