

WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

That noise you hear coming up from south of the border is the first sampling of Congressional campaign oratory. The first Tuesday in November--the fourth--is a date to keep in mind. That's when Americans go to the polls and as of now they are expected to give a thumping victory to the Democrats. The landslide Democratic triumph in Maine is an indication of the trend. November 4 is important to you because the Congressmen who will be dealing with many of your problems will be chosen.

Of particular interest in that Maine race is the re-election of Representative Frank Coffin, Democrat. He is one of Canada's best friends in Washington and his loss would have hurt us. But now, he's back in office and can be expected to exert strong pressure on the Administration to lift import restrictions against Canadian oil. He also will go to Canada shortly to carry on with his studies of Canada-U.S. relations. He may come up with some legislative proposals next year in Congress to improve those relations.

Another Democratic victory in Maine was the Senate race going to Governor Muskie over the incumbent Republican Payne. Insofar as Canada is concerned, it won't make too much difference, although Muskie might be a little vocal in urging elimination of restrictions on Canadian oil. Anybody from Maine, however, will be anxious to protect the fishing industry against Canadian competition so you can't expect any let-up in the pressure here.

As we get nearer the November election, we'll take a close look at it and see what it means to you.

* * There will be a big reception in Washington next January for eight Canadian Members of Parliament who will confer with their Congressional counterparts. The Canadian visit has been arranged by Sen. George Aiken, Vermont Republican, who is Chairman of the Senate Subcommittee on Canada. This will be an ideal opportunity to effectively tell Canada's story to the American legislators. The idea of the Canadian visit is to set up a United States Subcommittee in Parliament similar to Sen. Aiken's group in Washington.

The way this Senate Subcommittee on Canada has gotten down to business so quickly indicates it means business in bettering Canada-U.S. relations. In fact, in a survey of the Chairmen of Congressional Committees, your editors found more awareness of Canada than ever before and optimism that with the mechanism for better relations now set up, things will get much better.

* * The Columbia River issue between United States and Canada might wind up in the United Nations. The International Law Association has issued a report saying, "co-riparian states should refrain from unilateral acts or omissions that affect adversely the legal rights of a co-riparian state in the drainage basin."

Washington is likely to use this argument in negotiations with Canada over power development on the Columbia. The Big Washington fear is that Ottawa might go ahead with the scheme of diverting the Upper Columbia. The world law body says if two nations just can't work out a solution to their problem on joint development of a river, then the whole thing should be handed over to the United Nations.

* * Canadian uranium concentrate is starting to pour into United States in a big way. In the first half of this year, we shipped 5,730 tons of concentrates to the U.S., almost 2,000 tons more than in the previous six months. And even more is being exported to the United States in the last half of the year. By the end of December, the U.S. Atomic Energy Commission expects Canada will have shipped about 12,500 tons of uranium concentrates to the United States.

This increasing Canadian export results from Canada's mines getting into full speed and fulfilling contract obligations. It also is making American uranium producers unhappy to see the increasing flow from Canada. They tried unsuccessfully some months ago to get the U.S. Government to cut down on Canadian imports. Failing in that, they now are trying to make sure current contracts--most of which run until 1962--are not renewed or are sharply reduced when 1962 comes along. This attitude can be contrasted with the attitude of physicists working in the nuclear field who are worried that there may not be enough uranium around to last very long.

* * Negotiations soon will be underway between Manitoba and the State of Minnesota for building a highway to provide access to the northwest angle of the state. Legislation was passed at this last Session of Congress to authorize the negotiations. Whatever deal is made between Minnesota and Manitoba will have to be ratified by the U.S. Senate.

* * The Federal Power Commission is back on the job in Washington after the usual August vacation. It had been expected the Examiner would make his recommendations on the red-tape snarled Tennessee-Midwestern case before the holidays. Plans were changed, however, and this one still hangs fire. You will recall this is the proposal to bring Canadian natural gas into the U.S. upper midwest. Since it now is getting so late, there is a possibility the Examiner might wait until the Borden Commission interim report comes out before making up his mind on the import permission.

* * Speaking of Henry Borden, there has been talk that he was among those being considered as the New Canadian Ambassador to Washington. The present Ambassador, Norman Robertson, is going back to Ottawa shortly. No successor has been named yet, but there is a likelihood that whoever gets the job may not be a career diplomat.

* * The strong American statement denouncing Red China's 12 mile territorial water claim may cause Canada trouble. Originally, Canada wanted a 12 mile limit, too. At the Law of the Sea Conference in Geneva last winter, we finally proposed

a three plus nine formula. This was three miles of territorial waters and a nine mile contiguous zone over which we would retain certain rights. At Geneva, United States reluctantly went along with our idea.

