



**Director of  
Central  
Intelligence**

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# National Intelligence Daily

*Saturday  
9 August 1980*

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SITUATION REPORT

IRAN

*Ayatollah Rafsanjani, the speaker of the Islamic Consultative Assembly, said yesterday that the legislature supports Education Minister Mohammad Ali Rajai for prime minister.*



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Rafsanjani added that 107 of 155 Assembly members back Rajai's selection. He said Rajai's name has been sent to President Bani-Sadr to be formally nominated. Bani-Sadr probably will agree to nominate Rajai, but Rajai must still be officially ratified by the entire Assembly. His prospective appointment was discussed with Ayatollah Khomeini yesterday.



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The 47-year-old Rajai is a prominent member of Ayatollah Beheshti's Islamic Republic Party and was one of Beheshti's candidates for prime minister. Rajai is said to be a senior and trusted member of the party leadership and close to Khomeini.



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Rajai was appointed Education Minister in September 1979 and has advocated reform of Iran's education system along Islamic lines. He also has been a forceful proponent of cultural revolution throughout Iranian society. Rajai has indicated that he would appoint a cabinet composed solely of members of the Islamic Republic Party. We have no information on Rajai's views on the hostages, but we suspect that his position is close to that of Beheshti.



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Hostage Trials

An unidentified member of the Assembly has told the press that a draft bill contains details on preparations for hostage trials. He added that the bill calls for "speedy" action on the trials.



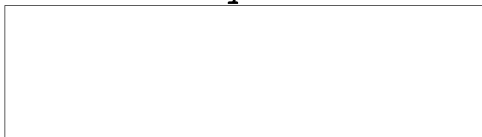
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Iran-Iraq-USSR

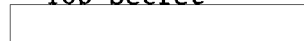
Iranian Ambassador Mokri yesterday warned at a press conference that he will be recalled unless the USSR stops selling military equipment to Iraq; Khomeini on Wednesday had criticized Moscow's sales.



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[Redacted]

SAUDI ARABIA - IRAQ: Possible Action on Jerusalem

*The Saudis, with Iraqi support, may be trying to promote a coordinated drive by Arab and Islamic states against Israel's reaffirmation of its annexation of Arab East Jerusalem.* [Redacted]

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Since returning from a brief visit to Saudi Arabia earlier this week, Iraqi President Saddam Husayn has called publicly on other Arab leaders to support the Iraqi-Saudi threat to sever political and economic ties with those states--mainly Latin American--that refuse to move their embassies from Jerusalem. [Redacted]

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According to a Saudi-owned newspaper in London, the Palestine Liberation Organization--perhaps with Saudi encouragement--also has called for a special meeting of the Islamic Conference's Jerusalem Committee to consider "measures to confront the Israeli decision." The meeting reportedly will take place in Morocco later this month. [Redacted]

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[Redacted]

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The Saudis may hope, therefore, to use the Jerusalem question to maintain pressure on the Europeans and keep attention focused on Middle East problems between now and the US election. The Saudi state-run radio yesterday asserted further "passive" UN Security Council resolutions on Israeli activity "could lead to a war." It called on the US not to veto any strong draft resolution on the Jerusalem issue. The Council is expected to resume formal debate on that subject within the next 10 days. As the self-appointed guardians of Islamic values, the Saudis probably also feel compelled for domestic political reasons to take the lead on the Jerusalem issue. Saddam Husayn probably hopes, in turn, to gain some political mileage at home from supporting the Saudis on this issue as well as to promote closer ties with Riyadh. [Redacted]

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[Redacted]

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[Redacted]

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POLAND: Unrest Continues

*Labor unrest is still flaring up throughout Poland.* [Redacted]

Some workers, learning of pay hikes elsewhere, are striking for similar increases. In one factory, workers went back on strike briefly on Wednesday and successfully pressured management to make good on earlier promises. Trash collectors in Warsaw have been on strike since Tuesday. [Redacted]

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[Redacted]

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In some areas worker demands for more responsive trade unions evidently continue to be an important grievance. Railway workers in the southeastern city of Lublin--where labor unrest almost got out of control in mid-July and where the mood reportedly continues to be especially gloomy--have begun nominating their own candidates for trade union elections scheduled for mid-August. Unofficial worker strike committees also continue to be active in some factories where strikes were settled. [Redacted]

