

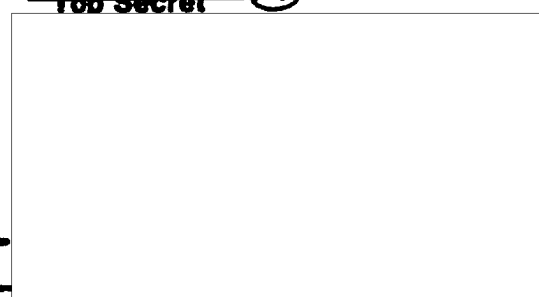
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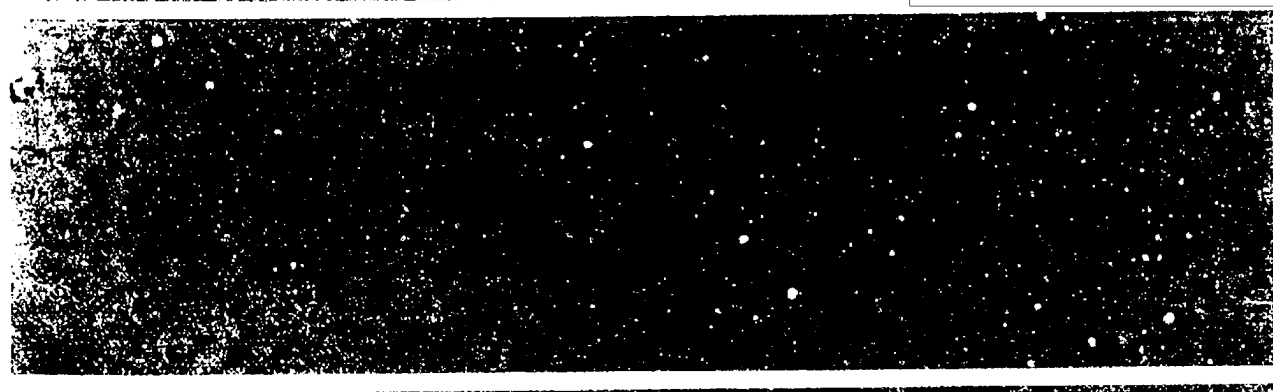
Director of
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Intelligence

