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SOUTHEAST ASIA

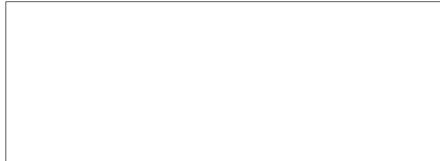
1. Comment on prospective Vietnamese premier:

Rumors that Premier Buu Loc had submitted his resignation to Bao Dai were confirmed on 16 June by an official communique from the premier's office. Bao Dai's choice as premier-designate is the prominent Catholic layman, Ngo Dinh Diem.

Bao Dai's reported decision to appoint Diem at this critical juncture has given rise to speculation that his motive is simply to set up a scapegoat government to bear the onus of signing an unfavorable truce agreement with the Viet Minh.

Diem has been out of public office for more than 20 years and out of the country for more than four. Reports of his appointment have elicited considerable comment as to his qualifications and intentions. Even the most favorable comment on Diem's qualifications has been somewhat reserved, his advocates conceding that his alleged popularity and well-established honesty are to some extent offset by his arrogance, inexperience, and impracticality.

The American consul in Hanoi has expressed concern at reports that Diem was considering the replacement of north Vietnam's capable governor, Nguyen Huu Tri.

2. Ely pessimistic on Tonkin delta prospects:

General Ely, in conversation with the American chargé in Saigon on 15 June, termed the Tonkin delta military situation "precarious." He said that

French and Vietnamese troops are "very, very tired" and that the enemy now holds about two thirds of all delta villages. Ely clearly indicated his personal doubt that the delta could be held without outside reinforcements of from two to three divisions.

The French commander in chief also commented on the low state of the Vietnamese government and expressed the feeling that Ngo Dinh Diem, the reported premier-designate, would probably prove ineffectual in rallying support for the government.

3. Haiphong munitions dump reported threatened by Viet Minh:

[Redacted]
[Redacted]
destruction of the dump would almost level Haiphong.

Comment: Viet Minh sabotage capabilities, despite French security measures, are considerable. The most recent incident apparently attributable to Viet Minh saboteurs was the partial destruction of a 5,000-ton munitions dump near Saigon on 2 June.

NEAR EAST - AFRICA

4. Nasr moves toward removal of Nagib from Egyptian presidency:

Photographs of Nagib in government offices
are being replaced by Koranic verses and several thousand photographs
of Nasr are ready for display. The change-
over is expected prior to the celebration of the regime's second anni-
versary on 23 July.

Comment: Nasr is unlikely to remove Nagib from the presidency until he is certain he can control the situation. Meanwhile the Nasr regime has adopted a policy of discrediting Nagib.

LATIN AMERICA

5. Brazil sees no general agreement on US resolution prior to OAS meeting:

The ministry noted that a number of countries were offering reservations and that little time was available for negotiation. It added that the meeting itself is the "proper place" to reach agreement, and that insistence on prior agreement may "compromise the very principle of calling the meeting."

Comment: Brazil has offered to intercede with other governments on behalf of American objectives in this case, but is not itself committed to the text of the resolution proposed by Washington on 5 June.

The argument that the OAS meeting is the proper place to work out a resolution runs counter to the belief of several other countries that lack of prior agreement will invite a fiasco. To date, eight governments are committed to the American resolution without serious reservation. Fourteen votes are needed for action.

6. Guatemalan army officers see Arbenz stalling on ultimatum:

A group of Guatemalan army officers led by Colonel Elfego Monzon was pressing [redacted] for the immediate ouster of President Arbenz, even prior to his reply to an army ultimatum. Arbenz is said to have agreed to resign, but only on certain unacceptable conditions, and these officers believe he is merely stalling.

Comment: Arbenz will have to make significant concessions to the anti-Communist army officers or risk ouster. He has been under growing army pressure to reverse his pro-Communist policies since as long ago as last November.

Colonel Monzon, minister without portfolio in the Arbenz cabinet and an influential officer, [redacted]

[redacted] claimed a majority of the army's officers would join him in a move against the government.