

# WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

Talk about the price of gold is in the air once again. But no sooner does somebody suggest a price rise than this idea is beaten down by a governmental official. Per Jacobsson, Managing Director of the International Monetary Fund is the latest official to do some beating down. He says a gold price boost means more inflation. In case you missed his speech to the American Finance Association, here's what he said in a key paragraph:

"If the gold price were to be raised the result might well be that too much gold would be offered to the monetary authorities. Liquidity can be excessive, giving rise to further inflation if costly and difficult countervailing measures are not taken."

Despite his attitude, the new Session of the U.S. Congress is bound to see the usual efforts by mining State Congressmen to get a raise in the price of gold or at least get a study undertaken which might lead to a raise.

\* \* You'll be hearing some important news one of these days about the sharing of American defense orders by Canadian industry. A lot of experts are commuting between Ottawa and Washington, lining up plans for the sharing of orders. We mentioned something of this in our last letter to you and as time goes by, it looks more encouraging for Canadian industry, especially our electronics plants. All is hush-hush right now; nobody wants to disturb the Canada-U.S. governmental negotiations. The only possible fly in this ointment might be the power of the defense industry lobbies in Washington. They're not going to like the idea of sharing contracts with us and could raise a mighty howl in Congress in the coming months. In fact, the U.S. Administration should be complimented for daring to face this powerful lobby in Washington. A little missionary work in the U.S. capital by Canadian businessmen among the U.S. industry lobbies might be a good idea.

\* \* In our last letter, we warned you Washington was thinking of throwing Canada another curve by a return to big-scale barter deals. Three days after you got the letter, an official announcement was made accelerating the current barter program of exchanging American farm surpluses for strategic materials.

For our grain farmers, this is bad news. For our mineral industry, however, it might help to firm up markets, especially lead and zinc. It was the drastic reduction in the U.S. barter program a year and a half ago which

played a major part in the eventually successful demands by American industry for more import protection against foreign lead and zinc. When the barter program stopped, the lead and zinc markets began falling apart.

For Canada's overall economy, though, the new U.S. barter program will give us trouble. No one is sure just how much more surplus will be bartered, but there will be plenty more, despite U.S. claims that Canada is exaggerating the potential damage. The Canada-U.S. Cabinet level economic committee meeting in Washington a year ago heard U.S. assurances on barter and President Eisenhower himself told the Canadian Parliament that Canadian objections to barter were being removed.

Of course, the White House did not go back on its word to Canada just to try to move more surpluses. The real reason lies in the realm of politics which motivates so many strange twists in American policies. The Administration, specifically the Department of Agriculture, is scared to death that the flood of Democrats pouring into town when the new Congress opens in January will wage a battle royal for high price supports...and maybe even demand an arbitrary figure on barter such as \$500,000,000 as was tried last time. In an effort to blunt this, the White House moved in with the accelerated barter program. Maybe if we give them a big barter scheme, they'll take it easy on us, was the Administration reasoning. But it won't work, and you can expect to see this latest barter program increase simply act as an incentive for the Democrats to demand even more.

Once again, it proves that your economic health--whether you're a farmer, politician or businessman--is wrapped up with the U.S. Congress.

\* \* Speaking of things rural, Canadian farmers will find a smaller market in United States in the next year for hogs. Prices are expected to fall considerably over the next 12 months and the U.S. market will not be very attractive for Canadian producers. Also, the falling prices may increase agitation for restricting imports.

On another livestock front, though, things look better than expected. Canadian cattlemen can expect 1959 to be another good year for exports to the United States. Not as good as 1958, of course, but still, a lot better than average or than expected. This is because original expectations of slaughter in the U.S. next year now are being sharply reduced. This means a continuation of high prices and good markets for Canadian cattlemen.

\* \* Washington is doing some head-shaking at the public utterances of Prime Minister Diefenbaker and External Affairs Minister Smith. On his round-the-world voyage, Mr. Diefenbaker has spoken loudly for serious consideration of the so-called Rapacki plan for a demilitarized central Europe. He also has been a vigorous advocate of more effective consultation among NATO allies. The Rapacki plan is poison to current State Department thinking and although Mr. Dulles talks frequently of closer consultation, he does not always necessarily mean effective consultation, but rather consultation in which the U.S. tells the others what is going to be done.

But Mr. Smith's Seattle comments about the need for a summit meeting and the wisdom of having Red China present, really sent the State Department brass searching for their tranquilizer pills.

On top of all this, the State Department is beginning to wonder in private how come Mr. Diefenbaker is so slow in naming an Ambassador to Washington. Canada has been without an Ambassador in the U.S. for more than a month. Tongues are beginning to wag as to the reason for the delay. Questions are being asked, of course in private, as to whether this is some sort of delicate diplomatic spanking Mr. Diefenbaker is administering to Washington.

