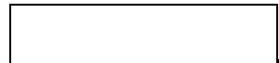


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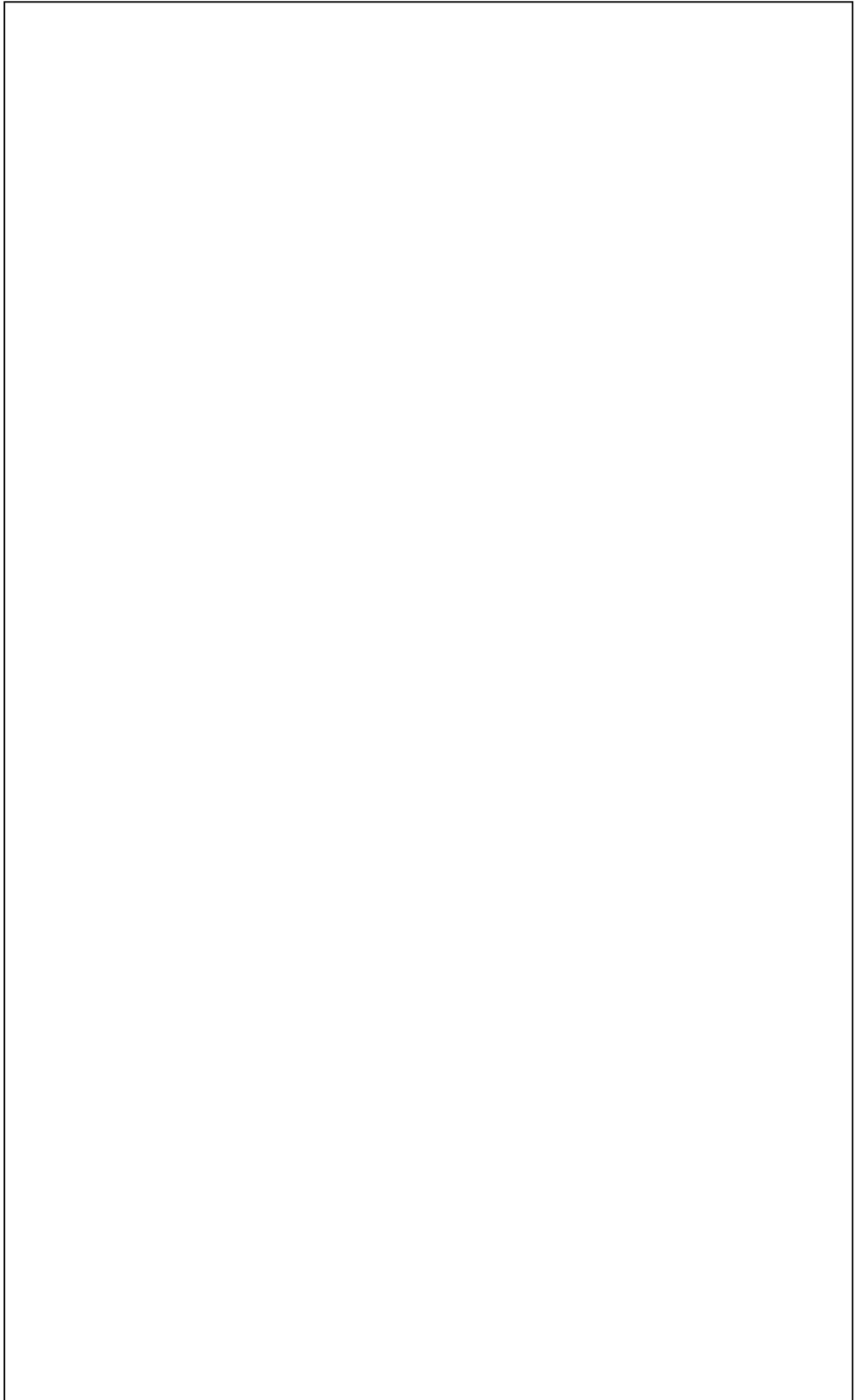