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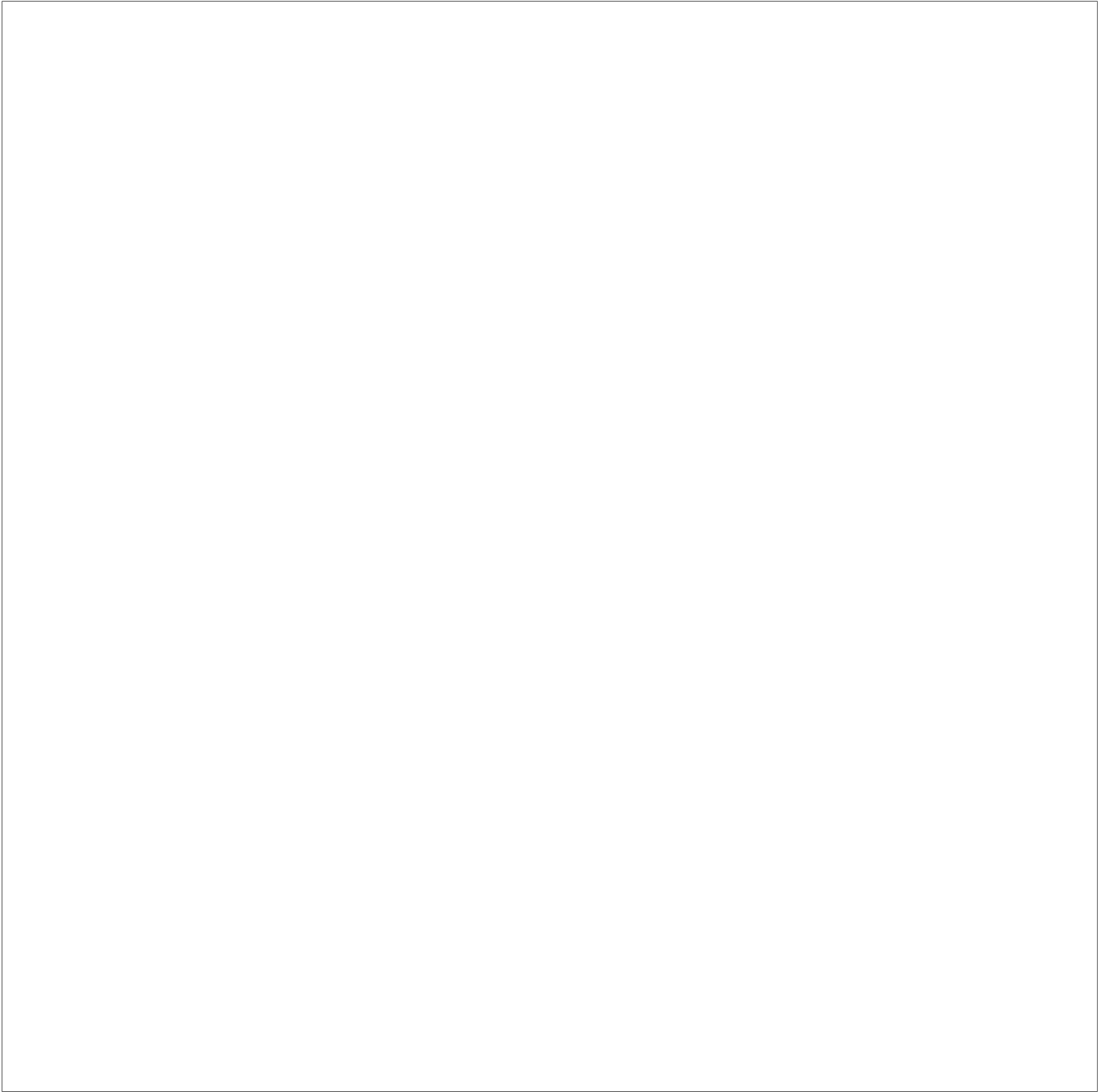


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LIBERIA:

Postelection Tensions


Turnout was heavy for the presidential and legislative elections that were held on Tuesday without major incident, but frustrated members of the military or opposition may still attempt to oust Head of State Doe. 

Preliminary returns  indicate that Doe's National Democratic Party may have won 45 percent of the vote, followed closely by the Liberian Action Party. 



 most voters felt free to cast ballots for any of the four participating parties. Opposition leaders, nevertheless, intend to protest the establishment of several unauthorized polls on military bases and other violations of election procedure. 



Comment: The next month may be volatile as votes are tallied and election procedures—and possibly results—are challenged. Although opposition leaders appear generally satisfied with the manner in which the elections were conducted, they remain wary of possible government tampering with the results. Doe probably will try to handle complaints of fraud through the Special Election Commission, but may resort to harsh action if opposition supporters take their case to the streets. 





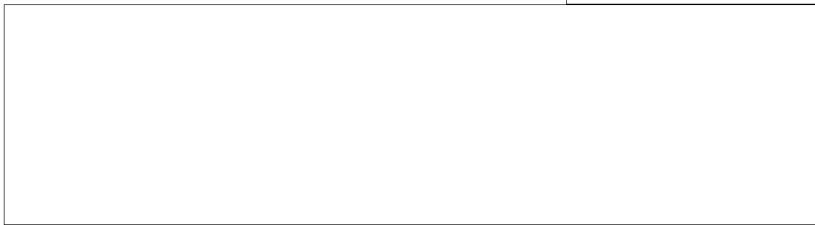
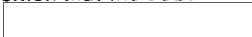
LATIN
AMERICA-US:

Reaction to Debt Initiative

Latin American debtors generally have welcomed the US initiative on debt presented last week in Seoul, but they doubt that it will be enough to solve the region's financial problems.



