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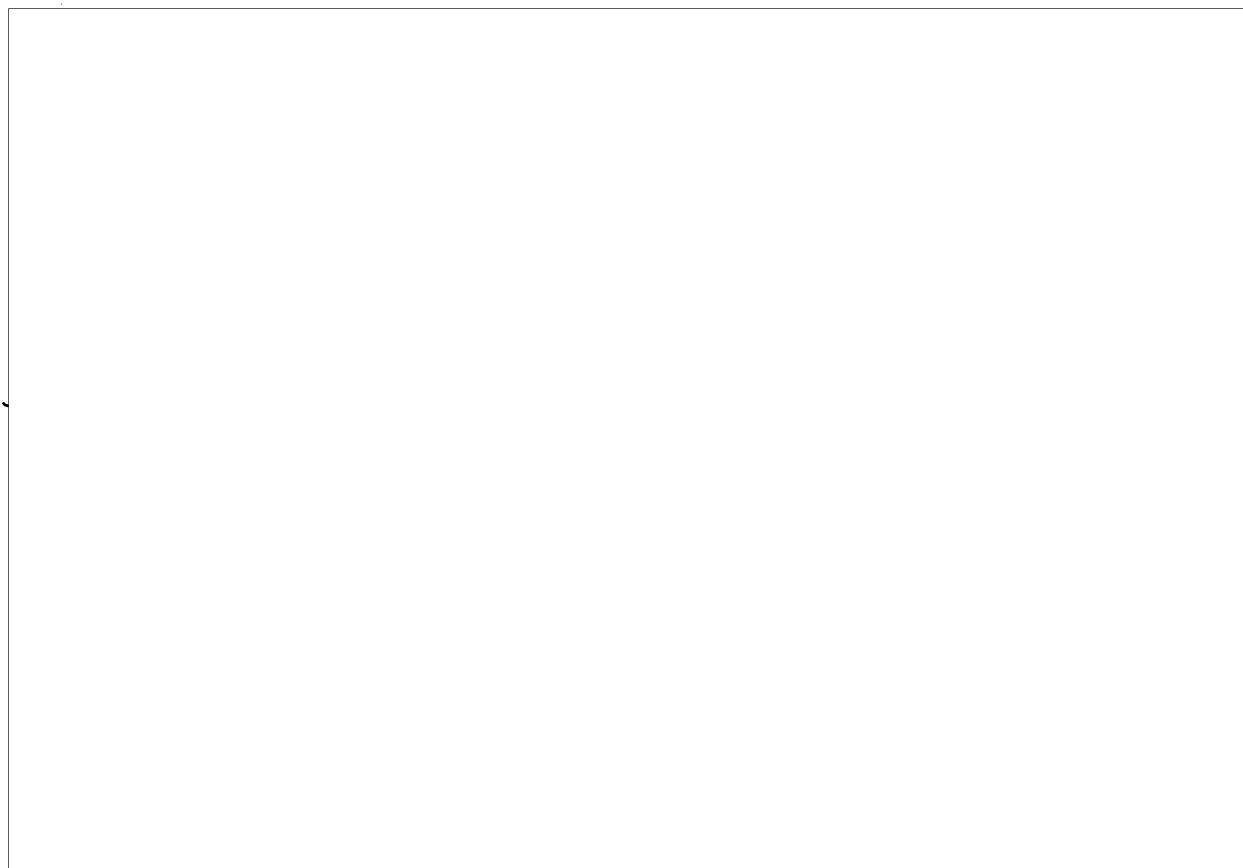
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SOVIET UNION

