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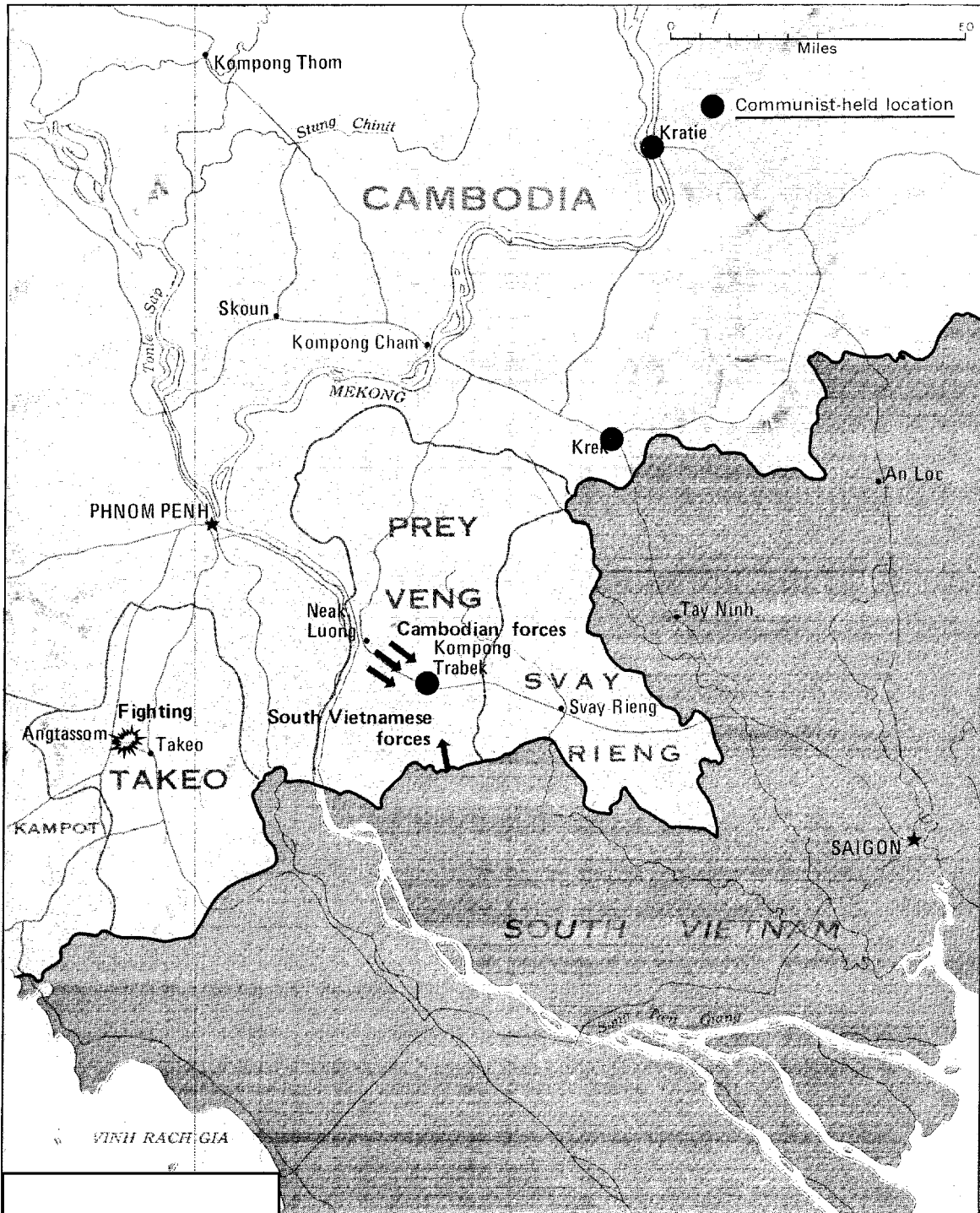
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CAMBODIA: Government forces backed by South Vietnamese units are trying to reopen a stretch of Route 1, the main highway between Phnom Penh and Saigon.

