

pressed for natural gas. The United States needed the pipeline. We could resolve their problem and so held the trump card.

The United States wanted the Alcan line in the first place. As President Carter told the press conference in Washington when the Prime Minister (Mr. Trudeau) was there, the Alcan route would save them \$6 billion compared to the El Paso route. Second, the defence department in the United States was horrified at the prospect of having a large section of their people dependent upon gas which was being brought by tanker in time of war, so because this is a safe route the United States wants it.

When our negotiators—the operation might have been labelled “Innocents Abroad”—sat down with the United States negotiators, instead of pressing the natural advantages they had, they went on the defensive. If press reports are correct they began by stressing that there must be provision for a Dempster spur so that we could bring gas down from the Mackenzie Valley if and when we want it. There was no need to make that the number one issue. The President of Privy Council stressed again and again today that this was going to be a great asset. As a matter of fact, I doubt if any gas will come down the Dempster spur much before the middle of 1990 and probably not until beyond this century.

It is true that Foothills is committed to making application by July 1, 1978. It is true they are committed to making a survey. The fact remains, however, that you do not build a pipeline until you have contracts and nobody is going to buy Arctic gas at twice the cost of gas in southern Canada. You are not going to get gas contracts until gas is in short supply in southern Canada, and that is not going to happen for several years. There was no need to press that point, Mr. Speaker.

The second thing we stressed was that we had to justify the \$200 million compensation fund because this was setting a precedent. Again there was no need to throw that card away, but we did. On the other hand, the United States negotiators played a marvellous game of poker. They bluffed the Canadian delegation completely out of the game. Reports kept coming every day. Columnists in the United States were writing to the effect that there was no doubt the United States was going to choose the El Paso route; they were not going to pay \$6 billion more than they needed to get Alaskan gas. It was a good game of bluff.

It was not hard to bluff some of our Ottawa trained bureaucrats. For as long as I can remember they have been trained to believe that you must never stand up to the United States, because if you do they will resort to economic retaliation. I have listened to that for four decades—“We will get economic retaliation if we do not jump every time they snap their fingers.”

We got to the final stage of negotiations in Ottawa and that took some 17 days. Then we got to the last stage when the President of Privy Council took charge. A lot of people wonder why the President of Privy Council was chosen. I do not know the reason unless it was to make sure that the Minister of Energy, Mines and Resources (Mr. Gillespie) was not put in charge. If that was the reason I certainly endorse it.

Northern Pipeline

Mr. MacKay: It is like putting Custer in charge of Big Horn.

Mr. Douglas: Those negotiations went on for 17 days between officials, and then the President of Privy Council and Mr. Schlesinger, the economic adviser to the President of the United States, took over the final negotiation. That lasted seven hours. That is an exhausting negotiation, Mr. Speaker. Any trade union boss who took only seven hours to negotiate an agreement would be fired. Somebody suggested that was why the minister's hair turned grey during that period. We are glad to see it has resumed its raven hue.

The agreement was signed on September 20. Mr. Schlesinger praised the President of Privy Council for being a tough negotiator. President Carter praised the Prime Minister for being a tough negotiator. Mr. Speaker, when a Yankee trader tells you that you are a tough negotiator, you know you have been taken to the cleaners.

Some hon. Members: Hear, hear!

Mr. Douglas: Let us examine what happened as a result of these negotiations. The fact is—I do not say this with any pleasure—that the Canadian government was outmanouevred and outwitted. Canadians will pay a heavy price for their incompetence. I think the best summary of the negotiations is contained in the statement which Mr. Schlesinger made before the United States Congress on September 23 last, when he said:

The proposed Alcan system will deliver Alaska gas at the lowest possible cost of service to U.S. consumers—below the cost of imported oil and substantially below the cost of other fuel alternatives.

—But the agreement is particularly advantageous to the United States by providing ceilings on every aspect of potential U.S. liability while creating new incentives for efficient construction on a portion of the project that would normally be subject to exclusive Canadian jurisdiction.

In a single sentence Mr. Schlesinger is saying: “We have succeeded in maximizing the advantages to the United States and minimizing the benefits to Canada.” Let us look at it closely, Mr. Speaker. First of all, there were the provisions with respect to the Canadian content which are so ambiguous and so weasel-worded as to be meaningless. When the treaty was signed the President of the Privy Council's office issued press releases telling the Canadian people that this would mean an expenditure of \$4 billion in Canada and it would create 100,000 man-years of employment. But if you read the small print, as I understand it this includes the Dempster spur which may not be built for 15 or 20 years. It may not be built in the lifetime of most of us here—

● (2112)

Mr. Knowles (Winnipeg North Centre): Order!

Mr. Douglas (Nanaimo-Cowichan-The Islands): I expect the hon. member for Winnipeg North Centre (Mr. Knowles), like Moses, will live to be 120.

An hon. Member: He is already there.