But now, even our three plus nine formula might muddy the international political waters, especially in the Formosa Strait. So, Canadian fishermen may now have to continue to suffer with "intruders" moving to within three miles because of the Matsu and Quemoy crisis. And the U.S. has backed into such a strong position that it would be exceedingly difficult for it to back out again at a future Law of the Sea Conference, even to the extent of going along again with Canada's three plus nine proposal. Meanwhile, the five Nordic countries--Iceland, Denmark, Sweden, Norway and Finland--are asking for a new United Nations Law of the Sea Conference to iron out this problem.

* * Well, the shoe is on the other foot. Normally Canada is found complaining about American trade policies and threatening to take Washington to the General Agreement on Tariffs and Trade. But today, it's the other way around. Our new legislation tightening the Canadian anti-dumping laws is the villain. Washington has formally protested against the tightening done in Ottawa this summer and has charged it is a violation of G.A.T.T. The Americans have noted pointedly that the legislation has not yet taken effect and their hope is that the Canadian Government will hold up its implementation.

* * There are new proposed changes in the American Oil Import Control Program. They won't make much difference for Canadian exporters, but one bright note has been voiced by Capt. M.V. Carson, the man who administers the oil import control program. He has proposed raising the import quota for east of the Rocky Mountains from the present approximately 713,000 barrels a day to about 751,000 barrels a day.

This rise would come about through a complicated set of regulations being changed. Basically, here's what he suggests: the present rules provide that imports of crude oil be limited to 12% of the volume of domestic production ...the new rules would base the limit on demand. The ceiling would be raised or lowered in keeping with trends in demand as it has been altered in the past in the keeping with production changes. Under the new proposals, changes would be more gradual than before because demand fluctuates less than production.

One interesting note in the new proposals is that an importing company in the future must have refinery facilities in the United States and its individual quota will be based on its refining activity.

* * While President Eisenhower tries to figure out what to do about lead and zinc imports, his Budget Bureau is making it clear it is against any stockpiling as a way out of imposing higher tariffs. You will remember the President still has on his desk that unanimous Tariff Commission recommendation for higher tariffs. He's got to do something about it fairly soon. Originally, he stalled while offering Congress a wide deficiency payments scheme instead of higher tariffs. Congress, however, would not go for it and now, Mr. Eisenhower has got to decide whether to have higher tariffs, another stockpile (against Budget Bureau advice), some Administrative action on subsidies or some other device to avoid higher tariffs.

* * Incidentally, have you seen the 19 companies from Canada, Mexico, Peru,

United States, Australia, United Kingdom and Germany have agreed to set up a cooperative research bureau to find new uses and new markets for the minerals. An American, Dr. Schrade Radtke who has been head of the Metallurgical Laboratories of the Reynolds Metals Co. will head up the new research project.

* * And while still on the lead and zinc beat, it is encouraging to note that the demand for zinc has turned sharply upward in United States in the last month. For the first time this year zinc stocks in the hands of smelters turned downward. This may tend to relieve some of the intensity from the pressure for higher lead and zinc tariffs thereby, in turn, taking a little heat off the Canadian lead and zinc exporters.

* * In case you may have missed it, President Eisenhower vetoed that Congressionally-approved bill to build an atomic ice breaker for the Arctic. Actually, Canada is lucky Mr. Eisenhower said "no." If he had signed the bill, it would have meant United States would get a tremendous lead in Arctic exploration. In fact, the U.S. would have, in effect, taken over almost all Arctic exploration. His veto of the atomic ice breaker, therefore, gives Canada another chance to reinforce our claims in the Arctic with further exploration, settlements, etc. And perhaps now would be the time to move up the Labrador.

* * The aluminum industry could get a shot in the arm from Detroit. The American auto makers are using more and more aluminum these days. Most Detroit seers think the air-cooled, opposed-piston aluminum engine is the auto powerhouse of the future. Weight is one big reason why aluminum is being favored. In ordinary engines you can save between 100 and 200 pounds if you substitute an aluminum block for the conventional grey iron. Another 160 pounds can be saved in the radiator with an aluminum engine because it gets rid of heat much better than iron.

The experts also say you can save three to four pounds on the supporting structure of a vehicle for every one pound of weight saved on the engine. So, the aluminum industry is looking hungrily at this big potential market and it could mean more business for Canadian plants--a nice prospect to look for in view of the current market miseries for aluminum.

* * Washington is putting the finishing touches on another giant farm surplus deal with India. This one is expected to be a \$200 million dollar arrangement, probably most of it in wheat. This has been a poor crop year in India because of drought in some places and heavy rains elsewhere. The production of rice, wheat and other grains has fallen 6,700,000 tons short of estimates. So, New Delhi has been arranging for help from Washington to tide them over.

In the last two years, United States has given India American farm surpluses valued at more than \$425 million.

Sincerely,

