



**Director of
Central
Intelligence**

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National Intelligence Daily

***Monday
22 January 1979***

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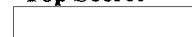
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SITUATION REPORT

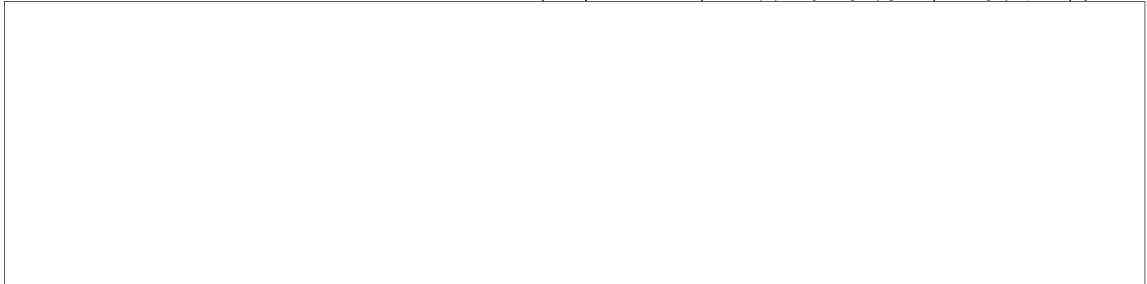
IRAN

Negotiations between Ayatollah Khomeini's lieutenants in Tehran and Iranian military leaders may have helped pave the way for the religious leader's return later this week.

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[redacted] the military in general probably realizes that a coup attempt would provoke large-scale bloodshed and that a military government would have little chance of getting the economy moving.

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The Supreme Commanders Staff, however, has received reports of increasingly widespread confusion and low morale within the ranks of the military--including in one elite Special Forces unit--in the aftermath of the Shah's departure. According to press reports, several thousand Air Force officers and enlisted men have gone on a hunger strike to impress upon their superiors that they will not participate in a coup.

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Prime Minister Bakhtiar's assertions that he will not cede his constitutional powers to Khomeini have become increasingly strident. Khomeini may have decided to follow the advice of religious moderate Mohammad Beheshti and Liberation Movement of Iran leader Mehdi Bazargan that he avoid a direct confrontation with Bakhtiar and tolerate the Prime Minister's efforts for the time being. While unlikely to retract his statement that Bakhtiar's position is illegal, Khomeini may have realized the necessity of making tactical concessions if he is not to delay further his return to Iran.

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The avoidance of a confrontation between Bakhtiar and Khomeini's forces could help convince the military that they too can work out an accommodation with the religious group. At this stage, however, the Regency Council and Khomeini's Islamic Revolutionary Council--whose members are not yet known--have made little progress in resolving how the two groups will relate to one another. [redacted]

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BRIEFS AND COMMENTS

VIETNAM: Changing Economic Aid Relationships

Vietnam's invasion of Kampuchea will force Hanoi to rely increasingly on Soviet economic assistance, now estimated to be at least \$500 million annually. The diversion of manpower and materials for military operations in Kampuchea and heightened readiness along the China-Vietnam border have boosted demand for imported food and fuel and will further slow Vietnam's economic performance.

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Western donors are reassessing their aid programs to Vietnam, both in protest against Hanoi's military moves and in deference to relations with China. Japan-- Vietnam's most important non-Communist aid and trade partner--is reviewing its aid agreement signed last month for 150,000 tons of rice and \$70 million in loans and grants. The Dutch are considering freezing \$25 million in unspent aid from previous programs. Although Sweden has reportedly boosted its aid commitment for 1979 from \$88 million to \$92 million, Swedish Prime Minister Ullsten said last week that Vietnam risks a "reconsideration" of the aid it receives from Nordic countries, and the aid question is likely to come up for additional debate. Other Western donors and multi-lateral agencies are likely to reevaluate their programs as well.

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Among Communist countries, the USSR's closest East European allies may feel compelled to increase their estimated \$125 million in annual aid to Vietnam by a token amount and to give symbolic aid to the new Vietnamese-backed government in Kampuchea. Several East European countries have picked up some Chinese projects in Vietnam in the wake of China's termination last year of its estimated \$300 million in annual aid to Hanoi.

Yugoslavia and Romania have been critical of Vietnam's military move, but may reluctantly continue their \$5 million aid program to Hanoi.

