
Another issue which has dramatically moved to the forefront of the economic agenda is that of East-West economic relations, following setbacks to *détente* and the deterioration in the prospects for economic co-operation.

At the Ottawa Summit last year, it was agreed that consultations, and where appropriate co-ordination, were necessary to ensure that the economic relations of Summit countries with the East were compatible with Western political and security objectives. Since then the United States has sought to improve the system of controls on trade and strategic goods and to minimize what it sees as potential Western European vulnerability created by dependence on trade with the East, especially in the energy field. You've heard, I'm sure, of the proposed Siberian natural gas pipeline.

**More agreement
needed in West**

At the time martial law was imposed in Poland, Canada and other Western countries applied certain sanctions to Poland and the U.S.S.R. More recently, in the light of the continuing Polish situation, the U.S. has sought to limit export credits to the Soviet Union. Discussions over the past twelve months have, however, revealed differences in the approaches and interests of the Western countries. Prospects for East-West trade have also been clouded by the evident and growing economic difficulties facing some of the Eastern European countries and the growing level of their debt. What's plainly needed is more agreement among Western countries on what our political and economic aims should be, with regard to the East, taking account of the interests of all Western countries.

Some progress towards this aim was made at the Versailles and Bonn North Atlantic Treaty Organization (NATO) Summits, where participating countries agreed to pursue a careful and diversified economic approach to the U.S.S.R. and Eastern Europe, and particularly to observe commercial prudence in extending export credits. Despite this consensus, which seemed to bring Western countries closer together, President Reagan on June 18 extended American sanctions against the U.S.S.R. by restricting the export of oil and gas equipment to that country by U.S. owned or controlled foreign firms, including foreign holders of U.S. licences. This action has raised again the issue of the extraterritorial application of U.S. law, the attempt by the United States to make its laws apply outside the territory of the United States.

Canada, for its part, has long believed that trading relations between East and West can be mutually beneficial and a stabilizing factor in international relations. However, we also believe a prudent approach to economic relations with Eastern European countries is justified at this stage on commercial grounds alone. As well, we support a common agreement to eliminate the subsidy element of export credit to the U.S.S.R. as part of the broader agreement on export credit to which I referred earlier.

Third, let me flag a further issue that has gained increasing recognition in the past decades and will remain a vital issue for years to come. This is the urgent need to promote the economic viability of Third World countries and to work for their