High-ranking government officials in Brazil, Mexico, and Argentina view the proposal as an important gesture, a sign that the US recognizes the needs of debtor countries to restore economic growth and to obtain more foreign capital. They are particularly encouraged by US intentions to promote substantially increased lending by multilateral institutions—the World Bank and the Inter-American Development Bank—and by commercial banks. None of the region's debtors have voiced opposition to the initiative, although Peruvian Finance Minister Alva Castro reaffirmed Lima's position that the debt-related functions of the IMF should be eliminated.



Comment: Most Latin American debtors probably will await firm commitments from the multilateral development institutions or commercial banks before offering stronger endorsements of the US initiative. They also will seek further information about the prospects for increased donor contributions to the World Bank, World Bank guarantees for commercial lending, and cofinancing between the World Bank and commercial banks.



Meanwhile, the concern that the initiative leaves the issue of interest payment burdens unresolved may prompt the debtor countries to increase pressure on creditors to defer interest or place a cap on interest payments.





USSR:

Task Force on Economic Reform

A Soviet task force on economic reform is reportedly considering measures to promote competition among industrial firms, increase labor productivity, and legalize private activity in consumer services. [redacted]

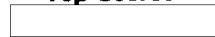
[redacted] a Soviet economic institute [redacted] was established in August as an advisory body to the senior political leadership. [redacted] the task force may be headed by Gosplan's deputy chairman, Dzherman Gvishiani, and may include Abel Aganbegyan, one of Gorbachev's top economic advisers. [redacted] the group is two or three years away from proposing a comprehensive program, but the leadership wants recommendations sooner. [redacted]

The group agrees that some type of business mechanism—other than market pricing—is needed to make Soviet industry more efficient. It also agrees that enterprise managers should have more control over staffing and payroll. [redacted] tolerating a 2-percent unemployment rate would advance both these goals. [redacted]

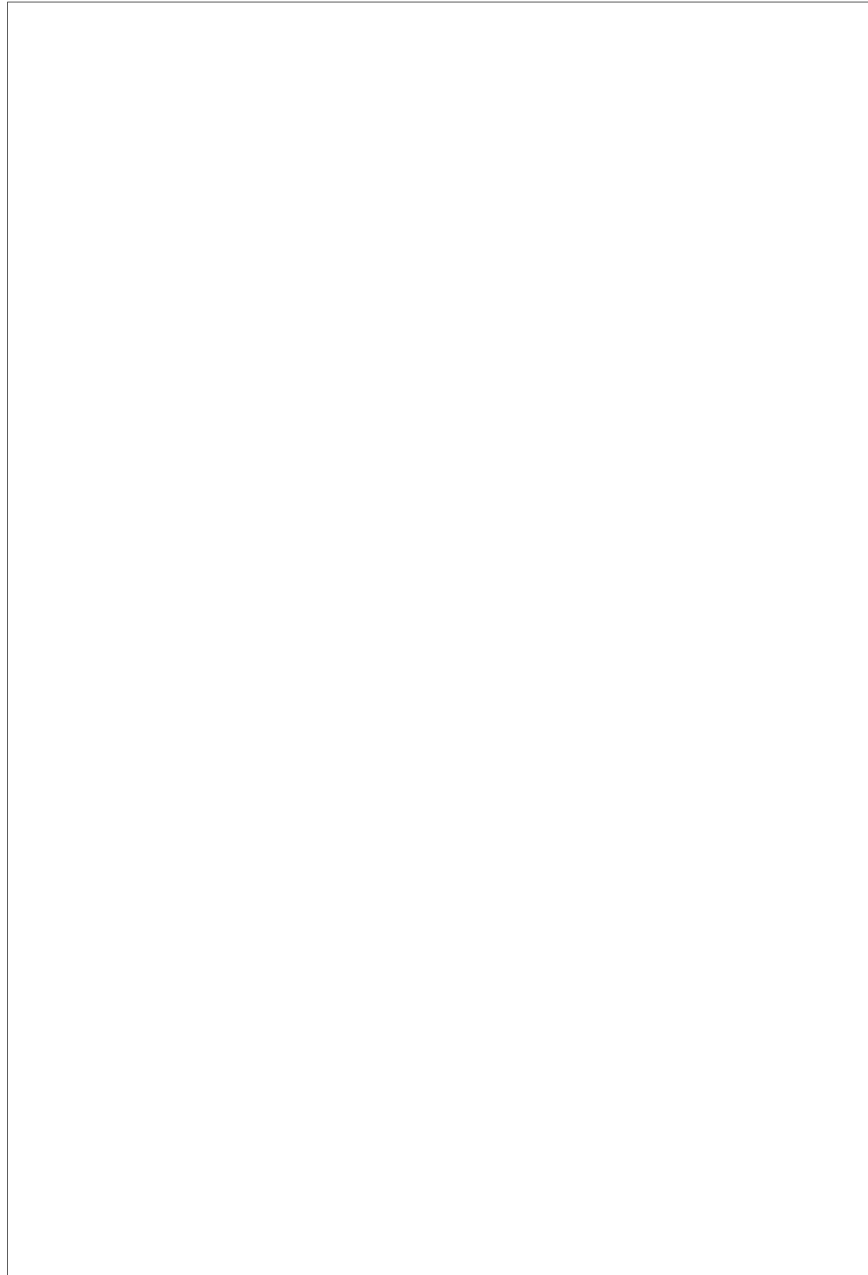
[redacted] industrial firms be allowed to choose their own suppliers and that noncompetitive enterprises be closed or reorganized. [redacted] the task force is studying ways to legalize a large number of consumer services currently available only on the black market. [redacted]

