



**Director of
Central
Intelligence**

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National Intelligence Daily

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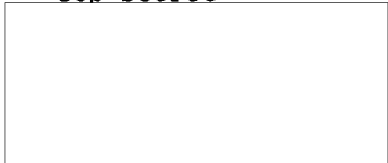
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SITUATION REPORTS

IRAN-IRAQ

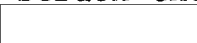
Iraq claimed to have made major advances into Iran yesterday as each side escalated the fighting to include air attacks on the other's petroleum facilities. According to press reports, Baghdad has set conditions to end the fighting: sovereignty over the Shatt al Arab and control of three islands near the Strait of Hormuz.

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Iraq apparently invaded Iran in at least four areas yesterday. The Iraqis claim to have seized Qasr-E Shirin and Sumar. A local Iranian official reportedly said that "there are only two border posts resisting the Iraqis and if these collapse, they can surround Khorramshahr." Abadan came under heavy shelling and possibly air attack after Iranian aircraft struck the Iraqi petrochemical complex at Al Basrah.

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Farther north, Iraqi ground attacks opposite Dezful apparently met resistance from local tribesmen as well as Iranian Government forces. The airfield near Dezful and Iranian supply depots nearby were targets for Iraqi raids on Monday and Tuesday. Iraq could be attempting a drive eastward to cut the main rail and road links to Khuzestan Province from the north, enabling it to block Iranian reinforcements and to move south to oil-related areas.

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Iranian airstrikes yesterday inflicted damage against Iraqi military targets. Satellite photography taken yesterday of Al Taqaddum Airfield, some 70 kilometers west of Baghdad, shows crater damage to two runways; a third runway sustained damage but remained operational. The Iraqis admit Kirkuk Airfield was damaged and announced oil-related facilities were also hit.

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Oil Conditions

Iraq's two major Persian Gulf crude oil export terminals have been closed since Tuesday. An Iraqi military communique yesterday acknowledged that Iranian aircraft had hit oil installations at Al Faw, but we do not know the extent of the damage.

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The Iranian Navy has disclaimed any responsibility for vessels within its 12-mile territorial limit, now declared a war zone. This covers all oil exporting facilities, through which Iran was exporting 600,000 barrels per day of crude oil and 200,000 barrels per day of oil products.

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[Redacted]

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The extent of damage at the Abadan refinery is not yet known although ship crews report that large storage areas were on fire. Even a temporary shutdown of the refinery will cause internal oil product shortages in Iran this winter. Alternative supplies would not be available if Iran's Gulf ports remain closed. About 60 percent of Abadan's output has been going to Iran's internal market. It also supplies all of Iran's jet fuel.

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Iraqi Internal Developments

Iraqi Army and public morale, in response to official claims of battle victories, apparently remains high. The extent of damage and casualties resulting from Iranian attacks on Iraqi facilities are as yet unknown. At least two American citizens were killed in an Iranian attack on a petrochemical complex southwest of Al Basrah.

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Iraq's government-controlled media continue to play successfully on anti-Persian and anti-US themes. Shia Muslim dissidents are having little success in rallying Iraq's Shia majority against the Baathist regime.

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[Redacted]

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Arab Reactions

Jordan remains the only Arab country to support Iraq publicly. According to press releases from both countries, Jordanian King Hussein telephoned the Iraqi

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President to assure him of Jordan's position.

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US Ambassador West reported yesterday that the Saudis are extremely concerned and are beginning to believe their worst fears might come true.

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that four to six Iraqi aircraft have arrived at a Saudi airfield, apparently for safe-haven.

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Status of the Hostages

The Iranian Assembly's indefinite "freeze" on its hostage debate temporarily forestalls extremist efforts to link the hostages' fate to developments in the conflict with Iraq. Assembly speaker Rafsanjani, who had been carefully managing debate in the Assembly, said yesterday that the conflict was part of a "large US plot" and will have an "impact on the hostages' destiny." Ayatollah Khomeini has not specifically tied the hostages' fate to the developing conflict.

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Soviet Reaction

Moscow is resisting Iranian and Iraqi pressure to take sides, while seeking ways to promote an early end to the fighting. This theme was highlighted in an article in *Izvestiya* yesterday.

