



CENTRAL INTELLIGENCE AGENCY
18 October 1973

INTELLIGENCE MEMORANDUM

MIDDLE EAST

State Department Review
Completed

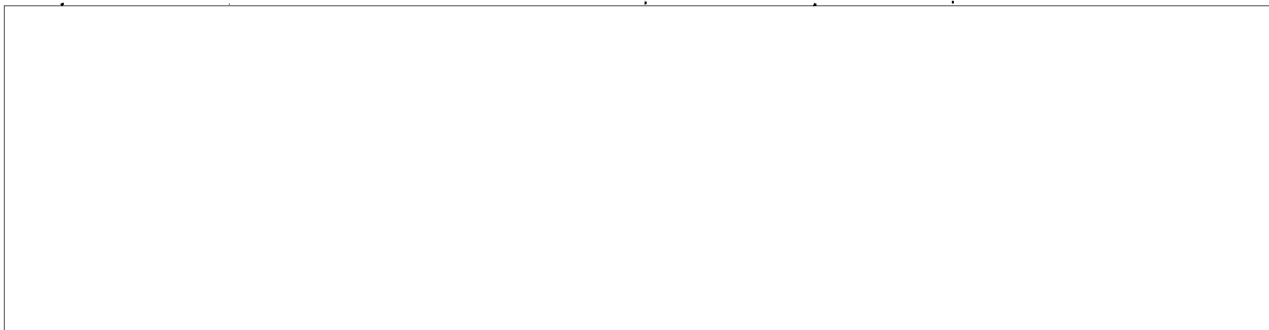
Situation Report Number 53
(As of 2230 EDT)

THE MILITARY SITUATION

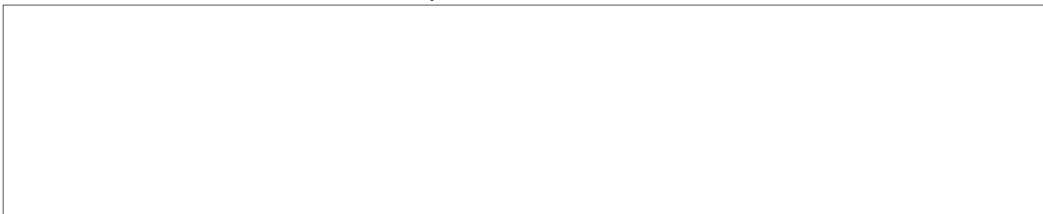
GENERAL

1. Heavy fighting was reported this evening between the Israeli task force on the west bank of the Suez Canal and surrounding Egyptian units. The Egyptians claim that they "are evicting penetrating enemy forces which have been encircled in scattered locations." The Syrian front again was relatively quiet; the virtual cessation of air activity in the area continued for the third day.

EGYPTIAN FRONT



3. The Israelis claim to have reinforced and expanded their west bank bridgehead while beating



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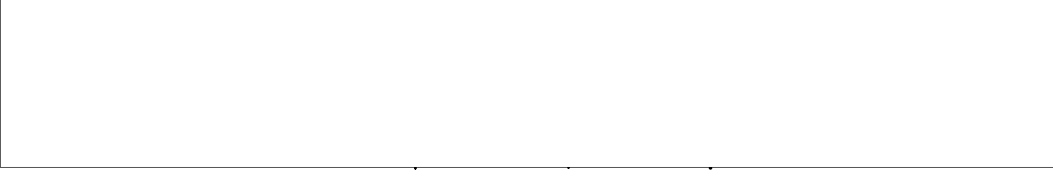
off heavy Egyptian counterattacks on both sides of the canal. About 110 Arab tanks were said to have been destroyed in the actions. Tel Aviv now says that it has 200 of its own tanks on the west bank. At least some of the armor was floated across the canal on rafts, some in broad daylight. Defense Minister Dayan even claims to have inspected his forces on the west bank during the day.

4. Israeli air activity on the Egyptian front today was concentrated on suppression of SAM and AAA activity, although a large number of ground support missions also were flown in the area of the west bank bridgehead. The Port Said area was again the target of numerous air strikes, with other missions flown along the canal and against some Egyptian airfields.

