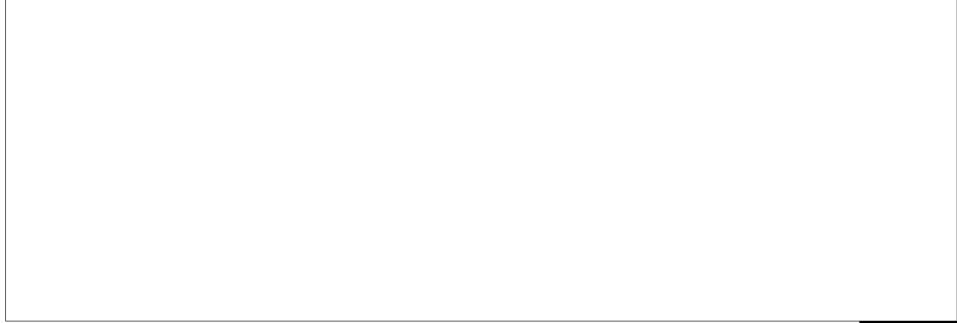




**Director of  
Central  
Intelligence**

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# **National Intelligence Daily**

*Saturday  
17 May 1980*

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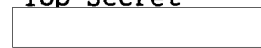
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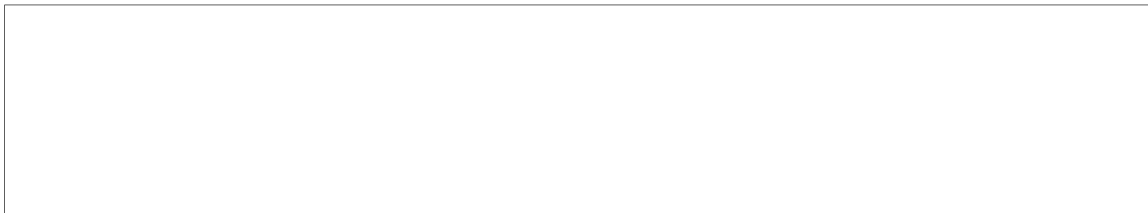
SITUATION REPORTS

USSR-AFGHANISTAN




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Pressure on Pakistan



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The US Consul in Peshawar estimates that there have been about 100 Afghan or Soviet violations of Pakistani airspace. Last week, four helicopters dropped bombs in a border area where easily identifiable ground features make navigational error unlikely. 

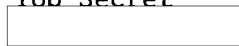
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Meanwhile, the Pakistanis seem to be relaxing restrictions on insurgent activity. This week, they permitted an assembly of representatives from every section of Afghanistan to meet in Peshawar. The assembly elected a revolutionary council that could evolve into a government and pledged full-scale war against the Soviets. 

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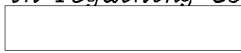
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IRAN

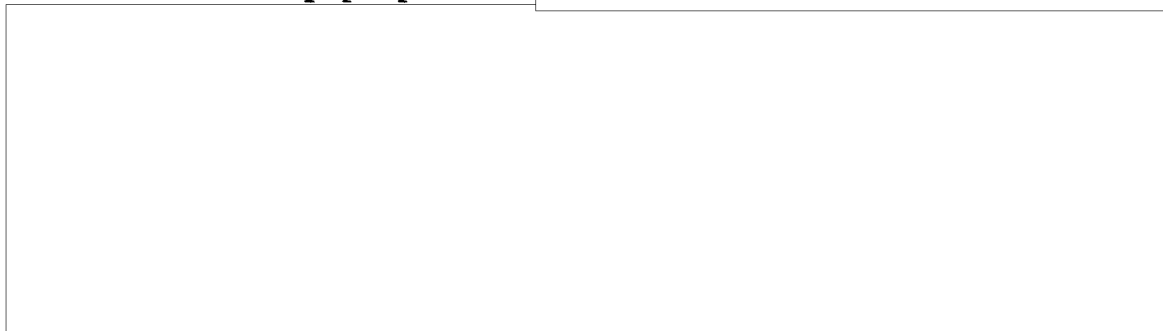
*The government has made little progress in regaining control of Kurdish-populated areas of the northwest.* 

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Clashes between dissident Kurds and government forces continue despite President Bani-Sadr's announced acceptance earlier this week of an amended version of the latest Kurdish autonomy proposal. 

