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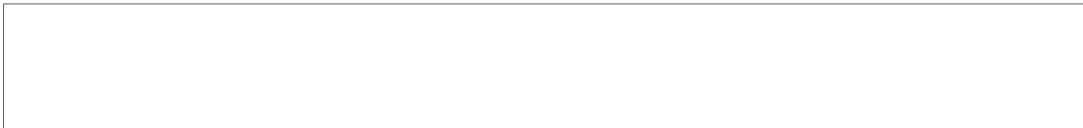
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EC

The hard-fought compromise reached last week at the three-day farm ministers' meeting probably will yield a brief respite in the dispute over agricultural policy, but no EC member is satisfied.

The compromise includes the following: a 5-percent across-the-board hike in support prices, a devaluation of the special British and Irish exchange rates for calculating farm prices by 7.5 and 10 percent respectively, a 5-percent increase in premiums paid for not slaughtering cattle, and an advance of the date for implementing new milk and beef support prices. During the meeting, EC Commissioner for Agriculture Lardinois proposed EC subsidies for open market sugar purchases from abroad after the Commonwealth Sugar Agreement expires next January, a move that primarily would aid the UK.

The mid-year increase in support prices is unprecedented in EC history, but its impact on farm income will be small. It will not raise farm incomes enough to offset rising production costs. Grain prices are already far above support levels and therefore will not be affected. For pork and beef, the present system of buying supplies for storage in order to maintain the minimum price is in trouble, because storage facilities are filled to capacity. Raising the minimum is not likely to help.

The devaluation of Britain's and Ireland's special exchange rates is aimed at improving farm income in these two countries and will further erode the uniform application of common farm policy. Devaluation and the across-the-board increase will raise support prices 13 percent in the UK and about 17 percent in Ireland. Ireland, a net exporter of food, will be the main beneficiary of the moves to raise prices. Because the British and Irish currencies, which had been on a parity, were not devalued equally, Irish farm products will be more competitive in British markets.

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The ministers refused to sanction measures taken unilaterally last summer by France to aid its farmers, thus in effect giving the EC Commission approval to continue court proceedings against this action. The decision is a victory for Community authority, but it will add to the political problems Paris already has in coping with national disillusionment over EC farm policy.

The difficulties facing European farmers and consumers and the failure to solve them through the common agricultural policy are increasingly becoming a high-level EC political issue. Pressure from Bonn, supported by London, for a fundamental review of the policy is growing. EC leaders have only three to four months to undertake a review before they must again argue about new minimum prices to be set on February 1 for the 1975 crop year.

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MBFR

The fourth round of force reduction negotiations opens today in Vienna. Soviet Foreign Minister Gromyko suggested last week that Moscow would make some new proposals in the talks. Most West European participants, however, believe there will be little progress during this round and advocate that the West not offer any concessions to the Soviets.

During a meeting with West German Chancellor Schmidt last week, Gromyko repeated the standard Soviet criticism of the Western position in the force reduction talks. He said that only equal percentage reductions based on the present force relationship would be acceptable to Moscow and objected to the West's concept of a common ceiling.

The Soviet Foreign Minister added that the Soviets would take "new initiatives." West German officials believe that Gromyko was hinting only at another and more explicit presentation of the Soviet proposal for symbolic reductions. In its draft treaty of November 8, 1973, the USSR proposed that East and West each make a symbolic reduction of 20,000 men in 1975. Earlier this year, the Soviet delegates modified this proposal somewhat, but the Western delegations have continued to reject it because it calls for equal reductions by both sides and requires Western states other than the US to participate in the reduction process from the outset. The West has argued that only US and Soviet ground forces should be reduced in a first phase of reductions.

Most of the other Western negotiators share the West German view that the Soviets will show little flexibility. The West Europeans apparently believe that the Soviets wish to continue to stall in Vienna until a firm date is agreed for the concluding phase of the European security conference. Moscow wants to conclude that conference with a summit meeting, and the course of the negotiations in Vienna and Geneva has shown that Moscow

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is reluctant to move in the force reduction talks until the West agrees to the summit meeting. The West Europeans presumably also believe that the Soviets will wish to assess further the new governments in Europe and the US before moving in Vienna.