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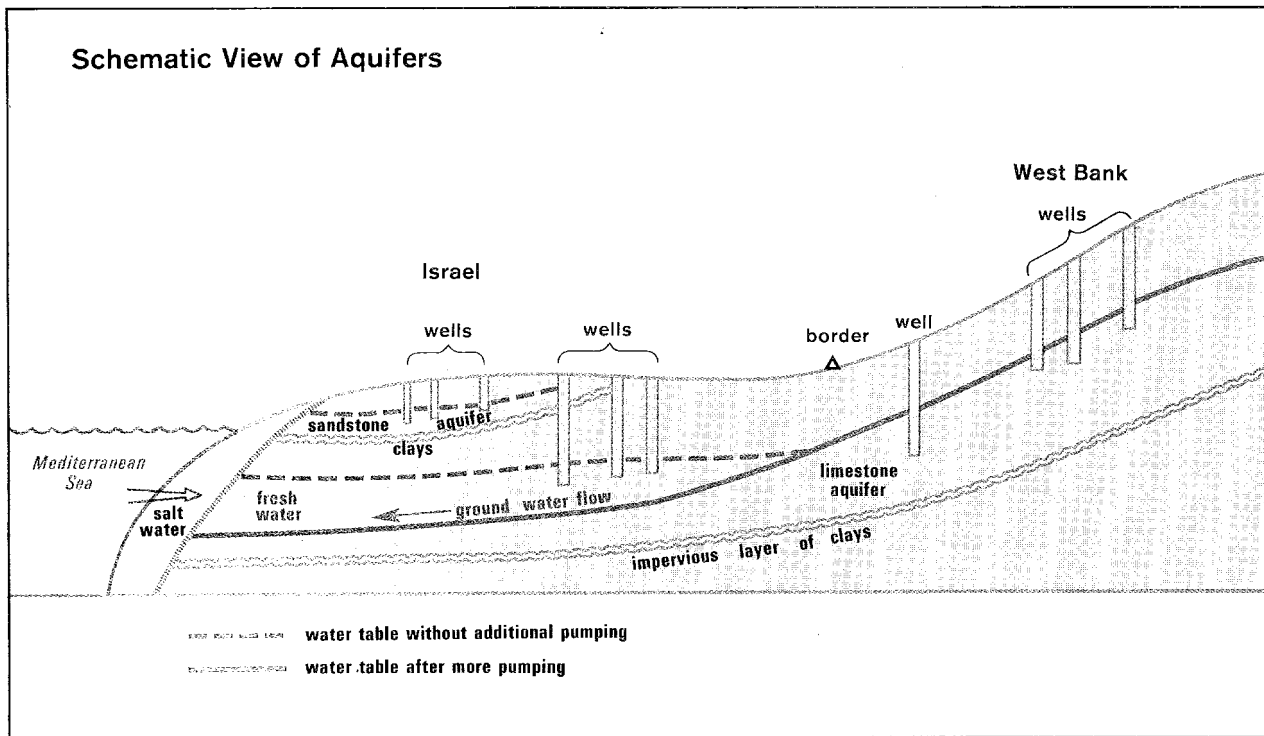
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ISRAEL: West Bank Water

Because Israel would lose control of more than one-third of its water supply if it withdrew from the West Bank, Prime Minister Begin will almost certainly stand by his promise to retain Israeli control over water rights in any resolution of the West Bank controversy. Israel already uses more than 95 percent of its fresh water supply, and the most feasible and least expensive means of augmenting that supply could only partially meet growing demand over the next several years.

Of Israel's total usable water resources, more than half is provided by groundwater, mainly from two large aquifers--water-bearing underground zones. The larger of these lies under both the West Bank and Israel proper.

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Agriculture will continue to be predominant in the West Bank economy, and improved irrigation systems are essential to its growth. If the Israelis did not control the use of water, such improvements would lower the water table in nearby parts of Israel, dry up Israeli wells, and increase salt water intrusion under Israel's coastal plain.

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Israeli experts have determined that the only significant and relatively inexpensive supplementary source of water is recycled sewage. Treated sewage from the Tel Aviv recycling facility, now in operation about two years, can be used on selected crops at one-eighth the cost of desalinated water. Projected annual production from this facility eight years from now is only 100 million cubic meters, less than 7 percent of present resources. The only other proposed facility, at Haifa, is not yet even in the detailed planning stage.

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AFGHANISTAN: Aid to Dissidents

Two Afghan dissident groups in Pakistan may now be receiving support from Saudi Arabia and the Pakistani Government.

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The Liberation Front claims to have 2,000 members in Pakistan and a following of 60,000 to 70,000 people, mostly in Afghanistan. The smaller, Pakistani-backed group has 1,000 to 2,000 members.

