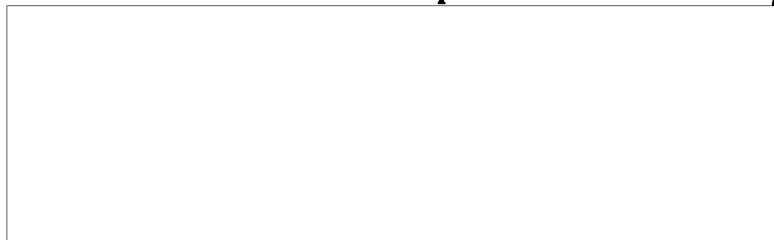




**Director of
Central
Intelligence**

~~Top Secret~~



National Intelligence Daily

*Friday
1 August 1980*

~~Top Secret~~

CO NID 80-1801X

1 August 1980

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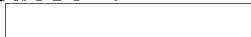
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SITUATION REPORT

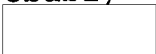
IRAN

Iranian hardliners appear to be laying the groundwork for hostage trials. 

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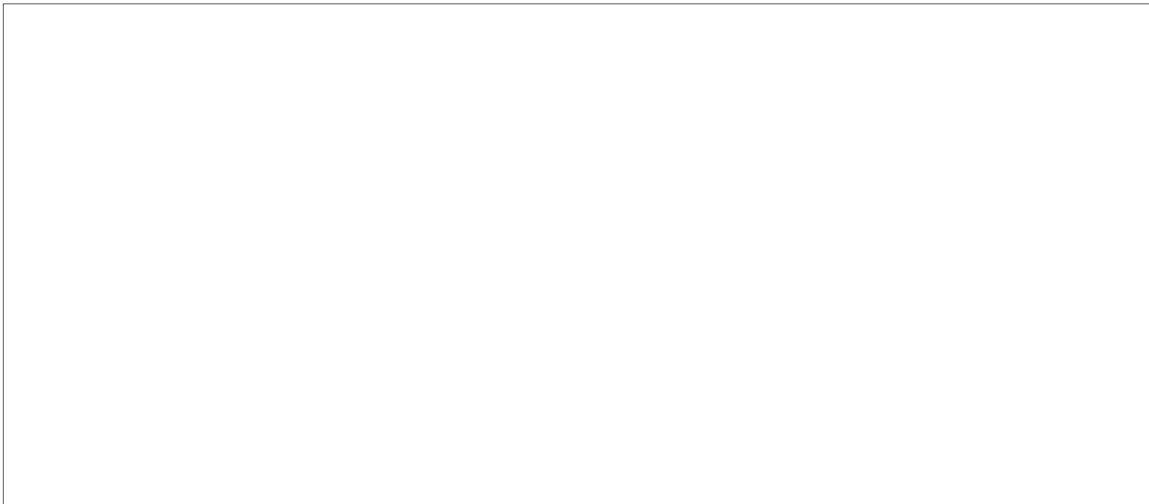
The Iranians are publicizing the case of an American journalist--Mrs. Cynthia Dwyer, who was arrested last May--probably to test US reaction to trials and to arouse public support for espionage trials for the hostages as well. Mrs. Dwyer is charged with espionage by "Tehran's Central Committee Guards," but it is unclear how much authority this group has to determine her fate. The Prosecutor General's office states that she is not being held under its jurisdiction. 

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The Iranian legislature could take weeks to select a prime minister, but once the legislature does debate the hostage issue, we continue to believe it will probably decide on trials of at least some of the hostages. 

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WEST GERMANY: Renewed Terrorism Feared

Authorities in Bonn are concerned that West German terrorists may be planning to assassinate a prominent government official, possibly even Chancellor Schmidt, during the election campaign. [Redacted]

There have been no major actions by West German terrorists for almost two years, and the number of active terrorists has been severely reduced by a concentrated police effort. West German authorities, however, expect the terrorists to stage some sensational action to prove that they are still a force with which to be reckoned.

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[Redacted]

Security officials believe the terrorists no longer have sufficient personnel to kidnap a prominent official and therefore are more likely to attempt an assassination, probably using high explosives that can be detonated from a distance. A large quantity of explosives and a device that could be adapted to detonate a bomb from afar were among the possessions of five female German terrorists arrested in Paris in early May. According to the West German press, there also was evidence pointing to Schmidt as a possible target.

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[Redacted]

Though relatively small, the remaining hard core of West German terrorists is highly experienced and could probably attempt an assassination in spite of the more sophisticated countermeasures of the West German authorities. Public identification of Schmidt as a possible target should make such an attempt more difficult but may not dissuade the terrorists from trying.