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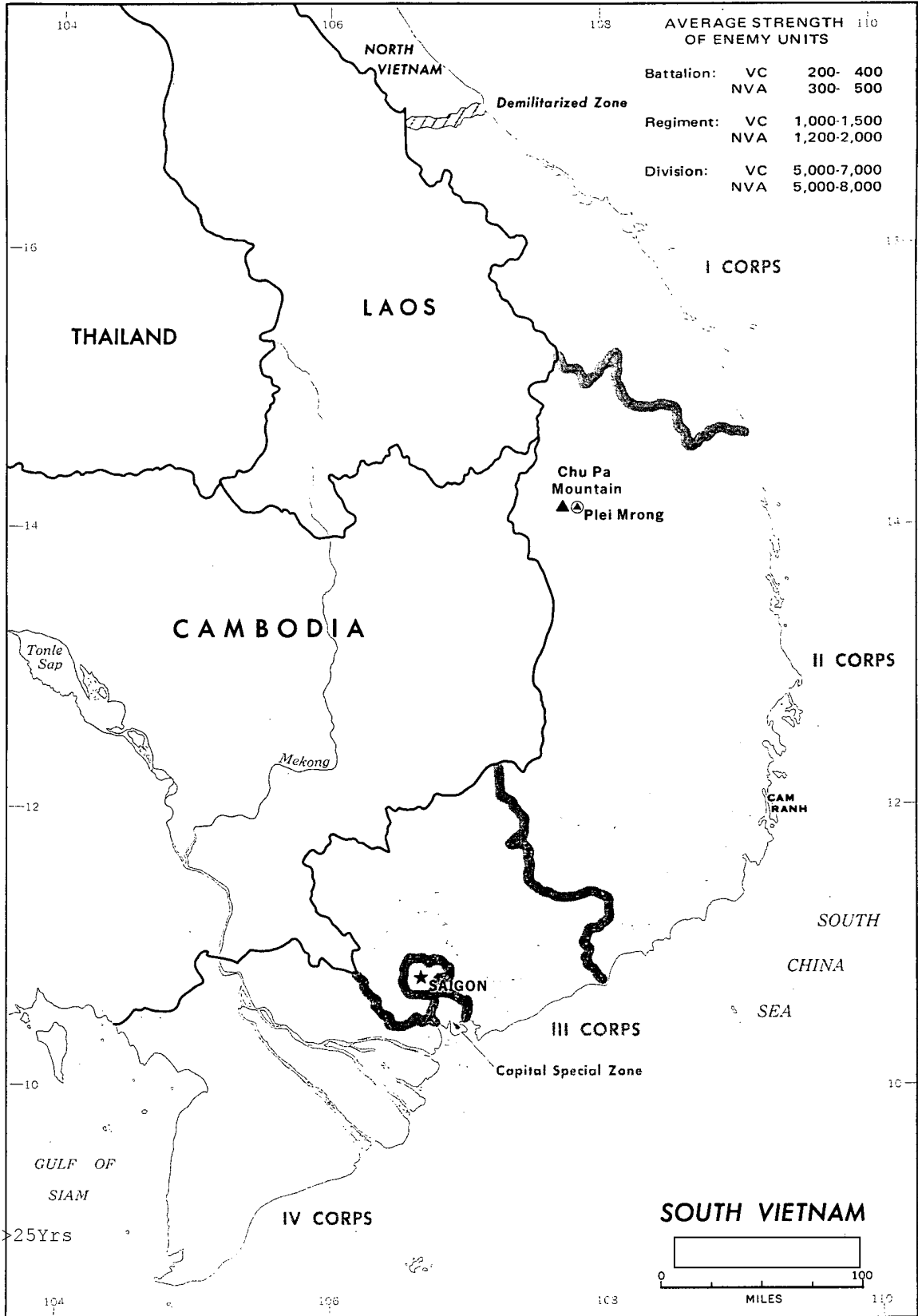
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[South Vietnam: President Thieu's election offer to the Communists is generating uneasiness in South Vietnamese military circles.

