Petroleum Products Controls

A further objective is the elimination of oil import quotas with a redirection of Mid-East oil to the large U.S. market, to challenge or possibly replace traditional Canadian markets. I suggest that Mid-East oil is not nearly as unstable as many would seem to suggest. The President's message refers to the establishment of deep water facilities off the east coast of the United States at the expense of similar facilities which are planned for our maritimes. This indicates that the United States regards it more important to build refineries and ports in the United States than in Canada. The effect of President Nixon's message is that trade concessions or bilateral arrangements between our two countries will of necessity involve Canada's energy resources, and we cannot get away from that.

Having regard to a two-price system for gas in Canada, as I understand it we already have this in effect for the export market, which is the United States market, in that gas must be priced at least 105 per cent of the price of fuel comsumed in that area. Does this motion intend to change this situation? What do the NDP expect the domestic price to be? The motion states that the domestic price should be significantly lower, but how much lower is not said.

If the domestic price is lower than the cost of production, or at least the cost of bringing gas not now found into production, or to make economical the production of gas not now considered viable under the price structure, this would indicate that the price of natural gas should rise in order that we can exploit the discovery of natural gas in the field to the fullest. In other words, the industry says there is natural gas that cannot be exploited as long as the price is low. If we are to cut back on our exports to the United States to the extent of $1.25 billion in respect of oil and gas, how will we fill that gap in the immediate future?

Recently the United States closed the trade gap with us as far as the merchandise account is concerned and is now showing a surplus trade account. Inevitably, a discussion about the restriction of energy, particularly oil and gas, with the United States brings forth the idea that Canada could with impunity shut off the supply of oil and gas and suffer no untoward effects. We have complained bitterly that the United States sees and treats Canadians as hewers of wood and drawers of water. However, my analysis would indicate that of all the highly finished industrial products we sell abroad, by far the greatest amount goes to the United States.

Let me give the House an example. On September 7, 1971, a former minister of finance, Mr. Edgar Benson, said in the House of Commons that 85 per cent of Canadian finished, export goods were sold in the United States. In 1969 we sold only 13.2 per cent of our finished products manufactured for export outside the United States. This amount totalled more than one-third of our total exports. In 1969 Canada sold about one-third of its exports as processed industrial material, with the United States providing 70 per cent of our total market. I would doubt that these figures have changed a great deal. If we complain about Canadians being treated as hewers of wood and drawers of water, we must remember our export of raw material to Japan and the European common market, such as coal, wood, and so on, used there for the production of finished products.

[Mr. Ritchie.]

The hon. member for Nanaimo-Cowichan-The Islands mentioned that Canada needs low-cost gas and oil for its own manufacturing industry. Surely the widespread shutting off of gas and oil to the United States would be interpreted as a direct blow to that country's industrial capacity. We could not embark on this course without expecting substantial changes in the United States regarding its dealings with us. To keep its industrial machines going, the United States would have to import oil from other sources, and it is not likely it would allow the export of our high-priced manufactured goods into their markets. Indeed, the United States would be required more and more to export only finished goods while restricting imports. The United States would have little sympathy if it could not import energy from Canada. As the balance of payments grew worse, the United States could not continue to import high-priced Canadian goods without some compensation.

Perhaps there is good news as far as the basic economy of the western world is concerned in the fact that the United States balance of payments has improved in the past year, particularly in the past month or two. I think it is interesting to note that this is largely due to an increase in exports to world markets. This is something for the House to think about in considering Lift programs, and so on. To replace the United States market for our Canadian manufacturers with either the Japanese market or the European Common Market would involve a problem that I think would concern even the most avid Canadian nationalist.

● (2140)

It is already widely apparent that United States investment in our oil and gas exploration is being severely curtailed and we will have to shift Canadian investment into these fields. This will cause heavy demands on the Canadian economy if we wish to sustain new finds. It seems to me that the radical setting of a domestic price for oil and gas that is greatly lower that the world market would only store up problems for the future and would do nothing to solve our problems in the long run. Perhaps there is some need for regulation of local, unusual circumstances.

With regard to paragraph (c) of this motion, I think it is very much in conflict with the attempt to establish a two-price system for gas and oil. It may well be that now is the time to consider a more flexible Ottawa valley line. Prices east of the Ottawa valley are bound to rise. It seems there will be factors that will prevent their rising to abnormal levels. First of all, the OPEC countries can only raise the price of energy to a degree before they bump into competition from other fuels.

It is widely recognized that in North America, which includes Canada, much of our energy needs are dictated by our high standard of living. Inevitably, the gasoline rationing in the United States will reduce the demand and increase the trend to smaller cars, with perhaps more efficient use of public transport. This should cause a levelling off of energy demands. All these will modify the Arab demands in respect of oil. But the hon. member's suggestion that the Ottawa valley line be removed is in direct conflict with the two-price system for oil which he has suggested.