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ARAB STATES - ISRAEL: Egyptian forces made some gains in intense fighting in the Sinai Sunday. In Syria, the Israelis extended their narrow salient, but continued to meet determined resistance.

Egyptian forces launched a general attack along the entire canal front at dawn yesterday. Fighting was particularly heavy in the Mitla Pass area, and the Bir Jifjafah air command center was knocked out of service for three hours by Egyptian air attacks. When the fighting died down last night, there were conflicting reports of what the Egyptians had achieved.

[REDACTED] the three main prongs of the offensive were extended an average of six miles, with a maximum penetration into the Sinai of nearly 19 miles; Tel Aviv claims to have held the Egyptians to maximum gains of six miles. The Israelis report that they destroyed 280 Egyptian tanks, while losing 30-40 of their own. The Egyptians admit to losing 100 tanks, but say that 150 Israeli tanks were destroyed.

The Israeli Air Force shifted the bulk of its operations from the Syrian front to the Sinai yesterday to counter the Egyptian attack. [REDACTED]

[REDACTED] This suggests that the Egyptians have moved mobile SA-6 launchers to the east bank, probably to provide cover to their troops advancing into the Sinai. According to press reports, the Israelis are also moving additional troops to the Sinai.

On the Syrian front, Israeli forces now control Sasa, 22 miles from Damascus, and small units have driven to within 16 miles of the capital. Israeli attempts yesterday to push toward Damascus and to envelop substantial Syrian and Iraqi units on their southern flank, however, were met by determined small unit counterattacks. The front from the Damascus-Qunaytirah road, south to the Jordanian border, continues to approximate the 1967 cease-fire line. In the north, Arab forces--possibly

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Moroccan--continue to hold a salient west of the 1967 cease-fire line. Air activity over the Golan Heights, heavy for the past week, virtually ceased late yesterday as the Israelis moved their aircraft to the Sinai front. Despite the general lack of progress by either side, both continue to issue reassuring public statements. Israeli Defense Minister Dayan claimed yesterday that the Syrian Army, although not annihilated, was badly beaten and defeated; the Syrian Information Minister countered that Syria's position on the battlefield "is a good one."

Jordan announced on 13 October that its troops were fighting on the Syrian front, but early this morning there still was no independent evidence that they have entered hostilities. The single Jordanian armored brigade known to be in Syria moved yesterday from an area east of Dar'a to a position west of Shaykh Miskin and south of Nawa. Although this shift brought the force closer to the fighting, the brigade encountered no resistance or air strikes. Two Israeli aircraft overflew the unit, [REDACTED] but were driven off by Syrian anti-aircraft missiles. The deployment of this Jordanian unit to Syria has considerably reduced Arab pressures on King Husayn, but high-level officials of the Jordanian Government are still believed to be pressing the King to allow the force to join the fighting. In the view of such officials, the heavy losses suffered by Syria and Iraq demand that Jordan, too, must "have some martyrs."

Saudi Arabian domestic radio announced last night that Saudi troops have begun arriving in the Golan Heights. This claim is undoubtedly designed to gain King Faysal the same good publicity that is being given King Husayn for Jordan's token involvement. In reality, the Saudi brigade closest to the fighting was still in eastern Jordan yesterday, far from the Syrian front with difficult terrain still to cross.

