

NSC BRIEFING

22 July 1954

INDOCHINA PROSPECTS

I. With armistice, French may try maintain "presence" in south, to detriment of Vietnamese regime, able rally support nationwide.

A. French hope establish "new" government in south, dominated by Cochinchinese.

1. Baudet recently advocated such plan.
2. Some French in Indochina promoting "Cochinchia Republic," backed by powerful commercial interests in south.
3. Salan reported plotting with Cochinchese ex-premier Tam and his son, Chief of Staff Hinh, to dump Bao Dai, set up Hinh.

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4. Tam, Hinh, other French favorites such as Huu and General Xuan, all French citizens.

B. French cool toward Diem, fear his outcries over loss Tonkin may unsettle truce.

1. Vietnamese at Geneva formally protested truce terms.

2. Ely says would take strong action against disorders, arresting Diem if necessary.

3. Diem already staged antipartition demonstrations Hanoi, Saigon.

4. Vietnamese warn French repression "genuine nationalists" likely force nationalist-Communist coalition against France.

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- II. At best, Vietnam government hard put challenge Viet Minh in 1956 elections.
 - A. Diem regime, long on zeal, short on administrative ability.
 - B. Problem corruption aggravated by Bao Dai's continued profits from corrupt police.
 - C. Arguments against Viet Minh (notably issue of Chinese Communist domination) more than offset by fear continued French domination remainder of Vietnam.

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U. S. Embassy Saigon , reported yesterday Prime Minister Diem disillusioned results Geneva -- considering resignation.

Vietnam Foreign Minister Tran Van Do submitted resignation yesterday.

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