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Director of
Central
Intelligence

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National Intelligence Daily

Wednesday
26 March 1980

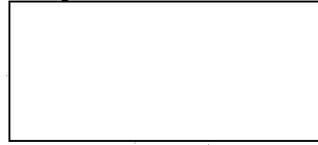
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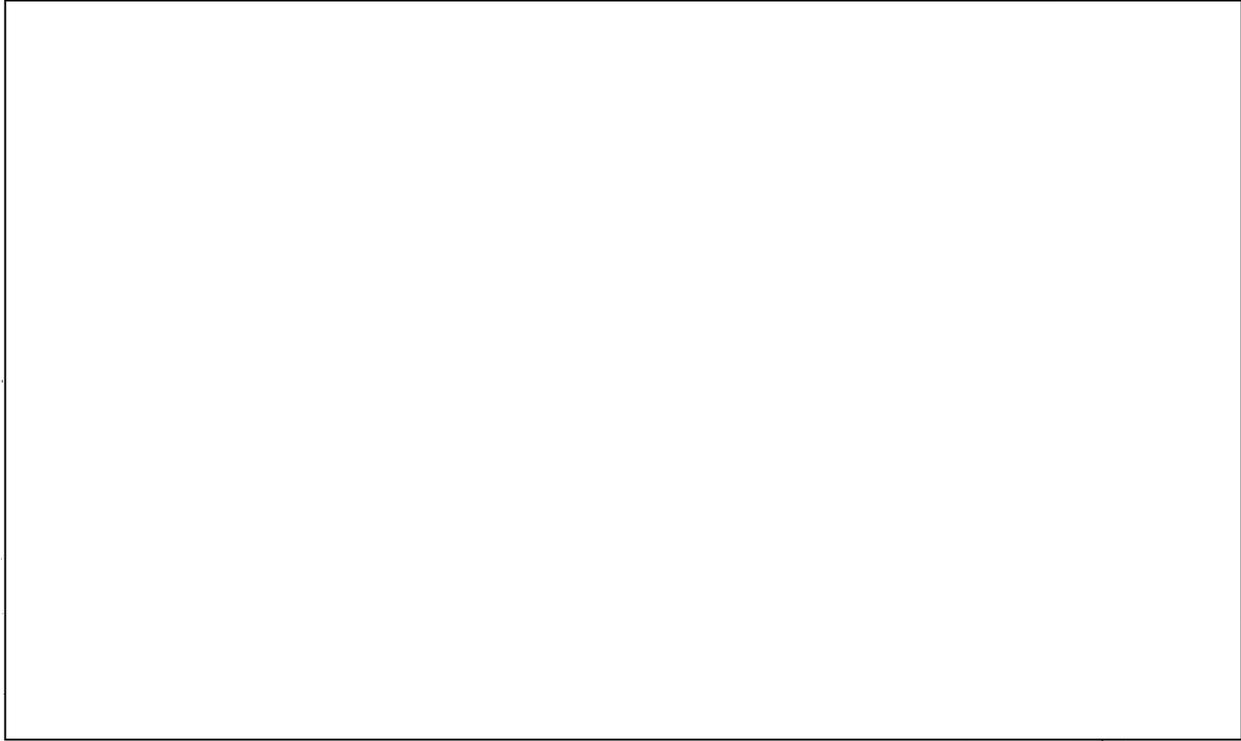
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SITUATION REPORTS

IRAN

Yesterday's demonstration at the US Embassy, the largest in several months, was a clear boost for the political fortunes of the militants and a setback for President Bani-Sadr, who has been trying to isolate the militants. (U)

A spokesman for the captors told the demonstrators that the Shah's travel to Egypt demonstrated that "non-revolutionary measures" to extradite the Shah are doomed to failure and only the continued holding of the hostages will lead to his return. The clerical leaders of the demonstration threatened to put the hostages on trial if he is not repatriated. (U)

