



The President's Daily Brief

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~~19~~ November 1973

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~~Top Secret~~ 25X1

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

16 November 1973

PRINCIPAL DEVELOPMENTS

Israel and Egypt began to implement the six-point agreement yesterday. The transfer of 26 wounded Israelis and over 400 Egyptians marked the first step in the prisoner exchange, and UN troops assumed control of Israeli checkpoints on the road to Suez city.

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An E-II class nuclear-powered cruise missile submarine is on patrol about 500 to 600 nautical miles off the US west coast. It is testing US anti-submarine defenses and may also attempt to intercept and trail US ships. The timing of the patrol suggests it may originally have been part of the Soviet Navy's widespread reconnaissance effort during the Middle East war. (Page 4)

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Brazil's strong effort to peddle its military equipment abroad

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Notes on Japan's balance-of-payments deficit

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appear on Page 7.

At Annex, we examine the Pompidou government's increased assertiveness in European affairs and what seems to be behind it.

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ARAB STATES - ISRAEL

The Israelis and Egyptians began implementing the six-point agreement yesterday. The transfer of 26 wounded Israelis and over 400 Egyptians marked the first step in the prisoner exchange. Attempts to work out an exchange of prisoners between Syria and Israel, however, have made no progress. Thus far the Syrians have taken a very tough line, insisting that the POW issue be linked to a final Middle East settlement. They clearly feel in a much stronger position than Egypt on this question, and presumably will hold out for significant Israeli concessions before agreeing to exchange POWs.

The United Nations Emergency Force assumed control yesterday of Israeli checkpoints at Kilometers 101 and 119, and supply trucks were on their way to Suez city. An International Red Cross spokesman has announced that the evacuation of more than a thousand sick and wounded Egyptian civilians from Suez city will begin today.

US diplomats in Cairo report that the implementation of the six-point agreement has changed the mood there from frustration to cautious optimism. Sadat's popularity is high, and he apparently is under no great domestic pressure to modify his tactics. These have distressed Libyan President Qadhafi, however. In a message to Sadat yesterday, Qadhafi bitterly condemned the cease-fire, protesting that the war should have continued "even if it developed into hand-to-hand fighting."

All fronts were relatively quiet yesterday, with only minor incidents reported. At the UN, further progress was made in assembling a peacekeeping force. The Emergency Force now has about 2,200 troops in the Middle East, and enough pledges to bring the total close to the 7,000-man goal. UNEF still lacks, however, adequate logistic support.

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FRANCE

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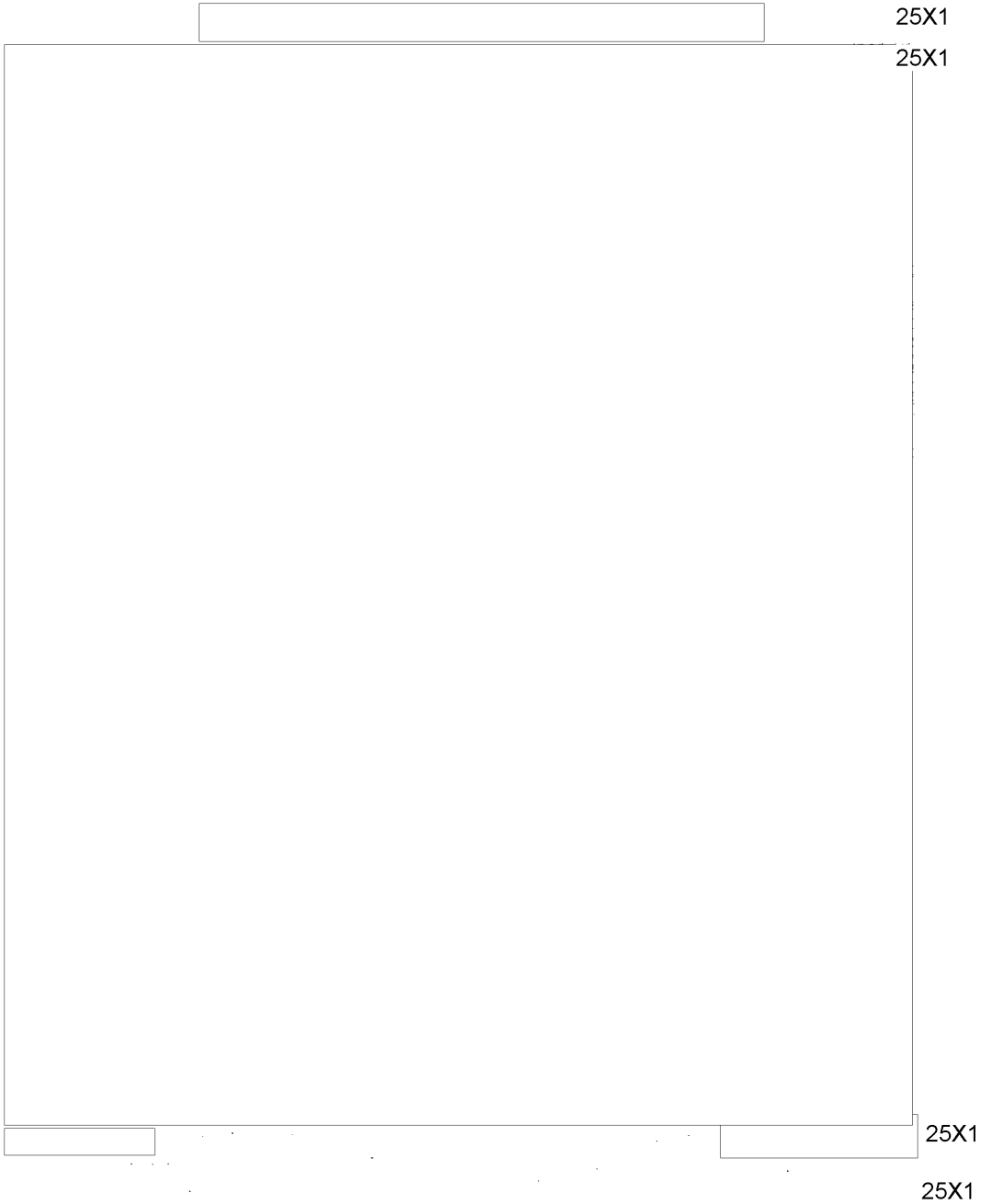
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USSR