Comment: [redacted] proposals on unemployment and market competition reflect ideas not yet agreed on by the task force. The decision to establish a task force to prepare recommendations on such politically sensitive subjects is itself significant and indicates that Gorbachev is looking for specific ways to back up his calls to improve economic performance. [redacted]

Although the task force is reportedly under pressure to come up with its recommendations, the leadership probably will not take quick action on permitting unemployment, expanding the private sector, or other controversial issues. It is more likely to initiate small-scale experiments while assessing the economic gains from measures already put into place. Gorbachev, however, is anxious to implement noncontroversial suggestions quickly, to maintain the momentum of change that has characterized his economic program to date. [redacted]



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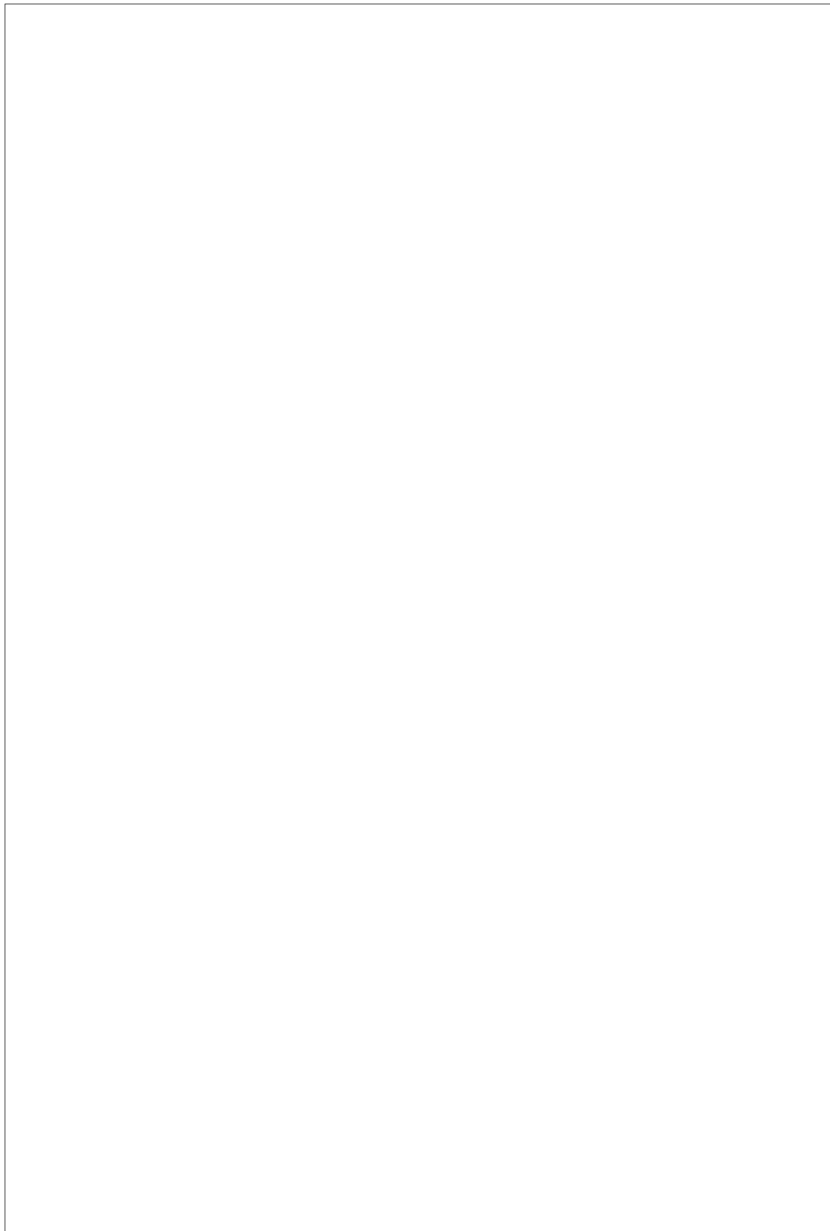


