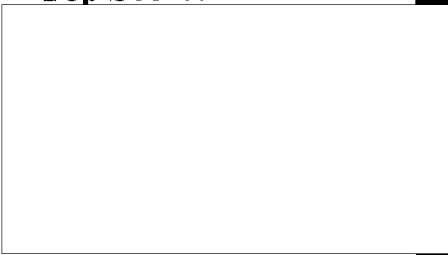




**Director of
Central
Intelligence**



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National Intelligence Daily

*Wednesday
31 January 1979*

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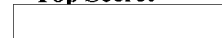
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The Overnight Reports, printed on yellow paper as the final section of the Daily, will often contain material that updates the Situation Reports and Briefs and Comments.



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SITUATION REPORTS

IRAN

Representatives of the Iranian religious opposition told US officials yesterday that they have reached agreement with senior military officers on security arrangements for Ayatollah Khomeini's return. [redacted] 25X1

[redacted] the agreement was reached after Prime Minister Bakhtiar and General Gharabaghi, Chief of the Supreme Commander's Staff, concluded that Khomeini should be allowed to return because the military could not control the violent demonstrations in Tehran. There have been no indications, however, of movement toward resolving the political conflict between Khomeini and Bakhtiar. [redacted] 25X1

Once Khomeini returns to Iran, moderate members of the religious opposition and political leaders associated with the Liberation Movement of Iran will probably urge him to move cautiously in his relationship with Bakhtiar to avoid provoking the military. He is widely expected to announce the formation of an Islamic Revolutionary Council when he returns, however, and to call again for the resignation of the Bakhtiar government. A spokesman for Khomeini had said in Paris on Monday that senior military leaders would be "purged" under a new Islamic government since, he said, these officers were responsible for the recent bloodshed in Tehran. [redacted] 25X1

[redacted] senior military leaders have acknowledged in their discussions with the opposition that political changes are necessary and that the military would accept these changes if they are carried out in accordance with the constitution. Calls for a purge of senior officers, however, or any move by the opposition to renew violent demonstrations could trigger a crackdown by the military. [redacted] 25X1

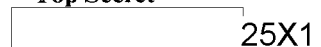
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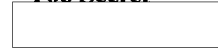
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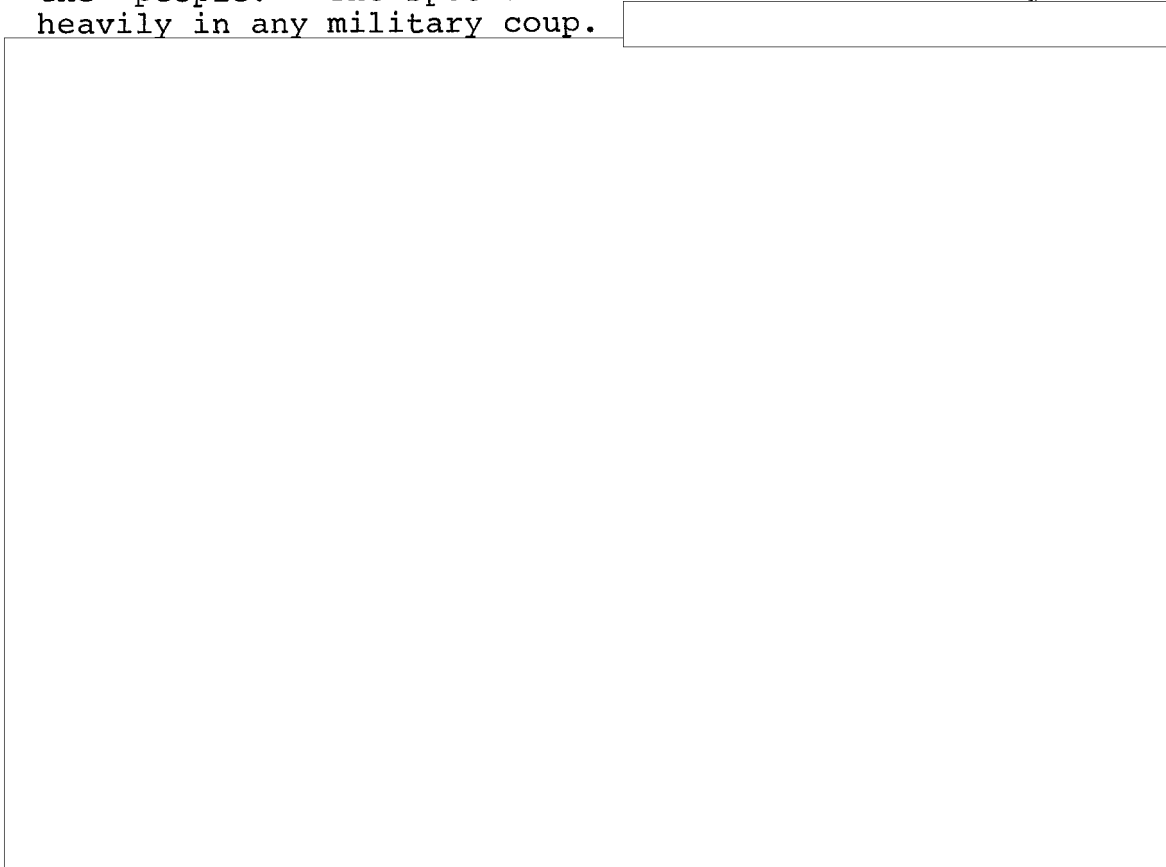


