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ISLAMABAD, Pakistan, Dec. 1 —Pakistan People's Party leader Benazir Bhutto was named prime minister tonight, making the 35-year-old daughter of the late prime minister Zulfikar Ali Bhutto one of the youngest leaders of a major country and the only woman to head a modern Islamic state.

President Ghulam Ishaq Khan, in a nationally televised address, praised Bhutto as a "young, educated, cultured and talented lady. She is endowed with the best of leadership qualities and statesmanlike vision."

Immediately after announcing the selection of Bhutto, Ishaq Khan revoked the state of emergency declared after the death of president Mohammed Zia ul-Haq in a plane crash on Aug. 17 and disbanded the emergency council that was formed to help run the country.

The caretaker Cabinet named by Zia after he ousted the government of prime minister Mohammed Khan Junejo on May 29 also was dissolved, giving Bhutto a clear field to form her own government and take over the running of the country. She is to be sworn in to office on Friday.

Supporters of Bhutto celebrated here and elsewhere across the country. Cars and motorcycles flying the flag of her party honked their horns in the crowded streets of Islamabad and Rawalpindi, The Associated Press reported, and in Karachi, Bhutto's home city, tens of thousands of celebrants jammed the streets of the working-class Lyari neighborhood tonight.

As she takes office, Bhutto faces major challenges at home and abroad. She must approve a new budget by mid-December that must answer stringent demands by the International Monetary Fund in order for Pakistan to qualify for much-needed assistance for its serious balance-of-payments situation.

Abroad, the Feb. 15 deadline for withdrawal of Soviet troops from Afghanistan presents her with major decisions regarding her country's government in Kabul and the return of some 3 million Afghan refugees in Pakistan.



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Benazir Bhutto, 35, is the first woman to be named to lead a Moslem nation.

Soviet troops from Afghanistan and remove the Soviet-backed government in Kabul. She has had close contacts with U.S. officials on these issues and others, leaving U.S. diplomats generally supportive of the prospect of a Bhutto-led government.

In Washington, the White House said, President Reagan sent Bhutto a letter of congratulations saying that the United States was "encouraged by this renewed commitment in Pakistan to constitutional procedures" and looked forward to close relations with the country's new government.

Ishaq Khan, at 73, is more than double the age of the prime minis-

overshadowed Pakistani politics ever since.

Ishaq Khan is now rumored to be a favored candidate for a full term as president in the election scheduled for Dec. 12. The relationship between the two will be crucial to the country's future.

Ishaq Khan became president upon Zia's death, opening the way for unfettered elections to restore democratic rule to Pakistan for the first time in more than a decade.

In his address today, he said the people of Pakistan had shown a "great sense of responsibility and adherence to democratic principles . . . despite the lack of democratic practices in the political life

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