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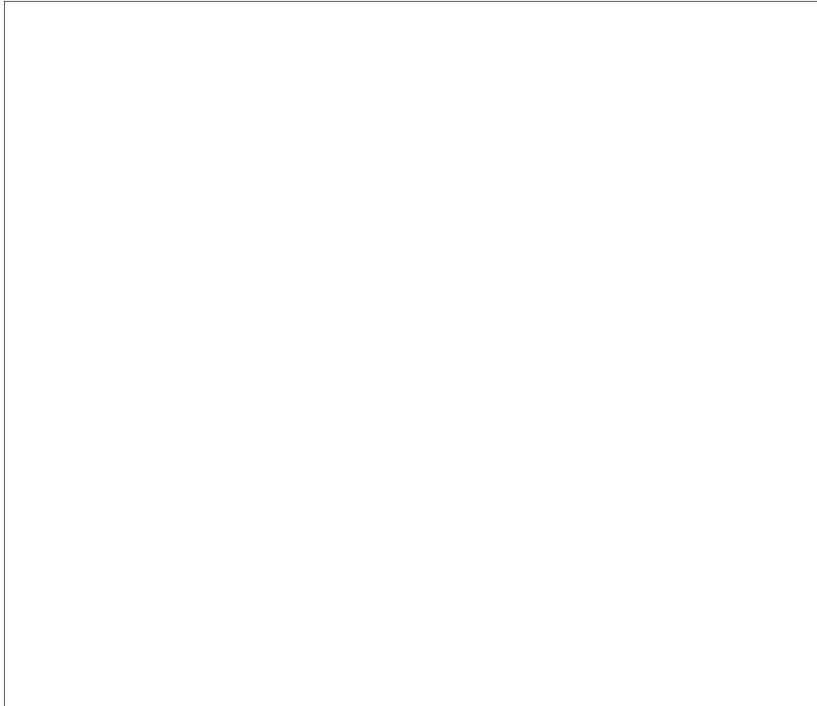


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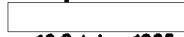


FRANCE: Terrorists Attack Rightist Party

The leftwing terrorist group Direct Action has bombed three Paris communications facilities to protest appearances by the head of the rightwing National Front party. The group attacked radio and television stations on Monday and the offices of the government broadcasting authority on Wednesday. There were no casualties, but the blasts caused extensive property damage. 

Comment: The bombings were carried out by the "Symbolic Wing" of Direct Action—which appears to focus on domestic political issues—and may portend additional attacks against National Front activities. A second, hardline international faction has attacked defense-related targets. The National Front made significant gains in local elections last March; the terrorists probably are citing these gains to rationalize their actions to prospective supporters. 