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Khomeini's return was to make it possible to arrest Khomeini if the military had to start detaining oppositions leaders. 

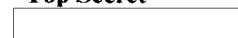
Despite the senior officers' apparent confidence that they can take over the government and crack down on the opposition if necessary, the military's ability to act as a cohesive force is steadily diminishing. There have been increasing signs of support for Khomeini among junior officers and conscript soldiers, particularly in the provinces, and on Monday members of a battalion of the elite Special Forces Brigade stationed in Tehran announced to their officers that their sympathies lie with the "people." The Special Forces would be relied upon heavily in any military coup. 

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BRIEFS AND COMMENTS

ITALY: Andreotti's Expected Resignation

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Prime Minister Andreotti is expected to present his resignation to President Pertini today. At this point, Andreotti seems the most likely candidate to attempt to form another government. The attitudes of the Communist and Socialist Parties, however, will make the formation of a new government exceedingly difficult.

The Communist Party precipitated the situation last Friday by withdrawing its parliamentary support from the government. Party chief Berlinguer is reportedly intent on placing the party in the opposition. The Socialists, concerned that association with any new government would subject them to Communist attacks, would most likely follow the Communist lead.

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Both the Socialists and the Social Democrats hope to avoid an early parliamentary election in which they expect to do poorly and so have been seeking an alternative governmental formula. These parties have called for the appointment of several non-Christian Democratic "technicians"--and possibly some acceptable to the Communists--to the next cabinet. While there are indications the Christian Democrats might approve this alternative, Berlinguer reportedly considers this an inadequate response to Communist demands.

The inability or unwillingness of the parties to reach a compromise on a successor government may make an early election inevitable. The Socialists and Social Democrats evidently would prefer a vote following the direct election for the European parliament--slated for 5 June--to capitalize on their association with other European Socialists. The Communists seem to favor an Italian election before that test.

At this time, the Christian Democrats appear to hold the key: A Christian Democratic caretaker government might delay or facilitate an election--depending upon the parties with which the Christian Democrats would prefer to deal.

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FRANCE-SPAIN: Basque Policy

The French Government announced yesterday that it would no longer accord Spanish Basques political refugee status. This change in policy is not likely to prevent terrorists from crossing the French border, but will give a boost to Spanish Prime Minister Suarez and his struggle against the Basque terrorist organization ETA. As an earnest of their resolve, the French yesterday expelled seven Basques and rounded up 20 more.

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Madrid has long charged that fleeing ETA members slip across the border and live openly in southern France as "political refugees." When Franco ruled Spain, Paris used its lenient policy toward Spanish Basques as a protest against his regime. The French became uncomfortable during the past two years, however, as Madrid established a democratic parliament and constitution. French officials yesterday referred to the Basque refugee status as "obsolete."

