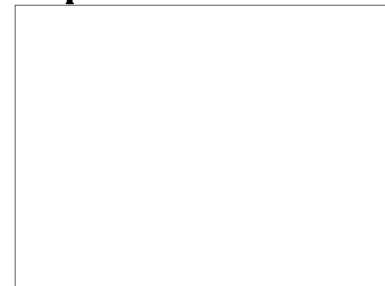




**Director of  
Central  
Intelligence**

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# National Intelligence Daily

*Thursday  
23 October 1980*

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CO NID 80-249JX

23 October 1980

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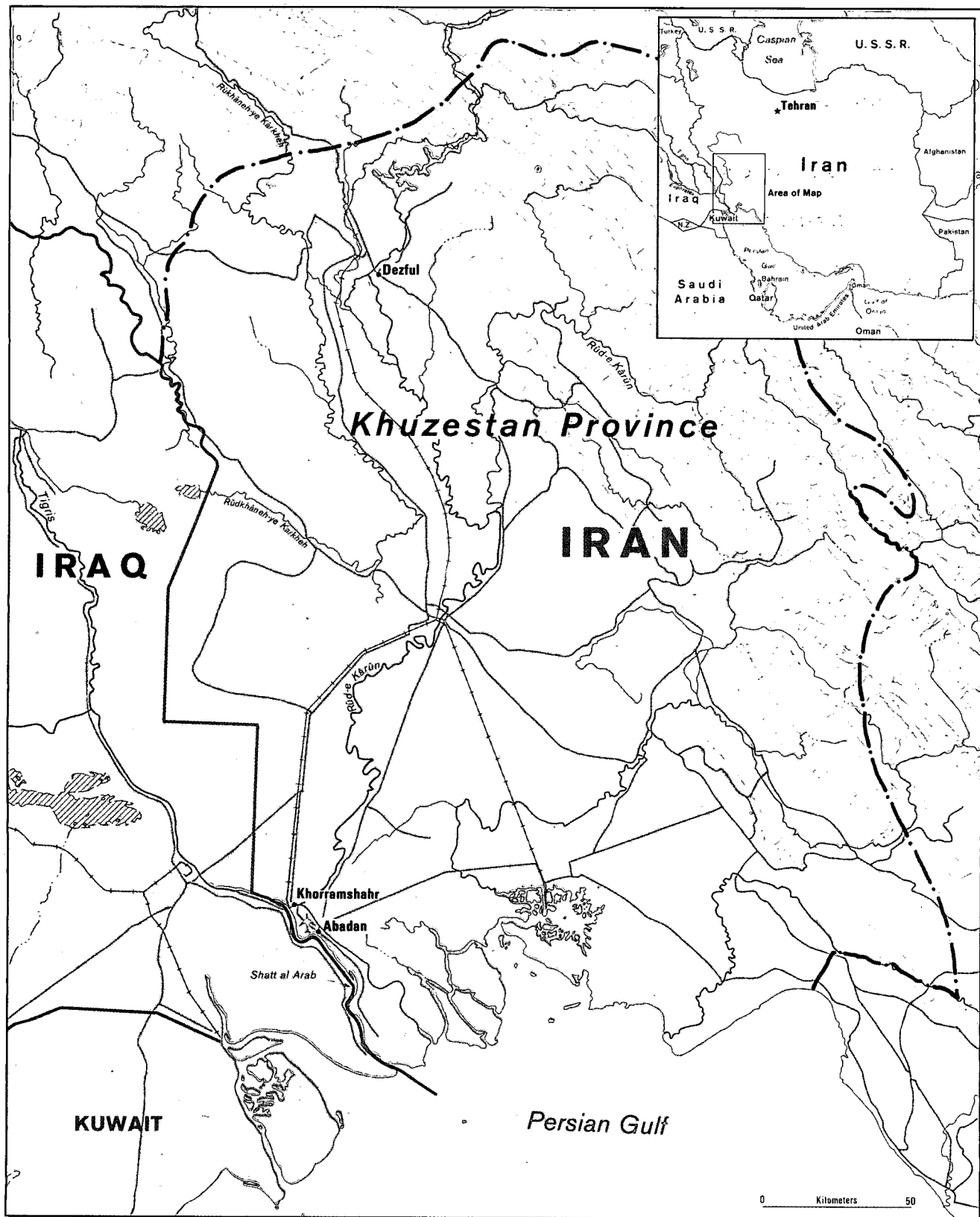


