

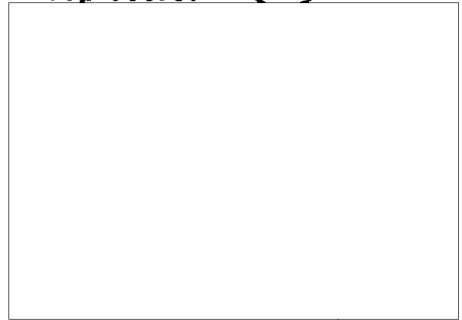
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Director of
Central
Intelligence

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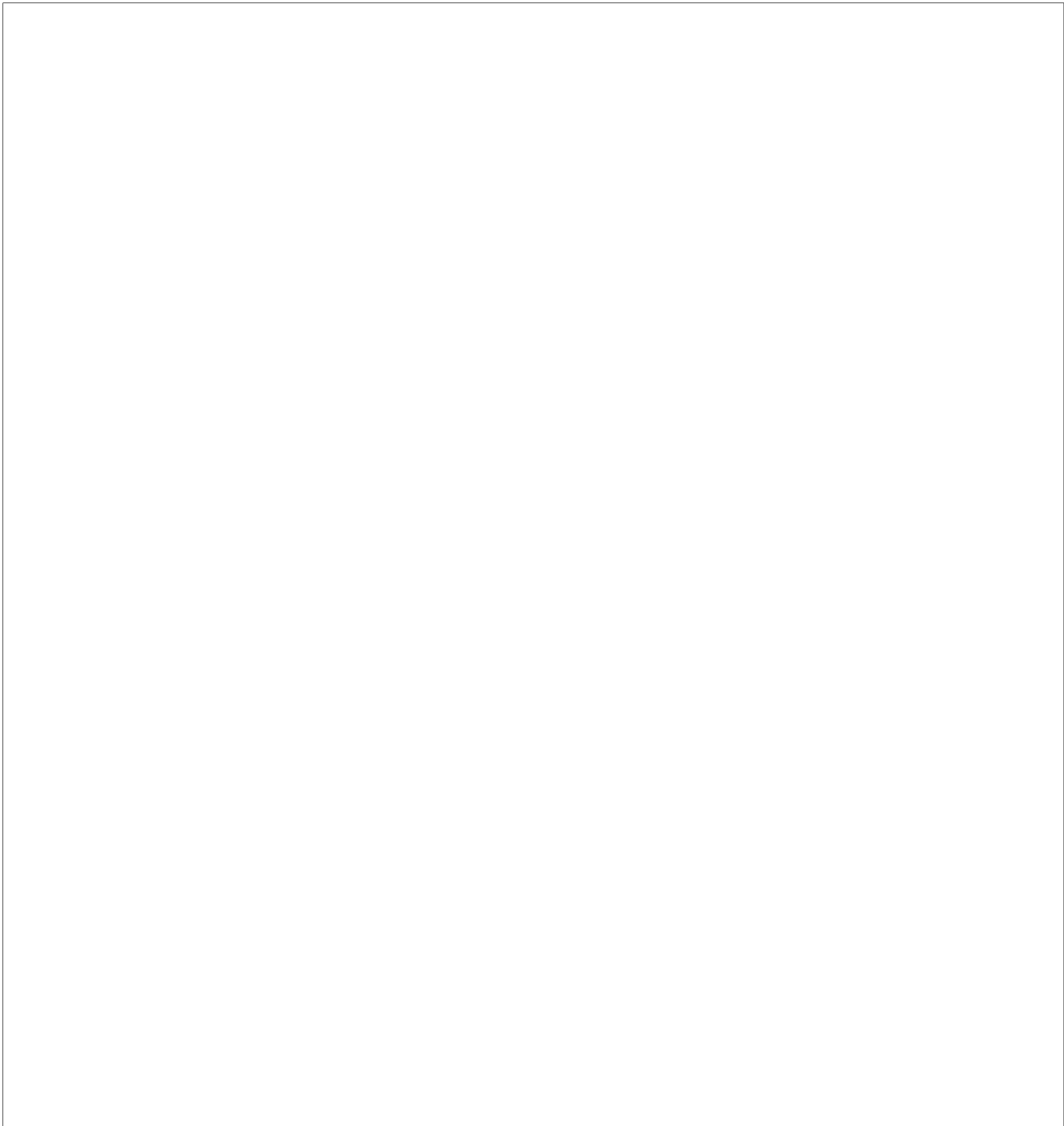
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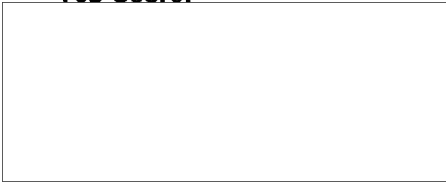
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USSR:

Praise for East German Management Reform

A recent article in Pravda by East German leader Erich Honecker is yet another sign that the leadership in Moscow may be looking to East Germany as a model for economic management reform.

The long article on East Germany's strong economic performance addresses the success of the *kombinat* system. These industrial combines control groups of enterprises and research organizations for specific production tasks regardless of the units' ministerial subordination, unlike the existing Soviet production associations. They have assumed major responsibilities, but not at the expense of tight central control. Honecker also praises the combines for promoting more efficient use of resources and speeding the introduction of technological advances into the production process—major themes in Mikhail Gorbachev's prescriptions for the Soviet economy.

Gorbachev praised the *kombinat* system and other East German economic management practices in two speeches last spring, and his close economic adviser Abel Aganbegyan underlined in an article last August the combines' role in promoting technological innovation.

Comment: Publication of the Honecker article in the central party newspaper, along with Gorbachev's past public references, indicates that the Soviet leadership considers East Germany's experience worthy of serious study and, possibly, emulation.

Of all the models of economic management available to Soviet planners from within the socialist community, the East German example is probably the most attractive because of its demonstrated ability to boost economic performance without decentralization or other radical reform. The East Germans certainly will be pleased by Moscow's approval of their approach to the economy.

The Soviets probably are not as interested in Hungary's economic reforms, which include some decentralization of industrial management, but they have not tried to discourage Budapest.

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POLAND:

Parliamentary Election

Success in Sunday's parliamentary election will be measured by the size of the turnout rather than by the electoral results. [redacted]

Solidarity's underground wing has tried to promote a boycott by distributing an unusually large number of leaflets, interrupting official television broadcasts with its appeals. [redacted]

The regime, in addition to arresting activists and taking other coercive measures, has tried to encourage voting by implying a second major amnesty of political prisoners if the turnout is high and by permitting, for the first time, two candidates—both approved by the party—to run for each of 410 seats. [redacted]

Both Lech Walesa and Premier Jaruzelski have predicted a turnout of 75-80 percent. Solidarity has devised its own formula to estimate the count; the government's press spokesman privately claims the regime will be satisfied if 75 percent of the electorate participates. [redacted]

Comment: If necessary, the regime will manipulate the returns to ensure that the official results are no lower than 75 percent. It will use the result as proof of Poland's stability—especially since its official "period of overcoming the socioeconomic crisis" ends early next year. [redacted]

Solidarity needs a large boycott to preserve its gradually eroding standing as a mass movement that the regime has to engage in a dialogue. [redacted]

Neither Jaruzelski's domestic critics nor the Soviets will be impressed by inflated figures and will continue to press him to bring the opposition under tighter control. He may be more willing to increase pressure on the Church since he no longer needs its neutrality on the boycott issue. [redacted]

