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CENTRAL INTELLIGENCE AGENCY
19 October 1973

INTELLIGENCE MEMORANDUM

MIDDLE EAST

Situation Report Number 57
(as of 2230 EDT)

THE MILITARY SITUATION

State Dept review complete for the entire document

GENERAL

1. According to a late evening briefing by an Israeli military spokesman, the offensive on the west bank of the canal has met determined resistance, and the issue still is not decided. The Egyptians have pulled forces back from the east bank to contain the Israelis, and the drives south toward Suez City and southwest to cut the Cairo-Suez rail and highway link are both stalled. Fighting has subsided during the night.

MORI/CDF per C03326469

2. On the Syrian front, the Jordanians reportedly have made some progress against the Israeli salient as heavy fighting flared for the first time in several days.

EGYPTIAN FRONT

3. Fighting intensified on the Egyptian front today. The Israeli force on the west bank of the Suez Canal apparently has not been able to maintain the momentum of its advance. There are no indications of an Israeli advance south of Kasfareet Airfield, which they seized today. An Israeli military

25X1

spokesman claimed that the Egyptians had pulled the remaining elements of their 4th Armored Division back across the canal to contest the Israeli thrust toward Suez City. Capture of Suez would isolate Egyptian forces in the central sector on the east bank of the canal.

25X1

6. It is doubtful that the Israelis will drive on Cairo. Rather, their goal seems to be the isolation and destruction of the Egyptian forces on the east bank of the canal.

7. Both Cairo and Tel Aviv described today's fighting as severe. The Israelis claim to have destroyed 70 Egyptian tanks and 27 aircraft, as well as capturing 10 SAM sites on the west bank. The reduction in Egyptian SAM defenses will allow the IAF greater latitude in their support of Israeli forces on the west bank.

THE SYRIAN FRONT

8. Relatively heavy fighting took place on the Syrian front today as the Arab forces attempted to advance along the southern edge of the Israeli salient. the Jordanian 40th

25X1

-2-

Brigade has taken Mashara while Iraqi units have managed to secure Tell Aantar.

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the Syrian Damascus radio claims that 52 Israeli tanks were destroyed in the day's action. The Israelis claim to have beaten off the Arab attacks and destroyed about 30 tanks and two aircraft. Tel Aviv also says that it has made some advances on the front, and UN observers believe that Tell ech-Charr is now in Israeli hands.

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EGYPT WARNS "MERCENARIES"

16. Radio Cairo has announced that nationals of countries not a party to the war between Egypt and Israel who are captured by the Egyptians will be treated as mercenaries and will not enjoy the protection stipulated by the Geneva Agreements for



prisoners of war. The announcement also contained a demand that all governments take suitable measures to prevent their nationals from joining the Israeli ranks, including the suspension of all facilities for transporting such volunteers to Israel.

ISRAEL

17. Foreign Minister Eban is leaving New York tonight for Tel Aviv, according to a Reuters report.

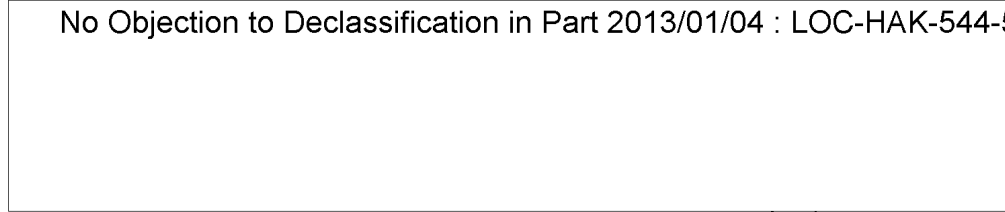
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ISRAELI PUBLIC MOOD

19. The public mood in Israel as the second week of the war ends has not "softened" with respect to a political settlement with the Arabs, according to a US Embassy report. For the present, most Israelis are convinced that there is little hope for a viable peace settlement after the current hostilities and accordingly, they conclude that Israel can only hope to buy time for its security by the massive destruction of Arab forces on both fronts prior to a ceasefire. To some extent, this widespread feeling in Israel must be considered a constraint on Israel's diplomatic flexibility.