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Yesterday Iranian President Bani-Sadr met with the Soviet Ambassador to Iran and Iranian Ambassador to the Soviet Union Mokri met with Soviet officials in Moscow. Although Mokri subsequently told a press conference that the Soviets were "neutral" in the conflict, he added that they refused to promise an end to arms deliveries to Iraq.

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POLAND

Poland evidently intends to seek wide-scale debt rescheduling with its Western creditors, but not on a formal, multilateral basis. [Redacted]

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Vice Foreign Minister Dobrosielski, who recently told the US Ambassador that Poland probably would have to reschedule, has indicated that Poland "preferred" bilateral to formal multilateral rescheduling, hinting that Poland would insist on it. He requested that the US review its refusal to accept rescheduling on a bi-lateral basis. [Redacted]

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High-level Polish officials meeting last week in Warsaw decided to make bilateral requests of Poland's creditors for assistance, including debt deferral. The Poles also will ask for new Western bank credits and new means of financing raw materials purchases. They reportedly rejected applying for International Monetary Fund and World Bank membership, apparently fearing strong Soviet objections. [Redacted]

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Poland's agreement to formal multilateral rescheduling would amount to a humiliating public confession of economic and financial mismanagement. It also might incur Soviet displeasure, complicate efforts by other Communist countries to borrow in the West, and make it even more difficult for Poland to obtain new credits. Western creditors also may prefer to avoid formal rescheduling, generally a complex and time-consuming process. [Redacted]

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Trade Unions

The Warsaw District Court's rejection of a Katowice factory union's application for legal status is not likely to lead to a confrontation with workers. Representatives of Walesa's organization have ridiculed the 12 unions that have submitted applications, including the one in Katowice, as revamped official unions. [Redacted]

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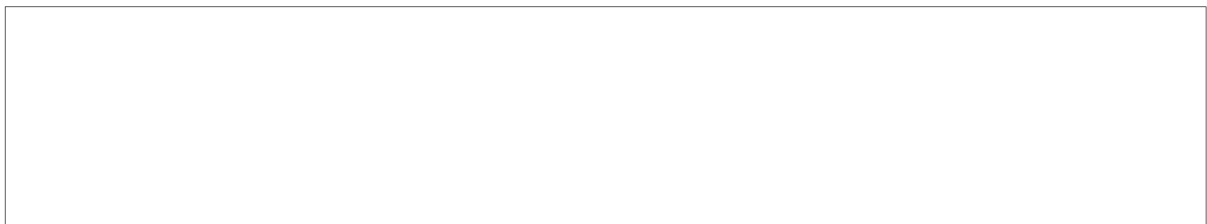


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A better test of the regime's intentions toward free trade unions will come in its handling of the Walesa organization's application, which will be submitted today. The denial of the Katowice unit's registration because of its plans to operate nationwide, to include members from unrelated professions, and to raise donations probably signaled to prospective unions and to Moscow that the regime will carefully screen the applications.



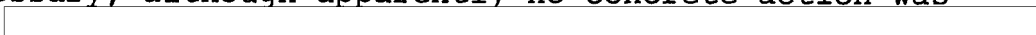
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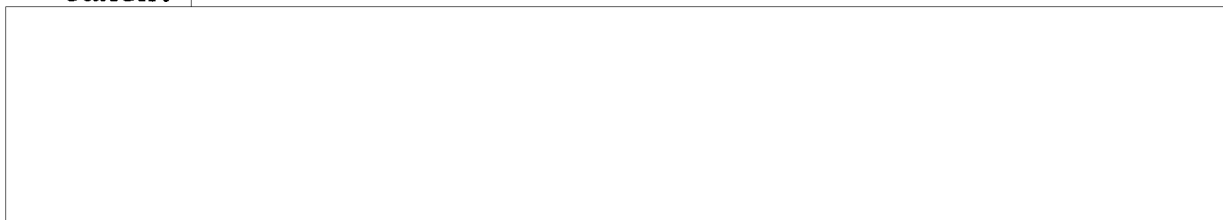
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Student Activity

According to a source of the US Embassy, the leadership of the official student organization developed a "consensus" at a recent meeting that a new organization is necessary, although apparently no concrete action was taken.



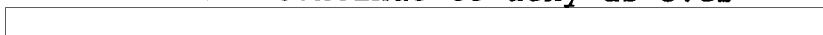
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Military

Adverse weather conditions continue to deny us overhead photography.

