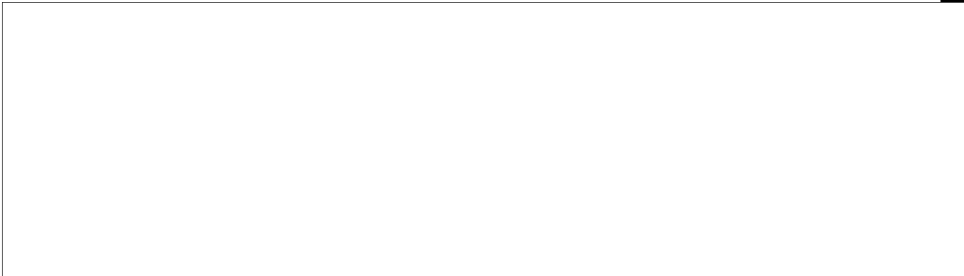




**Director of
Central
Intelligence**



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National Intelligence Daily

***Monday
28 April 1980***

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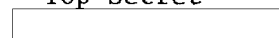
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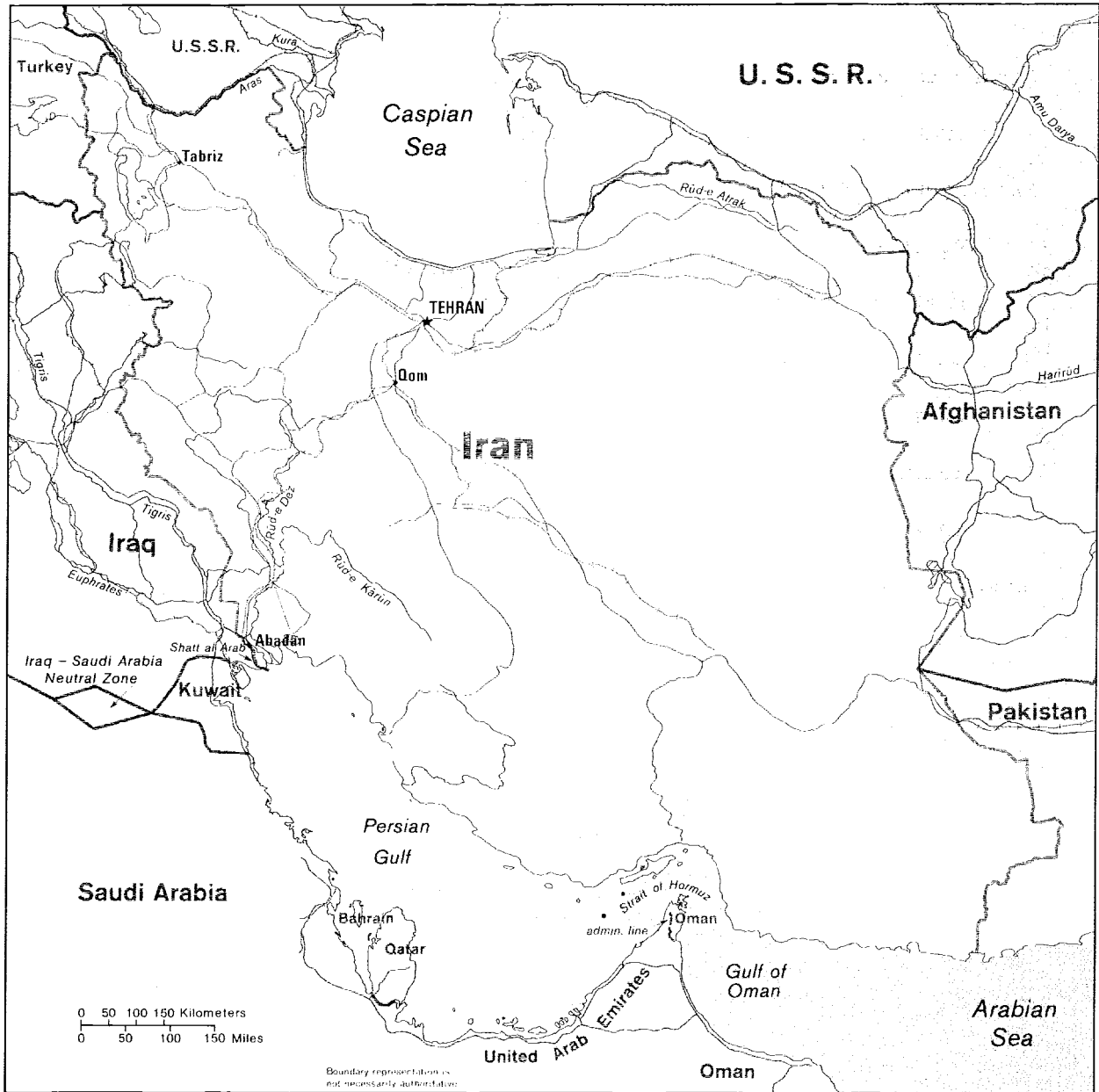


