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TO FLASH FCO

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INFO IMMEDIATE BTDO NEW YORK (FOR PS/S OF S FOR TRADE), PARIS, BONN, ROME, UKREP BRUSSELS, COPENHAGEN, UKDEL NATO, UKDEL OECD, MOSCOW, TOKYO, OTTAWA, BRUSSELS, THE HAGUE, PRIORITY ATHENS, DUBLIN AND LUXEMBOURG.

EAST WEST ECONOMIC RELATIONS (PIPELINE)

1. FOLLOWING IS TEXT OF PRESIDENT REAGAN'S STATEMENT ON EAST-WEST ECONOMIC RELATIONS AND THE LIFTING OF SANCTIONS, DELIVERED AT 1205 (WASHINGTON TIME) TODAY ON THE RADIO: .

BEGINS.

MY FELLOW AMERICANS, DURING THE CAMPAIGN TWO YEARS AGO, I SPOKE OF THE NEED FOR THE UNITED STATES TO RESTORE THE BALANCE IN OUR RELATIONSHIP WITH THE SOVIET UNION. FOR TOO MANY YEARS, WE HAD STOOD STILL WHILE THE SOVIETS INCREASED THEIR MILITARY STRENGTH, AND EXPANDED THEIR INFLUENCE FROM AFGHANISTAN TO ETHIOPIA AND BEYOND.

I EXPRESSED A BELIEF, WHICH YOU SEEMED TO SHARE THAT IT WAS TIME FOR THE UNITED STATES TO CHART A NEW COURSE. SINCE THEN, WE HAVE EMBARKED UPON A BUILDUP OF OUR DEFENSE FORCES IN ORDER TO STRENGTHEN OUR SECURITY AND, IN TURN, TO STRENGTHEN THE PROSPECTS FOR PEACE. WE STILL HAVE A LONG WAY TO GO. BUT THE FACT THAT WE HAVE STARTED ON A NEW COURSE HAS ENABLED US TO PROPOSE THE MOST COMPREHENSIVE SET OF PROPOSALS FOR ARMS REDUCTION AND CONTROL IN MORE THAN A QUARTER OF A CENTURY.

IT HAS ALWAYS BEEN MY BELIEF THAT, IF THE SOVIETS KNEW WE WERE SERIOUS ABOUT MAINTAINING OUR SECURITY, THEY MIGHT BE MORE WILLING TO NEGOTIATE SERIOUSLY AT THE BARGAINING TABLE. IN THE NEAR FUTURE I WILL BE SPEAKING TO YOU IN MORE DETAIL ABOUT THIS MATTER OF ARMS CONTROL AND, MORE IMPORTANTLY, ARMS REDUCTIONS.

BUT RIGHT NOW, I HAVE SOMETHING IN THE NATURE OF NEWS I WOULD LIKE TO BRING YOU. THE BALANCE BETWEEN THE UNITED STATES AND THE SOVIET UNION CANNOT BE MEASURED IN WEAPONS AND BOMBERS ALONE. TO A LARGE DEGREE, THE STRENGTH OF EACH NATION IS, ALSO, BASED ON ECONOMIC STRENGTH. UNFORTUNATELY, THE WEST'S ECONOMIC RELATIONS WITH THE U.S.S.R. HAVE NOT ALWAYS SERVED THE NATIONAL SECURITY GOALS OF THE ALLIANCE.

THE SOVIET UNION FACES SERIOUS ECONOMIC PROBLEMS. BUT WE, AND I MEAN ALL OF THE NATIONS OF THE FREE WORLD, HAVE HELPE THE SOVIETS AVOID SOME HARD ECONOMIC CHOICES BY PROVIDING PREFERENTIAL TERMS OF TRADE, BY ALLOWING THEM TO ACQUIRE MILITARILY RELEVANT TECHNOLOGY, AND BY PROVIDING THEM A MARKET FOR THEIR ENERGY RESOURCES EVEN THOUGH THIS CREATES AN EXCESSIVE DEPENDENCE ON THEM.