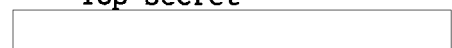


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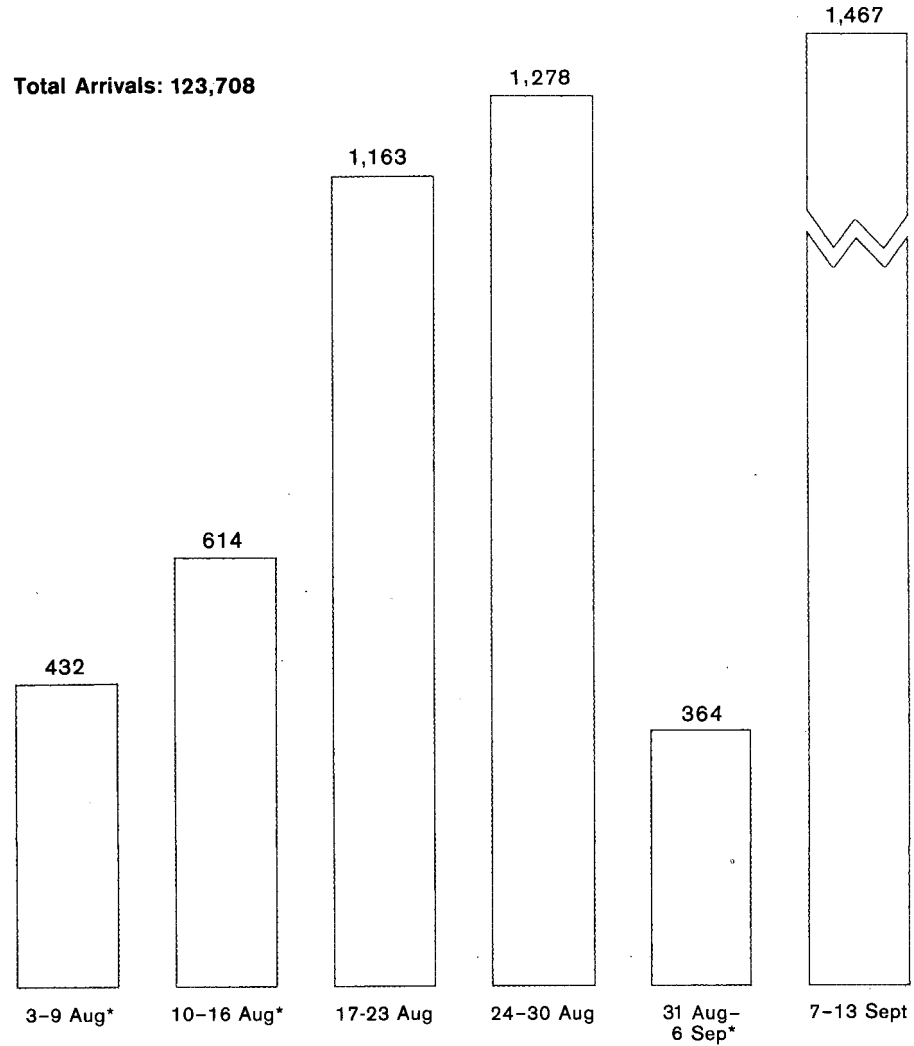


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ILLEGIB

Cuban Refugee Arrivals in the US, 3 Aug-13 September



*Boat traffic severely restricted because of inclement weather.

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BRIEFS AND COMMENTS

CUBA: Refugee Flow Continues

Cuba continues to send 150 to 200 refugees per day to the US, while taking other actions designed to relieve tensions with the US.



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Some 1,400 Cubans arrived in the US last week. At this rate, over 125,000 refugees from Cuba would have made their way to the US by the end of the month. Satellite photography of Mariel harbor on Saturday showed at least 110 pleasure craft--enough to transport an additional 7,000 refugees.



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An additional group of former political prisoners and their families who had been in the US Interests Section in Havana since May arrived in the US on a charter flight on 18 September. Cuban immigration officials told the departing group that 2 million Cubans have applied for exit permits and that the government continues to distribute the applications.



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On the other hand, Cuban officials in Washington and Havana last week told a US-Cuban humanitarian organization that Havana has decided to end the boatlift from Mariel so that it will not become an issue in the US election. Although other Cuban officials reportedly made similar statements earlier this month, we have not detected any signs that Cuba is preparing to shut down the refugee operation.



