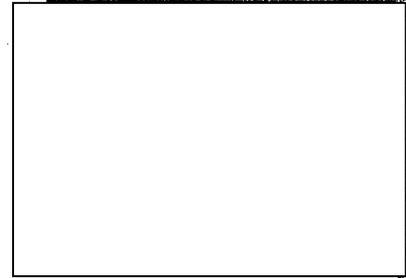


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Director of
Central
Intelligence

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National Intelligence Daily

Wednesday
30 April 1980

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CO NID 80-1021X
30 April 1980

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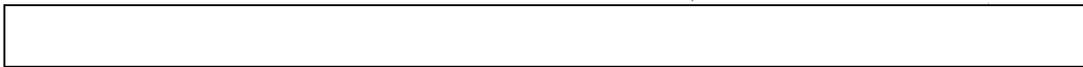
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SITUATION REPORTS

IRAN

Iraq probably was responsible for yesterday's attempted assassination of Foreign Minister Ghotbzadeh in Kuwait. [redacted]

Kuwaiti authorities suspect the attackers were Iraqis or Iraqi sympathizers. [redacted]

The attack may lead to further decline in Iranian-Iraqi relations. More border incidents are likely, and the Iranians probably will search for some way to retaliate in kind for the attempt on Ghotbzadeh. [redacted]

Chamran's Comments

Defense Minister Chamran--who is not a particularly influential figure--said yesterday he favors releasing the hostages and argued that every country uses its embassies to collect intelligence. Chamran is acutely conscious of Iran's military weakness in the aftermath of the US rescue mission, and he probably is concerned that the US will mount military operations against Iran. (U)

The Iranian Army broadcast a warning to all its units yesterday that the US may soon launch another "plan" for military intervention. The broadcast stated that US Marines have arrived in Bahrain. (U)

Bani-Sadr has publicly asked the European Parliament, the Nonaligned Movement, the Islamic states, and the UN to send delegations to Tehran on 10-12 May for a review of the US aggression. The Nonaligned states were also asked to convene in "emergency session" at the ministerial level on this issue. (U)

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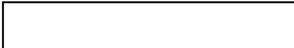


Tudeh Statement

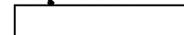
The pro-Soviet Tudeh Party has issued a statement condemning the rescue mission and characterizing it as "one link" in a US conspiracy to overthrow the Khomeini regime. The Soviet-controlled National Voice of Iran radio based in Baku has taken a similar line on the mission and warned that the US is using a "fifth column" of Iranians to support its "plots." 

The Tudeh and other leftists probably are especially pleased that the rescue mission has at least temporarily halted the attacks on leftists at Iranian universities. Classes reportedly have resumed on some campuses. 

Kurdish Tensions

Both President Bani-Sadr and the principal Kurdish dissidents declared a cease-fire in the Kurdish areas effective at midnight local time last night. Tensions remain very high, however, and significant fighting could resume if Bani-Sadr does not send a goodwill delegation from Tehran to Mahabad today as the Kurds claim he will. Both sides have indicated that the prospect of some progress in the autonomy negotiations may have permitted the agreement on a cease-fire. 

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BRIEFS AND COMMENTS

USSR-US: Warning on Iran

Moscow [redacted] repeated a warning issued by President Brezhnev in 1978 against US military action in Iran and also is increasing its efforts to isolate the US from its allies by its propaganda on the abortive rescue mission in Iran and on Secretary Vance's resignation. [redacted]

[redacted] warned that further US military actions in Iran can lead to "most dangerous results." [redacted] recalled Brezhnev's statement of 19 November 1978, in which the Soviet leader warned that military "interference" in Iran would be regarded by the Soviet Union as affecting its "security interests." Moscow last cited this statement publicly in a TASS commentary on 25 March. [redacted]

Soviet propaganda recently has become even harsher, attempting to portray a "serious and dangerous crisis in Washington's whole foreign policy course." Most of the commentary has attempted to present Secretary Vance as a victim of the US political system and of intrigues against him, but one Soviet domestic broadcast warned that his departure "alerts" the world to "the dangerous, adventurist course on which the US has embarked." (U)

The theme of US irresponsibility also was prominent in Foreign Minister Gromyko's press conference in Paris on 25 April and in the speech of candidate Politburo member Ponomarev to the gathering of European Communists in Paris on Monday. In addition, Gromyko warned the Europeans against US "pressure." (U)

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SPECIAL ANALYSIS

IRAN: Economic Conditions and Prospects



The Iranian economy has been running at half speed since the revolution, and there are no signs that a substantial improvement is imminent. Despite publicity given by the Iranian Government to some recent trade deals with the USSR and East European countries, the Bloc does not represent an attractive alternative to Western goods or markets. 

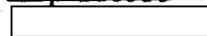
The modern sectors have been most disrupted, with oil production down to about 2.4 million barrels per day in first quarter 1980 or about 45 percent of its prerevolutionary level. Industrial production has been stagnant for months at less than half normal production, and large-scale construction activity has virtually ceased. Grain production reportedly was above average in 1979 due to good weather, and first reports from Iran indicate that another good crop is expected this year. 

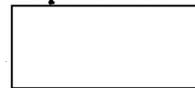
The deterioration of the economy has not yet caused extensive unrest due to Iran's ability to obtain basic foods and other necessities in sufficient amounts. The standard of living has been lowered to an austere level, however, with quality foods and manufactured goods difficult to find. 

Oil production has been troubled by marketing difficulties, organizational and labor problems, and increasingly frequent sabotage of oil facilities. The Iranians also are having some problems in obtaining some spare parts, chemicals, and other materials for the oil industry that formerly were purchased from US suppliers. 