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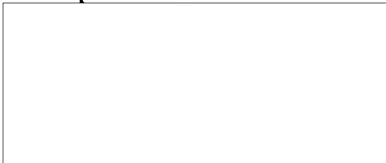
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SITUATION REPORT

IRAN

The aborted rescue mission apparently has strengthened the position of Iranian hardliners who are opposed to any compromise with the US. [redacted]

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[redacted] clerical hardliners, led by Ayatollah Beheshti, will exploit the mission's failure to strengthen further their position and undermine President Bani-Sadr. Beheshti's statement yesterday that Bani-Sadr should not have agreed to the unconditional return of the commandos' bodies indicates that Beheshti believes Bani-Sadr is vulnerable. Beheshti's Islamic Republic Party newspaper demanded yesterday that the bodies--currently on display at the Embassy--be returned only in exchange for Iranian assets blocked by the US. [redacted]

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Tehran radio has broadcast the purported full text of a Khomeini message to President Bani-Sadr last night. The Ayatollah blasts Western and UN support for "world-devouring America" and suggests Bani-Sadr invite various foreign groups to observe the results of the aborted US mission. He flatly refers to "50 spies" being detained--using "we" to describe those holding the hostages--but contends they are being treated with "the utmost humanity." The final paragraph admonishes Bani-Sadr to caution subversive elements against dissident activity "at the crucial moment," citing Iranian Kurds and US supporters "quite numerous among our own so-called intelligentsia and the youngsters who have been deceived by these groups." [redacted]

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We have no information to confirm or deny the militants' claim that they have transferred hostages to Qom and Tabriz, but it appears likely that at least some of the hostages have been taken out of the compound. [redacted]

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[redacted] The hostages' transfer significantly increases the risk that

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[REDACTED]

some could be injured either by rival groups eager to gain possession of some hostages or in reaction to rumors of possible further US military moves. [REDACTED]

EC Summit Communique

Iran appears certain to be a key topic in the EC summit communique to be issued later today. Press back-grounders on the initial discussions, which wound up early today in Luxembourg, indicate it is likely to stress solidarity with the US on the hostage issue and reiterate the decisions announced by the EC Foreign Ministers last Tuesday. [REDACTED]

Asian Reactions

In its first official reaction to the rescue mission, China expressed "regret" over the US move and strongly implied that such an action played into the hands of the USSR. A Chinese Foreign Ministry statement issued yesterday characterized US sanctions as well as the rescue operation as a violation of Iran's sovereignty and called on "both sides" to exercise "prudence and restraint" in working toward a solution. According to press reports, Vice Premier Li Xiannian made similar points today in a meeting with a delegation of visiting US newspaper executives. [REDACTED]

Since the beginning of the hostage situation the Chinese have counseled restraint because they are fearful of moves that might work to Moscow's benefit. In an effort to add balance, the Foreign Ministry statement also expressed the "hope" that Iran will release the hostages as soon as possible. [REDACTED]