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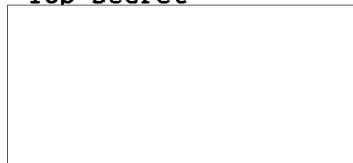
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SITUATION REPORTS

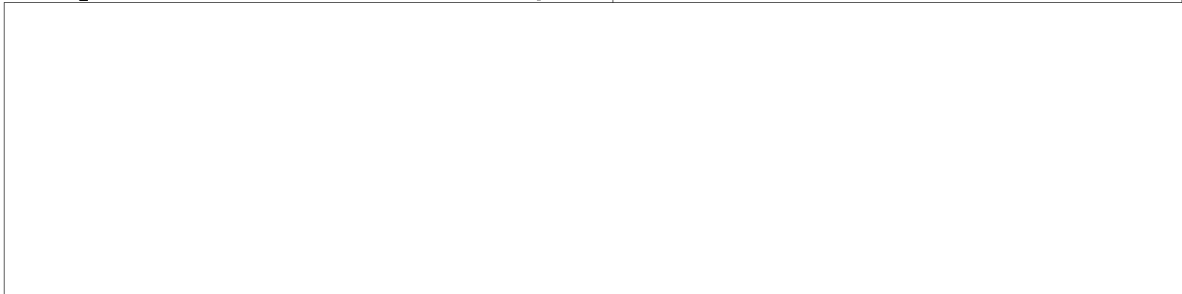
IRAQ-IRAN

*Fighting continues in Khuzestan, but the position of both sides remains unchanged.* 


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Iraqi forces attacked the Khorramshahr bridge yesterday. There is no authoritative report on the outcome, but some Western media accounts state that the Iraqis now control the bridge. 


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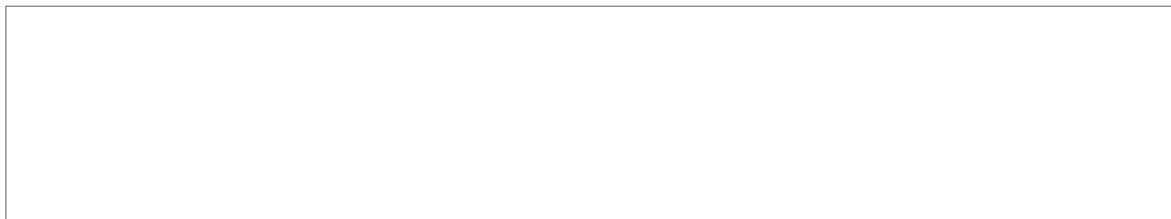
Prospects for Mediation

Substantive progress to mediate the conflict still seems a long way off despite the efforts of several groups. The Nonaligned Movement's Coordinating Bureau on Tuesday accepted the proposal of the Palestine Liberation Organization to form a mediation committee that would be sent to Iran and Iraq on a "fact-finding and goodwill" mission. The PLO will now initiate contacts with the two countries to seek their agreement on the committee's composition. Baghdad evidently is reluctant to use the Nonaligned Movement because it fears that the PLO and the Cubans will present proposals favorable to Iran. 

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Iran seems to prefer mediation by the UN, apparently believing the Security Council offers the best chance to obtain a clear condemnation of Iraqi aggression. 

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Iraq and the Exiles

Former Prime Minister Bakhtiar said publicly this week that he is preparing to form a government-in-exile and that he is willing to collaborate with Iraq to bring down the Khomeini regime.

