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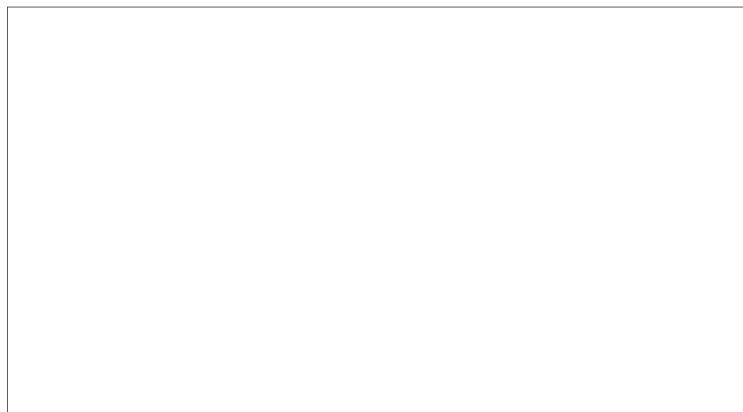
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1. SAUDIS FEAR COMPETITION FROM ISRAELI PIPELINE

Comment on:

An important consideration behind King Saud's recent firm opposition to free transit through the Gulf of Aqaba is fear that oil passing through the pipeline planned by Israel from Eilat to the Mediterranean would have a competitive advantage over Saudi oil carried through the Suez Canal,

The Saudi finance minister is said to fear that such a pipeline might deliver oil to the Mediterranean at a price below that of oil carried through the canal. Since Saudi Arabia could not allow its oil to use an Israeli pipeline, competitive oil producers such as Kuwait and Iran would be placed at an advantage. Such competition from Israel could force Egypt to reduce canal tolls. Should an Israeli pipeline become established, moreover, the Saudis fear it would become a political weapon which Israel could use to assure international support of Israel.

2. SUKARNO DOUBTS INDONESIAN COMMUNIST TIES WITH MOSCOW

President Sukarno told the American ambassador on 2 March that he believed he could convince the Indonesian Communists--"by bringing them to the Indonesian family table"--that in the long run they must be Indonesians first and break any connection "they might have" with Moscow and Peiping. He referred to the public statement of the Indonesian Communist Party (PKI) secretary general on 28 February that the Comintern had been abolished and that the party sought nationalism "in its purpose and aim." In this connection Sukarno cited Mao Tse-tung, whom he considers free of Moscow's influence.

Sukarno said that if at any time he had evidence that the PKI was taking orders from Moscow or working for Soviet and Chinese rather than Indonesian interests, he would crush it as he had at Madiun in 1948. Speaking of foreign connections, he said he regarded the Darul Islam, a fanatical Moslem organization, as much a foreign-controlled movement as the American ambassador regards the Communist Party.

Comment	Sukarno continues to insist that Indonesia's domestic problems can be solved only by his own direction of a government in which all major parties participate. He thus continues to demand Communist participation in the government in the interest of Indonesian "unity!"
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	Former vice president Hatta stated on 2 March that Sukarno's concept of government is "a view of a dream world" and will only lead to further conflict. Sukarno believes that the Darul Islam is manipulated and materially supported by the Dutch with a view to undermining the Indonesian revolution.
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3. ISRAELI GOVERNMENT CRISIS

"Activist" elements inside and outside the present coalition cabinet are attempting to make political capital from the announcement that Israeli forces will withdraw from Gaza and Sharm al-Shaikh.

Even should the left-wing parties, Achdut Haavoda and Mapam, leave the coalition, Ben-Gurion would still command a bare majority of 61 of the 120 members of parliament, although he would have to rely on five Arab members affiliated with his own party. The prime minister might raise his majority by making a deal with the Agudat religious group which is relatively uninterested in foreign affairs, or even with the economically conservative General Zionists.

The pressures on Ben-Gurion indicate, however, that in announcing a withdrawal based on "assumptions" regarding the future actions of other powers rather than on ironclad public guarantees, he has probably stretched his domestic political credit to the limit. While earlier "mass demonstrations" against withdrawal almost certainly were inspired by the government, the student rioting reported on 4 March and the demonstrations organized by the "activist" Herut and Achdut Haavoda partisans probably are genuine expressions of intense disappointment and frustration. [redacted]

**4. BRITAIN WILL GIVE IRAQ FIVE HUNTER MARK VI
JET FIGHTERS**

[Redacted] Britain will give Iraq five Hunter Mark VI jet fighters, [Redacted] together with spare parts [Redacted] worth approximately \$2,000,000. [Redacted]

[Redacted] Iraq wants Britain to assume responsibility for the improvements at Habbaniyah airfield required for these planes, which are expected to be ready for delivery about April. The British are seeking an arrangement for bringing additional technical personnel into Iraq for maintenance and instruction for a two-year period.

Comment The gift of these planes, which follows nearly a year of unsuccessful negotiations for sale of Hunters to Iraq, closely follows Britain's agreement to guarantee a \$56,000,000 Iraq Petroleum Company loan to Baghdad and is evidently a further move in Britain's effort to mend its ties with Iraq.

These planes will be the first up-to-date high-performance jet aircraft to be added to Iraq's 28-jet air force made up of Venoms and Vampires. There is already a British training mission in Iraq.

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5. BULGANIN COMMENTS ON ADENAUER LETTER

Soviet premier Bulganin's reaction to Chancellor Adenauer's reply to the Bulganin letter of 5 February clearly indicates that there has been no modification of Soviet policy on the basic issues between the two countries. According to the West German ambassador in Moscow, Bulganin maintained the Soviet position on the existence of two German states and the necessity for direct negotiations between the two on the question of reunification.

Bulganin ignored the German position that progress on expansion of trade relations was intimately connected with the satisfactory solution of the problem of repatriation of German citizens still in the USSR. The Soviet premier stated that the solution of the repatriation problem depended to a large degree on the development of "normal and friendly" relations between Bonn and Moscow. Bulganin emphasized that what was needed was a "decisive turn" in Soviet-West German relations, although he did not elaborate on how this was to be brought about beyond the statements in his 5 February message to Adenauer.

Bulganin's avoidance of references to West German remilitarization, NATO membership, or the European Common Market reflects the Soviet line during the German election year of stressing the favorable prospects for improving West German-Soviet relations.

Pravda on 3 March criticized Chancellor Adenauer's note, charging that Adenauer was still ignoring the existence of East Germany. Pravda stated that "the repatriation of German war prisoners from the Soviet Union has been fully completed," and that regular contacts are continuing between the two countries on the repatriation of Soviet and German civilians.

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