Japanese Prime Minister Ohira told reporters yesterday that he will urge President Carter in their meeting Thursday to use "only peaceful means" to solve the hostage problem and will commit Japan to act in coordination with Western Europe to press Iran for an early release of the

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[REDACTED]

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hostages. [redacted]

USSR - East European Reactions

Soviet commentary continues to be sharply critical, describing the rescue attempt as "new adventurism" and a threat to peace in the Persian Gulf. To date, however, no ranking Soviet leader has reacted publicly, with the exception of Foreign Minister Gromyko's negative comments at a news conference on Friday in Paris. [redacted]

Reaction in Eastern Europe consists mostly of factual reporting and sparse, but highly critical, editorial comments, with most countries apparently following Moscow's lead. Romania, however, has departed from its past restraint on controversial international issues and is giving the story extensive coverage, including a report in the party daily expressing the Romanian Government's disapproval. The unusually sharp tone of the Romanian response undoubtedly reflects Bucharest's desire to safeguard its newly signed oil import agreement with Iran. [redacted]

Saudi Reaction

The Saudi Government in an official statement last night expressed "great concern and much regret" about the US rescue mission, which it characterized as "going beyond" the "acceptable limits of international behavior." Riyadh urged both the US and Iran to exercise "self-restraint" and work for the release of the hostages. [redacted]

The little media coverage of the incident in Saudi Arabia has been largely negative, in keeping with the Saudi position as a primary proponent of Islamic solidarity. Editorial comment has ranged from calls for restraint to condemnation of the US action. Reactions from other Persian Gulf states have centered on the possible effects the operation might have on the stability of the area. [redacted]

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[Redacted]

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Iran-Iraq

Iraq appears to be planning sabotage operations in Iran and against Iranian facilities in Kuwait. [Redacted]

[Redacted]

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The Iranian Government announced yesterday that it shot down an Iraqi helicopter and chased off three others trying to rescue the survivors. [Redacted]

[Redacted]

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[Redacted]

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[REDACTED]

BRIEFS AND COMMENTS

VENEZUELA: Aid Programs Increasing

President Herrera is increasing Venezuela's bilateral aid programs in Central America and in the Caribbean to ease the impact of recent oil price increases and to offset Cuban political and economic influence. [REDACTED]

When Herrera took office last year, he intended to continue existing aid programs but to restrict new commitments because of the increase in Venezuela's current account deficit. His change in policy was influenced particularly by Venezuela's shift to a current account surplus and by expanding political instability in the region. [REDACTED]

The Herrera administration's bilateral aid extensions in Central America are already outpacing those of its predecessor. Nicaragua received a \$20 million reconstruction credit as well as a reported \$80 million in commitments for development aid. Additional assistance, including a \$60 million oil facility, may follow. Honduras obtained a \$55 million loan for a hydroelectric project; El Salvador received a \$20 million oil import credit. [REDACTED]

Venezuela also is developing a program for the Caribbean Islands, particularly Jamaica, in hopes of neutralizing growing Cuban influence. Earlier this year the government allowed Jamaica to defer oil payments an additional month due to Kingston's financial difficulties. Plans have been suspended, however, for a new \$144 million oil-import facility because of Jamaica's financial and political problems. [REDACTED]

Venezuela is considering further increases in assistance to the region including a program of grants and loans to offset up to 44 percent of the countries' oil bills. The program, which involves as much as \$500 million in commitments this year, probably will be approved by Congress. Total commitments from this facility could reach \$1.5 to \$2.5 billion from 1980 to 1985. [REDACTED]

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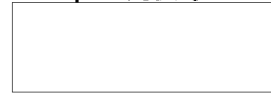
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EASTERN EUROPE: Possible Oil Shortages

