

# WASHINGTON • THROUGH CANADIAN EYES

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Dear Sir:

"Food for peace."

You're going to be hearing a lot about this phrase in the coming months. Agriculture Minister Douglas Harkness may be coming to Washington to talk about it this summer and Canada could wind up exporting a lot of subsidized wheat under its banner in a year or two.

Basically, President Eisenhower wants farm surplus-producing nations like Canada, Australia, United States to operate a kind of international Public Law 480; that is to have an overall coordination of bilateral give-away programs. He figures this would reduce foreign criticism of the U. S. surplus disposal programs; help in the Cold War; meet a humanitarian need; and mend a few political fences at home.

The idea really belongs to a Mr. Don Paarlberg, who is one of Mr. Eisenhower's economic advisors. He'd like to see these give-aways build up national reserves in the so-called hungry countries. Storage facilities probably would be paid for by Uncle Sam. A meeting of the surplus-producing nations likely will be held in Washington this summer to work out details. One thing for sure: there would be no international control over the surpluses; no multilateralism; only, at best, a coordinated bilateralism.

\* \* This whole thing is vitally important to Canada. If we go along with the scheme, it means we will have found that we can't "lick 'em" so we must "join 'em". It would put us permanently into the business of surplus disposals similar to those of the United States which we have been criticizing so heartily over the past years. It seems certain Washington's cut-rate deals on surplus disposals are here to stay. Talk about the program being "temporary" or "only for a couple more years", you can mark down as daydreaming. The cut-rate deal has become a fact of life and it looks like we may have to join in or else see many of our wheat markets nibbled away.

This, of course, means subsidized exports. How much we can afford will be a real headache for Finance Minister Fleming.

\* \* Incidentally, we've come in for some strong criticism on Capitol Hill for our own complaining about U.S. surplus disposals. Harold Cooley, the North Carolinian Democrat who is Chairman of the House Agriculture Committee says Canada is to blame for what he calls a slowness in pushing American farm surpluses into the world markets. And he says he's so mad about our complaining he may send a Subcommittee to Ottawa to investigate the whole thing. Within

the next couple of weeks, he's going to call in some State Department officials and bawl them out for letting Canadian complaints hold up any possible barter deals on the grounds that such deals would hurt Canadian trade.

In this one, Agriculture Secretary Benson is on our side. He's told Cooley privately that the Canadians put up a very good case. But Cooley is not satisfied.

\* \* Incidentally, since Washington went back on its word to Canada about holding down on barter deals, Uncle Sam has made about \$52 million worth of such deals. This much in two months compares favorably with the biggest year in barter deals in which more than \$300 million worth were made. With Cooley in the lead, Congress is pressuring the Administration to ignore Canadian complaints and barter more than ever before. Cooley, and Senator Hubert Humphrey, Minnesota Democrat, may introduce legislation asking for \$500 million worth of barter a year as a target.

\* \* The Senate Foreign Relations Committee will get about \$500,000 to investigate foreign affairs including relations with Canada. For the study of Canada, the Senators allocated \$11,350.

\* \* The re-appointment of Arnold Heeney as Canadian Ambassador to Washington has been greeted happily by official and unofficial Americans. Heeney came to town early in February for a few days and then went back to Ottawa for some skiing and to clean up his desk as Chairman of the Civil Service. He'll be back in Washington before the end of the month.

American newspaper editorials all are lavish with praise for the appointment. So far as the State Department is concerned, officials there, relieved that Canada has an Ambassador after three and a half months without one, are enthusiastic about Heeney's return.

It's worth noting, incidentally, that during the Suez crisis when London and Washington were not speaking to each other, Heeney was virtually the only effective link between the two governments.

\* \* The Canada-U.S. race for uranium customers is warming up. Washington has widened its installment plan offer for fuel to cover 17 countries. Now, the U.S. will make loans for a country to build a U.S.-type reactor, and the U.S. enriched uranium fuel can be purchased for nothing down and 20 years to pay. We'd be much happier if countries built our type of reactor, the heavy water variety which uses natural uranium fuel which we sell. So far, Ottawa has not made any offers for as generous terms as Uncle Sam now is offering. However, Ottawa is going to make some kind of an agreement with EURATOM which may help push our uranium sales.

Without that push, Uncle Sam may wind up carving out exclusive future markets for American uranium producers operating through the U.S. Atomic Energy Commission. Most countries would prefer our type of reactors and our fuel because they are less expensive. However, the U.S. says its type of reactor using enriched fuel is a quicker way to develop power plants and even if the costs are higher, Uncle Sam is most willing to offer its buy now, pay later plan to ease the cost burden.

\* \* You may not have noticed it, but the legal chief in the State Department, Loftus Becker, made a very important speech the other day on the extra-territorial effects of U. S. antitrust legislation. It's particularly important for Canada in our current fuss about U.S. trust busters reaching into Canada to discipline Canadian radio and tv makers.