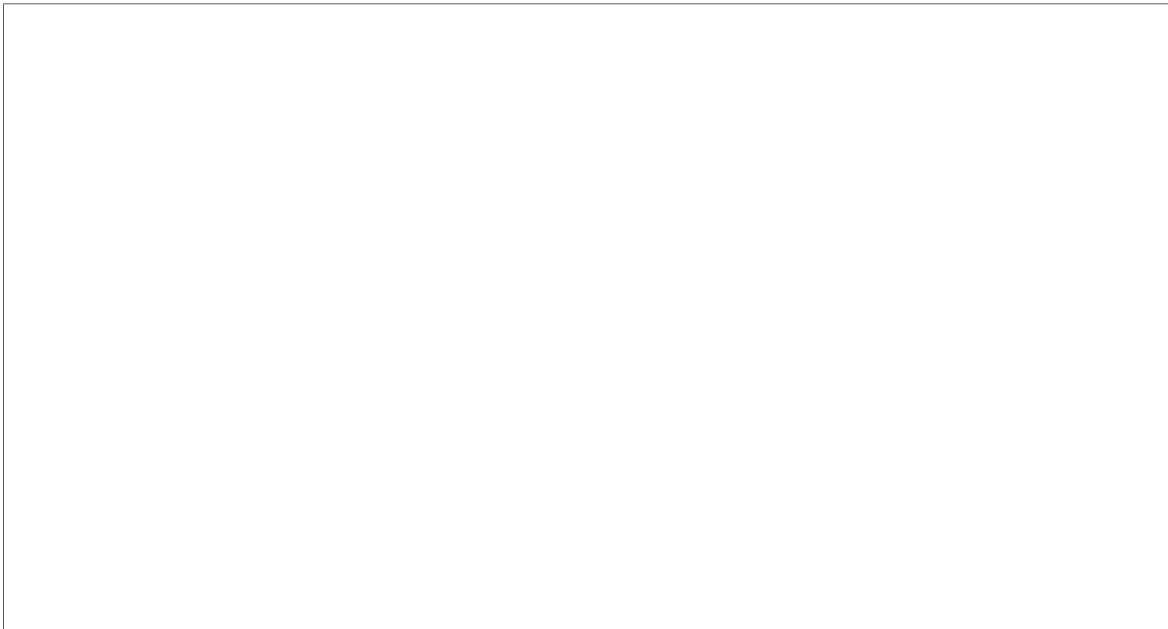
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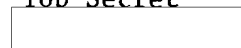
Ayatollah Khomeini yesterday urged the military to purge the Kurdish region of "infidels" and made no mention of any conciliatory gestures to the Kurds. (U)

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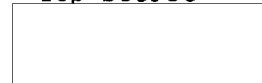
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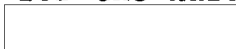
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Political Developments

A date for the opening of the National Assembly has still not been set, but press reports indicate the legislators may meet in Qom on 28 May. The inquiry commission to investigate charges of fraud in the first round of elections confirmed the winners in all but three contests--another victory for the hardline Islamic Republic Party over Bani-Sadr. 

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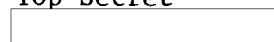
New Soviet Transshipment Area

 a major new rail transshipment yard is under construction at Astara in the USSR just north of the Iranian border. The new yard probably will be operational late this year. It will increase capacity at this key transshipment point by about 30 percent and allow the Soviets to expedite the movement of goods into Iran. Expansion of the transshipment facilities at Dzhulfa, the other major border crossing point, is continuing and will enlarge capacity there by about 25 percent. Iran's economic and political difficulties are likely to restrict its acceptance of cargoes, however, and limit the advantages of these expanded facilities. 

