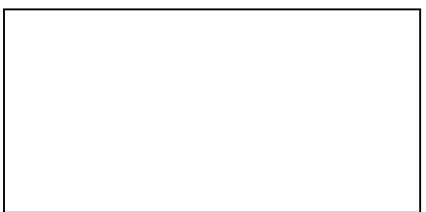


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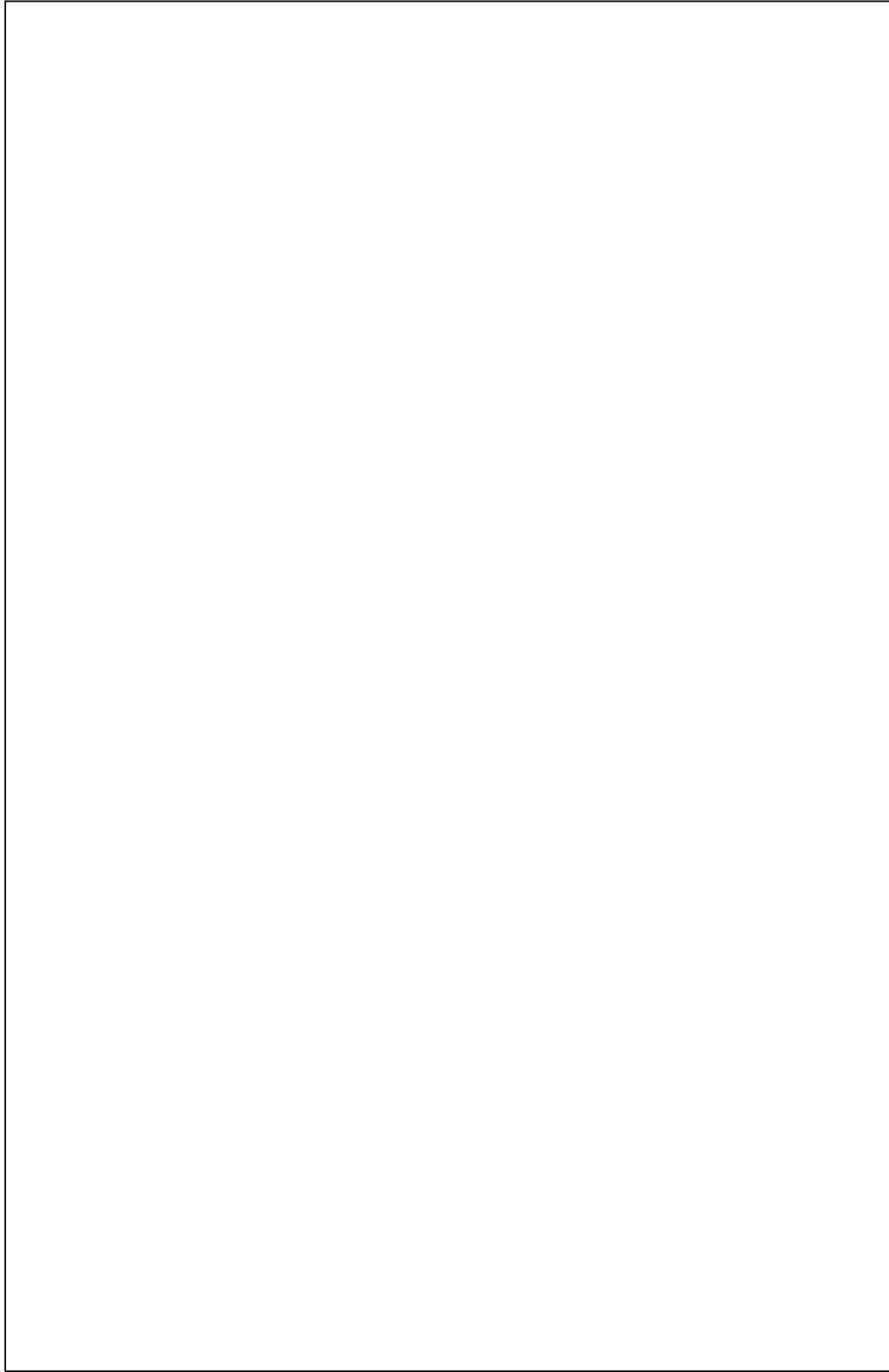