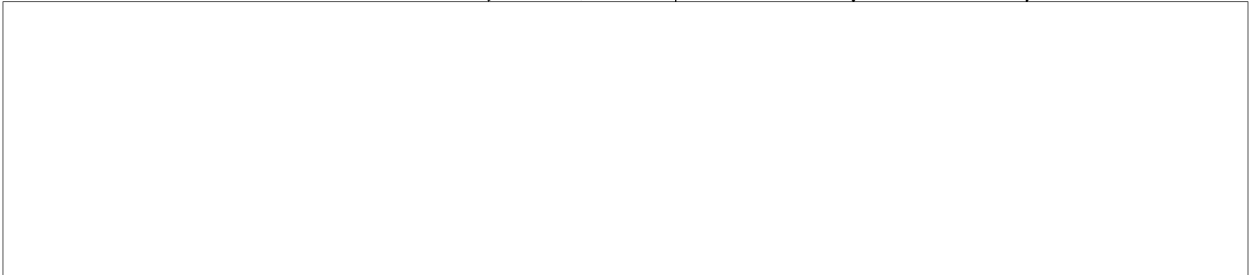
5. Egyptian air action was limited to defense patrols, until the afternoon, when the Israeli bridgehead reportedly was attacked. Cairo claims to have downed 12 Israeli aircraft during the day, and the Israelis admit the loss of six aircraft to SAMs and ground fire. Israel claims to have shot down 27 Egyptian aircraft, including three additional Mirages.

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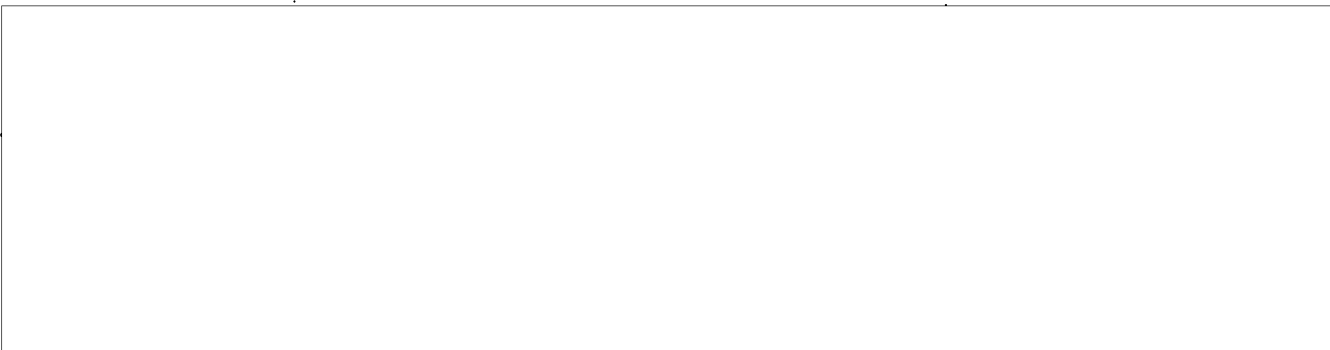

SYRIAN FRONT

8. Today was the quietest day of the war on the Syrian front, with artillery exchanges being the only ground actions of note. The Israelis have made no claims of Arab combat equipment destroyed. Syria, on the other hand, claims that 30 Israeli tanks and 10 armored vehicles were destroyed during an Israeli attack. Air activity over the front was at a low level. Israeli aircraft flew defensive patrols over Syria and southern Lebanon, and Syrian MIGs flew patrols near Tartus.



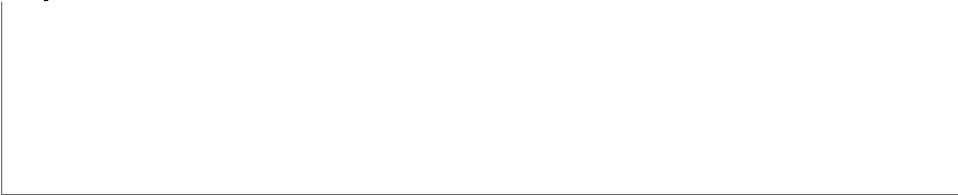
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10. Radio Jerusalem reports that the commander of the 68th Syrian infantry brigade has been executed by order of President Asad. The unit commanded by Colonel Rafiq Halawith failed to hold Israeli forces attacking along the Damascus-Qunaytirah road. A report yesterday claimed that President Asad had relieved three Syrian generals for lack of aggressiveness, but this is the first indication of punitive measures.



