

Canadian authorities, however, did not undertake to reduce our share of the U.S. market. Indeed, such action was not requested by the U.S. We could hardly have undertaken to contribute to your effort to bring overall import penetration down to the targeted levels, as suggested in your letter, since at the time our consultations took place neither the nature of the President's steel program nor its target levels were known to us. Moreover, we did not envisage that a program based on selective measures would also establish a global import penetration target.

With respect to the present situation, I note that Canadian exports in the first six months of 1986 are in fact down 1.9 percent from last year and 10.4 percent from the same period in 1984. This indicates that Canadian exporters are adjusting to market trends in the U.S.

I also note that orders for a significant portion of our 1986 exports to date were taken when estimates of the U.S. steel market for 1986 were considerably more optimistic than now. Canadian producers have thus had little time to reflect revised estimates in the conduct of their exports to the U.S.

It would be most unfortunate if the Commerce Department's recent findings regarding imports of oil country tubular goods from Canada were to be seen as undermining Canada's reputation as a fair trader in steel. As you know, the unusual circumstances facing world trade in this particular product have led to a number of recent findings by authorities in both of our countries. Indeed, Canadian Custom authorities determined in April that U.S. exports of oil country tubular goods were being dumped in Canada. Thus, trade in this particular product is hardly indicative of the nature of our overall trade in steel. I am confident that the record demonstrates that Canadian steel exporters are fair traders.