With the exception of the Netherlands' representative, most West European negotiators in Vienna agree that the West should avoid making any substantive concessions during this round. The Hague, under domestic pressure to reduce Dutch forces, has stated that it will do so only in the context of a multilateral force reduction agreement, and hopes that an agreement can be reached soon. The Dutch, therefore, would like the Allies to hint to the Soviets by the end of the year that the West would be willing to reduce the number of nuclear warheads and delivery systems in return for Soviet acceptance of the Western proposal that they withdraw 68,000 men and 1,700 tanks.

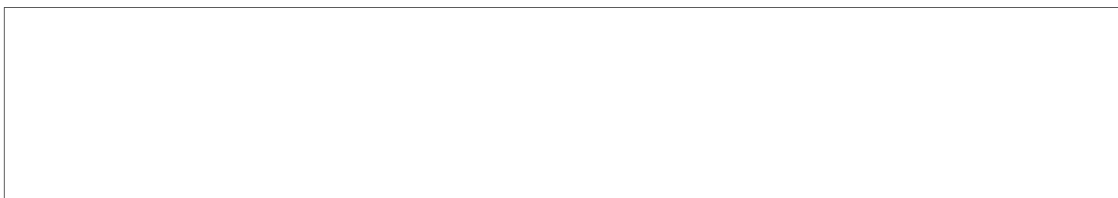
The British representative also advocates giving such a signal at the end of this round. The issue of introducing nuclear elements into the talks is a potentially divisive one for the Western Allies, however, and obtaining Allied agreement for such a move may prove difficult.

Given the evident desire of most West Europeans to go slow and the lack of any firm indications that the East will offer any substantial concessions, it is unlikely that the many issues that divide East and West will be resolved during this round of the force reduction talks. [REDACTED]

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ITALY

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In recent weeks, the Communist Party's national leaders have issued numerous calls for a direct Communist voice in national policy-making. Although they appear to exclude the possibility of formally entering the governing coalition at this time, the Communist spokesmen stress that the country's problems cannot be solved without greater Communist involvement in the national decision-making process. Accordingly, they are aiming for some sort of agreement with the government which would allow consultations on legislative matters. Communist chief Enrico Berlinguer believes that such steps would accustom the public gradually to a larger Communist role in the government and pave the way for actual coalition membership at a later date.

Even this gradualist approach is apparently too much for some local Communist officials. In general, they feel that Communist headquarters in Rome does not have an accurate idea of reactions among the rank and file. In Italy's central regions, for example, Communist cadres reportedly are saying that they will not "extend their hands" to right-wing Christian Democrats whom they have been battling for 20 years. In addition, some middle-level Communist labor leaders fear that any deal with the Christian Democrats will result in a net loss for labor. The party's highly organized youth movement, moreover, harbors doubts about party policies.

The most prevalent concern, however, is that when the party reaches the point of actual entry into the government, it will make the same mistakes the Socialists made in joining the center-left coalition more

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than a decade ago. Specifically, local Communist officials fear that their national leaders may end up accepting cabinet posts in exchange for promises that will never be realized.

Although local Communist officials realize that they cannot alter the course set by the national party leadership, they do hope at least to affect the speed of the party's drive for a government role. National leaders cannot afford to ignore the views of their local counterparts, because it is only at the local level that the Communists participate directly in Italian government. The Communists administer--usually with the collaboration of the Socialists and other leftist forces--three of the 20 regions, about a dozen of the 94 provinces, and about 20 percent of the municipal councils. Local Communist cadres who take issue with the strategy devised in Rome will have a chance to argue their case at their next national congress in early 1975.

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LEBANON

Lebanese Prime Minister Sulh reportedly indicated to journalists after a meeting with President Franjiyah that he would resign within a few days. The Lebanese leader apparently has been unable to resolve the conflict within the cabinet that has centered around his government's inability to deal effectively with internal security problems.

Kamal Jumblatt--pro-fedayeen, leftist, and head of the Progressive Socialist Party--threatened last week to withdraw two of his supporters from the cabinet in protest of the government's failure to oppose the series of Israeli violations of Lebanese territory and its failure to stop the Christian political parties from importing arms for their private arsenals.

Leaders of the Christian parties had also considered withdrawing their representatives from the cabinet. They have little confidence in Sulh, are unhappy with his reluctance to impose controls on the fedayeen in the cities or in southern Lebanon, and feel they must retain their militia forces to protect their own interests.

According to the US embassy in Beirut, Sulh may attempt to succeed himself by simply rearranging his cabinet--perhaps with the addition of some new faces. Should this tactic fail, Sulh may head a caretaker government for a more or less protracted period while major politicians jockey to improve their political fortunes and those of their followers.

