



The President's Daily Brief



17 July 1969

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FOR THE PRESIDENT ONLY

I. MAJOR PROBLEMS

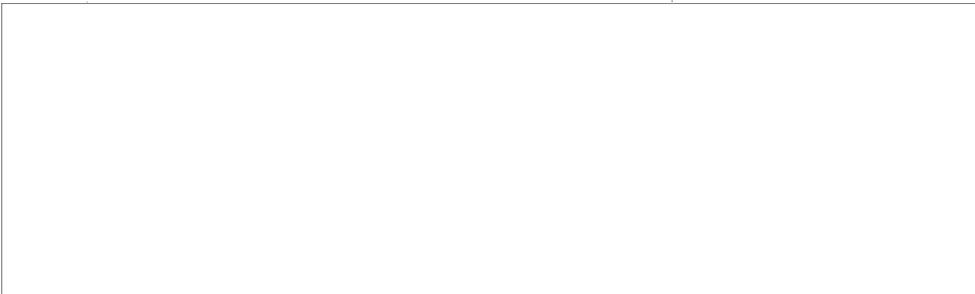
VIETNAM

In his conversation with Ambassador Bunker on 13 July, President Thieu underscored the need to give the Communists every possible opportunity to respond constructively to his proposals for elections. He said that our side should take time (two or three weeks) to get a fully considered enemy reaction, advising that "we must make it clear we...aren't shutting any doors."

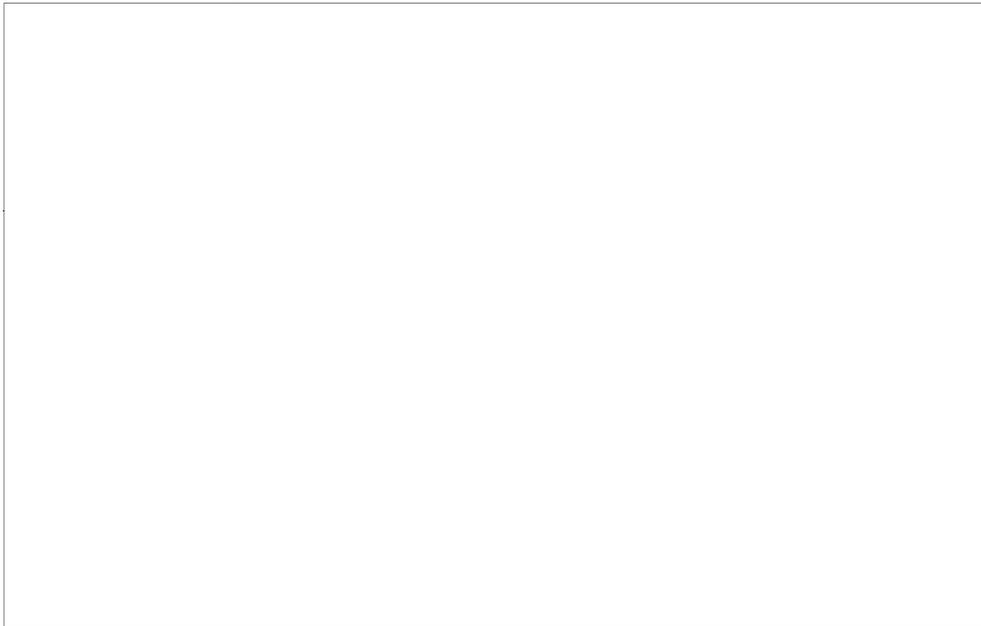
Thieu probably expects the Communists, however, to stick to their hard line, made public by Le Duc Tho and reaffirmed Tuesday by the DRV delegation spokesman in Paris. By emphasizing his own cooperativeness and his willingness to give the Communists full opportunity to make a favorable response, Thieu may have been building up credit against any more concessions in the near future. Thieu also indicated to Ambassador Bunker that, if the enemy rejects the GVN's efforts to settle the war, he thinks our side should "buckle down to a long-term effort."

