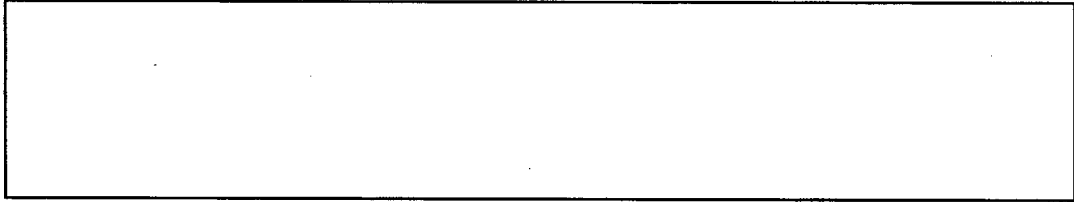


ARAB STATES - ISRAEL: There was very little shooting again yesterday on either front, but negotiations for the release of POWs were stalled by Egypt's insistence that Israeli forces first return to the cease-fire lines of 22 October.

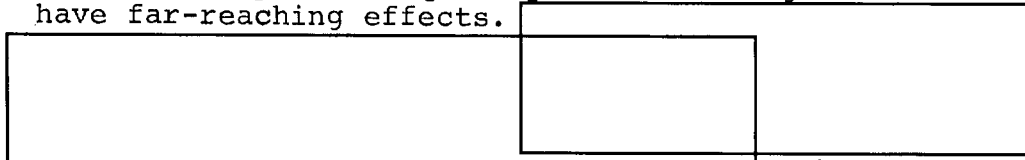


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Israeli Minister of Defense Dayan announced yesterday that an agreement for a mutual exchange of wounded POWs had been worked out with Egypt. He told the Knesset that the Egyptians had handed over a preliminary list of 82 Israelis they hold, and that in exchange Israel would release 75 wounded Egyptian soldiers and allow the isolated Egyptian Third Army to evacuate its wounded. Even this limited arrangement may have fallen through, however, as a result of Egypt's insistence on an Israeli pullback. Syria has yet to respond to Israel's POW exchange proposal.

The Dutch are coming under heavy Arab pressure because of their pro-Israeli stand during the fighting. Libya and Bahrain announced yesterday that they were imposing a total ban on oil shipments to the Netherlands. In addition, Saudi Arabia has threatened to cut its oil exports to Holland unless The Hague issues a statement denouncing Israeli aggression and calling for Israel's withdrawal from Arab territory. According to the US Embassy in The Hague, the Dutch response was low key and did not directly answer the Saudi demarche. The Netherlands is an important oil processing and distribution center for Western Europe, consequently an oil embargo could have far-reaching effects.

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The US mission at the UN, meanwhile, is concerned that Israeli

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policy on the composition of the UNEF may become entangled in the prisoner-of-war issue, thus further complicating Secretary General Waldheim's efforts to assemble the UN's peacekeeping force.

According to the US Interests Section in Cairo, the Egyptian press is becoming increasingly bellicose. The semi-official daily Al Ahram yesterday picked up the theme of the authoritative columnist Ihsan Abd al-Quddus that Egypt should not lay down its arms but prepare for a "greater and more violent battle." Some of this bluster may be designed to becloud Egypt's real military situation, which is only gradually seeping out to the Egyptian public. Al-Quddus, however, often accurately reflects the government's frame of mind and was the only Egyptian commentator before 6 October calling for war.

Soviet First Deputy Foreign Minister Kuznetsov arrived in Cairo yesterday for talks on the Middle East situation. Kuznetsov is second only to Gromyko in the Soviet Foreign Ministry and has been used by Moscow as a trouble-shooter in the past.

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US-USSR: Moscow is demonstrating its displeasure over recent US statements regarding Soviet intentions in the Middle East.

Since the President's press conference last Friday, the Soviets have taken a number of steps to signal their annoyance with the Administration's public justification of the US military alert last week. Soviet propaganda has embroidered on the initial reaction to the alert--a TASS statement issued on 27 October--by relating the US move to the domestic situation in the US. The Soviets have also been giving play to dissension within NATO over US actions related to the Arab-Israeli war. In addition, Moscow has initiated several moves on the diplomatic front to convey its displeasure and to exploit this dissension. According to the US Embassy in London, a Soviet diplomat has relayed Moscow's dissatisfaction with the US action to a ranking member of the British Labor Party, professing that detente has been seriously damaged. In Washington, Ambassador Dobrynin has refused an official US diplomatic social invitation "because of the present situation."

Prior to the President's press conference, the Soviets had avoided any direct mention of the alert. In reporting on Secretary Kissinger's press conference last Thursday, the Soviets not only failed to note his references to the US military move, but also avoided referring to the complications in relations brought about by the Middle East crisis in general. Similarly, Brezhnev's speech to the international peace congress in Moscow on Friday also focused on the positive aspects of detente and relations with the US. The President's remarks on Friday night, however, must have been viewed in Moscow as an escalation of public recriminations that violated their view of quiet diplomacy and required a response. Even so, in their reporting on the US alert, the Soviets have not described the global dimensions of the US military move, which suggests that they would prefer not to fan public anxieties at a time when the Soviet media are hailing the regime's successes with detente and relations with the US.

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