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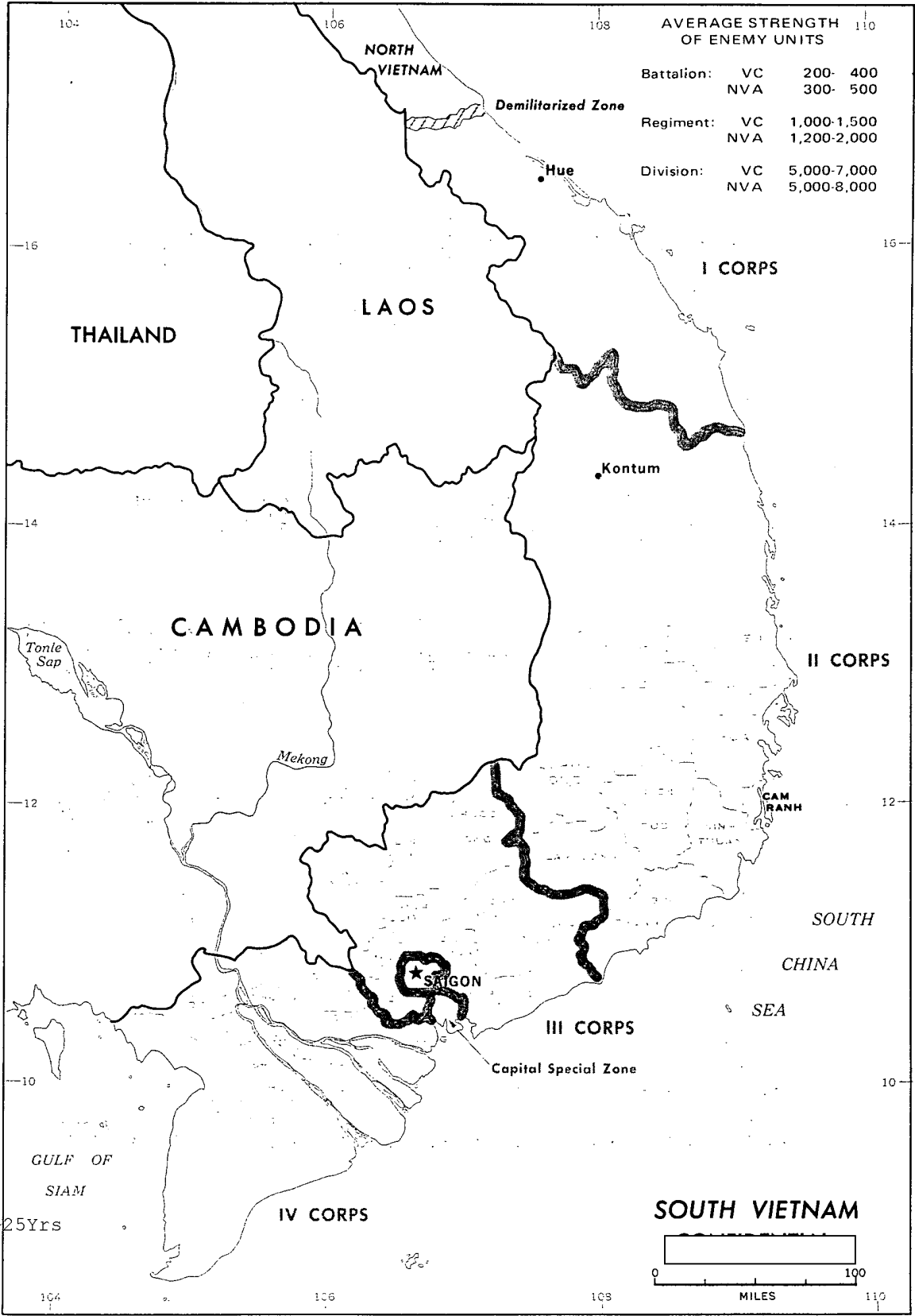
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Vietnam:

