

WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

Season's Greetings to you from your editor-letter writers!

And while you're finishing off the turkey or uncorking the bottle, you might be feeling reflective about what's going to happen down here in Washington that will affect you in the coming year. Well, here are a few things Canadians will be experiencing in the U.S. capital in 1959:

* * In the first place, our farmers are going to get into some trouble. The Democrats will be pushing hell-bent-for-leather to get high, rigid price supports. This leads to surpluses. This leads to dumping. And this leads to misery for Canadian farmers. But just to keep things perking, the Congressmen likewise will push for a long-term extension of U.S. Public Law 480--the surplus disposal legislation--and tying it in with U.S. foreign economic policy. Eisenhower probably will veto any rigid, high price support legislation passed in Congress. The big question will be whether a two thirds majority could be mustered in Congress to override that veto.

Wheat will be the number one target for 1959 in Congress. Mr. Benson, the Agriculture Secretary, will be offering something akin to what the American corn growers took the other week--unlimited acreage and a slightly smaller price guarantee. Some people think this corn vote was an expression by American farmers for more freedom...it was not. It was only an expression by American farmers that they figure they can make more money with unlimited production and \$1.13 a bushel corn. And the wheat farmers might do the same thing if given the chance. If that happens, we'll have surplus wheat running out of our ears. Also there is a strong possibility that a two price (really a three price) plan for wheat will be given serious consideration. And that almost automatically leads to wholesale dumping on the world market.

And of course, Congress will go after Canadian seed wheat again, trying to keep our roughly \$12 million in exports out of United States.

* * There won't be much of a hog market in United States in 1959 with prices expected to skid to near disastrous levels late in the year. The U.S. cattle market, however, will hold up all right for us. There may be efforts in Congress, though, to try to restrict our hogs and cattle in the American market.

* * On oil, there will be the usual efforts in Congress to make the restrictions on imports even tougher.

* * On lead and zinc, there likewise will be a drive to make the import curbs tighter. They'll last at least another year...maybe two.

* * Also watch for a campaign to keep out Canadian natural gas.

* * The Chicago "water steal", that scheme to divert extra water out of Lake Michigan, thereby lowering the levels of the Great Lakes, will be pushed again by the Illinois politicians with tacit White House approval.

* * There also will be the usual complaints in Congress about the cost of Canadian newsprint and about competition of Canadian aluminum. There may be some crying from the Tennessee delegation re Canadian "price cutting" on aluminum which involves nothing more than guaranteeing customers no price increases for certain periods..."unfair" say the U. S. companies, who promptly did the same thing.

* * There may be some effort in 1959 to hold back the Administration plans to share some defense contracts with Canadian companies. Details of such a sharing now are being worked out quietly for fear Congressmen will balloon up the whole thing into a political storm, hollering about giving jobs to foreigners when many Americans still are out of work. The Administration is philosophically on our side for the most part in this matter, but it's scared to death of what Congress may do or say.

* * You can also expect another effort to force use of pilots on Great Lakes shipping which would boost the cost of shipping via the Lakes. And, too, there will be efforts to restrict plywood and hardboard imports as well as a campaign to hold back any Administration plans to continue buying foreign uranium after 1962 and 1963.

* * All this is a lot of gloom to give you at this happy time of year... but to be forewarned is to be forearmed. And the essentially middle-of-the-road Democratic leadership in Congress--Sam Rayburn in the House and Lyndon Johnson in the Senate--will be able to hold back some of the most dangerous legislative proposals insofar as Canada is concerned. They will, that is if they are made aware of the implications such legislation has for Canada.

* * There are, however, some nice post-Christmas presents in store for Canada in 1959 in Washington.

Perhaps the best of all would be the finalization of arrangements for closer consultation and cooperation between the legislative branches of the Canadian and United States Governments. As we've mentioned to you before, a delegation of Canadian Parliamentarians are coming down next month--January 9 and 10. They will confer with U. S. Congressmen in hopes of forming a sort of mutual education society. It is from Congress that most of Canada's troubles with Uncle Sam stem, and if this Parliament-Congress link can be firmed up, it will be the greatest "leap forward" in Canada-U. S. relations in recent history.

* * And there are some other nice things that may happen to you in the coming months in Washington. While the oil state Congressmen will be fighting for tougher import restrictions, Senators Humphrey, Proxmire, McCarthy, Muskie

(all Democrats) and a few others, will be on Canada's side in trying to open the U. S. border to free entry of Canadian oil. They all have their own axes to grind on this subject, of course, but that's all right so long as our axe gets sharpened in the process.

* * You should keep your eyes on Rep. Frank Coffin, Maine Democrat, who may come up with some legislation next year for better Canada-U. S. relations. He wants much closer economic cooperation--real cooperation, not just hot air.

