

CENTRAL INTELLIGENCE AGENCY
20 October 1973

INTELLIGENCE MEMORANDUM

MIDDLE EAST

Situation Report Number 60
(As of 1630 EDT)

THE MILITARY SITUATION

GENERAL

1. A senior Israeli Defense Ministry official claims that Israeli forces on the west bank of the canal have interdicted all highways and railroads leading from Cairo to Ismailia and Suez, thus isolating Egyptian forces on the east bank. He stated that the Egyptian Army attempted to set up blocking forces at key road intersections and other strategic points during the night, but that this effort was ineffective. The official claimed that the Egyptians have only two armored brigades defending the Cairo-Suez highway, which Tol Aviv views as a strong indicator of the shallowness of Egyptian reserves.

2. The Israeli officer also claimed that there is evidence that some Egyptian soldiers are fleeing the battle front, especially in the Port Said area. He said that firing by Egyptian forces has been sporadic rather than consistent, a sign that the Egyptians were losing their will to fight. Despite these claims of success, the Israelis indicated that the Israeli Defense Ministry considers the battle on the west bank to be still in doubt.

3. The situation on the Syrian front remained essentially unchanged today with both ground and air activity at a low level.

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State Dept. review completed

DIA Review
Completed.

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THE SYRIAN FRONT

4. Both ground and air activity levels are low today on the Syrian front. Israeli Defense Minister Dayan admitted that he could not say that Syria's Army, or even a majority of it, has been put out of action. He expressed concern both over the re-supply of equipment to the Syrians by the Soviets and the manpower contributions to the Syrian front by other Arab states.

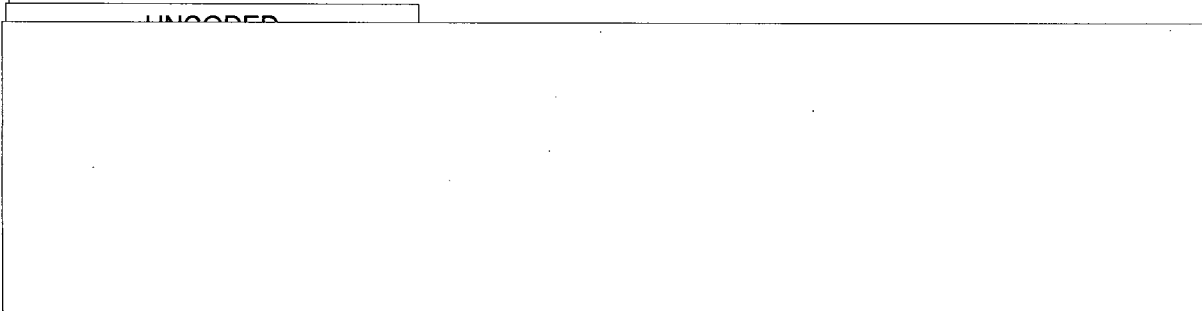
5. The Israelis anticipated another attack by the Jordanians today, but it apparently did not materialize. An Israeli military spokesman claims that the Jordanians did not attack because of an error committed by Syrian commanders yesterday. He stated that the Syrian Air Force sent Iraqi aircraft to support a Jordanian attack, but had mistakenly directed the aircraft to fire on the Jordanians. The Israeli official also claimed that Israeli missile boats shelled a weapons assembly plant and a bridge along a main supply route south of Tartus last night.

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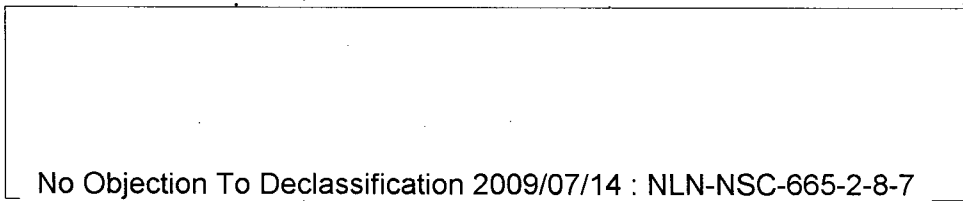


