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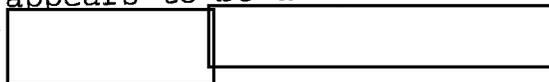
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SOUTH VIETNAM: Military activity by both sides has declined to one of the lowest levels since the cease-fire was signed in January.

Most ground actions continue to be confined to local military units or small groups of regular troops. The only exception has been in Kontum Province where the government has made extensive use of air, artillery, and infantry in an unsuccessful attempt to recapture some villages west of the provincial capital that were lost two weeks ago. The South Vietnamese reportedly have taken heavy casualties in the fighting, and the government's commander for the region is not optimistic that any of the area will be recaptured.

The past two days have been the quietest in the delta since the "new" cease-fire was signed. Most of the continuing military activity there is concentrated in Chuong Thien Province, but there has been little change in the overall position of the two sides. Some recent fighting occurred northwest of Saigon in Hau Nghia and Tay Ninh provinces, with the Communists conducting ground probes against government outposts around some district capitals. Field reports indicate that attacks were successfully repulsed by government troops with heavy casualties to the Communists.

Despite the battlefield lull, most officials in South Vietnam continue to voice pessimism about the outlook for peace, especially as long as North Vietnamese troops remain in the South. Saigon Radio is interpreting the joint communiqué of 13 June as "nothing new," and press commentary is avoiding any predictions that genuine peace is at hand. Reaction to the "new" cease-fire among the general public appears to be a mixture of relief and apprehension.



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ISRAEL: Finance Minister Sapir, stopping unofficially in Washington next week on an Israeli bond sales tour, is expected to query US officials about US economic assistance for next year (FY 1974).

The Israeli Government has voiced anxiety recently over the trend of future aid levels in the wake of the announcement of a five-percent cut in total US aid from the roughly \$500 million funded in the current fiscal year. Israeli leaders are always concerned with any US moves which they view as implying a lessening of US support; most recently they have been disturbed by Washington's decision-- which they believe was prompted by the energy crisis-- to sell Phantom aircraft to Saudi Arabia.

Israel's economy has performed well, however, and the need for economic assistance has diminished. This is particularly true in the balance-of-payments position where capital inflows, exclusive of US aid, have been nearly sufficient to cover the large imbalance in the current account.

Between 1970 and the end of 1972, foreign exchange reserves rose from \$425 million to almost \$1.5 billion, equal to four months of imports at current levels. In the first five months of 1973, reserves increased another \$200 million, and the trend is expected to continue through the remainder of the year. Despite a persistent high rate of inflation, the growth in imports has been held down and exports have continued to rise. [redacted]

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ROMANIA: President Ceausescu made this week's party plenum his show from start to finish. No other presidium member addressed the gathering, and Mrs. Elena Ceausescu was elected a full member of the executive committee.

Ceausescu attempted to undercut possible criticism of his wife's elevation to the party's most important policy-making body by delivering a separate speech on the need to increase the role of women in society and by enlarging the executive committee to make room for three other women. Nevertheless, Elena's appointment may become an issue between Ceausescu and those in the party concerned about the growing "cult of Ceausescu."

The plenum provided another forum for the continued assault on what Ceausescu considers major problem areas in Romania. He attacked shortcomings in the Ministry of Education, and in so doing took a swipe at its minister, Paul Niculescu-Mizil, who once was considered to be a distant second to Ceausescu in regime standing. He also criticized the slow improvement in the nation's standard of living in a bid for increased worker support.

The plenum confirmed the demotions of party secretaries Dinca and Banc to county-level posts. The failure to name replacements tends to confirm earlier reports that Ceausescu intended to reduce the size of the secretariat.

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ARGENTINA: Juan Peron appealed for unity last night and called on his countrymen to move forward with him in a "peaceful revolution."

Flanked by his wife Isabel and President Campora, Peron warned a national television audience that the country was in a grave situation, and he lashed out at provocateurs who had infiltrated the Peronist movement. Although Campora spoke not a word and was clearly deferring to Peron, the former dictator seemed to be indicating that he planned no immediate changes at the top when he called on the military to defend the legally elected Campora government.

Meanwhile, Peronist congressmen reportedly have demanded the resignations of Interior Minister Righi, Peronist Secretary-General Abal Medina, and party security chief Jorge Osinde. Righi is accused of restricting the police and thereby opening the way for extremists who engaged in a gun battle at the welcoming ceremonies planned for Peron last Wednesday. Abal Medina and Osinde were responsible for organizing the planned celebration.

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CHINA-MEXICO: As an outgrowth of the trade agreement signed by President Echeverria during his visit to Peking in April, a Mexican firm has contracted to sell China 6,000 tons of blister copper. This is China's first purchase of Mexican copper. The transaction, along with recent sales of synthetic rubber, urea, and some other materials, will greatly increase Mexico's exports to China, which amounted to only \$6 million last year. Total exports this year, however, probably will fall short of the \$50 million called for in the trade agreement. The sales expansion is one result of Echeverria's widespread efforts to increase exports and reduce Mexico's dependence on the US market.

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