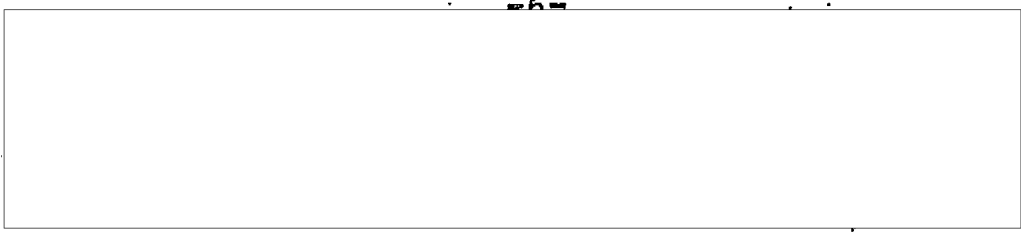
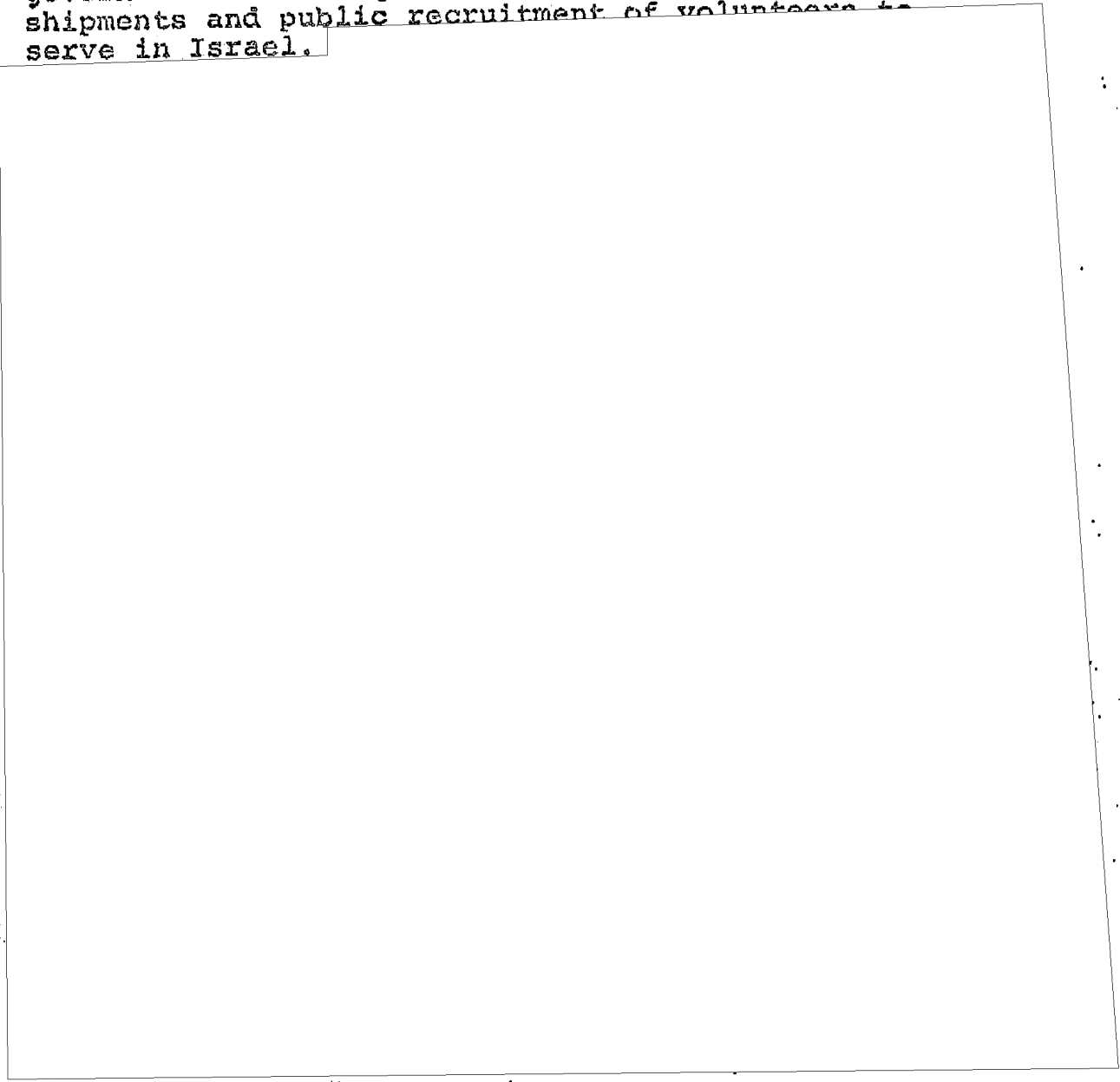
BENELUX COUNTRIES

20. Arab ambassadors stationed in Belgium are pressing the Benelux governments to adopt a more cooperative attitude toward the Arab cause. Ambassadors representing Egypt, Syria, and Iraq have been



the most active. They have protested vigorously against reports in the local news media that emphasize Arab aggression and have bombarded the respective governments with inquiries concerning rumors of arms shipments and public recruitment of volunteers to serve in Israel.

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SCANDINAVIAN PEACE KEEPING FORCE

23. Norwegian Defense Minister Fostervoll has announced that Norway, Sweden, Denmark and Finland are prepared to provide a 5,200-man peace-keeping force to the Middle East if requested by the UN. This decision was reached at a 17-18 October meeting of Nordic Defense Ministers. The four power force could be ready to depart six days after notification.

ANNEX I

Arab Oil and the European Community

Although the Western European countries are attempting to form a common position regarding the oil cutback, divisive tendencies may prove too strong. Joint contingency plans exist, but, because of the countries' different views of their own advantage, the plans may not be used effectively.