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[Redacted]

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[Redacted] In an apparent response to workers' questions over who is responsible for Poland's difficult economic situation, the party daily on Monday blamed the international situation, bureaucratic errors, and the slipshod performance of some Polish workers. [Redacted]

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[Redacted]

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**EASTERN EUROPE: Bumper Grain Harvest**

*Prospects remain good for a grain harvest in Eastern Europe of about 95 million tons this year, compared with the 1979 output of 90.6 million tons.* [Redacted]

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Even in good years, East European production does not meet domestic requirements. Imports of grain during the marketing year 1980/81 probably will reach 14-16 million tons, down from last year's record of an estimated 17.8 million tons. Most of the imports will come from the US. [Redacted]

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Production of winter grains, which normally accounts for half of the region's total grain output, is expected to be above average and may reach record levels in some areas. In Poland, East Germany, and Czechoslovakia, the spring grains--mainly barley and oats--also have benefited from the cool and wet growing conditions. [Redacted]

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Press reporting has exaggerated the amount of flood damage in Poland. Limited satellite imagery indicates that damage to grain crops has been minor; wet fields will hamper mechanized harvesting efforts, but yields should be at least average. [Redacted]

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The Poles will buy most of the imports--about 7 million tons. If they could afford it, they would almost certainly buy more. [Redacted]

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Growing conditions for corn, the major spring grain crop in Bulgaria, Hungary, Romania, and Yugoslavia, have not been good. In recent weeks, however, conditions have improved, and an average harvest is now expected. [Redacted]

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The East Europeans may purchase additional grain during the year to replace domestic grain bound for the USSR--estimated to be about 2 million tons. Because of their reliance on US agricultural products, these countries probably would not participate in any large-scale maneuver to circumvent the US grain embargo. [Redacted]

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YUGOSLAVIA: Succession Ambiguities

The process by which Yugoslavia's next party leader will be chosen is still not clear and could turn into the first serious political competition in the post-Tito era. When Tito was alive he was both head of state and President of the party. The mechanics of succession to head of state were relatively clear, and the position was filled with little trouble. Tito's party position terminated with his death, however, and the procedures for succession to the next highest post, President of the Party Presidium, are vague and open to different interpretations. [Redacted]

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The term of the current incumbent expires in October. Presidium member Vladimir Bakaric, who was a leading candidate, now seems to be eliminated [Redacted]

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[Redacted] No other candidate seems to have an edge. The Presidium member being mentioned for the job with greater frequency is Aleksandar Grlickov, a native Macedonian. He is eligible to fill the post under Yugoslavia's system of carefully balancing nationalities in top party and state posts. [Redacted]

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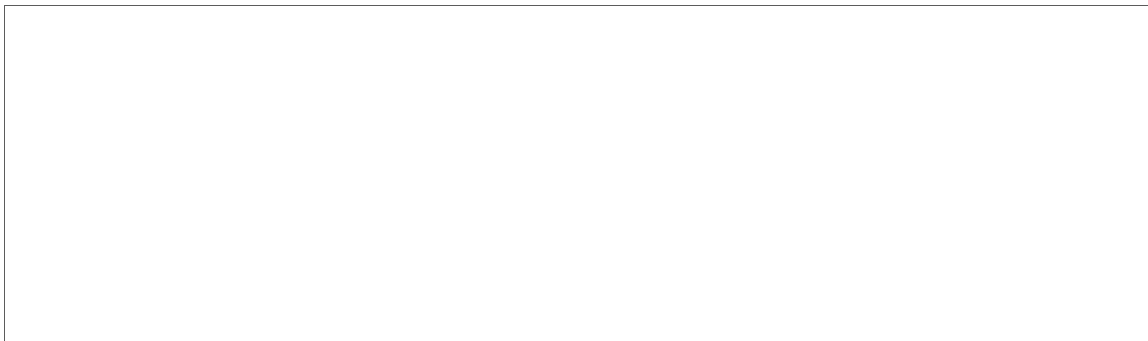
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NICARAGUA: Municipal Elections



