

WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

Gold is back in the news again in Washington.

At least half a dozen bills have been introduced in the House and Senate to allow free marketing of gold. The chorus of pro-gold Congressmen has been increased by three this year with the two Alaskan Senators and one Representative lining up rather vigorously on the side of gold. One bill in the Senate proposes both free marketing of gold and a price of \$70 per ounce instead of the current \$35.

A section of one of the bills introduced by Alaska Senator E.L. Bartlett is worth your notice. Here's what it says:

"Sec. 2--Gold imported into the United States or any Territory or possession thereof after the effective date of this Act may be held, bought, sold or traded upon the open market within the United States and any Territory or possession thereof, for any purpose whatsoever, and may be exported without the imposition of duties, excise taxes, the requirement of licenses, permits or any restrictions whatsoever."

The best informed guess in Washington, however, is that despite the added pressure for this kind of legislation, the Administration remains opposed and prospects for passage in 1959 are slim.

* * Key officials in the U.S. Administration (and Ottawa officials, too) are concerned about stories that Canada soon will be getting a healthy slice of American defense contracts. The truth is that the Administration is anxious to shift some of the contracts to Canadian industry and has made arrangements to do so with Ottawa. But, as usual, Congress is the big problem. One high official told us in commenting on newspaper stories of the arrangements, "I'm scared to death of them. I just hope no Congressmen see them."

He means of course that if the marriage of Canadian and American defense industries is widely publicized, the Congressmen, pressured by highly effective Washington lobbies, may well move in to try to kill the whole thing. With four million-plus unemployed in United States, many a Congressman feels defense orders should stay home and provide jobs for Americans instead of Canadians.

Anyway, keep your fingers crossed on this "marriage". There are a lot of roadblocks and the Administration may yet get cold feet and try to back out of it.

* * It looks like Washington definitely is not going to buy our CF-105, the Arrow, and further, current Pentagon thinking is that it would be largely a waste of money for Canada to go ahead on its own with Arrow production.

The new American budget says no manned interceptors will be purchased in fiscal 1960, which starts next July 1. In addition, it now is clear that the F-102's and F-106's are being phased out, being replaced by Bomarc. The Arrow is similar to the F-106. U.S. Air Force planners want to use the Bomarc for all intermediate range interception. And they want to use the now-being-developed chemical-powered, supersonic F-108 as the one and only long-range interceptor.

In the new concept of North American defense, the Americans figure it this way: the first line of defense will be the F-108's tangling with an attacking enemy far out over our Arctic wasteland. The second line of defense is the Bomarc and the third line is the Nike families grouped around cities.

While no more interceptors are being purchased in 1960, the F-102's and F-106's will do the job of intercepting, gradually being replaced by the Bomarc. And within three years or so, the F-108's would be ready. Since it would take a couple of years to have our Arrow's flying in any numbers, this concept of defense means they would be being phased out in favor of Bomarc even before they're off the assembly line.

* * Also in the new American budget, incidentally, is confirmation of what we mentioned to you a couple of letters ago. That is, that the St. Lawrence Seaway tolls likely will remain the same as those recommended last summer. In figuring out costs of Seaway operation in 1960, the U.S. budget based its income estimate on the recommended tolls.

* * Aluminum has been looming large in Ottawa and Washington lately. The Alcan turn down of the Chinese bid finds Washington officials taking quiet comfort, especially such individuals as Assistant Secretary of State Walter Robertson and Commerce Secretary Strauss. They seem content that they did not have to even make any quiet warnings about the dangers of such trade with China. Alcan got the word from Washington without it being spoken.

On Capitol Hill here, aluminum will be number one item on a Congressional investigation of world competition by the Interstate and Foreign Commerce Committee. Chairman Warren Magnuson, Washington Democrat, tells us his group will give special attention to Russian competition. These hearings were spurred by a meeting of American aluminum producers and Congressmen from the aluminum-making States on what to do about world competition.

Once aluminum is dealt with, the Senate Committee will take up Russian competition on lumber, minerals and farm machinery. No date has yet been set for the start of the investigations.

* * Most everyone here seems resigned to the expectation of tougher U.S. oil import controls to be announced between now and the end of February. Probably this will include some form of mandatory controls instead of the present voluntary program. And chances appear to be slipping for any special exemption for Canadian oil.

Attorney General Rogers has submitted a memorandum to the White House warning that the present voluntary program runs afoul of anti-trust legislation.