\* \* We've been checking for you on the plans of Tennessee-Midwestern re importing Canadian natural gas. You'll remember the Federal Power Commission said "No" to the first plan because Trans Canada, the supplier to Tennessee-Midwestern, did not have adequate reserves. But the FPC gave the company, and others, time to file new applications. Well, an application has been filed by Tennessee-Midwestern for the bottom half of their old project, that is, to supply the Chicago area with American gas pumped up from the South. But no application has been made, nor a letter of intent submitted, regarding the importation of Canadian gas. Tennessee-Midwestern, however, has said it does intend to make such an application "later."

Northern Natural also has filed a letter of intent, wanting to supply the Upper Midwest with natural gas. This would come from U.S. sources, but the company's letter says, "consideration will however be given to the possibility that in the future, Canadian natural gas may become available."

And Michigan-Wisconsin also has filed a letter of intent to serve the Upper Midwest region, again with American natural gas, not Canadian.

There still is no application at the FPC for the big project on the West Coast to bring Alberta gas via Westcoast Transmission and Alberta and Southern into United States, and pump it into the lush California market. Any FPC application will be filed by Pacific Northwest and El Paso. Supporters were encouraged, however, in the FPC decision turning down Tennessee-Midwestern's import plan because the decision seemed to approve heartily of the principle of imports, provided there is an adequate source of supply.

\* \* "Right-to-work" supporters are carrying on their fight in United States after the election shellacking. This is of interest to Canadian executives because what happens on this issue in United States could next occur in Canada. William T. Harrison, Executive Secretary of the National Right To Work Committee says he is concentrating now on drumming up support in Illinois, Louisiana, Wisconsin, Wyoming, Maryland, Connecticut, Delaware, Rhode Island and Michigan. He hopes voters in these States will eventually get a chance to vote on the issue.

In addition, the Committee is girding for a fight against union efforts to void laws now in effect in 19 States.

\* \* When Congress comes to town January 7, one of the first bills that probably will be tossed into the hopper is one calling for pilots on ships using the Great Lakes and the St. Lawrence Seaway. This proposal died in the last Session largely because of Canada's objections to it. There is considerable apprehension in Ottawa that the pilots would mean much extra expense for Canadian shipping. But the U.S. Coast Guard is pushing hard for the proposal once again. Vice Admiral Alfred C. Richmand, Commandant of the U.S. Coast Guard says, "I

fully intend to do all in my power to continue to press for this very important marine safety legislation early in the Next Session of the Congress."

\* \* We're not rushing the season, but...Christmas is only one month away. And a multi-million dollar Canadian business is shipping Christmas trees to the American market. This year our Christmas tree shippers may run into a little more trouble. A new regulation in New York State on tree standards complicates life a little. Our shippers should be sure they meet the standards or else they'll lose some business.

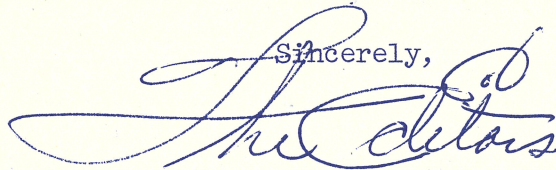
\* \* Canada is getting ready to pay United States for damages along the shores of Lake Ontario. The trouble started with the building of Gut Dam in Canada which raised the level of the Lake and damages property on the American side. We're told by officials here that Ottawa will put some money in the next budget to start the ball rolling. Says Representative and soon-to-be Senator Kenneth Keating of New York State: "They (Canadians) are finally willing to play ball with us on this issue."

\* \* Washington has begun an investigation of fluorspar imports. This is under the protectionist loophole in the Reciprocal Trade Agreements Act legislation which allows restrictions if an import is threatening to impair the U.S. national security.

If you're interested in the matter, you can submit views and comments to Leo A. Hoegh, Director of Civil and Defense Mobilization, Washington 25, D.C. He wants to get these views and comments as soon as possible.

The U.S. Government program to purchase fluorspar expires under the present law on December 31, 1958 and hence the domestic industry is looking for another means of support and has decided keeping out imports is the best available way.

Sincerely,



P.S. Well now we've heard everything! The Minnesota Mining and Manufacturing Co. which makes Scotch Tape and other such things, has come out with the ideal item for the tired businessman: a portable martini. It's packed in a vinyl plastic envelope. The plastic does not affect the taste whatever and you can handily carry half a dozen such envelopes around in your pocket. They can be snipped open by a pair of simple nail scissors or, in emergencies, they can even be bitten open.

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