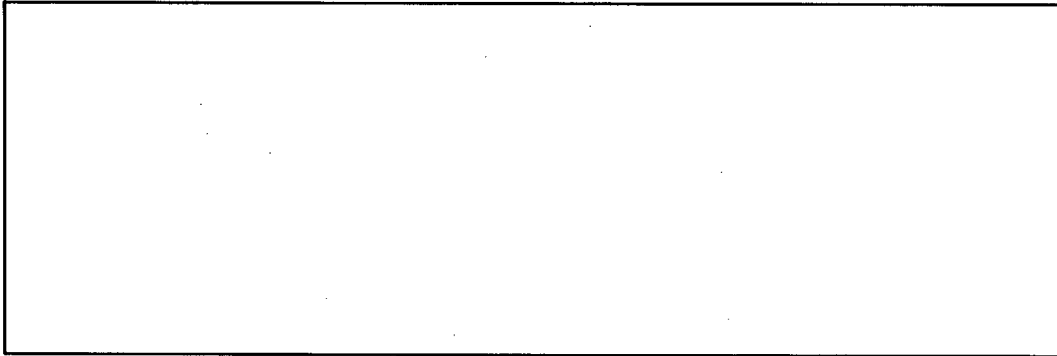
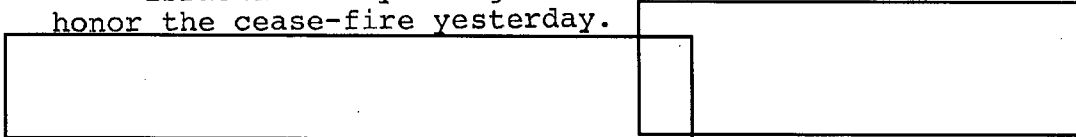


ARAB STATES - ISRAEL: Both fronts remained quiet yesterday, although there were several minor incidents on the Egyptian front.



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Israeli and Syrian ground forces continued to honor the cease-fire yesterday.



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President Sadat asserted in a press conference yesterday that he has been under pressure from his military chiefs to renew hostilities if Israel refuses to withdraw to the 22 October cease-fire lines. He said he would restrain the army until he sees the result of current contacts in Washington by his newly appointed foreign minister, Ismail Fahmi, and the impending visit to Cairo of Secretary Kissinger. If the diplomatic talks are successful, and the Israelis do pull back, Sadat said he is prepared immediately to begin arrangements for a peace conference. Sadat may run into some difficulty from Syria when the time comes to begin talks, however. Damascus radio broadcast a statement by the Syrian information minister yesterday rejecting direct negotiations with Israel and affirming Damascus' refusal to bargain over Syrian territory.

Sadat also acknowledged that his decision to accept the original cease-fire has brought him some criticism. He defended himself with the claim that

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the US airlift had virtually forced him to stop fighting. Sadat said that Egyptian forces had initially held their own and gotten Israel down to a three-day supply of ammunition before new US weapons began arriving on the battlefield. Sadat was not totally negative, however; he credited the US, despite its help to Israel, with a "constructive attitude" thus far in its efforts to find peace.

According to an Israeli announcement, the transfer of supplies to the Egyptian Third Army was resumed on the afternoon of 31 October, following an unexplained delay. Radio Jerusalem said that in the past three days some 50 truckloads of supplies have been sent to the Egyptian Army units on the east bank. Earlier this week the Israelis agreed to allow a convoy of 100 trucks driven by UN personnel to pass through the lines with non-military supplies.

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JAPAN-OIL: The Japanese Government is under increasing pressure to abandon its neutral stance on the Middle East in favor of open support for the Arabs.

Vice Foreign Minister Hogen, hoping that a political settlement can be arranged before Japan's oil supply situation becomes tight, has thus far held to the line that Tokyo should not go beyond supporting Security Council Resolution 242 in responding to Arab demands for political support. The government may face a major policy decision by late November, however, in view of the Arab's announced intention to make further cuts in the oil supply. Depending on their severity, such cuts could have a profound effect on the Japanese public and possibly endanger the Tanaka government.

Japan stands to lose at least 500,000 barrels per day of oil imports, or about 9 percent of consumption, as a result of the initial cutback in production by the Arab producers. The major international oil firms that supply the bulk of Japan's oil have already notified the Japanese of impending cutbacks in deliveries. Gulf Oil, which supplies about 10 percent of Japan's imports, will cut shipments by 35 percent retroactive to 1 October. Japanese refineries thus far are operating normally and petroleum stocks probably are equivalent to about six weeks of normal consumption. Nonetheless, the government is drawing up plans to restrict consumption, including rationing if necessary.

Japanese diplomats have already offered to underwrite previously rejected aid projects to Arab countries, and a new soft line on Egyptian debt rescheduling is being considered. A Japanese Foreign Ministry official has told the US Embassy, however, that working-level officials do not believe such representations will be sufficient to restore oil deliveries to Japan to previous levels. Consideration is

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now being given to sending International Trade Minister Nakasone, or even Prime Minister Tanaka, to visit Arab capitals, if the Middle East situation has not improved by December. The working-level officials envisage that such a trip might be accompanied by a drastic change in Japanese Middle East policy, possibly including a break in diplomatic relations with Israel. Thus far, senior Foreign Ministry officials have talked to the US Embassy only about Arab demands that Japan support them on the territorial issue.

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FOR THE RECORD*

Syria: Work has begun on repairing the power plant at the \$120-million Homs refinery that was damaged by Israeli air strikes. Contrary to several earlier reports, the refinery was not destroyed, although production halted because of damage to nearby power and export facilities. The 3-million-ton capacity refinery accounts for Syria's total output of petroleum products.

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**This item was prepared by CIA without consultation with the Departments of State and Defense.*

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