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WARSAW PACT: Summit To Endorse Arms Positions

The Warsaw Pact's highest policymaking body, the Political Consultative Committee, will meet in Sofia on 21-23 October. Such meetings are held biennially and bring together the party leaders, premiers, and foreign and defense ministers from the USSR and its six East European allies. The present session was scheduled for last January but was postponed because of Chernenko's health.

[redacted] the Soviets want a smooth meeting and are concentrating on securing a show of support for their announced positions rather than offering any new initiatives.

Comment: The Soviets want to emphasize Pact unity before the Geneva meeting next month and will make sure their recently unveiled package of arms control proposals has a clear endorsement. A political declaration containing a laundry list of past overtures, with particular emphasis on such European issues as nuclear- and chemical-weapons-free zones, is a certainty. General Secretary Gorbachev may use the meeting—or a possible speech to the UNESCO General Conference in Sofia immediately afterward—to expand on his latest proposals, particularly with respect to INF. [redacted]

PAKISTAN: One Step Toward Civilian Government

Pakistan's National Assembly has approved a revised bill laying the groundwork for civilian government, but the compromise probably creates problems for that government over the extent of political activity and Islamization. To win approval for clauses validating the actions of the martial law regime and protecting President Zia from prosecution, the regime accepted limitations on the power of the president to dissolve the parliament, and it promised an early debate on a law governing political parties. A small group of independent delegates also succeeded in passing a resolution requiring the introduction of a constitutional amendment by next April forcing all laws to conform to Islamic principles. [redacted]

Comment: Zia probably yielded more than he would have liked to get the unanimity he believes will legitimize his martial law regime and his coming term as civilian president. The proposed legislation on political parties would give the government tight control over the opposition and is likely to face another challenge in parliament. Parliamentary discussion of Islamization is likely to rekindle tension between Pakistan's majority Sunnis and the minority Shias. [redacted]

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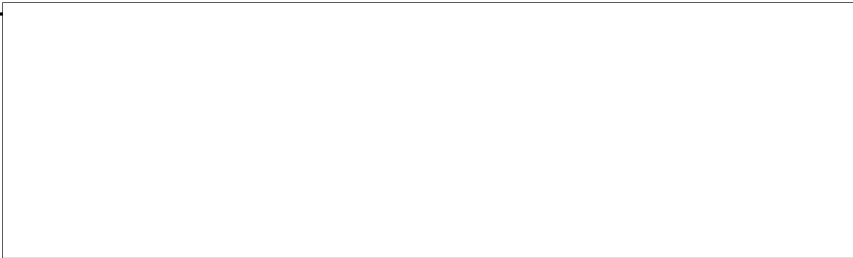
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In Brief

Middle East



Americas

— Ottawa announced merger yesterday of Mercantile Bank—**Canada's** eighth largest—with bigger bank . . . Mercantile had liquidity problems after two banks failed last month . . . doubts about small banks, Ottawa's financial competence likely to linger.



— **Uruguay and Cuba** resumed diplomatic relations yesterday after 21 years . . . President Sanguinetti assured US that **Cuban** presence in Montevideo will be small . . . represents no shift in Uruguay's basically pro-West foreign policy.