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After ETA stepped up its attacks in Spain and the Spanish military grew restive over the government's apparent inability to contain the terrorists, Spanish Foreign Minister Oreja flew to Paris earlier this month to seek French cooperation. Domestically, the apparent success of his mission will help Suarez in the period leading to the legislative election on 1 March by creating the impression that his government can rally international support for the war against ETA.

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[Redacted]

NORTH KOREA - LIBYA - USSR: Pilot Training

North Korea's decision to send a sizable contingent of combat pilots to Libya marks an important policy departure that may well entail significant political risks. North Korean President Kim Il-song no doubt realizes the risks but may have agreed to this arrangement in hope of receiving MIG-23s or late-model MIG-21s from the USSR at some later date. [Redacted]

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North Korean fighter pilots operated in Egypt and Syria in the early 1970s, but in recent years North Korea has avoided a tactical military role in Third World countries where there is significant competition between the Chinese and Soviets. In sending a large number of personnel to Libya [Redacted]

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[Redacted] North Korea could complicate its present warm relations with China, which has developed steadily closer ties with Egypt. North Korea also runs the risk of becoming embroiled in a conflict between Libya and Egypt. [Redacted]

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If the arrangement is publicly exposed, Pyongyang will be open to charges of serving as a Soviet surrogate. Such a label would undercut North Korean efforts to gain support in the Nonaligned Movement. [Redacted]

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[Large Redacted Block]

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The Soviets could see several advantages in this arrangement. It is responsive to Libyan requests for strengthened air defenses, offers Kim Il-song an incentive for moderating North Korea's recent strong public support for the Chinese, and underscores the possibility of the USSR's reentry as an active participant in an arms race in Korea if the US provides South Korea with advanced weaponry such as F-16s. [Redacted]

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WEST GERMANY: Cabinet Meeting

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[redacted]
[redacted] the cabinet, which meets today to discuss defense and security questions, can be expected to endorse Chancellor Schmidt's views for handling the parliamentary debate on these issues tentatively set for March. Schmidt has long maintained that arms control negotiations with the East should be carried out at the same time advanced weapons systems are being developed for deployment in Western Europe. He is under some pressure within his Social Democratic Party to take a new initiative on disarmament, but neither the junior coalition partner--the Free Democratic Party--nor a majority of Schmidt's own party favors such a proposal. [redacted]

Advocates of a new disarmament policy, such as Social Democratic parliamentary leader Wehner and Bundestag arms control chairman Pawelczyk, believe that there will be little if any progress on the Mutual and Balanced Force Reduction talks this year because of the major hurdles still ahead in those discussions. They are also skeptical that the US and USSR will conclude a SALT II agreement; Wehner is said to believe that the USSR is no longer interested in pushing the agreement since the US established diplomatic relations with China. [redacted]

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Wehner and others argue that, in order to maintain the momentum of detente in Europe, the West Germans must break new ground. Schmidt and Foreign Minister Genscher, however, supposedly believe that a disarmament initiative would collapse before it got off the ground, primarily from lack of support in both coalition parties. Genscher, the Free Democratic Party chairman, is inclined, like Schmidt and Defense Minister Apel, to favor negotiations from strength and the party's rank and file would probably support this view. [redacted]

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TANZANIA-UGANDA: Military Situation

After fending off Ugandan counterattacks last weekend, Tanzanian forces consolidated their hold on a strip of Ugandan territory up to 15 miles deep.

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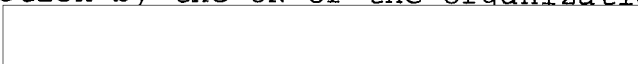


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the Tanzanian military, encouraged by the light resistance they have met so far, is preparing to drive farther into Uganda. A logistics buildup to support the operation is under way, and 800 Ugandan armed exiles loyal to former President Obote were recently moved to the border area and reportedly will spearhead the assault. the exiles would be infiltrated through the lines to conduct guerrilla attacks. On Friday and Saturday Ugandan President Amin sent telegrams to UN Secretary General Waldheim appealing for action by the UN or the Organization of African Unity.