A total of 14 Cambodian Army battalions and one armored squadron moved eastward on 4 July from their Mekong River base at Neak Luong in a three-pronged drive toward the Communist-controlled town of Kompong Trabek. At the same time, a regiment of South Vietnamese Rangers supported by heavy artillery and an armored squadron began advancing northward from the South Vietnam border toward Kompong Trabek.

At last report, lead elements of the Cambodian task force had moved to within a few miles of the town without meeting any opposition. The operation is Phnom Penh's most ambitious military undertaking since the beginning of the rainy season, as well as the first sizable operation conducted with the South Vietnamese in over a year.

The Communists seized Kompong Trabek and a score of other government positions along Route 1 in late April. Shortly thereafter, the Cambodians' initial effort to retake the town collapsed at the first sign of Communist resistance. [Although no Vietnamese Communist main force units are presently known to be operating in the immediate vicinity of the town, the Communists may shift some units from the South Vietnam delta or from nearby Svay Rieng Province to the Kompong Trabek region in order to protect their supply and infiltration lines there.]

In Takeo Province, the Communists are continuing to thwart government efforts to relieve an embattled government battalion at Angtassom, some 40 miles south of Phnom Penh. Five Cambodian battalions from nearby Takeo City remain pinned down by Communist troops a few miles east of Angtassom, which reportedly was hit by a heavy enemy shelling attack on 6 July. Thus far, however, Cambodian casualties have been moderate. [redacted]

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WEST GERMANY - FRANCE: The meeting between Chancellor Brandt and President Pompidou in Bonn this week did little to advance preparations for a European Communities summit this fall.

Although both sides agreed that the summit of the six present and four incoming EC members scheduled for October should not be canceled, the Germans remained unwilling to underwrite the still vague French demands in the monetary field--a key French condition for holding the summit. Paris' "catalogue" of international monetary issues on which it contends the community must work out common positions includes the role of gold and special drawing rights, the problem of sterling and dollar balances, and dollar convertibility. Pompidou repeatedly emphasized that the EC's common agricultural policy requires fixed exchange rates within the community.

Brandt wants the fall summit, but he was determined not to be put in the role of supplicant. The Germans believe that Paris' power in a community of ten would be less than heretofore. West German State Secretary Frank told the US Embassy that Britain's support, in particular, had encouraged Bonn to adopt a rigid position.

France has publicly claimed "positive results" from the Bonn meeting, but the French may in fact be disappointed. German officials indicated annoyance with Pompidou's ostentatious attempts to induce concessions through contacts with the German opposition. On Pompidou's instructions, Foreign Minister Schumann had a private chat with Christian Democratic Union leader Barzel, during which the reportedly "embarrassed" Barzel was lectured on familiar French positions on a European security conference and force reductions.

Foreign ministers of the present and prospective EC members will meet on 19 July to try to come to grips with the summit agenda. Prospects are that

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the underlying differences between France and its partners will not be overcome, but that this would lead to a postponement rather than a cancellation of the summit.

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CUBA-USSR: Fidel Castro concluded his visit on 6 July with the claim that Cuban-Soviet relations have reached their highest level.

His ten-day stay in the Soviet Union was marked by a show of cordiality and friendship as both sides obviously sought to make the Cuban Premier's first visit to the USSR in eight years successful. Despite the atmosphere, no significant new agreements were announced.

The final communiqué noted that the talks were held "in an atmosphere of deep mutual understanding and unity of viewpoints," and marked the beginning of a new and important stage in Soviet-Cuban relations. While Moscow endorsed the Cuban demand for the "unconditional removal of the Guantanamo Naval Base," the communiqué went no further in substance than past statements on this issue. It was somewhat stronger in tone, however. Castro praised Moscow's general foreign policy and expressed gratitude for continuing Soviet aid.

