by encouraging the use of secondary recovery methods which can substantially increase the percentage recovered from existing reserves.

Further, a trading nation like Canada can never insulate itself in domestic pricing from the influence of world prices for internationally traded goods, commodities or services. Any attempt to do so, especially for a commodity like petroleum, will lead to distortions in consumption patterns, competitive use of energy, and international trading relationships.

In the longer run, therefore, domestic pricing for oil seems certain to track forward in some relationship with international prices. Even with future additions to west-east transport facilities, which might reduce our dependence upon high-priced foreign supplies, we will probably not want to eliminate all imports form secure foreign sources. A unified market and pricing system will, then, be most easily maintained and subject to minimum distortions if there is not too large a gap between domestic and foreign prices. One of the main advantages of the bill before the House is that the variable export charges it proposes will give us a very useful tool in maintaining the kind of flexible, administered prices most appropriate to Canadian circumstances.

Any prospect of an upward adjustment of domestic prices raises the compelling question of the so-called windfall profits which might accrue to the industry on the basis of production from established reserves. Increases in costs of production from established reserves tend to be nominal in comparison with potential gains in revenue from higher prices. Both Alberta and Saskatchewan have recognized this fact. They have recently taken legislative action intended to increase substantially the share of any increases in sales revenue taken as provincial taxes.

However, we must keep in mind the huge size of these potential increases and the need to be concerned about the burdens placed upon consumers by higher prices for either domestic or imported supplies. As the Prime Minister has emphasized, the federal government is therefore convinced that it must in turn develop some reasonable mechanism to provide, for the benefit of all Canadians, a decent share of the increased revenues which they themselves contribute. Any national policy worthy of the name must provide for some sharing of the burdens and benefits which flow directly from the international distortion of supply and price.

Now I wish to turn to some of the implications for international trade and payments. There is no question in my mind that we are facing an upheaval or reorientation of trade and payments patterns in the world of a magnitude and significance quite surpassing anything we have known since World War II. These consequences will arise in part from the immediate shortages of energy supply. To an even greater extent they will arise from the increase in the price of oil, given the size of the price changes which have already taken place and possible further changes.

● (1530)

[*Translation*]

The price announced for Arab light crude at the end of 1972 was just under $2.50 a barrel. On January 1, 1974, it was raised to $11.65. As for Venezuelan oil, the price increased from about $3 to more than $14. Although it may be difficult to convert the producers' prices to an average price for importers, this may well be $7 higher in 1974 than in 1972. If this were to happen, it would result in an astronomical increase of nearly $80 billion in the price paid by oil importing countries, on a basis of 30 million barrels imported per day. This would bring about a vast restructuration of the balance of payments throughout the world. Based upon 1972 imports, for instance, a $7 oil price increase would cost approximately $40 billion to western Europe and approximately $14 billion more in Japan and the United States. Since our oil exchanges with foreign countries are more or less balanced, an increase in the international oil price would have only a small total effect on our trade balance, in direct consequence of the new price of our oil exports and imports. The most important repercussions on Canada would rather take the form of a direct effect on the level of prices and the resulting inflationary consequences, trade problems and possibilities, a structural readjustment of expenses and production and, above all, as I indicated earlier, the necessity to share costs and benefits equitably throughout Canada.

All countries are not affected to the same degree. The increase in price of cheaper goods and the resulting loss of a favourable trading position will be greater in some countries than in others. Generally speaking, the revenues of the producing countries will be considerably increased. They may decide to reinvest these funds in the countries they are selling oil to. Although the volume of capital which will flow back to importing countries may very well correspond to the additional amounts of money they have to pay for oil, it is not likely that these payments will balance themselves from one country to the next. There will be strong and renewed competition between nations. In the face of this new struggle, maintaining the spirit of positive cooperation that existed in the establishment of the post-war policies will become one of the most important tasks. There is a danger that we may lose sight of our lofty goals which are the upgrading of the living standard in the developing countries, the liberalization of trade and commerce and the reform of the monetary system. One thing is certain, we will have to take a new look at these objectives in the light of changes with regards to energy.

Some developing countries are going to get rich beyond measure with the higher prices of petroleum products. Others will grow poorer. Most of the developed countries which give aid to other nations will certainly find it more difficult to increase their assistance. Let us hope that the newly rich nations will find a way to put their new resources to use for the development not only of their own economy but also for the development of the economy of the poorer and less developed countries.

[*English*]

It is as important as ever that the quest continue for freer trading rules in the world. It may be that the forthcoming GATT negotiations should be extended to embrace problems of access to supplies of goods and materials as well as freer access to markets.

The approach to monetary reform must also be reconsidered in light of the energy situation as it has emerged. We are in a period of more than usual uncertainty. It is a period of considerable realignment of the payments posi-