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SYRIA-IRAQ: Results of Talks

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Syrian President Assad and Iraqi political leader Saddam Husayn ended three days of talks in Damascus yesterday with vague pledges of closer defense cooperation and of further study of formulas to achieve Baath Party unity. Iraqi Foreign Minister Hammadi said much work remains to be done in reaching agreement on a "unity formula" and implied that Syrian and Iraqi leaders may not meet again for several months. These pledges fall considerably short of real military or political integration, and a rumored meeting between Assad and Iraqi President Bakr early next month now seems unlikely.



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ETHIOPIA: Offensive in Eritrea

The Ethiopian Government's offensive against Eritrean People's Liberation Front forces in northern Eritrea is moving forward. Government forces last weekend staged an amphibious landing at Mersa Tekley, some 50 kilometers from Carora, a vital transshipment point on the Sudanese border. Other forces are pushing north from the Mescalit Pass towards Nakfa. The EPLF has suffered heavy casualties in the fighting but reportedly has also inflicted major losses on the Ethiopians. The Eritreans expect to abandon Nakfa during the next few days and revert to guerrilla warfare.

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USSR: Warnings on Intelligence Equipment

The Soviets are warning against any transfer of US electronic intelligence equipment from Iran to Turkey. At a press conference last week, Soviet Deputy Foreign Minister Korniyenko reaffirmed that the USSR would regard the transfer of equipment "in the most negative manner." A commentary in *Izvestiya* asserted that the use of such equipment anywhere in the region would be a serious threat to the "peoples of the area." The Soviet press has ignored the SALT implications of the possible withdrawal of US equipment, but the Soviet Ambassador to Bulgaria last week criticized the claim by opponents in the US of a SALT treaty that developments in Iran could become an obstacle to SALT verification.

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MOROCCO - WESTERN SAHARA: Polisario Success

We can now confirm that Polisario Front guerrillas overran the Moroccan town of Tan-Tan on Sunday and subsequently withdrew.

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[REDACTED]

The Polisario admit to heavy casualties, but their estimate of the number of Moroccans killed--some 225--probably is exaggerated. The Moroccan Council of Ministers met on Monday to receive reports on the attack and to announce that they were sending the Minister of the Interior to the scene. As yet there are no indications of a Moroccan response but one is likely--possibly a raid by Moroccan irregulars against Polisario camps in Algeria.

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RHODESIA-BOTSWANA: Airlift

The US Embassy in Botswana is concerned that Rhodesian security forces may attempt to disrupt the airlift of some 10,000 Rhodesian refugees from Botswana to Zambia scheduled to begin tomorrow. Botswanan officials have sought South African intercession with Rhodesia after receiving private warnings from Rhodesian sources against carrying out the airlift, which will be made up predominantly of military age males who will join the Zambian-based Zimbabwe African People's Union. Rather than extend the conflict into Botswana, the Rhodesians may wait until the refugees are in Zambia before making any attacks.

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NATO: Greek Reintegration Dispute

NATO Permanent Representatives have asked the Supreme Allied Commander, General Haig, to try to break the deadlock over Greek reintegration into the Alliance's military command. There has been little progress since Turkey rejected the proposals General Haig worked out with Greek officials last June giving Greece, on an interim basis, the same air and sea responsibilities it had in the Aegean before it withdrew from the military side of NATO in 1974. The Turks are afraid of prejudicing their position in the dispute with Greece over Aegean rights and thus are insisting that the problem be settled before reintegration. The Greeks, who have the same concerns for their Aegean rights, have said that such matters can wait until they are back in the NATO military structure.

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ARGENTINA-USSR: Initial Arms Purchase

Argentina is reported to have signed a contract with the USSR for anti-aircraft guns and ammunition. If true, this would be Argentina's first arms deal with a Communist country. Argentina may have turned to the Soviets after a West German firm failed to meet the complete delivery schedule for an \$11 million order placed last July.

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Last summer, the Soviets stepped up their sales efforts when Argentina became concerned about a possible confrontation with Chile. The Soviets offered to sell Argentina jet fighter aircraft, helicopters, and missile systems.