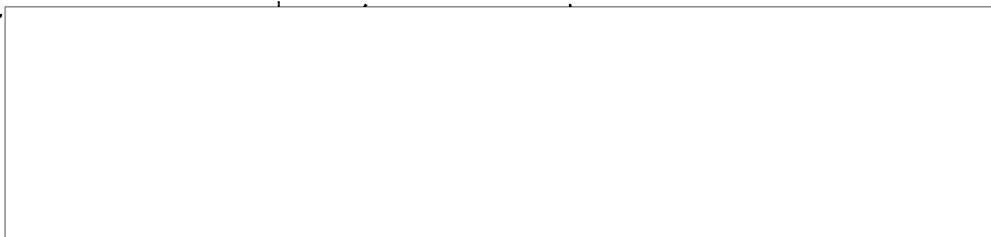
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LEBANON

14. Late today an Israeli military officer reported that there has been an increase in the number of rocket attacks by fedayeen based in southern Lebanon. The official stated that sooner or later the Israelis will find the time to take action against the fedayeen, and that this action will probably be severe.



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SOVIET NAVAL ACTIVITY IN THE MEDITERRANEAN

16. The deployment of four amphibious ships to the Mediterranean on 17 October raises the number of Soviet naval ships there to 73 units--an all-time high. Normally, the Mediterranean force numbers between 45 and 50 submarine and surface ships. The majority of the Soviet ships are in the eastern Mediterranean.

17. The current force includes 27 surface combatants--including amphibious vessels and minesweepers--and 18 submarines, four of which carry cruise missiles. The Soviets now have eight amphibious landing ships in the Mediterranean, although some of these may return to the Black Sea over the next few days. The remaining force is comprised of 28 logistic support ships and intelligence collectors.

18. Before the Middle East fighting began, the Soviets had 14 major combatants in the Mediterranean. There are 17 there now, but two of the recent arrivals had been scheduled several months ago to visit Italy at this time, which they are now doing.

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19. The war started during the semiannual Soviet submarine turnover. A relief group of nine submarines from the Northern Fleet entered the Mediterranean on 4 and 5 October. Turnover usually takes about ten days, but thus far only three submarines are known to have left the Mediterranean. Although the remaining six units probably will leave soon, they may have been ordered to stay on patrol because of the war.

THE KOSYGIN MISSION TO CAIRO

20. The Middle East News Agency announced tonight that President Sadat had three lengthy meetings with Soviet Premier Kosygin in Cairo. Moscow has not yet admitted that Kosygin is visiting Egypt.

LEBANON-TERRORISTS

23. The terrorists who seized the Bank of America building in Beirut today continue to hold an estimated 29 hostages, including 19 or 20 bank employees. Negotiations between the terrorists and the Lebanese Government negotiators are in abeyance until dawn tomorrow. As negotiations ceased for the night, the terrorists were demanding:

--release of seven "political prisoners" from Lebanese jails;

--custody of seven new hostages, including senior Bank of America officials in Beirut, in exchange for release of hostages now being held;

--safe conduct for hostages, terrorists and the Algerian ambassador (who has been attempting to mediate) to fly to Algiers; and

