

WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

You hear some angered comments from highly-placed Americans in Washington these days on Canada's attitudes during the Middle East crisis. Phrases like "neutrist" or "Nasser-lover" are coming from many displeased Americans when viewing the policies of Prime Minister Diefenbaker and External Affairs Minister Smith. . . especially the early call for a summit meeting and our thoughts about neutralizing Lebanon and possibly the whole Middle East.

The Americans just don't think it's very nice of us to be so independent, especially after President Eisenhower went all the way up to Ottawa not so long ago. Washington now knows, however, that on diplomatic matters as well as Canada-U.S. economic problems, "our John is no shrinking violet" as one observer here put it. Washington had expected us to go down the line on the American attitudes and even expressed initial criticism, in private, of course, if our reactions were not in exactly the same language as theirs.

* * The U.S. aluminum industry, seeking protection against imports from Canada and elsewhere, has figured out a new way the Government can restrict imports. And the idea is being given serious consideration by Commerce Secretary Sinclair Weeks. As we have mentioned before, there is a bill in Congress seeking to raise tariffs on this, but as things stand now, it does not look like this will get very far. However, the proposed new protection gimmick is covered with milk and honey to appear almost as a liberal trade measure. It would be an international commodity agreement . . . but with a whopper of a hooker for us. The hooker is that the agreement, while avoiding many of the appearances of a restrictive measure, would, in effect, restrict aluminum imports. It would be a so-called voluntary type of agreement on restricting imports.

There is a precedent for this approach. A similar agreement has been made with Japan under which Japanese textile manufacturers "voluntarily" restricted exports to the U.S. If they hadn't, there would have been mandatory restrictions imposed. The U.S. aluminum people believe it would be nice to have the same kind of voluntary agreement for their product.

* * One of these days you (or more likely your grandchildren) may be able to jump into your car in Toronto or Winnipeg and drive all the way to Moscow.

At least this is one of the ideas of Senator Warren Magnuson, Democrat of Washington, who is "deeply intrigued" with a Russian suggestion to build a tunnel for rail and vehicular traffic under the Bering Strait, linking

Asia and North America. He currently is seeking more information on the scheme from the Soviets and he has informed External Affairs Minister Sidney Smith that details of the proposal will be shared with Canada. Although he has not said so, presumably Magnuson also would like Canada to share the costs.

The Washington Senator views the Bering Strait tunnel as an extension of the proposed highway or rail link from the U.S. Pacific Northwest to Alaska, through British Columbia. There would be fabulous trade benefits from such a tunnel, especially for jumping off points like British Columbia and the Yukon. But don't hold your breath until it's ready!

* * Washington seems to be full of "think big" ideas these days. Here's another one from Senator Richard Neuberger, Democrat from Oregon. He says, "Lets set up free trade between Canada and United States."

Although this proposal will not shock Ottawa as much as did a somewhat similar British proposal relating to Canada-U.K. trade of last fall, it at least is fascinating. Neuberger's suggestion is for a five year trial period in which all tariffs, quotas, etc. would be abolished. He figures later on, the Canada-U.S. free trade area would be tied in with the European Common Market.

Senator Neuberger says his idea would "electrify" trade thinking in the free world. He has asked the Senate to approve his proposal at this Session. The Senate, however, will not be electrified and will not okay the idea.

* * On more mundane matters, the extension of the Reciprocal Trade Agreements Act likely will be for four years and authorize a 20% cut in tariffs. Ike will sign this one with delight. It's better than observers ever expected he would get.

This year, 1958, was supposed to be THE YEAR for protectionists. It's been anything but, and much of the credit goes to some hard lobbying in Congress by the Administration. A lot of credit, however, belongs elsewhere. When the Session began, Congress was in a protectionist mood. Just about the time the House of Representatives began voting on the bill, spit and stones were hurled at Vice President Richard Nixon in Latin America. This induced at least a temporary sense of international economic responsibility in many of the wavering Congressmen and resulted in a thumping victory for liberal trade.

Just about the time the Senate was voting on the bill--and killing some critical protectionist amendments added by the Senate Finance Committee--the Middle East crisis broke out. This again provided that, albeit short run, sense of international economic responsibility among the wavering and resulted in another big victory for liberal trade.

The White House worked hard on this one, as did Senate Democratic Leader Lyndon Johnson, but a couple of very able assists go to the spitters and stoners of Latin America and the Nasserites of the Middle East.

With this now ready for Eisenhower's pen, you can expect a round of tariff-cutting meetings in the Fall which may bring in more business and more profits for your exports to United States.

* * While Congress was providing this good news for Canadian exporters, the House of Representatives was landing a haymaker on the chins of Canadian farmers.