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The immediate impact from war damage and production cutbacks will vary considerably among EC members. The shutdown of three eastern Mediterranean pipelines already has dropped Italy's oil imports by some 24 percent and France's by 14 percent, while affecting other members' imports only moderately or not at all. Because of the large difference in shipping distances, those nations such as West Germany that depend most heavily on North African oil will feel the pinch of a production cutback much sooner than those such as the Benelux countries that depend on Persian Gulf supplies (see the table). Italy already has imposed an embargo on most refined oil exports outside the EC--a move detrimental to US supplies that may be emulated by other Community members if the supply situations worsens.

I - 1

Over the next few months, the impact of reduced oil imports will be partly mitigated by reserve stocks maintained by the EC nations. All have about a two-month supply on hand, and France reportedly has a 90-day reserve. Arab oil, however, accounts for between 63 and 78 percent of EC members' oil imports and a similar share of their total consumption. As a result, a 5-10 percent cumulative monthly reduction in production by the Arab states, together with already interrupted pipeline deliveries, would soon force EC nations to draw heavily on reserve stocks. If current consumption levels were maintained, these reserves might be depleted within six to nine months, and total available supplies could be reduced to one-half of normal. Conservation measures could delay the depletion of reserves by at most another few months.

I - 2

EC Nation's Dependence on Arab Oil, by Source, 1972
(percent of total imports)

	<u>Persian Gulf by Pipelines*</u> (now inoperative)	<u>North African by Tanker*</u> (15-day delivery)	<u>Persian Gulf by Tanker</u> (45-day delivery)	<u>Total Arab Crude</u>
Italy	24	19	26	69
France	14	18	46	78
United Kingdom	5	15	49	69
West Germany	4	39	29	71
Benelux	6	4	53	63
Denmark	--	1	66	67

* Distributed on the basis of estimated 1973 pipeline use.

ANNEX II

Internal Economic Situation in
Egypt and SyriaEGYPT

The Egyptian internal economic situation appears to have changed very little as a result of the war. Before the war a number of shortages had developed because of a lack of hard currency to pay for imports. With Arab aid pouring in, availability of foreign exchange no longer imposes a constraint on supplies, but internal and external distribution bottlenecks are creating problems. The supply situation nonetheless does not appear to have worsened noticeably, whereas the attitude of consumers has improved considerably. [redacted] agree that the Egyptians are finding shortages much more bearable in wartime than during the "no peace/no war" era.

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POL supply remains the principal problem area. Apparently Libya has been unable or unwilling to replace the crude oil delivered to Alexandria by Iraq prior to closure of the IPC pipeline.

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Thus far the food supply situation in Egyptian cities does not appear to be deteriorating. Extensive shortages and soaring black market prices were reported just after the war began, probably as a result of hoarding, but stocks in state stores subsequently have been replenished.

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[redacted]
a six-month supply of basic foodstuffs is on hand, including a stockpile of wheat in Europe. This

II - 1

contention is consistent with discrepancies that have been noted in Egyptian wheat supply data. For example, wheat deliveries reported in Egyptian customs data over the last several years have been consistently lower than imports contracted for, indicating possible stockpiling abroad. In addition, USDA has noted an unexplained surge, beginning some years ago, in per capita wheat availability in Egypt, suggesting accumulation of supplies at home.

Delivery of any external stockpiles from Europe may become a problem. US authorities endeavoring to evacuate tourists from Egypt have learned that war risk insurance for vessels entering Alexandria is difficult, if not impossible, to obtain. This situation could greatly impede the inflow of goods unless additional Soviet tonnage can be mustered. If the war drags on, serious shortages could begin to occur. In the case of wheat, however, Egypt might be able to last a month or so even if deliveries were curtailed. A month's supply at least usually is on hand in Egypt, and 450,000 tons of wheat recently purchased in Rumania, plus a grant of 100,000 tons from China, probably would be delivered under any reasonable set of conditions.

SYRIA

Syria is believed to be facing deepening economic difficulties as a result of Israeli air action. Contrary to optimistic comments by the minister of information

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A major setback to industry came with the destruction of the Hims refinery--Syria's sole producer of industrial and military fuels--early in the conflict. Without the supplies that come from Hims to the major industrial centers of Damascus, Aleppo, and Latakia, factories and transportation in those areas will face serious problems. Heavy aerial action in the Hims area, moreover, reportedly has resulted in destruction of a 218,000 KW powerplant, representing over half of Syria's aggregate power capacity. Port and petroleum storage facilities at Banias, Latakia, and Tartus also have come under attack, limiting Syria's capability to receive normal deliveries of civilian equipment needs, as priority is given to military imports. There is at least one indication that Lebanese shipments to the war zones may be suspended.

There is no indication that food supplies have as yet reached a critical stage, although the influx of refugees to Damascus and other major cities could put pressure on available supplies. However, the largely rural population of Syria probably should be able to cope with shortages. In normal times, Syria is generally self-sufficient in food and in recent years has been blessed with relatively good to excellent grain crops.

The heavy influx of Arab financial assistance, possibly ranging up to some \$1.2 billion, is largely meaningful in the context of Syria's long-term economic needs, notably for rehabilitation. In the short run, it could help shore up Syria's financial status and cover costs of military imports from the USSR, which apparently is demanding hard currency for at least some of its supplies.