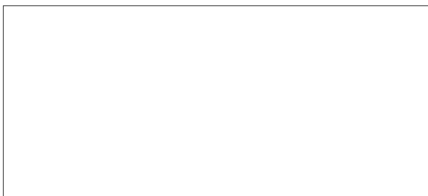


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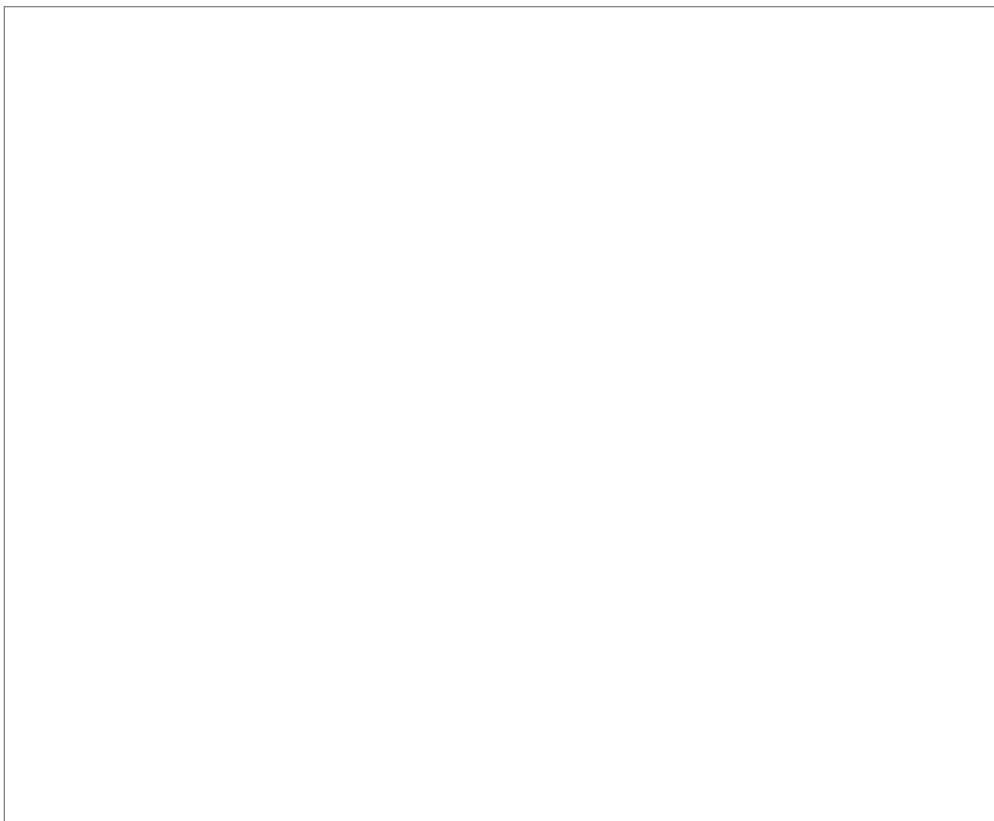


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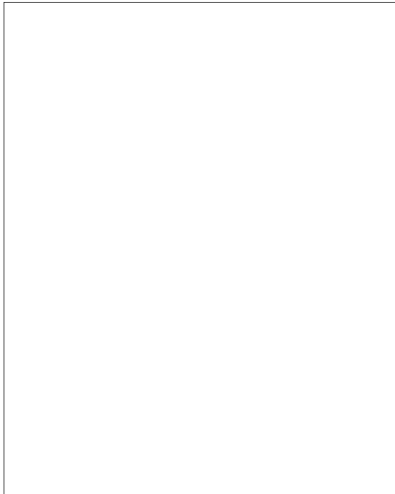
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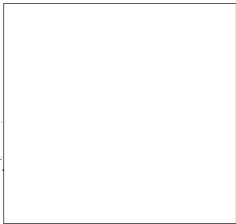
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1. THE ISRAELI WITHDRAWAL



Comment on:



While some present pressures would be relieved by an Israeli withdrawal, both Israel and the Arab states, particularly Egypt, would immediately face new problems. A final settlement of the issues will probably be long and difficult. Israel's request for clarification of withdrawal guarantees following its announced willingness to withdraw underscores its doubts over the wisdom of such action.



Local pressures on the Israeli government for freedom of transit in the Gulf of Aqaba and prohibition of a return of Egypt to the Gaza strip will remain strong. Israeli officials, moreover, have repeatedly charged in the past that the UN is incapable of maintaining the security of the Arab-Israeli borders, and they may return to this stand. An Israeli army spokesman announced on 2 March that six Arab infiltrators had been killed in clashes with Israeli patrols near Gaza.