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BRIEFS AND COMMENTS

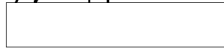
EC: Foreign Ministers' Meeting

*In what promises to be an arduous meeting, EC Foreign Ministers in Naples this weekend will attempt to reach consensus on Iranian sanctions, the UK net contribution dispute, a Middle East initiative, and the EC's Afghan neutrality proposal.* 


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The Ministers almost certainly will produce a sanctions package weaker than the draft UN resolution of 10 January. EC legal experts on Tuesday recommended a ban on trade, new loans, and some new service contracts, but not on existing contracts whose cancellation would harm member states more than Iran. 

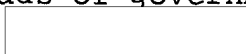
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While the experts' report specifically defines exemption criteria, the Ministers may be less precise in defining which contracts can be exempted. Italy, France, and to a lesser extent the UK and West Germany, oppose complete cancellation of existing contracts. 

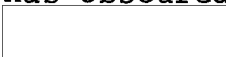
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The Foreign Ministers probably will not agree on the amount and duration of a refund of the gap between the UK's EC payments and receipts, \$2.5 billion this year. Although EC members pledged to reach agreement by the end of the month, no new proposals have been advanced since British Prime Minister Thatcher refused all offers at the recent Luxembourg summit. 

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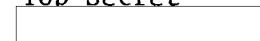
Another failure to solve the budget dispute could sour the atmosphere for subsequent agenda items. Bonn has indicated that the Foreign Ministers will attempt to lay the groundwork for an EC initiative on the Middle East that would incorporate the concept of Palestinian self-determination. The details would be approved by the heads of government at the EC summit in Venice in June. 

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Regarding Afghanistan, the Foreign Ministers also will discuss ways to revitalize the EC's flagging neutrality initiative. Member states in the past few weeks have voiced concern that the issue of the US hostages in Iran has obscured the more important Afghanistan situation. 

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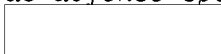
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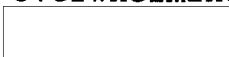
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JAPAN: No-Confidence Vote


*The unexpected passage of the no-confidence resolution in the Japanese Diet yesterday was the product of a continuing intra-party struggle among the ruling Liberal Democrats; substantive policy issues such as defense spending and relations with the US were not a factor.* 

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The opposition Japan Socialist Party, which sponsored the resolution in an attempt to embarrass the ruling party before the upper house elections late next month, did not expect the measure to pass. Liberal Democrat factions led by former Prime Ministers Miki and Fukuda, however, saw an opportunity to challenge Prime Minister Ohira again. When the measure came to a vote, some 70 members of the two factions decided on a boycott, resulting in overwhelming approval of the no-confidence measure.



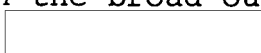
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Ohira plans to call for dissolution of the lower house in the next few days and for a general election late next month. In the interim, Ohira and his cabinet will function as a provisional government. The Prime Minister evidently is determined to remain in power, but he faces a severe challenge, given the magnitude of the division in the ruling party. 

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In the coming weeks Ohira will be preoccupied with restoring enough cooperation in the party to wage campaigns for two critical and probably simultaneous elections in the lower and upper houses, where it has only bare majorities. While the current intraparty struggle, which is rooted in strong personal antagonisms among the party elders, may eventually provoke a split, political and financial pressures could hold the Liberal Democrats together during the campaign. 

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As a caretaker Prime Minister in a tenuous position, Ohira will avoid any risky policy initiatives, but he also can be expected to maintain the broad outlines of Tokyo's current foreign policy. 