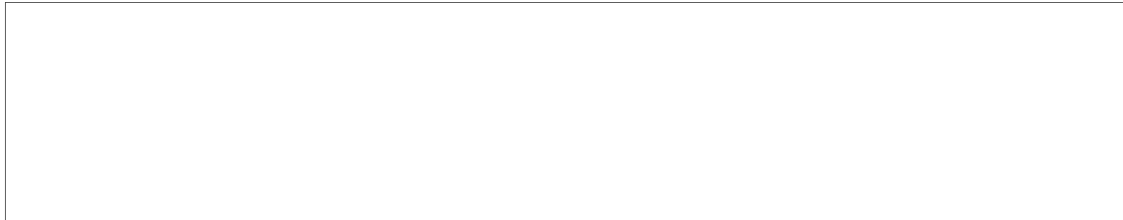
Recent actions by East Germany and Bulgaria suggest that the USSR, which recently reduced domestic allocations of fuels, may be planning or making similar cuts in exports of crude oil to Eastern Europe. 


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Rising Soviet oil prices--reflecting increasing world oil prices--may also have influenced the East German and Bulgarian steps. Both countries depend heavily upon the USSR for crude oil. 

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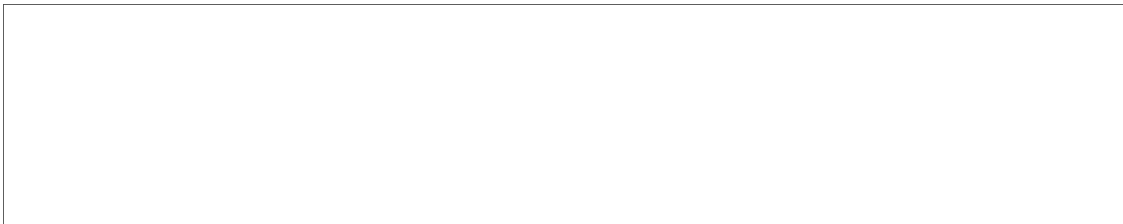
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Trucking companies are particularly hard hit. Some reports indicate they must close down operations when their monthly fuel allocations are exhausted. Gasoline currently is rationed to all businesses, and there are rumors in East Germany that rationing will soon be extended to include private use. 

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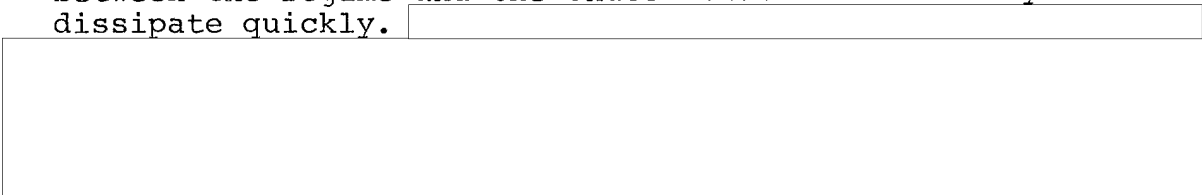
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BRAZIL: Effects of Metalworkers' Strike

The nearly month-long metalworkers' strike in Sao Paulo could further complicate the government's relations with hardline military commanders and is creating tension between the regime and the Church that is not likely to dissipate quickly.



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The government has sought Church support to end the strike but has been rebuffed by the Archbishop of Sao Paulo. Figueiredo has publicly criticized the Church for supporting the strike and has accused the Archbishop of inciting workers.



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TAIWAN: Suppressing Dissent

The authorities have widened their drive against critics of the regime by detaining the Secretary General of the Presbyterian Church on Taiwan, Kao Chun-ming. Kao is suspected of involvement in the unsuccessful escape attempt last December of one of the "Kaohsiung eight" who were recently convicted of sedition in connection with the antigovernment riot there last year. The Presbyterian Church membership of some of those involved in the escape attempt has afforded hardliners in the security services a long-awaited opportunity to crack down on the Church, which has publicly called for Taiwan's independence. The regime has not been deterred by the longstanding ties between the Taiwan Presbyterian Church and coreligionists in the US. [redacted]

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INTERNATIONAL: Developing Country Loans