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The Argentines may believe that the present limited purchase is justified by their quarrel with Chile and by their policy of broadening and diversifying trade relations with the Soviets. The USSR, however, is not likely to become a major arms supplier for Argentina.

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SPECIAL ANALYSIS

PAKISTAN: The Current Mood

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[redacted]

Pakistanis are more worried about the future of their country than they have been at any time since independence in 1947. The US Embassy in Islamabad concludes that there is widespread pessimism about where the country is heading and who will be charting the course. [redacted]

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The prevailing mood stems from the apparent lack of solutions to the country's many domestic and foreign problems. [redacted]

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To many Pakistanis, there may seem no way in which the country can be governed effectively. In the last three decades, Pakistan has had presidential, parliamentary, and military rule, several different versions of federalism, and both free and carefully controlled elections. None of these has led to lasting governmental stability, prevented periodic outbreaks of civil disorder, or lessened regional and ethnic tensions. [redacted]

The Alternatives

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Pakistan is now ruled by a general with limited popular support and declining prestige. The alternatives to him are:

- Some other general.
- A civilian government under some new leader.
- The return to power of former Prime Minister Bhutto.
- The institution of Islamic rule. [redacted]

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There are problems in every one of these alternatives. There is no reason to believe, for instance, that another general would be any better able to rule the country than President Zia has been. The military--regarded as the savior of the nation when it first seized power in 1958--lost half the country's territory in the war with India after it again took over in 1969. Few Pakistanis--even in the Army--believe that a continuation of the most recent period of military rule, which began in July 1977, will solve Pakistan's problems. [redacted]

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There is mounting pressure for a return to civilian rule, but most prominent politicians do not attract the masses, have only a regional following, or have failed to convince the people that they can carry out their promises. Even were the military to surrender power, there is no guarantee that civilian rule, no matter what its form, would be an improvement. [redacted]

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Former Prime Minister Bhutto has been sentenced to death for a political murder, and the Supreme Court could announce its decision on his appeal in the next few days. The court is expected to uphold the sentence and leave the final decision to Zia. There are conflicting reports about which way Zia is leaning, but any decision is likely to increase Zia's problems and could lead to civil disorder or Zia's removal from office. [redacted]

Despite the many accusations against Bhutto, he is charismatic and capable and regarded by many Pakistanis as the one man who could solve the country's problems. Many others, however, regard him as a dangerous man who is responsible for many of Pakistan's current problems. Even if he is executed he is likely to remain a divisive issue in Pakistani politics. [redacted]

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Some Pakistanis argue that the institution of Islamic rule is the only way to save Pakistan. Although Islam has a deep influence on most Pakistanis, it is fragmented with no strong organized leadership as it has in Iran. Pakistanis have been debating the nature of an Islamic state since independence, and politicians invariably try to portray themselves as more Islamic than their

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opponents. There is, however, no agreement on what would constitute an Islamic state or on the practicality of such a goal. President Zia and the politicians who now support him are attempting to institute Islamic reforms. So far these have included such things as the prohibition of alcohol and the institution of "Islamic punishments," such as flogging and amputation, but have not dealt with more important political and economic questions. [redacted]

Intractable Problems

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Adding to national pessimism is a worsening economic situation. Urgently needed reforms have been postponed for political reasons and many believe that the economy has been mismanaged. A serious balance-of-payments problem is the most pressing difficulty. Given the government's failure to address economic problems, there is not likely to be any significant improvement in the economy over the next several years. [redacted]

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Seemingly as intractable are Pakistan's problems with its neighbors. To Pakistan, India is still a long-term threat to independence, and Pakistanis are aware that they are falling further behind India in military power. The installation of a Marxist government in Afghanistan has greatly increased fear of Soviet designs on Pakistan, and turmoil in Iran threatens the reliability of one of Pakistan's few allies. [redacted]

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Pakistanis are somewhat reassured by their continuing good relations with China, but they have little hope of regaining the strong backing they had from the US until the mid-1960s. Although they see some prospects for increased US support, many believe that Washington has decided on a pro-Indian policy in South Asia. [redacted]

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The prevailing pessimism could be exploited by a leader able to convince the people that he had the solutions to Pakistan's problems. No such leader is on the scene, and the variety of proposed solutions and the number of potential leaders with limited appeal might well serve only to deepen divisions within the nation. [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.)