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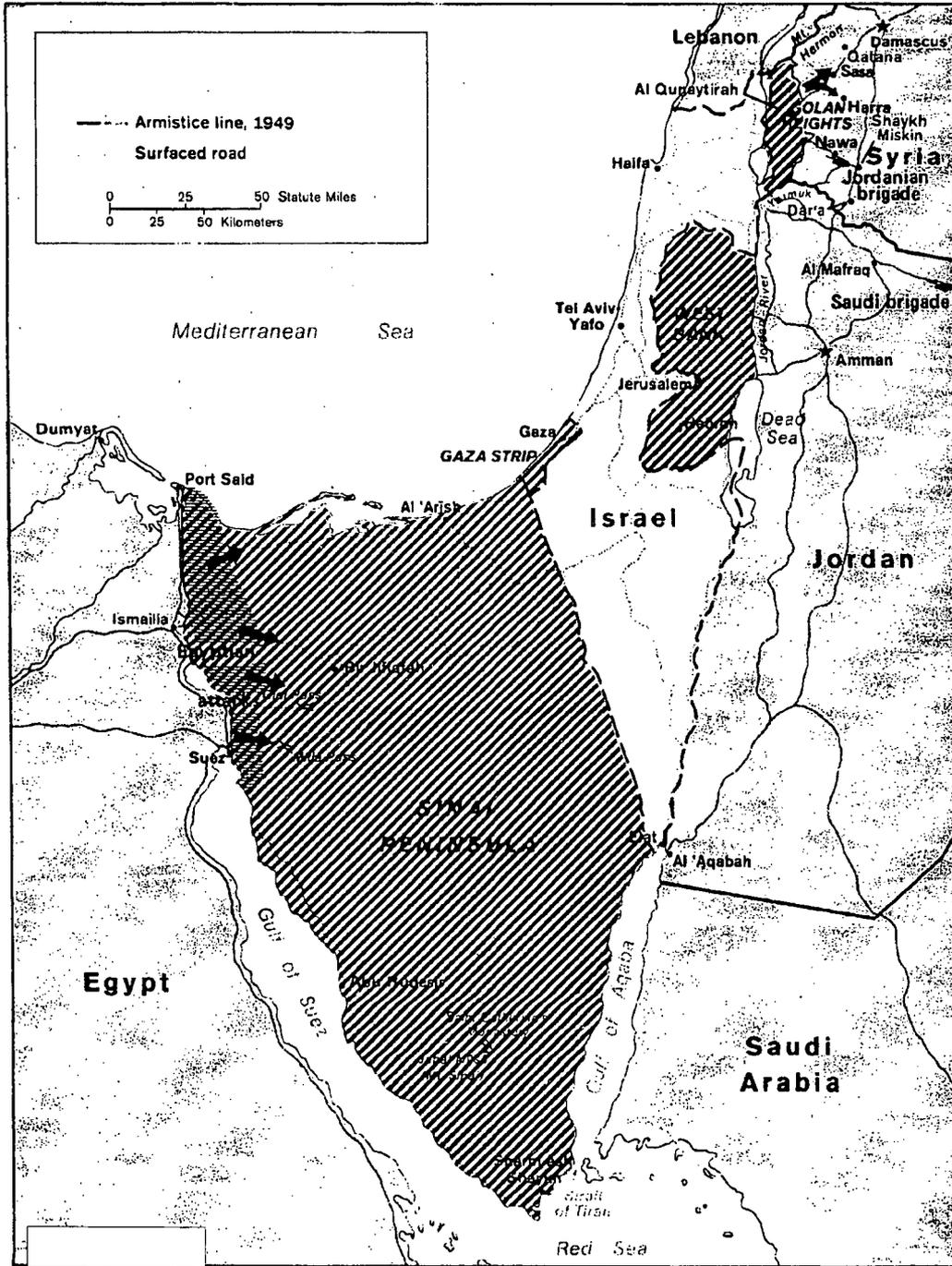
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Libya is moving elements of its 3rd Mechanized Infantry Brigade to Tobruk, the largest Libyan city near the Egyptian border. Although it is not clear that these units will proceed to Egypt, there have been reports that President Qadhafi is planning to commit Libyan troops to the battle. According to the most recent of these reports, preparations were under way yesterday for the transfer of troops and equipment from Libya by sea to an Egyptian port, possibly Mersa Matruh. A Soviet vessel reportedly will be used for this transfer.

The French Government last night asked Libya to explain reports that French-built Libyan Mirages were taking part in the war, [redacted]

The French action followed an Israeli protest to France that the Arabs were using French-supplied aircraft to attack Israeli positions in the Sinai. [redacted]

[redacted] two Mirages shot down yesterday "presumably" were part of a consignment transferred by Libya to Egypt.

