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**2. ISRAELIS SCHEDULED TO WITHDRAW FROM GAZA THIS WEEK**

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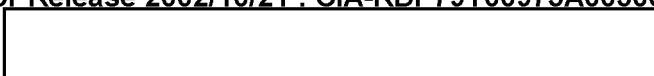
[Redacted] Israeli military forces and civilian administrative personnel are scheduled to leave the Gaza strip on 7 March and to withdraw from Sharm al-Shaikh on 8 March, according to information received by the UN secretary general from General Burns, commander of the UN Emergency Force. A small group of Israelis will remain at Sharm al-Shaikh, however, to supervise shipment as soon as possible of Israeli equipment there. General Burns asked that these dates not be made public, since to do so in advance of the action might lead to rioting in the Gaza strip.

**Comment**

The abruptness of the Israeli withdrawal from the strip after several months of almost complete integration of its political administration and economic life with that of Israel may well lead to disorganization and disorders. The 210,000 refugees in the strip, as well as its 65,000 permanent residents, may welcome the UN initially as a possible source of largess, but they probably will soon begin to blame the UN for their chronic difficulties.

At Sharm al-Shaikh there is no local population to create such problems.

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3. FRANCO-ITALIAN CONSORTIUM MAY FINANCE TRANS-ISRAEL PIPELINE

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[Redacted]

The American embassy has been informed that a group of large Italian companies is forming a consortium to finance, build and operate a 30-inch crude oil pipeline in Israel connecting the Gulf of Aqaba with the Mediterranean.

[Redacted] a line about 125 miles long with a capacity of about 350,000 barrels a day is under consideration. The cost of the project is estimated to be approximately \$50,000,000.

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The embassy understands that negotiations with French interests are already under way.

Comment

While no Arab crude oil is likely to be available for transit through Israel for the foreseeable future, Tel Aviv evidently believes it can receive sufficient Iranian--and possibly other--crude to make the line profitable. Before the shutdown of the Suez Canal, Iran shipped about 300,000 barrels a day of crude through the canal. Transit costs through an Israeli pipeline would be lower than Suez Canal charges, which would improve the competitive position of Iranian crude. Iran would therefore not be likely to object on economic grounds to using the Israeli route. Tehran, which until recently supplied up to 60 percent of Israel's crude oil needs, would probably have no political objection.

[Redacted]

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5. SUKARNO REPORTEDLY OFFERS COMPROMISE TO ANTI-COMMUNISTS

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[Redacted]

President Sukarno has capitulated in his demand for Communist participation in any new Indonesian cabinet, [Redacted]

[Redacted]

[Redacted]

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**Comment** Sukarno's reported capitulation would be the result of opposition by the Moslem and Christian parties and by the army leaders in Central Sumatra and East Indonesia. He undoubtedly is aware that Central Sumatran leaders have been laying plans to unite all opposition elements under Hatta and were considering the use of force if Sukarno's original plans were put into effect.

Although the Communist Party has threatened a national strike if it is barred from the cabinet, it is more likely to limit its actions to vigorous protests and to settle for participation in the council. The council's function allegedly will be strictly "advisory," but the Communists will have significantly advanced their position by participation in the government's formal apparatus. In addition to gaining increased prestige, they will probably be able to exert significant influence on Sukarno and government policy.



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## 7. CHOU EN-LAI'S FOREIGN POLICY STATEMENT

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Premier Chou En-lai's 15,000-word speech on 5 March is the first major Chinese Communist foreign policy statement in 1957. Discussing intrabloc relations, Chou asserted his confidence that all differences could be resolved by "comradely discussion and consultation." In an oblique criticism of recent polemics in the bloc, Chou asked that, in the interests of bloc solidarity, issues not be forced where unanimity of views was temporarily lacking.

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In his survey of relations with the free world, Chou excoriated American "colonialist" goals, especially among the Arab nations. Charging the United States with desiring to supplant Britain and France in the Middle East, Chou portrayed the United States as an unreliable ally.