Both organizations, reportedly convinced that the Soviet presence in Kabul precludes a successful military coup, are supporting tribal rebels active in eastern Afghanistan. The two groups are badly divided over who should replace the current Marxist regime. The Liberation Front aims to return the former royal family to power; the other organization opposes restoration of the monarchy.

We cannot confirm the dissidents' claims of Saudi and Pakistani support but have no reason to doubt them. The leader of the Liberation Front has close connections in Saudi Arabia and several gulf sheikdoms. The Pakistani Government has at the least allowed the rebels refuge and has not made a strong effort to restrict their activities.

A significant part of the Army--the mainstay of any Afghan Government--is already involved in combating tribal unrest, now limited to remote areas. Continued and intensified fighting against the tribes would further strain the loyalties of the military, many of whom are tribesmen from the affected areas.

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BANGLADESH: Economic Gains

Bangladesh is now into its fourth year of good economic performance. Favorable weather, greater political stability, and continued large-scale support from foreign aid donors have contributed to agricultural and industrial progress. Nonetheless, most Bangladeshis remain desperately poor. [redacted] 25X1

President Ziaur Rahman has emphasized rural programs and population control and has directed a gradual reduction in government regulation of imports and prices--except in foodgrain marketing. In the industrial sector, the government has emphasized better use of manufacturing capacity, completion of projects, and a greater role for the private sector. Zia has had trouble, however, getting economic policies fully implemented because competent officials are scarce and administrative structures inadequate. [redacted] 25X1

Foodgrain production has grown at a 3.3-percent annual rate since fiscal year 1975, but Bangladesh will be hard pressed to keep long-term foodgrain output ahead of population growth. Despite record grain production, per capita availability of foodgrain in Fiscal Year 1978 was probably lower than in the early 1970s. Many poor people cannot afford adequate food--a more intractable problem than growing or importing sufficient supplies. Foreign donors and Bangladeshi officials have had difficulty balancing the conflicting goals of high prices for farmers, low prices for consumers, reduced budget subsidies, and lower grain imports. [redacted] 25X1

Economic recovery has not eased Bangladesh's severe balance-of-payments problems. Imports are still two to four times as large as exports, and foreign aid continues to finance the bulk of investment and part of current consumption. Bangladesh has also come to depend on growing remittances from overseas workers in Middle Eastern countries. The gains in foreign exchange, however, have been offset by a loss of trained personnel. [redacted]

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BOTSWANA: Meeting on Guerrillas

Botswanan, Rhodesian, and South African officials are scheduled to meet in Pretoria this week to discuss the use of Botswana by guerrillas as a staging area. The Rhodesians have, in recent weeks, become increasingly concerned that the Botswanan military has been turning a blind eye to Zimbabwe African People's Union infiltration of Rhodesia via Botswana and has been providing logistic support for ZAPU. The South Africans believe that recent terrorist incidents in northern South Africa have also been mounted from Botswana. The South Africans and Rhodesians will no doubt press Botswana to enforce more rigorously its announced policy of denying its territory for sanctuary and transit by guerrillas. Botswana has but meager security forces, and the government will find it difficult--if not impossible--to comply with such demands.

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PERU: Moves Against Chile

Peru on Saturday declared Chilean Ambassador to Peru Bulnes persona non grata and officially recalled Peru's Ambassador to Chile. The Peruvians also announced the execution that day of a former Peruvian Air Force sergeant accused of having engaged in espionage for Chile. After the Chilean Foreign and Interior Ministers reportedly met at length, the Chilean Government Saturday night expressed regret at Peru's action and asserted that any acts of espionage were "isolated individual actions" not based on higher orders. The Peruvian actions are surprising, although longstanding Chilean-Peruvian tensions are likely to be heightened this year by the centennial observance of the War of the Pacific. Peru's security concerns are genuine, but the resort to such serious moves may also reflect a desire by the military government to divert attention from pressing domestic problems.

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UNCTAD: International Wheat Negotiations

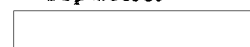
The UN Committee on Trade and Development negotiating conference for a new International Wheat Agreement will reconvene today in Geneva. In the three months since the last negotiating conference, the US and the EC have agreed on international wheat price support levels, the more important of the two issues on which they deadlocked. They will now attempt to obtain a consensus among other participants on this part of the agreement. The negotiations, which have been going on for a year, are of major importance to wheat importing countries because of their implications for guaranteed access to supplies, as well as to wheat exporters primarily because of their price stabilization goal.



