



The President's Daily Brief

January 17, 1975

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FOR THE PRESIDENT ONLY

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Table of Contents

USSR:

[Redacted]

25X1

(Page 1)

Egypt: President Sadat has raised the pitch of diplomatic rhetoric to fend off Arab criticism that he is moving ahead of the other belligerents in negotiations. (Page 2)

USSR: The number of Soviet Jews emigrating to Israel declined 42 percent last year. (Page 4)

Israel-Lebanon: A Lebanese-Israeli border clash has occurred. (Page 5)

Israel: Israel is pumping 70 percent of its daily oil requirements from the Sinai oil fields. (Page 6)

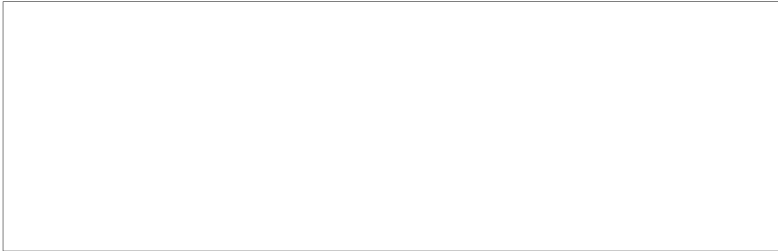
West Germany: The government is encouraging preemptive stock purchases of key corporations to block Arab investments. (Page 7)

Note: Cyprus (Page 8)

FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY

USSR



25X1

Throughout the manned Soyuz and Salyut space flight programs, electrical and electromagnetic components have been prone to malfunction and failure. The concurrent potential for dangerous electric overloads has raised the risk of fire.

25X1

The Salyut-1 crew that perished in 1971, when their space capsule pressurization failed on return to earth, had an electrical fire early in their mission. The crew of Soyuz-16, the precursor for the joint US-USSR manned mission, also encountered electrical overloads and overheating of components during their mission last December.

The apparent low level of Soviet preparations for handling such problems has a direct bearing on the safety of the joint Soyuz-Apollo project this summer; US authorities had already taken steps to provide additional fire-emergency training for Soviet crews before this latest incident.

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EGYPT

President Sadat has raised the pitch of his rhetoric to fend off Arab criticism of his continued involvement in negotiations for another agreement on withdrawal in the Sinai Peninsula.

He seems also to be signaling Israel, while Foreign Minister Allon is in Washington, that a Sinai withdrawal will not mean the end of Arab demands on Israel.

Sadat told a Beirut newspaper interviewer yesterday that he "will not accept anything short of Israeli movement on the three fronts within three months." The Arabic word Sadat used for "movement" has been translated by the press as "withdrawal," but this word is not usually used when a pullback of troops is clearly meant.

Sadat probably intended to be deliberately unclear about whether he is demanding diplomatic movement on the Golan and the West Bank fronts or an actual withdrawal of Israeli troops. There seems no doubt, on the other hand, that as far as the Sinai front is concerned, he does mean withdrawal. He reiterated his now standard position that it would be "treason" for any Arab state to refuse any territory that Israel is willing to return.

By being deliberately vague in his meaning, Sadat does not commit himself to anything except diplomatic action on behalf of the other Arabs' negotiating demands, but he does let them know that he will not conclude a unilateral final settlement with Israel. He also reassures the Arabs, particularly Syria, that he will turn his efforts to gaining progress on other fronts when and if a second-stage agreement on the Sinai is concluded.

Sadat undoubtedly intended to convey the same message in a statement to a group of French legislators earlier this week in which he linked, equally vaguely, progress on all three fronts with a decision to extend the mandate of the UN Emergency Force in the Sinai. The mandate expires on April 24.

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In this connection, Sadat probably will let the UN mandate lapse in the Sinai if there is no satisfactory progress by late April toward an agreement there. It seems unlikely, however, that he would condition continuance of the mandate on withdrawals, or even negotiating progress, on the other Arab fronts. Should Egypt achieve an agreement with Israel in the Sinai by April, a decision to allow the mandate to expire would jeopardize that agreement by removing the force that polices the disengagement lines and keeps Israeli forces behind those lines.

Sadat has recently come under increasing criticism in the Arab press for again moving ahead of the other belligerents in negotiations. The Beirut press, particularly Palestinian and Iraqi-backed newspapers, have picked up a month-old Israeli news report indicating that Tel Aviv had asked for an Egyptian commitment to a 12-year suspension of belligerency in return for a pullback in the Sinai. Arab commentators are attacking Egypt for allegedly acquiescing in this demand.

