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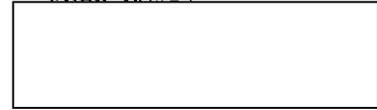
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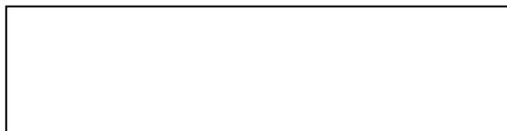
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BRIEFS AND COMMENTS

USSR-EUROPE: Preparing for Madrid

The Soviets are concentrating on projecting a cooperative image for the Conference on Security and Cooperation in Europe review session in Madrid to the West Europeans, with the aim of securing agreement on a subsequent conference on disarmament in Europe.



In a rare interview on 30 July with *Pravda*, President Brezhnev stressed the importance of CSCE to the preservation of detente and portrayed the USSR as detente's champion. Brezhnev and other Soviet leaders

would not be satisfied if the review session produced only a balance sheet of accomplishments since the session in Belgrade in 1977.

A conference on military detente in Europe has become Moscow's primary objective in CSCE, and Moscow's pre-Madrid diplomacy has focused on achieving a limited mandate for a post-Madrid conference in the hope it will keep the European detente process alive even if accord on substantive issues is lacking.

it was decided to seek only the mandate for such a conference at Madrid, leaving discussions of its expected contentious agenda and scope for a post-Madrid "experts' meeting."

The USSR may temper its response somewhat to anticipated Western criticism at Madrid to obtain a disarmament conference.

in Madrid the Soviets would "surprise the West with moderate counterarguments" to Western criticism on Afghanistan and human rights in the interest of securing a European disarmament conference.

The Soviets evidently thought this approach would reduce the pressure on the West Europeans to echo US criticism. So far, however, the Soviets have been telling West Europeans that they will answer criticism from the US in kind.



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[Redacted]

WEST GERMANY - CHINA

[Redacted]

[Redacted]

The Lambsdorff delegation, including representatives of 18 firms and three banks, will be in China until 20 August to investigate opportunities for closer bilateral economic cooperation. This will advance the work of a mixed commission set up under the West German - Chinese economic agreement of October 1979.

[Redacted]

[Redacted]

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[Redacted]
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NIGERIA: Oil Scandal Findings

Regime efforts to transfer blame for oil revenue shortfalls to major foreign oil companies appear to have been accepted, at least initially, by the general public.

Continued confidence in President Shagari's regime depends on public acceptance of the explanation for the alleged loss, which the Nigerian press surfaced last fall. Although the loss occurred under the last military regime, press reports have speculated that Shagari might be covering up for the ex-military rulers who some opposition parties maintain favored his candidacy.

Shagari apparently gave a free hand to the judicial tribunal that conducted the investigation, and it is the thoroughness and fairness of its findings that will now be the object of public scrutiny. Nigeria's main opposition party predictably has criticized the report.

The tribunal found no evidence that \$5 billion in oil revenues had been lost or embezzled. It did conclude that Nigeria suffered a large shortfall from 1975-78 because of the inability of the national oil company to find a market for its share of equity oil--182 million barrels--that was left in the ground. The regime now maintains that lost sales should be made up by its foreign oil partners at their expense.

The government believes that it has a legitimate case against the oil companies. The regime, however, values increased Nigerian-US economic cooperation, and the tribunal's findings were withheld until after the recent visit to Nigeria by Vice President Mondale, who headed discussions on bilateral economic relations.

The oil companies believe they are being penalized for the national oil company's failure to sell its overpriced oil at the time. Nevertheless, they feel negotiations over this issue will probably result in a loss of some of their future equity oil rather than current production.

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ARGENTINA-IRAQ: Possible Aircraft Deal

Iraq is considering the purchase of an Argentine-built light-attack aircraft. [redacted]

[redacted]

[redacted] Buenos Aires has conducted an aggressive sales campaign since 1977 to sell its sole domestically produced military aircraft, but only Mauritania and Thailand have placed orders thus far. [redacted]

Baghdad evidently is investigating other Western aircraft before deciding on a multirole light-strike aircraft. [redacted]