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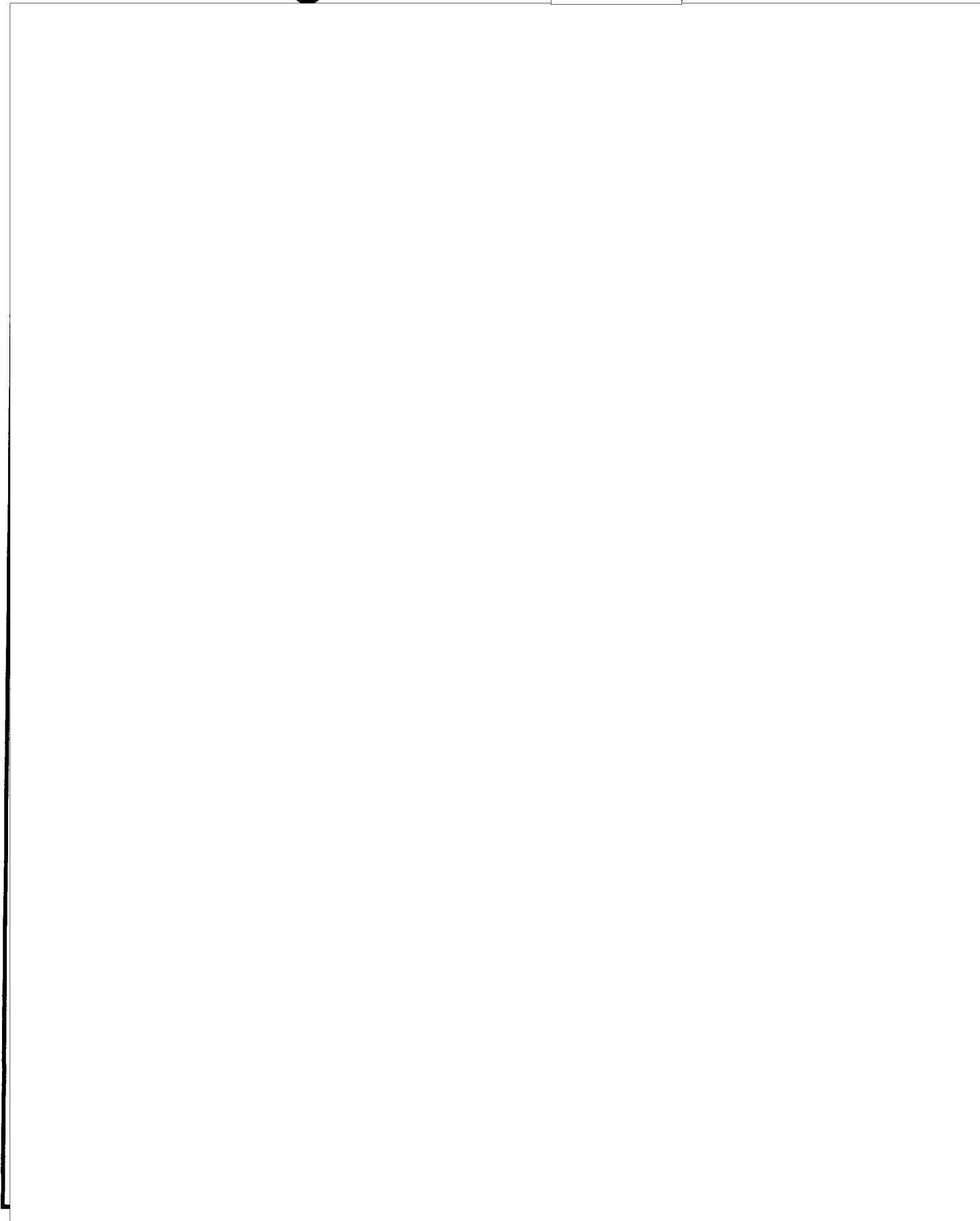
FAR EAST

2. Japanese deputy prime minister seen as Yoshida's successor:

Prime Minister Yoshida may retire soon from active politics in favor of Deputy Prime Minister Ogata, according to Ambassador Allison in Tokyo. Yoshida would be replaced after serving a few months as leader of a conservative coalition or merger, which now appears imminent, of the Liberal Party and the opposition Progressives.

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Three factors have tended to encourage such a merger: (a) the recent scandals, which have endangered the whole conservative position; (b) the deteriorating economic situation; and (c) Yoshida's desire to have the backing of a strong government during his coming trip abroad.

