

# WASHINGTON • THROUGH CANADIAN EYES

Vol. 2, No. 14

September 15, 1959

Circulated privately to leading Canadians • Copyright 1959 by Nash Associates

Dear Sir:

As you read this there is only one thing of paramount importance going on in Washington and that is the visit of Mr. Khrushchev. All Washington eyes and ears are on this emissary from Moscow. One thing to remember, though...from now until Sept. 25 it will be strictly pomp, ceremony, smiles and handshakes. Serious talking won't start until Sept. 25 and then it will go on for the better part of three days at Mr. Eisenhower's vacation hideaway in the Catoctin Mountains at Camp David, a couple hour's drive north from Washington.

And while all else pales in significance to the Khrushchev visit, there nevertheless are a few other things going on in the American capital of interest to you. A couple of these are before the Federal Power Commission and hearings on importation of Canadian natural gas.

\* \* The big case, of course, is Trans-Canada's effort to export 204 million cubic feet daily into the U.S. Upper Midwest. This one has been going relatively smoothly before the FPC. The coal interests naturally have been doing as much delaying as they can, but it has not been too bad. Trans-Canada's top brass made a good showing in cross-examination, especially on the all-important matter of reserves. You will remember it was on the basis of insufficient proven reserves that the FPC killed the Trans-Canada export project last year. This time, the company has offered a much stronger case.

There is an Oct. 31 deadline on this one for on that date the contract between Trans-Canada and Midwestern Gas Transmission becomes cancellable. But there is rising hope at the FPC that a decision can be made by that deadline, despite earlier pessimism by the Presiding Examiner.

And one interesting point to note: last July the Examiner said in no uncertain terms that he would not consider any reserves added to Trans-Canada's position after the case had begun. Now, he's changed his mind and says he wants to have the latest possible figures on reserves. That's a break for Trans-Canada.

\* \* The other gas case before the FPC is the one being spearheaded by Consumers Gas of Toronto which wants to export Trans-Canada gas at Cornwall to upper New York State in the Ogdensburg-Massena area. This involves only a relatively tiny amount of gas. But, most important, it's a foot-in-the-door. If the FPC gave its approval, it could lead to a very much bigger export in the years to come.

The opposition on this one is very tough, however. And in addition, the Tennessee-Midwestern group which is importing Trans-Canada gas in the Upper Midwest, is not being very helpful to the Consumers Gas project just now. The Tennessee-Midwestern people fear export of Canadian gas into New York State could jeopardize the Upper Midwest deal. In addition, they'd like to distribute the gas themselves, not the small St. Lawrence Gas Co. set up now to do the distribution.

The Tennessee-Midwest attitude is, let's settle the Upper Midwest deal first, then talk about New York State. Thus, they are seeking to postpone any serious action on the Consumers Gas project until the FPC has acted on the Trans-Canada deal at Emerson, Manitoba.

\* \* Canadian farmers are very much affected by a squabble between the Senate and House over extension of Public Law 480, that U.S. surplus disposal law. The House passed a law extending it for one year and authorizing spending of \$1.5 billion for accepting foreign currencies instead of dollars. The Senate, however, went for three years and \$4.5 billion. So now a compromise must be worked out. The Administration wants only a one year extension, and presumably Ottawa would be far happier with this, too.

Under this law, while much humanitarian good has been done in distributing surpluses, Canadian farmers also have found some customers become former customers. We've lost out to the U.S. because of this cut-rate law in sales to Europe, South America and Africa. The law will be around for a good many years to come, but even so, it would be better for Canada to have the year-to-year renewal. . . better, that is, at least until the Americans are willing to join in a truly effective multilateral consultation on surplus disposals.

\* \* There are a lot of bills of importance to Canada now either being rushed through the dying days of the Congress or being put on the shelf. We'll have a full report on these in the next issue. There is such a rush around this town when the Congress is winding up a Session that many bills slip through barely noticed in all the hurly burly.

For instance, mandatory pilotage on the Great Lakes is one of these. A bill for this has been on the House calendar for several weeks. It's been passed over twice, but may get approval before the Congressmen go home. The Boggs bill providing tax deferrals for U.S. corporations making foreign investments, is another one. This could, in effect, mean a kind of temporary subsidy for American plants operating in Canada. The bill still is in the "iffy" stage in the House, but will bear watching.

And it's important to remember that those bills of interest to you which do not pass this year, still remain alive for 1960. A bill only dies when a Congress ends, and this 1959 Session is only the first half of the present Congress. So, while we may have escaped many a headache during this year, it very likely will come back to haunt us next year.