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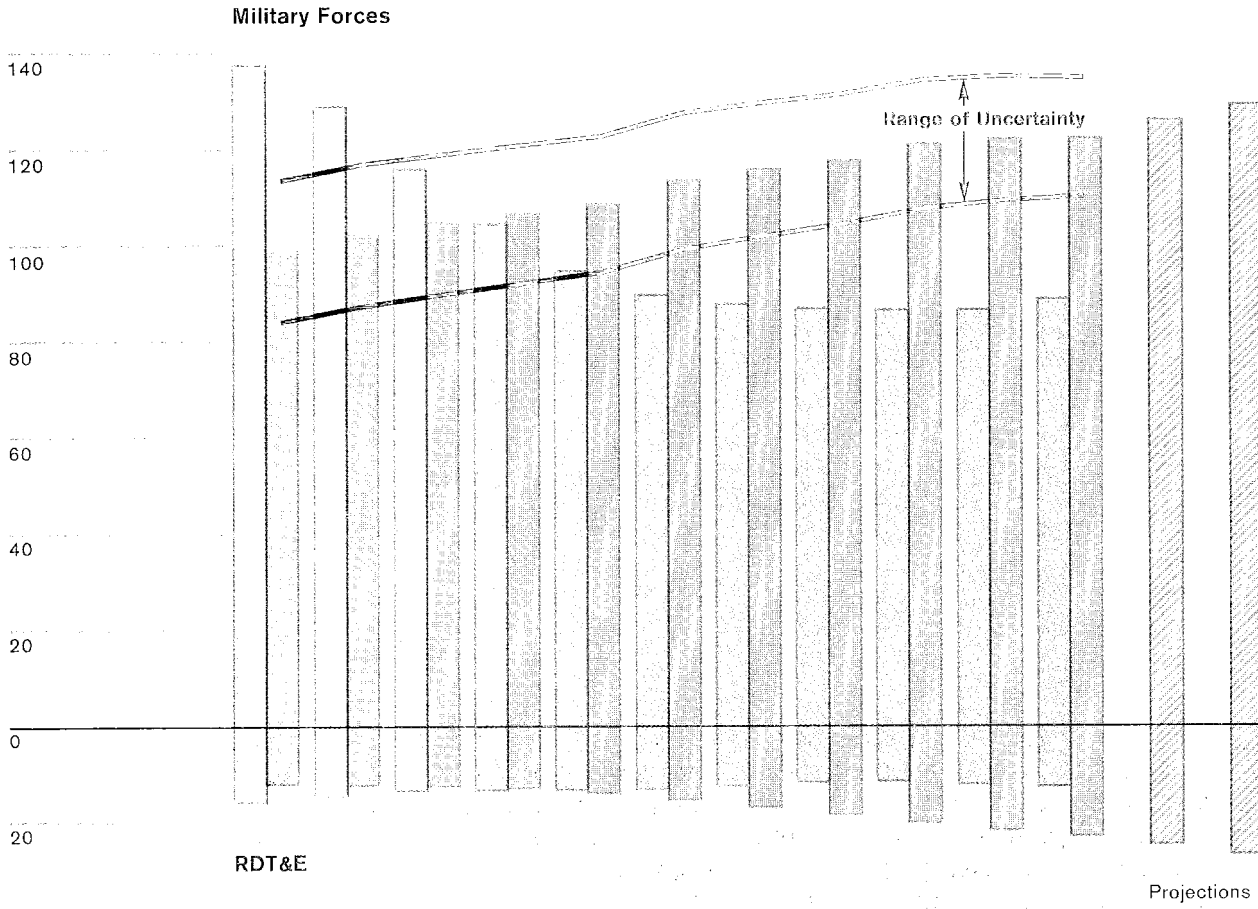
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Total US and Soviet Defense Activities

A Comparison of US Outlays With Estimated Dollar Costs of Soviet Activities if Duplicated in the US

160 Billion 1978 Dollars



| CALENDAR YEARS | 1968 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 |
|---------------------------|-----------------|----|----|----|----|----|----|----|----|----|------------|----|----|
| Cumulative 1968-78 | Military Forces | | | | | | | | | | RDT&E | | |
| | | | | | | | | | | | US 1,255 | | |
| | | | | | | | | | | | USSR 1,415 | | |

The dollar cost estimates reflect the cost of producing and manning in the US a military force of the same size and weapons inventory as the Soviet force and of operating that force as the Soviets do. The costs for military forces—investment and operating (less pensions)—are best estimates, with possible error margins displayed. The estimated costs of Soviet RDT&E are derived in the aggregate, using a less certain methodology. Because they provide only rough measures, they are shown separately from the dollar costs of military forces. The US defense costs are in terms of outlays based primarily on the Department of Defense Total Obligational Authority (TOA) in *The Five-Year Defense Program*, October 1978. The estimated dollar costs of projected Soviet defense activities for 1979 and 1980 are preliminary assessments subject to greater uncertainty than those for earlier years. Comparable US data were not available.