A sharp drop in private international borrowing by the non-OPEC developing countries in the first quarter probably will be reversed but not enough for many of them to offset slowed economic growth during the rest of 1980. Foreign lenders attribute the recent falloff to concern over the high levels of developing country external debt, the danger of overextension on the part of several of the larger lenders, and the frequent lack of progress on economic stabilization programs throughout the Third World. Major borrowers, however, state that they are mainly holding out against present high interest rates and are still digesting large loans taken in late 1979. [redacted]

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Borrowing should increase in the remainder of 1980 as market conditions settle and some of the large OPEC surpluses are made available. Terms, however, probably will continue to stiffen for less creditworthy developing countries, while remaining favorable for stronger performers. Non-OPEC developing countries as a group are likely to borrow slightly more through 1980 than last year, but those with larger oil import bills may have to scale down both their borrowing and growth plans. [redacted]

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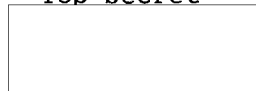
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Invitees to Paris Conference

Will Attend	Will Not Attend
Soviet Union	Romania
Poland	Yugoslavia
Hungary	Albania
Bulgaria	Italy
Czechoslovakia	Spain
East Germany	Great Britain
West Germany	Netherlands
West Berlin	San Marino
Austria	Swedish Left Party-Communist
Cyprus	
Denmark	
Finland	
France	
Greece	
Ireland	
Luxembourg	
Norway	
Portugal	
Swedish Workers' Party	
Switzerland	
Turkey	
Belgium (observer)	

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SPECIAL ANALYSIS

USSR-EUROPE: Conference of Communist Parties



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The Soviet-inspired Conference of European Communist Parties that opens today in Paris under French and Polish sponsorship is intended, in part, to demonstrate broad Communist support in Europe for disarmament and East-West detente despite the setback of Afghanistan. The success of the conference is already in doubt, however, because several major West and East European parties have refused to participate. Although Moscow may have hoped the conference would put pressure on some dissident parties to conform, the meeting probably will only underline and intensify the disunity among European Communists.

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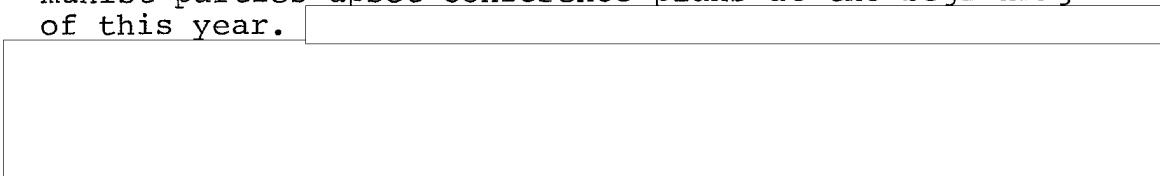
The Soviets first broached the idea of such a meeting last June as a means of stimulating support in West Europe for the SALT II Treaty and future SALT III negotiations. The NATO decision in December on theater nuclear forces gave it considerable added impetus.

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The invasion of Afghanistan and the opposition it engendered from Western countries and independent Communist parties upset conference plans at the beginning of this year.

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Eurocommunist Differences

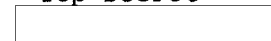
The Soviets apparently also hoped that the conference would improve the position of the French Communist Party while isolating the Italian party. The Soviets have been pleased by the outspoken support of Secretary General Marchais for their actions in Afghanistan.