The number of fedayeen attacks on Israel from southern Lebanon dropped sharply over the weekend. The Lebanese Army has advised the US Embassy in Beirut that it detected only one instance of artillery fire across the border on the night of 13 October. This reduction in fedayeen activity apparently is the result of appeals made to Syria and to fedayeen leaders by Kuwait and Saudi Arabia. Acting at the request of the Lebanese, who are fearful that the fedayeen's cross-border shelling will prompt Israeli reprisal attacks against Lebanon, the Kuwaitis and Saudis asked the fedayeen to shift their military initiatives from the border area to the Golan Heights. Much of the current fedayeen posturing and their eagerness to shell Israel directly is a result of a power struggle between the two largest fedayeen organizations, Fatah and Saiqa. Each is trying to outdo the other without taking serious risks.

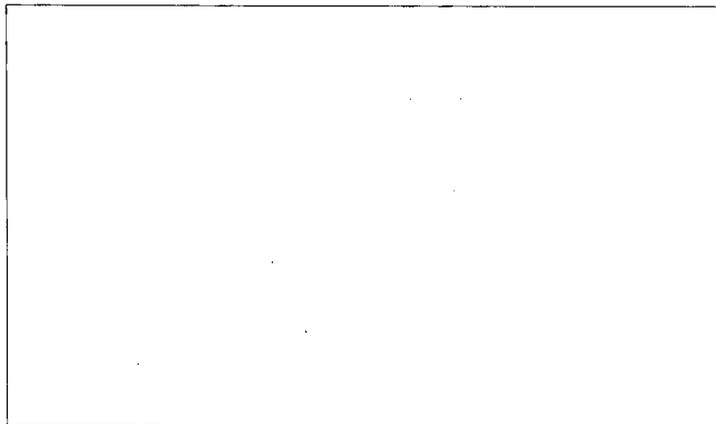
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USSR - MIDDLE EAST: The airlift of Soviet supplies to Arab combatants is accelerating, but Soviet media coverage of the US role in the crisis has been kept within bounds that are intended to preserve the foundations of detente.

Soviet media have replayed foreign press reports of US military assistance to Israel, but have yet to offer a comment of their own on alleged American involvement. There are no indications from these relatively straightforward press accounts that Soviet audiences are being prepared for Moscow's direct participation. Yesterday's issue of Pravda, for example, printed the US State Department's denial of a Spanish press item which reported 150 US pilots en route to Israel.

Israeli actions against civilian population centers are the main targets of Soviet propaganda. The Soviet news agency TASS issued a stiff protest over Israeli raids on Soviet facilities in Syria which was printed in Pravda on 13 October. It said that "continuation of criminal acts by Israel will lead to grave consequences for Israel itself." While this is the harshest Soviet commentary on the war to date, the threat is sufficiently vague to avoid committing the Soviets to a specific response.

Other Soviet priorities also were evident in the same issue of Pravda. In an article on President Nixon's meeting with business leaders, the newspaper gave particular emphasis to the free trade aspects of the President's remarks. In addition, Moscow continues, as of 12 October, to process emigrants to Israel.

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INTERNATIONAL MONETARY DEVELOPMENTS: The Middle East war caused only minor fluctuations on international currency markets last week. The dollar lost some ground against most major currencies, but it recouped part of its losses by week's end.

There was light switching of Arab dollar balances into sterling and the French franc. The action was probably a precaution, in the event that an escalation of the war prompted the Arab states to cut off oil supplies and the US to freeze oil royalty dollar balances. [REDACTED]
[REDACTED]
[REDACTED]

The Arabs hold enough dollar reserves to put pressure on the dollar. Arab sales could, moreover, spark liquidation by other dollar holders. The Arabs are at least in part constrained by the lack of suitable alternatives. Sterling--the major currency least encumbered by foreign exchange controls--has apparently received the bulk of Arab funds. The instability of sterling, however, and possible British ire over oil shortages, make that currency a poor harbor for Arab money. The exchange controls surrounding the stronger European currencies--they minimize earnings on foreign-owned deposits--make transfer of funds into these currencies extremely expensive. [REDACTED]

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