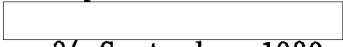
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While the refugee flow continues, Cuba's return on 18 September of two Cubans who hijacked a US airliner suggests an effort to minimize provocative actions. The announcement of stiff penalties for aerial hijacking was directed only at the refugees in the US, however, and Havana repeated its tough position that once "anti-socials" leave the country they cannot return. This presumably includes criminals and others the US might want to send back.



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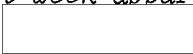
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USSR-CUBA: Discord Over Afghanistan

Soviet Foreign Minister Gromyko's talks with President Castro in Havana last week apparently failed to resolve differences on Afghanistan.



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Havana characterized the talks as "frank"--a sure sign of disagreement--and, in contrast to previous high-level visits, a joint communique was not issued. Although Gromyko's visit was the first by a top Soviet leader in several years, it received only limited coverage in the Soviet and Cuban media. His departure just before the joint Cuban-Soviet manned space launch was televised, robbed that event of added prestige.



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Afghanistan probably was a focal point of disagreement. Moscow's intervention there has proved a major embarrassment for Cuba, and has reduced Cuba's effectiveness as chairman of the Nonaligned Movement. The Castro regime--with an eye toward the UN, a possible seat on the Security Council, and the Nonaligned meeting in New Delhi early next year--realizes that its international ambitions are likely to remain frustrated as long as the Afghanistan problem continues.



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Havana apparently hoped that progress would be achieved. The Cubans presumably wanted some sign of Soviet flexibility that they could use to placate their Nonaligned critics.



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Gromyko, however, apparently rejected Cuban calls for a new Soviet tack on Afghanistan. Last Friday in New York he reiterated the standard Soviet formula to Afghan Foreign Minister Dost.



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Despite the apparent setback, the Cubans will continue to support Moscow publicly on the issue. Cuban discomfort over Afghanistan is not sufficient to precipitate any fundamental change in the relationship between Havana and Moscow.



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[Redacted]

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USSR-PAKISTAN: More Soviet Pressure

The Soviets are keeping up their diplomatic pressure on Pakistan. [Redacted]

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Last week the new Soviet Ambassador in Islamabad gave a still unpublished interview to a Pakistani journalist in which he threatened that the "time was growing near" when the USSR would have to attack Afghan insurgent bases and refugee camps in Pakistan. The Ambassador alleged that there are some 70 camps in Pakistan where the Pakistani Army is training Afghan insurgents. [Redacted]

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Earlier this month in Kabul, the Soviet Ambassador warned that "drastic action" would be taken to destroy bases where insurgents have anti-aircraft missiles, regardless of their location. [Redacted]

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[Redacted]

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The Soviet pressure probably is the result of Pakistan's continued efforts to promote international condemnation of the USSR's intervention in Afghanistan. The Soviets also may hope to prevent President Zia from moving closer to the US during his visit here next week.

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[Redacted]

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MOROCCO - WESTERN SAHARA: Renewed Polisario Attacks

Polisario Front guerrillas are stepping up their attacks on Moroccan positions in Western Sahara and southern Morocco, following an attempt at mediation by the OAU earlier this month.

[Redacted]

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Morocco and the Polisario met for the first time with the OAU mediation committee, although Rabat continued to reject Polisario attempts to make direct contact. Rabat believes that it made some progress when the committee accorded equal treatment to the pro-Moroccan Saharans and to the Algerian-backed Polisario delegates. It also is pleased that the committee's new plan for a cease-fire would permit Moroccan troops to remain in place in the Sahara. Morocco remains concerned, however, that its political position will erode further this fall, if the UN acts on the OAU committee's recommendation to involve the UN in policing the cease-fire and in organizing a referendum, which Morocco still rejects.

[Redacted]

[Redacted]

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Although Algeria reportedly avoided all Moroccan efforts to engage it in substantive bilateral discussions at the OAU meeting, it remains interested in seeing an early end of the conflict.

[Redacted]

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[Redacted]

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The guerrillas recently initiated their first major actions in three months. Last week, they ambushed a Moroccan task force conducting sweep operations in southern Morocco. Rabat announced that 70 of its soldiers were killed--one of the highest casualty tolls it has admitted for a single engagement.

[Redacted]

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CHINA: Nuclear Submarine

China's second nuclear-powered submarine has begun sea trials, indicating that the Chinese have resolved propulsion problems that caused the submarine to spend over two-and-a-half years fitting out.

