

**Top Secret**

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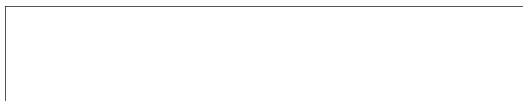
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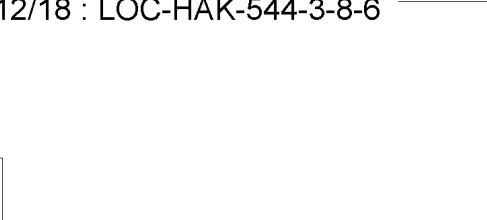
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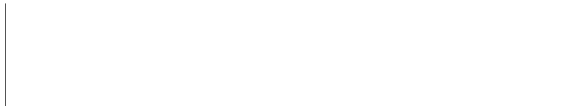
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ARAB STATES - ISRAEL: Cease-fire violations were reported from both fronts yesterday.

Damascus charged that Israeli aircraft attacked Syrian positions yesterday morning in the central and southern sectors of the front, using what the Syrians described as Shrike missiles; the Shrike is a US missile used to destroy radars. The Syrians claim to have repelled the attacks, while an Israeli spokesman contended he had "no information" on them.

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the Syrian front has been relatively quiet since the cease-fire, and this attack is the first major violation thus far reported.

On the Egyptian front, an Israeli military spokesman reported one minor incident in the Second Army sector yesterday and two others in the Third Army area. According to the Israelis, the Egyptians initiated all three incidents but broke contact when the Israelis opened fire. No casualties were reported. A UN observer also reports seeing an Egyptian SAM fired at an aircraft near the Little Bitter Lake.

The Israelis have agreed to permit an additional 50 trucks with nonmilitary supplies to pass through their lines to the encircled Egyptian Third Army. This will bring to 175 the number of trucks which the Israelis have allowed through. Elsewhere in the southern sector, however, UN observers report that the Israelis have dammed the Sweetwater Canal outside Suez City. Stagnant fresh water remains in the canal and is drinkable with suitable treatment, but will become less so with time because the canal is used for sewage.

Israel announced yesterday that 1,854 Israeli soldiers had been killed during the war, and that an almost equal number of wounded were still hospitalized. The Israelis previously had not disclosed casualty totals, except for an announcement on 15 October that

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656 soldiers had been killed in the first eight days of fighting. While the public has suspected heavy casualties, these figures--three times the total during the 1967 war--will be a shock in casualty-sensitive Israel. The figures could have a sobering effect on those favoring a renewal of the war, and Prime Minister Meir may be trying to prepare the public for some Israeli concessions.

At the UN, there is growing pressure for a formal meeting of the Security Council--possibly as early as today--on Israel's failure to pull back to the cease-fire lines of 22 October. The nonaligned states, particularly Kenya, seem to be the chief agitators for a public session. Movement toward a Council meeting is no doubt intended to bring pressure on the US. The nonaligned states used this tactic before the cease-fire and are apparently employing it now to underline the Arab message that there must be some positive developments from Secretary Kissinger's Middle East consultations.

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Arab countries. The separate travels of Presidents

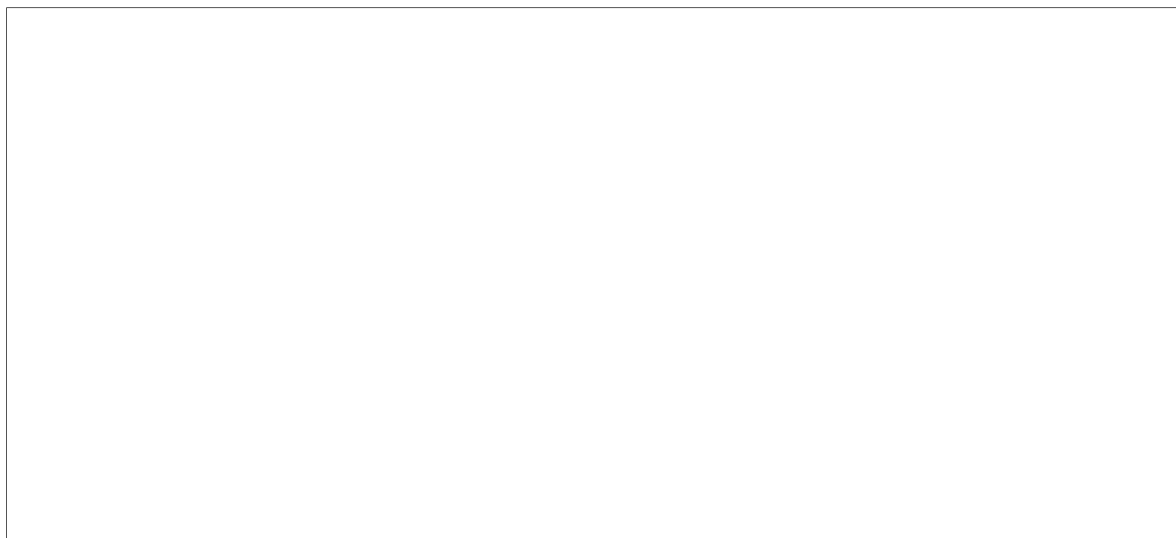
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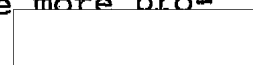
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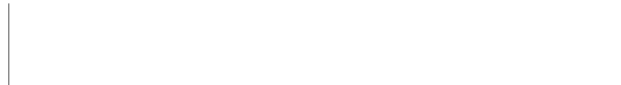
Qadhafi and Boumediene in recent days were probably intended in part to consolidate plans for the Arab summit conference which Qadhafi is urging and Boumediene may host in the near future. In addition, Boumediene's call for a summit meeting of Organization of African Unity countries has been answered favorably by all Arab member states and several key African nations; Boumediene may hope to hold this conference as well in Algiers immediately following the Arab summit.