Sadat further emphasized his continuing commitment to the Arab cause by asserting in the interview yesterday that Egypt would "take action and intervene" if Syria were attacked by Israel. This is the most direct Egyptian statement of a readiness to aid Syria if it comes under attack. Sadat avoided a direct pledge to open a second front under these circumstances, but we believe Egypt would find it difficult to remain out of the fighting for more than a few days.

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USSR

The number of Soviet Jews granted permission to emigrate to Israel declined 42 percent last year from the 1973 total.

According to the Dutch officials, who deal with Soviet citizens applying for emigration to Israel, they processed approximately 20,200 emigrants during 1974, down from 34,800 in 1973, and 31,300 in 1972--the peak years. The number of persons emigrating to Israel dropped sharply from the last quarter of 1973 to the first quarter of 1974, but has held steady since last April at approximately 1,600 a month. An additional 800 Soviet Jews emigrated directly to the US and other Western countries last year.

The Dutch attribute the decline in emigration partly to harassment by Soviet authorities and partly to the growing indecision of potential applicants. The Soviets have recently increased the bureaucratic red tape involved in exit applications, although threats that applicants will lose their jobs seem to have diminished. The Dutch doubt that the present lower levels of Jewish emigration will change. So far, there has been no indication of what effect Moscow's denunciation of the US-Soviet trade agreement will have on the situation.

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ISRAEL-LEBANON

Lebanese forces, rather than the fedayeen, yesterday fired on Israeli vehicles and artillery positions. They may also have shelled the Israeli border settlement of Metulla. After breaking off for a while, fighting was renewed last night.

The Lebanese action is of greater political than military significance. It represents an attempt by the Beirut government to quiet its domestic critics, who, after almost a week of small clashes along the border, are again decrying the army's inability to stop Israeli incursions. Villagers from southern Lebanon, reportedly egged on by communist, Baathist, and pro-fedayeen agitators, this week attempted to occupy a district commissioner's office to protest the government's failure to protect them.

Beirut's inability to restrict the initiatives of either the fedayeen or the Israelis in southern Lebanon has been further exposed by the fedayeen's newfound willingness to stand and fight and by the Israelis' determination to drive them out of the border villages. Yesterday's incident, in fact, apparently began as the Israelis attempted to dislodge some fedayeen forces from such a village.

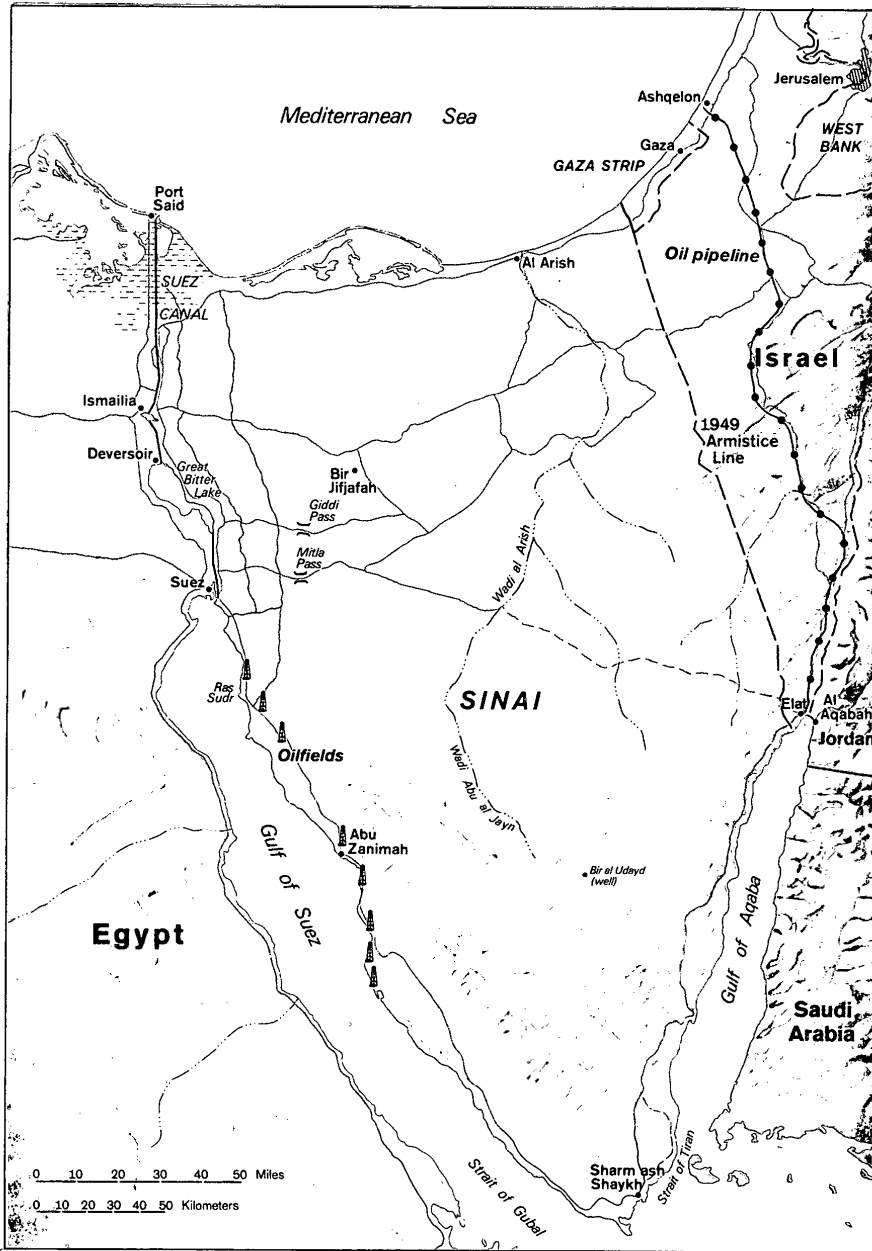
The fedayeen for the time being appear to have shifted from cross-border terrorism to more conventional military action. This strategy apparently is designed to throw the Israelis off balance and win acclaim for fedayeen willingness to defend southern Lebanon.

