



STATEMENTS AND SPEECHES

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An address by the Canadian Ambassador to the United States, Mr. A.D.P. Heeney, to the Dallas Council on World Affairs, Dallas, Texas, March 28, 1955.

A first visit to Texas is rather like seeing the ocean for the first time. It is exhilarating, but - even for a Canadian brought up on the prairies - a little overwhelming. Encountering this new element it is reassuring to find fixed and familiar points. That is one reason why I am glad to be addressing your Council on World Affairs. For you in Texas, as we in Canada, have always been willing to look beyond the concerns of your own country or even of this continent. Though you form almost a world of your own, you have had good cause to realize how the destiny of all of us is involved in the fate of the whole community of nations.

I think I am not mistaken in saying that one of the sources of that realization in Texas, as well as in Canada, has been that you have needed, for practical reasons, to give thought to world trade. Your exports have been shipped over everywhere on the Seven Seas; and the oil industry which has its focus here has particularly wide international ramifications. In Canada rather more than 20 per cent of our gross national production is accounted for by our export trade. For that reason, if for no other, we should be in as little danger as you of turning all our attention in upon ourselves.

An ambassador must walk warily if he is to avoid the charge of being partisan about the politics of the country in which his mission lies. But I hope I may be forgiven if I express in one and the same breath my admiration for those two great Texans, President Eisenhower and Mr. Rayburn, for the determined way in which they have continued to advocate the need for freer trade. For reasons of social welfare and national security, it may not be possible for either of our countries to accept the full incidence of the principle of the international division of labour. But we in Canada are convinced that the more that principle can be applied, the better it will be for the economic health and well-being of all countries in the free world. Moreover, in present circumstances, it is essential that the military strength of the great alliance led by the United States should be underpinned by liberal trading arrangements in order to prevent strains and stresses developing which could only work to the advantage of our enemies.

We in Canada have been watching very closely and pretty anxiously the efforts now being made to bring the foreign economic policy of the United States a little more into line with its position as the world's largest creditor. Although it would be improper for me to enter into the controversies that that endeavour has aroused, I may, perhaps, be forgiven for expressing some surprise at how little attention has been paid in current discussions to United States trade with Canada. It is often objected, for example, that the tariff concessions granted by the United States have not been matched by effective tariff concessions by other countries. Sometimes this complaint seems to be made in unawareness of the fact that Canada is by far the United States largest customer and that the tariff concessions made by Canada in reciprocal negotiations with the United States have in no way been nullified by exchange or other restrictions. The United States sold to Canada last year goods to a value of more than \$2,900 millions, more than your sales to all the countries in Latin America combined. Why that figure does not bulk rather larger in discussions of foreign trade policy, I am rather at a loss to know. One reason may be that many United States companies, for their own reasons, often regard their sales to Canada as part of their domestic business. Partly, perhaps, because it is hard for you to regard Canadians as foreigners. Certainly I would not want to see any change in that. But the fact remains that when the United States tariff is raised, or when restrictions on imports are imposed, Canadian exports suffer just as much as if we were a country on the other side of the globe.

I would remind you, too, that you sell to us much more than you buy. If you make it more difficult for us to market our products in this country, you should not be surprised if you find us having to consider doing without some of the commodities which we now import from you - in great volume - but which we cannot regard as essential. Since the end of World War II (with the exception of one comparatively brief period in 1947 when we ran into balance of payments difficulties) we in Canada have managed to maintain a liberal import policy. In the face of considerable discouragements, we are still doing so. But it must be realized that our ability to sustain that policy is, in large measure, dependent on whether or not the United States opens its markets to foreign imports. One of the main reasons Canada has been able to maintain a liberal commercial policy has been that we have been experiencing a period of rapid economic expansion. This has attracted capital from other countries and notably from the United States.

At the base of Canadian economic expansion lies a great development in our resources of energy. At this point I am afraid I must resort to a few figures. In 1947 when the Leduc field was discovered, Canadian reserves of crude oil were estimated at 72 million barrels. They are now estimated at well over 2½ billion barrels. During the same period oil production has increased from a yearly average of 21,000 barrels a day to an average now of 260,000 a day, with a present capacity of approximately 400,000 barrels a day. Hand in hand with the development of

our oil fields has gone the discovery of natural gas. At the present time Canada's reserves of natural gas are estimated at about 20 trillion cubic feet and are increasing by close to 2 trillion cubic feet annually. These figures may seem small by Texan standards. But it is the rate of growth to which I draw your attention. And I should also remind you that large-scale exploration of our resources of oil and natural gas only began some eight years ago.

Nor have our other energy resources been neglected. In spite of the difficulties it has been experiencing, the coal industry in Canada is still important to our economy. We have also been continuing to exploit our resources of low-cost hydro-electric power on which so much of our economic development has depended. At long last work has begun on the St. Lawrence Power Project. By 1959 the Province of Ontario and the State of New York will be receiving electrical energy from the new plants, which will produce 2.2 million horsepower annually. But when that project has been completed, the last large block of hydro-electric power available to the industrial complex in southern Ontario will have been harnessed. With that fact in mind, plans are being pushed forward for the use of nuclear power. In the establishment at Chalk River near Ottawa we have an accumulation of experience with nuclear reactors that we believe can stand comparison with any in the world. We are also one of the chief suppliers of the free world's uranium. With these human and material resources we are confident that nuclear power will be economically feasible in Canada in the early 1960's. These then form our galaxy of energy resources - oil, natural gas, coal, hydro-electric power and nuclear energy.

