

over the last couple of years have had an impact on *détente*. The questions raised by continuing Soviet/Cuban involvement in Africa, and the armed conflict between Communist states in Southeast Asia, linked with heightened Sino-Soviet stress, have put *détente* in the global sense to the test. Against this background it seems more important than ever for Canada and other Western countries to work in ways which will prevent the erosion of confidence and in effect reaffirm the value of *détente*. It is in this spirit that Canada has pursued relations of mutual advantage with the Soviet Union and the countries of Eastern Europe. Likewise, we are actively preparing for the next CSCE review meeting in Madrid. We believe that the successful conclusion of a SALT II agreement has a major contribution to make to a more confident East-West relationship and that it will help to move the MBFR Talks in Vienna off dead centre. At the same time we welcome China's decision to end its self-imposed isolation and the emphasis it intends to place on the modernization of its economy over the next two decades. Building on government efforts since 1970 to establish a framework of contacts and understanding essential for co-operation with China in the commercial field, Canada moved quickly in 1978 to take advantage of new opportunities presented by China's opening to the West. We see no reason why the development of relations between China and the West should take place at the expense of relations with other states or of our commitment to a policy of *détente*.

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Energy supply and security

Recent events have shown the wisdom of Canada's policy of seeking greater energy self-reliance. Disruption of oil exports from Iran resulted in a net short-fall to world crude oil markets of the order of 2 million barrels a day. Short-falls for Canada have been largely offset by swap arrangements, based on higher than normal Canadian production, with the U.S.A. Nevertheless, continuing uncertainties about Iranian and other Middle-East oil supplies, as well as strong upward pressures on prices, led Canada together with other members of the International Energy Agency (IEA) to decide on March 2 to undertake corrective action to deal with the prospective global crude oil short-fall of 2 million barrels in 1979. The 20 member countries have agreed to

reduce their demands on world oil markets by such an amount, equal to about 5 per cent of their own expected consumption, through increased internal production, conversion to other fuels and by conservation. This will not only ease their own situations but will help the rest of the world, including developing countries, to meet their supply problems. This IEA decision should also contribute to the easing of pressures on international oil prices.

For the foreseeable future Canada will need, both on its own and in co-operation with others, to make every effort to increase energy security by a range of measures, including careful management of our domestic energy resources, diversification of energy imports and active encouragement of efficient energy use in Canada. The Government is actively pursuing bilateral oil supply arrangements with other countries, such as Mexico and Venezuela, which would enhance our longer term energy security through diversity of supply. Petro-Canada would be expected to play an important intermediary role in implementing such arrangements.

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Ocean interests

An early and successful conclusion to the Law of the Sea Conference is in Canada's vital interests from a national standpoint and in terms of global peace and economic development. Its record of achievement in restructuring traditional principles of law of the sea and in developing new conceptions of ocean-resource management is remarkable. For Canada, the conference has already provided multilateral endorsement of the 200-mile fishing zone and the 12-mile territorial sea and contributed to increased international acceptance of the need for enhanced coastal state jurisdiction over pollution from ships. The renaissance of the fishing industry in the Maritime provinces is dramatic evidence of its positive impact upon Canada. We should not, however, underestimate the difficulties of resolving outstanding conference issues, particularly concerning the international system for deep seabed mining, which has obvious significance for Canada, the world's largest producer of nickel.

High level fisheries negotiations during 1978 led to the signing of a bilateral fisheries agreement with Japan, a convention on Future Multilateral Co-operation in the North-West Atlantic Fisheries and a

protocol modifying the International Convention for the High Seas Fisheries of the North Pacific Ocean. *Ad referendum* agreement was reached with the EEC on the text of a bilateral fisheries agreement. With France, new interim arrangements for 1979 were agreed relating to fishing in the area of St. Pierre and Miquelon; maritime boundary talks with France continue.

Canada/U.S.A. negotiations on maritime boundaries and fisheries resulted in agreement on a new regime for co-operative management of the Atlantic fisheries and on a formula for final resolution of the Gulf of Maine boundary dispute through binding third party settlement.

Canada/U.S. co-operation

The management of Canada's relations with the United States is our highest bilateral priority and presents a continuing challenge. Notwithstanding the variety and complexity of the bilateral agenda, our relations with our nearest and most important neighbour have seldom been better. Canada's rapport with the Carter Administration reflects a special blend of common sense, informality and mutual regard. Achievements in 1978 were impressive: the new Great Lakes Water Quality Agreement and discussions on transboundary air pollution; co-operation on the Northern Gas Pipeline; major bilateral studies on a strategic petroleum reserve and bulk electricity exchanges; agreement by special negotiators on the management of east coast fisheries; record levels of bilateral trade. We look forward in 1979 to enhanced energy co-ordination, an improved trading environment following conclusion of the Multilateral Trade Negotiations, progress towards resolution of the remaining boundary disputes in the Pacific and Arctic Oceans and conclusion of a west coast fisheries agreement. Close consultations on international matters will be certain to continue on such subjects as Namibia, the Middle East and Cyprus; human rights and refugees; nuclear non-proliferation and disarmament.

Western Europe and Japan

In 1978 we pursued further our efforts to give substance to Canada's economic relations with the European Community and the key countries of Western Europe. The visit of Mr. Roy Jenkins, President of the

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