The Arabs, sullen that sanctions were not imposed on Israel and suspicious that Western pressures will now shift from Israel to them, are making a concerted effort to maintain the focus of attention on Israel, and will probably remain intransigent regarding negotiations on the Suez Canal and a resumption of oil flow across the Arab states. Israel's delay in removing its troops will almost certainly result in new pressures for UN sanctions. Nasr, moreover,   is likely to press for the return of Gaza to Egyptian administration and the removal of UN

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forces once Israel withdraws. [redacted]

[redacted] Hammarskjold should not guarantee anything about Gaza or its future and told Fawzi to deny that Egypt had agreed to an international administration of Gaza.

Egypt and Saudi Arabia have also voiced opposition to the Gulf of Aqaba as an international waterway. King Saud recently stated that Aqaba cannot be so regarded since to do so would constitute a threat to Saudi Arabia and the Moslem holy places. [redacted]

[redacted] the two countries are making plans to strengthen their defensive positions in their respective areas along the gulf. Fawzi, in reference to Aqaba, stated [redacted] to Cairo that Egypt, if called upon to state its position on Aqaba, had no alternative but to rely on its "indeclinable" right. He declared that Aqaba is part of Egypt's territorial waters and that Egypt will exercise its rights there unless the International Court expresses a conflicting opinion and Egypt decides to adopt it. [redacted]

[redacted]

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2. REVOLT IN EAST INDONESIA

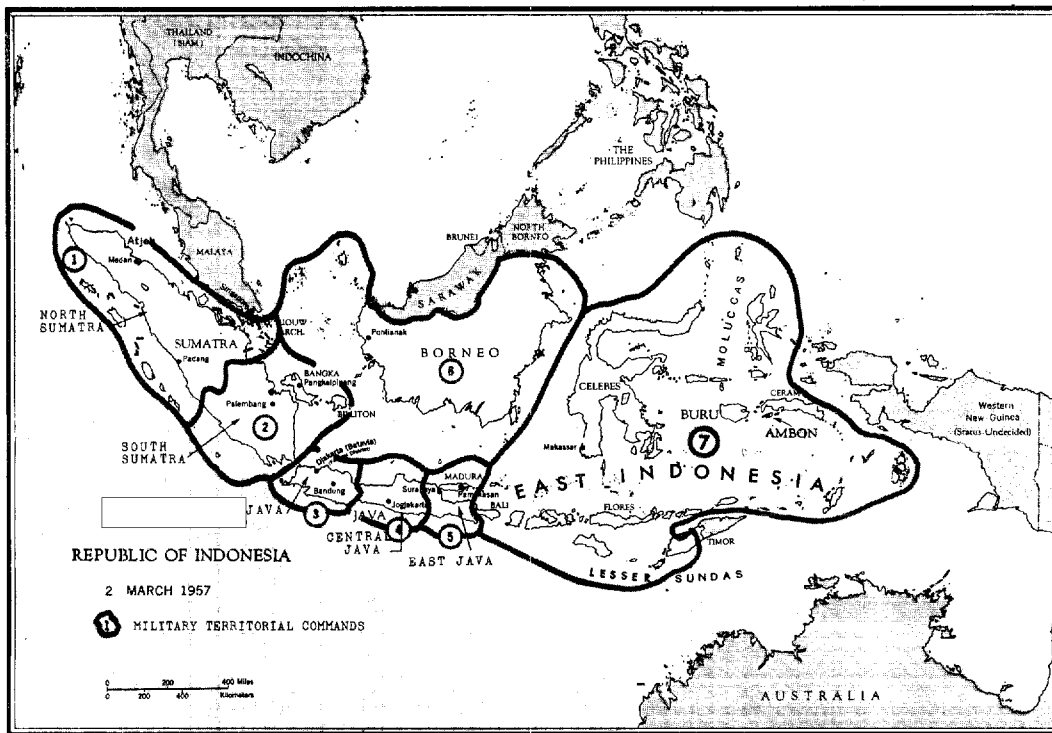
Comment on:



The revolt of East Indonesian commander Lt. Col. Samual on 2 March against Djakarta's authority follows essentially the same pattern as that of dissatisfied army leaders in Sumatra last December. Like the Sumatrans, the East Indonesians are demanding greater autonomy and better economic treatment.