Despite Castro's effusive praise of the Soviets, it is unlikely that Moscow was completely successful in assuring the Cuban leader that Havana's security and interests were not undermined by President Nixon's visit to the USSR. While the communiqué carried joint statements on a variety of international issues, it omitted any direct mention of the summit meeting. The communiqué noted only that the Soviets "reported" to the Cubans on the summit contacts.

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CHILE: The Christian Democrats appear to have won a significant political victory over the Allende government on the issue of their constitutional reform measure defining the government's role in the national economy.

Negotiations on a compromise between the version passed by Congress and the changes Allende made in it broke down last week, and the Christian Democrats walked out. Faced with the prospect of an adverse vote in the Senate, Allende withdrew his changes. Allende's decision avoids a possible "constitutional crisis," and hints of a last-minute deal. Allende now can sign the original measure or submit other objections. Whatever he does, his Popular Unity government has suffered a major political reversal.

The Christian Democrats also joined the National Party move to impeach Interior Minister Del Canto. The minister is charged with smuggling, violation of press freedom, and failing to protect property rights. The Chamber of Deputies approved the charges on Wednesday, thereby forcing suspension of Del Canto from his duties pending Senate action. Del Canto, an undistinguished member of the Socialist Party, is not personally important to Allende, but he may be moved to another ministerial post.

The stiffening of the Christian Democrats, coming after a period of attempted negotiation, suggests that the party has concluded, at least for the time being, that more forceful opposition will bring greater gains than conciliation.

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ARGENTINA: Differences over negotiations with Juan Peron and over the air force role in the government appear to be undermining military support for President Lanusse.

Rumors of Lanusse's resignation or an impending coup were touched off on 4 July when Air Force Commander in Chief General Rey publicly criticized the President on these two issues. Apparently reacting to reports that Lanusse plans to continue as president beyond 1 January 1973, Rey publicly called on Lanusse to transfer power to the air force on that date as was agreed when the military junta seized power in March 1971.

General Rey also claimed that the military high command had not authorized the recently revealed secret talks between Peron and Lanusse's private emissary in April 1971. Rey told the press that only the Argentine ambassador to Spain had been authorized to discuss the future political role of Peronism. General Lopez Aufranc, the powerful III Corps commander in Cordoba, is also reported to have claimed that he had had no knowledge of the conversation. Lanusse released the text of the talks between his right-hand man, Colonel Cornicelli, and the former dictator to thwart speculation about a secret agreement, but Rey's criticism could stir the strong anti-Peron passions in all three services.



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The desire of most top officers to end six years of direct military rule has made it difficult for opponents of Lanusse's electoral plan to find

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a suitable leader for their cause. Nevertheless, apprehensions over continuing economic problems and the rising level of civil violence, combined with the fear of a Peronist return to power and the dissatisfaction of the air force, could generate a serious challenge to Lanusse's leadership.

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USSR-LIBYA: Despite Premier Qadhafi's continuing criticism of the USSR, Libya has concluded its first agreement for Soviet participation in economic development projects.

The USSR will construct two distillation plants, probably for the petroleum industry, and will prepare a survey on the feasibility of integrating the power grids of Libya and Egypt. A Soviet delegation has spent the past two weeks in Libya investigating potential projects.

The new agreement marks the first concrete result of discussions that have been held intermittently over the past two years. Although economic and technical cooperation agreements were signed in March 1970 and in March 1972, no commitments have been made for specific projects, and, until now, only a few advisers have been provided for Libya's petroleum industry. Libya may have become more receptive to Soviet offers of assistance since the USSR agreed in May to become Libya's first buyer of oil from the nationalized BP concession. Assistance to be provided under the new agreement may be partially offset by Libyan deliveries of nationalized oil.

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YUGOSLAVIA: Economic performance thus far this year is markedly better than in 1971, but basic problems still cloud long-run prospects.

