

The Department has also taken note of the concern expressed in the Embassy's Aide Mémoire that there is considerable potential that the confidence of investors in Saskatchewan or elsewhere in Canada may be undermined as a consequence of the Saskatchewan action with respect to the potash industry. As the Embassy is aware, the Canadian Government continues to welcome to Canada foreign investment which provides significant benefit to Canada. Similarly, it is the understanding of the Canadian authorities that the Government of Saskatchewan will continue to welcome foreign investment which provides significant benefits to that province. It would be unfortunate and incorrect if either foreign governments or investors outside of Canada reached contrary conclusions because of the current situation in the potash industry in Saskatchewan, particularly before the outcome of any negotiations conducted by the province with one or more of the potash companies is known.

In its Aide Mémoire the Embassy also questioned what public purpose would be served by Saskatchewan's actions and expressed concern that the province intends to realize additional benefits through control of the supply and price conditions for potash. The purposes of the Saskatchewan legislation have been enunciated by the provincial government and are a matter of public record. Moreover, as the Embassy will be aware, one of the stated aims is to ensure orderly expansion of production of potash in Saskatchewan to meet growing world demand. A second but related purpose announced by the Government of Saskatchewan is to ensure that there is no repetition of the uncoordinated expansion of potash production facilities in the 1960's which had serious implications for the industry. The Canadian authorities recognize the importance of Saskatchewan as a source of supply to the U.S. fertilizer industry, and equally the importance of the U.S. market as an outlet for Canadian production. In this regard, the Government of Saskatchewan has assured the federal authorities that it does not intend to curtail the production of potash with the object of inducing scarcity and artificially forcing up prices.

With regard to international standards of state responsibility, the Department, is aware of U.S. policy concerning expropriation. However, the Department does not believe that this policy necessarily reflects general international practice.