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CANADA

Canada's plans to reduce further its already minimal defense program have surfaced during the past week in parliament and the press. Ottawa's commitments to NATO, however, appear fairly safe for the short run.

Canada's double-digit inflation has pushed defense costs well beyond the 7-percent increase called for in the five-year defense plan adopted last October. Declining economic growth has added to the problem by reducing tax revenues. The planned capital improvements program for the armed forces has been maintained only by cutting personnel from an authorized strength of almost 84,000 to just under 80,000. Further reductions are now seen as inevitable, with the result that some of Ottawa's present defense commitments must be reduced.

A special cabinet committee studying the defense budget has identified four basic defense commitments-- protection of sovereignty, participation in NATO, participation with the US in defense of North America, and support of UN peacekeeping operations. It has outlined options for cabinet decision ranging from maintaining the status quo to a cutback to 75,000 men. Defense officials see no chance of maintaining the status quo but hope to be able to hold personnel strength at about 77,000.

The reduced level of personnel will require reductions in Ottawa's defense commitments. Officials hope to maintain support of NATO, go along with matching any small US cuts in North American defense and close some bases and consolidate commands at home. The peacekeeping function is most likely to bear the brunt of any reductions. Defense Minister Richardson intimated this when he told parliament on Friday that doubling Canadian personnel on Cyprus this summer was a "temporary commitment." A cabinet decision on specific defense reductions is expected October 31.

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There are no influential spokesmen for the defense effort in Canada. Most members of parliament and the public see no military threat to Canada and believe that in a showdown with the Soviets, the US would have to defend Canada too. Prime Minister Trudeau has never assigned defense a high priority, but he is seeking closer ties with Western Europe and will be reluctant to irritate Europeans and lose an effective voice at the North Atlantic Council through a substantial reduction in Canada's NATO commitment.

If economic pressures on Canada's budget continue over the longer term, it is doubtless only a matter of time before an erosion of Canada's commitments to North American defense and NATO also take place.

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EUROPEAN COMMUNISM

Moscow tolerated considerable diversity of opinions at last week's Warsaw meeting of European Communist parties in order to promote movement toward a formal European party conference next year.

The Warsaw participants expressed in their communiqué the "desire" that such a conference be held in East Germany before the middle of next year. The conference is to be preceded by at least one additional preparatory meeting, in December 1974 or January 1975.

Several parties--particularly the Italian, Romanian, and Yugoslav--strongly reiterated their independence of Moscow at the Warsaw meeting by opposing any institutionalization of the Communist movement and the establishment of a center of Communist authority. They also stressed the equality of all the parties and the right of each to voice its position and have its views taken into account at any regional conference.

The Yugoslav delegate did not commit Belgrade to participate in the regional conference next year, making plain that its attendance there would be contingent on Moscow's continued good behavior.

The chief Soviet delegate, Politburo candidate-member Ponomarev, omitted the China issue from his speech, and Peking was not criticized at all at the meeting. Moscow avoided forcing the issue in response to the insistence by several key parties that the consultative meeting confine itself to regional issues and that absent parties--i.e., the Chinese--not be attacked.

The Soviets apparently rate the meeting a success, if only because they were able to gain the participation of all the European parties except those of Albania, Iceland, and the Netherlands. Moscow apparently will

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be satisfied if a European Communist conference endorses detente and formulates a program that seeks to take advantage of economic disarray in the West.

The Soviets continue to nurture the hope that regional meetings will culminate in a world Communist conference. The Warsaw meeting, however, did not appear to bring that objective any closer to fruition.

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JAPAN

Prime Minister Tanaka's critics in the Liberal Democratic Party have privately conceded the futility of their efforts to force an early change in the party leadership.

Late last month, former finance minister Fukuda--the only serious contender for the top job--said that Tanaka's money and power made him virtually unchallengeable in any party confrontation. Fukuda has, therefore, pinned his fading succession hopes on a national crisis of confidence over the economy that might put pressure on the ruling party to seek new leadership.

Fukuda's pessimism is based, in part, on his failure to forge a viable anti-Tanaka alliance with former deputy prime minister Miki. Substantial policy differences have fueled the long-standing animosity between these two party leaders, and Miki had earlier confided that he was bitter because Fukuda had tried to use the partnership to further his own ambitions.

The disarray in Fukuda's faction, one of the major subgroups of the ruling party, has also contributed to Fukuda's discouragement. His followers are already divided over the lengths to which Fukuda should go to promote his own interests at the expense of party unity.

Fukuda fears that the Prime Minister will successfully nurture these seeds of dissension by offering portfolios to Fukuda faction members in the cabinet shuffle slated for late autumn.

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CYPRUS

On October 18, 396 Turkish Cypriots and 317 Greek Cypriots of the approximately 3,000 prisoners yet to be exchanged were repatriated. This is the first release of prisoners since late last month, when Turkey objected to an agreement reached by acting Cypriot President Clerides and Turkish Cypriot leader Denktash on further exchanges. Additional transfers took place on Saturday, resume today, and will continue through the week. Clerides earlier forecast that they will be completed by early November has been speeded up.

Meanwhile, Turkish overflights of Cyprus continued during the weekend. Turkish officials on Cyprus told a representative of the UN Peace Keeping Force on Cyprus that the flights are reconnaissance missions in response to reports that Greek Cypriots are receiving reinforcements and equipment. Any strengthening of Greek Cypriot positions noted by the Turks could be the result of tapping previously unused caches on the island or of shifting equipment and personnel to meet local requirements.

Clerides has confided to the US embassy in Nicosia that should the Turkish overflights continue, the National Guard may feel constrained to fire on the aircraft in order to maintain their credibility in the Greek Cypriot community. Such action could bring Turkish retaliation. Although a renewal of major hostilities would be unlikely, prisoner exchanges would probably again be delayed, and the Clerides-Denktash negotiations would receive a setback. [REDACTED]

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EC

The EC Commission has completed work on a new sugar policy to be submitted to the agricultural ministers' meeting, which opens on October 21. The proposal includes provision of subsidies for British sugar imports through mid-1975, as well as a new common sugar policy scheduled to begin next July.

The ministers are likely to approve subsidies for Britain, thus providing a temporary solution to the issue of British sugar-import policy. Skyrocketing world sugar prices caused a breakdown of Britain's traditional import arrangements with Commonwealth countries, which expire at the end of this year. This, coupled with a poor sugar beet harvest at home, would reduce British sugar supplies by at least 300,000 tons annually. To meet their requirements, the British have been considering signing a long-term agreement with Australia. Such an agreement would violate EC policy, which precludes bilateral arrangements.

The proposed subsidies would tide Britain over its current shortage, providing consumers with sugar at well below world prices. EC Commission experts calculate that the subsidies will cost between \$40 and \$50 million, but the total could run higher because estimates of the British sugar harvest have been scaled back in recent weeks.

The Commission is proposing a system of price supports and production quotas that would leave the EC roughly self-sufficient in sugar if production targets are met. Full production is not expected, however, and the EC is likely to import sugar next year.

Allocation of the quotas has sharply divided the members. The UK, Ireland, and Denmark want larger quotas, while the French and Belgians argue that they are the more efficient sugar producers. The British are particularly insistent that they be allowed either to produce or to import more sugar in order to keep their refining capacity employed.

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FOR THE RECORD

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Japan: Japanese leftists plan to stage mass rallies throughout the country today against President Ford's pending visit and port calls by US navy ships allegedly carrying nuclear weapons. Short-term sympathy strikes may interrupt public transportation and communications.

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