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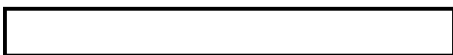
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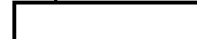
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LEBANON: Army Operations

The Lebanese Army is moving cautiously in East Beirut and the Shuf region as it tries to reassert the central government's authority. 

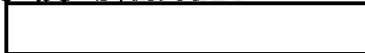
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The Army moved to the edge of Christian-dominated East Beirut yesterday as part of its two-week-old operation to demilitarize Beirut. Press reports say Army units set up roadblocks and checked identity papers. They reportedly intend to delay for now searches for arms caches. 

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Comment: The Army is reluctant to confront the Christian militia forces in East Beirut and in the Shuf region, and President Jumayyil probably is unwilling to risk a showdown with them at this stage. Any Army operations in East Beirut are likely to be symbolic and aimed at placating Muslim politicians. 

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[Redacted]

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JAPAN: Political Confusion

The leaders of the ruling Liberal Democratic Party were unable to agree yesterday on a candidate to succeed Prime Minister Suzuki.

[Redacted]

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Press reports suggest former Prime Minister Fukuda was able to block agreement on faction leader Nakasone, even though Nakasone had the support of the two largest factions. Party leaders have decided to allow each faction to nominate a candidate today for a party-wide primary in November. [Redacted]

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[Redacted]

Comment: //Most party leaders probably continue to hope a primary will not be necessary. It would seriously delay work on important economic issues, including the budget for next year. Moreover, many believe infighting can only hurt the party's image.// [Redacted]

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//If a primary is required, Economic Planning Agency Director Komoto would be likely to come out on top because of his strong support among the rank and file. Masumo Esaki, the head of the party's international trade committee, probably would place second, reflecting the strong influence of former Prime Minister Tanaka's faction. If the current coalition of the Tanaka, Suzuki, and Nakasone factions holds together at the convention, Esaki will be elected Japan's next prime minister.// [Redacted]

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[Redacted]

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[REDACTED]

NICARAGUA-HONDURAS: Increasing Tensions

A surge in anti-Sandinista activity along the Nicaraguan-Honduran border has led to increased tensions between the two countries and new pressure for a diplomatic solution. [REDACTED]

About a dozen armed clashes have occurred in recent weeks between anti-Sandinista groups and Nicaraguan military units. Most are the result of anti-Sandinista raids into Nicaragua. [REDACTED]

Nicaragua has sent six diplomatic notes to Honduras protesting these and other incidents. At the same time, Managua is continuing to insist that a high-level dialogue between the two countries is necessary to reduce tensions. [REDACTED]

Honduras prefers the broader approach outlined earlier this month at the meeting in Costa Rica of Foreign Ministers of democratic countries in the region. Meanwhile, Honduran President Suazo has refused to accept an invitation to a meeting with Nicaragua this month in Caracas sponsored by Venezuela and Mexico. [REDACTED]

//Despite the surge in anti-Sandinista activity from Honduras, efforts to unite anti-Sandinista groups there with those based in Costa Rica have made little progress. A Costa Rican - based group headed by exiles Eden Pastora and Alfonso Robelo is reluctant to include a militarily stronger group in Honduras, because former Nicaraguan National Guard officers hold leadership positions in the Honduran-based organization.// [REDACTED]

Comment: A major clash between Honduras and Nicaragua does not appear imminent, despite the increasing Sandinista rhetoric. The Nicaraguans are waging a diplomatic effort to convince the international community that they are the victims of a Honduran-US conspiracy to overthrow their regime, and they probably do not want to appear the aggressor. [REDACTED]

In addition, the Nicaraguans are campaigning hard for a seat on the UN Security Council. They hope it would provide them with a better forum for focusing attention on the border situation. [REDACTED]

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[REDACTED]

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DENMARK: Government Threatened

The fate of Conservative Prime Minister Schlueter's month-old center-right minority coalition government hangs in the balance today as the parliament decides whether to approve the controversial economic austerity program. [redacted]

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The program tries to deal with the soaring budgetary deficit by cutting funds available for unemployment, health, and welfare benefits. It also calls for suspension of index-linked increases in wages and transfer incomes. [redacted]

