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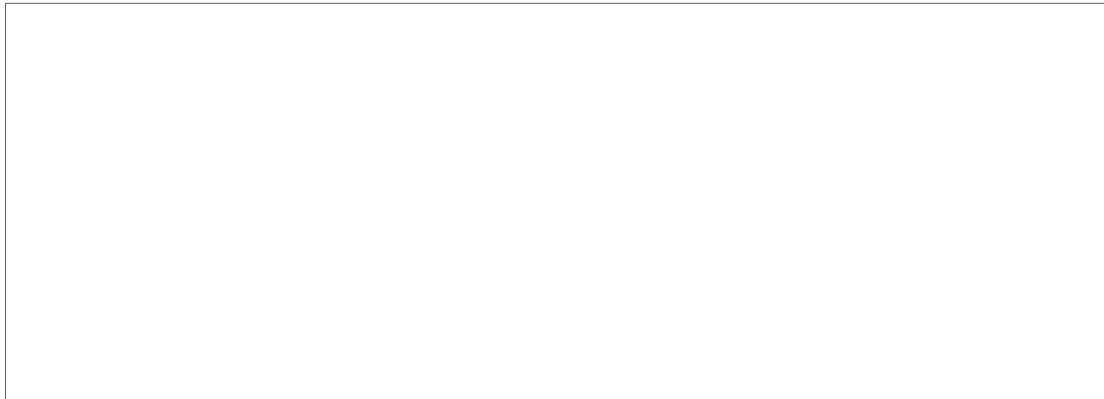
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SOUTHEAST ASIA

1. Increasing armed conflict between French and Vietnamese anticipated:

A senior Foreign Legion officer told the American chargé in Phnom Penh on 18 August that he anticipates increasing conflict between the Vietnamese people, a large proportion of whom he says sympathize with the Viet Minh, and French troops trying to protect Vietnamese officials. This officer had commanded the troops at Tourane which were obliged to fire on a mob attacking officials there on 28 July.

He believes Viet Minh strategy is aimed at fomenting such conflict and feels that the French will soon be faced with a choice of evacuating their forces entirely or resuming military operations.

Meanwhile, the captain of a French corvette who recently sailed up the Mekong told the chargé that Viet Minh flags and banners were flying from villages and huts all along the river in south Vietnam.

Comment: The American army attaché in Saigon reported that on 14 and 15 August alone five demonstrations by Vietnamese under Viet Minh influence occurred at scattered points throughout the southern zone. In several instances troops of the French expeditionary corps had to intervene.

The current weakness of the Vietnamese government, the chaotic nature of the refugee movement, and popular disillusionment over the peace settlement all lend themselves to Viet Minh exploitation.

SOUTH ASIA

2. India believed facing dilemma on Goa:

The American embassy in New Delhi believes India now faces a dilemma of its own making in its campaign to take over Portuguese

enclaves in India. Having built up this campaign as a major domestic issue, and having encountered Portuguese determination and foreign protests, New Delhi is "all dressed up and no place to go."

Indian government leaders realize that if no clear-cut action is taken, the Socialists and Communists will try to seize the initiative and produce some "passive resistance martyrs" of their own. For the present, however, the government must choose between living with the "Goan problem" for some time to come, or taking steps which would seriously injure Indian prestige abroad.

Comment: New Delhi's pride has probably been wounded and its domestic prestige tarnished by the negative results of its campaign thus far. However, its dilemma, as far as domestic politics are concerned, is more apparent than real, since the government's influence over the press enables it to divert public attention to other issues.

NEAR EAST - AFRICA

3. French president may urge caution on Moroccan reforms:

[Redacted]
President Coty will attempt to exert personal influence in order to restrain Prime Minister Mendes-France from taking action on Morocco similar to that he took with respect to Tunisia,

[Redacted]
Comment: Mendes-France's determination to implement a more liberal policy in Tunisia has caused consternation among the powerful Moroccan settler lobbies in Paris. Their pressure tactics, combined with the fact that Mendes-France himself is believed skeptical as to Morocco's readiness for self-government, make unlikely the formulation of a policy for Morocco similar to that announced for Tunisia.

LATIN AMERICA**4. Brazilian presidential crisis seen entering new phase:**

The American air attaché in Rio de Janeiro reports that Brazilian air force investigators believe President Vargas will resign if they prove his son "master-minded" the 5 August attack against an antiadministration newspaper publisher which resulted in the murder of an air force major. These investigators have hopes of producing such proof, according to the reports.

Meanwhile, the American naval attaché in Brazil states that qualified observers there feel the political crisis is again growing acute, with indications that prominent politicians may be involved.

Comment: The Brazilian air force is not powerful enough to force Vargas' resignation without assistance from the army high command; moreover, a new, pro-Vargas air minister was appointed on 18 August.

Key army generals were reported on 13 August to have suspended their earlier pressure for the president's resignation. However, should the air force investigation prove conclusively that the Vargas family is closely linked to the crime, army leaders would probably reassess their position.