South Vietnam: The five-week hiatus in significant Communist attacks continues.

[redacted]

* * * *

Conflicting statements by South Vietnamese authorities have caused confusion in Saigon concerning planned cabinet changes.

On 18 July, a spokesman for Prime Minister Huong told the press that Huong planned to reorganize his cabinet soon. The spokesman gave at least some newsmen the impression that "ability and not politics" would be the criterion for any changes. The press conference was apparently called by Huong's office in order to head off growing speculation that the prime minister himself might be replaced.

The next day, however, President Thieu told newsmen that the planned reorganization would bring into the government members of political groups not now represented. He predicted that the country would have a more "broadly based" government within about two weeks.

These conflicting versions of what President Thieu and Prime Minister Huong plan may have resulted from a decision in Prime Minister Huong's office to issue a public statement before Huong had his lines straight with Thieu. [redacted]

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[The confusion was compounded on 21 July, when a government spokesman announced that all cabinet members had submitted their resignations in preparation for the reshuffle, only to have the announcement flatly denied two hours later by a spokesman for Prime Minister Huong.

North Vietnam: President Ho Chi Minh's address on 20 July, the 15th anniversary of the Geneva Accords, repeated the standard Communist claims of success on the battlefield and the usual demands for complete and unconditional withdrawal of US forces as a precondition for elections or other political arrangements. He alleged that 80 percent of South Vietnam's territory and 75 percent of its people have been "liberated" by Communist forces. Exhorting the armed forces and people to be "fearless of sacrifices and hardships," he promised "total victory" to the Communists.

In an apparent attempt to recapture some of the propaganda initiative from President Thieu and the allies, Hanoi Radio and the party newspaper Nhan Dan, as well as a radio commentary broadcast in the name of the so-called Provisional Revolutionary Government, have all elaborated on Ho's themes. None of these Communist statements, however, has made any new proposals or otherwise suggested that any initiatives are imminent.

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[redacted]
[redacted] (Map)]

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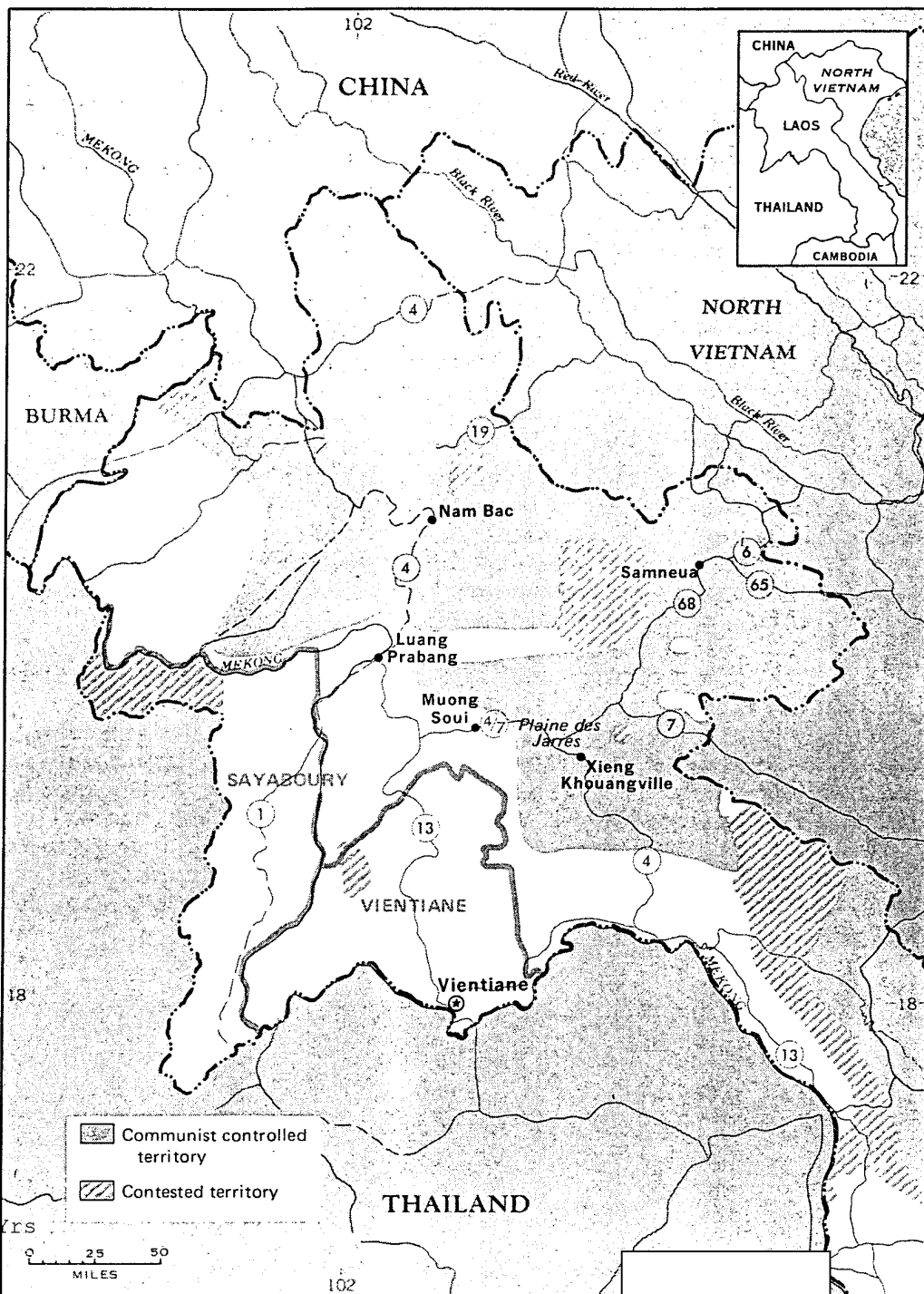
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LAOS



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[REDACTED]

Laos: The government is sounding out Bangkok on the possible use of Thai troops in Laos.