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The package has encountered opposition from the left and from two smaller parties on which the government depends for a majority. Hardliners in the rightwing Progress Party have threatened to bring the government down by withholding support for the austerity program unless the government grants substantial relief in personal income taxes. [redacted]

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Comment: The government is caught in a bind between a publicly announced determination to reduce budget deficits and a desire to postpone any tax relief until after nationwide wage contract negotiations next year. Few parties, however, welcome the prospect of early elections. [redacted]

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The Progress Party would become the principal scapegoat for the government's fall. Consequently, there is a good chance it will back off and accept symbolic tax cuts with the promise of further reductions next year. [redacted]

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If the Progress Party stands fast, the Social Democratic Party--the leading opposition group--may abstain from voting on the austerity program. It would do so to gain more time to strengthen its position in anticipation of new parliamentary elections next year. [redacted]

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[REDACTED]

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GREECE: Municipal Elections

Nationwide municipal elections scheduled to begin tomorrow are likely to reflect only a limited reduction in public support for Prime Minister Papandreou's Socialist Party. [REDACTED]

25X

After this first round of local voting, runoffs will be held next week in places where no candidate wins more than 50 percent. A second round usually is held in the larger cities, where there are many mayoral candidates. [REDACTED]

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[REDACTED]

Comment: Local issues and personalities will determine the election results in many areas. National issues will be important in the major cities, however, and the results there will be viewed as a measure of support for Papandreou. [REDACTED]

25X

General dissatisfaction with the sluggish economy is likely to reduce the 48-percent vote won by the Socialists in the national elections in 1981. Nevertheless, an effective grass-roots organization and the lack of a strong alternative give the Socialists the advantage. [REDACTED]

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The Communists almost certainly hope to secure the support of many leftwing Socialists disgruntled over Papandreou's cautious, pragmatic foreign policy. They probably also are counting on capturing a large portion of the newly enfranchised youth vote. [REDACTED]

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The conservative New Democracy party is poorly organized and still has not recovered from its defeat last year. Significant additional losses on Sunday could provoke renewed party factionalism and possibly prompt the resignation of party leader Averoff. [REDACTED]

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[REDACTED]

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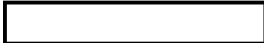


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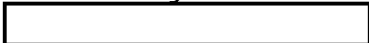


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MEXICO: Threat of a General Strike

Labor leader Fidel Velazquez has announced that unions affiliated with the ruling party will launch a general strike on 1 November if the private sector does not grant a 50-percent wage increase. A 24-hour general strike is already planned for Wednesday to show unity and resolve at the beginning of a 10-day period of industry-by-industry negotiations. Government-sponsored talks between business and labor broke down earlier this month. Leaders of other unions are asking for a 35-percent increase but thus far have rejected joining a nationwide strike. 

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Comment: Strikes by unions affiliated with the ruling party would seriously threaten government-labor relations. An interim wage settlement effective through December might be worked out, but it probably would require President Lopez Portillo's direct involvement and would probably be for less than 50 percent. Even if an emergency increase is granted, President-elect de la Madrid will have to deal with labor's minimum wage demands when he takes office on 1 December. 

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SOUTH KOREA: Student Protests in Kwangju

//The death this week of a former student leader imprisoned in Kwangju has touched off major antigovernment demonstrations by university students in the city, the site of bloody civil disturbances in the spring of 1980. The students thus far have remained on campus, but the number of demonstrators reportedly had risen to 5,000 yesterday. The police claim religious leaders from Seoul are inciting the students. Although the government has announced that the prisoner died of natural causes, other reports contend that he died as a result of a hunger strike or police brutality.//