Iranian difficulties in finding alternative supplies are attributable to the lack of organization

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rather than the absence of sellers. The greatest problem is acquiring refining catalysts and other process chemicals. 

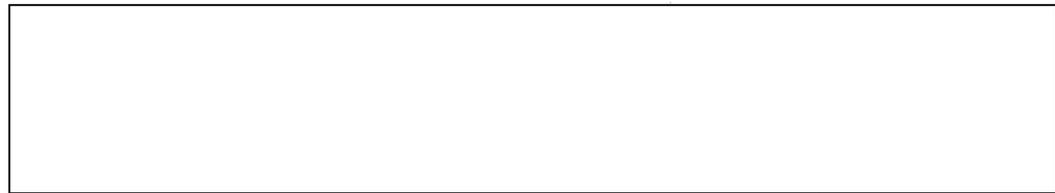
Tehran last week began denying crude oil to Japanese companies due to disputes over oil prices. British Petroleum and Shell had previously suspended their own purchases. In all, over 900,000 barrels per day of Iranian crude exports are affected. 

Industry

Iran's major industries continue to be plagued by strikes, low labor productivity, worker interference in management, and a lack of competent technical and managerial personnel. Shortages of raw materials and capital goods from abroad--due mostly to Iranian mismanagement--are major problems. 

The takeover last summer of private Iranian ownership of major industries served to prevent the layoff of excess workers and assured the companies' survival through government subsidies. Joint venture operations with foreign partners--who provide some technical and managerial services plus better access to spare parts and raw materials--have generally fared better than the wholly Iranian operations. 

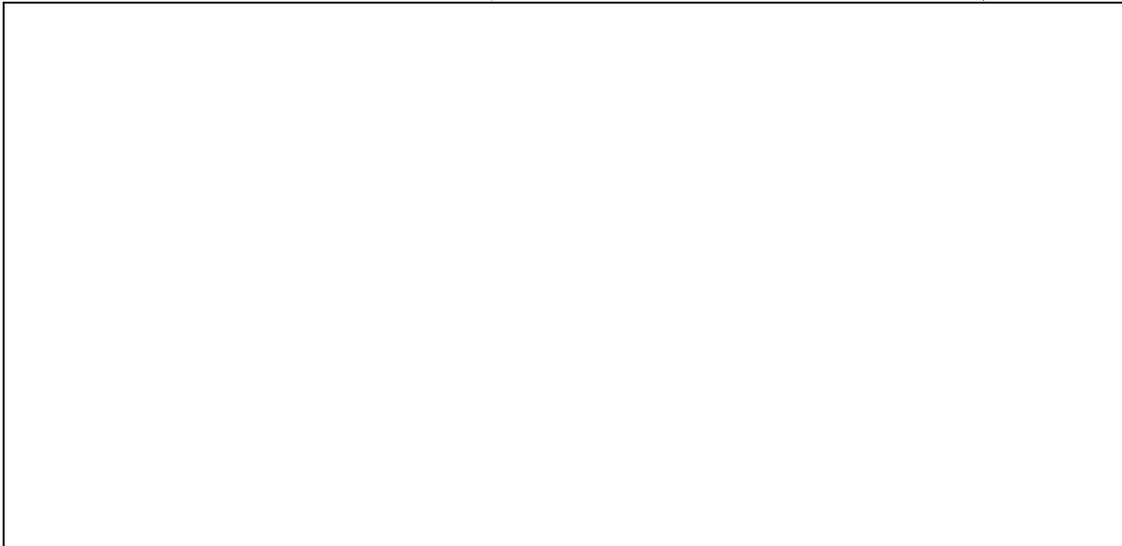
Central Bank officials have stated that 80 percent of Iran's industrial plants are facing severe operating problems. The General Motors plant, which has been operating at less than 50 percent of normal, is expected to run out of assembly kits within two months; Renault and Sunbeam were operating at below 40 percent and 50 percent, respectively. 



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The blocking of Iranian assets has caused a number of loans to be declared in default. Although the governor of the Central Bank in late March stated Iran's intentions to service its foreign debts, Iran has intentionally withheld payment to US banks. 

Japanese and British banks recently have expressed concern about overdue payments on Iranian loans, and Japanese pressure to secure payment commitments did not elicit a positive response from the Central Bank. While non-US creditors are pointing out in strong language the implications of default, in most cases they have not acted to close out loans. 

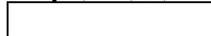
Sanctions-Related Prospects

In the event of an imposition of economic sanctions by Western Europe and Japan, Iran would not be willing or able to redirect much of its trade to Soviet Bloc countries, which now account for only 5 percent of Iranian imports. Iran's priority needs are for food and other agricultural products which the Bloc countries would be hard pressed to provide. 

Iran would first attempt to fill its industrial materials requirements through transshipments from third

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Overland Transport Routes Into Iran



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parties, although Communist countries could supply some goods. Maintenance of Iran's plant and equipment--almost entirely of Western origin--requires Western-made components.

The Bloc would not be a major market for Iran's exportable oil, in large part because of Soviet and East European hard currency constraints. Iran could find a substantially increased market for more of its oil in the USSR and Eastern Europe only if the Soviets agreed to export more of their own oil to the West and consume Iranian crude in its place.

In the event of a blockade of Iranian ports, Tehran would have no choice but to turn to the USSR to help meet its needs. Soviet overland rail and highway routes, which would have to handle all Iranian imports, would be put under severe strain just to transport the annual Iranian food requirements of 4 to 5 million tons. Disorganization and civil unrest in Iran have held the flow of goods far below even this level for months. Moving increasing quantities of goods across the border would require a large diversion of freight cars and other scarce equipment in the USSR.

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