When President Eisenhower was in Ottawa, he assured us that the wild barter dealings in surplus farm products--mostly wheat--of years gone by, were now over. The House has made him eat those words and has passed a law which all but orders the Secretary of Agriculture to barter half a billion dollars worth of surpluses every year. This would be more barter than ever before and the U.S. giveaway program would ruin many a Canadian wheat market.

The farm State Congressmen tried to get this through the Senate, but failed. In the House, they succeeded. Now a compromise has to be worked out between the bills passed by the Senate and the House for renewal of the surplus disposal law--P.L. 480--and our only salvation lies in that compromise. If the Senate convinces the House to eliminate that barter provision, we'll be all right. If not, Canadian farmers had better look out!

* * American coal interests are holding meetings to try to find ways to get back their coal market in Ontario and Quebec. American coal exports to Canada this year have been extremely small--less than four million tons in the first half of the year compared with nine million tons in the same period the year before and ten million the year before that.

Interior Department officials and industry authorities are worried about any subventions Ottawa may provide Nova Scotia coal to enable it to get deeper into the normally rich Ontario and Quebec market. The recession has been a major enemy in this market along with change-overs to oil and natural gas, but the American coal interests want to retain as much as they can of the remaining market for coal. They're hopeful coal shipped by water from the Maritimes will have to pay a high enough St. Lawrence Seaway toll to offset any competitive advantage it might have over American coal as a result of any extra subvention.

* * "Highly satisfactory and encouraging." That's what the U.S. Corps of Engineers tells us on progress on the surveying for the Passamaquoddy Tidal Power Project. A major report on whether it is economically feasible to harness the enormous tides of the Bay of Fundy will be made in about a year's time. Unless there's a sudden change, as of now it looks like the Engineers will give a green light to the scheme.

* * If the "Chicago water steal" goes through Congress, we may have a clear precedent to unilaterally divert the Columbia River.

At least that's what the Senators of the U.S. Pacific Northwest are saying. The "water steal", so-labelled by Wisconsin Senator Alexander Wiley, is a plan to divert an extra 1,000 cubic feet per second of Lake Michigan water into the Illinois Waterway. It would be used to improve Chicago sanitary conditions. But the rub is that such diversion would lower the levels of the Great Lakes, thereby damaging shipping and power. We mentioned to you in our

last letter that this bill likely will go through. Well, the hearings have been held and our prediction still stands. But, the interesting point is, if the U.S. unilaterally diverts Lake Michigan, entirely within U.S. territory, does it give a clear precedent for us to divert the waters of the Upper Columbia, entirely within Canadian territory?

To many here, the answer is "yes." Public Works Committee Chairman Senator Robert Kerr told off objecting Pacific Northwest Senators by saying the headwaters of the Columbia belong to Canada anyway and she can do what she likes with them. Personally, we feel Canada already has plenty of legal ground to divert the Columbia if we wish to, although if Washington does okay the Lake Michigan diversion it would give us even more strength.

* * United States is 30 years behind Canada in hog marketing. That's not a boastful Canadian farmer talking, but hard-headed American farm experts who have completed a study of Canadian hog marketing. Their report will be used for adopting the American system along Canadian lines. The whole idea is to get a leaner hog. While feed does make a difference--American hogs eat fat-producing corn while Canadian hogs have an oats and barley diet--it still is the marketing system that really does the trick, say the Americans. And one of the first changes expected in the U.S. would be a system to pay farmers more for a leaner hog . . . now, they get almost the same as for a fat one.

* * And speaking of agriculture, Washington has been asked to try to kill Canadian ideas on higher tariffs for fresh and canned fruit and vegetable imports. The plea comes from the American Farm Bureau Federation which notes that some American farmers are complaining about heavy Canadian imports of livestock. The hint is clear . . . tell Canada to leave the fruit and vegetable tariffs alone or else we'll ask for import protection against Canadian livestock. Last year, American farmers sold \$159 million worth of fruits and vegetables to Canada.

* * A Great Lakes Basin Compact comprising U.S. States on the Great Lakes and Ontario which would discuss problems, plans and ideas on the Lakes is slipping through Congress. Ontario would not be a full-fledged member of the Compact--only a non-voting observer. This gets over State Department objections to an original proposal which would have given Ontario full status.

The bill setting up the Compact has been okayed by the Senate Judiciary Committee and probably will get a Senate okay. There is a question, however, as to whether there is enough time left in this Session of Congress for the measure to go through all the necessary red tape before becoming law.

Sincerely,

The Editors

P.S. Have you heard this one? . . . Said one businessman to the other:
"Have you had an Eisenhower cocktail?"

Said the other businessman: "No. What is it?"

Said the first businessman: "Business on the rocks."