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SPECIAL ANALYSES

USSR: Dollar Defense Activities Comparisons

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The following is an abridged version of an unclassified paper presenting the CIA's latest comparison, in dollar terms, of US and Soviet defense activities. The mission definitions follow the guidelines in the Defense Planning and Programming Categories issued by the Department of Defense in November 1978.

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The military establishments of the USSR and the US are difficult to compare because they differ so much in missions, structures, and characteristics. Any common denominator used for comparative sizing--such as dollar costs--is imperfect, and this analysis should not be used alone as a definitive indicator of the relative effectiveness of US and Soviet military forces. The data presented here are expressed in constant 1978 (midyear) dollars so that trends in the cost estimates reflect changes in military forces and activities rather than inflation. The US figures have been converted to calendar year outlays and adjusted to achieve comparability.

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Aggregate Defense Costs

For the 1968-78 period, the cumulative estimated dollar costs of Soviet defense activities exceeded US outlays by over 10 percent. Estimated in constant dollars, Soviet defense activities increased at an average annual rate of 3 percent, with growth rate fluctuations reflecting primarily the phasing of major procurement programs for missiles, aircraft, and ships. Evidence on weapon systems currently in production and development, continuing capital construction at major defense industries plants, and the increasing costs of modern weapons indicate that the long-term growth trend in Soviet defense activities will probably continue into the 1980s.

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In contrast, the trend in US defense outlays in constant dollars has been downward for most of the period. US outlays declined continuously from the Vietnam peak of 1968 until 1976. They increased slightly in 1977 and grew by 3 percent in 1978 as increases in procurement and research and development offset continuing declines in personnel costs. As a result of these diverging trends, the estimated dollar costs of Soviet defense activities caught up with US defense outlays in 1971 and exceeded them by a widening margin until 1977. In 1978 the Soviet total was about \$146 billion, nearly 45 percent higher than the US total of \$102 billion.

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Military Mission Comparisons

Over the 1968-78 period, the level of Soviet activity for strategic forces (exclusive of research and development) measured in dollars was two and a half times that of the US. Soviet activities showed a slight dip in the early 1970s with the completion of third-generation ICBM deployment programs, but they rose in the mid-1970s with the deployment of fourth-generation systems. US activities declined steadily until 1976, when they began growing at a slow rate. In 1978 the Soviet level was about three times that of the US.

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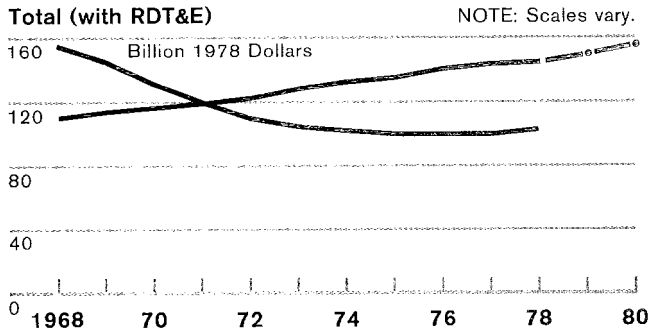
Estimated dollar costs of Soviet activities for general purpose forces (exclusive of research and development) have exceeded comparable US outlays since 1970, and the gap widened every year until 1978. For the 1968-78 period, the Soviet total for this category was about 35 percent higher than the US total. The US level of support activities has exceeded that of the Soviet Union over the 1968-78 period by approximately 35 percent when measured in dollar terms, but the difference has narrowed significantly over the period. Support activities account for 50 percent of the total US defense outlays and some 30 percent of the total estimated dollar cost of the USSR's defense activities for the entire period.