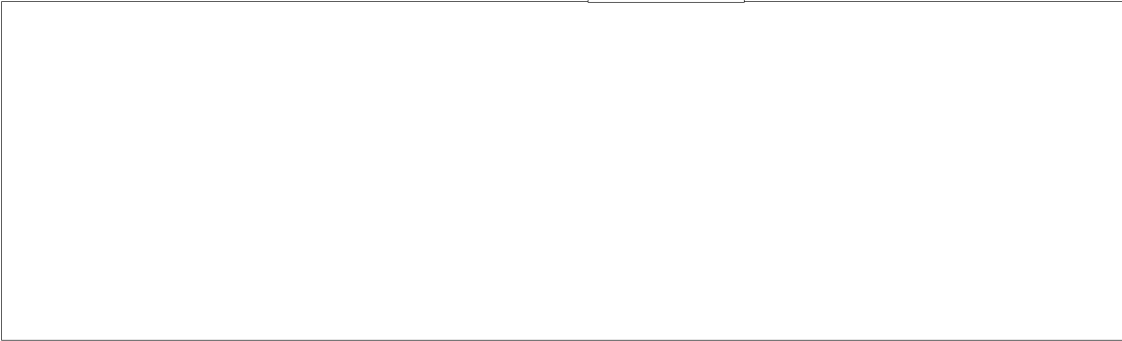
USSR

— Foreign Minister Shevardnadze will head **Soviet** delegation to UNGA 40th anniversary session, despite earlier reports Gromyko would attend . . . another sign that Gromyko, although duties only ceremonial as President, has minor role in foreign affairs.



Europe

— Leaders of **West German** Green Party in Hessen have agreed to coalition with Social Democrats . . . Greens' first participation in government at state level . . . unpredictable rank and file to vote on agreement 27 October.



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Special Analysis

INTERNATIONAL: Implications of Achille Lauro Hijacking

The pirating of the Italian ship and US interception of the terrorists have caused a number of countries to reassess their relations with the US and the PLO. [redacted]

In Western Europe the wrench has been greatest in Italy, bringing down the government there yesterday. [redacted]

[redacted] Rome's commitment to INF deployment and its ties to NATO and the US probably are strong enough to withstand this strain, but, in the short run, the Italians will demonstrate their anger by being less accommodating across the board. [redacted]

The hijacking has contributed to a growing belief in Western Europe that Arafat is playing a double game—preaching peace while organizing terrorist attacks. West Europeans are likely to be more chary of dealing with the PLO in the short term, but they will not abandon their belief that the PLO ultimately must be accommodated in any Middle East peace process. [redacted]

West Europeans have also acquired a heightened awareness—and wariness—of the US determination to crack down on terrorism. Some countries have already called for stronger efforts to forge an international agreement on counterterrorist cooperation. On the other hand [redacted] press allegations that US forces tried to fly the hijackers to the US before Rome could intervene will stoke smoldering fears that the US will not honor host-country sovereignty over NATO bases in time of crisis. [redacted]

Eastern Europe and the USSR

In the communique issued following the meeting between General Secretary Gorbachev and Libyan leader Qadhafi, the Soviets abandoned their initial low-key criticism and called the US action "air piracy" and an example of the US policy of "state terrorism." They are almost certain to use the incident for propaganda purposes with the Arabs and will probably focus their efforts on Egypt, hoping to erode its confidence in the US, and on Arafat, attempting to disrupt the PLO-Jordanian peace initiative. [redacted]

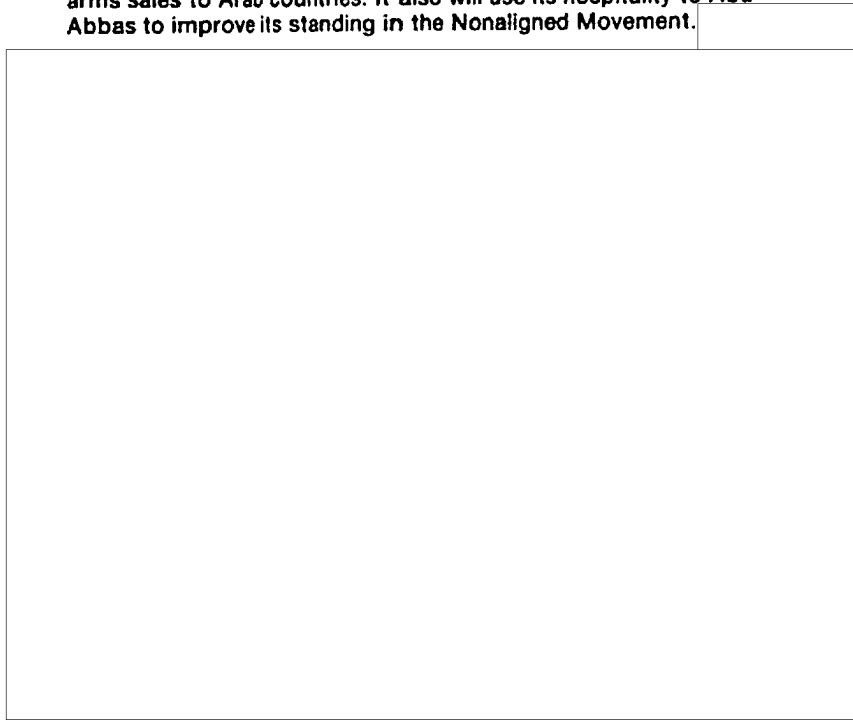
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Yugoslavia, which has long been supportive of the PLO, probably calculated that Italy's refusal to hold Abu Abbas would minimize the risk of a strong US reaction against Belgrade's decision to receive him. Relations with the US are important to Yugoslavia, particularly in the context of dealing with Western lenders, but Belgrade is anxious to preserve its access to Middle Eastern oil and to hard currency from arms sales to Arab countries. It also will use its hospitality to Abu Abbas to improve its standing in the Nonaligned Movement.