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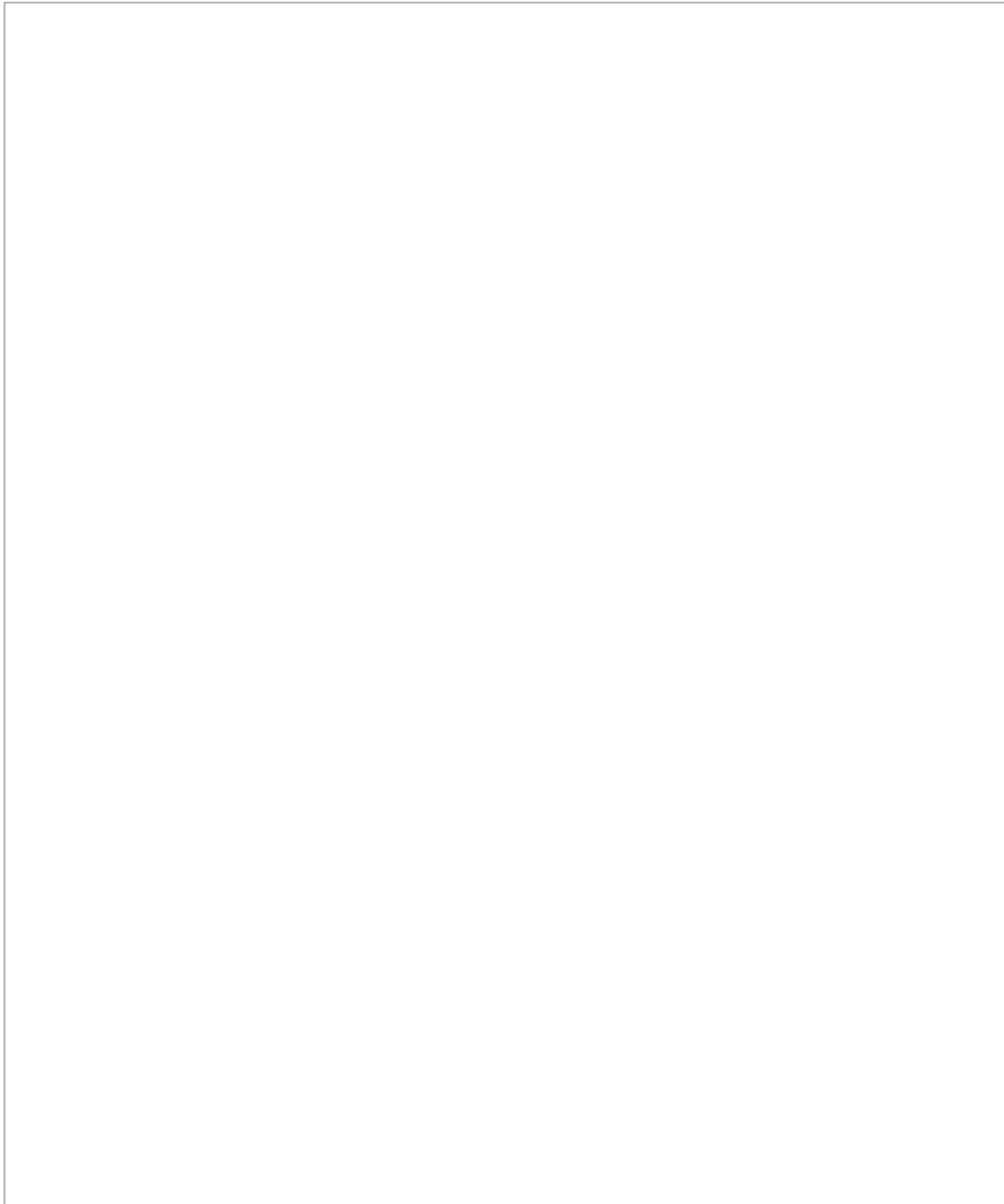


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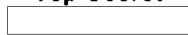
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JAPAN: Tough Diet Session Ahead

Prime Minister Nakasone faces strong criticism from opposition parties on the government's new defense spending plan, and it may complicate smooth passage of key legislation during the extraordinary Diet session opening Tuesday. The ruling party must deal with a politically sensitive bill reapportioning Diet seats, as well as bills on pension reform, pay increases for public employees, and tax cuts. Nakasone also hopes to reduce trade friction with the US with legislation accelerating tariff reductions and easing inspection standards. 