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BELGIUM: TNF Decision Deferred

The Belgian Government plans to consider cruise missile deployment in September, when chances for a positive decision will depend largely on the government's ability to secure parliamentary approval for contentious domestic legislation it deems more important. [Redacted]

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On 30 July the cabinet's foreign policy committee decided to postpone a decision on cruise missile deployment. Despite a committee majority in favor of theater nuclear force modernization, key ministers are sensitive to the Flemish Socialists' intense opposition and are reluctant to risk a cabinet break-up over the issue. Prime Minister Martens' main concern is that parliamentary debate on TNF could disrupt efforts to achieve consensus on regionalization proposals aimed at easing Belgium's linguistic dispute. Foreign Minister Nothomb, the Belgian Government's leading advocate of TNF, has obtained cabinet approval to raise the issue again after the summer recess. [Redacted]

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Prospects for a decision should be marginally better in the fall. Martens hopes to complete passage of the regionalization legislation, which requires the support of the Flemish Socialists, before the 9 August summer adjournment of parliament. If he is successful, it could decrease, but not eliminate, the ability of the Socialists to use the issue as a lever to delay consideration of TNF. Martens will also have to deal with many other contentious issues in the fall--budget cuts, tax policy, aid to Zaire--which TNF opponents might be tempted to use as leverage. [Redacted]

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The position of the Francophone Socialists could be decisive. Their ultimate position on TNF is still unclear, although they supported the latest delay. They would be reluctant to break with their Flemish brethren, but Nothomb may be able to convince the Francophones to acquiesce in a deployment decision, especially one conditioned on a periodic alliance review of arms control prospects. The government would then stand a better chance of surviving a Flemish Socialist withdrawal. [Redacted]

[Redacted]

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[Redacted]

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Diplomatic Installations in Jerusalem

Embassies	Consulates General *
Bolivia	Belgium
Chile	France
Colombia	Greece
Costa Rica	Italy
Dominican Republic	Netherlands
Ecuador	Spain
El Salvador	Sweden (Consulate)
Guatemala	Turkey
Haiti	United Kingdom
Netherlands	United States
Panama	
Uruguay	
Venezuela	

* Special diplomatic representations established before the creation of Israel; not accredited to any state.



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[Redacted]

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ISRAEL: The Jerusalem Issue

The Begin government will continue efforts to strengthen Israel's claim to sovereignty over a united Jerusalem despite virtually unanimous international opposition to such moves. [Redacted]

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In protest against the Knesset's passage on Wednesday of a law reaffirming Israel's annexation of Arab East Jerusalem and against Prime Minister Begin's intention to move his office to East Jerusalem, Venezuela has informed Israel of its decision to transfer its Embassy from Jerusalem to Tel Aviv. According to the US Embassy in Tel Aviv, as many as seven other Latin American states may follow Venezuela's lead. [Redacted]

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Arab reaction thus far to Israel's move has been predictably critical but restrained. Egyptian Minister of State for Foreign Affairs Ghali was quoted yesterday as stressing the importance of continuing the dialogue with Israel. Cairo, however, has not foreclosed the possibility of strong action such as suspending once again the autonomy talks; President Sadat will meet with his advisers tomorrow night for further talks on the subject. Some Arab delegates to the UN are pressing for a Security Council debate on the issue. [Redacted]

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Turkey yesterday recalled its charge in Tel Aviv for "consultations." France, West Germany, and the Netherlands have expressed regret over the legislation, and other West European countries are likely to follow suit. [Redacted]

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Begin's determination to gain control over Jerusalem remains firm, and he and his hardline coalition will probably perceive foreign opposition as the result of pressure from Arab oil-producing states. Begin's resolve to transfer his office will only be further strengthened by such opposition. [Redacted]

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Opposition Labor Party Chairman Peres earlier this week charged that the government has been "recruiting the entire world against Israel" by its declarations of intent to move Begin's office to East Jerusalem. Several Israeli newspapers have also voiced misgivings over the handling of the East Jerusalem issue. [Redacted]

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[Redacted]

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NORTH YEMEN - SAUDI ARABIA: Pressing for Funds

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North Yemeni President Salih reportedly is trying to press Saudi Arabia for funds, in part to help pay for arms from the USSR.
[redacted]

According to a reliable source of the US Embassy in Sana, Salih is trying to arrange a meeting next week with Saudi King Khalid to secure Saudi funds for Sana's first major payment--due in a few weeks. Salih is said to have received informal assurances that the Soviets would consider a rescheduling of payments if he accepts their invitation to visit Moscow. Riyadh may be willing to grant Salih's request now to prevent a visit that could result in the Soviets making further gains in North Yemen.
[redacted]

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The Soviets have sought over the past year to increase and secure their ties with North Yemen by expanding their military supply relationship with Sana and are now looking for a political return on their investment. They hope an enhanced position in North Yemen, coupled with their strong position in South Yemen, will give them some influence over the other Arabian Peninsula states.
[redacted]