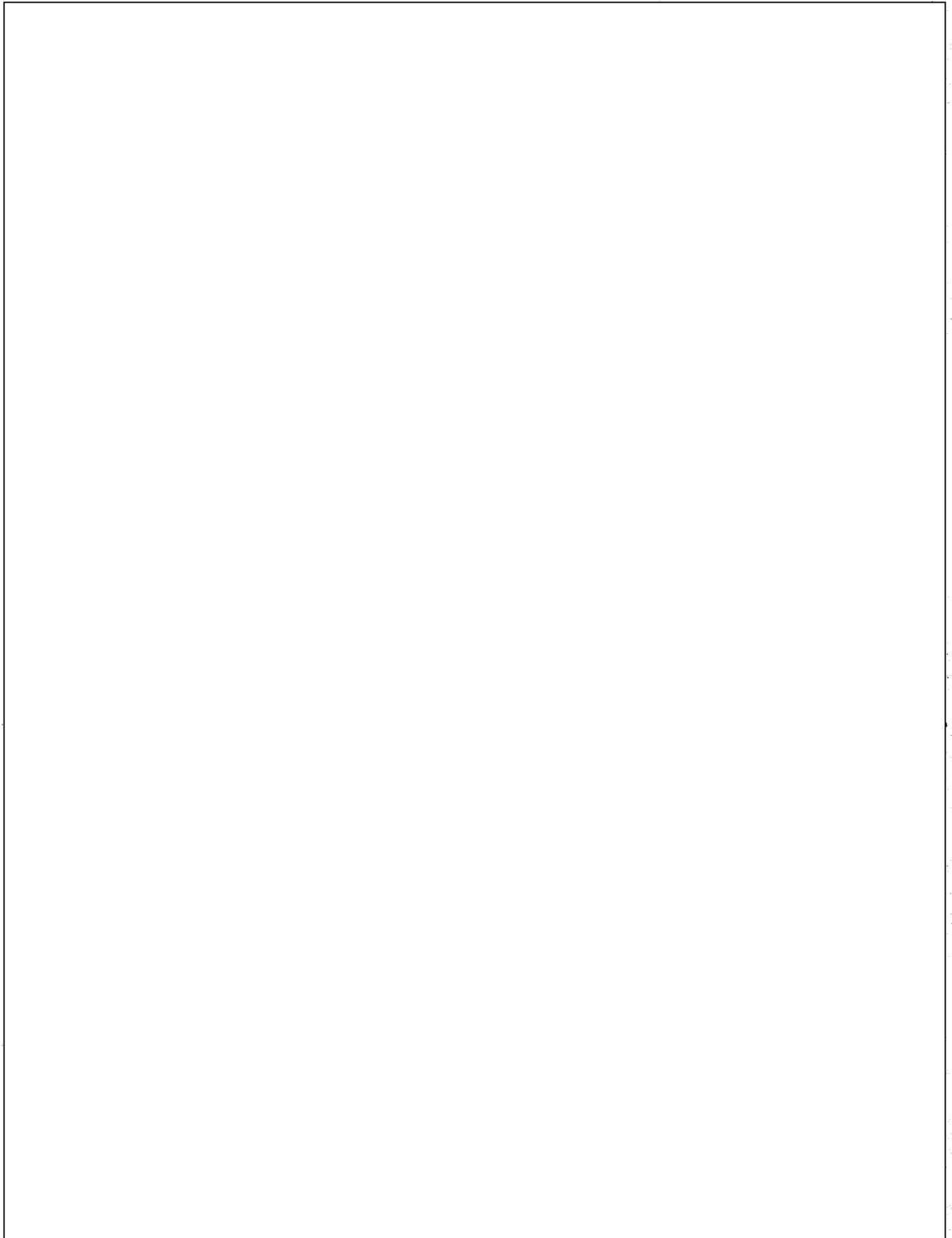
The clergy's endorsement of hostage trials is ominous because it may reflect the views of the cleric-dominated Islamic Republic Party, which will probably be the largest bloc in the parliament. (U)

Foreign Minister Ghotbzadeh yesterday said the Shah's travel to Egypt has undermined Iranian faith in a negotiated settlement of the hostage issue and will make it "extremely difficult" for the parliament to release the hostages. He also said Iran will not try to extradite the Shah from Egypt because the Sadat government "has no sovereignty" over its country and is a "puppet" of Israel and the US. Ghotbzadeh also said Iran will continue to proceed with extradition proceedings with Panama. (U)

Bani-Sadr complained again yesterday about multiple power centers in Tehran. He reiterated that the fate of the hostages is up to the parliament and that he has always favored separating the Shah's extradition from the fate of the hostages. Bani-Sadr also said he favored putting the hostages under the authority of the Revolutionary Council. (U)

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IRAQ - SOUTH YEMEN: Support for South Yemeni Exiles

Iraq is attempting to unite South Yemeni opposition groups under one umbrella organization.

The Iraqi media has been criticizing South Yemeni leaders for falling under Soviet domination and for suppressing local Baathists.

Active Iraqi opposition to South Yemen is still in its early stages. The publicity surrounding Baghdad's support for the exiles suggests Iraq's policy is being undertaken largely for its propaganda value. South Yemeni dissidents are weak and disorganized, and are unlikely to mount effective opposition inside South Yemen. Iraq must also weigh carefully any moves that could cause the USSR to curtail delivery of military supplies and spare parts to Iraq's Soviet-equipped armed forces.

The Iraqis, on the other hand, may now be more willing to confront South Yemen. The Soviet invasion of Afghanistan has chilled relations with Moscow, and in recent years Iraq has signed a number of major arms orders with Western nations.

President Saddam Husayn may want to punish Aden for sheltering dissident Iraqi Communists. He also is trying to establish credibility with conservative Arab states whose support he needs to implement his Pan-Arab charter proposal aimed at limiting big power involvement in the region.

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