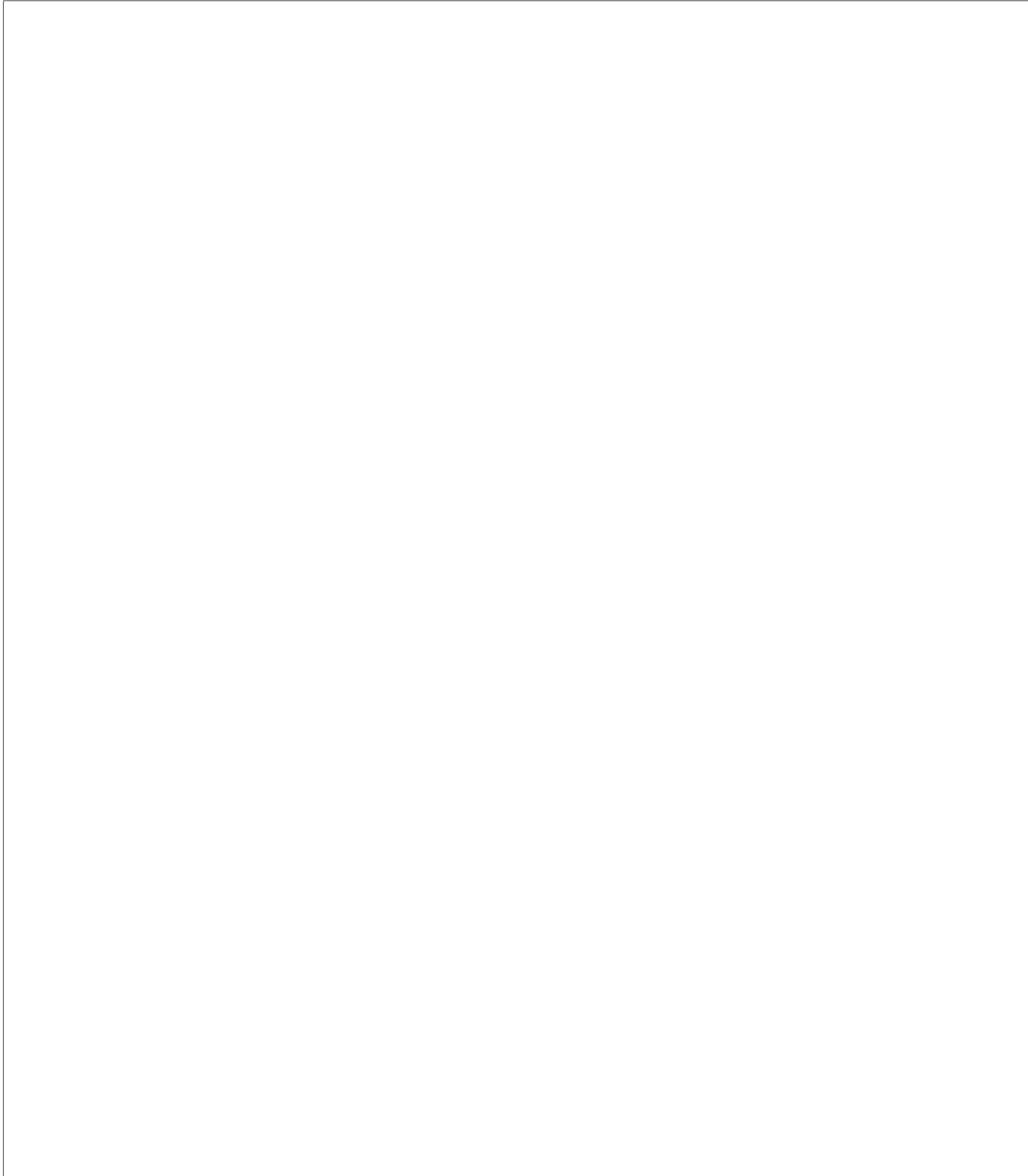
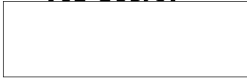
Comment: Although an opposition boycott or no-confidence motion is unlikely and passage of the market-opening measures should go smoothly, the way Nakasone handles opposition questioning on the 1-percent-of-GNP ceiling on defense spending could hurt his ability to reach a compromise on other legislation, particularly the reapportionment bill. The Supreme Court has ruled reapportionment should occur before national elections can be held, and Nakasone feels elections must be held by June 1986 if he is to have a chance to remain in office for more than two terms. 