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Moscow is likely to try to enlist Salih's support for its criticism of the increased US military presence in the Persian Gulf area. In addition, the Soviets will use the visit to publicize their argument that the US constitutes the real threat to peace in the region.
[redacted]

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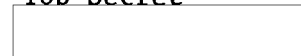
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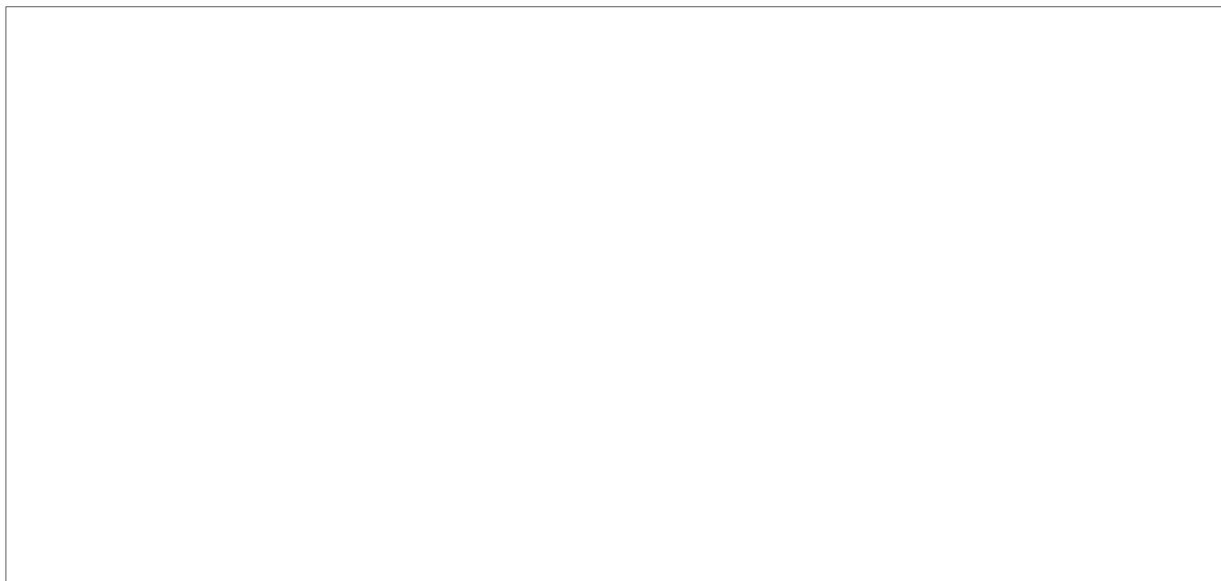


USSR: Anti-US Commentary

The US Embassy in Moscow reports that the Soviets are mounting a propaganda barrage around the US decision to grant refugee status to 12-year-old Walter Polovchak. An article in *Pravda* on Sunday alleged that high-level US officials had sanctioned the Ukranian youth's "kidnapping" and that the US had violated "all principles of morality and humanity" as well as the Helsinki agreement of 1975. Subsequent articles in *Pravda* and in *Literary Gazette* charged the US with using the episode to undermine detente and held it up as an example of the misfortunes of Soviet emigrants in the US. If the case is not resolved in their favor, the Soviets may continue their propaganda attacks until this fall's review session in Madrid of the Conference on Security and Cooperation in Europe.

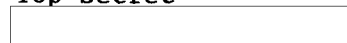


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UK: Strike Aircraft Grounded

The British Buccaneer strike aircraft withdrawn recently from NATO assignment because of structural defects account for only a minor part of NATO's total strike capability in Europe. Most of the Buccaneers--like the Vulcan bombers, Britain's other major strike aircraft--have been in service since the late 1950s. Original planning had called for phasing out the Vulcans by 1983 and the Buccaneers by 1985, both to be replaced by the Tornado multipurpose aircraft that began entering service this year. If the Buccaneers cannot be repaired at reasonable cost, the British may have to replace them first and retain the Vulcans in service well beyond 1983.



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SOUTH AFRICA: Black Labor Unrest

Widespread demonstrations are likely in Johannesburg today if authorities carry out their threat to fire some 10,000 black municipal employees striking for higher wages and black union representation. Demonstrating workers already have interrupted many public services and have disrupted white commuter traffic. Although violence so far has been limited, harsh police tactics and the government's uncompromising position have helped to create a volatile situation.



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ISRAEL: Coalition Defection

Prime Minister Begin's coalition lost its Knesset majority following the defection yesterday of Aqia Nof, a member of the small Democratic Movement. Begin's coalition now controls only 60 of the 120 Knesset votes. The government is not in any immediate danger of collapse, however, because the Knesset is in recess until mid-October. Even if a special session is called, the Prime Minister can probably count on the support of some independent deputies in crucial votes of confidence.

