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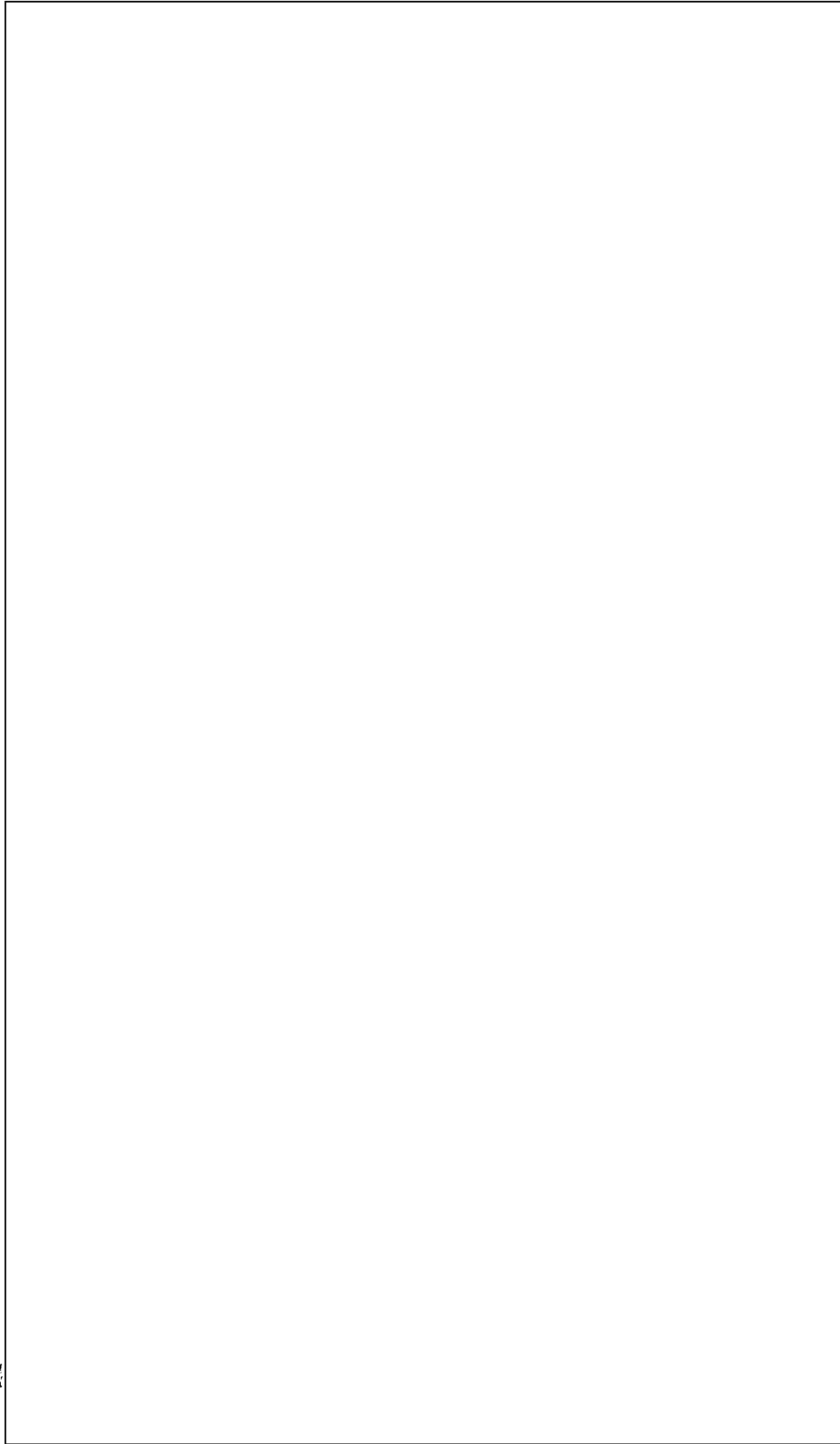


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[South Vietnam: President Thieu is continuing to consult various political groups about the impending cabinet reshuffle without apparent haste to reach firm decisions.

