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Bilateral Relations

USA

Foreign Ministers Meet

External Affairs Minister Mark MacGuigan met with US Secretary of State George Shultz August 3 in Washington to review the state of the Western alliance and bilateral relations between Canada and the US. Departing for Washington, Mr. MacGuigan told reporters that the West was in "the worst time of disunity we have seen and has the potential to get worse unless we bring things together again." According to Mr. MacGuigan, the biggest problem facing the Western alliance was the US decision to embargo the supplies and technology for the construction of the USSR natural gas pipeline to western Europe. Canada and European countries had been critical of the US extension of the embargo to include construction supplies from foreign subsidiaries of US companies and from foreign companies manufacturing under US licences. Both Britain and France ordered companies operating in those countries to defy the US-imposed orders. Mr. MacGuigan said that the embargo would not have created severe problems if it had not been announced against a backdrop of economic difficulties, high US interest rates, the continuing rift between the US and Europe over steel trade and growing signs of protectionism in the US Congress, the *Globe and Mail* reported August 3.

Although European companies were hardest hit by the US decision, Mr. MacGuigan said that four or five Canadian companies were known to be affected. He said that Canada was prepared to invoke its legislation that orders Canadian companies not to refrain from normal business simply on the orders of another government. But Canada had been critical of the US decision primarily as a matter of principle, protesting the "infringement" of national sovereignty. Mr. MacGuigan also said that he did not agree with Washington's assessment that the Siberian pipeline would leave western Europe dangerously dependent on Soviet-supplied natural gas (*Globe and Mail*, August 3).

After the meeting with Mr. Shultz, Mr. MacGuigan told reporters that he had suggested a meeting of Western foreign ministers "to try to reorient the relationship and to

try to heal some of the wounds," resulting largely from recent actions of the United States. Canada could serve to bridge the sharp differences between the US and European allies over the pipeline action, he said.

There were also "a particularly large number of stresses" in the bilateral relationship between Canada and the US, Mr. MacGuigan said, caused by a shift in US attitudes under President Reagan's Administration. "We haven't changed very much in recent years . . . The greater change has occurred in the US. We can't be expected to change our policies and our fundamental orientation because different perceptions arise here, perceptions which I suppose have been magnified by the economic crisis in which we find ourselves and in which everyone tends to look in many directions for scapegoats . . . We don't think that we're a valid scapegoat for the US. We believe that we're entitled to follow our national interests," Mr. MacGuigan said in Washington (*Globe and Mail*, August 4).

The US Congress had proposed legislation in many areas affecting Canadian concerns. Mr. MacGuigan said that, "the attempts of many US congressmen to legislate a narrow kind of sectoral reciprocity would be the end of any effective trading system in the world" if adopted and extended. While the problems come more from Congress than from the Reagan Administration, Canada fears that some of the legislation could go ahead unopposed by the Administration, the *Globe and Mail* reported (August 3). The operation of the Foreign Investment Review Agency and the National Energy Program were "defended where necessary" by Mr. MacGuigan during the meeting.

Siberian Pipeline Dispute

It was announced August 9 that the "question of whether US Export Administration regulations may be influencing commercial decisions of Canadian companies and adversely affecting Canada's foreign trade had been