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LEBANON: Soviet Hostages

Sunni Muslim fundamentalists in Beirut are unlikely to release voluntarily their three surviving Soviet hostages. [redacted]

[redacted] factions in West Beirut believe the Soviets are in the hands of the militia commanded by Shaykh Maher Hamud, an outspoken member of the Union of Islamic Ulama, which has ties to the fundamentalist Muslim Brotherhood. Shia Amal and Druze militias have mounted an intensive search for the diplomats. [redacted]

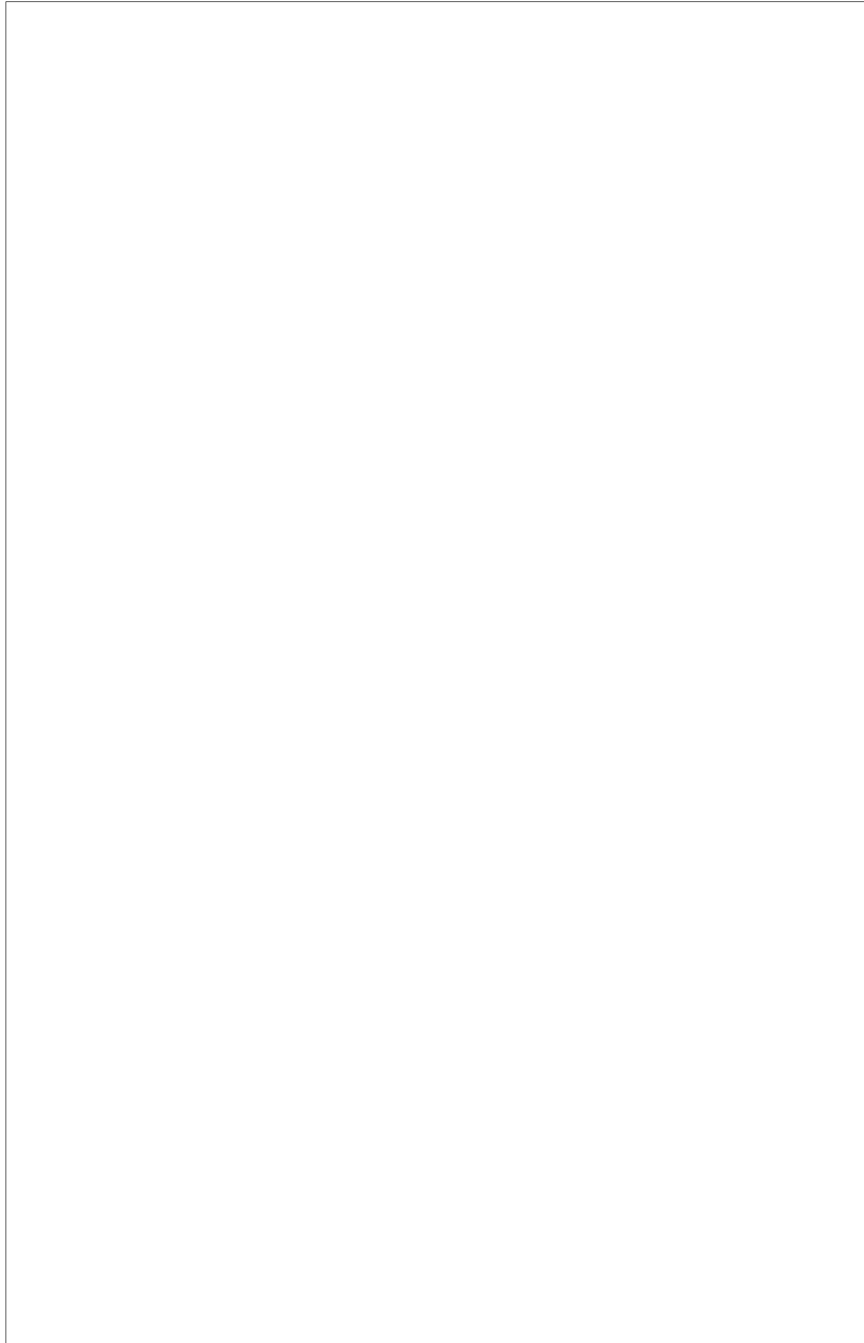
Comment: Shaykh Hamud is a likely suspect in the kidnaping because of his deep sympathy for Shaykh Shaban, leader of the Sunni fundamentalist group embroiled in the Tripoli fighting. Moreover, Hamud, with a power base in Beirut, has the means to carry out such an operation. He is likely to hold the hostages as leverage against further Syrian attacks on Tripoli and its inhabitants. Amal and Druze efforts to find the hostages come as both militias are looking increasingly to the USSR for military supplies and training. [redacted]

