

WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

Here's the background for you from Washington on the Eisenhower-Diefenbaker agreement re Canadian subsidiaries of American plants trading with China:

A key Administration official in encouraging the President to make the agreement in Ottawa was Commerce Secretary Sinclair Weeks. Fighting against him was Walter Robertson, Assistant Secretary of State for Far Eastern Affairs. He wants no truck or trade of any kind with Red China. At the end of this Administration squabble, however, Weeks won out and Ike made the agreement. Now Weeks has told us Washington will give an "automatic" okay to any requests from Canada for Canadian subsidiaries to trade with China. The State Department is not quite so sure. One hour after Weeks said the okay would be "automatic", Secretary Dulles was saying each case would have to be decided on its merits. Clearly, those supporting Mr. Robertson as against Mr. Weeks may fall to their second line of defense and try to hold up the Washington okays.

And some officials here are beginning to look aghast at a few of the implications of the Ike-Dief agreement. They are asking themselves these questions: Do the principles embodied in the agreement with Canada apply to any other country where there are subsidiaries of American firms? Do the same principles also extend to anti-trust matters relating to Canadian subsidiaries of American firms?

* * There was quite a different press reaction to Ike's visit to Ottawa in United States compared to Canada. The Canadian press seemed generally to wax enthusiastic about his major speech--which basically was the same thing U.S. Ambassador to Canada Livingstone Merchant said to the Senate Foreign Relations Committee last May. The American press, however, felt the speech did not do much good to better relations and many papers complained about the "same old stuff."

* * One thing for sure...Congress is going to keep on studying Canada-U.S. problems. Representatives Brooks Hays of Arkansas and Frank Coffin of Maine, both Democrats, will launch a second phase of their studies on problems between the two countries. You will remember they recently authored a highly useful report on their study mission to Canada and made some titillating suggestions, such as a joint wheat marketing corporation.

Now, the two Congressmen plan to hold hearings in Washington, New York and several Canadian cities not yet chosen, but presumably including Montreal

and Toronto. They may propose some legislation at the next session of Congress-- that is, providing they get re-elected in November!

* * American economists are guessing that Canada is coming out of the recession about six months ahead of United States. We started our economic miseries about half a year ahead of the Americans. There's one danger signal for us, though. If the U.S. stays in the economic doldrums for any prolonged length of time, we may be dragged down again since the Americans are our best customers.

* * You can expect some fireworks at the hearings in Ottawa and Washington on the tolls for the St. Lawrence Seaway. And also you can take bets there won't be many, if any, changes in the recommended tolls. In Washington, Commerce Secretary Sinclair Weeks is the man who will decide the final tolls and he's inclined to take them as they are now. The U.S. Seaway agency has been shifted into his Department, much to the disgust of Midwestern Congressmen who claim the railroads have too much influence there and may encourage higher tolls.

One big issue for the Aug. 6 hearing will be the tolls on the Welland Canal. Almost all American shippers want a toll-free Welland. This may kick up a storm. The key question is: Is the Welland actually part of the Seaway or is it a connecting channel of the Great Lakes? The U.S. Corps of Engineers clearly thinks it is a connecting channel. The Canadian Government says it's part of the Seaway. Reece Harrill, Chairman of the U.S. Tolls Committee, tells us this is Canada's baby and whatever the Canadians decide is all right with him. The Americans had no part in setting the Welland toll; they only okayed what the Canadian Toll Committee suggested.

Uncle Sam currently is spending \$141 million to deepen and improve the connecting channels which are and will remain toll free. There is Congressional unhappiness that the improvements Canada is making on the Welland will be written off via tolls. Some claim it should be toll free just as the U.S. connecting channels are.

* * Will Jimmy Hoffa be number one labor boss on the St. Lawrence Seaway? He wants to be and it is a real possibility. Meetings already have been held of the teamsters, seamen, railwaymen and longshoremens. Hoffa wants to have the dominant voice and views the Seaway as part of his dream for a total transportation labor union. This, of course, could spell trouble for the shippers if the little, tough-talking Teamster czar gets a hold on the Seaway.

At the same time, many American businessmen who have dealt with Hoffa prefer him to Auto workers boss Walter Reuther. With Hoffa, you can almost always make some kind of a deal; with Reuther, sometimes you can't. In fact, Hoffa has been accused by the Labor Rackets Committee of sometimes being a little too free and easy in making deals which saw pay-offs to a few labor officials and small benefits to the union members.

* * The White House has decided that instead of tariff protection, the American minerals industry is going to be given an extensive, complicated subsidy program. It is argued that this will keep Canada and other mineral-

exporting nations relatively quiet and at the same time satisfy the U.S. mining people.