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The Hostages

Speaker Rafsanjani said yesterday that the Islamic Assembly's special hostage commission will present its conclusions to the entire Assembly on Sunday rather than today as originally scheduled. Several leading hardline clerics have been unusually outgoing in recent days in suggesting that an end to the crisis is near. The postponement in the Assembly's debate suggests, however, that there continues to be some difficulty in forging a consensus on the hostage issue.

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POLAND

*Prospects for the official registration of the free trade union Solidarity remain unclear. Some Solidarity leaders will meet this evening to discuss tactics, and lawyers for the union will present their case to the Warsaw Court tomorrow.*



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A delegation from Solidarity met yesterday with the government's chief press spokesman in an apparently unsuccessful effort to gain greater access to the media. The talks are continuing.



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Cardinal Wyszynski, head of the Polish Catholic Church, met with party leader Kania for the first time on Tuesday. The Cardinal probably urged that compromise solutions be found to Poland's difficult problems. Kania may have encouraged the Cardinal to urge restraint on union leaders, for whom Wyszynski held a private mass on Sunday and appeared to give his support.



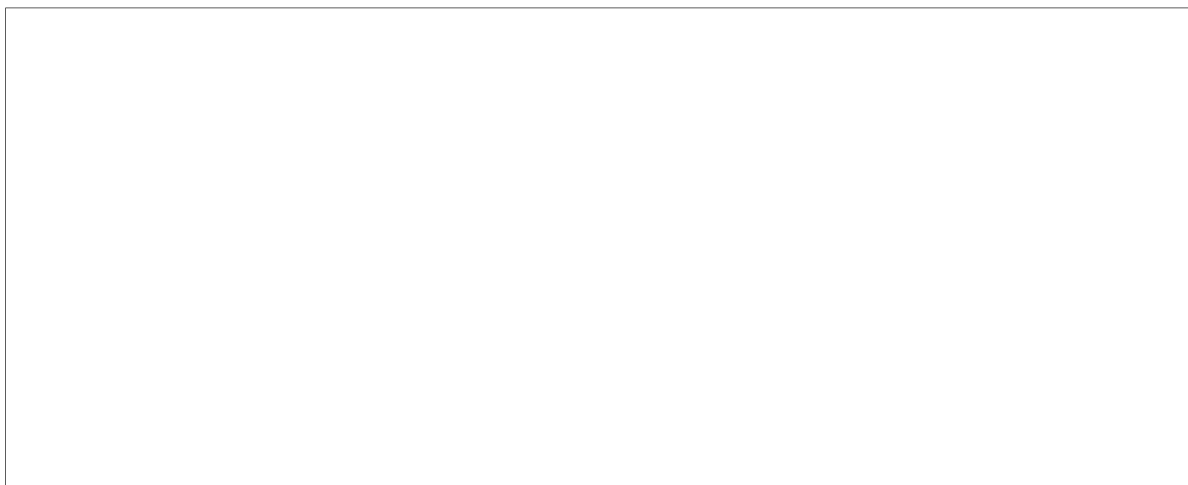
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Soviet Concern

Senior Soviet Politburo member Kirilenko arrived unexpectedly in Prague yesterday. He reportedly has been involved in formulating day-to-day policy on Poland, and he may be in Prague to coordinate on Polish developments.



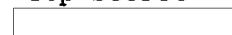
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USSR: Economic Outlook

*Economic planning chief Baybakov's speech to the Supreme Soviet yesterday portrayed an austere beginning for the 1981-85 plan; the likelihood of severe shortages of meat may lead to an increase in worker unrest.* 


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The plan goals for 1981 given by Baybakov reflect the resource strains building over the past five years and suggest that the 1981-85 plan will contain some of the lowest growth goals in the Soviet history. Industrial output is slated to grow by only 4.1 percent next year--the smallest increase ever planned for this sector. Capital investment--after increasing by less than 3 percent in 1980--is planned to rise by 4.5 percent in 1981, while real per capita incomes are scheduled to be up 2.9 percent after a reported 3 percent increase this year. 