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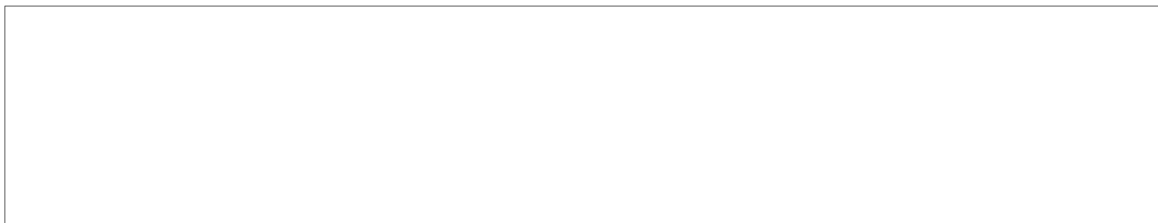
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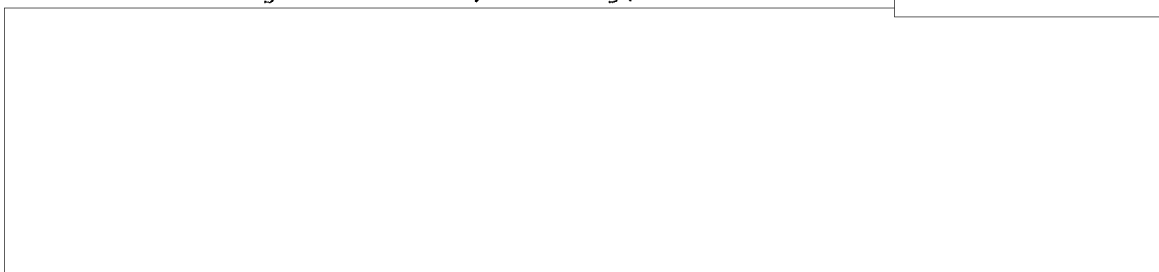
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Moscow's opposition to the Italian Communists' independent stance had been intensified by party leader Berlinguer's criticism of the invasion of Afghanistan and by what the Soviets regarded as the Italian party's weak opposition to TNF. The Italians, in turn, have said that they will not attend the conference because it is "wrong in method, timing, and theme." 

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The Communist parties of the UK, the Netherlands, and San Marino, as well as the Swedish Left Party, also will boycott the session. The Belgian Communist Party will attend only as an observer. 

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East European Parties

If things go as the Soviets plan, the conference will mark the first endorsement by high-level Warsaw Pact country officials--albeit without the Romanians--of Moscow's policy in Afghanistan. 

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Nonetheless, some of the East European parties that are attending probably have reservations about the conference. 

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The Hungarians and the Poles may not be enthusiastic about publicly endorsing Soviet policy on Afghanistan in such a forum, but they will go along. They will be concerned, however, over any attempt to isolate the

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Italian, Spanish, and Yugoslav parties. Polish and Hungarian delegates probably will attempt to tone down any criticism directed at the absent parties. 

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The Poles probably were happy to cosponsor the conference when it was first proposed last year by the Soviets in a disarmament context. 

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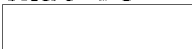
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The Yugoslav and Romanian boycotts stem from a belief that Moscow will use the gathering not only to obtain an across-the-board endorsement of its policies but will also attempt to reestablish its domination of the international Communist movement. Both countries oppose the invasion of Afghanistan and maintain close ties with the Italian and Spanish parties. 

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Belgrade and Bucharest also object to the abrupt manner in which the agenda and declaration of the conference were drawn up by the Soviets without prior consultation. Belgrade has even criticized this tactic as a violation of the agreements reached at the conference of European Communist parties in East Berlin in 1976. 

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Romania's decision not to attend was particularly difficult because of its Warsaw Pact membership. If the other independent Communist parties had gone, the Romanians also would have participated and complained about objectionable resolutions--as they did in 1976. After waiting for almost all parties to declare whether they would attend, however, Bucharest decided that it did not want to be the lone dissenting voice. 

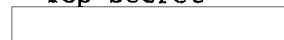
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Prospects

The absence of the independent European Communist parties from Paris all but assures Moscow of a unanimous endorsement of its policies on disarmament, Afghanistan, and the international Communist movement. But the costs in attaining this bogus "unity" will be high. Rather than isolating the Italian and Spanish parties and improving the position of the French, the reverse is likely to be the result. Moreover, the failure of the Yugoslav and Romanian parties to attend will put new strains on their relationships with Moscow. 