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SOUTH KOREA: Opposition Protest

*Most street demonstrations were suspended early yesterday as students awaited the government's response to their demands.*



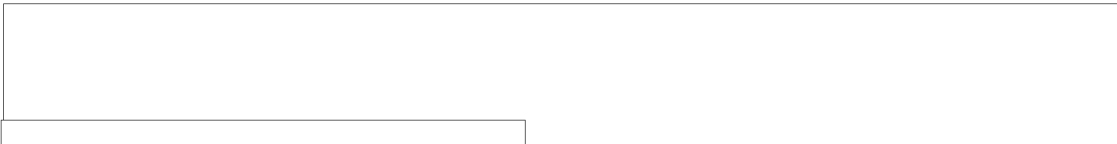
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The death of one policeman and the lack of public support for the demonstrations apparently have cooled the enthusiasm of the moderate students who form the bulk of the protestors.

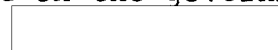


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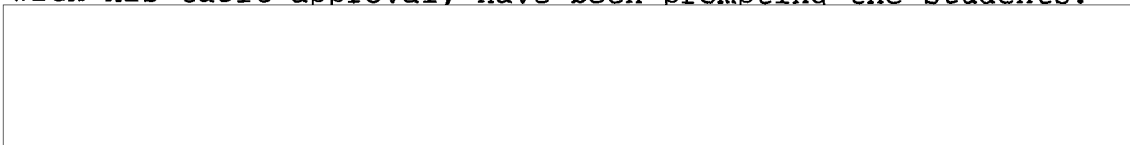
The moderates may also resume off-campus demonstrations if they think the government response to their demands is unsatisfactory. President Choi Kyu Hah, who returned to Seoul last night, is rumored to be planning an announcement on the government's intentions within the next few days.



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The military claims to have proof that supporters of dissident leader Kim Dae Jung, presumably acting with his tacit approval, have been prompting the students.



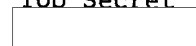
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The two rival opposition leaders, Kim Young Sam and Kim Dae Jung, in a surprise move have joined to issue a statement demanding the lifting of martial law and the resignations of Prime Minister Shin Hyon-hwack and KCIA Director Chon Doo Hwan. Kim Young Sam's agreement to cooperate with his more militant rival stems from a desire to gain at least some political benefit from the relatively restrained student demonstrations that both hope will force at least some concessions from the government.



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JORDAN-IRAQ: Improved Relations

*King Hussein's visit to Iraq today highlights the increasingly close relations and growing economic and military cooperation between Hussein's moderate regime and Iraq's ruling Baathists.*

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The King's visit is intended to further solidify these ties and to demonstrate his support for Iraq in its conflict with Iran. Hussein is concerned that the Iranian-Iraqi feud will aggravate existing divisions among the Arabs, hindering development of a consensus on the next steps in the peace negotiating process with Israel-- a key Jordanian goal.

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The Iraqis, who are pushing hard for Arab leadership, have welcomed the opportunity to improve relations with moderate Arab states. Their interest in a rapprochement with Jordan in particular took on added impetus after Iraq's falling out with Syria last year.

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Iraq also sees practical advantages in aiding Jordan. Helping the Jordanians to develop their port at Al Aqabah and to improve road links with Iraq, for example, could relieve heavy congestion at Al Basrah, Iraq's main commercial port.

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EL SALVADOR: Dilemma for Christian Democrats

*The decision by the Christian Democratic hierarchy to remain in the government--despite the release this week of rightist plotters the party had publicly demanded be punished--is not likely to prevent defection by party members from the administration.*

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[Redacted] political realities have forced the party to back off at least temporarily from its threat to quit the government. The party believes that for now its only chance to build popular support is to remain in the government and support the reform programs. With no political middle ground in El Salvador, the Christian Democrats could suffer substantial losses to the insurgent-led coalition if they leave the government.

