HOUSE OF COMMONS

Wednesday, March 23, 1955

The house met at 2.30 p.m.

RAILWAYS, CANALS AND TELEGRAPH LINES

Third report of standing committee on railways, canals and telegraph lines.—Mr. McCulloch (Pictou).

TRADE

OIL—NOTE TO UNITED STATES CONCERNING RESTRICTIONS ON IMPORTATION

Right Hon. C. D. Howe (Minister of Trade and Commerce): I wish to table the text of a note which the Canadian ambassador in Washington delivered to the United States government on March 8 to protest against measures that have been proposed to restrict the imports of crude oil into the United States. I shall read the text of this note for the information of hon. members. It is as follows:

The Canadian government is greatly concerned about legislation being considered in the United States to restrict imports of crude oil. Legislation of this kind would have unfortunate and damaging effects to which the Canadian government wishes to draw attention. The Canadian government would be equally concerned if the objectives of this proposed legislation were to be carried out by administrative action or if the United States oil industry were to be led to believe that the policy of the administration is to discourage imports from Canada.

Resulting from the development of the oil industry in western Canada in recent years, there has been a development of refinery capacity and marketing plans in the United States to make use of the increasing availability of Canadian crude petroleum. Two refineries have already been constructed in the Pacific northwest to operate on deliveries from the Trans Mountain pipe line. A refinery is now being built in East St. Paul to make use of Saskatchewan medium gravity crudes. There is notable concentration of refinery capacity in the Detroit-Toledo area which can benefit from access to oil carried eastward by the Interprovincial Pipe Line. Reference is made to this refinery capacity already in existence because of the Canadian interest and, as we think, the interest of the United States, in making sure that nothing be done to impair the usefulness of these facilities. Both economic and strategic factors point to the desirability of increasing pipe-line and refinery capacity to enable Canadian crude to find markets in the United States. The Canadian government wishes to emphasize the importance of avoiding restrictive measures in the United States which might frustrate or prevent the continuation of these desirable developments.

Attention should be given also to the efforts in which the United States government has taken a leading part, along with the Canadian government, through the general agreement on tariffs and trade and otherwise, to promote the growth of world-wide multilateral trade on an economic basis and unhampered by restrictions. For the United States to embark upon a restrictive policy with regard to oil would be directly discouraging to these larger efforts.

From the point of view of strategic considerations, it should be borne in mind that western Canadian oil fields are internal to the North American continent. Nothing could be more discouraging to exploration for oil and development of this strategic industry in western Canada than the adoption by the United States of a restrictive import policy. It will be remembered that the United States navy on strategic grounds gave support to the construction of the Trans Mountain pipe line and for the construction of additional refining capacity in the state of Washington. If the United States government should conclude, in its best judgment, that its defence interests require that imports of crude oil from countries overseas should be limited to the proportion they bore in 1954 to domestic production, it might be difficult for anyone outside the United States to question such a conclusion. This thesis based on defence interests would certainly not be valid, however, if applied to imports from Canada. The Pacific northwest is at present served by pipe lines from Canada, the existing alternative being to transport crude to that area by tanker, whether from United States sources or from overseas. Tanker ships and ports are so much more vulnerable in wartime than overland transport that the Canadian government would be unable to understand any decision by the United States to restrict imports from Canada for reasons of defence.

On economic grounds the oil industry itself has established a pattern of development which clearly envisages an increasing use of Canadian crude oil in the north-central and western areas of the United States. The continental marketing pattern would seem to permit Canadian oil to enter these markets without impairing the interests of the United States petroleum industry, because it has been traditionally difficult and costly to move United States oil into those areas which can be supplied most efficiently from Canada. Canadian oil is equally unlikely to affect the interests of the United States coal industry in these areas.

The United States oil industry should regard Canada not merely as a competitor but also as a market as is made clear by the statistics of trade between Canada and the United States in oil and refinery products. In 1954, Canada imported in excess of $130 million worth of crude oil and refinery products from the United States and exported only about $7 million worth of crude oil and products to the United States. With the great growth of the Canadian oil industry, it is apparent that its products will be increasingly utilized in Canada if export markets are to be restricted. As far as the United States oil industry is concerned, therefore, it is very doubtful that any increased markets would be gained on a net basis by implementation of the proposed recommendations in relation to Canada. A great deal would certainly be lost in terms of continental efficiency if both countries were to develop their respective oil industries along purely national lines.

Having referred briefly to the strategic and economic interests of both Canada and the