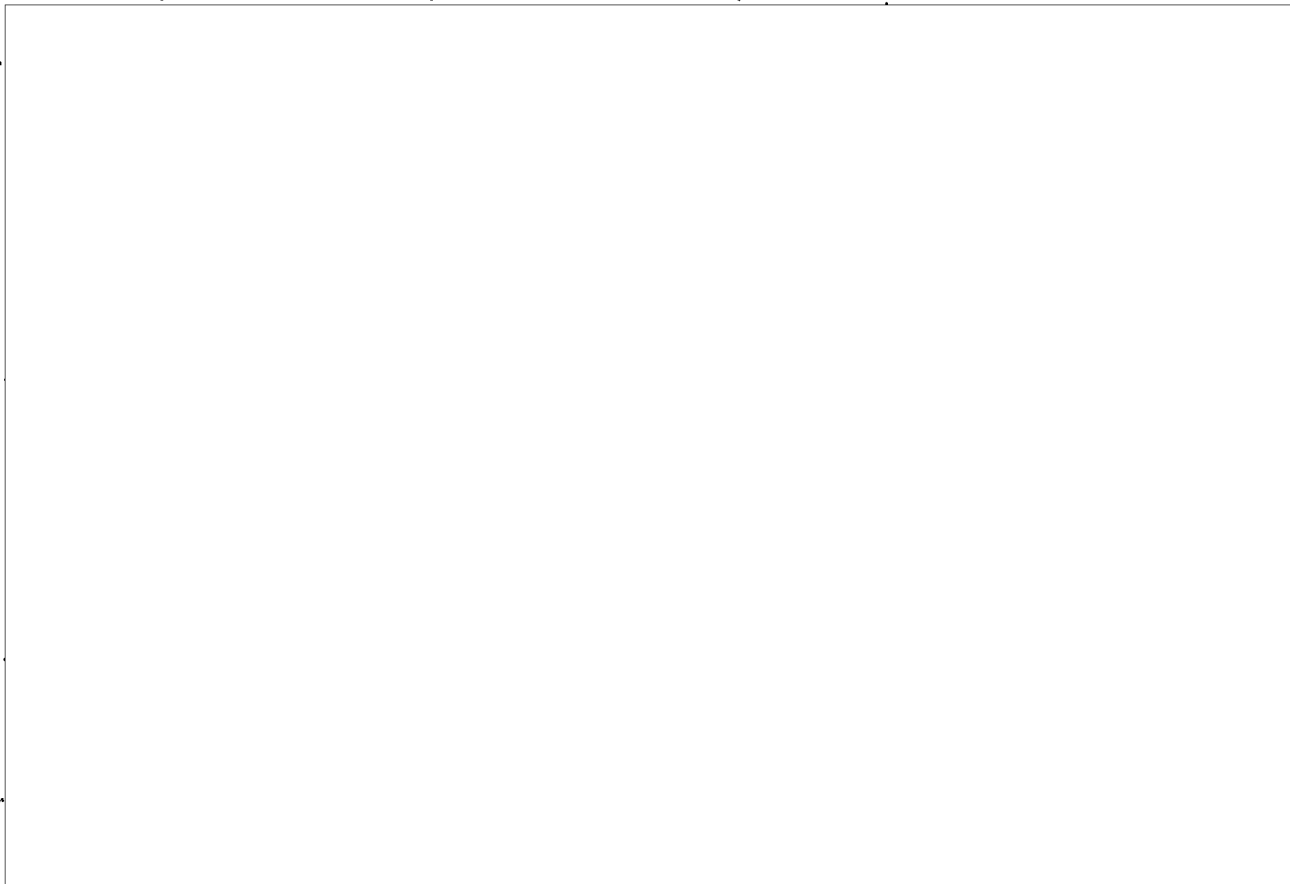
--ransom payment of \$10 million.

FEDAYEEN-EGYPT

24. The Palestine Liberation Organization is extremely unhappy with Egyptian President Sadat's recent speech on the Middle East conflict, according to an Agency source. The Palestinians fear both Egyptian and Syrian leaders would forsake Palestinian interests in an effort to regain territory lost in the 1967 war. Sadat's speech tended to confirm their fears in that he called for a return to the 1967 boundaries but was silent on the fedayeen claims to the territory of Israel proper.

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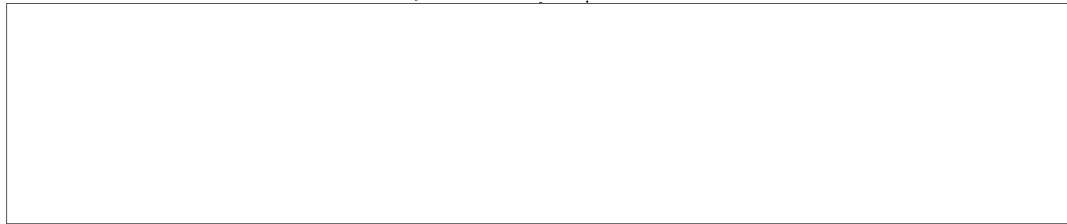
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NORTH KOREAN ASSISTANCE

27. Pyongyang's public announcement on 18 October that it is prepared to supply military assistance to Egypt and Syria is clearly intended to underscore North Korea's solidarity with the Arab cause and to increase the North's support in the third world as the crucial vote on the Korean question in the UN nears. It also provides a convenient means of explaining and capitalizing on the military assistance Pyongyang has already secretly provided.

28. North Korea currently has at least 33 pilots in Egypt whose presence it has thus far vehemently denied. Pyongyang's statement now will



permit it to acknowledge the pilots' presence and reap the propaganda benefits of assisting the Arab cause.