[Redacted]

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Both the Christian Democrats and progressive junta member Colonel Majano, who ordered last week's arrest of the conspirators, seriously underestimated the power of conservative elements in the armed forces. The party, especially, has suffered a humiliating public defeat. It is pursuing legal efforts to repeal the military investigator's decision to free the plotters

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The freeing of the conspirators, the failure to remove any leading rightwing security official, and the unabated violence will increase the impression that the government is tilting to the right or at least is unable to discipline rightwing security officials. The Christian Democrats faced substantial pressures from party members before this latest incident, and these will now increase. Even naming Christian Democratic leader Duarte president of the junta--still possible in the near future--will not be enough to prevent defections unless he should quickly achieve effective control over the military.

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CHINA-AFGHANISTAN: Revised Policy

China has slightly softened its position on the Soviet presence in Afghanistan by publicly stating that it would be willing to see Moscow withdraw its troops "step-by-step" over a period of six months to a year, provided that this leads to a complete withdrawal of Soviet troops. Beijing previously had insisted on a prompt and total Soviet pullout. This adjustment in an otherwise firm policy is more in harmony with various formulas calling for a negotiated settlement of the crisis being discussed in South Asia and the West.



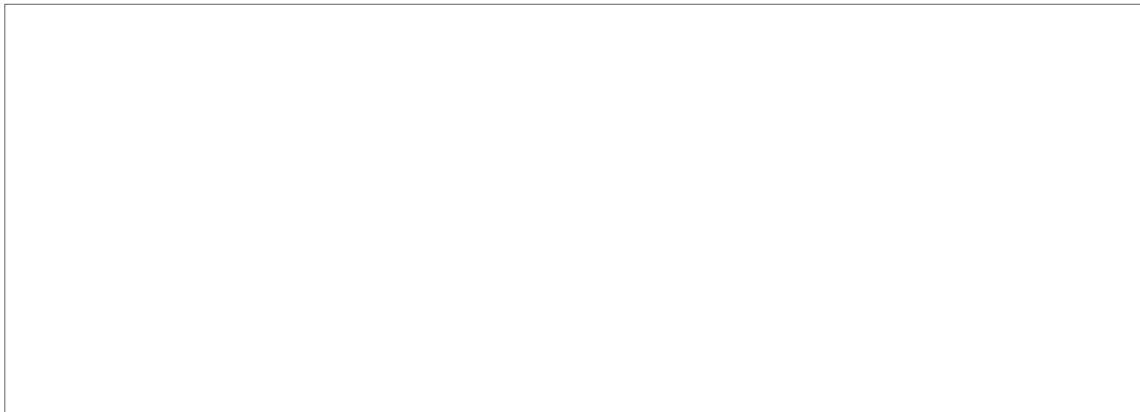
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TURKEY: Presidential Election

After eight weeks and 75 parliamentary ballots, Turkey appears no closer to naming a replacement for President Koruturk, whose term expired on 6 April. The withdrawal on Thursday of the opposition Republican People's Party candidate leaves the ruling Justice Party's Saadettin Bilgic as the sole official candidate, but he remains too controversial to be elected. The political dallying has prevented consideration of major domestic legislation, and both the public and the military are expressing frustration with the politicians. Unless a compromise candidate is named by early June when five new presidentially appointed senators must be named, the issue could turn into a political crisis inviting the military's involvement. General Staff Chief Evren's statement on Tuesday that it is "high time" for a resolution of the situation is a sign that the military's patience is indeed wearing thin.