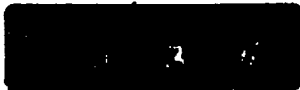


China

An unusually strident commentary in *People's Daily* on Wednesday accused the US of "trampling" on international law by intercepting the Egyptian aircraft. The commentary linked the action to US support for Israeli policy in the region, including the bombing of the PLO headquarters in Tunis, and took the US to task for a "passive" attitude toward the Jordanian and Palestinian peace efforts.

The Chinese have seized on the incident during Vice President Bush's visit to demonstrate independence from the US and to dramatize their disagreement with US policy in the Middle East.

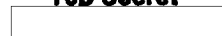
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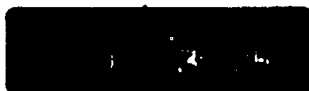
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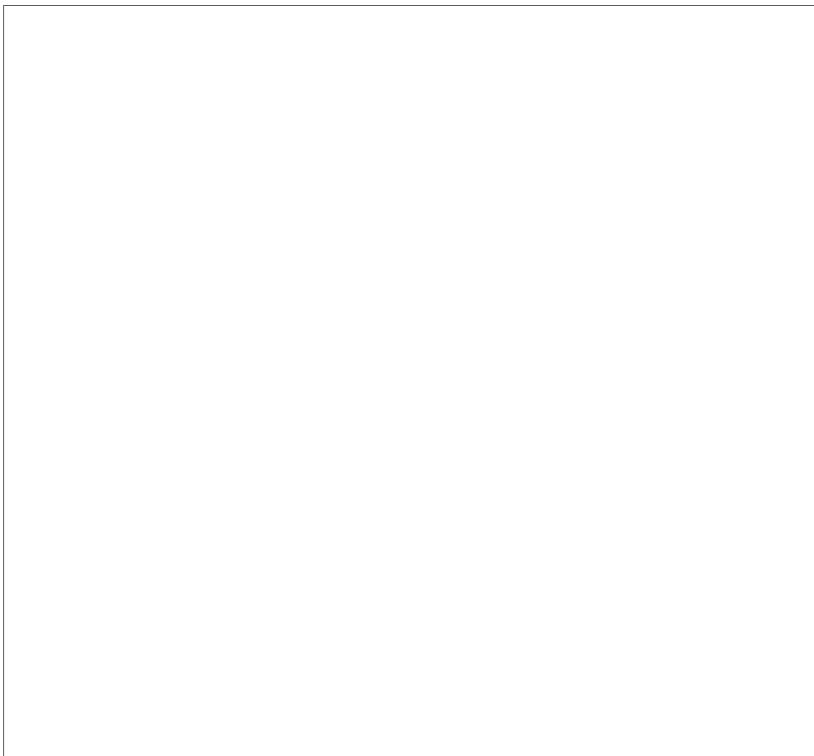
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