

threatened our territory we would be dependent almost entirely on the United States for our defence.

This, I submit, is something for Canadians to think about before joining in the clamour of those condemning the so-called American military establishment, or sharing the enthusiasm of those inviting and welcoming United States army deserters and draftdodgers into Canada.

Some Hon. Senators: Hear, hear.

Hon. Mr. Manning: Obviously Canada should not try to become a military power capable of defending the northern half of this continent, but if we are going to "do our own thing" under the protective shield of United States military strength, surely we have a responsibility to extend reasonable co-operation in matters relating to America's role in preserving hemispheric security and defending the right to self-determination for the peoples of nations in the remaining free world who do not have the military strength to assure that right for themselves. For this reason I most strongly disagree with the Canadian Government's present policy of reducing this country's military strength to insignificance and curtailing Canada's role in NATO and NORAD to a mere token involvement.

Let us now consider for a few moments the matter of Canada-United States trade relations. This is a subject of obvious importance to both nations. Canada is a major purchaser of United States manufactured goods, while the United States provides a market for a substantial volume of Canadian primary products. Many Canadians feel that this country's interests would be better served if we processed more of our raw materials in Canada and exported more finished products, while at the same time decreasing our imports of foreign manufactured goods. This would be an ideal situation, but to attain it would require that we find an effective way to offset the realities of population distribution and geography.

Our relatively small population does not provide adequate markets for mass production of manufactured products, and the vast distances between the location of primary resources and the large population areas of Canada frequently make transportation costs excessive. These disabilities could be offset by higher domestic prices for Canadian manufactured products to permit the balance of our industrial production to be sold in world markets at competitive prices. This course has been pursued successfully by Japan, which is perhaps the leading example in the world today of a nation that imports both raw materials and the fuel and energy resources necessary for their processing, and still competes successfully in selling manufactured goods in competitive world markets.

Would the people of Canada be prepared to pay higher domestic prices to enable this country to become a major exporter of manufactured products? I suggest the answer is no. The attitude of Canadians to the greater domestic utilization of their own petroleum resources is a case in point. The unwillingness of the Canadian Government to extend the market for western Canadian crude oil into the eastern regions of central Canada, through fear of adverse public reaction to even a small increase in the

price of gasoline from Montreal east, indicates the Government's belief that Canadians are not prepared to pay higher prices to make possible the greater domestic processing and utilization of their own resources. This position has a direct bearing on United States' reactions to Canada's efforts to market more of our oil in the mid-western States.

The petroleum industry in western Canada has been producing at approximately 50 per cent of its capacity. The vast tar sands reserves of northern Alberta, containing some 300 billion barrels of recoverable oil, remain largely undeveloped, primarily due to lack of markets. At the same time Canada continues to import over 50 per cent of her domestic petroleum requirements. This paradox is due to the fact that production and transportation costs prevent western Canadian oil from competing successfully with oil from Venezuela and the Middle East moved by ocean tanker to markets in eastern and east-central Canada. The mid-central and western United States represent the only other available market for western Canadian crude. To ensure a healthy domestic petroleum industry, the United States has restricted the volume of off-shore oil that can be imported. This action increased the price of gasoline products in the eastern States, which could have been served more cheaply with ocean-borne foreign crude. Canada's present policy is an attempt to gain the best of both worlds. The Canadian Government has consistently declined to place meaningful limitations on off-shore oil coming into this country, because it wants to retain the lowest possible prices for petroleum products in eastern and central Canada. At the same time it is pressing the United States to buy more Canadian crude to ensure the health of our domestic petroleum industry. I submit that this is not a realistic position and therefore not one we can reasonably expect the United States to accept.

More recently, the United States has become anxious to obtain a substantially increased volume of Canadian natural gas. This places Canada in a favourable position to negotiate a Canada-United States trade policy with respect to these two vital energy resources that would be beneficial to both countries. Unfortunately the Canadian Government, at least until recently, has been prone to interpret any request by the United States to discuss natural gas in connection with crude oil purchases as sinister pressure designed to force an international energy policy which might in some way prejudice Canada's independence. In my view, this is setting up straw men and hindering the development of a realistic Canada-United States oil and gas marketing agreement from which Canada would stand to gain more than the United States. I say this because, as far as oil is concerned, while we are wholly dependent on the United States for an export market, the United States has access to other sources of foreign oil to supplement its domestic production.

Finally, let us consider briefly the moot question of United States capital investment in Canada. This is a subject of deep and legitimate Canadian concern. The ideal situation in any nation is for its citizens to own and control their own industrial and commercial enterprises