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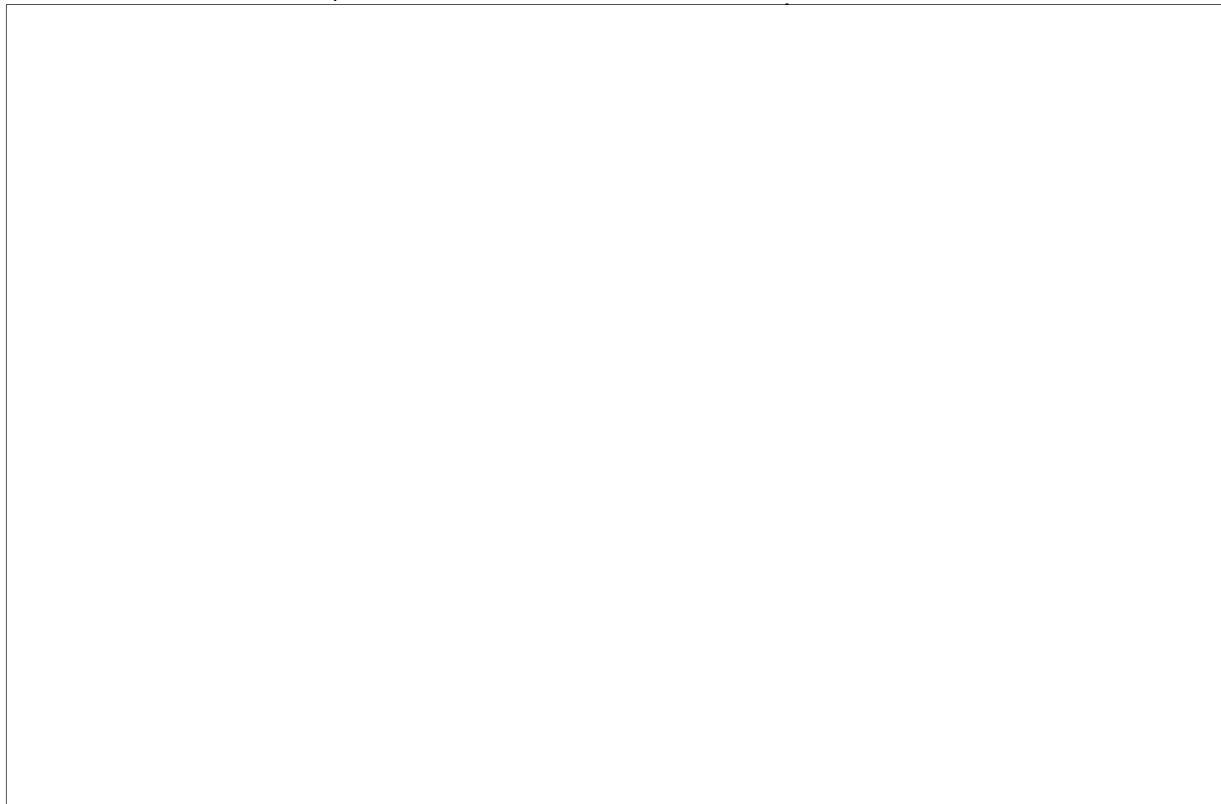
30. While somewhat cautious in its propaganda at the outbreak of the war, Pyongyang has stepped up the volume of its public treatment as the Arabs have demonstrated their fighting ability. It has now begun to stage the mass rallies which characterized its support for the Arabs in 1967.

AFGHANISTAN

31. Deputy Foreign Minister Abdullah is being sent to Washington by President Daud to deliver what Abdullah termed "a very important message on the Middle East crisis" directly to President Nixon. Abdullah will leave Kabul for the US on the 19th and hopes to see the President shortly after his arrival. He told the US Chargé in Kabul that the message was the sole purpose of his trip but declined to reveal its contents. He did state that the message was "good news."

32. It is difficult to predict what the message from President Daud will contain. The Afghans are strongly behind their fellow Muslims in the conflict with Israel. They have good contacts with most of the Arab states but in particular with the more conservative ones such as Saudi Arabia. Possibly Daud believes he can perform some intermediary role.