[REDACTED] indicate that Thieu desires to expand the cabinet to include not only talented politicians from progovernment groups, but also from the opposition. Although government supporters are somewhat cool to the concept of sharing cabinet plums, the principal opposition is said to stem from Prime Minister Huong, who prefers a small cabinet of technicians and with whom Thieu hopes to avoid any public split.

Thieu, in the meantime, has once again modified his election proposals of 11 July before a domestic audience. Addressing a gathering of officials and civil servants on 26 July, the President described his offer of Communist participation as a "tactic" to regain sympathy abroad and as the maximum concession he would make to bring the Communists into serious negotiations. He declared that he would never agree to let the Communists operate in South Vietnam, but that if the country should repudiate his peace initiatives, he would step down and return power to the army.

Military activity remained light during the weekend, as it has for the past several weeks. Two battles between US and Communist troops in central I Corps were the only noteworthy ground actions reported. The only shelling of major cities was the firing of two heavy rockets at the outskirts of Hue on 26 July, with no reported casualties or damage.

[REDACTED] (Map)]

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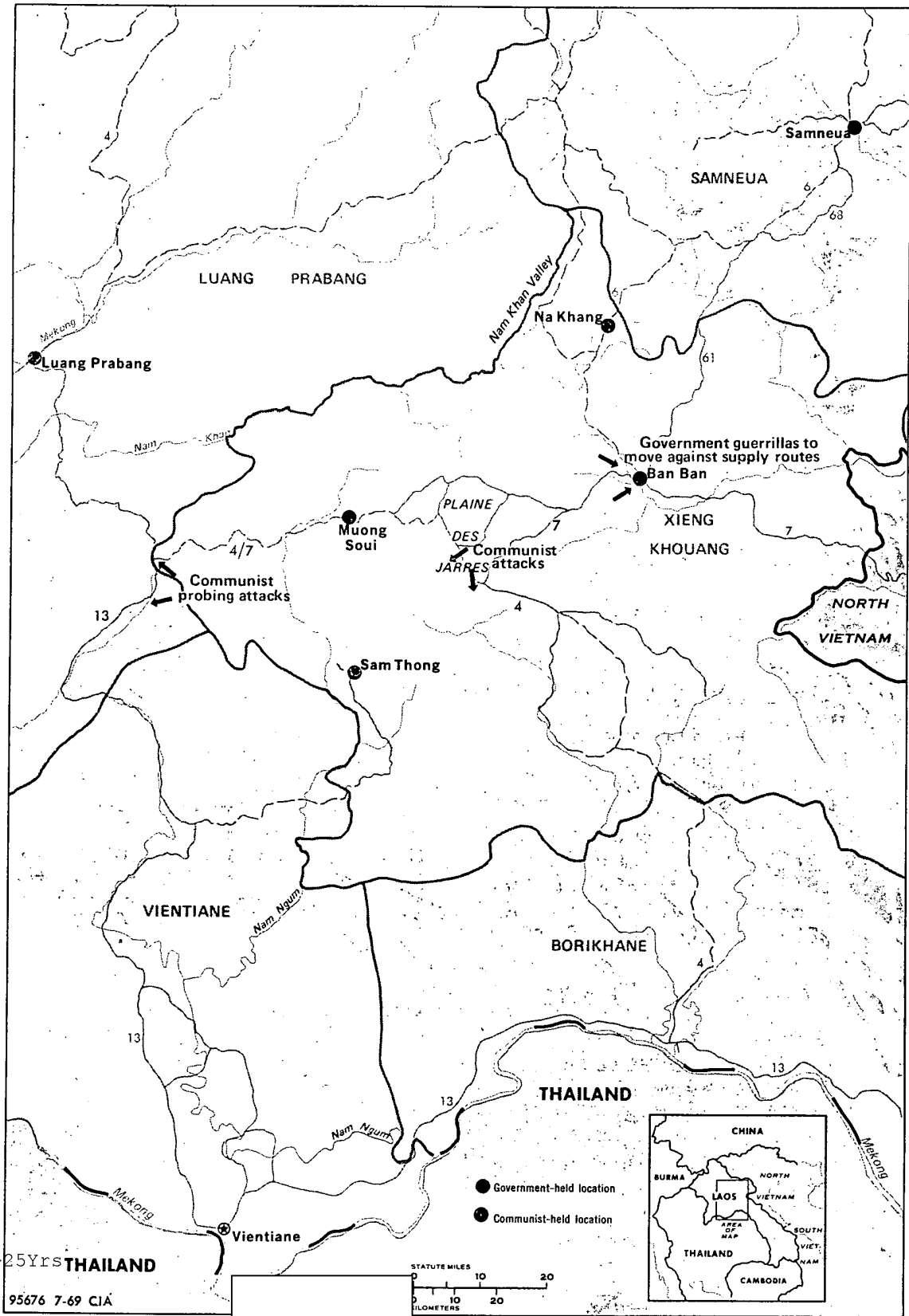
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LAOS: Current Situation