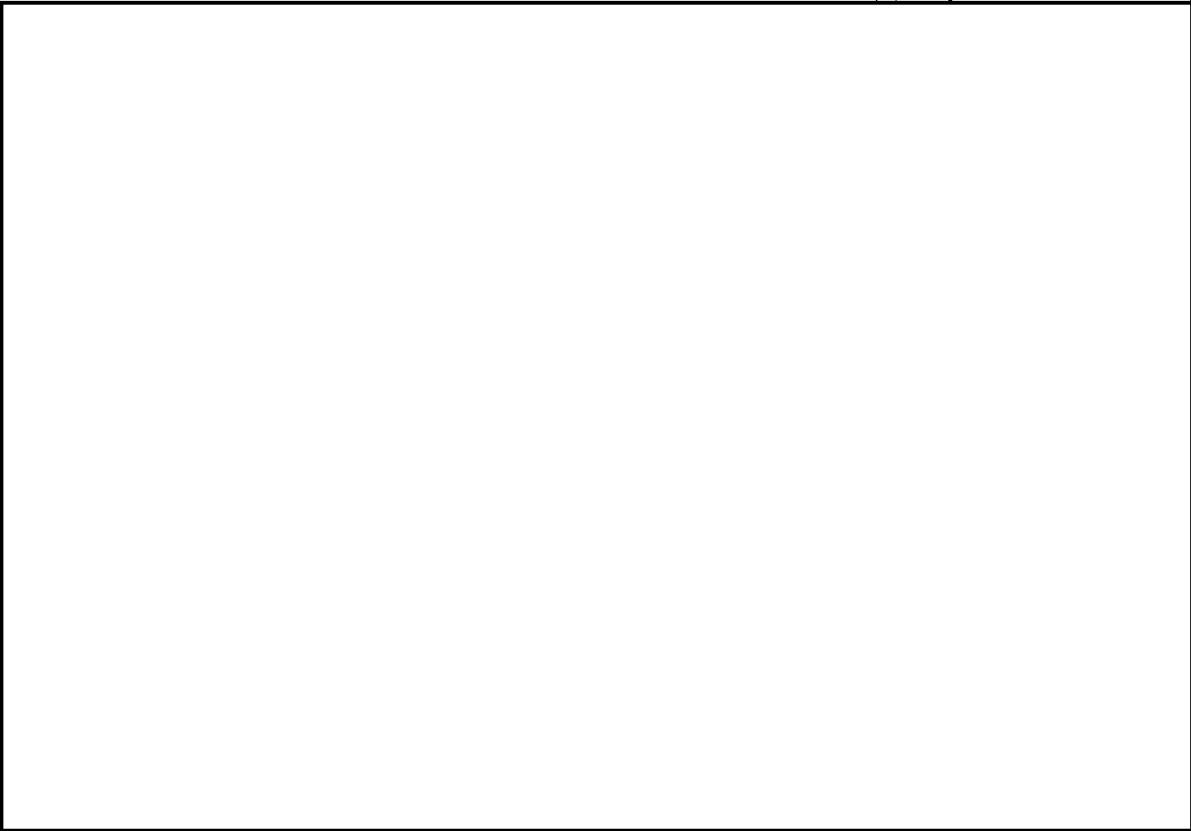


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Comment: //If the government does not produce credible evidence to back its version of the death, the incident could provide a new rallying point for students and Christian dissidents in Seoul and elsewhere.//



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BOLIVIA-CUBA: Closer Relations

Efforts by the new government of President Siles to improve ties with Cuba will anger the military, which returned power to civilians only last week. The two countries broke diplomatic relations in 1964 and have had little contact since the Bolivians captured and executed Che Guevara in 1967. A high-level Cuban delegation attended Siles's inauguration, and its leader, Vice President Rodriguez, formally addressed the congress.



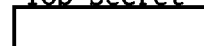
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Comment: These events reflect the leftist ideology of President Siles's ruling coalition and the new government's desire to establish a more Third World - oriented foreign policy. The actions could prompt dissident military factions to unite and begin serious coup plotting. The President is trying to place moderate officers in key military positions to forestall such a move.



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Special Analysis

LEBANON: President Jumayyil's Prospects

President Amin Jumayyil, who visits Washington next week, faces an uphill struggle to reestablish Lebanon's political and territorial integrity. Although he was elected with the unprecedented backing of nearly all of the country's many confessionally based factions, his political base is fragile and he will have to work hard to maintain it. During his talks with US officials, Jumayyil hopes to pin down the extent of the US commitment to Lebanon and to himself as its leader.