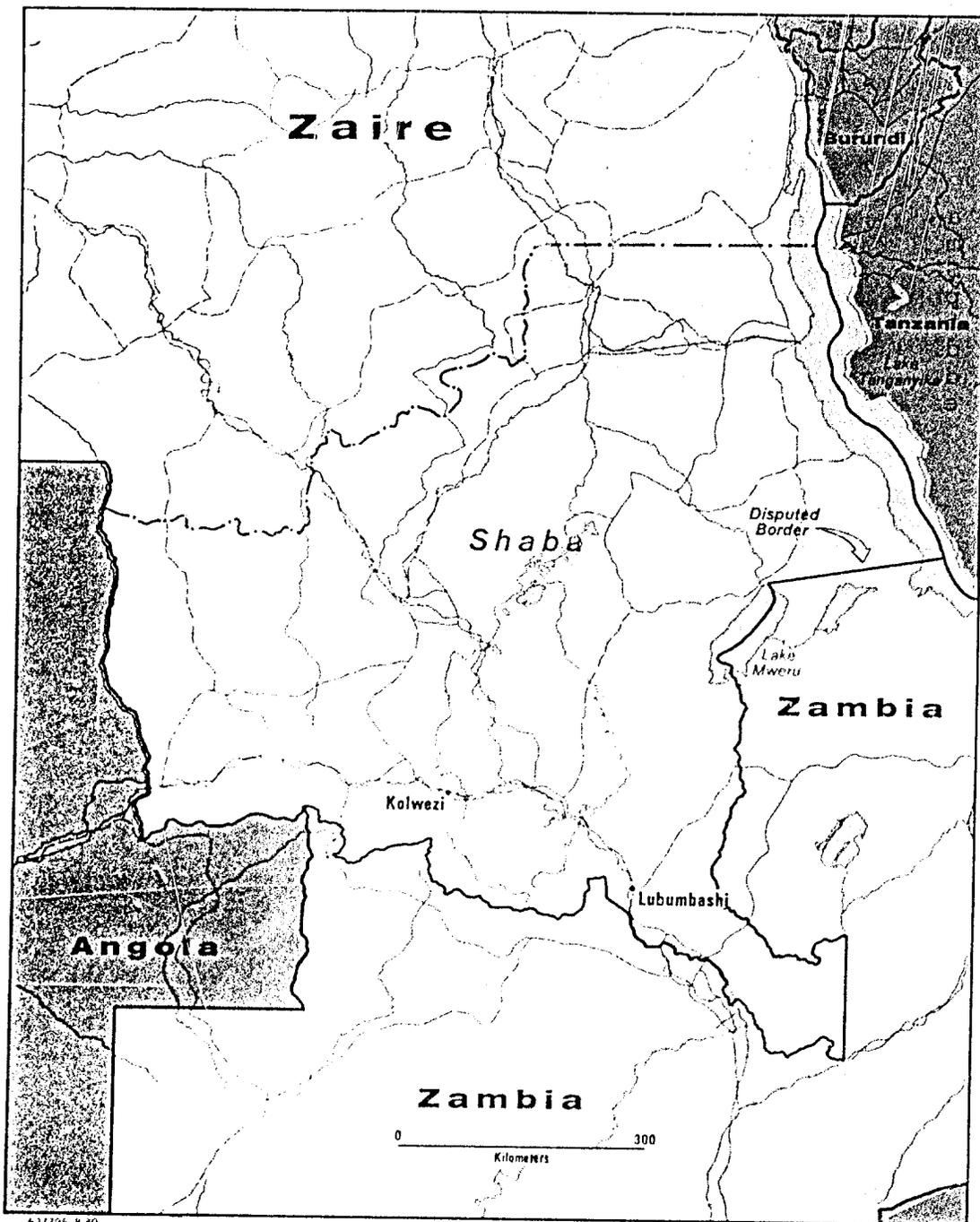
[redacted]

The Iraqis have depended until now on 50 Czechoslovak L-39s to fill the role of advanced trainer and light ground attack aircraft in Kurdistan. [redacted]

[redacted] negotiations for the sale of 50 more L-39s to Iraq were near completion as part of increasing Iraqi-Czechoslovak military cooperation. [redacted]

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ZAMBIA-ZAIRE: Border Dispute

A longstanding dispute between Zambia and Zaire over a stretch of their common border between Lakes Mweru and Tanganyika is heating up. Last month, President Kaunda visited the area--recently discovered to be rich in minerals--apparently to underscore Zambia's demands for a return to the boundary determined in 1890 by an agreement signed between Great Britain and the Congo Free State (now Zaire).