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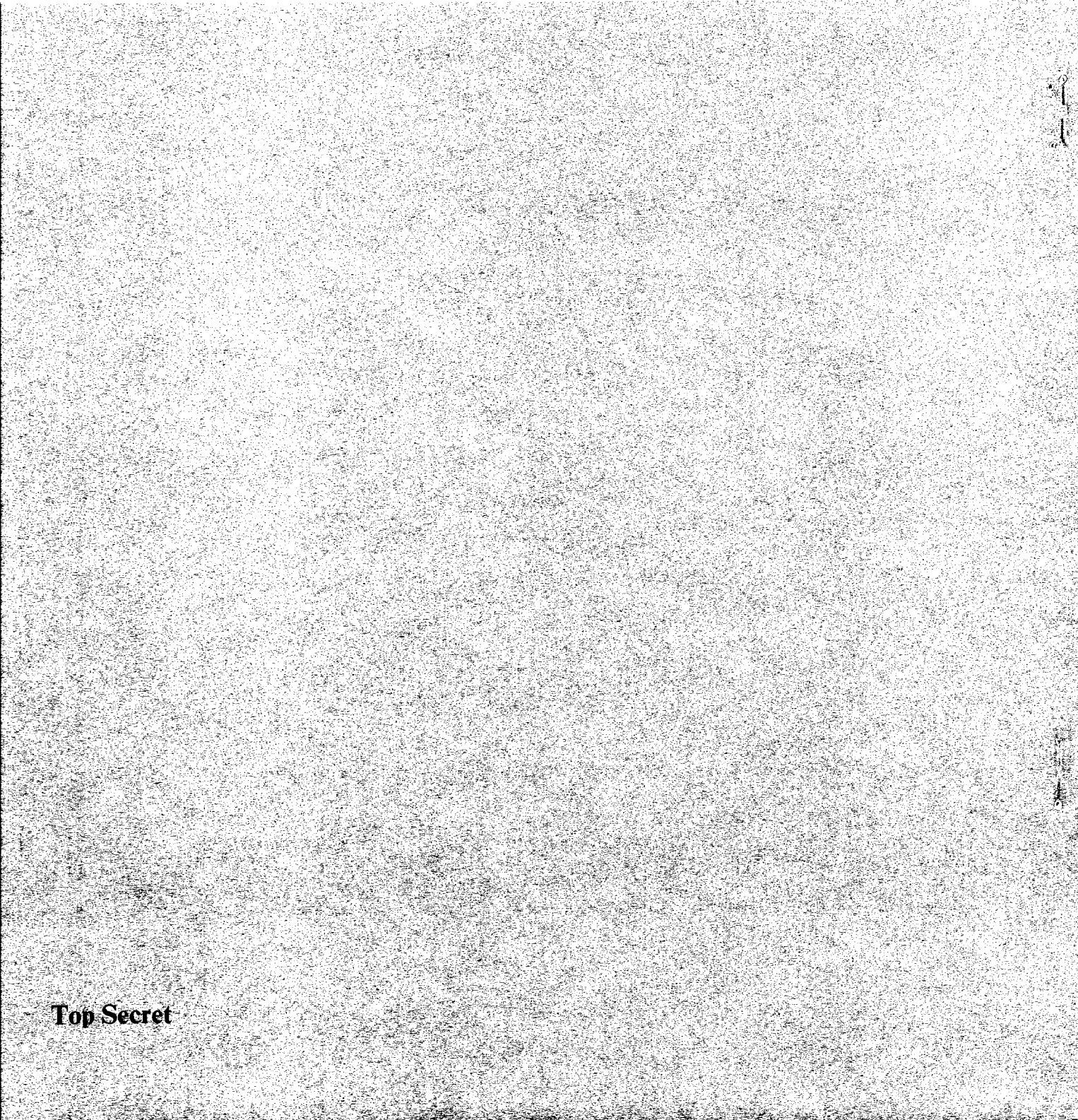
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