BY GIVING SUCH PREFERENTIAL TREATMENT, WE HAVE ADDED TO OUR OWN PROBLEMS — CREATING A SITUATION WHERE WE HAVE TO SPEND MORE MONEY ON OUR DEFENSE TO KEEP UP WITH SOVIET CAPABILITIES WHICH WE HELPED CREATE SINCE TAKING OFFICE. I HAVE EMPHAS-

SPEND MORE MONEY ON OUR DEFENSE TO KEEP UP WITH SOVIET CAPABILITIES WHICH WE HELPED CREATE. SINCE TAKING OFFICE, I HAVE EMPHASIZED TO OUR ALLIES THE IMPORTANCE OF OUR ECONOMIC, AS WELL AS OUR POLITICAL RELATIONSHIP, WITH THE SOVIET UNION. IN JULY OF 1981 AT THE ECONOMIC SUMMIT MEETING IN OTTAWA, CANADA, I EXPRESSED TO THE HEADS OF STATE OF THE OTHER MAJOR WESTERN COUNTRIES AND JAPAN MY BELIEF THAT WE COULD NOT CONTINUE CONDUCTING BUSINESS AS WE HAD. IT IS SUGGESTED THAT WE FORGE A NEW SET OF RULES FOR ECONOMIC RELATIONS WITH THE SOVIET UNION WHICH WOULD PUT OUR SECURITY CONCERNS FOREMOST. I WAS NOT SUCCESSFUL AT THAT TIME IN GETTING AGREEMENT ON A COMMON POLICY.

THEN IN DECEMBER OF 1981, THE POLICH GOVERNMENT AT SOVIET INSTIGATION IMPOSED MARTIAL LAW ON THE POLICH PEOPLE AND OUTLAWED THE SOLIDARITY UNION. THIS ACTION SHOWED, GRAPHICALLY, THAT OUR HOPES FOR MODERATION IN SOVIET BEHAVIOR WERE NOT LIKELY TO BE FULFILLED. IN RESPONSE TO THAT ACTION, I IMPOSED AN EMBARGO ON SELECTED OIL AND GAS EQUIPMENT TO DEMONSTRATE OUR STRONG OPPOSITION TO SUCH ACTIONS AND TO PENALIZE THIS SECTOR OF THE SOVIET ECONOMY WHICH RELIES HEAVILY ON HIGH TECHNOLOGY, MUCH OF IT FROM THE UNITED STATES.

IN JUNE OF THIS YEAR, I EXTENDED OUR EMBARGO TO INCLUDE NOT ONLY U.S. COMPANIES AND THEIR PRODUCTS BUT SUBSIDIARIES OF U.S. COMPANIES ABROAD AND ON FOREIGN LICENSEES OF U.S. COMPANIES.

NOW, THERE'S NO SECRET THAT OUR ALLIES DIDN'T AGREE WITH THIS ACTION. WE STEPPED UP OUR CONSULTATIONS WITH THEM IN AN EFFORT TO FORGE AN ENDURING, REALISTIC AND SECURITY-MINDED ECONOMIC POLICY TOWARD THE SOVIET UNION. THESE CONSULTATIONS HAVE GONE ON OVER A PERIOD OF MONTHS.

I'M PLEASE TODAY TO ANNOUNCE THAT THE INDUSTRIALIZED DEMOCRACIES HAVE THIS MORNING REACHED SUBSTANTIAL AGREEMENT ON A PLAN OF ACTION. THE UNDERSTANDING WE'VE REACHED DEMONSTRATES THAT THE WESTERN ALLIANCE IS FUNDAMENTALLY UNITED AND INTENDS TO GIVE CONSIDERATION TO STRATEGIC ISSUES WHEN MAKING DECISIONS ON TRADE WITH THE USSR.