On the matter of American-Chinese relations, Chou offered no new proposals but attempted to show that here, too, the United States was preparing to abandon its Chinese Nationalist ally. He accused the US of trying to overthrow the authorities on Taiwan--a theme recently developed in Peiping broadcasts charging US support for liberal elements on Taiwan critical of the Nationalist government. In an effort to lend plausibility to reports of negotiations between the Nationalists and Communists, Chou declared that prospects for "peaceful liberation" have improved with "more and more" officials on Taiwan agreeable to a negotiated settlement.

Chou's remarks suggest that Peiping will continue its "soft" approach toward most nations and intensify its overtures to those countries in the Far East which have not

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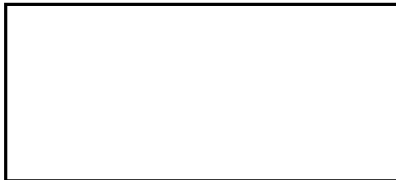
recognized Communist China. He referred specifically to the desirability of improved relations with Japan, Thailand, the Philippines, Singapore, and Malaya. Chou reaffirmed Peiping's willingness to extend economic aid with no conditions attached.

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**8. CHINESE COMMUNIST AID PROGRAM IN CAMBODIA  
GETS UNDER WAY**

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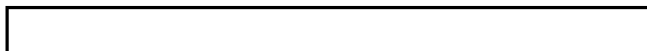


Communist China's \$22,400,000 two-year aid program negotiated with Cambodia last June is about to be put into effect, the American embassy in Phnom Penh has been reliably informed. The initial project calls for the construction of buildings to house various Cambodian government ministries and agencies. Meanwhile, arrangements are being made for the initial importation of nearly \$6,000,000 worth of Chinese Communist goods to create counterpart funds to finance the aid program.

**Comment**

A Chinese Communist economic mission at Phnom Penh has been discussing details with the Cambodian government since last September. Peiping's program calls for "unconditional" assistance in the fields of agriculture, light industry, communications and transportation, health and education, and power.

A Soviet economic mission has also been in Cambodia since last November drawing up a similar "unconditional" aid program. The goal of Sino-Soviet economic aid to Cambodia apparently is to derive maximum political returns from selected popular targets while not attempting to match the scale of Western economic assistance.



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9. CONFUSION AND DISSENSION APPARENT IN RUMANIA

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[Redacted]

[Redacted]

The Rumanian regime's recent unprecedented withdrawal of a decree issued by the Council of Ministers on 22 February demonstrates confusion and dissension at the highest levels of authority, according to the American legation in Bucharest. The legation also noted that this episode revealed a seeming difference of opinion between the party and the government.

[Redacted] the decree, prepared by the government, had been suppressed by party first secretary Gheorghiu-Dej on grounds that it was unworkable.

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The decree, a drastic measure which reportedly stirred up vigorous worker complaints, limited each wage earner and family group to only one source of income. A great number of Rumanians depend on second sources of income and most Bucharest families are able to subsist only on the earnings of both husband and wife.

Comment

Differences concerning possible courses of action in regard to deteriorating economic conditions apparently have led to official confusion. One recent unconfirmed report reaching the legation, for example, claimed that the Rumanian army has been receiving conflicting orders from top government authorities. Worker reaction may have been sufficiently strong to cause the regime to withdraw its decree.

The Rumanian regime was forced late last year to announce the overhaul of a large part of its economic plans and methods, a change which apparently has already resulted in the firings of surplus state officials and workers in certain industries.

[Redacted]

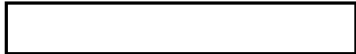
**10. CONTINUED ABSENCE OF TOP SOVIET LEADERS AT PUBLIC FUNCTIONS**



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Two top Soviet leaders, Nikita Khrushchev and Anastas Mikoyan, have not appeared in public since 21 February. Since that date, Khrushchev has missed more functions attended by other presidium members than at any other time since Malenkov's ouster in February 1955. The most recent occasion on which one or both normally would have appeared was on 4 March.

Their absence may be explained by their attendance at some unpublicized meeting within the bloc, or they may merely be on vacation. Both men have appeared to be firmly established in their positions in the hierarchy.



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