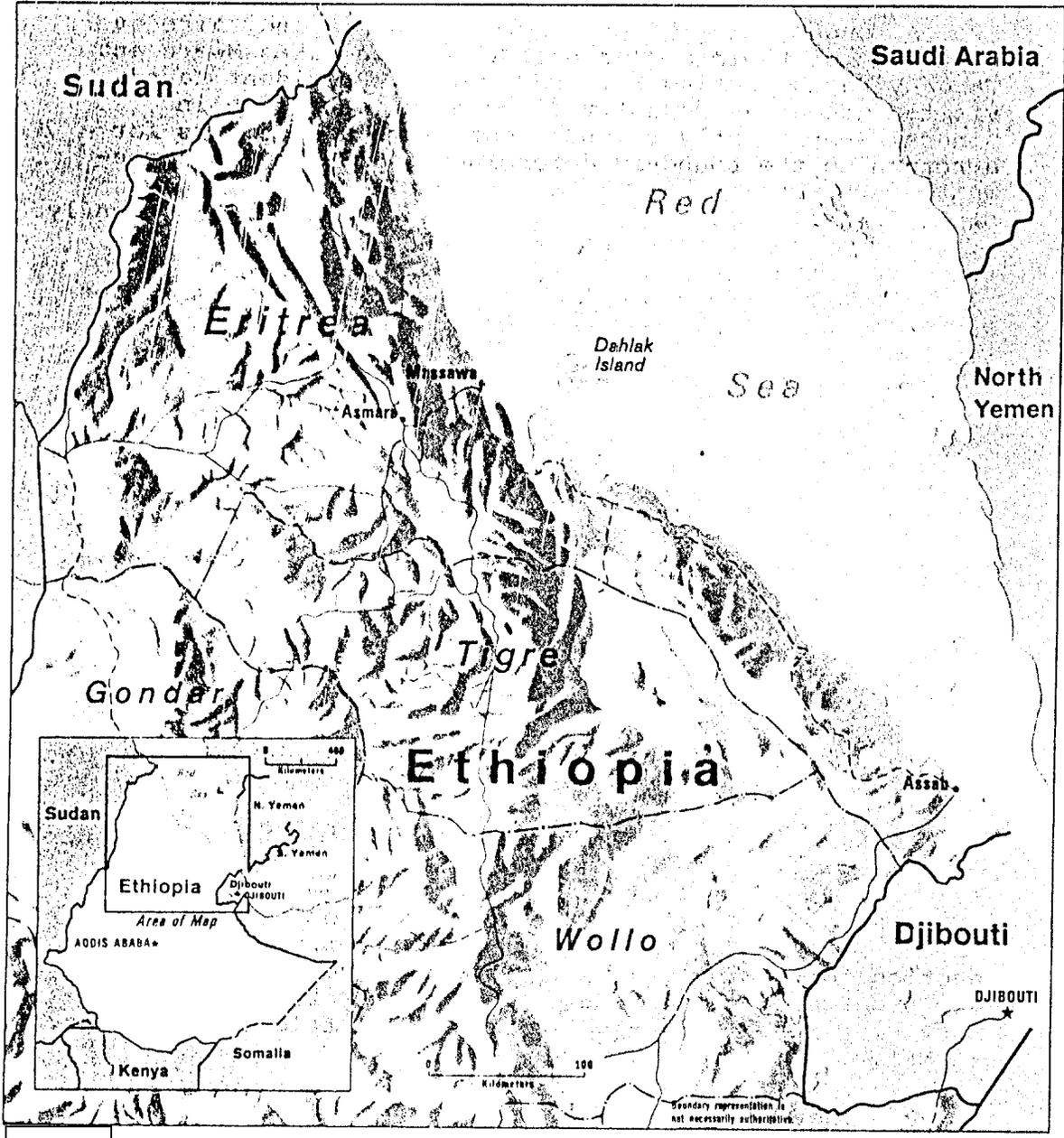
USSR: Lower Grain Prospects

Hot, dry weather during July has lowered potential yields in some grain areas in the USSR. We now estimate total Soviet grain output at about 210 million tons--at the low end of our previous forecast of 210-220 million tons. If this projection holds, the harvest would fall about 25 million tons below the target for 1980 but would still represent a marked recovery from last year's poor 179-million-ton crop. Our estimate of total wheat output now stands at 105 million tons, compared to our previous range of 105-110 million tons.

There has been a gradual deterioration in growing conditions during the past several weeks in several key spring grain growing areas, including the north central oblasts and the western Urals.

The potential yield reduction for spring grains in this area could be as high as 20 percent. Because they were nearly ripe, however, most winter grains generally suffered little or no damage.