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Baybakov's announcement of a disastrous grain harvest this year, coupled with poor prospects for other major crops, undercuts President Brezhnev's attempt on Tuesday to describe a future in which the consumers' position would be significantly improved. According to Baybakov, grain production during 1980 would amount to roughly 180 million tons. Brezhnev's earlier statement to the Central Committee could imply a crop as low as 164 million tons. Since the grain harvest is not yet complete, both speeches are based on preliminary data. 

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Subsequent adjustments could shift total grain production by several million tons. If the final accounting indicates a crop of 180 million tons, it would mean the grain area abandoned was even higher than anticipated and that, in calculating grain yields for the European USSR, the effects of the abnormally wet conditions throughout the crop season were not fully accounted for. 

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The poor grain crop, coupled with lower supplies of nongrain feedstuffs, will jeopardize the livestock program, which impacts directly on consumer welfare. For

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a variety of reasons, Moscow probably will be unable to import more than about 28 to 30 million tons of grain from July 1980 through June 1981--about the same as last year. Since grain stocks are lower this year than last, the Soviets do not have much of a cushion. [redacted]

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If the final crop is indeed 180 million tons, meat supplies next year will fall substantially, perhaps as much as 10 percent. Distress slaughtering this fall, while softening the immediate impact, will delay recovery. In either case, meat shortages will be serious during the next 18 months even if meat imports rise. [redacted]

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In his address, Brezhnev for the first time also called upon the defense industrial research and development community to assist in the development of increasingly effective, higher quality products in the civil machine-building sector. His statement is consistent with previous indications that the leadership wants to encourage the use of military-originated technology across an important range of civilian R&D activities. [redacted]

Brezhnev's speech probably does not signal any shift in the longstanding priority accorded the defense sector or imply a significant transfer of resources to the civilian sector. The Soviets are committed to expanding their defense effort at least through the mid-1980s. Although Brezhnev's statement does signify that the leadership wants to employ its military R&D talent and management techniques on civilian problems, the integration of technology into the production process and the application of management control techniques require substantial leadtime before their impact on the economy becomes significant. [redacted]