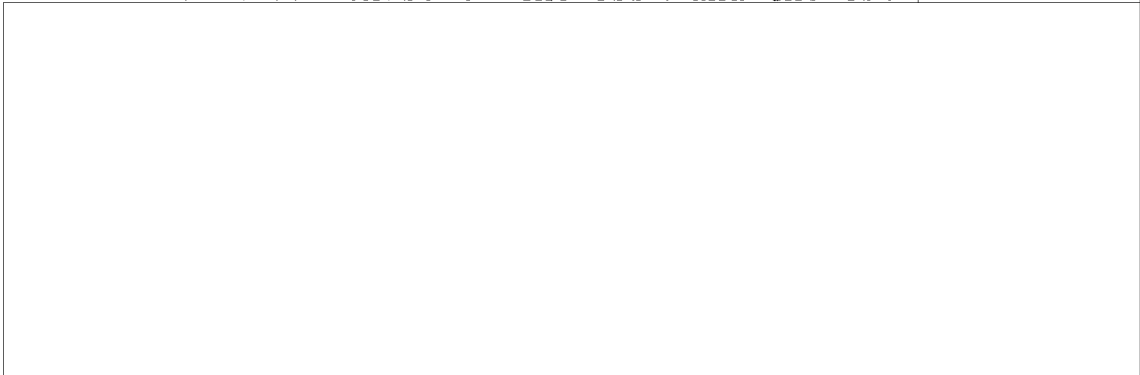


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The two Han-class nuclear-powered attack submarines--the first has been operational since 1973--comprise only a small fraction of Beijing's submarine force, which includes some 100 diesel units and is the third largest in the world after those of the USSR and the US.



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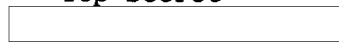
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The Han is one of only two domestically designed Chinese submarines, the other being the diesel-electric Ming-class, which is a Chinese variation of a Soviet submarine. The Han submarines will provide a valuable source of crew training as well as experience for the designers and builders of future Chinese nuclear-powered units, including the ballistic missile submarine that we believe may be nearing completion.



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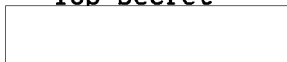


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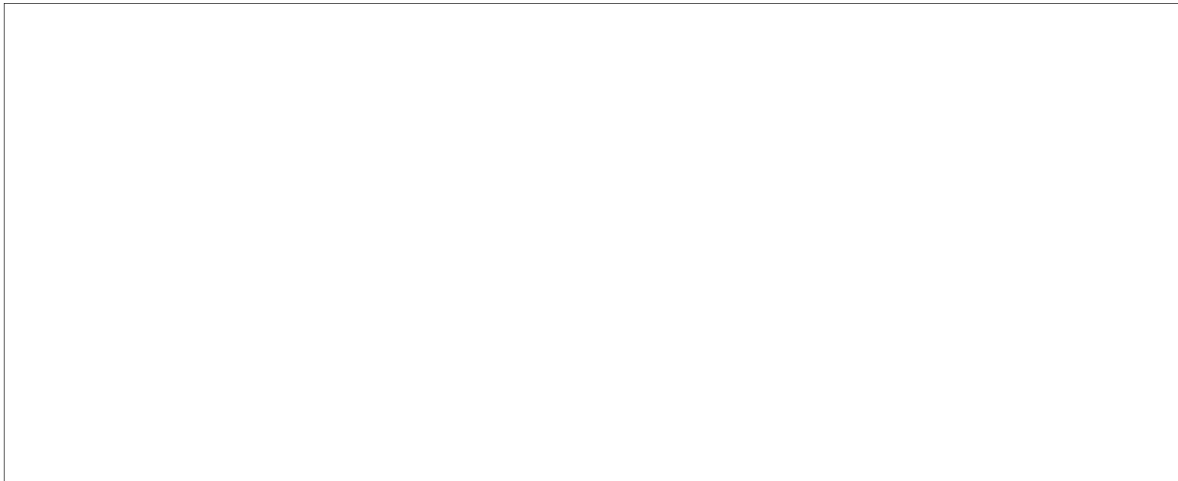
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INTERNATIONAL: PLO Controversy at IMF and World Bank

Last minute passage of US-backed resolutions blocking PLO observer status for the annual meetings next week of the International Monetary Fund and World Bank was achieved in the face of unprecedented pressure by Kuwait and Saudi Arabia. Arab efforts to influence voting reportedly included threats to stop oil deliveries to some of the developing countries in the two organizations. Saudi Arabia and Kuwait also indicated they might withhold funds from the two institutions. Although the Arab actions will have no immediate impact on financial operations, they could limit future increases in IMF and World Bank financing of member country balance-of-payments deficits.



