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CENTRAL INTELLIGENCE AGENCY

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DOS review(s) completed.

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FAR EAST

1. Murphy notes increasing Japanese trade deficit:

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Ambassador Murphy reports that Japan's trade deficit, which amounted to \$756,000,000 in 1952, may reach a billion dollars this year. He adds that if the special receipts resulting from the Korean war should decrease, the situation would become "grave." He recommends an immediate comprehensive American procurement and loan program to strengthen the economy and induce Japanese promotion of sound economic and fiscal policies.

Comment: The basic political instability which resulted in the fall of the Yoshida government on 14 March has been an important factor in preventing the adoption of constructive fiscal policies and austerity measures.

SOUTHEAST ASIA

2. French Union forces vulnerable to Viet Minh attack on Laos:

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The French commander in Tonkin is reliably reported to have returned recently from northern Laos with a "very poor impression" of that area's defensive possibilities.

The informant, a high French official, stated that a Viet Minh offensive in Laos would present both military and political problems. The Vietnamese would not favor using Vietnam National Army troops in Laos, while the deployment of French Union forces outside the Tonkin delta would dangerously weaken that area's defenses.

Comment:

[redacted] anticipating an early Viet Minh attack on northern Laos. Such a campaign might be limited and intended to divert attention from a major effort in the Tonkin delta.

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NEAR EAST - AFRICA

3. Plans for redeployment of British Middle East troops hit snag:

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The British War Office reports that for the present it cannot plan to transfer the 25th Armored Brigade from the Suez Canal to Jordan. The Jordanian Prime Minister has informed the British that as he will not be a member of the new government to be formed in two months when King Hussein ascends the throne he does not wish to make any commitments.

Comment: Since the Anglo-Egyptian defense talks are expected to start soon, Britain must have firm plans for evacuating its forces from the Suez Canal zone.

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