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ETHIOPIA

Crown Prince Asfa Wossen has stated publicly that he is willing to return to Ethiopia and to become a constitutional monarch; this will force the military to make a decision on the future of the monarchy. Meanwhile, the failure of university authorities to appear for the first day of registration at the university in Addis Ababa yesterday points to the threat of renewed student unrest.

The military announced two weeks ago that it was offering Asfa Wossen the post of "figurehead king," but apparently did not communicate with him directly. The public offer may have been made on the assumption the Crown Prince would be unable or unwilling to return, and may have been one of the military's ploys to prepare the Ethiopian people gradually for the abolition of the monarchy.

A recurrence of the student disorders last week may be spurred by the failure of university officials to show up for registration yesterday. The students may infer that the military plans not to open the university. Last week, the students were demanding that the military share power with them.

Delegates of the Confederation of Ethiopian Labor Unions similarly demanded an immediate share of power, and clerks in the Finance Ministry yesterday published a statement demanding an end to military rule.

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Earlier, there were signs that the military was trying to regain the backing of civilian groups that had supported it:



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--Lieutenant General Aman, head of the military government, said at a press conference Friday that plans to have students go to the countryside for two years to help with literacy and other programs would not be compulsory.

--The government announced on Sunday the formation of a broadly based Civilian Advisory Board including students, teachers, and labor. It will advise the Provisional Military Administration on constitutional and other policy questions.

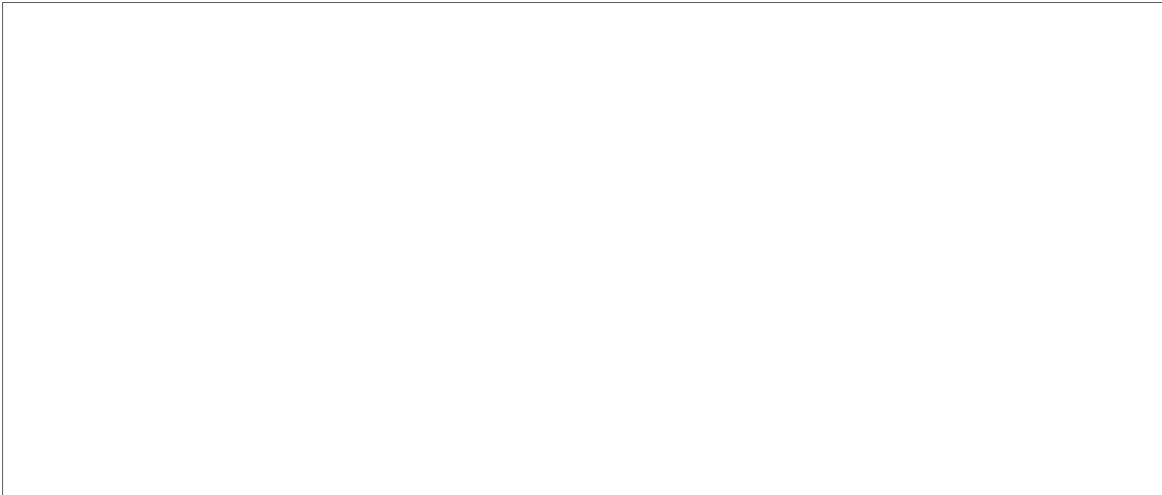


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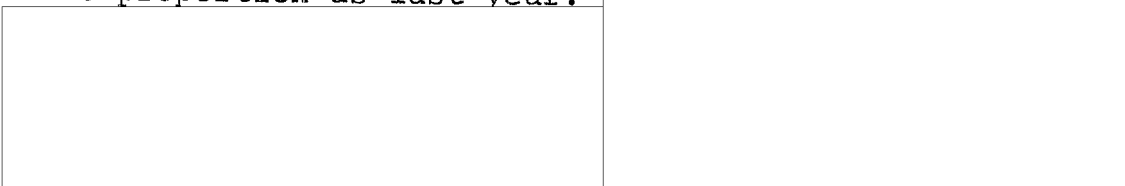
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FOR THE RECORD



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France: The French Council of Ministers approved on September 18 the proposed 1975 national budget, which will now be referred to parliament. It calls for an increase in defense spending of around \$1.1 billion. The outlay for defense is about 14 percent greater than last year. This represents little real change, however, as the increase will be almost entirely absorbed by inflation. The total defense figure of \$9.1 billion represents almost 17 percent of the French budget, about the same proportion as last year.



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