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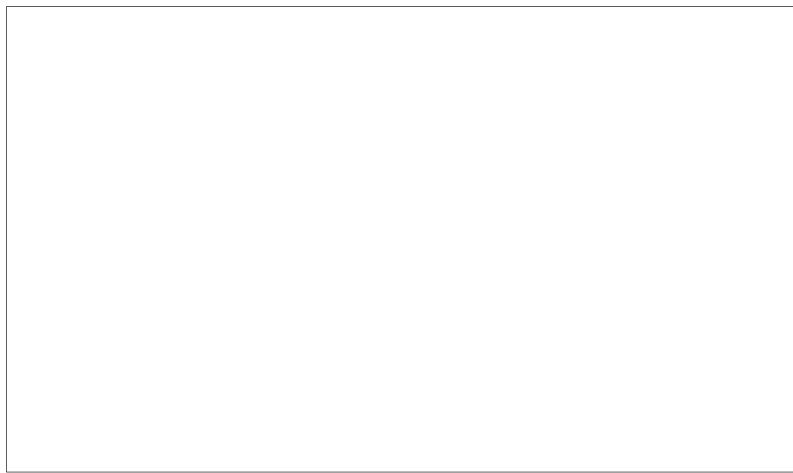
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1. ISRAELI OFFICIALS SAY SUEZ TEST NOT IMMINENT

Reference:

Israeli ambassador Eban informed the United States UN delegation on 16 May that Israel has no present plans for an actual test of its right to transit the Suez Canal, although Israel is still determined to exercise its rights. Eban said a test probably would not take place within the next few weeks, and that Israel intends to consult "friendly governments" about the method and timing of such an attempt.

The American embassy in Tel Aviv has learned from a "middle-grade" official of the Israeli Foreign Ministry that the government is "not displeased" by the speculation aroused by newspaper reports and foreign comment on the possibility of a test, since from the Israeli point of view "the issue has to be kept alive!" Both Eban and this official stated that Israel would appeal to the UN Security Council rather than to the World Court in case Egypt refuses passage to an Israeli vessel, but neither specifically ruled out the possibility of more forceful action.

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2. CENTRAL SUMATRAN COMMANDER SENDS "FINAL WARNING" TO INDONESIAN GOVERNMENT

Lt. Col. Hussein, dissident military commander of Central Sumatra, has issued a "final warning" to the Djakarta government that his people "can no longer be restrained" if the two Sumatran officials arrested in Diakarta on 9 May are not immediately released.

the arrests had "greatly shaken the ideas of the people of Central Sumatra."

Comment

The arrested Sumatrans are members of the revolutionary group that began an autonomy movement last December.

Although Sukanto promised to seek a settlement of the issue in Djakarta, the prisoners' release has not yet been announced.

Sumatrans in the capital city will probably continue to be arrested and interrogated, thus further straining relations between the provinces and the Djakarta government.

**3. FURTHER INDICATIONS OF SOVIET PREPARATIONS FOR
FIRING OF A TEST ICBM OR AN EARTH SATELLITE**

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4. RUMORED CUTBACK IN 1960 SOVIET INDUSTRIAL GOALS

Comment on:

The USSR is still considering the final figures of a downward revision of the Sixth Five-Year Plan (1956-1960), but industrial output during the five years will probably be scheduled to increase about 58 percent rather than 65 percent as originally planned.

Heavy industry is reportedly now to rise 61 percent rather than 70 percent, and light industry 53 percent instead of 60 percent. The originally scheduled 70-percent growth in agricultural production would remain unchanged.

Other recent evidence had suggested that the Soviet regime intended to make no significant reduction in the ambitious goals of the Five-Year Plan, despite the fact that these goals could probably not be achieved, and despite the sharp reduction of output goals in the 1957 annual plan.

The investment resources and labor force which will probably be available in the next three years would support an increase in the order of 55 to 60 percent in industrial output, but not the 65-percent growth originally planned. The agricultural production goal continues to appear unrealistically high.

If a downward revision of this magnitude occurred, it would indicate that the Soviet leaders had been forced by economic facts to accept a slowdown in the drive to catch up with the West in industrial production.

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5. INDIA WIDENS TAX BASE TO SUPPORT SECOND FIVE-YEAR PLAN

Comment on:

The sharp rise in taxes on consumer goods called for in the 1957-58 Indian budget, which was presented to parliament on 15 May, indicates that the government intends to continue the rapid pace of economic development even though this requires imposing additional sacrifices on the general public. These increased taxes will adversely affect the government's popularity, but Congress Party leaders apparently feel that they must pay this price if the Second Five-Year Plan (1956-61), on which they have staked their future, is to succeed.

Most of the burden of the new taxes will be placed on consumers in an attempt to divert resources to investment and export channels. Although a new tax on wealth has been added, income tax rates for earned incomes in the upper and middle levels will be reduced in order to increase incentives and encourage savings, and the income tax was extended to lower income groups.