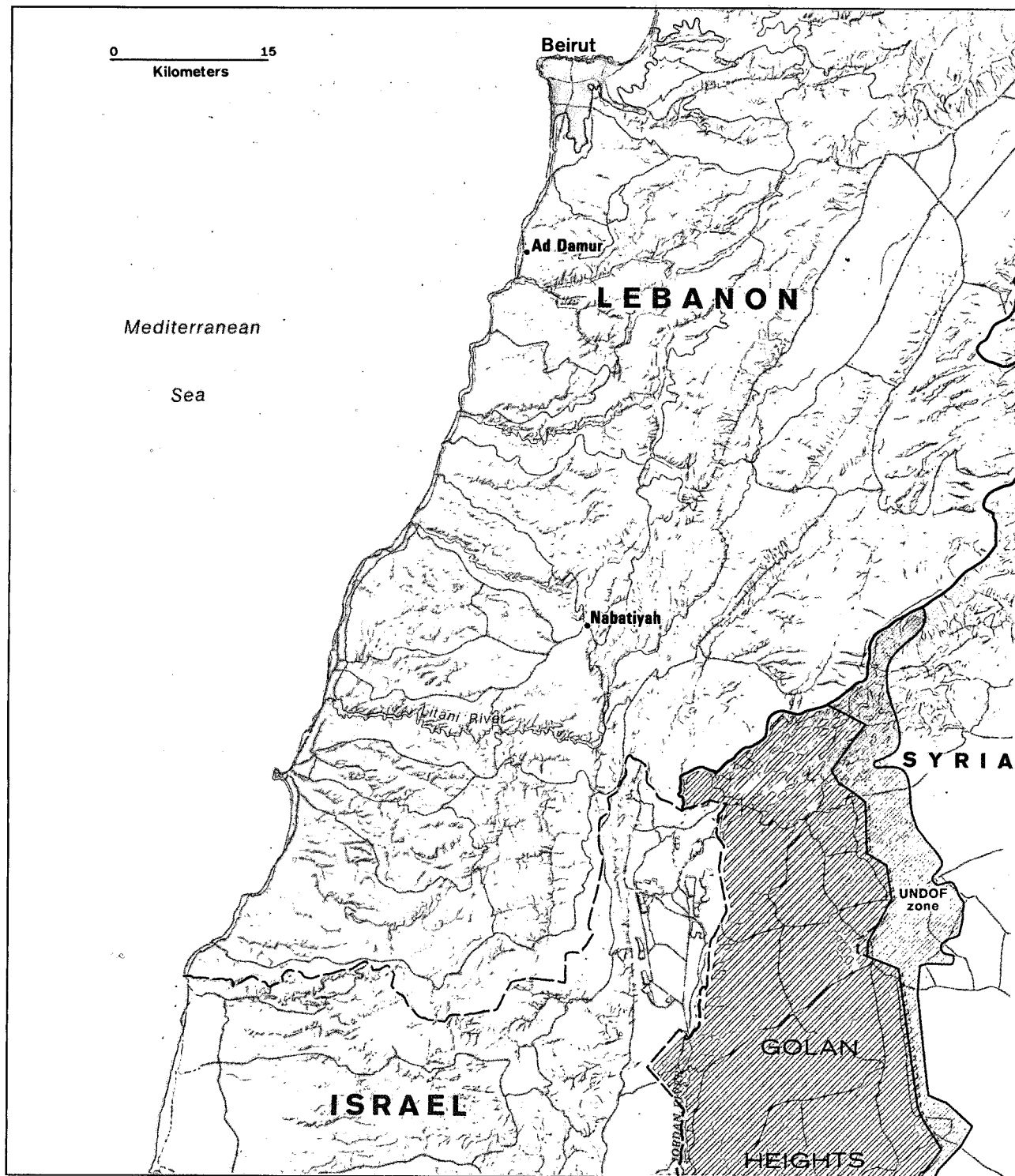
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ISRAEL-LEBANON: Airstrikes on Palestinian Bases

Israeli aircraft struck Palestinian targets between Ad Damur and Beirut yesterday afternoon in the second Israeli action against guerrilla bases in the last week. Prime Minister Begin reiterated Tel Aviv's policy of taking the initiative against the Palestinians to prevent possible guerrilla raids. The airstrike is the fourth Israeli attack into southern Lebanon since mid-August, when more than 200 troops supported by fighter aircraft conducted a major raid into the Nabatiyah sector. Tel Aviv believes the pace of its military activity over the past seven months has kept the guerrillas on the defensive, and such raids are likely to continue. The Israelis do not usually attack as far north as Ad Damur, however, and more airstrikes close to Beirut may compel Damascus to order Syrian aircraft to challenge Israeli fighters again.

[Redacted]

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SOUTH AFRICA - ANGOLA: Raid on SWAPO Camp

South African forces raided a guerrilla camp of the South-West Africa People's Organization in Angola on Monday despite the arrival of a UN mission in Pretoria to resume talks on Namibian independence.

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WESTERN EUROPE: Attitudes Toward the Iran-Iraq War

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*The West Europeans, acutely aware of their economic vulnerability, are becoming more eager to avoid identification with either Iran or Iraq as hope for an early end to the war recedes. They will become increasingly concerned about the possibility of a wider war, greater Soviet involvement, and the closure of the Strait of Hormuz. If free passage in the Strait were threatened, the French and the British probably would join the US in a military operation to keep it open, and the West Germans would support the effort.*

[Redacted]

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The West Europeans are anxious to see a quick negotiated settlement, but their fear of too close involvement in the conflict and their lack of leverage over Iran make them reluctant to try to mediate. The importance of relations with Iraq and its Arab supporters, however, has led some West Europeans to favor the Iraqis to a limited degree. This is especially true of France, which has long had close ties with Baghdad, is heavily dependent on Iraqi oil, and has high hopes of expanding its influence among Arab states in the Persian Gulf.