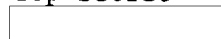


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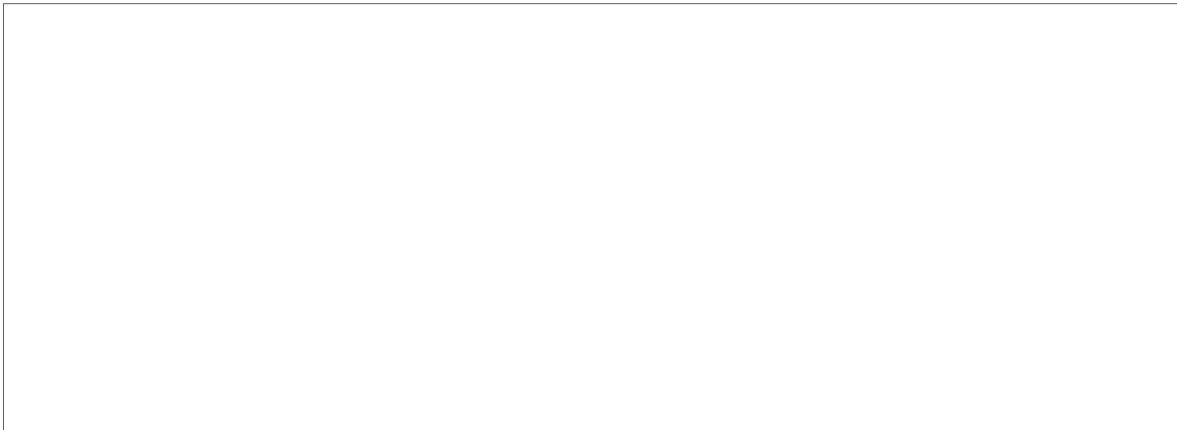
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NETHERLANDS: Defense Spending

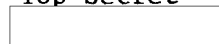
The Dutch Government's decision this week partially to restore proposed defense spending cuts in 1980 probably does not increase chances that defense spending in 1980 or 1981 will reach NATO's 3-percent goal. When the budget for 1980 was passed last fall, defense spending was to be increased by nearly 3 percent, in line with the Van Agt government's NATO commitment. Economic problems caused the government to cut expenditures across the board, however, and defense was slated to be reduced by \$125-150 million, thus setting a precedent for future budgets and ultimately threatening the Dutch commitment to NATO's long-term defense program. 

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The government should have enough votes to win parliamentary approval soon for plans to restore more than half of these cuts, but plans to restore the rest of the cuts in August will face more serious opposition. Moreover, if the cabinet asks at that time for a full 3-percent increase in next year's defense spending it would reinvigorate the coalition that led the successful fight against Dutch participation in NATO's theater nuclear force modernization and feed growing sentiment for a more neutral defense posture. The emergence of strong opposition, coming on top of other problems expected with the budget, could force the government to resign. 

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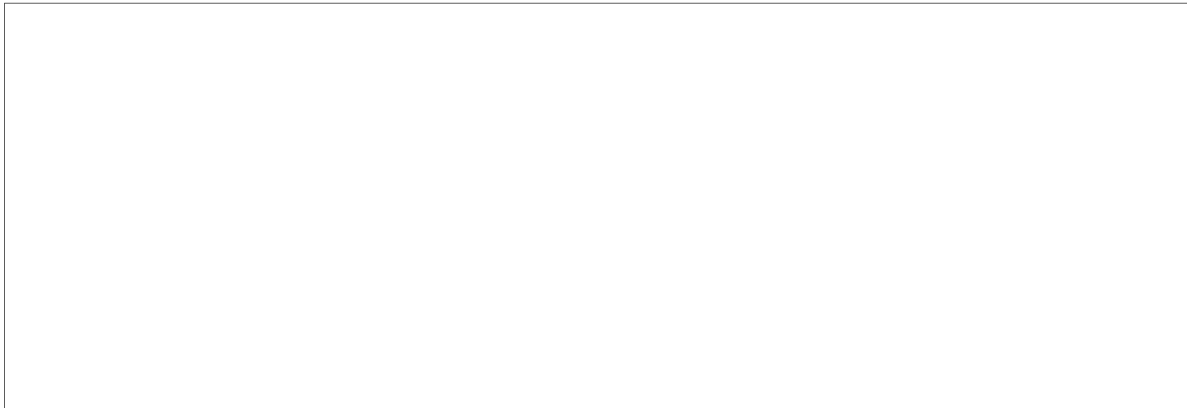
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NEPAL: Referendum Results

In a personal victory for King Birendra, Nepalese voters have elected to retain the country's partyless political system rather than adopt a multiparty system. The partyless option, which gained 54 percent of the vote in the referendum held earlier this month, will give the King greater control of the liberalization process he has started, but the strong multiparty showing indicates that pressure to liberalize the government faster than the King would like may continue. The multiparty camp's leading politician, former Prime Minister Koirala, seems ready to work constructively within the new political system. Others, however, are claiming that the vote was rigged. 