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THE EGYPTIAN FRONT

8. A senior Israeli military official gave an optimistic briefing on the progress of Israeli forces on the west bank today. He claimed that the force, which consists of two armored and one infantry brigades, has interdicted all of the highways and railroads leading from Cairo to Ismailia and Suez, thus isolating Egyptian forces on the east bank. The infantry brigade was reportedly holding the Israeli northern flank which extends toward Ismailia. One of the armored brigades was stalled yesterday en route to Jabal al Jufrah, about 30 miles east of Cairo, but shifted its attack to the north today. The Israeli spokesman claimed that this brigade was successful in interdicting the Cairo-Ismailia road, some 18 miles west of the canal.

9. According to the Israeli official the other Israeli armored brigade also encountered stiff fighting yesterday from the Egyptian 4th Armored Division. This division reported had been moved back to the west bank from positions in the Sinai. By early afternoon, however, the Israeli brigade had apparently overrun the Egyptian division's headquarters and had attacked the headquarters of the Egyptian Third Army near Jabal al Jufrah. The Israelis are reported to have captured several Egyptian generals in this action.

10. The Israeli spokesman stated that the Egyptian military concentrated during the night on seizing strategic points where they established antitank defenses. He claimed, however, that faulty planning and poor coordination had permitted the Israeli forces to bypass many of these obstacles. The Israelis now believe that the Egyptians have only two armored brigades facing the Israeli brigade near Jabal al Jufrah. Egyptian forces reportedly have dismantled bridges and crossings north of Ismailia in order to deny this area to Israeli units. Egyptian forces reportedly were also firing sporadically today, an indication to Tel Aviv that Egyptian units are becoming disorganized and unable to concentrate their firepower on the rapidly moving Israeli units.

11. The Israeli spokesman also noted that since early this afternoon, a large number of Egyptian vehicles along the southernmost part of the canal are now moving from the east bank to the west bank. He also reported a large-scale movement of personnel away from the Port Said area, a development which Tel Aviv sees as an indication that some Egyptian soldiers are fleeing the front. The vehicle movements in the south probably are Egyptian units moving back to attack the Israeli forces on the west bank, but the personnel movements near Port Said may be civilians attempting to escape the heavy bombing there. The Israeli spokesman also claimed that the Egyptian soldiers are losing their will to fight.

12. The Israeli spokesman credits the west bank force with destroying many SA-2 and SA-3 SAM sites. He reported two Egyptian aircraft were downed by SAMs fired by their own forces as the aircraft attacked Israeli bridges across the canal. A total of ten Egyptian planes reportedly were destroyed by their own forces according to the Israelis.

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ISRAEL'S POSITION ON A CEASE-FIRE

18. Speaking on Israel's national radio today, Defense Minister Moshe Dayan expressed a willingness to discuss Arab proposals for a cease-fire. Dayan's willingness, however, was tempered by a demand that any cease-fire proposals include one of two concepts: a return by both sides to the previous lines, or the retention by both sides of positions occupied at the time of the cease-fire. Israel, according to Dayan, could not accept a cease-fire predicated on the double standard that "in Syria you withdraw and in Egypt you stay where you are."

19. Dayan did not propose that Israel seek a cease-fire, maintaining that "every day that passes in this war is in our favor now." He did concede, however, that Israel is not "in a position that it can say it opposes a cease-fire and wants a continuation of the war."

20. The press has interpreted Dayan's statements as a suggestion to Egypt and Syria that they should propose a truce before Israeli tanks move still closer to their capitals. It may also be, however, that Dayan thinks Cairo and Damascus are in no mood to call for a cease-fire, and thus feels free to put Israel on record as willing to cooperate in any moves toward peace.

21. Foreign Minister Abba Eban, who arrived in Tel Aviv from New York today, maintained that Israel must for the time being concentrate on winning the war. He added that "I don't see any prospect of a cease-fire at the moment."

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IMPACT OF SAUDI OIL CUTOFF TO THE UNITED STATES

27. Radio Riyadh announced today that Saudi Arabia has decided to cut off oil shipments to the United States because of increased US aid to Israel. Libya, Abu Dhabi and Bahrain have already announced a total embargo on US oil shipments and other Arab producers are almost certain to follow.