* * Speaking of oil, Richfield Oil Corporation in the U.S. wants to use an A-bomb blast to get at the oil in our far northwestern Athabaskan tar sands. Company officials have been conferring with Ottawa on the matter. They want to set up a committee to look into the economic feasibility of the idea, embracing Richfield, the Canadian Government and the U.S. Atomic Energy Committee.

Richfield leases about two million acres of tar sands in the Athabaska area. It's been considering use of heat generated by a nuclear blast to free oil from the tar sands for the last couple of years. The cost would be well over \$1 million.

* * The Americans are thinking of using the newest gimmick in the atom world for power along the DEW Line. The Atomic Energy Commission in Washington figures its new atom generator could be used most effectively in the far north of Canada. This is the atom generator displayed recently at the White House which was no bigger than a man's hat, has no moving parts and is capable of doing the work of 1,450 pounds of the best electric batteries. In quantity production this atom generator would cost not more than about \$200 each. Altogether, it's a significant breakthrough in the direct conversion of heat into electrical energy. For the DEW Line, the AEC figures this atom generator would be ideal because of the high cost of getting batteries up there and because of the high cost of conventional power sources (diesel fuel on the DEW Line costs up to \$26 a gallon). The AEC says this atom generator may move to Canada's northland "soon."

* * There is a warning for Canadian Industry in the latest storm in Washington's teapot over foreign companies bidding on contracts in the United States. You've probably read how English Electric, although bidding 17% under the lowest American bidder, lost out on a contract to provide two turbines for an Arkansas power project. Although the British bid was well under the Buy American Act percentages, the bid was tossed out on national security grounds. That's the same reasoning that is restricting U.S. imports of foreign oil.

If any "marriage" of Canadian and American defense industry is going to work, we've got to have some kind of assurance that this "national security" protectionist loophole won't be thrown at us often if at all. Secretary of State Dulles has commented that everything was "honest" and "proper" in the English Electric case. So, there is not much moral support coming from the State Department in such instances. When queried by reporters about how this action squares with his oft-repeated statements about the necessity of more liberal trade, Mr. J.F.D. says that general principles can't be applied across the board.

Now, however, what Mr. Dulles won't do, may be done by a House Subcommittee on Foreign Trade Policy. It is concerned about the possibly frivolous use of "national security" reasons for keeping out imports. Led by liberal-minded and Canadian friend Hale Boggs, Louisiana Democrat, this Subcommittee is going to see if this protectionist loophole needs a little plugging.

* * The Shoe-Is-On-The-Other-Foot Department: Washington, pushed by U.S. coal companies, is concerned about Canadian subsidies on Cape Breton coal, fearing this may help the Canadian coal move into the Ontario market, long supplied by U.S. coal. The U.S. interests have asked the State Department to request Canada not to give the subsidies. Seems to us Canadian farmers have tasted this principle before and on a bigger scale losing markets to the U.S. because of high U.S. farm subsidies. Washington has not done much to ease our problems, though, and it might seem somewhat strange for Washington to ask us to stop doing for coal what is being done by the U.S. for farm products.

* * And here's another item for the Shoe-Is-On-The-Other-Foot Department: After Canadian cattle have been finding such a lush market in United States in the past year or so, American cattle now are moving into Canadian markets. The reason? High prices in Montreal and Winnipeg. If the Canadian prices stay high, we'll see a lot more American cattle moving north.

* * Justice Minister Davie Fulton has been in town talking anti-trust matters with the U.S. Attorney General. Specifically, the Washington trust busters case against U.S. radio and tv-makers for actions of their Canadian subsidiaries, has brought the two together. But the Attorney General told us shortly before meeting Mr. Fulton that he's not going to share any anti-trust information with anybody, Canadians or anybody else. The reluctant Attorney General was pushed into the meeting with Mr. Fulton by the State Department anxious to soothe Canadian concern over the apparent U.S. trust busters extra territorial application of U.S. law. There has been hope that some kind of arrangement could be worked out similar to how the SEC operates in cooperation with Provincial securities bodies on fraudulent sale of Canadian stock to American residents.

* * And you'd better mark down on your calendar the date of April 20. That's the day that the 17th biennial congress of the International Chamber of Commerce opens here in Washington. It'll be a six day meeting, bringing together the leaders of the world's business community.

Sincerely,

The Editors

P.S. We know, and you do too, that automation is a fine thing. But still, man is a pretty important item in the overall scheme of things. As somebody once said, "nowhere else can you find a self-maintaining computer with built-in judgment that can be mass-produced by unskilled labor".

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