Valley gas, and later oil pipeline is begun, it will affect this country's economy as well as its sovereignty.

The most obvious effect will be to raise the cost of oil and gas in Canada. Canadian natural gas prices are already rising to meet the U.S. cost, in part because of the sale to that country in September 1970 of 6.3 trillion cubic feet of gas, worth about two billion dollars.

When Nixon lifts the price ceiling on natural gas, we can expect more upward pressure on the price for Canadians.

And, of course, the export to the U.S. of about half our output of gas and oil depletes our sources in Alberta more quickly, forcing us north to the more expensive reserves.

Macdonald pointed out that at our present rate of consumption (including exports to the U.S.) we have proven reserves for something like 18 years in oil, and 28 years in natural gas. Therefore, we must be active in expanding the reserves through exploration, especially in the north. More than half our oil production is now exported to the U.S., compared with only 22 per cent in 1960.

The problem is that oil and gas is an increasing-cost industry in which economies of scale work only in transportation. The more you extract the higher the cost of extraction becomes as you move to more distant sources of supply. We can expect another steep increase in oil and gas costs for Canadians when Arctic supplies come into production.

Of course, this problem of cost is also a problem for the U.S. When they think of increasing the deficit in their energy trade from the current level of four billion dollars a year to twenty billion in the early 1980s, they are terrified of the effects on their already negative balance of trade.

If they are going to buy vast amounts of oil and gas from abroad, they must maximize the profit flows back to the U.S. through American ownership of the foreign supplies. Canada's oil and gas industry, 82.6 per cent foreign-owned, is ideal from this point of view.

In addition, they must muscle their way into the markets of the supplying countries for more of their manufactured goods.

Energy Minister Macdonald: Joe Greene without the bells on.

As well as gaining secure access to our energy resources, the U.S. will want increased access to Canadian manufacturing markets. The resulting trade-off will mean more Canadian development in the capital-intensive resource field, and less in labour-intensive manufacturing.

Another adverse effect for jobs in Canada will result from the cost increase the energy deal will bring. Instead of using our energy at low cost to cut the cost of manufacturing in Canada, we will help to make American industry more competitive. The energy deal means moving energy to industry in the U.S. instead of creating industry at the site of the resource in Canada.

It is reasonable to demand that Canadian resources be used as the basis for Canadian industry, while at the same time insisting that our industries end the waste of energy. This can be done by reversing the present pricing system which rewards waste by charging less the more power is used. If that system was reversed and an increasing cost curve was built in for industrial use of power, it would provide a powerful incentive for industry to end energy waste.

Eric Kierans has developed the argument that one economic cost of building the pipeline will result from the effect of a huge importation of capital from abroad on the value of the Canadian dollar. Kierans argues that an inflow of U.S. dollars for the Mackenzie Valley project

Mackenzie Valley pipeline is being floated on the psychology of the energy crisis.

and for the James Bay hydro development project in Quebec (total cost $12 billion for the two projects) will drive up the value of the Canadian dollar and hurt our export industries. (If the Canadian dollar is valued at $1.10 American it takes more American dollars to buy a dollar's worth of Canadian goods. This amounts to a self-imposed hurdle for our exports.)

A California economist, concerned about the U.S. balance-of-payments crisis, has worked out the following estimate for the trade effects of an upward revaluation of the Canadian dollar: a five per cent increase would result in a $715 million negative trade shift for Canada with the U.S.; a 10 per cent increase would result in a $1.6 billion negative trade shift.

There is, of course, one way around this problem. If the foreign capital raised for the project is simply spent abroad, it will not affect the Canadian exchange rate. But it will create no jobs in Canada either. If spending is done in Canada, it will affect the exchange rate and will hurt export industries, while providing a temporary boom in the building of steel pipe.

Ironically the Americans may well prefer to have the bulk of the capital for the pipeline raised in Canada, and they may well prefer Canadian control of the whole venture. This way, the very heavy cost of construction would fall on Canadians who would then earn a low fixed rate of return on the pipeline which, as a common carrier, would be treated like a public utility. Meanwhile the real profits would be made by the petroleum countries whose gas would flow through the pipe to market.

Significantly, when the Committee for an Independent Canada asked for assurance that Canadians would control the pipeline, Donald Macdonald said that he favoured this arrangement himself. Nothing could be more ironic than a demand for Canadian control of the pipeline causing Canadians to put up the long-term, high-risk involvement for the pipeline, while American oil companies walked away with all the real benefits.

If the pipeline is built through funds raised in Canada, it will mean an enormous mobilization of Canadian capital which could otherwise be used to create jobs for Canadians in the manufacturing sector of the economy.

When asked on a television program early in 1973 why Canada did not place more emphasis on manufacturing in its development strategy, Macdonald replied that there simply were no available markets for Canada's manufacturing.

He ignored the fact that Canada is by far the world's leading importer of manufactured goods, bringing them in at a rate of $463 per capita per year compared with $116 for the United States.

If, instead of building the Mackenzie Valley Pipeline, the government set as its objective for the seventies the reduction of Canada's per capita manufacturing imports to the U.S. level, an additional annual market of seven billion dollars for Canadian manufactured goods would be created. By itself, this project would create enough industrial jobs and related service jobs to eliminate Canadian unemployment. The Mackenzie Valley pipeline, on the other hand, will create no more than a few hundred permanent jobs.

A recent background study for the Science Council of Canada by Pierre L. Bourgault, Dean of Applied Science at Sherbrooke University, warned that Canada's mushrooming expansion of resource extraction is driving this country rapidly up the cost curve in resource industries. At the end of the road, he warns, we will have depleted our resources while having created no other economic activity to take their place.

Environmentalists, of course, see the problem not solely in economic terms but in terms of human and non-human survival. They point out that the assumption that technology will come through with the answers is potentially fatal in an epoch when man's impact on the environment is already vast. They advance the principle that the onus for proving that development will not have more negative than positive effects should be placed on the developer.

Further, they insist that when problems are foreseen, steps in economic development should not be taken on the assumption that scientists will save us before the problem materializes.

Most directly concerned with the environmental aspects of the Mackenzie Valley pipeline are the permanent inhabitants of the north, the original peoples. The Canadian government takes the view that these people cannot be allowed to stand in the way of progress.

Opposition to the energy deal and the Mackenzie Valley pipeline is forming in Canada. The opposition bears little resemblance to the powerful assemblage of corporations that have gathered to push the project through. Made up of ordinary citizens who are concerned with the political, economic and environmental consequences of the pipeline, the opposition is beginning to form into small pockets of resistance across the country. But before the year is out a national coalition dedicated to stop the pipeline may be formed of what is now a disarray of Indians, Eskimos, ecologists, trade unionists, socialists and nationalists.

The coalition will have to demand a ban on all further resource development in the Canadian north until the rights of the original peoples have been fully recognized and until the answers to environmental problems become much clearer. If development later proceeds, it must involve local control for the original people of the north as a basic principle.

As well as calling for a moratorium on resource development in the north, an opposition movement will have to consider the demand for public ownership of the energy resource industries that are now in production in southern Canada.

Public ownership is the one way to stop the flow of profits out of Canada and to end the power of the corporations that are now coming together to launch the pipeline. Profits from publicly-owned energy industries could serve as the basis for investment in secondary industry that could give resource-producing areas like Alberta balanced, long-term economic prospects.

LAST POST

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