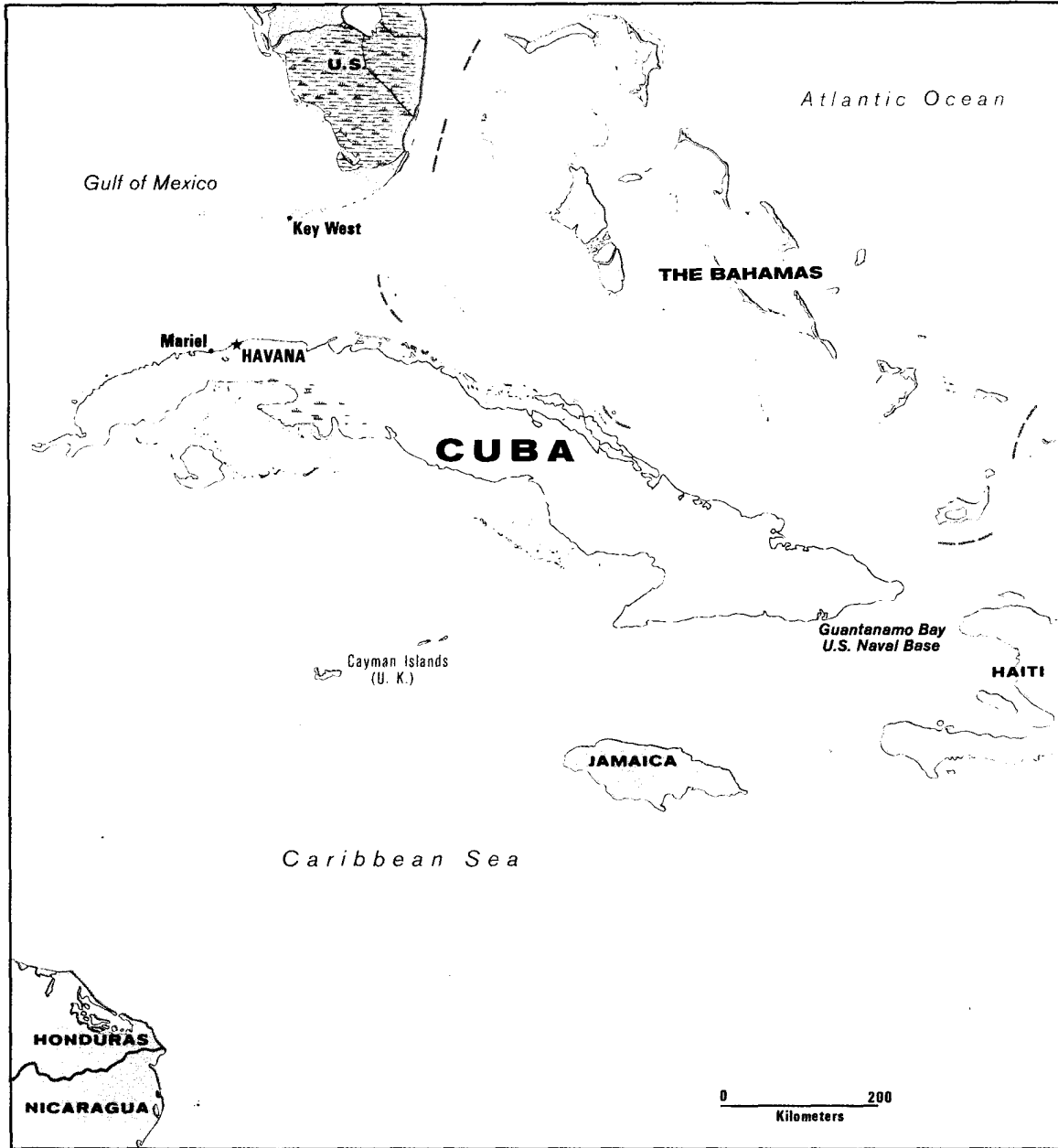
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SPECIAL ANALYSIS