A dramatic turnabout in the trade picture has caused some officials to predict a current account surplus this year, compared with the \$320-million deficit registered in 1971. The government has effectively restricted credits for imports, and federal subsidies have induced enterprises to export more. As a result, export earnings now are covering 75 percent of imports, compared with only 50 percent last year. Moreover, earnings from tourism and remittances from workers abroad have continued to increase.

The trade situation may not be so favorable, however, during the second half of 1972 and in early 1973. Large imports of wheat, corn, and vegetable oil will be necessary to supplement domestic supplies, which will be reduced because of the drought last spring.

On the domestic front, the stabilization campaign has been less successful. Both the money supply and personal incomes have continued to increase rapidly. Although most prices still are frozen, an 8-9 percent rise--much larger than planned--is anticipated as controls are relaxed.

Neither the government's stabilization program nor the latest round of decentralizing reforms has removed the basic causes of Yugoslavia's economic instability. The "boom-bust" pattern that characterized the 1960s probably will continue in the 1970s.

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EL SALVADOR - HONDURAS: Recent border incidents do not augur well for a resumption of peace talks.

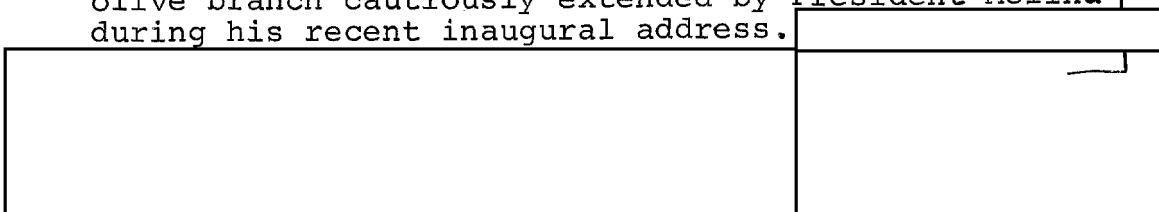
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A member of the Salvadoran general staff, Colonel Oliva, told the US defense attaché that during the past week there have been numerous provocations along the entire border. Most involved indiscriminate weapons firing by Honduran forces, but some were of a more serious nature. Hondurans burned a Salvadoran farm, wounded one civilian, and arrested several others. Colonel Oliva has telephoned his Honduran counterpart, who promises an investigation. Oliva contends, however, that the incidents have been deliberately ordered by the Honduran high command.

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It is possible that the Hondurans, having rejected the draft peace treaty worked out by the two foreign ministers, are attempting to pressure El Salvador into accepting a counter-offer. It is also possible that elements in Honduras are stirring up trouble on the border to weaken the position of President Cruz. Whatever the cause, Salvadorans are in no mood to be bullied despite the olive branch cautiously extended by President Molina during his recent inaugural address.

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VIETNAM: Government forces have begun consolidating their positions near Quang Tri City, but there are indications that the Communists are readying counterattacks farther south. The main elements of the South Vietnamese Marine and Airborne brigades are a few miles south and east of the provincial capital. Fighting in the area has been generally light during the past 24 hours with most of the enemy action directed against the western flank of the government force. Artillery attacks against Hue and government positions west of the city have picked up. Yesterday over 100 artillery rounds struck Hue and government bases south and west of town were heavily shelled. Action elsewhere in the country generally was light. Some heavy fighting continues in the northern Mekong Delta as government troops try to interdict Communist supplies and men infiltrating into an enemy base camp in western Dinh Tuong Province.

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USSR: The Soviets' unmanned space probe, Venus 8, should reach the vicinity of Venus in about two weeks. TASS announced soon after the launch on 27 March that Venus 8 would make a slow descent through the planet's atmosphere, taking scientific measurements. The probe probably will also attempt a soft landing on the surface, a feat first known to have been accomplished by Venus 7 in December 1970. High temperatures and pressures of the Venusian atmosphere destroyed Venus 7 as well as the three other Soviet probes to reach the planet. Each probe was able to transmit for only a short time before it ceased operating. The Soviets may have modified the Venus 8 probe to enable it to survive for a longer period.

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