

incentive scheme are not enough. But remember, energy markets have a way of changing overnight, as we all learned in the 1970s. We have producers and investors who we do not want to see put out of business because of a temporary oversupply in the U.S. market. And I doubt that you would consider it in your interest to disrupt and undermine a proven, long-term trading relationship for the sake of a short-term gain.

Times change. When I negotiated the Alaska natural gas pipeline project with Secretary Schlesinger in 1977, shortages prevailed and prices were expected to outstrip our present export price. Most observers now predict a return to increased U.S. dependence on imported gas just a couple of years down the road.

We believe that the measures we have taken to preserve our bilateral gas trade demonstrate clearly our flexibility in the face of changing market conditions, and our concern to remain competitive. But we have paid a price, measured in hundreds of millions of dollars in lost revenue arising from our most recent price cuts. Trade is a two way street. We are prepared to develop gas resources and build and maintain facilities for export, during the years of shortfall ahead, but we need assurance of a reasonable rate of return.

The natural gas trade is a clear example of an issue in which interdependence involves costs to both sides as well as benefits. Both our countries must be prepared to pay a fair share of these costs, and to keep the focus on the long term as well as the ups and downs of the moment.

I referred earlier to statements in your invitation flyer with which I took issue. I was, however, pleased to read the reference to Canada as a faithful NATO ally. We in Canada do have firm and unshakable security ties with you through NATO and NORAD. We are fully committed to both parts of NATO's two-track decision on intermediate-range forces in Europe. We have agreed to test your air-launched cruise missile in Canada. This was a controversial decision taken by our government, but one which reflects clearly our basic commitment to our common security.

The objective of both Canada and the United States is genuine verifiable reductions in arms. You have been pursuing that objective with our support and encouragement. Progress during the past two years has been unsatisfactory to both of us. The Soviet suspension of the Geneva INF talks last week further underlines this discouraging impasse.

In these conditions, we Canadians are deeply concerned that the acrimony now prevailing in relations between the