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ISRAEL

Israel is pumping 100,000 barrels of oil per day from Sinai oil fields--a quantity that amounts to 70 percent of its daily requirement. In the past three years the entire increase in Israel's domestic oil consumption has been met by stepped-up production from Sinai.

Sinai oil has been a boon to Israel in view of the rise in cost of imported oil and the increased pressure made by military expenditures on foreign exchange reserves. Oil from Sinai fields in 1974 would have cost Israel about \$400 million at the price it paid for purchases made from Iran.

The major cost to Israel of Sinai oil is a royalty payment, set aside to compensate an Italian firm that has an interest in the fields. That payment, [redacted] and other minor foreign exchange costs, are believed to have amounted to no more than \$50 million last year.

25X1

The present rate of production in Sinai will exhaust those fields in five to seven years. Tel Aviv has made no significant effort in the past few years to develop new reserves in Sinai presumably because it views use of the Sinai fields as an expedient and because oil there is vulnerable in the event of hostilities. Not only are the fields exposed, but at present the oil must be moved by tanker to Elat, a route easily attacked.

Israel has established a six-month reserve of oil currently stored in aboveground facilities. Tel Aviv is planning to build more secure underground facilities that would permit storage of a larger reserve.

Israel's sole foreign source of oil is Iran. In addition to the \$200 million worth purchased from Iran last year for domestic consumption, Israel processed for re-export 40,000 barrels a day of Iranian oil. Another 600,000 barrels a day of Iranian oil for Europe transits the Elat-Ashqelon pipeline. Tel Aviv offers an attractive price to Iran for this service.

Israel's confidence in Iran as a source of oil was shaken by the Shah's recent expressions of solidarity with the Arabs. There is no evidence, however, that the Shah intends to stop selling oil to Israel.

FOR THE PRESIDENT ONLY

WEST GERMANY

Rumors of potential takeovers by oil producers have prompted the government to encourage West German banks to make pre-emptive purchases of stocks in key corporations.

As a result of such prompting after the Kuwaitis purchased 14 percent of Daimler-Benz in November, West Germany's largest commercial bank has agreed to double its holdings by buying 29 percent more of the company. Bonn officials have assured the public that the bank's new shares, worth more than \$800 million, will be resold during the year to a domestic buyer. Another bank recently made a similar move to keep a major machine tool builder in West German hands.

Chancellor Schmidt has repeatedly said that oil dollar investment in West Germany is welcome as long as it does not involve a significant share of a strategically or politically important firm. It appears that these categories include those financially sound, heavy industrial firms that the oil exporters so far have shown the most interest in purchasing.

German private business is against a proposed law that would strengthen reporting requirements regarding sales of stock to foreigners. Banking and industry representatives are formulating a code of behavior as an alternative. The recent pre-emptive stock purchases may help to defuse public demands for greater controls.

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NOTE

Turkish Cypriot refugees are to be evacuated by the British from the British Akrotiri air base in southern Cyprus beginning tomorrow.

The British are hopeful that the evacuation, which will be carried out by Turkish aircraft, can proceed without incident. Several small-scale demonstrations by Greek Cypriots, however, have already taken place. Greek and Greek Cypriot officials have protested the move, because the 8,000 to 9,000 refugees are one of their few bargaining cards in the intercommunal talks. The Turkish government is expected to resettle the evacuees in the Turkish sector of Cyprus.

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