Industry's first reaction to the program ranged from hesitant to negative. Then, the feeling was the subsidies were not big enough. The Senate raised the ante on the Administration-proposed subsidies and the White House further sweetened the pot by offering special bonuses. Now, with the approval of the Senate and facing a fight in the House, the proposals for a five year program include a variety of stockpiles and bonuses for copper, lead and zinc, acid grade fluorspar, tungsten, beryl, chromite and columbium-tantalum.

While Canadian mines probably will escape immediate hardship by the Administration's desire to avoid import restrictions, we do face a long-range threat in these proposals. What may happen is that the U.S. mineral industry may go the same way as the agricultural industry. It was a "temporary" program that brought the widespread subsidy program to farmers and it still is going strong. Canadian miners might find themselves facing the same thing a few years hence as Canadian farmers face now.

With sad experience in this field, the American Farm Bureau Federation vigorously opposes the minerals subsidy program on the grounds that the principle involved will kill private competitive enterprise. Even New Deal Democratic Senator Richard Neuberger of Oregon warns, "If we are to take this step toward federal responsibility for meeting the impact of mineral imports from the Treasury rather than with undesirable tariffs and quotas, it should be in full recognition of the implications of such a step for possible future policies with respect to other domestic producers and industries."

Keep your eyes on this minerals legislation, therefore. An important principle is being decided by Congress on this one.

As an aside, incidentally, we might note that in addition to wanting to avoid imposing import protection, the Administration proposed the mineral subsidy program to try to woo mineral state votes for renewal of the Eisenhower trade program.

* * What to do about Russian aluminum competition? Canadian and American aluminum companies have found themselves undercut by the Soviets. American firms now are knocking on doors in Washington, seeking help.

The major American producers conferred with the State Department this past week and offered a five point program: 1) channel the world's surplus aluminum to areas "where it is needed most"; 2) collaborate with principal allies of the free world to solve common problems; 3) restrict aluminum imports in times of surplus in the U.S.; 4) study the possibility of imposing anti-dumping legislation; 5) complete consultation between the Government and the industry in combatting the Soviet trade threat.

* * Watch for a decision on the Tennessee-Midwestern natural gas case before the Federal Power Commission. As you will remember, that's the case on which originally the building of the Trans-Canada pipeline depended. Tennessee-Midwestern want to import Canadian natural gas to feed the U.S. upper

Mid-West. Examiner Francis Hall should make his recommendations about whether or not to allow the imports any day now. The full Commission, however, will not act on his recommendations at least until next October.

There is an interesting pattern developing on this case. Examiner Hall is chopping the case into a number of decisions. The FPC, however, apparently disagrees with this approach and will make one overall decision after Examiner Hall has made all his chops and handed in his various recommendations.

* * The "Chicago water steal" probably will be okayed in the next month or so. Despite Canadian objections, the Administration has decided to let Congress pass a measure which will divert water from Lake Michigan into the Illinois Waterway. The purpose is to improve sanitary conditions in Chicago. The Bureau of the Budget has notified a Senate Committee that a one year trial of a 1,000 cubic feet per second diversion will get Administration okay.

Ottawa has repeatedly complained that any such diversion will lower the levels of the Great Lakes, thereby forcing lighter loading on freighters and taking dollars out of the pockets of Great Lakes shippers. Ultimately it boosts costs to consumers. And it does seem a little strange for the Administration to spend \$141 million to deepen the connecting channels and all those millions on the St. Lawrence Seaway and at the same time take steps to lower Great Lakes water levels. It's a little like the U.S. Agriculture Department spending millions to reclaim farm land while spending millions to take land out of production via the Soil Bank.

* * Good news for Canadian newsprint mills. The House Ways and Means Committee has okayed a bill to reduce from 15 inches to 13 inches the minimum width of newsprint rolls that may be imported duty free into the U.S. This means more business for our mills. It's getting late in the Session, but with a little push, the bill can get through both Houses.

* * Canadian oil men don't need to lose much sleep over competition from atomic energy in the years ahead. The National Planning Association says that by 1980 atomic energy will capture only 5% of the U.S. market that would be supplied by oil. A study by the N.P.A., the first comprehensive one ever done into atomic energy's impact on oil and gas markets, can be obtained by writing to N.P.A., at 1606 New Hampshire Ave., N.W., Washington, D.C. If the educated guessing in the report is right, the petroleum industry faces 44 major changes as the result of atomic energy.

Sincerely,

The Editors

P.S. Bible-reading New Englander Sherman Adams, the President's aide, apparently has not read his Bible as closely as he likes to maintain. Exodus 23, Verse 8 says: "And thou shalt take no gift; for the gift blindeth the wise and perverteth the words of the righteous."

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