\* \* And one of these headaches certainly will be the "Chicago water steal." The Senate action in referring this to the Senate Foreign Relations Committee is

good for Canada because we've got a lot of friends there. Nevertheless, there will be a major drive again next year to divert the 1,000 extra cubic feet of water per second out of Lake Michigan for the Chicago sewer system. And only continuing tough protests from Ottawa will keep this one from passage. As we've mentioned before, if this water diversion ever goes through, it will cost you more money because the lower lake levels will mean losses in power and higher cost of Great Lakes shipping.

\* \* Did you notice that the St. Lawrence Seaway escaped another attack by the anti-Seaway forces, this time in the Senate? In our last letter we mentioned to you the battle in the House which these forces lost by a scant eight votes. The Seaway opponents, the east coast and gulf ports and the eastern railroads, would have killed most U.S. grain traffic out of the St. Lawrence Seaway. They would have done this with a law saying surplus grain shipments could only be made out of U.S. ports. As we explained before, because of the levels in the Great Lakes connecting channels, ocean-going ships take partial loads at U.S. ports and then "top off" with a full load at Montreal where U.S. surplus grain is stored for just that purpose. As in the House, the Senate this past week echoed with charges that it was all a big plot to make Montreal North America's greatest port by robbing other U.S. ports on the coast and gulf which naturally want to handle all the grain.

But by a bigger margin than the House, the would-be anti-Seaway measure was voted down in the Senate. So, we're safe at least for another year on this one.

\* \* Mark down January 12, 1960 in your calendar. That's the date the U.S. Tariff Commission opens hearings on lead and zinc imports into the United States.

This is a particularly important hearing. It's being held in a Presidential election year, a time when protectionists become especially active. The Tariff Commission, following the hearings, will make recommendations to the Senate on what legislative action may be best to restrict imports.

If you want to make a statement to the Tariff Commission on this, write a letter to the Secretary, U.S. Tariff Commission, Eighth and E. Streets, N.W., Washington, D.C.

\* \* And incidentally, the Tariff Commission is holding a similar hearing on fluorspar on December 15, 1959.

\* \* While we're on the subject of tariffs, a bill has been introduced in the Senate to raise tariff barriers against foreign goods produced by low-wage labor. It provides that the Secretary of Labor would study complaints about low-wage foreign competition and recommend tariff increases to offset foreign wage advantages. The President could veto the Secretary of Labor's recommendation, but in the absence of such a veto, the tariff boost would go into effect.

Administration officials are unhappy over the bill and say it conflicts with GATT. The bill, however, does have bipartisan backing in the Senate and while it won't get anywhere this year, it will receive attention in 1960.

\* \* You may have noticed that the U.S. Air Force is going to use the F-104 as a drone for anti-aircraft target practice to test out Bomarc and Nike-Hercules. There was some fear expressed that this might be the end of this supersonic plane that Canada has purchased for replacement of our present European squadrons. Well, don't worry about it. The F-104 is not being tossed in the ashcan by the U.S.---just yet, anyway. Even though some of the early prototypes will be used as clay pigeons it does not mean the end of the F-104.

Actually, you need a high-flying, fast-moving vehicle like this plane to adequately test out the new anti-aircraft missiles. In fact, if anything, the decision to use a few F-104's as drones, indicates considerable confidence in the ability of Bomarc and Nike-Hercules to knock down such a sophisticated target.

\* \* And while on the subject of air defence, did you note that the first effort to test the Army's Nike-Zeus, our one and only anti-missile missile hope for the future, ended in failure? The missile blew up over White Sands, New Mexico after what the Army called a "successful launching."

These things happen, of course, but it was discouraging to have a failure on the first try. Development of this weapon is important to Canada because it could be deployed in Canada and rearward communications and forward acquisitional radar will be in Canada. Thus Canadian industry will have a healthy slice of the Nike-Zeus business, especially electronics. So, the sooner the U.S. Army makes Nike-Zeus a going concern (expected in the early to mid-1960's) the sooner Canadian industry will be getting orders from Uncle Sam.

Sincerely,

*The Editors*

P.S. Rep. Richard Simpson, a Pennsylvania Republican and arch-protectionist, uncovered what, to a protectionist, is surely a most cruel blow. He has found that the stitching wire that binds the Congressional Record (like our Hansard), is provided by a British firm. "Indecent", says the Congressman.

na