[REDACTED]

Bangkok has apparently been considering moving troops across the border. [REDACTED]

[REDACTED] Deputy Prime Minister Praphat raised the possibility of sending some 3,000 Thai infantry troops to recapture and hold Muong Soui. Praphat characterized the loss of Muong Soui last month as a "disaster" and said that the withdrawal of the Thai artillery battalion during the battle resulted in "much loss of face." Praphat made it clear, however, that any deployment of Thai troops in Laos would require full US support.

In Laos, meanwhile, General Ouan has scheduled a meeting of regional military commanders to discuss the Thai troop question and to draw up plans to counter the Communist offensive. Ouan intends to

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[REDACTED]

ask the generals for an accurate count of the number of troops under their commands. Padded enlistment rolls have been a source of graft for years, and Ouan may stir up a hornet's nest if he presses on this issue.

The loss of Muong Soui and the resulting near-panic about Communist intentions has also heightened dissension within the military and civilian establishment. Some military leaders have been urging a break in relations with North Vietnam and Communist China, while civilian leaders have raised the possibility of a US bombing halt and early negotiations with the Lao Communists. A number of Lao leaders have hinted darkly that certain "young colonels" who have long been at odds with the top military leaders are increasingly restive. King Savang has labored, thus far successfully, to keep the lid on until Souvanna returns.

The situation on the military front is relatively quiet at the moment. No new major Communist attacks have been reported, and there are signs that North Vietnamese troops are being forced to regroup in the Muong Soui area--possibly as a result of heavy US airstrikes. [REDACTED]

[REDACTED] (Map)

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[El Salvador - Honduras: El Salvador apparently will defy an OAS resolution ordering troop withdrawal by midnight tonight and may bring its case to the UN as a further delaying tactic.

Public enthusiasm for a continued hard line has made Salvadoran officials fearful of a coup if they show a weakened position. OAS officials have given blunt warning to El Salvador that serious consequences will result from continued intransigence and have predicted that other OAS countries will give military assistance to Honduras. There is growing sentiment in the OAS in favor of declaring El Salvador an aggressor and to take measures against it. The Guatemalan foreign minister has appealed for strong US pressure and envisions the need for military enforcement of the OAS resolutions.

El Salvador reportedly has acquired three new fighter aircraft, which may be an early result of recent arms and equipment purchasing missions abroad.

Honduras is desperate over its military position. The public has not yet been informed of the number of dead, but official estimates range up to 1,500. [REDACTED] recriminations against the OAS and the United States are nearing fever point. Reports of a new Salvadoran offensive and stories of the El Salvadoran President stepping on Honduran territory are having a strong impact on the public, and the rising animosity could cause a breakdown in public order. [REDACTED] is concerned over the threat to the safety of US citizens and detained Salvadorans.

The crisis is having its effect in other Central American countries. Nicaraguan President Somoza has military equipment readied to assist Honduras. He appears to see Salvadoran successes and]

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[the possible threat to the stability of the Lopez government in Honduras as a direct serious threat to his own internal position which he has described as "shaky." Guatemala has stiffened its military posture at the frontier and given warning that it would take no responsibility for the results of any air space or territorial violation.

[redacted]

[redacted]

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[REDACTED]

India: Prime Minister Indira Gandhi has for now bested her opponents within the Congress Party.

The old-guard party bosses have backed off from a show-down with the prime minister. They reportedly fear that a concerted move to oust Mrs. Gandhi at this time might prompt her to persuade the acting President to dissolve Parliament and call for new elections. Alternatively, she could break with the party and form a new coalition government with the leftist opposition. Her opponents would now prefer to make their move after the presidential election on 16 August, when a candidate more favorable to their interests is expected to win.

Mrs. Gandhi has moved quickly to strengthen her position. Her sudden nationalization of 14 major banks by presidential ordinance on 19 July has left her opponents confused and divided. This action, despite its controversial nature, is in keeping with hallowed Congress Party doctrine. Moreover, the Congress bosses are not united on the nationalization question and thus have been unable to rally behind the cause of Mrs. Gandhi's arch-rival, Morarji Desai. Desai was last week forced from the cabinet, ostensibly because of his opposition to the prime minister's economic plans.

Although Mrs. Gandhi has won this round with the party bosses, her longer term future is not ensured. Her formidable opposition will be watching for an issue on which they can unite against her. She has acted skillfully and decisively in the last week, but the demagoguery implicit in her manipulation has aroused concern. [REDACTED]

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NOTES

[USSR: Luna 15 apparently did not survive an intended soft landing on the moon's surface. [redacted]

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The objectives of the Luna 15 mission are not yet known, but the launch represents a new series of lunar probes using the SL-12 booster. [redacted]

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