[Redacted]

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Paris is attempting simultaneously to preserve good relations with Iraq, expand its influence in the Persian Gulf, and put itself in position to counter any attempt to block the Strait. The French Government would still like to see a settlement favorable to Iraq, although it is increasingly wary of being drawn too deeply into Baghdad's corner.

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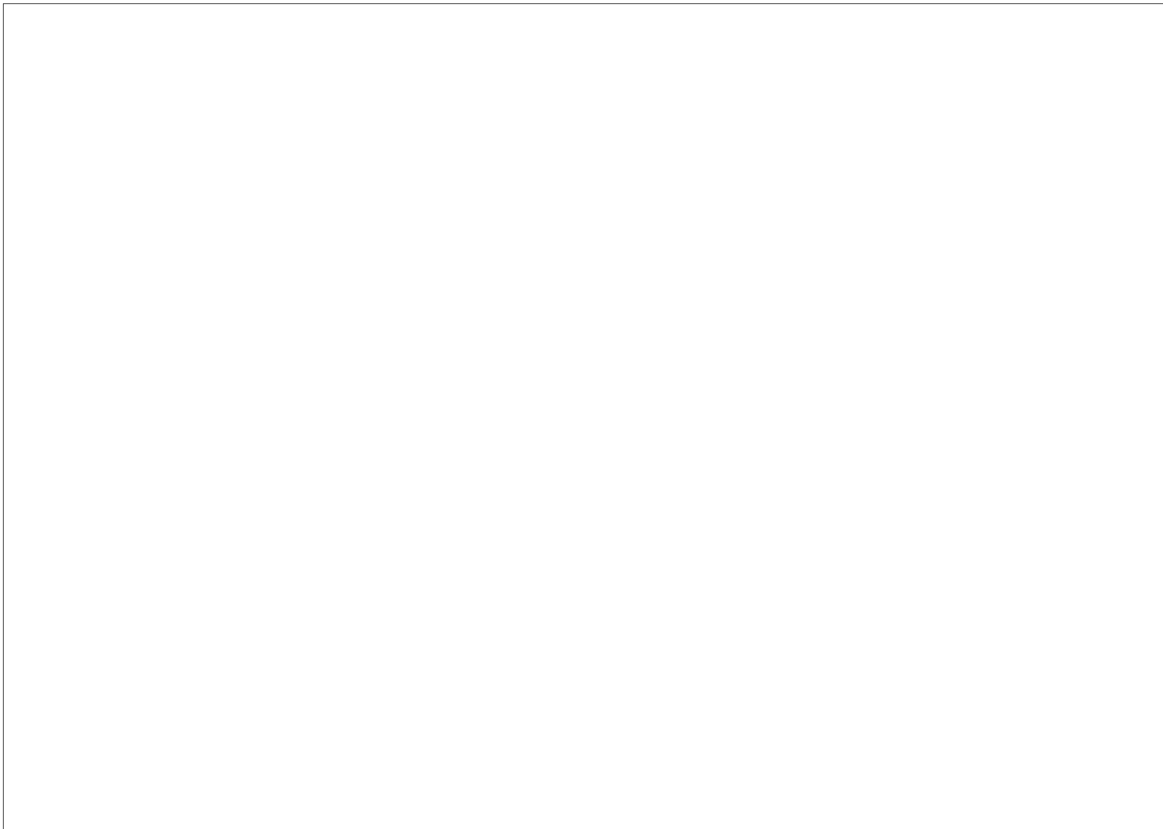
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The war has led France to accelerate development of French political, security, and commercial relations elsewhere in the Persian Gulf. Saudi Arabia recently signed a major arms contract that French officials say guarantees oil supplies to France.

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West Germany

The West German Government continues to follow a policy of strict neutrality. Although it believes that Iran is more important internationally, it also wants to protect its recently improved relations with Iraq.

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Bonn's primary fears are that the conflict might expand beyond Iran and Iraq and threaten the flow of its oil through the Strait. West Germany is ready to support efforts to negotiate an end to the fighting but believes that only an Islamic or UN mediation attempt could succeed.