How are they to be used? You will not be surprised to learn that, within the limits of economic reason, they are dedicated in the first instance to the use of Canadian consumers and the development of Canadian industries. If you had ever woken in a large draughty house to find the furnace out and the temperature at 10° below zero, you would understand the almost instinctive regard that Canadians have for sources of energy. The house that we in Canada occupy is large and cold and draughty. We know that unless we make good use of the various kinds of power that Canada can provide, we may well find ourselves in a very uncomfortable situation. It is fortunate that, by some working of the law of compensation, we have been given, along with our severe climate, energy resources in abundance.

The policy that Canadians should have first claim on Canadian energy resources - wherever that is economically feasible - is related to a decision taken many years ago that we were a separate nation and intended to remain so. In the age of the railway builders almost a century ago there were those in Canada who criticized the proposition that the various parts of our country should be linked by a trans-continental line. They argued that purely economic considerations dictated less ambitious and difficult plans. Their criticism was rejected because our fathers were convinced that an all-Canadian railroad west to the Pacific was needed as the steel vertebrae to

strengthen and articulate our new nationhood. Similarly today we believe that arrangements designed to make Canada's resources of oil and natural gas available to as many Canadians as possible are in our national interest.

But when full provision has been made for Canada's own foreseeable requirements, we will still have large surpluses of those two energy resources. It is our hope that they can be exported to the United States and used to fill such shortages as are apparent or may develop in this country. Here, as so often, side scope would seem to be left for profitable co-operation between the two countries even after each government has given first consideration to the needs of its own citizens.

From time to time we in Canada have been disturbed by doctrines expressed in the United States which, if applied in full rigour, would seem to make such sensible co-operation impossible.

In addition to the difficulties we have been encountering for some time with regard to natural gas, we have been disturbed by recent efforts to restrict imports of crude oil into the United States. It has been proposed by a United States Cabinet Committee that imports be limited to the proportion they bore to domestic production last year. Another suggestion (now before your Senate) would involve restricting imports to 10 per cent of domestic consumption. If either of these proposals were implemented, existing plans to increase imports from Canada would receive a serious set-back. As you may know, there are now two pipelines which bring Canadian oil from Canada to the United States. One runs from northern Alberta across the Rocky Mountains; the other brings Alberta oil to the western end of Lake Superior and on across the border to Sarnia in southern Ontario. New refinery capacity has been built in your Pacific Northwest to process deliveries over the Trans-Mountain Pipeline. There is also large refinery capacity in the United States along the route followed by the Inter-Provincial Pipeline which, we believe, would benefit from access to the oil it carries. In addition, a refinery is now being built in Minnesota to make use of medium gravity crudes from Saskatchewan. It had seemed to us in Canada that the oil industry itself was establishing a pattern of development of which one feature would be an increasing use of Canadian crude oil in the north-central and western areas of the United States. In the past it has proved difficult and costly to move United States oil into those areas; and the emerging marketing pattern seemed to have the advantage of permitting Canadian oil to enter those areas without impairing the interests of the United States petroleum industry or, for that matter, of your domestic coal industry. Now all these projects have been placed in jeopardy.

To what end, we have difficulty in seeing. For one thing, we wonder whether the proposals to limit imports of crude oil have been taken sufficiently into account the figures for Canada's present imports and exports. In 1954, Canada imported crude oil and

refinery products from the United States to the value of \$130 millions, while its exports to the United States amounted to only \$7 millions. With the great growth of the Canadian oil industry, it is apparent that, if export markets are to be restricted, Canadian oil products will be utilized in Canada at a more rapid rate than would otherwise be the case. Whether that would be in the interest of United States producers is not for me to say. But it seems hardly likely.

These various restrictive proposals have been advanced on the grounds that they are necessary for national defence. Here again we have difficulty in seeing the logic behind what has been proposed. If the United States should decide that its defence interests required that imports of crude oil from countries overseas should be restricted, it might be difficult for anyone outside the United States to question such a conclusion. This thesis would certainly not be valid, however, if applied to imports from Canada. Construction of the Trans-Mountain Pipeline, for example, and of additional refinery capacity in the State of Washington was supported by the United States Navy, presumably because the only alternative way of bringing crude oil to ports in the Pacific Northwest would be by tankers, so vulnerable in wartime.

More generally, it seems to us that these proposals overlook the fact that year by year the defence perimeter of the United States lies farther and farther north - in Canada. Already there are three radar lines, either built or projected in Canada as part of a comprehensive joint system to provide early warning for the defence of our two countries. One runs through the thickly settled part of Canada. A "mid-Canada" line is being strung roughly along the 53rd parallel. And a third line is being constructed in the Arctic across the most northerly practicable part of North America. It is our hope that the existence of those three defence perimeters and the joint defence interests of our two countries to which they testify, will have increasing influence on policy formulation in the United States whenever the argument is heard that strategic considerations require some departure from liberal principles of international trade.

For there is another defence perimeter of a more wavering and nebulous sort to which I should finally like to invite your attention. It runs through the capitals of all the countries in the free world. To remain free, they know they must be economically strong. That will be possible only if the rest of the world can sell as much to the United States as it buys. For that reason your trade policy is watched throughout the free world with constant attention and not infrequent anxiety. Indeed, the trade front may be regarded as a particularly sensitive early-warning system from which other countries draw important inferences about the kind of world they may expect. Ultimately, it is as important, I would suggest, for the defence of the United States as the perimeter now being built in the far north in Canada.

If all these lines are assigned the importance they deserve, I have no doubt that Canada's energy resources will be able to make their full contribution to the defence of North America and so to the defence of the free world. Canada has energy to spare. We hope you will allow us also to prove that we have energy to share.

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