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[Laos: Although no new major Communist attacks have taken place in north Laos in recent days, there is little indication that the enemy intends to ease its pressure against government outposts near the Plaine des Jarres.

Along the southern edge of the Plaine, Communist forces, taking advantage of the poor flying weather, have made several unsuccessful attempts over the past week to overrun several progovernment guerrilla bases. [REDACTED] have reported a recent enemy build-up in this area.

To the west, along strategic Route 13, the enemy has continued to probe shaky government defenses but it is not clear whether these small-scale attacks are designed to play on the depressed state of morale within the Lao Government or represent the initial stages of a more concerted effort to move into northern Vientiane Province.

Meanwhile, Meo leader Vang Pao has drawn up a bold plan to move elements of his guerrilla force east of the Plaine against Route 7 near Ban Ban in an attempt to disrupt the enemy's supply lines.

In Vientiane, the considerable amount of political unrest brought on by the Communist seizure of Muong Soui may be eased somewhat by the planned return of Prime Minister Souvanna today. While Souvanna will no doubt be bombarded with a number of diverse recommendations on how best to deal with the Communist military pressure, there does appear to be a growing consensus among the Lao that further Communist advances will have to be dealt with by diplomatic, not military, initiatives. [REDACTED]

[REDACTED] (Map) [REDACTED]

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Egypt-Israel: Israel's new aggressive actions have not thus far dissuaded the Egyptians from attacking across the Suez Canal cease-fire line.

Egyptian jets hit Israeli positions near the north end of the Suez Canal yesterday, apparently without suffering any losses. Although the Israelis are reported to have received only slight damage, the raid was the most successful Egyptian airstrike yet across the canal and will probably encourage the Egyptians to try further such actions.

The Egyptian action followed by one day the fifth Israeli airstrike at Egyptian positions along the canal in seven days. The Israelis have said that their new policy is aimed at proving to Nasir that he cannot use the canal or the UN as a shield to cover continuing attacks across the cease-fire lines. They also state that the Israeli attacks are intended to prove that Nasir's claims of victory are totally false and to create a mood among the Egyptian people that would force the government to keep the canal quiet. The Israelis apparently intend to continue hitting Egyptian positions in an effort to convince Nasir that any escalation will result in the destruction of the Egyptian forces.

Nasir's speeches last week, however, reflected a mood of determined defiance. In addition, [redacted] that the Cairo regime is in less trouble than at other time since the 1967 war and that for the present, at least, the regime and the military identify with each other more closely than at any other time since the 1967 war. [redacted]

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Czechoslovakia: Tensions are rising between the authorities and the populace and, at the same time, Czechoslovak-Soviet animosities reportedly have resulted in some violence.

As the anniversary of the invasion of 20 August 1968 approaches, the country has been swept with anonymous calls for anti-Soviet and antiregime demonstrations. The harassed Husak leadership blames the unrest on liberals who were in power last year, ignoring the massive popular support the appeals for at least passive resistance still evoke.