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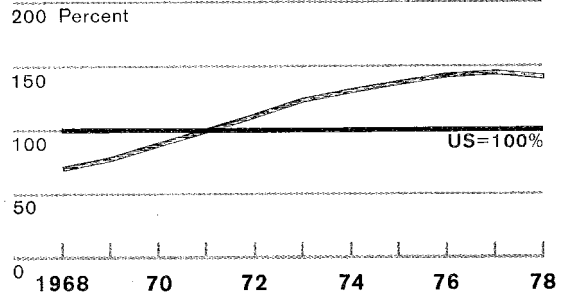
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US and Soviet Defense Activities

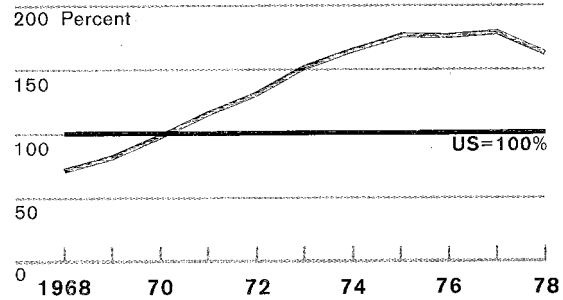
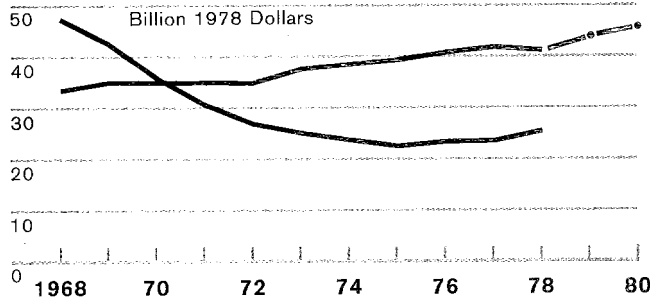
Dollar Cost of Soviet Activities and US Defense Outlays



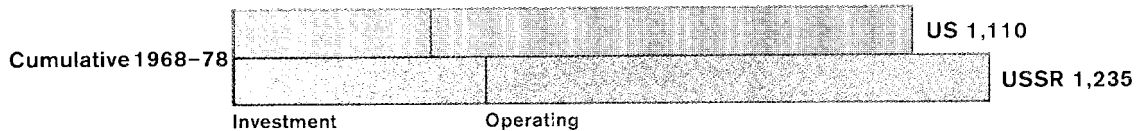
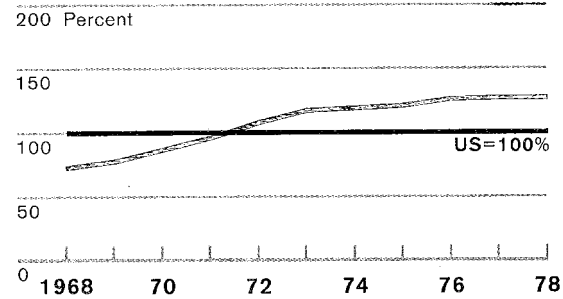
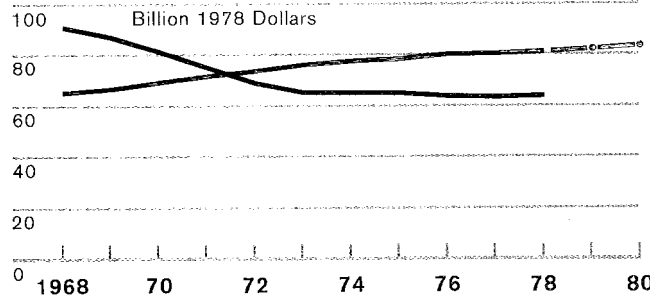
Dollar Cost of Soviet Activities as a Percent of US Defense Outlays



Investment



Operating



Investment includes all costs for procurement of military hardware and the construction of facilities, but excludes RDT&E. Operating includes all personnel-related costs (with the exception of pensions) and all costs associated with the operation and maintenance of weapon systems and facilities.

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Resource Comparisons

Soviet and US defense activities can also be compared in terms of major resource categories: military investment, operating costs, and research and development costs. [redacted] 25X1

The trends in military investment followed closely those for total defense costs in both countries. The Soviet investment estimate showed an upward trend but displayed cycles in annual growth rates that were related to the phasing of major procurement programs--especially those for missiles and aircraft. The estimated dollar cost of Soviet investment programs was fairly constant during the early 1970s, rose in the mid-1970s, and declined slightly in 1978. This dip occurred because several major procurement programs have ended or are nearing completion. New systems are expected to enter production in the next year or so, however, resulting in another cyclical increase. The US investment figure fell continuously from 1968 until 1975 and then increased at a slow rate before jumping substantially in 1978. [redacted] 25X1

The estimated dollar cost of Soviet military investment exceeded comparable US spending by about 75 or 80 percent in 1975-77 and by about 65 percent in 1978. For the entire period it was 30 percent higher. [redacted]