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The Sandinistas have scheduled a rally for 23 August to celebrate the completion of their six-month literacy campaign, and the occasion will be propitious for announcing the elections. The Presidents of Costa Rica, Panama, and Ecuador--all proponents of pluralism for Nicaragua--are expected to attend. Moreover, Sandinista leaders will be able to claim that, having made good on their promise to make the Nicaraguan people literate, they now can proceed with municipal elections. [redacted]

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ISRAEL: Aerial Refueling

[redacted] fitted with what appeared to be a refueling boom. The Israelis currently operate three tankers, but all are fitted with the refueling system that is compatible only with A-4 and some F-4 fighters. The system cannot be used with F-15s or the F-16s the Israelis are now receiving. [redacted]

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[redacted] This would bring potential targets in Libya, Iraq, and the Arabian Peninsula well within reach of these aircraft. [redacted]

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SPECIAL ANALYSIS

USSR - WESTERN EUROPE: Natural Gas Pipeline

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*Plans are under way for the most costly East-West economic project ever undertaken--a large-diameter, high-capacity gas pipeline from West Siberia to six West European nations. The deal will be a financial bonanza for Moscow. By 1990, the annual amount of gas to be delivered would be the energy equivalent of nearly all the oil Moscow now exports to Western Europe for about \$10 billion a year in hard currency.* [Redacted]

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The Soviets' heightened interest in the project--first broached by Moscow in 1978--probably reflects an effort to undermine economic sanctions by offering the prospect of a major deal to the West. [Redacted]

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[Redacted]

The USSR will have to buy nearly all the equipment for the pipeline from Western suppliers because it does not produce the necessary high-strength, large-diameter pipe or the powerful compressor stations. [Redacted]

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[Redacted]

The Soviets could have more difficulty lining up compressor suppliers. Moscow may have to buy US designs in Western Europe, Japan, or Canada. [Redacted]

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We estimate that the equipment will cost Moscow \$6 billion in hard currency, roughly half the price of the entire project. Moscow will need \$5 billion of this amount in credit, a sum too great for commercial banks to lend without government approval. The West European governments, which generally favor the project, are likely to grant approval readily. [Redacted]

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Soviet Earnings

The deal envisions gas exports of approximately 3.9 billion cubic feet per day to West Germany, France, Italy, Belgium, the Netherlands, and Austria. Added to existing contracts, Soviet gas deliveries for hard currency would jump from 2 billion cubic feet per day in 1979 to 6.4 billion cubic feet per day in 1990.



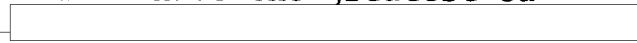
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Soviet gas earnings probably will exceed oil revenues in several years and could net as much as \$13 billion annually at current crude oil prices by the time the project reaches full capacity in the late 1980s. Assuming oil-gas price parity, the income from gas deliveries will be worth 1 million barrels per day of crude oil.

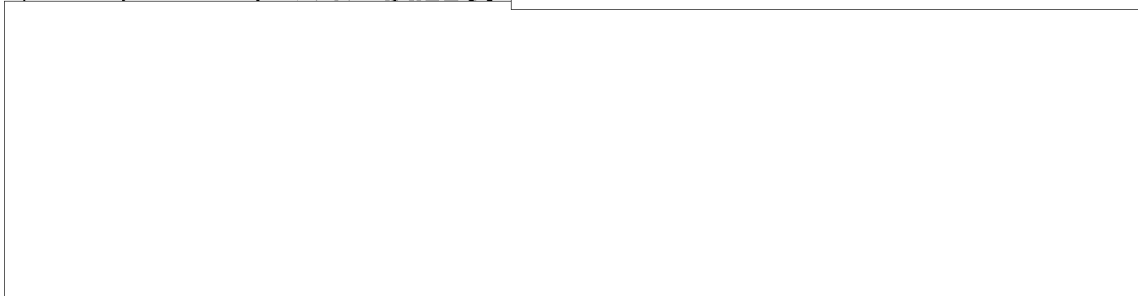


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The pipeline not only will be the longest single gas pipeline ever laid, but will have the greatest capacity of any ever built.



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Western Europe and Soviet Gas Dependency

Gas supplies will become exceedingly tight by the end of the decade if West European production peaks as expected by the mid-1980s and alternate supplies remain uncertain. With the completion of the pipeline, the Soviet share of gas supplies to the six European nations involved could reach nearly 30 percent.



