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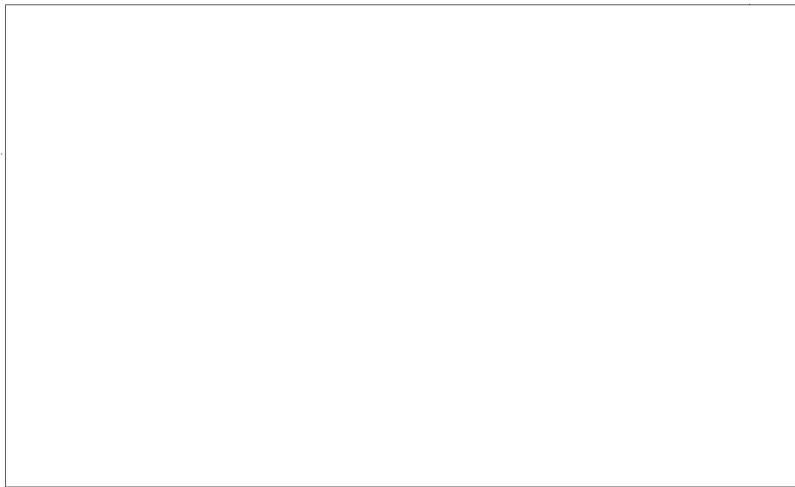
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1. SUEZ DEVELOPMENTS

Comment on:

The Egyptian statement commenting on the Western communiqué on the Suez situation suggests that Nasr's tactic now is to play for time until there are clearer-cut indications of the amount of support Egypt will receive from other Arab states, such countries as India and Ceylon, and the USSR. The principal point of interest in the statement is a cautious assertion that "a compromise between Egypt's interests and use of the canal as an international waterway should not be ruled out." This phrasing still

leaves open the question as to how the compromise should be reached.

Nasr appeared to be "wavering slightly" in the face of continued bellicose reports from London and Paris. [redacted] there is now some chance that Nasr might accept an international commission, including the USSR and Egypt, to oversee the freedom of transit of the canal.

Arab support will be rallied at a meeting of the Arab League scheduled for 7 August. Saudi Arabia, which because its oil moves through Suez is one of the most interested Arab parties, has not issued a public statement,

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3. THE CHINA-BURMA BORDER SITUATION

There are, moreover, strong grounds for suspicion that the clashes referred to by the press actually took place some time ago.

The Burmese government clearly is not displeased with the extensive play the "invasion" story is receiving in the Western press. This is indicated by its carefully worded communique of 31 July which, while stating that the Rangoon Nation's article was overdrawn, admitted the government's serious concern over Chinese Communist incursions. In the past, Rangoon has dealt far more severely with the press for far less provocative journalism.

Thus far, Peiping has maintained complete silence on the issue. The publicity in the Burmese press has

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undoubtedly discomfited Peiping, which has made special efforts to win Burma's good will. Communist China, however, will insist strongly on its own claims in any discussion with the Burmese.

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4. LAOTIAN GOVERNMENT-PATHET LAO NEGOTIATIONS

In negotiations between the Laotian government and the Pathet Lao, which began in Vientiane on 1 August, Prime Minister Souvanna Phouma has proposed an agenda calling for cessation of hostilities, restoration of royal control in Phong Saly and Sam Neua Provinces, and integration of the Pathets into the national community without discrimination. Prince Souphanouvong, leader of the six-man Pathet delegation, has advanced a broader agenda including the formation of a coalition government, guarantees of the rights of the Pathet troops, and the "question of neutrality."

In his opening statement, Souvanna reassured the Pathet delegation of Laos' "strict adherence" to the five principles of peaceful coexistence, and emphasized that the Laotian people must not be disappointed in their hopes for a settlement at this time. Souvanna stated this settlement must be based, in general, on the Geneva accords and the recommendations of the International Truce Commission.

The American ambassador in Vientiane notes the absence of the pro-American Deputy Premier Katay from the delegation. Souvanna has said he feared Katay's pro-Western reputation would increase Pathet Lao suspicions of the validity of Laotian independence.

Souvanna has indicated that negotiations will be conducted by subordinate officials for "three or four days," after which he and Souphanouvong would hold a final meeting to close out the negotiations.

