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-2- 1151, December 4, 2 p.m., (SECTION 1 OF 2), from Saigon

cabinet Ministers, other loyal officials, deputies and some military. Nhu and Thuan have indicated that Diem, who not particularly interested fundamental political matters, is resisting some suggested basic reforms.

Nhu and Diem still deeply rankled particularly by critical American press stories about autocratic regime and entourage, and Diem made the ridiculous statement to Ladejinsky November 30th that he believes some Americans may have backed coup because one of coup leaders, Colonel Dong, "told him so during negotiations." This may represent rationalization blame others not selves. Diem probably drawing on his "miracle theory" refuses admit rebels could have captured or killed him if they had believed through initial advantage (General Khanh told me 3rd after first rebel attack morning 115th there were only 30 defenders in Palace which could have been easily taken) and both Nhu and Diem now expressing deep displeasure because "Americans equated Diem regime with rebels because both anti-Communists and therefore we urged both sides negotiate. While under circumstances their attitude understandable, we have made point clear to them that we did all in our power to prevent bloodshed and urge rebels when they had power to oust Diem that he should be given active role in any government established. While hothead can Lao party members who organized committee against Communists colonialists have been calmed down somewhat, this element could regain momentum and cause further trouble if unleashed again by CVN.

Just below surface there is much talk about another coup unless Diem relaxes some controls, puts in effective reforms, takes more effective action to fight VC and give protection to population. There is still strong under-current of resentment against entourage but because any action he took this score would be under pressure and indicate weakness, and particularly his resentment of press stories about entourage, coupled with fact Diem feels he made Nhu as loyal adviser, prospects Diem will transfer Nhu to other work or abroad not in sight, at least for some time. Despite this malaise and feeling about entourage,

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