An E-II class nuclear-powered cruise missile submarine is operating about 500-600 nautical miles off the US west coast. It apparently left Soviet waters in mid-October, proceeding to a position some 600 miles west of the state of Washington. From there it has moved slowly south, and was sighted on November 11 about 500 miles west of San Francisco. If the E-II continues south, it could be in the main shipping lane when the US aircraft carrier Kitty Hawk sails from San Diego to Hawaii in late November, and may exercise against it.

The Soviet Pacific Fleet has 14 E-II class submarines. Each is equipped with eight launch tubes for an anti-ship cruise missile with a range just short of 200 nautical miles. Pacific Fleet E-II submarines operated east of Hawaii in 1967 and 1970. They also deployed to the Indian Ocean during the 1971 Indo-Pakistan war and to the South China Sea after the mining of Haiphong.

The timing of the current patrol suggests it may have been part of the widespread reconnaissance effort of the Soviet Navy during the Middle East war. The E-II is testing US anti-submarine defenses, and may also attempt to intercept and trail major US ships such as the Kitty Hawk. There is no sign that the E-II will operate in conjunction with either of the Y-class ballistic missile submarines patrolling off the West Coast.

Soviet Naval Forces in the Indian Ocean

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USSR - INDIAN OCEAN

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BRAZIL

The government is making a serious bid to sell made-in-Brazil military equipment abroad.

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In this concerted effort, Brazil is motivated by several factors. Brazilians realize that their overall economic expansion drive stands a better chance of succeeding if they can offer new kinds of exports to diverse foreign markets. Eager to polish their country's image as an emerging power, they seek to display Brazilian know-how and to demonstrate that they are more than self-sufficient in this, as in other areas.

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NOTES

Japan: Tokyo's balance-of-payments deficit last month was almost \$1 billion. Overall imports were 77 percent higher than a year ago, and imports from the US grew even faster. As a result, the Japanese trade surplus with the US for the month fell to \$60 million, compared to \$360 million in October 1972.

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France:

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FRANCE

In recent weeks, the French, led by President Pompidou, have become increasingly assertive in European affairs and have been exploiting West European feelings about being left out of important developments. Part of this new activity grows out of a desire to move closer to their EC partners, part from the usual French striving after greater glory, and part from the government's, and especially Pompidou's, difficulties at home.

In talking about European unity last month, Pompidou declared that the Middle East crisis had shown how "dangerous" it was to allow the US and the USSR to operate unchecked. What was needed, he said, was for the Europeans to seize a greater role in world affairs. To do this, it would be necessary to harmonize EC policies at the summit and to develop a common approach to economic and financial problems.

This week Foreign Minister Jobert provided variations on the same theme. He accused the US and the USSR of establishing a "veritable condominium" that had reduced the EC to impotence, and of "brutally brushing aside" Western Europe in the search for a Middle East settlement. He urged quick action on European unity to offset this "humiliation."

Behind the bombast lies a genuine French desire to forge stronger links in Western Europe, especially if it can be done on French terms. When the EC met two weeks ago to cope with the tightening oil squeeze, the French, who oppose sharing schemes, offered assurances that Arab producers would turn a blind eye toward filling Dutch needs, and persuaded the EC to issue a pro-Arab statement.

By reiterating French dissatisfaction with super-power actions and by taking an emphatic line in EC councils, Paris was in part hoping to distract domestic critics of France's impotence abroad. In this, the government has been at least partly successful. One of its severest critics, Jean Lecanuet, quickly praised Pompidou's European initiative.

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Furthermore, Pompidou's call for EC discussions on economic matters came against a background of economic woes and political sniping. A sharp rise in the cost of living--and the likelihood of even steeper increases in the coming months--has deepened the already acute concern over inflation, now running at an annual rate of 10 percent. French labor and business suspect the government wants to exploit the EC meetings to justify stronger controls in France.

Last week, labor leaders made clear that wage controls would be met with a general strike. Price controls imposed early this month have already provoked a strike that has emptied many stores of fresh fruit and vegetables and shut down many service industries.

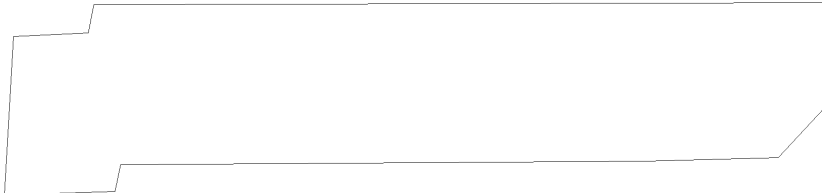
Members of the governing coalition--including Gaullist leaders--have also expressed dissatisfaction with Pompidou's leadership. Die-hards have never accepted him as a true Gaullist.

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[redacted] the President can no longer rely on Gaullist support in the assembly; leading Gaullists have recently opposed Pompidou in public for the first time.

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Many Gaullists are also sensitive to Pompidou's hints that he might want Finance Minister Giscard d'Estaing, not a Gaullist at all, as his successor. They have publicly indicated their opposition to Giscard's becoming president and are assailing his management of the economy.



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