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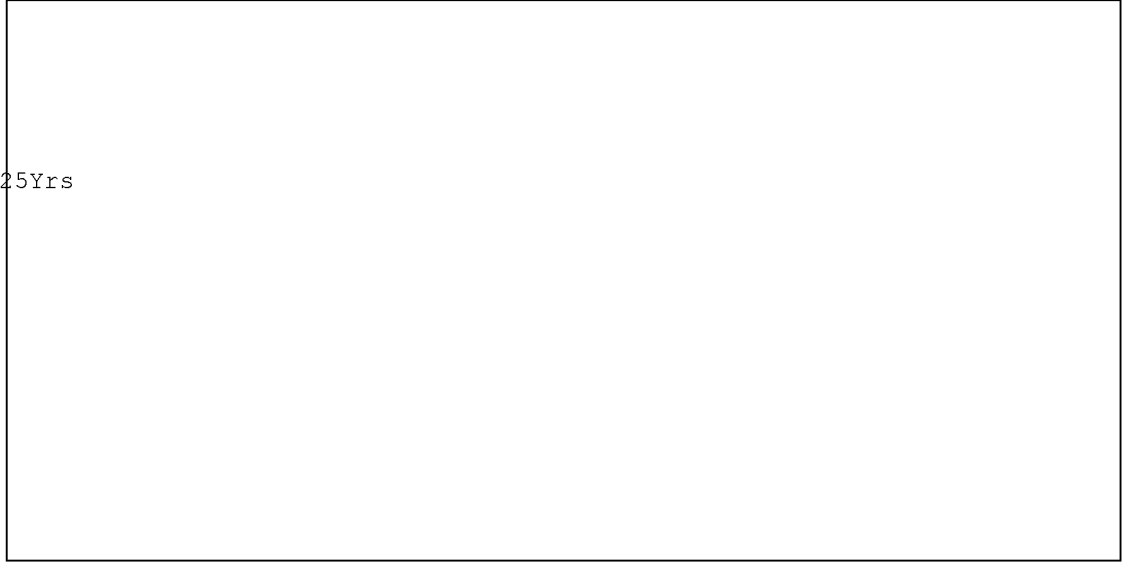
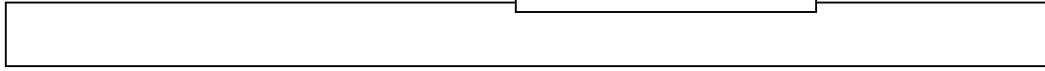
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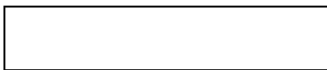
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Israel-Egypt: The recent series of aircraft strikes against Egyptian positions along the Suez Canal is apparently indicative of Israel's tactical pattern for the immediate future.

Since 20 July, Israeli aircraft have struck three times against Egyptian installations on the west side of the canal. In announcing yesterday's action, an Israeli spokesman noted that Egyptian violations of the cease-fire had continued, and that "consequently Israeli Air Force planes attacked."

[redacted]

The Israelis, still very conscious of casualties, had heretofore avoided using aircraft on this front. Nevertheless, a hardened Israeli attitude has become evident recently. This is typified by the Defense Ministry official's comment that "it's a poker game, and the sky's the limit."

For their part, the Egyptians appear determined to keep the situation along the canal active whatever the consequences. Even prior to his blustery speech on Wednesday, Nasir indicated he felt compelled to harass the Israelis along the canal. Moreover, in spite of severe losses during the heavy clashes of the past few days, the Egyptian Air Force has so far continued to seek combat with the Israelis and has now begun its own air strikes against Israeli positions near the canal.

[redacted]

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South Korea: President Pak has made a bold political move to undercut criticism of the third term amendment movement.

Pak announced last night that the government party will definitely move to amend the constitution to permit him to run for a third term in 1971. In his speech he emphasized that he will interpret an affirmative national referendum as a vote of confidence in him and his policies; conversely, he threatened that he will "step down immediately" if the amendment is rejected. This statement undoubtedly is a shock tactic designed to make the South Koreans think about the consequences of a government without Pak.

By publicly linking the prestige of his administration to the amendment movement, Pak has indicated that he and his supporters are confident that they can obtain enough support in the National Assembly to pass the amendment. Pak, however, continues to try to appear to be above the squabbles and politicking of the assembly and apparently is confident that the economic growth and political stability during his period of national leadership are his best assets among the general electorate. [REDACTED]

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~~TOP SECRET~~ [REDACTED]

[REDACTED]

El Salvador - Honduras: El Salvador's armed presence on Honduran soil continues while the Organization of American States (OAS) moves to deal with the conflict on the diplomatic level. Salvadoran strategy is now to obtain enough abstentions in the OAS to avoid being condemned as an aggressor when the foreign ministers meet in Washington on 26 July.