Comment: While Ogata has been openly critical of occupation reforms, he is not likely to alter radically the pattern of American-Japanese cooperation. Yoshida has expressed complete confidence in him and has approved his conduct of the merger negotiations.

SOUTHEAST ASIA

3. Dien Bien Phu's southern strong point again encircled:

The most ominous development at Dien Bien Phu, according to Ambassador Heath, is the encirclement of the southernmost strong point, Isabelle, by a new system of enemy trenches. The French expect an early Viet Minh attempt to take this outlying position by storm.

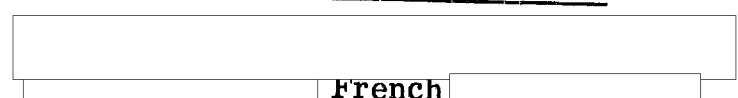
The American army attaché in Saigon reports that combat patrols sent out from Isabelle on the night of 7-8 April made contact at several points and killed 50 Viet Minh troops. The patrols re-filled 1,000 yards of trenches around the position.

Comment: Isabelle was virtually encircled by Viet Minh entrenchments prior to the second series of attacks which began on 30 March, but the enemy did not make a major effort there. This strong point is defended by three infantry battalions plus supporting artillery. Fire from Isabelle has been very important in repelling attacks on the main positions.

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4. French see threat behind Communist propaganda on Indochina:



French

interpret newly intensified Orbit propaganda attacks on the United States and the Vietnam government as being aimed primarily at driving a wedge between Washington and Paris. The French regard these attacks as "both an appeal and a warning" to France not to close all channels for contact with the Viet Minh and not to sign a treaty with the Buu Loc government.

the warning is backed up by an implicit threat that increased American aid will be matched by increased Chinese aid. Peiping is reluctant to become involved in another adventure, but will not hesitate to intervene "if the situation necessitates."

Comment: Orbit propaganda is apparently designed to induce the French to make a direct approach to Ho Chi Minh. The French reference to implicit and ominous threats behind the propaganda appears to be an attempt to rationalize in advance a decision to deal with Ho.

NEAR EAST - AFRICA

5. Iranian cabinet approves renewal of American military mission contracts:



Foreign Minister Entezam told Ambassador Henderson on 6 April that the Iranian cabinet has approved the renewal of the American military missions' contracts with the army

and with the gendarmerie. Entezam said he probably could put these contracts into effect by 10 April.

The foreign minister added that he hopes publicity concerning formal renewal can be kept to a minimum, and that any questions arising can be answered simply with a statement that routine notes have been exchanged confirming oral agreements already in effect.

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Comment: The government's desire to avoid public discussion of this subject indicates awareness of the use which the opposition could make of it. It is unlikely that renewal of the agreements can be kept secret. The American mission contracts lend themselves to debate in the Majlis, since it originally approved them.

Iranian officials were reported three weeks ago to be giving favorable consideration to renewal of the mission contracts.

6. Oil negotiations in Tehran may take three months:

Ambassador Henderson estimates that the forthcoming oil negotiations in Tehran between the international consortium and Iran will require six weeks to three months.

Comment: Representatives of the consortium are expected to arrive in Tehran soon and the negotiations are scheduled to begin soon thereafter. In view of the complexities of the proposals and the difficulties inherent in such negotiations, any agreement with Iran may be delayed even beyond Henderson's maximum estimate.

Majlis involvement in the oil talks would be particularly likely to result in delay and if the negotiations became protracted, would jeopardize a settlement.

7. Comment on Israel's border policy:

The pattern of the repeated clashes on the Arab-Israeli borders tends to confirm reports that Israel's Premier Sharett has approved a policy of limited retaliation.

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[Redacted]

The 7 April Israeli incursion into Jordan, near the site of the Nahhalin incident, has made the border situation "obviously explosive," according to Ambassador Mallory in Amman. The timing suggests that Israel wants to focus Security Council attention on Jordan, which Israel has been pressing for peace talks.

WESTERN EUROPE

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