

Outline of Canada's energy and investment problems

In an address to the Traffic Club of Pittsburgh last month, Energy Minister Alastair Gillespie stressed the spirit of partnership that existed between Canada and the United States. He went on to discuss two subjects of vital interest and major concern in both countries – Canada's energy and investment policies.

Mr. Gillespie explained the energy problems existing in Canada. The eastern provinces depend entirely on imported oil because Canada does not have a west-east pipeline delivery system. Two years ago Canada was a net exporter of oil but now the country is a net importer. "It's bad news," Mr. Gillespie said, "because it means we have to import about half the oil requirements for our country. And we pay world prices of about \$13 a barrel."

The Minister emphasized the percentage of Canadian resources used in the United States. "It may also surprise a few of you to learn with all the talk about our resource wealth, that you depend on Canada for just a bit over 3 per cent of your crude oil, less than 5 per cent of your natural gas and about 1 per cent of your electricity. With coal, you supply us."

In five years, said the Minister, Canada would not have enough oil to supply its traditional domestic market. By the early 1980s there would be shortages in domestic supply of natural gas.

The United States has been told that gas exports may be curtailed next winter but, if this happened, steps would be taken to curtail Canadian consumption at the same time.

Mr. Gillespie outlined the exploration and development going on in Canada including the Arctic regions. "Finding this oil and gas, however, and delivering it to market present immense tech-

nical problems." These problems will pose dramatic new challenges. "We've met challenges before. Canadians believe that to engineer the difficult requires ingenuity – to engineer the unknown takes a little longer."

"A first goal to reduce our dependence on imported oil is not unlike the thrust of your Project Independence. We too have adopted new measures. How could we husband our diminishing supplies? Through new incentives for investment? Yes. Through conservation? Through a reduction in exports? Yes."

Some Canadians had advocated cutting off exports now, he said, but to be fair, this was being done in phased steps. "These cuts have hurt you. Make no mistake they have also hurt us. Our export revenues are declining. Our oil and gas supplies are declining. We will be forced more and more to turn to the international market for more and more oil," said Mr. Gillespie.

This will mean a huge balance-of-payment deficit which could reach \$5 billion a year by 1985.

Turning to Canada's investment policies the Minister stated that Canada was the United States' biggest customer. In a study released in 1973 in the petroleum industry, approximately four-fifths of the non-resident controlled assets are held by U.S. residents or U.S. resident-controlled corporations. Of the firms which have operations in all phases of this industry – from exploration to marketing – non-resident control is 100 per cent.

This showed that Canada was not erecting barriers against foreign capital, although there had been different opinions in the United States press on this issue. This has caused Americans to have a confused picture of Canada, stated Mr. Gillespie.

Canada now has its own national petroleum company which will provide competition in a free enterprise system as well as providing a national presence for Canada in the oil industry.

Canadian objectives rule out any comprehensive continental energy deal but each new project is viewed for a co-operative and co-ordinated approach to benefit both nations. The Minister outlined the possibility of oil swaps between the two nations as one such

project, especially so that the refineries in the northern United States could continue to receive Canadian crude oil.

Foreign investment

On foreign investment policy, 59 out of the 100 largest non-financial corporations in Canada are foreign owned, stated the Minister. "We acknowledge that Canada could not have reached its present stage of development without much of this foreign investment capital investment. But we recognize also that not all foreign investment has been to our advantage...that some foreign investors are contributing far less to Canada than might reasonably be expected."

The Government questioned this control in the economy and the Foreign Investment Review Act was an effort to solve some of these very fundamental problems, said Mr. Gillespie.

He stressed that this act was not discriminatory against any source of capital. "We will continue to welcome foreign investment so long as it meets the rest of significant benefit to Canada."

Canada will need foreign financing in the future, probably more substantial than in the past. Capital needs estimated by the Economic Council of Canada could be \$860 billion in the next ten years.

The Foreign Review Act is said to be a deterrent in the minds of United States investors but Canadian production costs, high wage settlements, plus the rate of inflation, might be more of a deterrent. "I feel confident, however, that our new price-income controls and other measures will lessen these disparities and ultimately bring them into line with current economic realities," stated the Minister.

Manitoba sells bonds in U.S.

Premier Ed Schreyer of Manitoba announced last month the sale of a \$125 million provincially-guaranteed Manitoba Hydro issue in an improved United States bond market.

The 30-year bonds, dated January 15, 1976, which carry a 9.25 percent interest coupon, were sold at \$99 per \$100 bond to yield the investor 9.35 per cent.

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