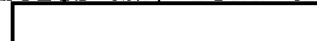
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In the month since taking office, Jumayyil has made limited gains in returning Beirut to normal. At the same time, however, he has been faced with outbreaks of interfactional fighting in various parts of the country. This violence underscores the continued ascendancy of confessional and clan loyalties.



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//Jumayyil's most pressing problem is to establish control over the Phalange militia, especially hardcore militants put into powerful positions by his assassinated younger brother, Bashir. These militants have little use for the new President, whom they see as representing the bankrupt politics of the old guard. Fears that Amin will not carry through on Bashir's policies may lead these hardliners to consider a coup.//



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//Other Christian and Muslim factions have expressed willingness to work with Jumayyil, whom they view as more open to their influence than his late brother. If Jumayyil does not satisfy their often conflicting interests, they are likely to withdraw their support.//



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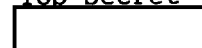
Jumayyil favors the formation of a strong central regime under Maronite hegemony. To this end, he held extensive consultations with factional leaders on the composition of his first government. He was unable to reconcile their divergent demands, however, and had to carry over Prime Minister Wazzan and install a cabinet of academics, lawyers, and other politically inexperienced professionals.



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[REDACTED]

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This arrangement postpones a decision on power-sharing among confessional groups while Jumayyil tackles more urgent diplomatic and security problems. Most of the political factions seem content to go along with this situation for now. [REDACTED]

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Expanding Central Authority

Jumayyil's desire to expand central authority throughout the country also is hampered by the weakness of the national Army, which has never recovered from fragmentation along confessional lines during the civil war. Although it has since been reconstituted as an integrated Christian-Muslim force, the rebuilding process has been slow, and Lebanese leaders have been reluctant to test it in situations where ethnic loyalties might again divide it--or even lead to its disintegration. [REDACTED]

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//The President hopes that a combination of international political pressure and a strong military peace-keeping presence will secure the early withdrawal from Lebanon of Syrian, Israeli, and residual Palestinian forces. Beirut has no leverage with Damascus or Tel Aviv, and it cannot evict Palestinian fighters in the north. In the south, the Israelis are insisting on security arrangements in which the forces of Christian militia leader Major Haddad will continue to play a key role.// [REDACTED]

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Relations With Israel and Syria

//Israel has dropped for now its insistence on an early peace treaty, but it is pushing for a written security agreement covering a 40-kilometer zone north of the Israeli border. Tel Aviv is contemptuous of the UN forces now stationed in the south and may be cool to any other international force unless it has a broader mandate and includes US troops. Defense Minister Sharon has made it clear that only forces controlled by Israel or in which the Israelis have complete confidence can be counted on to patrol the security zone adequately.// [REDACTED]

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[REDACTED]

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[REDACTED]

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//Syria is displaying a cautious but positive attitude toward Lebanon's new President. Although Damascus opposed Bashir and may have been behind his assassination, it now appears ready to normalize relations with Lebanon. This attitude will be conditioned, however, by Beirut's willingness to take Syrian interests into account.// [REDACTED]

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//Syria has agreed to proposals adopted by the recent Arab summit in Morocco concerning withdrawal of its troops from Lebanon. Although the Syrians insist that Israel has to withdraw its forces first, they probably would ultimately agree to a simultaneous pullout.// [REDACTED]

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Goals in the US

//Jumayyil will be seeking both symbolic and material returns from his visit to Washington. He hopes for tangible achievements in order to establish his legitimacy, especially with hardline elements of the Phalange militia.// [REDACTED]

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In addition, Jumayyil is likely to make more overtures to the US to expand its current \$110 million commitment to the rebuilding of Lebanon's economy. According to one Lebanese business leader, reconstruction will cost roughly \$24 billion. [REDACTED]

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//Jumayyil also will ask the World Bank and other donors for reconstruction aid. He hopes the US will prove to be an effective interlocutor with Saudi Arabia and other countries from which he needs political and economic support.// [REDACTED]

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[REDACTED]

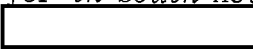
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Special Analysis


CHINA-PAKISTAN: President Zia's Visit

Beijing and Islamabad will use President Zia's third visit to China, which begins tomorrow, to demonstrate a shared commitment to maintain Pakistan's security and to cooperate against the USSR in South Asia. The Pakistanis view the Chinese as their most reliable ally, as an important arms supplier, and as a deterrent to threats posed by India and the USSR. China regards Pakistan as its strategic buffer in South Asia and as its diplomatic window to the Arab world. 