The foreign ministers of the nine EC countries, meeting in Brussels, issued a joint declaration on the Middle East yesterday that leans slightly toward the Arab side. The declaration calls on the forces of both sides to return immediately to positions occupied on 22 October, and urges that negotiations take place within the UN framework. The statement did not, however, charge Britain and France, as Security Council permanent members, with representing the EC nine, probably because the two are more pro-Arab than many of the other EC members.







INTERNATIONAL MONETARY DEVELOPMENTS: The dollar continued to strengthen sharply in active trading on major foreign exchange markets yesterday, rising to its highest average level relative to the other major currencies since 7 June 1973.

The dollar has appreciated most against the Dutch guilder and the German mark. In the past nine days the guilder has fallen from the top to the bottom of the European currency band, forcing the Dutch central bank to intervene in its support. The guilder's weakness is attributable to the serious threat posed to the Dutch economy by the Arab oil embargo. The mark's decline probably also reflects fears of the potential impact of Arab oil policy on West Germany. Growing confidence in the dollar's long-range prospects has also decreased the attractiveness of European currencies to foreign currency traders.

The price of gold has remained relatively stable during the past ten days. There have been no further indications of Arab dollar sales.



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EUROPEAN SECURITY CONFERENCE: The Conference on Security and Cooperation in Europe has been under way for more than six weeks but still has not been able to move beyond the most general discussion of the issues. The committees and subcommittees have been proceeding so slowly that many observers now are doubtful that the conference can complete its business in early 1974 as had been expected.

The Soviets, who desire an early end to the conference, have been pushing their draft on "principles of security" that emphasizes the "inviolability of frontiers." The West Germans, in particular, oppose the Soviet draft. They wish to link the principle of inviolability of frontiers with the nonuse of force in order to hold open the possibility of peaceful adjustment of borders as a necessary prelude to the eventual reunification of the two Germans. Several drafts dealing with principles of security have been considered and sharply criticized by one side or the other. A draft by Yugoslavia may provide the basis for an eventual compromise, according to the US Mission in Geneva.

One of the most controversial issues has involved "confidence-building measures"--agreements to limit certain types of military activity. The Soviets have maintained a very restrictive interpretation of these measures, and little progress has been made in resolving differences.

A near-stalemate has developed on another controversial question: the freer movement of people and ideas between the two blocs. The Soviets have been insisting that specific measures must await agreement on certain general principles. These principles of sovereignty, noninterference in the internal affairs of states, and respect for international laws and customs would, if the Soviets had their way, be included in a preamble and would have the effect of emasculating the specific measures designed to bring about freer movement.

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Little progress has been made on the other main topic--economic cooperation. The West had thought the Eastern representatives would be making demands in this area, but thus far they have not done so. The members of the European Community, although claiming special competence in the economic cooperation area, have not been able to fill the void because of their inability to agree on a common position.

The neutral participants and Romania have been pressing hard for a link between the security conference in Geneva and the force reduction talks, which began last week in Vienna. The Soviets actually oppose any such linkage, but presumably have been humoring the neutrals by suggesting that all European states could participate in MBFR. Several of the Eastern representatives at the Vienna talks also mentioned, in their opening statements, the possibility of widening the force reduction forum. The NATO allies have consistently opposed such moves.

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**USSR:** The keynote speech at yesterday's October Anniversary celebrations in Moscow was most noteworthy for its restrained treatment of Soviet relations with the US and for the accolades given to party chief Brezhnev.