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Rhodesia

Rhodesian whites yesterday approved by a wide margin the proposed constitution for a government of national unity scheduled to take power in May. Government fears that the deteriorating security situation and voter apathy would produce a low turnout were unfounded. According to press reports, about 70 percent of Rhodesia's 94,700 registered white voters went to the polls and over 85 percent of those casting ballots voted to accept the majority-rule constitution. Black nationalist guerrillas apparently made no serious effort to disrupt the voting.

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USSR

The US Embassy in Moscow reports that the USSR's press appears to be preparing the Soviet people for contentious debate in the US Senate on ratification of a SALT II agreement. A *Pravda* article last Saturday, for example, covered the mechanics of the ratification process and cited a statement by Senator Schweiker that ratification will possibly be "linked" to Soviet behavior elsewhere. The Embassy also notes that a *Red Star* article on Monday alleged that while the majority of US citizens support SALT II, "Zionists" oppose it and exert considerable influence on public opinion through control of the mass media and close ties with the military-industrial complex.

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Ethiopia

The US Embassy in Khartoum reports that two of the three Eritrean liberation movements have, as expected, decided to unite and form a joint delegation to negotiate the Eritrean question with the Ethiopians (see related Ethiopian article in Briefs and Comments). The Embassy says the unification accord, announced in Khartoum on 27 January, appears to be no more substantial than previous so-called agreements and consists only of plans for further discussions. It believes the Sudanese Government probably has accepted the pact only to give President Numayri a semblance of Eritrean unity before he meets with Ethiopian Chairman Mengistu, possibly in mid-February. [redacted]

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COMMENT: *Eritrean unity has always been more honored on paper than in practice. Numayri met with the Ethiopian Ambassador to Sudan on Saturday to discuss the agenda for his talks with Mengistu, but we suspect a mid-February meeting is problematic.* [redacted]

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South Korea - North Korea

South Korea today called on the North to resume meetings of the North-South Coordinating Committee-- the mechanism for dialogue set up in the early 1970s-- and to reopen the Seoul-Pyongyang hotline which Pyongyang had deactivated in 1976. A South Korean official says Seoul does not expect a positive response from the North, but believes its proposal will place Pyongyang on the defensive and keep the spotlight on the need for government-to-government contacts during the current exchange of public proposals on reunification. [redacted]

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The North Koreans, meanwhile, announced today that they are unilaterally implementing the first step of their proposal of 23 January. Pyongyang said it would cease media attacks defaming South Korea, effective tomorrow, and reaffirmed the "ideas and principles" of the North-South joint statement issued in 1972. [redacted]

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USSR-Vietnam

Moscow's Radio Peace and Progress yesterday marked the 29th anniversary of the establishment of diplomatic relations between the USSR and the government in Hanoi by commenting that the provision for mutual defense in the three-month-old Soviet-Vietnamese friendship treaty is "crucial in the present conditions." Soviet Deputy Premier Arkhipov arrived in Hanoi yesterday at the head of an economic delegation. [redacted]

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COMMENT: *The reference to the mutual defense provision is the first by the Soviets since the Chinese began increasing their forces opposite Vietnam. Radio Peace and Progress, however, is a propaganda outlet with no official standing. In their talks with Arkhipov, the Vietnamese will be seeking increased Soviet assistance.*

[redacted]
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UK

The US Embassy in London reports that Foreign Secretary Owen is coming to Washington this week at a low point in his two years in that post. He understands that he may be moved to another, lesser position in the Cabinet even if Labor wins the impending election. The Embassy comments that Owen's sense of political vulnerability has been reinforced in recent months by personal setbacks in foreign policy--especially on Rhodesia. It believes Owen will thus have a restricted brief for his talks with Secretary Vance but will want to discuss a simplification of the Anglo-American plan for peace in Rhodesia and how the US and the UK should react to yesterday's white referendum there and to the Rhodesian elections on 20 April. Owen probably will propose joint efforts to obtain a South African commitment to internationally supervised elections in Rhodesia. [redacted]

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