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Zia may try to prepare Beijing for a more flexible Pakistani approach toward Moscow. The Chinese are likely to argue against any tactics offering Moscow political concessions, however, especially ones that might legitimize the regime in Kabul or the Soviet presence. 

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Zia's mistrust of India will prompt him to probe Chinese intentions for the next round of Sino-Indian normalization talks next spring. The Chinese expect slow progress on the border issue, and in the meantime they will be trying to induce New Delhi to maintain a positive approach to bilateral relations, to reduce tensions with Pakistan, and to move farther away from Moscow. They are likely to assure Zia that they will keep him fully informed of their intentions toward New Delhi. 

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Chinese leverage in the Middle East is limited, but Beijing almost certainly sees its backing for Pakistan as a means to strengthen its credentials in the Islamic world and as a vehicle for its anti-Soviet message. In this regard, the Chinese are likely to renew their earlier encouragement of cooperation in defense matters among China, Turkey, and Pakistan. 

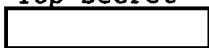
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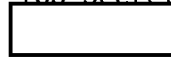
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Military Aid

Beijing may approve new arms agreements during Zia's visit, including additional sales of aircraft and naval patrol boats. Such agreements, however, would not significantly strengthen Pakistan's military capabilities.



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Pakistan's armed forces are equipped primarily with Chinese arms, with China having signed agreements for nearly \$850 million in military equipment since 1966. China's assistance gives Pakistan a supplement to its acquisition of modern Western military hardware, providing less-advanced and lower cost replacements for an aging inventory.



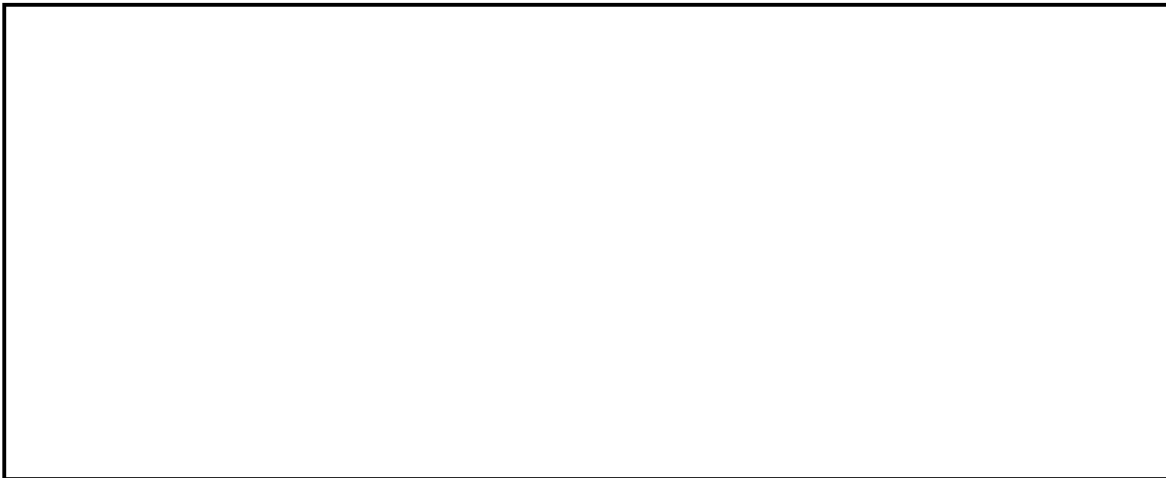
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Chinese policy backs the right of any state to determine how to meet its own defense needs. Beijing is aware, however, that clear evidence or a test of a Pakistani nuclear explosive device would jeopardize US and other Western military aid. China considers such aid vital to Pakistan's security.

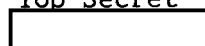


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