MIDDLE EAST

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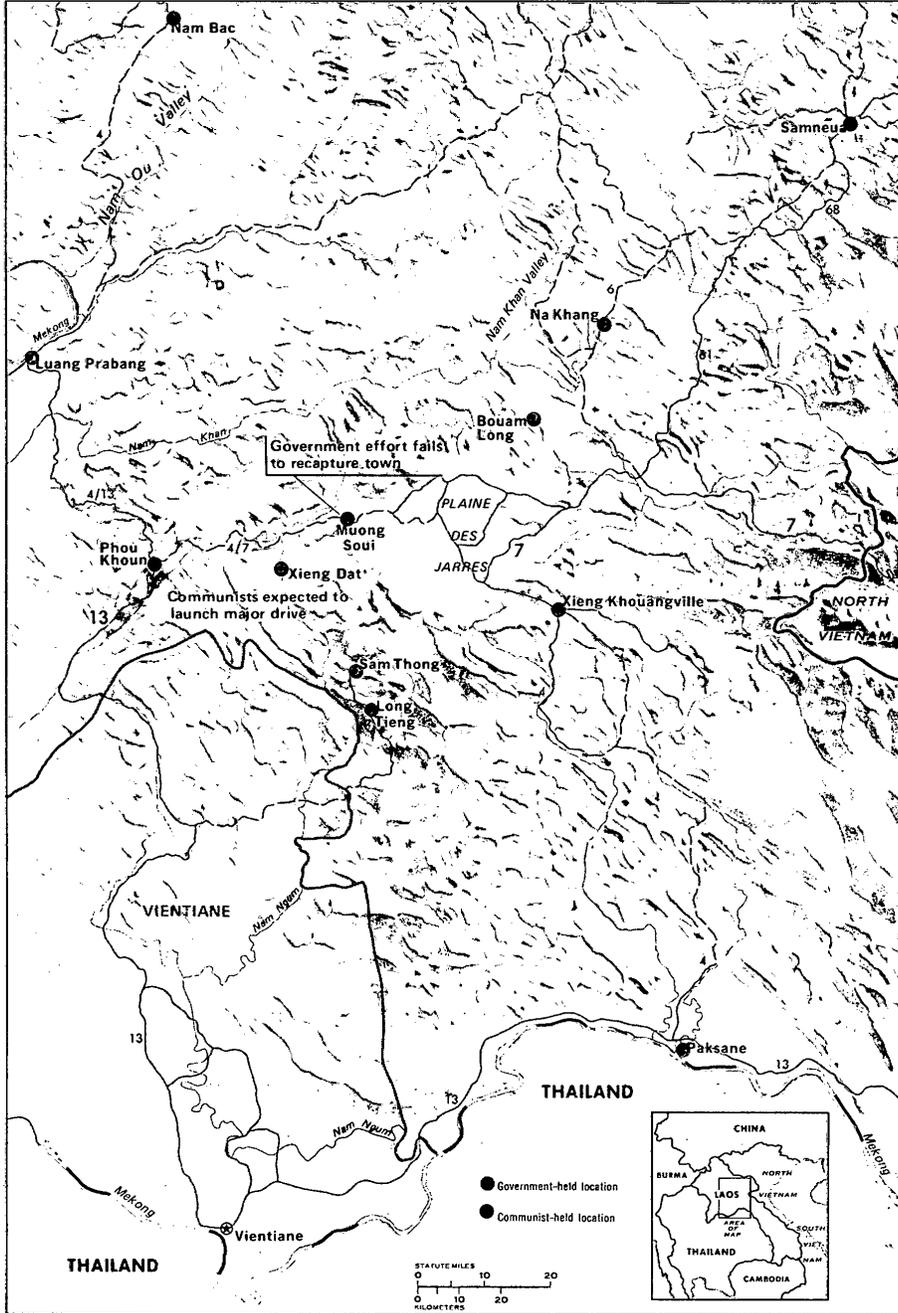
EUROPE

Pompidou, moving to alleviate France's economic difficulties, has frozen some \$800 million of public expenditures programmed for the second half of this year. The blocked credits will be put in a reserve fund, from which the ministries may draw only if economic conditions change significantly. A longer range program will be submitted to parliament when it reconvenes this fall.

