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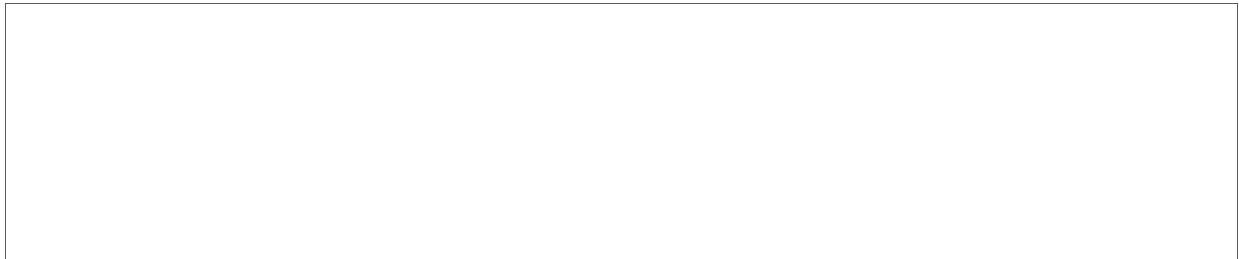
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SOUTHEAST ASIA**1. Vietnamese chief of staff lays down terms for co-operation with government:**

General Hinh informed General O'Daniel's aide on 29 September that he would reluctantly support Diem as head of the Vietnamese government if certain conditions were met.

Hinh's terms would require the government to give the Binh Xuyen, a gangster organization, control of the Interior and Economic Ministries, appoint General Xuan defense minister and vice premier, reduce the strength of the Cao Dai and Hoa Hao in the cabinet, and give the army complete control over all civil and military echelons of the "pacification effort."

Hinh said he would be "inclined to ask for one or two years' leave" if his terms were accepted, but if they were not he would carry out a coup d'etat. He added that he thought the French would not interfere if he attempted a coup. If he were prevented from carrying it out, he said, he would set up a rival government which would control "75 percent of the territory" of free Vietnam.


Comment: In his defiance of the government, Hinh has relied on the encouragement and co-operation of certain French officials in Saigon, and it is unlikely he would present such unacceptable terms without a prior understanding with them. Hinh's terms are in accord with views expressed by French acting commissioner general Daridan and with French efforts to dissuade the Cao Dai and Hoa Hao from joining Diem's government. Moreover, French military authorities have refused to permit Cao Dai and Hoa Hao troops to enter Saigon, thus preserving Hinh's mastery of the city.

During an earlier round of negotiations, Diem accepted Hinh's terms only to be faced with continued defiance on the part of the chief of staff.

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NEAR EAST - AFRICA

2. Syrian electoral trend seen detrimental to American interests:

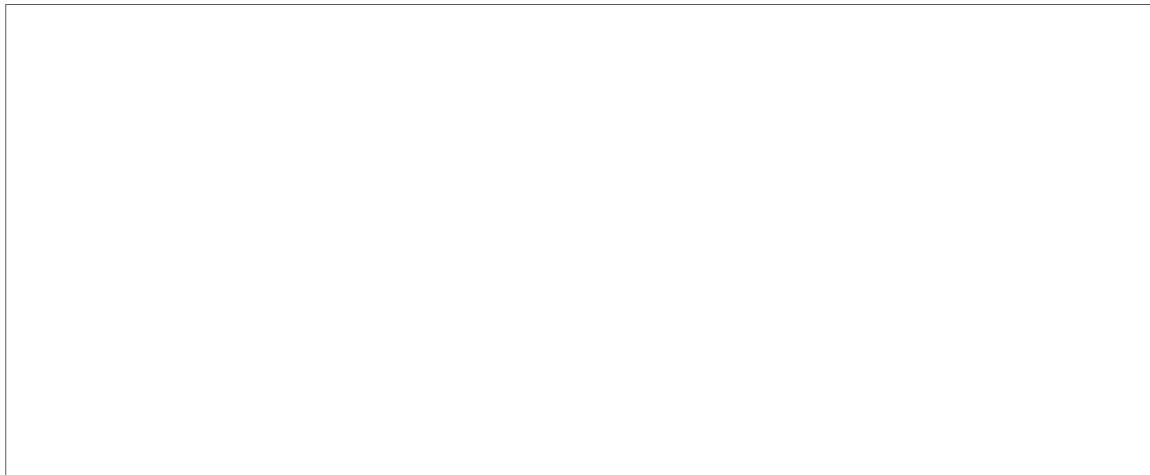
 The American embassy in Damascus reports that results to date of the Syrian elections, which will be completed on 4 October, indicate the return of a splintered parliament. This fact will "assure" the continuance of political instability detrimental to American interests.

The strength of the Conservative Nationalists and Populists has declined. Akram Hawrani's extreme leftist Arab Socialist-Resurrectionist Party, with 13 out of 142 seats, more than tripled its 1949 representation. The army is reported to have engineered the election of some weak independents and left-wing partisans to keep parliament too divided to challenge the army's position.

The embassy concludes that a new government amenable to the army will probably be headed by an opportunistic independent such as Khalid al Azm or Prime Minister Ghazzi.

EASTERN EUROPE

3. Communist invasion of West Berlin rumored imminent:



Comment: An invasion or "peaceful" infiltration of West Berlin by Communist forces is highly improbable at this time.

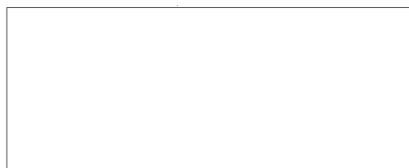
It is reasonable to suppose that the KVP has a plan for action against West Berlin in case of war, and advances in training this year have increased the KVP's capability for military action. However, KVP line units have been engaged in normal field training, with some troops diverted to harvest work.

The Soviet concentration west and south-west of Berlin is believed to indicate that a major exercise is imminent as part of this year's annual maneuvers in the Group of Soviet Forces, Germany.

An invasion of Berlin would be completely contrary to the Soviet regime's current foreign policy, which has sought to remove the most dangerous points of conflict with the West. Moreover, it is highly unlikely that Moscow would undertake an assault on West Berlin during the London conference.

WESTERN EUROPE

4. Tentative Saar agreement may still be acceptable to Bonn:



The official in the West German Foreign Ministry in charge of Saar problems has given American officials his personal view that the Saar agreement reached by

Chancellor Adenauer and French vice premier Teitgen last May is still acceptable to the Germans if it is guaranteed by Britain and the United States until a peace treaty has been concluded. He specified that the agreement must be reviewable at that time if the European Political Community is not in existence. The official stated that the Bundestag would not now approve a "definitive" Saar settlement.

Comment: Adenauer has previously told American officials that he still is willing to implement his

agreement with Teitgen. He can probably obtain coalition approval, although the Free Democrats are now opposed to the settlement.

French premier Mendes-France told American officials in mid-September that a Saar settlement should be possible as the result of a couple of days of discussion based on the Adenauer-Teitgen agreement. According to a 30 September press report attributed to French sources, Mendes-France now is willing to discuss the Saar with Adenauer after the London talks.

LATIN AMERICA

5. Costa Rican revolution allegedly scheduled for 9 or 10 October:



Comment: Any revolutionary attempt at this time would lack popular support and would be virtually certain of failure unless it received significant assistance from neighboring regimes. It has been frequently alleged that such support might be forthcoming from Venezuela, Nicaragua, Guatemala, Panama or the Dominican Republic. Repeated American warnings against further violence in Central America might, however, serve to keep this assistance covert and on a minor scale.

Persistent rumors of an impending revolution have kept the Costa Rican government in a state of almost continual unrest and agitation since last July.