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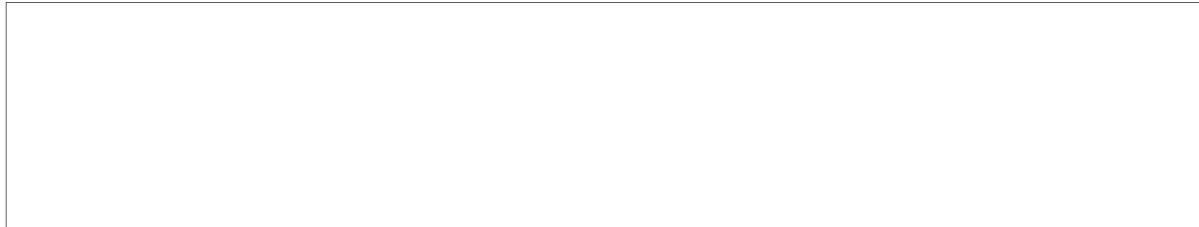
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SOUTHEAST ASIA

1. France may refuse to send high-level representative to Saigon:

The French government is greatly disturbed because Vietnam has unexpectedly reopened the question of the title and responsibilities Henri Hoppenot would have as the new French representative in Saigon, according to Premier Faure's personal spokesman.

Vietnamese premier Diem demands that Hoppenot have no jurisdiction over the French Expeditionary Corps, and no function outside Vietnam, and that he limit himself there to civil diplomatic functions as ambassador. All three conditions are entirely unacceptable, Faure's spokesman states, and if Diem is adamant, Faure will not send a high commissioner to Saigon but will leave present civil and military chiefs in charge.

Comment: Vietnamese representatives in Paris had earlier given French officials the impression that Diem had accepted their proposals.

The French have shown increasing irritation over this issue, particularly since they have made what they consider extraordinary concessions on the title of a representative to a country nominally within the French Union. Continuation of this squabble will strengthen the position of the growing element in the French government and the National Assembly in favor of reducing French commitments in Indochina as quickly as possible.

2. Indonesian defense minister may be withdrawn from cabinet:

Indonesia's Progressive Party has reportedly decided to withdraw its representative, Defense Minister Iwa, from the cabinet, according to Radio Djakarta. President Sukarno and Vice President Hatta presumably have been pressing

for such a decision in an effort to resolve the army-cabinet impasse which developed on 27 June.

The withdrawal of the pro-Communist defense minister would be a definite victory for the army. In return for such a major concession, the army probably would be asked to drop its demand for the dismissal of General Utoyo, the new chief of staff.

If the only cabinet development in connection with the army crisis is Iwa's withdrawal, the government may continue in office until the 29 September national elections. However, the Party of Greater Indonesia is reported considering withdrawing from the cabinet over the government's prolonged failure to settle army difficulties. The withdrawal of this party would make the cabinet totally dependent on the Communist bloc for a parliamentary majority and might precipitate a cabinet collapse.

3. Communist subversion in Singapore and Malaya increasing:

[Redacted]

The American consul general in Singapore believes Communist subversion there is considerably greater than the British have previously admitted or expected. Subversive activity in Malaya can be expected to increase greatly after the 27 July elections.

Although the British recognize the trend is toward increased Communist-inspired trouble, the counter-measures they have taken so far are inadequate. Under present circumstances, the consul general feels, the British may be obliged to interrupt the transition to self-government in Singapore.

Comment: Communist activity in Singapore is considerably aided by the Communist-front People's Action Party. The Singapore government in May canceled city council elections apparently because of widespread expectations that this party would win the elections.

It is generally expected that a Malay-Chinese political alliance will sweep the assembly elections on 27 July. This alliance favors granting amnesty to Communist terrorists.

**WEEKLY SUMMARY
(7 July-13 July 1955)**

THE FORMOSA STRAITS

**Report of the IAC Current Intelligence Group
for the Formosa Straits Problem**

1. There were no significant developments in the area during the past week.
2. The USSR has apparently continued to transfer additional military equipment to the Chinese Communists. Seven more jet light bombers entered Manchuria during this period, bringing to 62 the number arriving since late March. Two Soviet destroyers and four submarines have arrived at Tsingtao, probably to be turned over to the Chinese Communist navy there. Such a transfer would raise Chinese destroyer strength to four and submarine strength to at least 11.