AS A RESULT, WE HAVE AGREED NOT TO ENGAGE IN TRADE ARRANGEMENTS WHICH CONTRIBUTE TO THE MILITARY OR STRATEGIC ADVANTAGE OF THE USSR OR SERVE TO PREFERENTIALLY AID THE HEAVILY MILITARIZED

SOVIET ECONOMY.

IN PUTTING THESE PRINCIPLES INTO PRACTICE, WE WILL GIVE PRIORITY ATTENTION TO TRADE IN HIGH TECHNOLOGY PRODUCTS, INCLUDING THOSE USED IN OIL AND GAS PRODUCTION.

WE WILL ALSO UNDERTAKE AN URGENT STUDY OF WESTERN ENERGY ALTERNATIVES AS WELL AS THE QUESTION OF DEPENDENCE ON ENERGY IMPORTS FROM THE SOVIET UNION.

IN ADDITION, WE'VE AGREED ON THE FOLLOWING IMMEDIATE ACTIONS: FIRST, EACH PARTNER HAS AFFIRMED THAT NO NEW CONTRACTS FOR THE PURCHASE OF SOVIET NATURAL GAS WILL BE SIGNED OR APPROVED DURING THE COURSE OF OUR STUDY OF ALTERNATIVE WESTERN SOURCES OF ENERGY. SECOND, WE AND OUR PARTNERS WILL STRENGTHEN EXISTING CONTROLS ON THE TRANSFER OF STRATEGIC ITEMS TO THE SOVIET UNION. THIRD, WE WILL ESTABLISH WITHOUT DELAY PROCEDURES FOR MONITORING FINANCIAL RELATIONS WITH THE SOVIET UNION AND WILL WORK TO HARMONIZE OUR EXPORT CREDIT POLICIES.

THE UNDERSTANDING WE AND OUR PARTNERS HAVE REACHED AND THE ACTIONS WE ARE TAKING REFLECT OUR MUTUAL DETERMINATION TO OVERCOME DIFFERENCES AND STRENGTHEN OUR COHESION.

I BELIEVE THIS NEW AGREEMENT IS A VICTORY FOR ALL THE ALLIES. IT PUTS IN PLACE A MUCH NEEDED POLICY IN THE ECONOMIC AREA TO COMPLEMENT OUR POLICIES IN THE SECURITY AREA.

AS I MENTIONED A MOMENT AGO, THE UNITED STATES IMPOSED SANCTIONS AGAINST THE SOVIET UNION IN ORDER TO DEMONSTRATE THAT THEIR POLICIES OF OPPRESSION WOULD ENTAIL SUBSTANTIAL COSTS.

WELL, NOW THAT WE'VE ACHIEVED AN AGREEMENT WITH OUR ALLIES WHICH PROVIDES FOR STRONGER AND MORE EFFECTIVE MEASURES, THERE IS NO FURTHER NEED FOR THESE SANCTIONS AND I AM LIFTING THEM TODAY.

THE PROCESS OF RESTORING A PROPER BALANCE IN RELATIONS WITH THE SOVIET UNION IS NOT ENDED. IT WILL TAKE TIME TO MAKE UP FOR THE LOSSES INCURRED IN PAST YEARS. BUT, ACTING TOGETHER, WE AND OUR ALLIES ARE MAKING MAJOR PROGRESS. AND I'M HAPPY TO SAY THE PROSPECTS FOR PEACE ARE BRIGHTER.

I HAVE JUST RETURNED TO THE WHITE HOUSE FROM THE SOVIET

I HAVE JUST RETURNED TO THE WHITE HOUSE FROM THE SOVIET
EMBASSY WHERE I SIGNED THE BOOK OF CONDOLENCE FOR PRESIDENT
BREZHNEV. NEW LEADERS ARE COMING TO POWER IN THE SOVIET UNION.
IF THEY ACT IN A RESPONSIBLE FASHION, THEY MEET A READY AND POSITIVE
RESPONSE IN THE WEST.

'TIL NEXT SATURDAY AT THIS SAME TIME, GOODBYE AND GOD BLESS
YOU.

ENDS

WRIGHT

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