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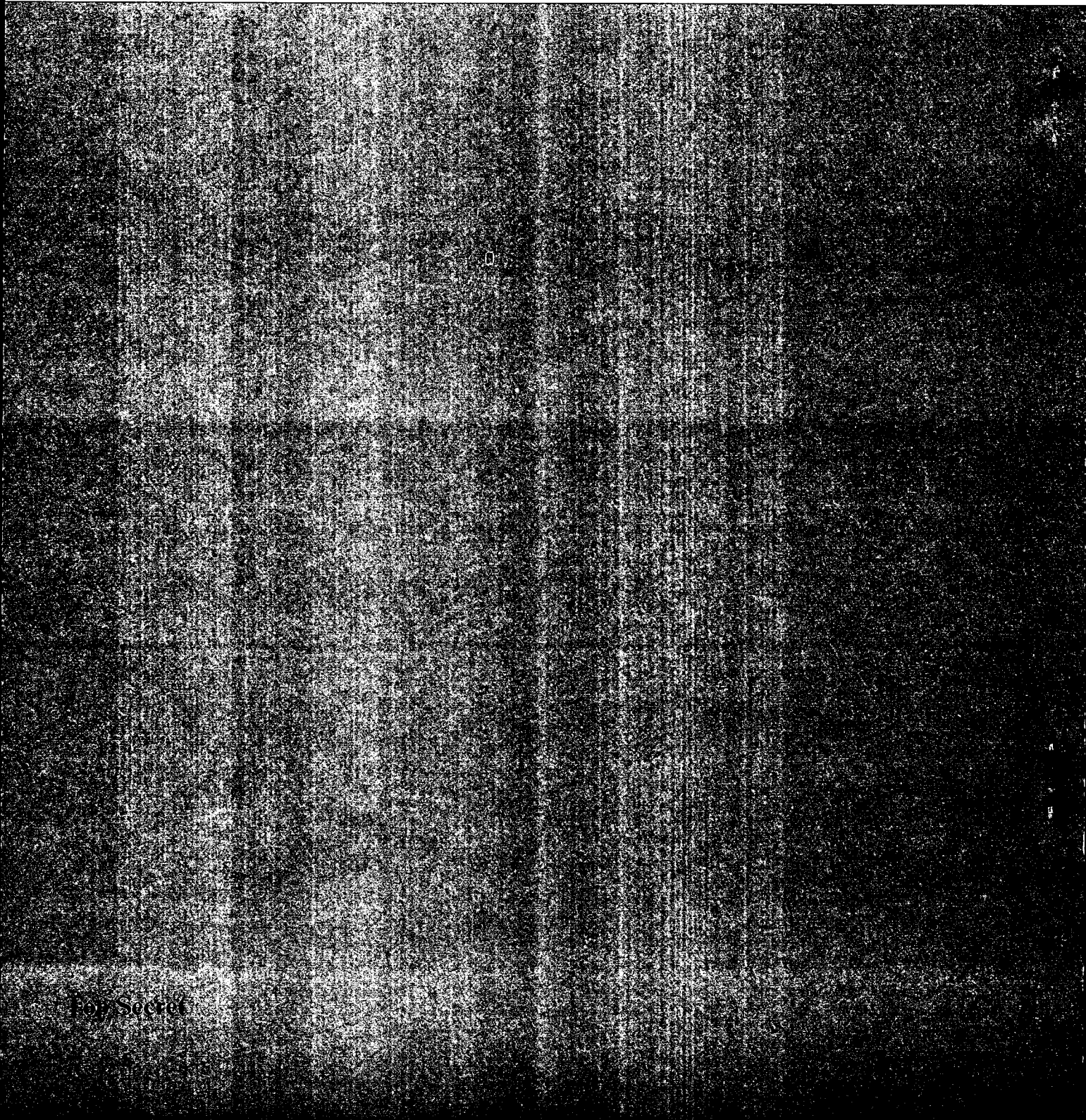
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