Traditionally an occasion for marking Soviet successes, the speech delivered yesterday by senior Politburo member Andrey Kirilenko was no exception. Kirilenko surveyed the world situation as it has developed over the past year, drawing special attention to Moscow's policy of detente and to Brezhnev's personal role in the formulation and implementation of that policy. According to Kirilenko, "promising shifts" have occurred in the political situation in Europe, most notably in Moscow's relations with France, West Germany, and Britain, and the outlook is for further improvement. Among his many references to the Soviet party leader, Kirilenko said that Brezhnev's contribution to detente in Europe and in the world at large is "universally acknowledged."

Kirilenko's treatment of Soviet relations with the US was generally positive, but reflected strains brought about by developments in the Middle East crisis. He said that the USSR attaches "much importance" to relations with the US, but he modified Moscow's appreciation of accomplishments over the past two years by asserting that developments are only moving "in the direction" of detente. Similarly, he cited the major documents of the Moscow and Washington summits and Soviet adherence to them, but allowed as how the US was also expected to adhere to the spirit and the letter of those agreements.

Kirilenko's review of the situation in the Middle East was fairly relaxed, although it contained customary attacks against Israel. He maintained that Israeli forces must be withdrawn to positions occupied at the time of the cease-fire of 22 October, and said their withdrawal is an "urgent necessity" and a "first step" toward settlement of the conflict. His treatment of the Middle East was highlighted by the assertion that the prospects for stable peace in the area are better now than ever before.

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His discussion of the USSR's domestic situation contained high praise for recent accomplishments and held out promise for further achievements. He repeated Brezhnev's recent claim of a record Soviet grain harvest, and went on to attribute this success specifically to the policies initiated by Brezhnev eight years ago. In keeping with his generally upbeat presentation, Kirilenko said that the prospects for fulfilling the main indices of the Five-Year Plan are good, and that the regime will continue to devote primary attention to improving the standard of living of the Soviet population. [redacted]

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WEST GERMANY - USSR: Bonn is portraying Foreign Minister Scheel's visit to Moscow last week as a moderate success, even though the two sides appear to have made little, if any, progress on settling outstanding problems.

On the question of handling West Berlin's legal assistance problems in the Communist world, the Soviets temporized on Scheel's proposal that West Berlin and West German courts deal directly with Soviet courts. The Soviets claimed, according to the US Embassy in Moscow, that they needed first to consult with their "allies" and consider the ramifications of this procedure for the Soviet legal system. They did, however, suggest that this subject might be discussed later by groups of experts from both sides.

The Soviets took the line that their "agreement in principle to consider" the West German proposal is a major concession to which the West Germans should respond by resuming negotiations on diplomatic relations with Czechoslovakia, Bulgaria, and Hungary. Talks broke down this past summer over West Germany's insistence that its prospective embassies in these countries be allowed to represent West Berlin legal institutions. The West Germans believe that the Soviets were behind the refusal of the East European countries to yield on this issue.

Bonn announced after Scheel's return that, as a result of the "legal compromise reached in Moscow," talks in the East European capitals will begin again in the near future. Although Bonn is probably determined to present Scheel's visit in the best possible light, the West Germans may regard the Soviet suggestion to reopen talks as a signal that Moscow will not object to this pragmatic solution of the legal aid issue between Bonn and East European capitals, and ultimately between Bonn and Moscow.

On other bilateral matters, the Soviets were noncommittal about allowing more ethnic Germans to emigrate, and they refused even to consider releasing Rudolf Hess from Spandau.

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As expected, the Soviets raised the subject of low-interest West German economic credits to finance joint economic projects between the two countries. No decisions were reached, and the two sides agreed to consider the credit issue at the next meeting of the joint economic commission in December.

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CHINA-PHILIPPINES: According to the Manila press, the Philippines later this month will discuss with a Chinese trade delegation Peking's offer to supply crude oil. Philippine officials fear that a severe oil shortage will result from delivery cut-backs ranging from 12 to 34 percent recently announced by US oil companies. These companies supply the Philippines with almost its entire annual requirement of about 9 million metric tons of petroleum. Attempts to purchase oil directly from Middle Eastern countries have been inconclusive, and Manila does not expect current negotiations with Indonesia to result in any significant quantities.

If the Chinese offer was indeed made, it probably involved only token amounts of oil. Peking is not known to have exported oil previously to non-Communist developing countries, although it may have recently discussed such an arrangement with Bangkok. As a friendly gesture, the Chinese have sold small quantities of rice at below-market prices to several Southeast Asian states with whom Peking is seeking closer political ties.

China heretofore has seemed content with the slow pace of rapprochement with Manila. Recent developments, including the visit of a Soviet trade mission to Manila and difficulties encountered by Peking in normalizing its relations with Thailand, Malaysia, and Indonesia, may have prompted China's decision to send a trade delegation at this time.

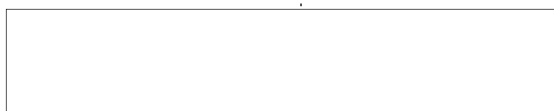
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