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SPECIAL ANALYSIS

EL SALVADOR: Disunity Within the Junta



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After more than eight months in power, the Salvadoran junta has begun to display some political skill and has achieved some success in containing the revolutionaries, but it continues to be plagued by internal divisions. Military hardliners have emerged strengthened from the recent showdown, but the three civilians on the five-man junta can claim greater legal authority. This sets the stage for another civilian-military confrontation, probably before the end of the year. Leftist forces have suffered recent political and tactical setbacks but are encouraged by infighting within the government and will maintain their present high level of violence for the remainder of 1980.

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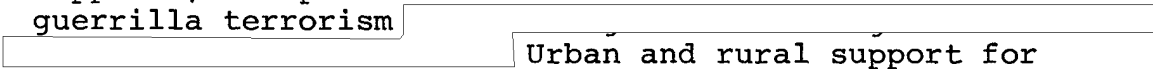
The government showed sophistication in its handling of the leftist general strike and power blackout last month. The junta made effective use of the media and, despite frequent guerrilla attacks, heavy military and security force patrols controlled the capital without resorting to excessive violence.

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Business cooperation with the government, the armed forces' bloodless seizure of power plants, and the arrest of the striking electrical workers demonstrated that the government is more firmly in command. The Christian Democrats, who hold two seats on the junta, are drawing confidence from the government's improved performance, and now believe they can persuade some leftist factions to quit their alliance with the guerrillas.

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The government also has registered gains against the guerrillas. In addition to meeting the insurgents' challenge in the capital, the military occupied the national university this summer, depriving the guerrillas of an important base. Government forces--with help from neighboring countries--have interdicted some leftist arms supplies, and peasants have reacted to indiscriminate guerrilla terrorism



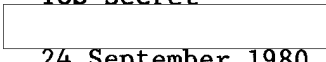
Urban and rural support for leftist goals has weakened generally.

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Vulnerabilities of the Junta

The recent clash between rival military factions stemmed from political and personal differences. Conservative armed forces leaders and centrist junta member Colonel Gutierrez undercut the progressive military member of the junta, Colonel Majano, by assigning his military followers to unimportant posts. Majano acceded to the order and received some token concessions. However, he has been unable to work effectively with others in the junta and remains on the verge of resigning. [Redacted]

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Majano's departure would further damage the junta's already shaky international position and, if enough of his supporters left with him, the government could unravel. Anticipating such a possibility, government leaders have considered reorganizing the junta, with Christian Democratic member Duarte as president. [Redacted]

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The decline of the Majano group has set up an eventual confrontation between conservative military officers who have been aligned frequently with Gutierrez and the liberal Christian Democrats. The Christian Democrats maneuvered astutely during the showdown, consenting to the officer transfers in exchange for an agreement by the military to give formal control of the armed forces to the junta. [Redacted]

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To make civilian control a reality, however, the Christian Democrats would have to wring from the military a commitment to end rightist violence, continue socio-economic reforms, and transfer certain hardline officers. The civilians have warned they will withdraw from the junta if their authority is subverted. This threat gives them considerable leverage, because their departure would bring down the government. [Redacted]

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Insurgent Strategy

Guerrilla forces--numbering as many as 3,000 to 4,000--face a possible fall off in new recruitments, partly because they can no longer pay some of their cadre. Kidnaping ransoms have fallen sharply this year and organizational expenses have been heavy. Because of these reverses, the largest guerrilla groups are again divided over how to proceed. [Redacted]

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[Redacted]

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The revolutionaries are reevaluating their strategy and putting more emphasis on larger military actions-- attacking transport and power facilities. Assaults by insurgent platoons have become almost commonplace, and the guerrillas have begun using antitank rocket launchers-- as in last week's attack on the US Embassy. [Redacted]

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Outlook

Military and civilian leaders in the government are now more optimistic, but--even with its new political skills--the junta is only an even bet to last the next six months. [Redacted]

