Central Intelligence Bulletin
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CONTENTS

South Vietnam: Situation report. (Page 1)

Laos: The government is acting to blunt further Communist encroachments in north Laos. (Page 2)

El Salvador - Honduras: The OAS Council has scheduled a meeting of foreign ministers on 26 July to deal with El Salvador's failure to withdraw its troops from Honduras. (Page 4)

USSR-Asia: Collective security appeal (Page 5)
South Vietnam: Criticism of President Thieu continues to fester at home over his invitation to the Communists to participate in national elections.

Knowledgeable South Vietnamese political observers claim that Thieu's speech sowed confusion and disarray among the population, and that many persons are losing confidence in the President. Some of these sources say there are real popular fears that further concessions will be made to the Communists.

Possibly to allay such doubts, both houses of the National Assembly recently expressed displeasure with Thieu's actions and enjoined him against any further concessions.

Thieu, sensing the backlash to his speech, appears to be backing off somewhat on his proposal. In remarks prepared for domestic audiences, he has asserted that Communists will continue to be prosecuted and jailed. Thieu further denied that he meant any approval of Communism, or disrespect for the constitution, and stated that it would take two years before elections including Communist participation could be held.

The controversy over his early July speech notwithstanding, Thieu is moving ahead with plans to revamp the cabinet and to broaden his political base in the National Assembly. There are reports that each party in his National Social Democratic Front will be awarded a cabinet post, and that other pro-government groups outside this organization will also be represented.

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On the military scene, there continues to be no ground action of major significance, and important allied cities and installations were free of enemy mortar and rocket attacks on 22-23 July.

24 Jul 69 Central Intelligence Bulletin
Laos: The government is taking steps to blunt further Communist encroachments in north Laos while enemy forces continue to mop up around Muong Soui.

At a meeting in Vientiane on 21 July, Laotian military leaders drew up plans to strengthen the government's hold over the portion of Route 13 linking Vientiane and the royal capital of Luang Prabang. Additional troops are being moved into the area between Sala Phou Khoun and Vang Vieng, and a sweep operation is planned to clear Route 13 south of Luang Prabang. The recent loss of a small government position astride Route 13 and an enemy attack against Sala Phou Khoun itself are fresh evidence of the government's vulnerability in the area.

In the Muong Soui area, a multibattalion Communist force overran a number of government forward positions on 22 July, forcing the government troops to pull back to the San Luang support base.

North of Muong Soui, enemy troops overran a government refugee center and placed heavy mortar fire on the government outpost at Phou So.

Communist intentions to the west of Muong Soui are less clear. [____________], a North Vietnamese battalion has recently moved into an area some three miles northeast of the junction of routes 7 and 13. These troops may have participated in the recent attack against Sala Phou Khoun.

24 Jul 69 Central Intelligence Bulletin
El Salvador – Honduras: The OAS Council has scheduled a meeting of foreign ministers on 26 July in Washington to deal with El Salvador's failure to withdraw its troops from Honduras.

There is widespread concern among OAS members over the future of the organization if El Salvador is permitted to flout the OAS authority. Salvadoran troops remain in place on Honduran territory despite OAS orders to withdraw by midnight 22 July.

Report that the cease-fire remains in effect, but there is deep pessimism in Central America that it can last through the week. Guatemala and Nicaragua expect a new Salvadoran attack on Honduras at any time, and they are ready to assist Honduras if an attack materializes.

Nationalistic feelings, fueled by news media, are strong in both El Salvador and Honduras. Hondurans resent OAS failure to force the withdrawal of Salvadoran troops and are angry at the US for its refusal to give military assistance. El Salvador continues to charge Honduras with "genocide" and believes that the OAS has been partial to Honduras.
USSR-Asia: Moscow may plan to give more substance soon to the appeal Brezhnev made last month for a system of collective security in Asia.

That Soviet ambassadors in Asia will shortly be making presentations on the "outline" of an Asian security arrangement. Since their recall to Moscow in mid-June for a general policy review, Soviet ambassadors in Asia have been taking the line that Moscow's thinking on Asian security is similar to its thinking on European security—that is, that Asian nations should guarantee each others' borders and not join military pacts. They should also resolve their differences peacefully, cooperate in economic matters, and work toward disarmament.