Becker disagrees with suggestions from a committee of the New York Bar Association that the Congress should legislate to "fence in" the extra-territorial effects of U. S. antitrust laws. Becker says the same thing can be done administratively to a large degree. And he says there is planning now in the State Department and White House to try to work this out.

While Becker is speaking only for the State Department and would meet objections from a reluctant Justice Department, it nevertheless is significant that such thinking is going on in parts of the Administration. If some system were worked out to administratively "fence in" extra-territorial effects of the trust busting laws, it would avoid such things as the current radio and tv suit that is angering many Canadians.

Incidentally, while Justice Minister Fulton seemed like a lion roaring at the American eagle in his New York speech, he seemed like a gentle lamb with U.S. Attorney General Rogers . . . at least in public.

\* \* There may be a joint Ottawa-Washington announcement soon on that much-discussed "marriage of Canadian and American defense industries". A session aimed at dotting the i's and crossing the t's in such an arrangement was held in Ottawa late last week. A high level Pentagon group went to Ottawa to confer with D.A. Golden, Deputy Minister of Defense Production. The Americans included all the Assistant Secretaries of the military services and the Defense Department in charge of procurement.

This was the third meeting for these gentlemen over the last few months.

\* \* Uncle Sam's "stock policeman" still is chasing Canadian stockateers. The Securities and Exchange Commission says it "continues to be confronted with serious enforcement problems" on stock selling to Americans from Canada.

And the SEC would like most of all to make an arrangement whereby it could have prosecuted stockateers bilking Americans from behind the 49th parallel. Diplomatic negotiations are proceeding on this matter, but you can figure there is not much chance of any change in the U.S.-Canada Supplementary Extra-dition Convention to let the U.S. haul back Canadian residents to face SEC charges.

\* \* Incidentally, the SEC continues to publicize its "Canadian Restricted List." That's a list of stocks which it says are being traded illegally in the U.S. from Canada. There are 201 names of Canadian stocks on the list. This past year two were deleted, 50 added.

\* \* Many a community and state official in the U.S. Upper Midwest is unhappy with Ottawa for what is charged as foot-dragging on taking steps to allow export of Canadian natural gas to the United States. Some Canadian observers in Washington also are getting concerned.

The plans of Tennessee-Midwestern to bring in Canadian gas have been put on the shelf temporarily. Northern Natural has no immediate plans. And it doesn't look like anybody will have a major import proposal until the export picture is clarified in Ottawa. The big worry here that you might note is that while Canada can afford to let a year or two slip by in this lush Upper Midwest market, we can't let too many years go by. Natural gas is coming up from the Southwest and Gulf and satisfying much of the demand. It's possible we might find that when we get around to clearing away our own red tape on gas exports, there won't be much of a market left in the Upper Midwest. And if we wait too long, other forms of energy may be available at competitive rates, leaving Canadian natural gas out in the cold.

\* \* Here's a rundown for you on the bills in Congress that affect us. None of them has been passed yet.

- The bills for a gold price increase and free marketing have had no hearings yet.

- The "Chicago water steal", that plan to divert an extra 1,500 cubic feet of water per second out of Lake Michigan, will have hearings in the House today (Tuesday, Feb. 17). There are 18 bills in Congress proposing this diversion. The Great Lakes States Senators (excluding Illinois) are fighting against the diversion which would mean loss in power, higher shipping costs, and property damage. These opposing Congressmen would dearly like to have Canada make a formal protest to help buttress their arguments.

- Three bills are in to slap on restrictions against plywood imports. A Tariff Commission hearing on this same subject will be held April 14. No Congressional Committee hearings have as yet been scheduled.

- There are a couple of bills to restrict interstate liquor advertising which, if passed, would hit hard at Canadian distillers. No hearings scheduled yet on this one, but probably there will be some later.

- Eight bills have been offered to impose tough restrictions on oil imports. There is no chance any of them can be passed before the end of February when President Eisenhower is supposed to make up his mind about what to do with the Administration voluntary control program. Most everybody expects the Administration to propose tougher controls but whether they'll be tough enough to satisfy Congressional demands is highly doubtful.

- A baker's dozen bills to make the U.S. surplus disposal program part of U. S. foreign economic policy are being considered. Hearings are being held on the general subject these days by both the House and Senate Agriculture Committees. Chances are the result will be a move toward some kind of "permanitizing" of the U.S. Public Law 480 approach.

- It looks like the bills for mandatory use of pilots on Great Lakes shipping will be okayed by the Congress and will not be vetoed by the President. Talks have been going on with Ottawa and a compromise has been worked out. Canada, apparently, is willing to go along with most of the U.S. proposals.

- Hearings will be held next month on bills for a large subsidy program for U.S. fishermen. This could be troublesome in the future for Canadian fishermen because it could lead to a tougher U.S. attitude on fish imports.

Sincerely,