* * These are the Congressional prospects facing you as a Canadian over the next year. The Administration in Washington is starting the year off very well...they're sending up the "first team" to Ottawa for the fourth session of the Canada-U. S. Cabinet-level Economic Committee. These meetings have produced good fellowship, some mutual education, precious few accomplishments and a lot of hot air. You can expect the same thing emanating from Ottawa's hallowed halls January 5 and 6 when Washington sends up Interior Secretary Seaton (who will try to explain about the U. S. lead and zinc quotas), Agriculture Secretary Benson (who will try to explain about expanded barter deals on surpluses), Treasury Secretary Anderson (who will explain why nothing can be done about the price of gold), Commerce Secretary Strauss (who will explain about the St. Lawrence Seaway and sales to Mainland China), and Secretary of State Dulles (who will explain everything).

* * During 1959, you may find the Alaskans turning out to be the best friends Canada will have in Washington. They're attuned to "northern" thinking and all three members of the Alaskan delegation to Congress are good friends of Canada.

For one thing, you will be hearing more about their idea to give Canada a corridor through the Alaska Panhandle and a free port on the Pacific. The Alaskans are thinking seriously about pushing this in 1959 in exchange for joint development of the Yukon River. Alaska desperately needs more power and she is willing to give Canada the corridor and window on the Pacific in exchange for Yukon power.

A corridor and port for us might do wonders for the economic development of the Yukon and northern British Columbia which now are shut off from the ocean by the Panhandle. Here's what the Alaskans would like to give us for Yukon river power (maybe you'd better get out your map):

A corridor which would run along the "old Dalton Trail", leading into Alaska from Pleasant Camp where a branch of the Alaska Highway crosses into Canada from Haines, Alaska. The corridor would lead east and southeast to the ice-free port of Pyramid Harbor, a few miles south from Haines and well south from Skagway. Pyramid Harbor could be developed into a good port...it's the site of an abandoned cannery. We would get the territory under lease; we wouldn't own it outright.

The only catch is, how much is it going to cost us? Maybe the settlement on the Columbia, if one comes this next year, will lead to a deal on the Yukon and the corridor. Keep your eyes on this one.

* * New Alaska Senator Ernest Gruening told us this week he's going to push hard for a speed up in the study on the economic feasibility of building a highway or railway from the Pacific Northwest, up through British Columbia to Alaska.

With Alaska as a State there will be a lot of pressure on the Administration for such things as these, pressure which the Administration will not be able to toss aside so easily as it has in the past.

* * And speaking of the Columbia River as we were a minute ago, the big question now is, what will we be paid by United States for joint development of that power-laden river. Ottawa, announcing its desire for early negotiations, hinted at a 50-50 split of the extra power generated at the American power plants downstream. This is greeted here with sighs...we'll have tough time getting it, although a Washington State Senator once suggested this figure. Senator Richard Neuberger, Oregon Democrat, who is up to his ears in this matter, has suggested giving Canada up to 32% of the extra power. The International Joint Commission meeting in Chicago in mid-March will open negotiations. Maybe the settlement will be somewhere between Neuberger's 32% and our 50%.

* * A man here in town who usually has the inside story tells us that the Tennessee-Midwestern proposal to import natural gas from Canada is "dead as a dodo". Tennessee-Midwestern is seeking permission to go ahead with the lower half of its project serving Chicago with gas from the U. S. South. It says it intends to also seek Federal Power Commission okay for the northern half, but so far, there has been no action on this. Northern Natural, in its new application to serve the Upper Midwest market, says it may "later" take Canadian gas. There is a feeling that the FPC favors Northern Natural serving the area rather than Tennessee-Midwestern.

There are a number of IF's standing in the way of anybody bringing in Canadian gas. Number one IF is, if the companies concerned can line up reasonable contracts with Canadian pipeliners. Number two IF is, if these pipeliners can line up a firm and adequate source of supply. And number three IF is, if the pipeliners can have reasonable assurance of getting a Canadian federal okay to export to the U. S. When those IF's are satisfied, we'll likely be shipping gas down to the lush U. S. market. The FPC in Washington already is on record as favoring Canadian imports. But until the IF's which lie within Canadian territory are cleared up, there won't be any Canadian gas entering United States in new big deals. And if we wait too long, we may find ourselves out in the cold with gas from the U. S. South serving the Upper Midwest at least for the next ten years or so. The Americans will have to get their gas from us eventually but in the meantime it could get economically uncomfortable to keep Canadian gas in the ground too long.

* * American farm surplus disposals will last at least five years... maybe ten. And within the next five years, at least \$10 billion to \$13 billion in American surpluses will be pushed into the world market under heavy Washington subsidy. These are the conclusions drawn from the most honest and at the same time most unpalatable (for Canadians) report ever done in United States. It's a report by John H. Davis, former Assistant Secretary of Agriculture, done for the State Department. It will guide Administration legislative planning for 1959. He recommends long-term planning.

Sincerely,
The Editors