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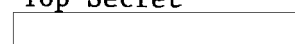
Although West European nations are concerned about their vulnerability to Soviet gas supply interruptions, the prevailing attitude seems to be one of acceptance.



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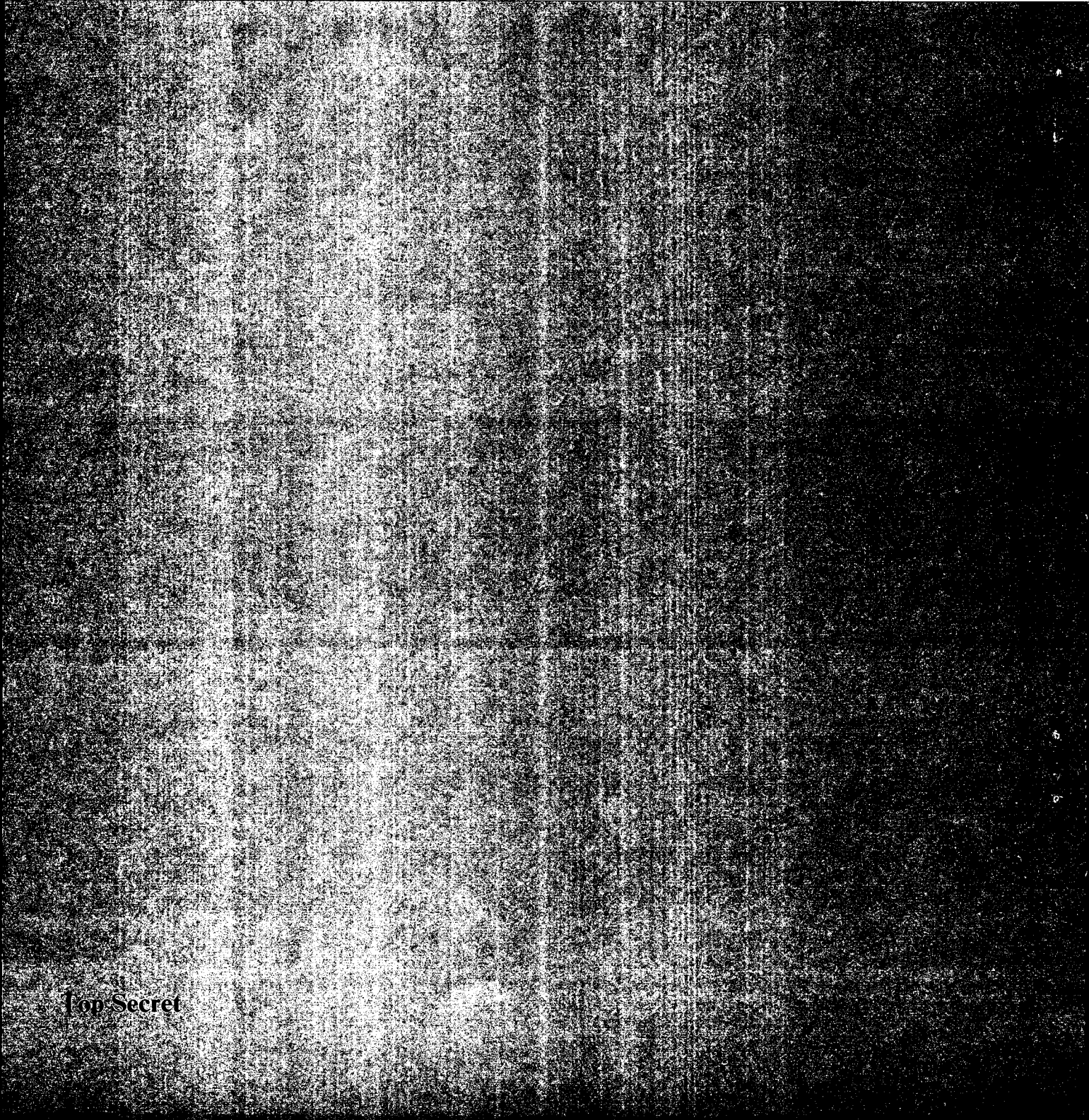


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