[redacted] -CIA, DIA, NSA-

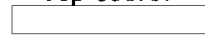
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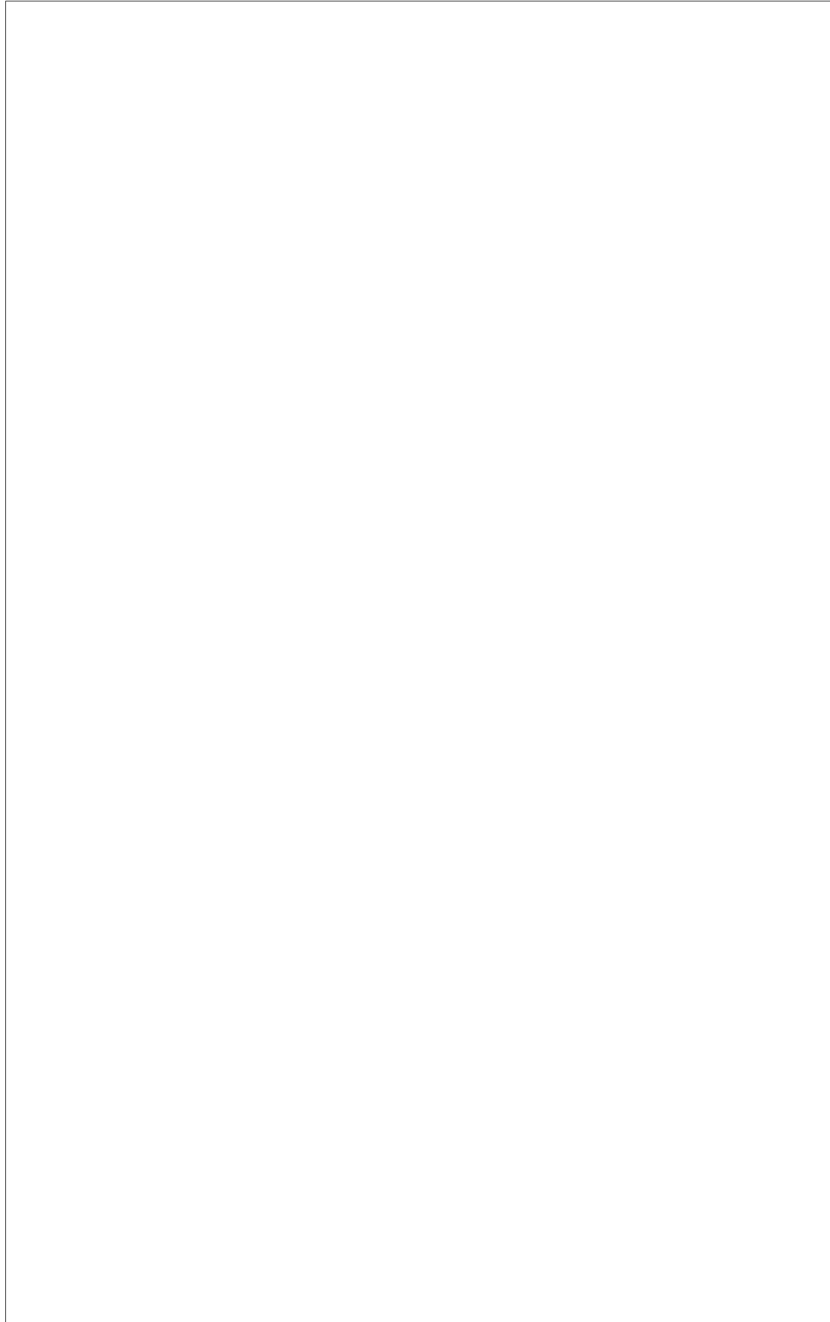
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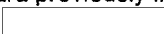
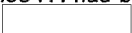
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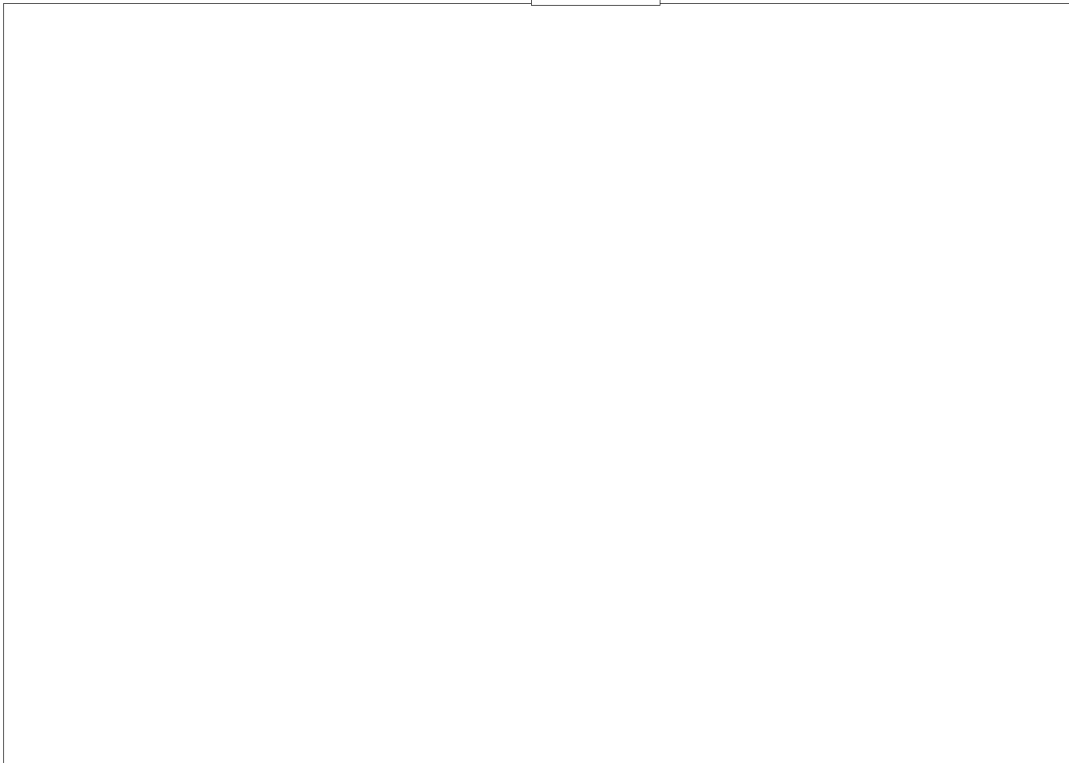


In Brief

Europe



- Next **French** nuclear test appears imminent . . . three Greenpeace ships present . . . one has sailed within several hundred yards of 12-mile limit patrolled by French Navy . . . no serious incidents yet . . . tensions high. 
- **Turkey** has agreed to pay **USSR** in hard currency for natural gas,  . . . Ankara previously insisted on barter deal . . . still negotiating price. 
- Two members of **Lebanese** Armed Revolutionary Faction terrorist group released by **Italian** appeals court . . . charges dropped due to insufficient evidence . . . had been convicted of smuggling explosives into Italy. 