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Sudan

Saudi Arabia

Red

Eritrea

Dahlak Island

Sea

North Yemen

Ethiopia

Gondar

Tigre

Djibouti



Wollo

DJIBOUTI

Boundary representation is not necessarily authoritative.

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USSR-ETHIOPIA: Dahlak Island Agreement

Moscow and Addis Ababa apparently have formalized the de facto control that the Soviets have had over the small naval facility on Dahlak Island.

The present facility at Dahlak consists of a floating drydock, a pier, and a few support buildings. The Soviets have been using Dahlak since 1978

TURKEY: Call for Early Elections

The Justice Party parliamentary group is planning to inscribe a motion for early national elections when parliament reconvenes early next week. The motion may pass if Prime Minister Demirel's informal coalition partners go along; National Salvation Party leader Erbakan, however, is likely to drive a hard bargain for his support. Demirel hopes elections between October and December will return him to power with a clear majority and thus break the six-month-old political impasse. Opposition leader Ecevit opposes early elections because his disunited party would suffer defeats. The move probably will defer parliament's consideration of five security bills backed by the military to fight terrorism; it will also further delay the election of a permanent president.

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SPECIAL ANALYSIS

IRAN: The Prime Minister and the Hostages

[REDACTED]

The selection of Mohammad Ali Rajai as Iran's new prime minister marks a turning point in the power struggle in Tehran and in the hostage crisis. The position of the hardliner clerics has been further strengthened, and we expect them to prepare new moves against the US. [REDACTED]

Rajai's confirmation yesterday in the Islamic Assembly comes after almost eight months of intensive political maneuvering between President Bani-Sadr and Ayatollah Beheshti in which Beheshti has reduced Bani-Sadr to little more than a figurehead. The President's influence will be even further eroded once Rajai names his cabinet, which almost certainly will be made up of Islamic fundamentalists. [REDACTED]

Bani-Sadr probably still hopes to revive his influence, but his chances are dim. [REDACTED]

[REDACTED]

Rajai is a strong supporter of the Islamic cultural revolution, and he seems certain to call for more purges of the government and military. He has no Western education and apparently has never traveled outside of the Middle East. By temperament and training, he is a fundamentalist whose views probably are very close to Ayatollah Khomeini's. [REDACTED]

It is too early to tell how Rajai will fit into the power struggle. Beheshti probably hopes that Rajai will simply choose to follow his line on all key issues. [REDACTED]

If Rajai is personally ambitious, however, he may try to establish his own power base. Nevertheless, Beheshti's dominant position in the Islamic Republic Party will constrain Rajai from becoming too independent. [REDACTED]

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Beheshti's Vulnerabilities

Although Beheshti has a strong position in the legislature and heads the judiciary, he still has not consolidated his position. The Islamic Republic Party is far from monolithic and could witness more infighting now that Bani-Sadr has been so weakened. []

Beheshti has numerous enemies in the Shia clergy and is widely rumored to be personally corrupt. His opponents could choose to use reports of past ties to SAVAK--which we believe are accurate--against him. []

Beheshti also must be wary of Khomeini, who can interfere in the government as he sees fit. Khomeini has traditionally preferred that none of his lieutenants gain too much influence, and he may choose to reduce Beheshti's power. []

Implications for the Hostages

Choosing the cabinet could take several weeks if the Assembly decides to investigate closely each minister's revolutionary qualifications. Once the cabinet is in place, the Assembly is supposed to begin its debate on the fate of the hostages. []

After lengthy deliberations, the Assembly probably will decide to put at least some of the hostages on trial. Some legislators evidently have already prepared a bill establishing a detailed procedure for trying them; []

Hostage trials would allow the legislators to demonstrate their own revolutionary credentials and provide the Iranians with a forum for presenting to the world their case against the US. Most polls of the members that have appeared in the Tehran press show strong support for some kind of trials. []

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[redacted]

If trials begin, we expect the hardliners will dominate the proceedings and exploit them for maximum leverage against the US and against Iranian moderates. The alleged "spies" among the hostages probably will be found guilty and sentenced to long prison terms. Although the "innocent" hostages may be released, the Iranians are likely to want to hold on to at least a few hostages indefinitely as insurance that the US will not retaliate against Iran. [redacted]

Whatever the Assembly decides, Khomeini will retain the final say on the fate of the hostages. [redacted]
[redacted] Khomeini remains determined to use the hostage issue to strike at President Carter, whom Khomeini wants to see defeated in the election. [redacted]

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[redacted]