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5. COMMUNIST CRITICISM OF INDONESIAN GOVERNMENT

The Indonesian Communist newspaper Harian Rakjat printed an editorial on 2 August which probably constitutes the strongest criticism that the Communists have yet leveled against the coalition government of Premier Ali Sastroamidjojo. Although the strongly anti-Communist Masjumi received its usual slaps, the editorial was apparently also aimed at the new moderate leadership of the National Party, which heads the coalition government.

Heretofore, the Communists have been pressing for a united front and have sought to promote relations with the National Party at the expense of the Masjumi. Because of the apparent shift toward moderation in Indonesian national politics, as indicated by President Sukarno's recent praise of the US and the emergence of the National Party's right wing as its dominant faction, the Communist Party may be finding itself forced into an opposition role.

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~~SECRET~~**6. TEST OF STRENGTH MAY BE SHAPING UP IN SYRIA**

[redacted] a test of strength between rightist and leftist elements may be shaping up in Syria. Two cabinet ministers, members of the leftist Arab Socialist Resurrection Party (ASRP), have reportedly threatened to resign if President Quwatli does not sign the death sentences passed on members of the rightist Syrian Social Nationalist Party involved in the assassination of an ASRP army leader in April 1955.

The rightists--conservative politicians supported by a group of senior army officers--moved to eliminate leftist influence in the army on 7 July when they forced the resignation of Chief of Staff Shuqayr. Since then, they have moved slowly and the leftists have had time to organize. Either the rightist or leftist faction in the army may be seeking a political issue on which to base the use of force to establish itself in power.

The American army attaché reported on 1 August that there was more than the usual number of army officers in Damascus. He suggested that they might be there to assess the situation and to align their forces.

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THE ARAB-ISRAELI SITUATION (Information as of 1700, 3 August)

Israeli press reaction to the Suez Canal nationalization now reflects a fear that big-power determination to achieve an orderly settlement within an international framework will only enhance Nasr's prestige and shake the remaining Western positions in the area, with further impairment to Israel's security. While Egypt has prevented Israeli ships from using the Suez Canal since the beginning of the Arab-Israeli war in 1948, it does permit passage through Suez of non-Israeli vessels carrying "nonmilitary goods" of Israeli origin if they are not destined for an Israeli port. Vessels trading with Israel are blacklisted and are not permitted to refuel or reprovision in the canal zone although piloting services are furnished.

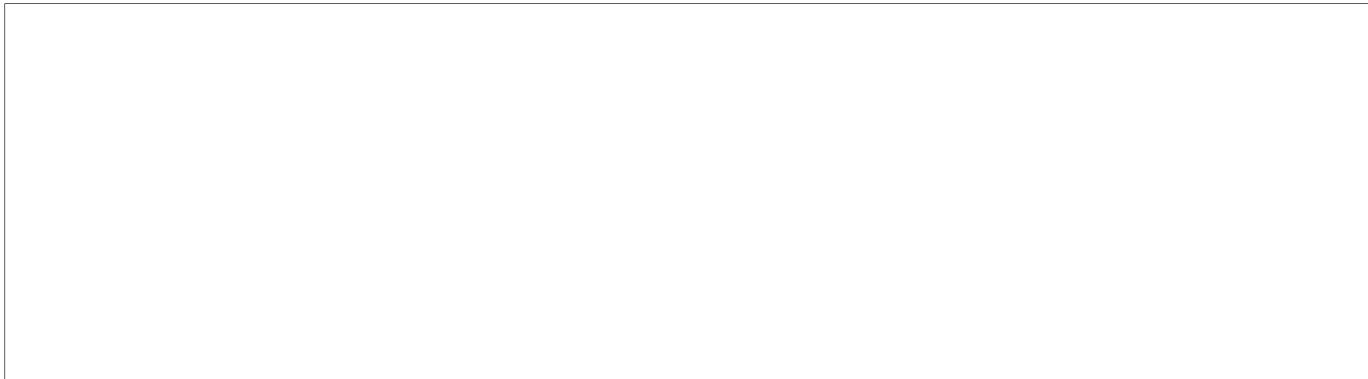
Egypt has ordered the transfer of two three-inch coast defense guns from El Arish near the Israeli front to Port Said in the canal zone,

This is the first firm indication of withdrawal of equipment from the Israeli front to the canal zone.

News of the Suez Canal nationalization has taken some of the tension off the Israeli-Syrian border,

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