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Americas

— Press reports **Ecuador** has severed relations with **Nicaragua** . . . follows criticism by Managua of possible Quito role in Contadora process . . . action probably reflects conservative President Febres-Cordero's sensitivity to criticism of close ties to US.



— **Colombian** authorities confirm one of four US citizens kidnaped on 5 October by the Revolutionary Armed Forces of Colombia escaped . . . no demands made by guerrillas yet . . . group released two kidnaped US citizens in 1983 following large ransom.



Africa

— **Ugandan** Government offensive bogged down . . . peace talks in Nairobi may resume Monday . . . insurgent leader Museveni unlikely to attend . . . quick progress unlikely.

— **Ethiopian** Chairman Mengistu will visit **USSR, North Korea,** possibly **India** early November, probably seeking economic aid, possibly military support.

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Special Analysis

MIDDLE EAST: Aftermath of US Capture of PLO Hijackers

Egypt was surprised and embarrassed by the US interception of its plane carrying the four PLO hijackers and the two Palestinian officials—Muhammad Abbas and Zuhdi al-Qudra—who accompanied them. But reaction within the region has been generally quiet and followed predictable lines, with Israel cheering the move and Arab states condemning it as an "act of piracy."

All three factions of the Palestine Liberation Front strongly deny involvement in the ship hijacking, but many sources believe Abbas's pro-Arafat group was responsible. Jordanian, Israeli, Lebanese, and Austrian officials and Palestinian sources cited in the Arab press all point the finger at Muhammad Abbas. If he was in fact responsible, then it may also be true that PLO chief Yasir Arafat originally authorized the operation as a way of infiltrating the terrorists into Israel at Ashdod, the ship's next port of call.

Iran has called the US interception an act of collusion among the US, Egypt, Tunisia, and Italy—an allegation that furthers Tehran's efforts to inflame Muslim discontent in Egypt.

Libyan leader Qadhafi has remained mute about the hijacking and the US interception, even though the state news agency continues to spout anti-American and anti-Egyptian propaganda. Nor is there direct evidence of Libyan involvement, although Qadhafi—who is in Moscow—supports one of the radical factions of the Palestinian Liberation Front based in Damascus. In the past Qadhafi's silence about such incidents has been an indicator of involvement, including the Red Sea mining of 1984.

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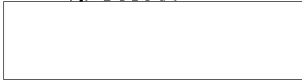


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Special Analysis


SOUTH YEMEN: Socialist Party Congress

The Yemeni Socialist Party congress, which begins today, should broaden support for President Hasani's pragmatic policies of regional moderation and expanded ties to the West. Hasani will use the greater support to further trade with the European states and Japan, and he may make overtures to the US. 



Hasani has been the driving force in Aden's transformation from an exporter of revolution and haven for international terrorists to a respectable, relatively moderate socialist state. Since he took power in 1980, South Yemen has ended its support for regional insurgents, normalized relations with Oman, and established diplomatic ties to all NATO countries except the US. 

Bucking the Hardliners



Hasani has been able to stack the congress delegation with his supporters and keep the vital support of the Soviets, but he nonetheless may have to compromise with the left wing of the Yemeni Socialist Party. One possibility would be to give pro-Moscow ex-President Ismail, who returned this year from exile in the USSR, a more prominent position in the party hierarchy. If Ismail does not obtain a seat on the Politburo or a prestigious position on the Central Committee, it would indicate that Hasani is confident of his political control. 

Moderation To Continue

If, as seems likely, Hasani consolidates support for his pragmatic policies at the party congress, South Yemen will be in a better position to turn to the West for economic and technical aid. South Yemen's stagnant economy has not benefited markedly from Soviet aid, and  Hasani supporters argue strongly that the West would help Aden more. The discovery of oil in North Yemen by a US firm after unsuccessful Soviet exploration could provide additional support for such arguments. The fact that Oman recently established relations with the USSR may help Hasani do the same with the US, on the grounds that he is matching Oman's ties to both superpowers. 

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