Most Latin American countries are reluctant to censure El Salvador or enforce OAS resolutions with an Inter-American Peace Force (IAPF). Many governments are willing to impose sanctions if there is a consensus, but few are willing to propose sanctions in formal sessions. A two-thirds vote is required to invoke such measures under the Rio Treaty.

Argentina and Brazil have made it clear that they are willing to collaborate in an IAPF if necessary. Mexico, which has traditionally opposed such a force, recognizes that the prestige of the OAS is at stake. If other means fail, it would go along, but would not send troops.

* * * *

There is increasing concern that the conflict between El Salvador and Honduras will severely set back the cause of economic integration.

Extremely pessimistic forecasts have come from the deputy secretary general of the Common Market Secretariat and from Guatemalan officials. The secretary general of Guatemala's National Planning Council, one of Central America's shrewdest economists and most dispassionate observers, has expressed doubts that the Common Market will ever recover.

Commercial relations between El Salvador and Honduras are suspended. Both countries, however, have agreed not to interfere with shipments between the other three Common Market countries. Nevertheless, delays and harassment continue to impede trade between Costa Rica, Nicaragua, and Guatemala. [REDACTED]

[REDACTED]

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[REDACTED]

Bolivia: Retired General Armando Escobar's decision to run for president next year has increased the likelihood of a military coup.

General Cesar Ruiz, armed forces chief of staff and confidant of armed forces commander General Ovando, said that military leaders are furious over Escobar's decision. According to Ruiz, they will review the impact of this development and--if it appears that Escobar could defeat Ovando in an open campaign--will stage a coup.

Escobar's announcement was not unexpected. He has been extremely popular as mayor of La Paz since 1964, and his candidacy has been boosted by President Siles. In a series of barn-storming appearances throughout Bolivia, he has been generating increasing appeal in rural areas. He is believed to be the only political personality who could defeat Ovando in a legal election.

Ovando's presidential ambitions are supported by the military high command and strategically based units in La Paz. Despite Escobar's popularity with civilian groups in the capital, he is not known to have any major support from the country's professional military clique, which looks down on him as an outsider who came up through the ranks without attending the military academy.

Although a military coup at this time would probably ensure Ovando's succession to the presidency, it would almost certainly usher in a period of civil unrest. [REDACTED]

~~TOP SECRET~~ [REDACTED]

~~TOP SECRET~~ [REDACTED]

[REDACTED]

East Germany - Poland - West Germany: Pankow is bothered by the implications of Polish leader Gomulka's suggestion that Bonn sign a treaty with Poland on the Oder-Neisse border question.

[REDACTED]

The East Germans probably do not expect such a treaty to be concluded, but oppose Gomulka's suggestion nonetheless. They apparently believe that the Polish offer might be interpreted in East Germany as an indication that Warsaw accepts Bonn's claim to represent all Germans. In addition, the East Germans fear that their interests might be ignored during any Polish - West German negotiations, perhaps on other subjects such as economic and political relations.

The West Germans continue to maintain that a resolution of the border issue can come about only through a broader peace treaty ending World War II, as was specified in the Potsdam agreement. Several West German officials, however, have professed to see a Polish willingness to be flexible on this and other issues.

For their part, the Poles appear willing to keep on talking, and presumably have Soviet consent to do so. Gomulka, who first made his proposal on 17 May, reiterated it on 21 July in the presence of Soviet, Czechoslovak, and East German leaders--none of whom, however, supported it. [REDACTED]

~~TOP SECRET~~ [REDACTED]

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[redacted]

NOTES

[redacted]

Panama: The junta government is reportedly selecting a new three-man negotiating team to be headed by Ambassador to the US Roberto Aleman to reopen canal treaty negotiations. Aleman is apparently encouraging government strongman General Torrijos along these lines by stating erroneously that the US has agreed to such negotiations. A former chief of the foreign ministry's treaty staff, who is extremely anti-US, is being mentioned as a possible member of the team.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board, on 23 July, approved the following national intelligence estimate:

[redacted]

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