Foreign-owned companies operating in India will be given some tax relief in an effort to attract foreign investors. While these new revenues will enable the government to obtain most of the domestic resources needed to carry out the plan, the success of the plan will depend on closing the foreign exchange gap now amounting to more than \$1 billion.

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6. HANOI INSTRUCTS PATHET LAO AGENTS TO DESTROY KATAY'S INFLUENCE

To "repel American influence" in Laos, the Pathet Lao has been instructed by Hanoi to start a propaganda campaign to "break" Laotian deputy premier Katay politically by depicting him as a traitor.

Deputies and ministers, especially, are to be inculcated with the thought that Katay is the greatest threat to Laotian peace and unity. Prince Petsarath's influence is to be exploited in molding public opinion against Katay.

The Pathet Lao has been advised to use extreme caution to prevent its identification with this effort.

Comment	Successful vilification of Katay would weaken anti-Communist efforts in Laos. Katay, who is considered pro-American in Laotian circles, was largely responsible for the government's stiffer attitude toward the Pathets after earlier concessions. Souvanna Phouma's plan to seek support in the National Assembly for a new try at reaching a political settlement will give the Pathets an opportunity to shift the blame for past negotiation difficulties on Katay as an instrument of American interference.
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**7. HIGH-LEVEL SOVIET ECONOMIC DELEGATION
IN PRAGUE**

A Soviet delegation headed by party presidium member Saburov arrived in Prague on 14 May for the first meeting of a Soviet-Czech commission for economic co-operation. The delegation included the foreign trade minister, the head of the Chief Directorate for Economic Relations, and a first deputy chairman of Gosplan. This commission is the first such organization to be established by Moscow with a Satellite,

Comment Moscow now apparently intends to rely more on direct bilateral relations for co-ordinating economic planning with the Satellites than on organizations of a multilateral nature such as the Council for Economic Mutual Assistance (CEMA). The Soviet-Czech meeting is the result of the January agreement which called for increased co-ordination of the two economies.

The presence of Saburov on the commission is a further indication of his increasingly active role in Soviet-Satellite economic planning. Saburov reportedly acted as Soviet delegate to a Berlin CEMA meeting in August-September 1956, and, since his removal last December from the chairmanship of the State Economic Commission, he has appeared prominently in negotiations with Satellite delegations to Moscow.

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8. USSR SUGGESTS DIRECT TALKS WITH ITALY

The Soviet ambassador to Italy proposed [redacted] to Rossi Longhi, secretary general of the Italian Foreign Ministry, that their countries discuss matters

"directly as great powers,"

[redacted]. Rossi Longhi rejected the offer on the basis that Italy is not a great power and could conduct its foreign relations only within the framework of its alliances.

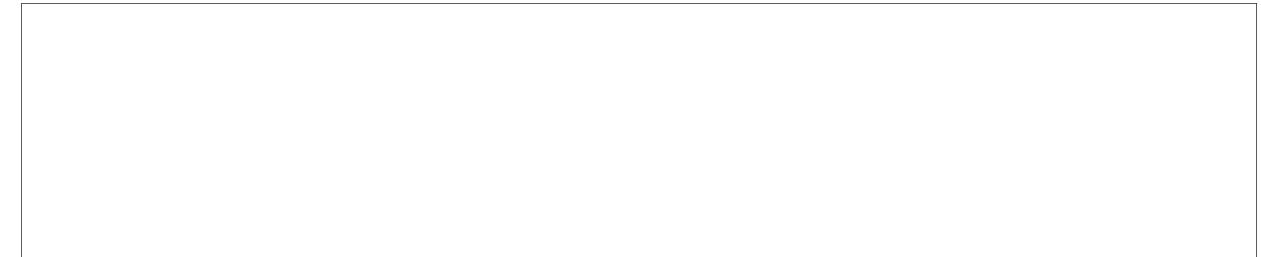
Comment

Moscow is continuing its efforts to promote bilateral discussions with Western governments. Despite ostensible interest in another summit conference, the Soviet government has recently made proposals for contacts and meetings which suggest that Moscow is primarily interested in bilateral, rather than multilateral, talks with Western governments, probably for the divisive effect they would have on NATO.

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**9. COMMENT ON ANNOUNCEMENT OF BRITISH
NUCLEAR TEST**

According to an official British announcement, the first explosion in the current series of British nuclear tests occurred on 15 May in the area of Christmas Island, 1,400 miles south of Honolulu. In earlier statements, British government officials had stated that at least one test of the current series would be "in the megaton range" and would be a "high air burst without heavy fallout!"



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**CORRECTION TO ITEM 1, PAGE 3, OF CURRENT
INTELLIGENCE BULLETIN DATED 17 MAY 1957**

The first paragraph of Comment should read: "France could test an atomic bomb in late 1957 or early 1958 [redacted]
weapons research has been under way for the past two or three years. Otherwise, at least a year to 18 months would be required from the date of decision to manufacture such weapons!"
[redacted]

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