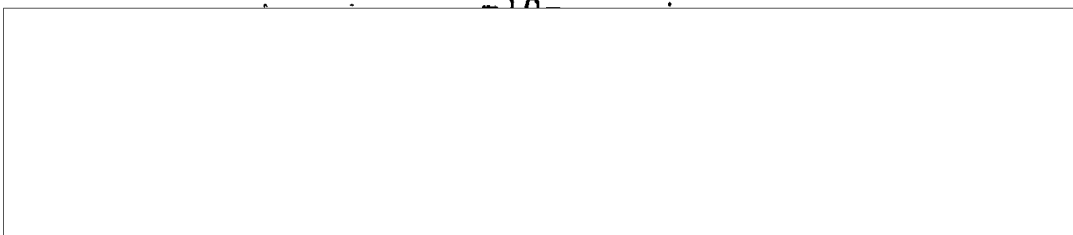
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CHINESE REACTION

35. Peking's initial public reaction to US efforts to resupply Israel has been mild. An NCNA article dealt with the situation in a factual manner, mainly quoting from the McCloskey briefing. So far, Chinese media have not publicized Moscow's resupply of the Arabs.

36. Peking has continued to criticize the US and USSR for "contending and colluding" in the Middle East to the detriment of Arab interests. An NCNA article on 15 October avows that US-Soviet detente will "manacle" the Arabs and leave them at the mercy of Israel. It blames an "international conspiracy" backed by the superpowers for the Arab defeat in 1967. The article added that temporary local setbacks for the Arabs are not momentous.



37. Peking's propaganda line suggests that it may foresee eventual intervention by Moscow and Washington to arrange a cease-fire. By accusing the superpowers of doing their utmost to reimpose a "no war, no peace situation" on the Arabs, the Chinese appear to be positioning themselves to take advantage of any Arab disappointment about the outcome of the war.

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FRENCH REACTION

39. During a National Assembly debate on the Middle East yesterday, French Foreign Minister Jobert delivered a speech which was generally critical of Israel and of Soviet-American efforts to end the hostilities. Jobert said if the warring parties are not ready for peace it is up to the great powers to press them towards a settlement. The present conflict, he said, could be stopped by the US and USSR if they wished to do so. No one in parliament challenged him on this point, but Jobert was subjected to heavy crossfire over the implementation of the French arms embargo to the Middle East. Jobert answered these challenges by simply repeating the French policy of differentiating between battlefield countries (Israel, Syria, Jordan, Egypt) to which the embargo applies, and non-battlefield countries, to which arms can be shipped despite their sending forces into the present conflict.

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ANNEX I

Economics of the Persian Gulf OPEC²/ Price Increase

16 October 1973

(See Sit Rep No. 47)

(\$/barrel)

<u>Company Owned Crude Oil (75%)</u>		<u>1 Oct 73</u>	<u>New Demand</u>	<u>Percent of Increase</u>
1.	Posted Price ^b / (Saudi Arabian Light 34°)	3.011	5.11	69.7
2.	Royalty (12½% of 1.)	.376	.64	
3.	Production Cost	.10	.10	
4.	Tax Reference "Profit" 1-(2+3)	2.535	4.37	
5.	Tax (55% of 4)	1.394	2.40	
6.	Government Revenue (2+5)	1.77	3.04	71.8
7.	Cost to Oil Company (3+6)	1.87	3.14	67.9
8.	Estimated Oil Company Profit	.35	.35	
9.	Estimated Sales Price (fob) (7+8)	2.22	3.49	57.2
10.	Estimated Transportation Cost ^c / (to US Gulf Coast)	1.48	1.48	
11.	US Import Duty	.105	.105	
12.	Estimated Sales Price (cif, US Gulf Coast)	3.805	5.075	33.4
<u>Government Owned Crude Oil (25%)</u>				
	Oil Company Purchases of Government-Owned (22.5%)	2.30	3.65	58.7
	Government Oil Sales to Third Parties (2.5%)	3.12	3.65	17.0

a. The Persian Gulf members of OPEC are: Abu Dhabi, Iran, Iraq, Kuwait, Qatar, and Saudi Arabia. Other members of OPEC are Algeria, Indonesia, Libya, Nigeria, and Venezuela. The members of the Organization of Arab Petroleum Exporting Countries are: Abu Dhabi, Algeria, Bahrain, Iraq, Kuwait, Libya, Egypt, Qatar, Saudi Arabia, and Syria.

b. Posted price and tax reference price are synonymous terms.

c. Calculation based on tanker rates of Worldscale 100 which is a representative average, although spot tanker rates are currently much higher; they account for only a small fraction of the oil being transported.

CIA/OER
16 Oct 73