* * *

There is nothing significant to report on Soviet Affairs.

LAOS: Current Situation



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II. OTHER IMPORTANT DEVELOPMENTS

LAOS

Government leaders, badly shaken by the failure to recapture Muong Soui, now fear a Communist drive into northern Vientiane Province via Routes 7 and 13. They believe any attempt to block such a thrust by military means would be futile in view of the shattered morale of regular government troops. Meo leader Vang Pao, despondent over the turn of events, is deploying his forces to defend bases north and south of the Plaine des Jarres.

The cabinet has decided to ask Prime Minister Souvanna, now vacationing in France, to bring additional pressure on the signators of the 1962 Geneva Accords to intercede with Hanoi, or to return home, and possibly make an effort to see President Nixon in Bangkok.

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The panic that has gripped Vientiane is not only a consequence of the loss of Muong Soui but is also a reflection of the general erosion of the government's tactical position in the countryside over the past two years. There is little question that the Communists can move quickly to take advantage of the virtual collapse of the government's resistance, if they choose to do so.

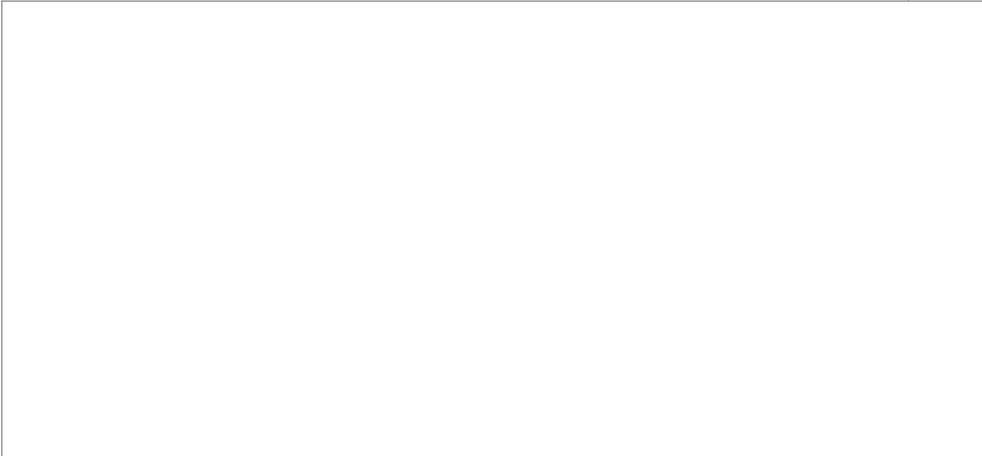
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INDIA

Mrs. Gandhi has come out foursquare behind Sanjiva Reddy, the man her rivals in the Congress Party had put up for India's presidency. This will probably paper over the divisions in the party once again for a while, but both she and the anti-Gandhi forces have paid a price. Mrs. Gandhi will no longer have a man she can depend on in the potentially powerful office of President; her opponents have lost a strong voice in the government with her firing of Finance Minister and Deputy Premier Morarji Desai. The immediate cause of Desai's departure from the government was Mrs. Gandhi's controversial plan to nationalize India's major banks, but he almost certainly also served to soften the defeat implicit in Mrs. Gandhi's acceptance of Reddy for the presidency.

SOVIET UNION - SUDAN

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EL SALVADOR - HONDURAS

Both countries have agreed in principle to a cease-fire, but fighting apparently continues. Members of the OAS peace team are now stationed in both capitals to facilitate further negotiations. El Salvador may stall in hopes of gaining further territory. It may also be planning to use its troop presence in bargaining for the safety of the more than 250,000 Salvadorans living in Honduras.

The creditable performance of the Salvadoran armed forces appears to have restored government prestige. The Honduran Government, on the other hand, may now find itself under heavy pressure to salvage at the conference table what it has lost on the battlefield.

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