28. Saudi Arabian oil exports to the US are about 600,000 barrels per day (b/d)--3.5 percent of US oil consumption. A total Arab embargo on US oil shipments would amount to about 1.8 million b/d in October--about 10 percent of US oil consumption. The Arab oil-producers may reduce production even more than the 5 percent per month agreed upon last Wednesday in an attempt to prevent Western oil companies from circumventing the selective embargo by shipping more non-Arab oil to the US and supplying other consumers with Arab oil. In any event, the companies are certain to ease the embargo somewhat by switching supplies whenever possible.

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30. Turkey's Foreign Minister Bayulken told Ambassador Macomber today that his government has agreed to allow more Soviet overflights. Although Bayulken tried to hedge the issue of the exact arrangements worked out with the Soviets, he did mention that at least 10 and perhaps as many as 15 flights would be permitted on a "one-shot" basis. Ambassador Macomber, however, was not convinced that these figures were equally understood by the Soviets.

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GROMYKO COMMENTS ON SETTLEMENT

32. In a conversation with the French Ambassador on 17 October, Soviet Foreign Minister Gromyko said the central Soviet concern is that Israel must withdraw from all Arab territories. According to a Canadian report based on a briefing by the French Embassy after the meeting with Gromyko, the Foreign Minister said acceptance of this point is essential. Gromyko thought two separate decisions would be required from the UN--one on the evacuation of occupied territories by Israel and the other on a cease-fire. He added that since neither Israel nor the US seemed prepared to accept a withdrawal to the pre-1967 lines, the prospects of an early cease-fire were not good.

ANNEX I

Arab Financing of Soviet Arms

1. The New York Times reported on 18 October that a major oil producing country is seeking to borrow money in Europe to pay for Soviet arms now being delivered to Arab belligerents, and speculated that the Arabs are becoming hard pressed for cash. The story is not accurate.

2. The report, which cites European banking circles as a source, apparently was based on an Abu Dhabi application to Morgan Grenfell Merchant Bank in London for a \$200 million loan, ostensibly for aid to other Arabs. Unlike most other Arab oil countries, who pay cash even for large capital investment projects, Abu Dhabi frequently tries to borrow at lower interest rates than they are receiving for their approximately \$1 billion in reserves.

3. The Soviet Union has received hard currency payment for at least some arms supplied to belligerents in the Middle East War but we do not know if they have demanded hard currency payment for all such deliveries; in any case, Arab countries have ample funds on hand for this purpose. The total value of arms supplied to Egypt, Syria and Iraq after the 1967 war was somewhat less than \$3 billion. A similar sum could easily be met out of Arab cash reserves of more than \$10 billion and could be replaced out of normal current income in less than a year. Before the present war, Saudi Arabia, Libya and the Gulf states already had committed about \$2 billion to arms purchases for Egypt alone.

4. The Arab financial situation could become temporarily tight if the USSR demanded repayment of old debts as well as cash for current deliveries as a sine qua non of arms resupply. Thus far, however, there is no evidence of such a request.

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5. The contention in the New York Times that the USSR has demanded hard currency payment for arms delivered in the past also is not entirely true. Neither Egypt nor Syria has repaid any of the military debt accumulated since 1967. Some interest payments have been kept current by both countries, but the transactions have been made through their bilateral clearing accounts rather than in hard currency. Iraq has repaid principal as well as interest, usually transferring hard currency. The hard currency payments were voluntary, however, rather than at the insistence of the Soviet Union.

6. Most rumors that the USSR demanded hard currency payment in the past for arms delivered to Arabs can be traced to statements by Presidents Nasir and Sadat of Egypt designed for the consumption of wealthy Arab benefactors. For a number of years both Egyptian leaders told Arab donors that funds were needed for arms, whereas ample evidence exists that Arab transfers to Egypt were spent on civilian goods. Exposure of this subterfuge by members of the Libyan Revolutionary Command Council was the main factor that inspired President Qadhafi to cut off ad hoc transfers to Egypt in mid-1972.

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No Objection To Declassification 2009/07/14 : NLN-NSC-665-2-8-7