



The President's Daily Brief

October 7, 1974

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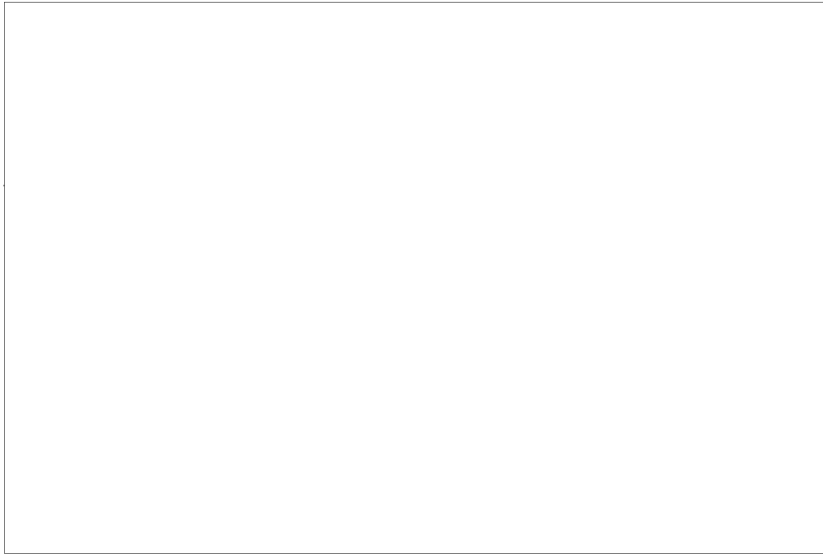
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MIDDLE EAST



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FOR THE PRESIDENT ONLY**ITALY**

Italian President Leone today begins consultations toward naming a candidate to form a successor to Prime Minister Rumor's center-left government that resigned last week. Party leaders have been careful not to foreclose the possibility of forming a new center-left coalition.

Actual negotiations to form a government will be long and difficult, complicated chiefly by the increased assertiveness of the Socialists. The Socialists will press hard for more important cabinet posts, more spending on social programs, and--probably--for some form of governmental collaboration with the Communists.

The Communists are hammering at the theme they have stressed with increasing emphasis during the last year--that the country's problems cannot be solved without Communist help. They have urged a "new departure" that will give them more influence in the governing process.

There is little enthusiasm for holding parliamentary elections as proposed last week by Finance Minister Tanassi, leader of the Social Democrats--the smallest party in Rumor's cabinet. It was Tanassi's bitter attack against his Socialist coalition partners and his call for elections that triggered the government's collapse.

The Christian Democrats argue that early elections would not help solve the country's economic problems. The Socialists agree but are sticking to their demands for changes in the economic stabilization program. A breach has opened on the issue even within the ranks of the Social Democrats. The Communists reject new elections as a move that would paralyze the country.

The fall of the government has not yet had a direct impact on efforts to deal with Italy's economic problems, although this would appear to be only a matter of time. Prior to Rumor's resignation, organized labor had requested a meeting with top government and management officials to discuss union demands for higher wages and benefits. Labor's patience will probably begin to wear thin if efforts to organize a new government are protracted--especially if unemployment begins to rise sharply.

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USSR

General Secretary Brezhnev spoke in East Berlin yesterday in celebration of the 25th anniversary of the German Communist state.

Much of his 70-minute speech was dedicated to the event at hand and underscored the importance of both Germanies to Soviet policy. Brezhnev mentioned West German Chancellor Schmidt's scheduled visit to Moscow late this month and cited approvingly Schmidt's pledge to continue the Ostpolitik of Willy Brandt.

The Soviet leader appeared to be calling for diplomatic stability with regard to Berlin. He emphasized the importance of the Quadripartite Agreement on the city to relations between Moscow and Bonn and warned against West German attempts to obtain "special advantages" in West Berlin or make the city an object of a "political game." The latter references appear to be in reaction to Bonn's recent establishment of a federal environmental office in West Berlin.

In private talks with East German party chief Honecker, Brezhnev is expected to give special attention to each government's relations with West Germany.

Brezhnev recited the gamut of Soviet arms control proposals without showing any signs of give in the USSR's positions. As anticipated, he gave stress to the negotiations on European security and cooperation at Geneva. As he did in a recent speech during the visit to Moscow of Hungarian party chief Kadar, Brezhnev placed no time limit on conclusion of the conference and did not call for a summit-level conclusion to the negotiations. Again, as did Kadar, Brezhnev's ally Honecker called for a meeting at the "highest level" to end the talks.

Regarding China, Brezhnev chastized its Maoist leaders but said that Moscow would continue to try to normalize relations with Peking.

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NOTE

China: Premier Chou En-lai, who left his sick bed to host a banquet on September 30, has returned to the hospital. Yesterday, the president of Gabon met with Chou in his hospital room.

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Ethiopia: Tension remained high in Addis Ababa this weekend, as more troops moved into the Ethiopian capital. As of Saturday, according to the US embassy, efforts were still being made to reach a compromise among the various military factions and avoid an armed confrontation. The identity of the opposing groups is still not clear and the allegiances of key military elements are still in doubt. The military authorities in Asmara, the capital of the northern province of Eritrea, announced yesterday that the security situation had "worsened" and imposed a dawn-to-dusk curfew. Late last month, there were indications that the Eritrean Liberation Front, which controls most of the countryside, was planning to renew terrorist operations in Asmara.

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