East Indonesia, the territorial command centered on Celebes and including the Moluccas, Lesser Sundas and Bali, had earlier given numerous indications of rising discontent. Samual himself had given the impression that he sympathized with these dissident attitudes.

The East Indonesian break over the issue of autonomy comes at a time when Moslem and non-Javanese opposition to President Sukarno's plan to include Communists



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in the government is on the upswing. It also coincides with a recent report that Moslem leaders in East Indonesia, as well as Sumatra, have been alerted to "take action" in early March if Sukarno persists in his plans.

The process of fragmentation in Indonesia may not end with Samual's action. The restiveness of neighboring Borneo suggests that leaders on that island may be considering similar action. If this should occur, the Djakarta government will have lost control over virtually all of Indonesia except the island of Java.

Meanwhile, former vice president Hatta has publicly warned that Sukarno's plan is bound to fail. This statement will probably have the effect of stiffening resistance to Sukarno's concept, particularly by the Moslem parties.



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3. THE SITUATION IN THAILAND

The state of emergency declared throughout Thailand on 2 March was designed to cope with apparently spontaneous demonstrations of popular disgust over irregularities in Bangkok during the 26 February national elections. There is no evidence that, as implied by the government, these demonstrations have been inspired by the Communists. Late reports indicate that tension in the capital city has somewhat abated, although the situation remains potentially explosive.

The American embassy in Bangkok has been informed that the government has appointed a commission of nonpolitical career officers to investigate electoral irregularities. In addition, Premier Phibun has reminded

the public of its legal recourse under the electoral law in any cases of fraud.

The Thai army chief, General Sarit, who during the emergency is in command of all armed forces including the police, may be tempted to take advantage of his enhanced powers to undermine his rival, Police Director General Phao. As the official who would be held responsible for electoral frauds, Phao is in a highly vulnerable position. While the government radio denies reports that the police chief has been taken into custody, he apparently has not been participating in the emergency meetings of high officials.

In commenting on the present crisis, Khuang Aphaiwong, the leader of the opposition Democrat Party, reportedly stated that everything depended on Sarit, with many people expecting the latter to emerge as the people's hero by stepping in to demand new Bangkok elections while at the same time getting rid of Phao.

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4. SOVIET-HUNGARIAN DISCUSSIONS ON SOVIET TROOPS REPORTEDLY TO BEGIN IN MARCH

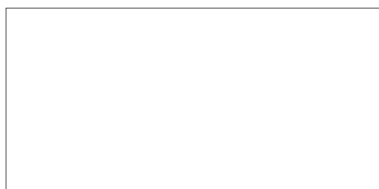
Recent statements by Hungarian Foreign Ministry officials support a report passed to American officials by the Austrian minister in Budapest that Soviet-Hungarian discussions on a "status-of-troops" agreement are to begin in March. A Hungarian Foreign Ministry official told an AP correspondent that such discussions would begin in the "second half of March," and the Hungarian protocol chief informed the British air attaché that talks on the subject of Soviet troops in Hungary "are beginning!"

The Austrian minister believes the regime may hope to head off expected unrest on 15 March, the anniversary of Hungarian independence, through a "broad hint" that if all goes well some favorable result will be forthcoming. The American legation in Budapest adds that it is not impossible that the USSR has made the successful handling of the situation in March by the Kadar regime a prerequisite for negotiations on the reduction or redistribution of Soviet forces in Hungary.

Comment

The reduction or redistribution of Soviet troops, while it would not reconcile the population to the current regime, would reduce some of the tension by making less obtrusive the principal symbol of subjugation and defeat.

5. BRITAIN WARNS OF INABILITY TO HOLD LINE ON CHINA TRADE CONTROLS

 The British government doubts that it will be able to "hold the line" much longer in maintaining controls on trade with China over and above those with the rest of the Soviet bloc, the Foreign Office informed the American embassy in London on 1 March. The government contends that in view of Britain's precarious balance of payments situation, the additional China controls are an unnecessary burden on the economies of both Britain and its dependent overseas territories. It also cites the severe pressure at this time from political and business circles for a relaxation of controls.

With regard to East-West trade in general, the government considers that controls should be confined to items of real strategic importance and not used as a weapon of economic warfare. It believes present controls are more extensive than strategic considerations require and sees no justification in recent events for adding to them.

Comment This appears to represent a significant shift in the government's position. On 4 February the American embassy reported that while the government agreed with its critics on China controls, it would not accede to their demands for relaxation for reasons of international policy.