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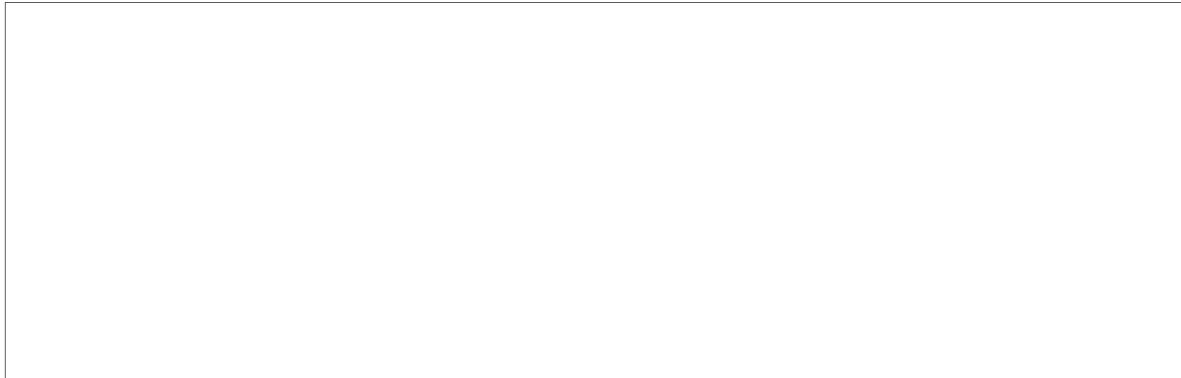
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FAR EAST

1. Chinese Communist sensitivity to air reconnaissance near Tachen Islands continues:

Twenty-eight Chinese Communist MIG-15 jet fighters attacked four Chinese Nationalist conventional fighters on 6 July over Nantien Bay on the East China coast about 40 miles north of the Tachen Islands, according to the Nationalist Ministry of National Defense. One Nationalist F-47 was shot down and one other was damaged, while one Communist plane was reported damaged.

Comment: Chinese Communist fighter strength at Shanghai and Hangchow has apparently been augmented since May and may now include between 150 and 200 MIG-15's and close to 100 piston-engine types. These fighters have become increasingly aggressive since May in patrols near the Tachens, where Nationalist aircraft previously flew reconnaissance in relative safety.

SOUTHEAST ASIA

2. French see possible Viet Minh attack in northern Tonkin delta:

Continuing Viet Minh pressure on the northern part of the Tonkin delta, plus increased sabotage of routes and bridges there, are considered by the French as possible preliminaries to the launching of a large-scale attack in that area.

The American army attaché in Saigon comments that Viet Minh successes against French lines of communication indicate an enemy capability, in the event of a large-scale attack, to limit severely the rapid redeployment of the mobile groups, which have been the major bulwark of the French defense.

Comment: The Viet Minh 308th and 312th Divisions, north and northwest of the delta, are within a day's march of French positions. A probing attack on the night of 7-8 July by elements of the 308th Division demonstrated the enemy's capability to move, under cover of darkness, units of at least regimental size from outside the delta to within striking distance.

According to late press accounts, the French today urged civilians to evacuate Hanoi. Presumably the evacuation was ordered in anticipation of an imminent Communist attack on the city or possibly as a preliminary to the withdrawal of French forces from Hanoi.

3. French seen abandoning Diem government to consolidate control in south:

[redacted] The French on 4 July provided 6,000 rifles to the Binh Xuyen, the gangster organization in Saigon. [redacted]

[redacted] this move and efforts by the French to win the support of politico-religious sects in the south as proof that they are, in effect, abandoning the Vietnamese government.

[redacted] France's policy of bolstering its own position in the south will force the Ngo Dinh Diem government to adopt an increasingly anti-French position.

Comment: Increasing concern among French officials that Ngo Dinh Diem will become "another Syngman Rhee" lends weight to a report that the French are pressing Bao Dai

to remain in France, where he will be more subject to their control and possibly may be used to sign an armistice agreement unacceptable to Diem and other Vietnamese leaders.

The Binh Xuyen last May acquired control of the police force from Bao Dai at a price of over \$1,000,000 and has since been the mainstay of his strength in Vietnam.

NEAR EAST - AFRICA

4. Ethiopian troops ordered to Eritrea:

Emperor Haile Selassie has ordered his acting minister of war to send two battalions of troops to Eritrea immediately,

The American army attaché believes this action was caused by the emperor's fear of an uprising by the Eritreans, who resent Ethiopian rule in Eritrea.

Comment: Although friction has increased markedly in Eritrea during the past year, opposition has been limited to legislative resolution and vocal protests. There have been no reports indicating that the Eritreans plan military action.

The emperor's dispatch of troops suggests either that he has received exaggerated reports of the tension or that Ethiopia may be planning to further its known desire to absorb Eritrea completely in contravention of the UN federation plan.

LATIN AMERICA

5. Nicaragua reported planning attack on Costa Rica:

Ten Nicaraguan planes are to land troops at an unknown date near San José to seize the Costa Rican government after a Nicaraguan mobilization on the frontier lures

Costa Rican troops out of the capital, according to a report from the Costa Rican ambassador in Nicaragua, who received his information from a "friendly" ambassador there.

After informing Ambassador Hill of this report, President Figueres and Foreign Minister Esquivel asked that American aircraft protect Costa Rican planes delivering the arms recently purchased by Costa Rica in the United States. They feared the planes would be attacked by Venezuelan or Nicaraguan aircraft. Esquivel sought reassurances of United States support for Costa Rica in the event of an attack and asked American advice on whether to bring the threat to the attention of the Organization of American States.

Comment: Nicaraguan president Somoza told the American ambassador on 5 July that reports of plans for an armed movement against Costa Rica from Nicaragua are "lies." There are strong indications, however, that an attack is in fact being organized, probably with Somoza's approval, that Venezuela is the senior sponsor, and that the move may be launched from Panama. An attempt will probably be made to camouflage it as a Costa Rican rebellion. Previous reports allege that the attack will be made by 14 July.