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Substantially greater support from Cuba or Nicaragua to the guerrillas would seriously imperil the junta. Salvadoran military capabilities are already being taxed by the present level of fighting, and a spread of insurgency would aggravate divisions within the government, especially over questions of strategy. [Redacted]

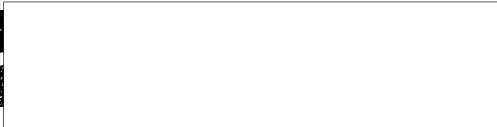
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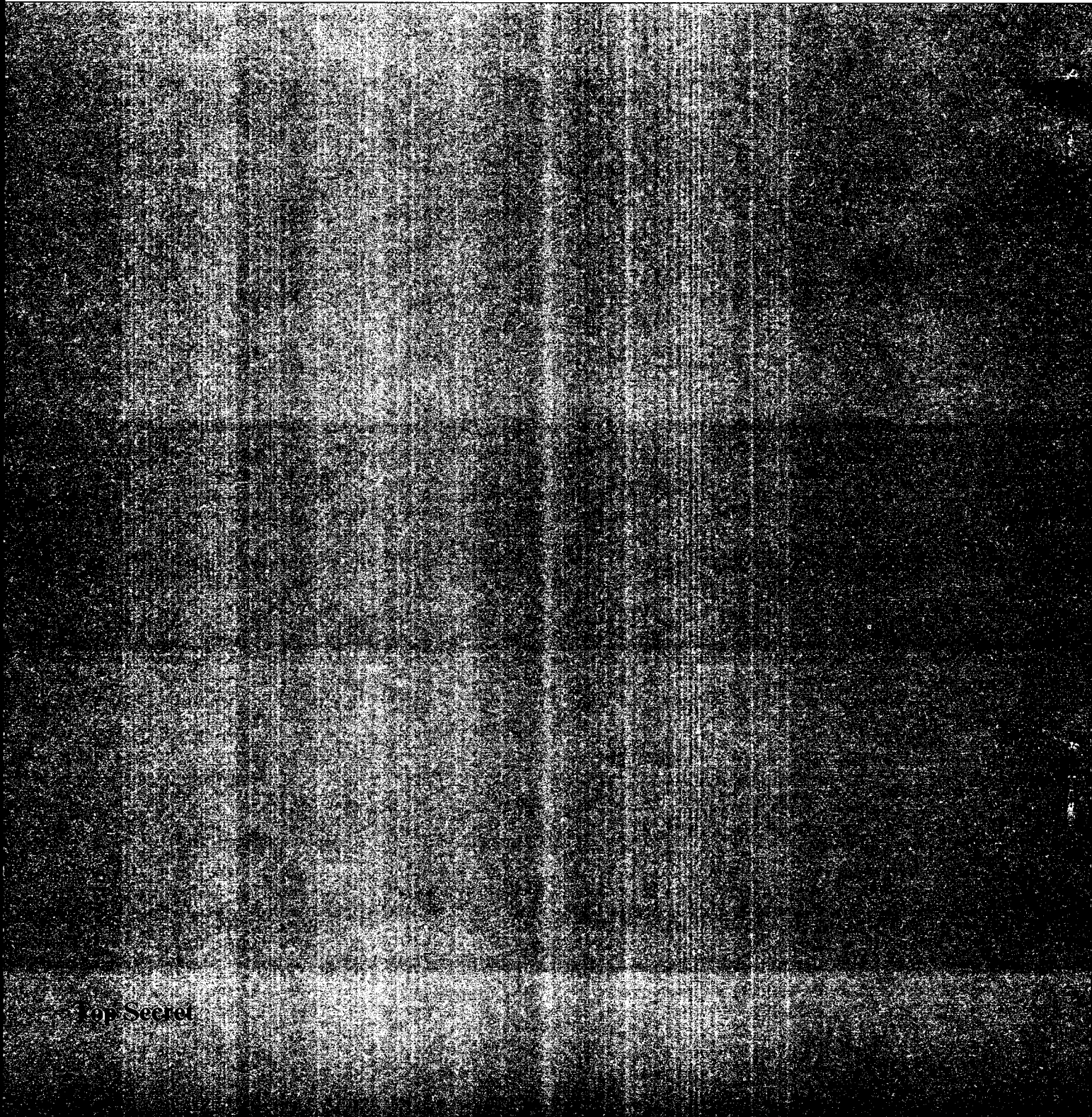
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