Measured in dollar terms, operating costs made up the largest share of the total defense costs for both countries. Estimated Soviet dollar costs in this category grew continuously during the period, reflecting growing force levels, and exceeded those of the US by a widening margin after 1971. By 1978 they were 25 percent above comparable US outlays. US outlays declined rapidly after 1968 until the mid 1970s, reflecting the reduction and eventual end of the Vietnam involvement. Since that time the increase in operations and maintenance costs has offset the continued decline of personnel costs so that operating costs as a whole have remained fairly constant. [redacted] 25X1

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IRAN: Leftists in the Opposition

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Leftists appear to have played only minor roles in the demonstrations and disturbances of the past year in Iran. It is difficult to assess the strength of leftist influence in the widely disparate opposition movement. In this period of weakening political authority, however, the leftists are probably in a position to cause trouble.

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The opposition movement in Iran over the past year has emerged as a collection of disparate groups with differing ideologies:

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-- The most cohesive segment has been the religious opposition centered on Ayatollah Khomeini.

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-- The National Front is a secular coalition group with experienced political talent but with differing views across the political spectrum.

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-- On the left are the Communist Tudeh Party, the People's Sacrifice Guerrillas (a terrorist group), and various splinter groups, mainly students with extreme Marxist or Maoist leanings.

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Much of the leftist leadership is anonymous. The Tudeh probably played only a minor role during the past year in organizing the demonstrations that led to the current crisis. The degree of Tudeh influence in the opposition is difficult to measure because many Iranians tend to label any leftist a Tudeh member. The People's Sacrifice Guerrillas have been active since the early 1970s. In the past year they may have staged several attacks on police posts, and they were probably responsible for some recent assassinations.

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[redacted]

Oilfield Radicals

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Events of recent months indicate that extreme leftists are well-organized in the oilfields and that they are not responsive to the control of conservative religious or moderate opposition leaders: [redacted]

-- Two prominent oil officials, one American and the other Iranian, were assassinated on 23 December; apparently the murders were the work of professionals. [redacted]

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[redacted]

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[redacted] Khomeini had urged his followers to avoid such acts, was displeased that they had occurred, and believed that radical leftists were responsible. [redacted]

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-- Liberation Movement of Iran leader Bazargan, negotiating with strikers on Khomeini's behalf to resume production to meet domestic needs, was surprised to discover that Khomeini's writ was not universally accepted among the strikers, and that some groups had "very leftwing affiliations." Bazargan later told colleagues that his difficulties were the work of "Communists" and that he had a list of those who would have to be removed. [redacted]

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[redacted] Tudeh for years has tried to recruit workers in the oilfields. An East European official stated early this month that the Tudeh is active in the oilfields but still lacks the numbers and power to be an influential independent force. [redacted]

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The radical leaders in the oilfields probably also include many non-Communists who, during their education abroad, were exposed to the tactics of strikes and demonstrations. [redacted]

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[redacted]

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[redacted]

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[redacted] the strike leaders were politically savvy, younger technical employees. Significant numbers of Iranian students have returned home from the US and Western Europe in recent months. The situation is complicated further by the fact that Arab oil workers may have exploited the situation to demand a greater ethnic voice in the political process. [redacted]

The Tudeh staged its first demonstration in Tehran yesterday; it reportedly attracted 10,000 participants. There is evidence that some previous demonstrations probably were led by people beyond the influence of Khomeini or the moderate opposition leaders, who have urged their followers to shun violence in order to avoid provoking the military into a crackdown. The frequent, apparently uncoordinated lapses into violence in various cities have worried these leaders and led them to step up their pleas that people must not take justice into their own hands. [redacted]

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Khomeini's Concerns

Khomeini and other opposition leaders have been concerned for some time that their ability to control events is slipping and, whatever the basis for their beliefs, they are inclined to attribute this to leftist groups. [redacted]

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[redacted] religious leaders were having difficulty in trying to enforce discipline on demonstrators. [redacted] opposition leaders says that all are afraid that continuing disorders might polarize the opposition movement between the religious leadership and the left, especially the Tudeh Party. [redacted]

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A Look Ahead

The religious leaders who largely inspired the broad opposition movement are still its vanguard.