CUBA: Anti-US Campaign



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*Fidel Castro's anti-US campaign probably will climax today in demonstrations throughout Cuba involving as many as 5 million people, half the country's population. The focal points for the marches will be the US Interests Section in Havana and the US Naval Base at Guantanamo Bay. Some potential for violence exists, but the government has made preparations similar to those taken before the orderly march past the Peruvian Embassy on 19 April, indicating that the authorities will again exercise tight control over the demonstrators. We believe that after this weekend the Castro regime will begin to return the island to normal economic activity. Anti-US rhetoric will probably lessen temporarily. Castro still, however, will have to face tougher domestic problems and policy choices than he has confronted in recent years.*

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Pressures on the Regime

The current campaign against Washington and the continuation of the refugee exodus at Mariel are responses to economic, social, and political pressures that have been building since 1977.

- The Cuban economy has stagnated, and the already austere standard of living has deteriorated even further.
- A rapidly expanding labor force has created a labor surplus, and a large number of recently graduated Cuban youths have been unable to obtain jobs.
- The visits by obviously prosperous exiles living in the US, which brought badly needed hard currency, have further damaged morale.
- The incidence of crime, of poor job performance, and of political discontent and minor acts of dissidence were on the increase.

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Castro has also become worried by what he sees as a growing US hostility toward Cuba and the USSR. He is particularly concerned by stories in the US media suggesting retaliation against Cuba as an appropriate response to the Soviet invasion of Afghanistan. He interprets the creation of a Caribbean Naval Command and the stationing of US fighter aircraft at Key West as signs that the US now may be more willing to use military force against him.

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Castro has responded by applying tactics he has used successfully in the past. He has decided to rid the island of several hundred thousand undesirables to relieve economic and social problems. He has mounted a massive propaganda campaign against the US and against the departing refugees to provide scapegoats for the government's economic failures and to revitalize popular support.

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#### Outlook

Castro has succeeded in alleviating the pressures on his regime only temporarily. His actions have helped to solidify his popular support and to revitalize flagging revolutionary fervor, but the departure of several hundred thousand persons will bring only limited economic benefits. The nation's basic economic problems are not being addressed and will continue to cause trouble for Castro in the political sphere.

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Castro may believe that he has achieved as much as possible in terms of rechanneling discontent and apathy, and that continuation of the turmoil would be counterproductive. Continued disruption would further damage economic production as well as Cuba's international image. The ability of the government to implement its recent order to terminate violence against would-be refugees and to control today's anti-US demonstrations will be an important indicator of the regime's control over the passions it has incited.

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Cuba's mounting problems have caused Castro to turn to hardliners in his regime for policy advice. The appointment of Ramiro Valdes as Minister of Interior last December symbolized the ascendancy of a group that is far more passionate and unreasoning than Castro in its antipathy toward the US.

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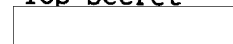
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Over the longer term, the hardliners' predominance will probably lead to greater political repression to counter any apathy or ideological deviation. This could polarize the Cuban political system. Abroad, the hardliners are likely to be more willing to support revolutionary movements and to resort to confrontation policies when dealing with the US and other governments.



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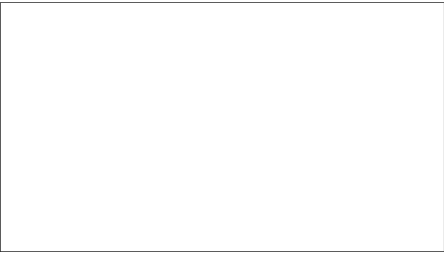


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