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serves either of our best interests. What is being developed is a more mature relationship. It is one that permits us to maintain close ties, to co-operate fully on bilateral and multilateral matters, is of mutual benefit, and yet leaves each country free to pursue its national interest consistent with its international obligations.

It is plain that Canada and the United States have entered on a new period in their bilateral relations. It is one in which the emphasis is on a clear-eyed appreciation of the national interest and in which there is no room for false assumptions or illusions. Each government will have to make hard decisions in line with its own perception of the national interest -- decisions with which the other may find it difficult to concur.

On the oil-export issue, we feel we have demonstrated our willingness to assist the United States as far as possible consistent with our own national needs. There were strong objections from some quarters in the United States that American interests were being abused. But we could not be expected to sacrifice our own needs to meet the oil-consumption requirements of the United States. I might add here that, at least with respect to the oil-pricing issue, recent United States action would appear to have gone a long way towards removing this irritant. Similarly, Canada's desire to develop mineral resources at its own pace and to encourage further processing before export is not necessarily in accord with American interests, which appear to tend towards the rapid exploitation of known resources, accelerated exploration of new resources and increased imports of resources in their raw form.

Yet the two countries are becoming increasingly interdependent and the issues between them accordingly greater in number and complexity. In these circumstances, relations are likely to become more, not less, difficult. As interaction increases, conflicts of interest and differences of view are bound to develop. Both governments are becoming increasingly involved in a wide range of domestic social and economic activities many of which turn out to have foreign-policy implications. For example, two years ago federal financial assistance was extended under the DREE program to the Michelin Tire Corporation to locate in Nova Scotia. This was regarded in the United States as an attempt to subsidize an export industry, and as a consequence the United States applied countervailing duties on this Canadian export. This is a striking example of how a domestic program, in this instance one designed to remedy regional economic disparities, can become an issue in our relations with the United States.

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