have been takeovers in the past with precisely this effect -- such a takeover would almost certainly be prevented by the new legislation. I am sure you would agree that this legislation cannot be described as anti-American or for that matter anti-foreign.

Most developed countries including the United States face problems of regional economic disparities. One remedy includes government incentives and subsidies. The purpose of regional assistance is to preserve and create more jobs in areas of chronically high unemployment. The effectiveness of these remedies often depends on whether adequate markets can be found to sustain the enterprise that government assistance has salvaged or brought into being. The problem of reconciling the need for fair international market competition with the government's obligations to help depressed regions is beginning to emerge as a vexing problem, another irritant in our bilateral relations.

A case in point is the Michelin tire plant which was set up with government assistance in Nova Scotia -- in an economically depressed region of Canada. The plant's tire production requires an export market in addition to the Canadian market. Because Washington ruled that the government's assistance to Michelin interfered with tradtional market forces, a countervail was raised against Michelin exports. However, in our view a dislocation of trade is not involved. American concern is that the Michelin plant involved instead a transfer of employment from the United States to Canada. As it happened, the only transfer was within Canada -- from one region to another. The methods by which the transfer was effected were in accordance with the international rules covering such matters -- to which Canada subscribes but the United States does not.

In these circumstances, you will understand Canadian concern about the wider implications which the decision has for the Canadian Government's obligation to implement an effective regional development policy.

There is great interest in the United States today in international energy developments, and Canada-United States relations in this sector are important to both countries. A number of factors have converged to bring home to many people some hard truths about the world's growing demand for hydrocarbons. Quite naturally there has been some focus on Canadian oil supplies, particularly since some of the shortages in the U.S. have occured in areas using Canadian imports. For more than a decade, our exports have grown rapidly, and almost all go to the United States in the form of raw material for your refineries.

However, recent growth in the United States demand has strained our capacity to produce and transport oil. The continuity of supply of Canadian oil to our domestic refiners was threatened. And while Canada's national energy policy has been and remains to export quantities which are clearly surplus to our domestic requirements, recent and foreseeable future growth in export demand for oil has reached a level requiring close observation. This is necessary if we are to be assured of meeting foreseeable requirements in Canada.

For this reason, the Canadian Government recently introduced export controls on oil. This step to control export growth represents a change in the manner of implementing our national oil policy, but not a change in the policy itself. It is the increase in world energy demand -- and especially that of the United States itself -- that has caused us to make this change and not, of course, any wish to be unreasonable to the United States.

The fact is that Canada's known reserves are limited. Even if the United States, with modifications now in its own import controls, were to have free access to our known supplies, these would help only marginally to reduce your rapidly growing dependence on offshore supplies.