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[redacted]
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The dissipation of authority, symbolized by an erosion of the military's cohesion, the virtual dissolution of the intelligence and security organization SAVAK, and the Shah's departure, is bound, however, to encourage all opposition groups--especially the leftist groups with their own ideas of what the new order should be. The Tudeh and other leftist groups probably look forward to a "revolutionary" period of chaos and liberalized political standards in which they hope to organize their cadres throughout the country. [redacted] 25X1

The leftists are likely to become increasingly active among Iran's students, who have long been a primary source of recruits for ultraleft and terrorist organizations. Leftist groups will probably also redouble their efforts to infiltrate all sectors of government, including the military. [redacted] 25X1

The slippage of power from the hands of the conservative and moderate opposition leaders may become most apparent in the labor field. There was no labor movement in Iran until late last year--the few unions were discredited and had little influence. In recent months, however, the workers have discovered their power and learned that they can bring the country to a standstill. New worker organizations will become powerful forces in the future Iranian political equation, and they will demand a voice in future governments. [redacted]

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.) 25X1



Algeria

The government announced yesterday that a successor to President Boumediene, who died on 27 December, will be elected on 7 February. The only candidate to be voted on will be selected at the congress of the ruling National Liberation Front that opens Saturday. 25X1

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USSR-Italy

Foreign Minister Gromyko today begins a five-day official visit to Italy, where considerable controversy has developed over President Brezhnev's recent letter to Prime Minister Andreotti warning against Western arms sales to China. The letter has been published in Italy, and the Socialist-leaning newspaper *La Repubblica*, for example, yesterday termed it "rude interference in the sovereign affairs of a nation." The Communist Party daily *l'Unita* only mentioned the letter without comment in a dispatch filed from Moscow. Gromyko is scheduled to confer Wednesday with Pope John Paul II; he had papal audiences with Paul VI in 1966 and 1974. [redacted]

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Jordan

King Hussein begins an overnight visit to Saudi Arabia today. According to Amman radio quoting an official Jordanian source, Hussein will confer with King Khalid and other senior Saudi officials on "Arab affairs in light of the recent developments in the area." [redacted]

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[Redacted]

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EC-Vietnam

The US Mission at EC headquarters in Brussels reports it has learned that the EC Commission will discuss the issue of continued economic assistance to Vietnam this week (see related article in Briefs and Comments). The top aide to EC Commission Vice President Haferkamp is hopeful that the Commission will decide--at least for now--not to proceed with EC project assistance to Hanoi, although EC food aid to Vietnam will probably be continued. EC Development Commissioner Cheysson, on the other hand, sent a representative to Hanoi last week for talks on the Mekong Delta project despite the opposition of Haferkamp and other Commissioners. The US Mission notes that Cheysson, a French Socialist, has maintained significant personal relations with Hanoi officials for over two decades.

[Redacted]

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Angola-China

Angola's ruling party has decided to accept a Chinese request for a meeting "to pave the way for the establishment of diplomatic relations," according to a Radio Luanda broadcast yesterday. The broadcast asserted that the party's Political Bureau had made its decision on 5 January.

[Redacted]

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COMMENT:

[Redacted]

The Chinese may now reason that their reluctance to establish ties with Angola because of the Cuban presence had merely left a clear field to Cuba and the USSR there.

[Redacted]

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[Redacted]

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Portugal

The US Embassy reports that the Lisbon Office Workers' Union--the largest, best-financed, and best-organized union in Portugal--appears to have voted last Thursday to affiliate with the non-Communist General Workers' Union (UGT) rather than the Communist-led Intersindical, which has been predominant on the Portuguese labor scene. The Embassy now sees a "bright" future for the non-Communist association, which has its first congress this week, as a viable alternative to the Intersindical. [redacted]

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COMMENT: *The non-Communist labor organizers had been expected to do well among such white-collar workers. Trade union activity in Portugal is especially significant for its influence on the productive sectors of the economy, and there the Communists clearly do have the greatest support. The non-Communist association's prospects will also be affected by the often stormy relations between its political backers, the Socialist Party and the Social Democratic Party.* [redacted]

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Pakistan-China

In a lengthy assessment of Sino-Pakistani relations, the US Embassy in Islamabad says that those ties are perhaps the single most important bright spot in Pakistan's foreign relations. China clearly supports Pakistan's continued participation in CENTO. The relationship, however, derives its sustenance from factors essentially external to purely bilateral ties, especially the two countries' shared hostility toward the USSR and India. The Embassy thus concludes that Sino-Pakistani relations would be affected by fundamental changes in foreign policies pertaining to South Asia, notably a warming of Soviet-Pakistani relations or of Sino-Indian relations.

[redacted] 25X1

Pakistani President Zia-ul-Haq conferred with visiting Chinese Vice Premier Li Xiannian (Li Hsien-nien) in Rawalpindi yesterday; they reportedly talked for four hours on a wide range of foreign policy subjects. [redacted]

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[redacted] 25X1

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