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The resignation yesterday of Justice Minister Tamir, on the other hand, will not affect Begin's Knesset strength. By resigning, Tamir probably intends to prepare the way to reenter Begin's Herut Party. Tamir, now a member of the Democratic Movement, began his political career in Herut but left the party following a power struggle with Begin in the 1960s. He presumably will also no longer serve on Israel's autonomy negotiating team. His departure may give the Prime Minister greater room to work out a deal with coalition members opposed to his plan to reshuffle the defense and foreign ministry portfolios following Defense Minister Weizman's resignation in May.

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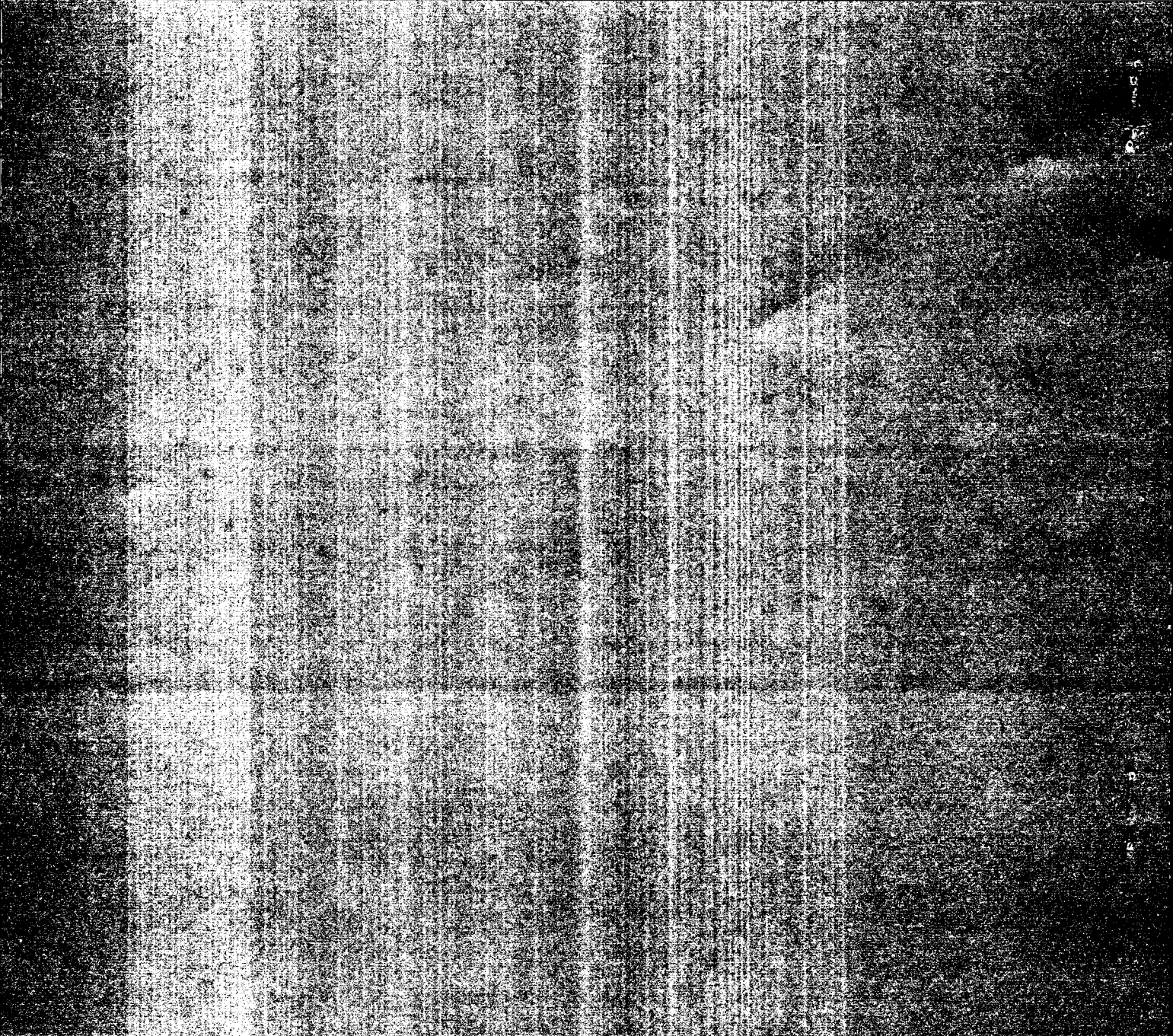
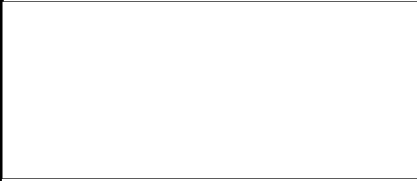
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