The government's situation is complicated by deep popular dissatisfaction which has adversely affected the economy. Productivity has fallen as a result of widespread unorganized work slowdowns, and the uncertain psychological atmosphere has led to such a wave of buying that the economy cannot meet demands for consumer goods. In addition, there is a shortage of foods, especially meat and eggs, which now is lamely being blamed on Soviet, Bulgarian, Hungarian and Rumanian suppliers. Premier Cernik is increasingly becoming the popular scapegoat for this situation.

The police and the army have again been ordered to take energetic measures against lawbreakers, including recalcitrant workers, and party activists and news media are to wage a political "offensive" against enemies and provocateurs. There have been some arrests for production and dissemination of antistate leaflets. The party is successfully putting pressure on the leaders of mass organizations such as trade unions to head off civil unrest among their members. There are reports that no new foreign students or correspondents will be allowed entry until after 21 August.

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Such matters were likely to have been discussed by Brezhnev with party boss Husak and President Svoboda in Warsaw on 23 July, and with the Slovak party chief and the Slovak premier in Moscow on 25 July.

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El Salvador - Honduras: The issue of troop withdrawals is still a key one in the search for a successful OAS formula to end the crisis.

The OAS delegates will submit proposals by midnight tonight and hope to close the foreign ministers meeting by 31 July. Colombian Foreign Minister Lopez Michelson, president of the conference, and Mexico's Carrillo Flores are making special efforts to get some flexibility in the Honduran and Salvadoran positions.

El Salvador continues in its refusal to pull its troops back from Honduras until it receives satisfactory guarantees for the security of Salvadoran citizens in Honduras. There may be, however, some withering of Salvadoran intransigence. President Sanchez has publicly expressed confidence in the OAS, and the Salvadoran chief of staff has altered his earlier hard line. He now appears resigned to the view that the OAS offers the only feasible solution to the issue of Salvadoran residents in Honduras. It is not clear yet whether domestic political requirements in El Salvador will preclude troop withdrawal without a show of force by OAS military contingents.

Opinion throughout Honduras remains highly suspicious of Salvadoran intentions and there has been widespread expectation of renewed conflict. A pro-government rally by labor organizations previously at political odds with the Lopez administration demanded immediate expulsion of the Salvadoran invaders. The Honduran military command believes that the OAS will fail to take strong enough measures against El Salvador and are inclined to initiate offensive action as soon as their arms and equipment are sufficiently replaced.

There have been no violations of the cease-fire, but El Salvador has violated the prohibition against military flights. Both sides are still attempting arms purchases abroad. [redacted]

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France-Biafra: Foreign Minister Schumann's [REDACTED] views indicate that the new government will continue De Gaulle's strong pro-Biafran policy.

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on the Nigerian civil war, Schumann showed himself to be emotionally committed to the Biafran cause and critical of US actions to resolve the crisis. He referred several times to his experience as chairman of the Committee for Aid to Biafra, an influential private French organization.

The new minister also expressed his disappointment that the US had not given more help to Biafra. He suggested that the US provide direct unilateral humanitarian support by ignoring or bypassing aid conditions laid down by Lagos, a tactic presently being pursued by the French Red Cross. Schumann made clear that he was not suggesting that the US recognize Biafra and stated that French policy also "excludes" recognition.

For the long run, Schumann did not exclude a single Nigeria--with guarantees for the Ibos--as a solution to the war. He argued, however, that the Biafrans would not accept such a solution until they believe that they are sufficiently understood and supported by the outside world.

Even before General De Gaulle came out publicly on the side of Biafra in 1968, France was clandestinely supplying arms to the rebels. French arms support for Biafra has continued at a steady pace, and Paris has steadfastly supported Biafra diplomatically. With the fall of De Gaulle, there was considerable speculation that the French position would be altered, but all signs now point to continued support for Biafra. [REDACTED]

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NOTE

Brazil: The government is moving ahead with some of the measures to restore a limited degree of political normality that President Costa e Silva outlined to Governor Rockefeller last month. The Congress, which has been purged of its most outspoken members, is likely to be re-opened next month to approve a series of constitutional amendments that are now in the final stages of drafting. The amendments are intended to permit a return to some democratic forms while assuring the executive sufficient control to prevent congressional challenges such as led to the adoption of severe authoritarian measures last December. [REDACTED]

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